



MINUTES

State Government Reorganization Commission

September 9, 2009

MEMBERS PRESENT:

Senator Staci Appel, Co-chairperson
Senator Jeff Danielson
Senator Randy Feenstra
Senator Steve Warnstadt

Representative Mary Mascher, Co-chairperson
Representative Mary Gaskill
Representative Erik Helland
Representative Doug Struyk
Representative Todd E. Taylor

MEETING IN BRIEF

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- I. Procedural Business
- II. Opening Remarks
- III. Governor's Office Efficiency Efforts
- IV. Office of Lean Enterprise
- V. Department of Administrative Services (DAS)
- VI. Future of E-Government
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I. Procedural Business

Call to Order. The first meeting of the State Government Reorganization Commission was called to order by temporary Co-chairperson Senator Appel at 9:00 a.m., Wednesday, September 9, 2009. The meeting was held in Room 102 of the State Capitol.

Adjournment. The meeting was adjourned at 3:28 p.m.

Commission Business. The Commission adopted rules and elected Senator Appel and Representative Mascher Co-chairpersons of the Commission.

Next Meeting. The next meeting of the Commission was scheduled for December 10, 2009.

II. Opening Remarks

Co-chairperson Appel indicated that the goal of the Commission is to look for efficiencies in government. Initially, the Commission will look for efficiencies at the state government level, especially looking at information technology services, purchasing, and training. Co-chairperson Appel indicated that seeking efficiencies is likely to be a multiyear process.

Co-chairperson Mascher stated that she is looking for input from all sources on how best to improve the efficiency of government, including the legislative branch.

III. Governor's Office Efficiency Efforts

A. Department of Management

1. Presentation

Mr. Richard Oshlo, Interim Director of the Department of Management and State Budget Director, addressed the Commission relative to the efforts of the Governor and the department in increasing government efficiency. Mr. Oshlo indicated that the Governor has submitted balanced budgets since taking office. For FY 2010-2011, the Governor's office directed departments to submit status-quo budgets. The Governor has also initiated an efficiency review of executive branch agencies, looking for efficiencies in providing government services and the elimination of unnecessary costs. As part of these efforts and as a result of a competitive selection process, the department has awarded Public Works, LLC a fixed-fee contract to work with the Governor's office and the department to lead the efficiency review. The goal of Public Works is to find savings of around 2 percent of General Fund revenues. To make this efficiency review open and transparent, the Governor's office is setting up a website dedicated to this efficiency review process.

2. Commission Discussion and Questions

Mr. Oshlo indicated that the money for the contract with Public Works, LLC, approximately \$300,000, came from the Department of Management budget.



Mr. Oshlo responded to questions by stating that many of the suggested budget cuts from department directors for the current fiscal year were implemented and that all of the suggestions would be released at some point.

B. Public Works, LLC

1. Presentation

Mr. Eric Schnurer, President of Public Works, LLC, addressed the Commission. Mr. Schnurer indicated that Public Works, a Pennsylvania firm, provides public policy research and analysis, organizational development, and management consulting to government agencies, and other entities across the country. The mission of the company is to help governments and policymakers develop groundbreaking policy initiatives and programs while achieving their objectives efficiently and cost effectively. Firm objectives include high quality strategic planning and consulting with a major emphasis on policy. The firm focuses on these efforts while providing these services at low cost, through the extensive use of technology and reduced overhead.

Mr. Schnurer noted that finding government efficiencies is nonpartisan, and that the firm has worked effectively with both Democrats and Republicans. Mr. Schnurer noted that the firm did work on public policy issues for Governor Culver during the transition, especially in the area of renewable energy.

Mr. Schnurer described the history and concept of a performance review of government functions. Mr. Schnurer stated that while many consultants focus on the making of massive budget cuts, Public Works focuses on finding many small inefficiencies which, once eliminated, result in recurring savings equivalent to 2 percent of a government's general fund budget.

Mr. Schnurer noted that Public Works has worked in almost half of the states and then more particularly discussed the work of Public Works in the states of New Mexico, West Virginia, and Colorado. Savings found during performance reviews conducted by Public Works include employing technology to fight Medicaid fraud, implementing reverse auctions, properly calibrating salt spreaders during winter, reducing postage for prisoners, consolidating agency mail service, consolidating highway pipe types, requiring doubled-sided printing, providing dental checks during pregnancy, eliminating blank report pages, and consolidating mining commissions. Mr. Schnurer noted that the New Mexico performance review found over \$100 million in savings in the first year, and over time, an amount equal to 5 percent savings of the noneducation budget. The West Virginia performance review found savings of \$77 million in the first year, with a total savings of \$389 million over five years. In Colorado, about \$145 million in savings over five years was realized.

2. Commission Discussion and Questions

With a reduced budget and a fairly short period of time to identify savings, the firm will likely not be able to identify as many savings as if more resources and time were available. Generally though, the process of conducting performance reviews should be institutionalized and continued over time. Texas has been conducting regular performance



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reviews over the last 20 years and they are still able to find savings. Mr. Schnurer indicated that his firm expects to find savings, but that more savings can always be found. The goal of the review is not to shift costs to lower levels of government but to find ongoing savings through efficiency.

IV. Office of Lean Enterprise

A. Presentation

Ms. Teresa Hay McMahon, Department of Management, described the Lean processes being used by state agencies to find and implement internal efficiencies. "Lean" is described as a collection of principles and tools that improve the speed of any process by eliminating waste. Lean tools include Kaizen, value stream mapping, design for Lean sigma, and 5S. While Lean was initially utilized in the private sector, the public sector has recognized the value of Lean.

Ms. McMahon discussed how Lean tools began being used in the executive branch and how the Department of Management became the lead agency to provide such services to state agencies. In 2003, the Department of Natural Resources was approached by the Iowa Coalition for Innovation and Growth expressing concern about the permitting process within the agency and proposed a public-private partnership utilizing Lean. As a result, a Lean event was conducted, the result of which reduced the lead time for air quality permits significantly. Since 2003, over 110 Lean events have been completed with at least 25 sponsoring agencies. The Department of Management now has one full-time Lean facilitator and four state agencies are developing the internal capacity to support and lead Lean events and the Office of Lean Enterprise has been statutorily created.

While state government has just begun the Lean process, more can be done. Examples of areas that have yet to undergo a Lean review include several areas within the departments of Natural Resources, Corrections, Public Safety, and the Board of Medical Examiners, as well as the areas of veterans home admissions, unemployment insurance, health facility and fire safety inspections, child abuse appeals, museum collection management, and community empowerment.

To do Lean properly, one must recognize that the process is simple, but not easy. It requires a long-term organizational commitment, acceptance and involvement at all levels of management, frequent and proactive communications, inclusion of external stakeholders in the process, and continual follow-up in order to sustain the gains achieved.

As part of the efforts to sustain Lean in the future, the department is working on establishing an Iowa Lean Consortium, composed of business, health care, government, and education interests.

B. Commission Discussion and Questions

In response to a question of whether there is any interest in taking Lean events more broadly, Ms. McMahon indicated that it is important to look at smaller processes in the beginning in order to prove that Lean works and to build institutional support for the concept. Lean style events are likely to involve more strategic examinations in the future.

As far as documenting savings, Ms. McMahon indicated that much of the savings are "soft dollar" savings in terms of time and efficiency. In response to other comments that government



effectiveness, and not just cost savings should be considered, Ms. McMahon indicated that increased efficiency generally results in more effective processes.

In response to additional comments from commission members, Ms. McMahon indicated that comments from those involved in Lean as to what the Legislature could do to eliminate any barriers and to encourage increased participation in Lean events would be communicated. Ms. McMahon also noted that while most private sector involvement in Lean tends to be from larger businesses and while direct outreach to small business has been limited, small business has been included for specific Lean events.

V. Department of Administrative Services (DAS)

A. DAS Operational Overview

Mr. Ray Walton, Director, Department of Administrative Services (DAS), provided an overview concerning DAS. DAS was established in 2003 by consolidating the departments of General Services, Personnel, and Information Technology, and the "corporate" state accounting function of the Department of Revenue and Finance. The functions transferred to DAS from these departments are reflected in the four divisions of DAS, called "enterprises": human resources, accounting, information technology, and general services. The new department was created using an entrepreneurial model, with most money used by the department coming from the executive branch agencies it serves and not from a direct appropriation. The basic functions of the office are generally categorized as utility services, marketplace services, and leadership services. Utility services are those which agencies are required to obtain from DAS with the agencies using that service required to reimburse the costs to DAS. Marketplace services are those which an agency may elect to obtain the service from DAS for a fee, but the agency may elect to obtain the service elsewhere. Leadership services are those which DAS provides and are funded from a direct appropriation to DAS. DAS has responded to the current financial situation by aggressively looking for savings and efficiencies, including reducing the number of printers, requiring duplex printing, and eliminating coffee pots and space heaters.

B. Executive Branch Information Technology

1. Overview

Ms. Lorrie Tritch, Information Technology Enterprise, DAS, addressed the Commission by examining the current information technology governance structure, reviewing the various governance structures for information technology within the executive branch, examining information technology savings initiatives conducted in this state, highlighting recent information technology trends, and providing recommendations to the Commission.

2. Governance

The primary entity governing executive branch information technology is the 10-member Technology Governance Board. The Board was created to focus on a number of information technology leadership areas, including providing planning and oversight of the information technology investments in state government, specifically the executive branch, for the purpose of maximizing the value of those investments, and achieving a



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standardization of executive branch information technology, using a policy standards development process. Advisory groups assisting the Board include the Request for Proposal Advisory Group, which reviews and discusses information technology-related RFPs and sole-source information technology procurements and then provides their recommendations to the Board for final approval; the Information Technology Standards Advisory Group, which sets direction for enterprise information technology standards; the Joint Council of Information Officers, which explores technology initiatives and provides recommendations; and the Chief Information Officers Council.

3. Savings Initiatives

In looking at information technology infrastructure costs, it was determined that it might be possible to achieve savings of approximately 12 to 15 percent of the enterprise information technology budgets over a number of years if investments were also provided to lay the necessary groundwork. As a result of these determinations, the technology governance board, in collaboration with the agency chief information officers, has taken efforts to reduce information technology operational costs. Key initiatives in reducing these costs were software volume purchasing and the standardization of computer models used. From those two initiatives, savings or cost avoidance in FY 2004-2005 and 2005-2006 was a combined \$1.8 million.

4. Executive Branch Information Technology Structure

Ms. Tritch described the current information technology structure as a federated/decentralized model with a central information technology entity which provides marketplace services on a fee-for-services basis and allows state agencies to either purchase services or find other means to receive the service. As a result, most agencies have their own information technology divisions and provide the majority of their information technology support within their agency. A consequence of this approach is that there are 25 e-mail systems in the executive branch, three different Blackberry systems in the executive branch, dozens of different storage systems and data backup systems in the executive branch, 2,000 servers on the Capitol Complex and around the state, and an estimated 12 data centers or server farms on the Capitol Complex and the Des Moines surrounding area.

5. Information Technology Trends

Ms. Tritch indicated that the type of information technology decentralization that has occurred in Iowa has led many entities in the public and private sector throughout the country to move to a centralized service for some information technology services, and in other cases, for all information technology services. Ms. Tritch stated that information technology centralization has become an industry best practice.

Another emerging information technology trend is called "Software as a Service," also referred to as "Cloud Computing." With this model, there are opportunities to leverage information technology commodity services from the private sector on a full-scale basis or in a shared service offering. Regardless of which approach is taken, providing e-mail services and other information technology services in the future in this manner is a definite possibility. In considering this, there are at least two critical factors. One is cost, as utilizing



this approach should not be viewed as an easy cost-savings solution; while it may provide short-term savings, it may not save money over the long term, or be at least a three to five year return on investment. Another critical factor is data sovereignty and data encryption, with a key consideration being where the state's data will reside.

In considering any options or recommendations for how information technology is provided in the future, there are several requirements to consider, such as data privacy and security, financial viability, and service quality.

6. Recommendations

With a focus on more efficient resource utilization, better staff skills utilization, the same or better service availability and better use of space, Ms. Tritch recommended the following to gain economies of scale towards long-term dollar savings:

- a. Expand the role of the current Technology Governance Board to include audit and compliance responsibilities.
- b. Place authority with the single State Chief Information Officer to lead information technology enterprise efforts. This authority would reach across executive branch agency boundaries to focus on the best uses of technology to meet the agencies' mission in collaboration with agency business and technical peers, as well as serving the state as a whole.
- c. Establishing a three to five person governance body of information technology experts to establish and enforce standards and oversee fiscal information technology resources and to be responsible for contract management and service-level agreements within the executive branch as well as with vendors.
- d. Reduce the number of data centers and server farm rooms.
- e. Reduce the number of e-mail systems from 23 to 1.

C. Executive Branch Purchasing

Ms. Debbie O'Leary, General Services Enterprise, DAS, testified regarding DAS procurement and bidding processes. Ms. O'Leary stated that DAS currently purchases goods on behalf of 41 agencies, that the remaining agencies have independent purchasing power, and that some agencies may make independent purchases of certain lesser amounts. Ms. O'Leary stated that DAS has created 721 master contracts for state agencies and almost half are with companies with an Iowa presence. The critical factors in finding procurement savings are volume, standardization, and competition. Laws that establish preferences for certain vendors limit competition. For purposes of strengthening the procurement process in the state, Ms. O'Leary recommended reviewing the grant of independent purchasing power to certain governmental entities, mandating the use of selective DAS procurement contracts, standardizing the products purchased by state agencies, requiring generally used services to be purchased through DAS procurement, requiring annual training for procurement officers, and making contracts available to local governments.



D. Commission Discussion

Commission members asked the department how the estimated 12 to 15 percent in information technology savings could be accomplished. In addition, the Commission requested the department to provide a more detailed list of their proposed recommendations, including information on recommendations that could be implemented by executive order and those which require legislative changes and a timeline for accomplishing the recommendations.

VI. Future of E-Government

A. Microsoft

Mr. Colin Nurse, Chief Technology Officer, Microsoft, testified regarding how better use of information technology may meet the goal of the Commission in regards to improved efficiency, reduced duplication, cost savings, and increased accountability. The focus of the presentation attempted to address very specific questions, such as what best practices have other states identified as essential to successful information technology consolidation, what options are available to reduce the number of servers, what options are available when considering cloud computing, and what difference information technology can make in providing better government services while producing cost savings.

Most states are either involved with information technology consolidation or are considering it. This increased consolidation positioning has led, in many states, to cost savings, greater security, increased agility in responding to needs, and enhanced performance, reliability, and availability. Other best practices necessary for a successful consolidation project include ensuring strong leadership from both elected officials and senior management, having an agreed information technology strategy, ensuring a fair process in forming the infrastructure team, consolidating hardware and software platforms down to strategic vendors, having an enterprise architecture and standards and a project management office, recruiting experienced staff from impacted agencies, introducing information technology service performance metrics, and instituting and rewarding a customer service culture.

Consolidation benefits include but are not limited to being less expensive, increased economies of scale, more efficient use of server assets, improved performance, more consistent service levels and management, being more secure, being more "green", improved business continuity protection, and less Internet-exposed access points.

Lessons learned from recent consolidation efforts include making sure the existing service is bench marked; starting with the smallest, not the larger, applications, user groups, or departments; providing good communication throughout the process; planning and managing for the staff affected by the change; recognizing that change is not always seen as positive; involving the business in the information technology change process; recognizing that the issues that impact the private and public sector are the same; and ensuring that strategic information technology gets the budget it needs.

Mr. Nurse then discussed the possibility of governments utilizing cloud computing services, also known as software as a service. Cloud computing generally refers to both the applications



delivered as services over the Internet and the hardware and systems software in the data centers that provide those services. Since the 1970s, computing has evolved from a monolithic system, to a client-server approach, to the web, to today's service-oriented architecture. The near future for computing, though, appears to be cloud services enablement.

Mr. Nurse then noted the evolving nature of information technology services, from a cost center, to a business center, to eventually becoming a strategic asset. Utilizing cloud computing can accelerate this process.

Mr. Nurse then discussed why many state governments are looking to cloud computing. Primarily, governments are finding the need to evolve with the times by modernizing legacy information technology systems, being more cost effective, and being more convenient and accessible. Still, while cloud computing may make sense in some circumstances, Microsoft recognizes that there will always be a place for on-premises services. Finding the right mix between the two is critical.

Mr. Nurse then identified issues that should be considered prior to a governmental entity engaging in cloud computing. Issues identified include security, accessibility, availability and enterprise track record, document fidelity, data accessibility, global reach, ease of provisioning, business agility, deployability, and manageability.

Still, utilizing cloud computing can result in significant opportunities for increased sustainability at reduced costs. Cloud computing can result in more energy efficient computing. Other opportunities for information technology savings can be found by unifying communications, such as video conferencing and voice mail to your inbox; virtualization, by sharing multiple servers' loads on a single server; and by application replacement. Still, significant challenges exist for adoption of these new approaches, especially as it concerns information technology budgets.

B. Google

Mr. Tom Howe, Regional Sales Manager, Google, and Mr. Chris Russell, Google, Data Center, Council Bluffs, provided information regarding the services provided by Google and Google's resources.

Current issues identified as facing government information technology include the demand for increased transparency, slowing spending on information technology, a demand for reduced energy consumption, and the changing nature of end users who are used to accessing powerful technology tools at home.

Cloud computing can deal with many of the issues facing information technology.

Current information technology approaches raise significant security concerns, especially given the need for users to access data at any time. More particularly, around 60 percent of corporate data is stored on unprotected desktop and laptop computers, and, in addition, nearly 10 percent of laptops are stolen and over 66 percent of thumb flash drives are lost. Cloud computing can be more secure, since the data is stored in a location and in a manner designed to keep it protected. In addition, as storage capacity demands increase, the cost advantages of cloud computing increase.



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Messaging and collaboration are also better utilizing cloud computing. Cloud computing is less than one-third the cost of on-premises messaging systems, no hardware or software needs to be maintained, and it is more reliable and secure with a better user experience.

Another advantage of cloud computing is the opportunity for continuous innovation. If data is stored with the vendor, the keeper of data can bring new changes immediately. For instance, at Google, 68 major feature releases occurred in 2008, with 36 so far in 2009. Ultimately, it does not make sense for governments or any organization to run horizontal applications like e-mail.

In sum, the presenters stated that cloud computing can lead to reduced information technology costs and reduced complexity while being more reliable and secure than on-premises services.

Several governmental entities are exploring the use of cloud computing. An example of how cloud computing can be used in government is occurring in Washington, D.C.

C. Commission Discussion With Vendors

1. Cloud Computing Philosophy

Microsoft believes a hybrid approach is best and to not go exclusively to cloud computing. While Google doesn't entirely disagree, many horizontal applications, such as e-mail, should be exclusively through cloud computing.

2. Security Concerns

In response to questions of how cloud computing can deal with concerns over unfettered access to private information, the presenters indicated that utilizing a data center, together with currently existing login methods, can enhance security. Many financial, defense contractor, and national security firms utilize both Microsoft and Google. Ultimately, though, while steps can be taken to significantly reduce risks, one can not totally eliminate vulnerabilities.

3. Adoption Concerns

Overcoming a resistance to change regarding server consolidation can be accomplished through executive order or legislation. Critical to a successful change towards increased consolidation is to deal with the individuals impacted. In many cases, consolidation or migration to cloud computing can allow individuals to focus on information technology issues more specific to the agency. Generally, when consolidation or increased use of cloud computing occurs, current information technology employees are redeployed in other areas. As noted by one of the presenters, many in the information technology field are nearing retirement so savings can occur once those who leave are not replaced.

4. Access Concerns

Increasing reliance on web-based access to government information is a concern in areas with limited high-speed Internet access. Microsoft noted that they have taken steps to try and address this issue and Google noted that it has many global customers so any system can be designed to allow access for those with slow connections.



VII. Commission Discussion

Representative Struyk commented that the Commission should at least have a specified goal for savings. A goal is necessary to force the Commission to make tough choices in finding savings. Implementing the e-mail recommendations will not result in significant savings. Reviewing the suggested savings submitted by departments last year would be an important step in identifying needed savings.

Senator Danielson noted that the Commission needs to find the facts first, then decide on recommendations. This effort should not be a partisan battle and the Commission needs to set the right tone for finding all of the possible efficiencies. One possibility would be to conduct a closed, bipartisan caucus before the next meeting to discuss all possibilities.

Senator Feenstra expressed his commitment to the process of reinventing government. The Legislature needs to lead the way in looking at how best to provide government services.

Senator Warnstadt stated that the focus needs to be on governmental efficiency and effectiveness, not just on cost-saving measures. The Commission needs to engage the public in seeking ideas for making government better and more efficient.

Representative Taylor noted the ongoing nature of reinvention efforts and indicated the need to continue these efforts in the future.

Co-chairperson Appel noted, in response to questions, that the Commission does not have a specific target for recommended cost savings. The goal is to make recommendations at the next meeting and to have a bill prepared for consideration once the next legislative session starts.

Co-chairperson Mascher also noted that no target savings amount exists for the Commission, but all potential efficiencies need to be explored. The point of these Commission meetings is to get the process started. Two meetings are not enough and a more formalized multiyear process should be considered to allow for continuous examination of these issues. The Commission's goal should be to get something done so the Commission should work together in moving the state forward.

VIII. Materials Filed With the Legislative Services Agency

The following materials listed were distributed at or in connection with the meeting and are filed with the Legislative Services Agency. The materials may be accessed from the <Additional Information> link on the Commission's Internet webpage:

<http://www.legis.state.ia.us/aspx/Committees/Committee.aspx?id=487>.

1. Department of Management — Lean Practices.
2. Department of Management — Mr. Oshlo.
3. Google — Cloud Computing.
4. Google — Presentation.
5. Microsoft Corporate Citizenship.



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- 6.** Microsoft Presentation.
- 7.** Public Works LLC Presentation.
- 8.** DAS Purchasing and Procurement.
- 9.** Executive Branch Electronic Mail Study.
- 10.** DAS Information Technology.
- 11.** Boards and Commissions.
- 12.** Boards and Commissions Per Diem Analysis.
- 13.** State Agency Tables of Organization.

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