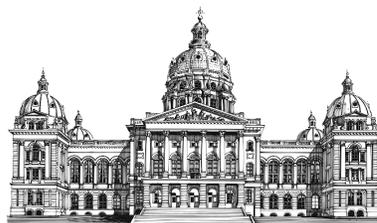

Iowa Legislative Fiscal Bureau

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State Capitol
Des Moines, IA 50319
August 8, 1996

Central Information Technology Entity

ISSUE

Creation of a new Executive Branch entity for information technology.

AFFECTED AGENCIES

All Executive Branch agencies except the Board of Regents.

CODE AUTHORITY

Chapter 28D and 28E, Code of Iowa

BACKGROUND

On July 22, 1996, the Governor announced the intent of the Executive Branch to create a Central Information Technology Entity which would include:

- An administrative consolidation of the Department of Transportation, Department of Workforce Development, and the Department of General Services data centers. The FY 1995 expenditure by these data centers was \$14.8 million and they employed 104.0 FTE positions.
- Creation of an independent, interim organization that partners with the Iowa Communication Network (ICN) and reshapes information technology management.
- The eventual creation of a Department of Technology.

The Governor anticipates hiring a Director by the end of July with the entity becoming operational sometime during August. There are currently 267 employees providing information technology support in the affected agencies. The FY 1995 expenditure for mainframe and midrange data centers, networks, and end user computing was \$49.2 million. It is anticipated that the Central Information Technology Entity will have 150 and 200 employees after consolidation.

CURRENT SITUATION

The Department of Management (DOM) began the process of coordinating an assessment and evaluation of information technology within the Executive Branch (excluding the Board of Regents) during the fall of 1995. The following steps led to the Governor's July 1996 announcement of the creation of the Central Information Technology Entity:

November 1995 - State agencies were required to prepare written responses outlining the costs, applications, operations, hardware assets, software assets, administration, and activities associated with the provision of information. This report was supplied to two vendors, International Business Machines (IBM) and Electronic Data Services (EDS), for evaluation. The vendors reviewed the agency reports to identify potential areas of information technology service improvement or cost savings.

December 1995 - Analysis and recommendations were completed by the vendors. These reports were given to a consultant, the Yankee Group, for review. The Yankee Group Report was completed and released in late December 1995.

The Yankee Group suggested three possible courses of action for the State in transforming its information technology structure. The possible courses of action included: 1) implement the transformation using existing staff, 2) implement the transformation using existing staff and consultants, or 3) outsource certain functions to achieve the information technology transformation. The vendors, IBM and EDS, were not paid for their assessment. The consultant, the Yankee Group, was paid \$25,000. The cost of the consultant was paid by the participating Executive Branch agencies.

February 1996 - The DOM decided that more information was needed regarding the cost and technical data contained in the Yankee Group Report before making any decisions. The DOM entered into a contract with KPMG Peat Marwick for an analysis of how much the State is spending for information technology service delivery. The \$94,000 contract was from April 1, 1996, to July 15, 1996. The contract cost was to be paid by the participating Executive Branch agencies.

March 1996 - A team of State employees called the Information Technology Steering Committee, was appointed to identify key issues and develop options for transforming information technology service delivery. This included mainframe data center administrative consolidation, as well as other enterprise information technology activities.

June 1996 - Ads were placed to hire a Director of Information Technology Services. The ad stated that "the Executive Branch of the Iowa State government is creating an enterprise business unit to provide guidance and leadership in the deployment, support, and provision of information technology services. An excellent opportunity for a proven business executive with an Information Technology background, this position will be appointed by and report to the Governor." The salary range was \$68,700 to \$91,300 and the deadline for applications was July 1, 1996. In addition, the Information Technology Steering Committee worked on four division director job descriptions for the new information technology entity; directors of divisions of Systems Operations, Administration, Customer Liaison, and Direct Customer Support.

July 1996 - The Information Technology Steering Committee and Peat Marwick submitted reports to the Governor. On July 22, 1996, the Governor issued a press release announcing the creation of the Central Information Technology Entity. Under the Governor's plan Central Information Technology Entity would manage the following areas:

- The three main Executive Branch data centers, currently located in the Departments of General Services, Transportation and Workforce Development.
- Certain aspects of local area networks, wide area networks, and workstations. These systems are currently supported by individual State agencies.
- The current Department of General Services help desk, training, education, and consulting services.
- The current Department of General Services application development of programs that provide services used by all State agencies. Examples of these programs would include the accounting system and the payroll system.
- The ICN would work in conjunction with and provide administrative support services to the Central Information Technology Entity.

The intent of the Executive Branch with this proposal is to save funds through greater efficiencies and to provide better services. It is currently unknown if there are any savings that would result from the consolidation of these services. The new Director is expected to be hired by the end of July, and the consolidation of services is expected to take place during August 1996. The Executive Branch reports that once the consolidation occurs, they will begin a process of competitive evaluation with the private sector for some, or all, of the services provided.

The proposed funding would come from a revolving fund with the entity charging for services. The current plan states that 28D and 28E agreements may be used to establish relationships between agencies and the Central Information Technology Entity until other arrangements are made through legislation or other means. **Attachments 1 through 4** from the Governor's Office show the proposed structure and tasks to be completed.

The Information Technology Steering Committee report to the Governor identified certain constraints and barriers in attempting to deploy an enterprise information technology plan. They identified the following key success factors, some which would require law changes to implement:

- Restructuring information technology to provide an enterprise perspective that will facilitate the continuity and connectivity of systems across the enterprise. Information exchange needs to continue to grow between state, local, and federal governments, creating a need for increased intergovernmental coordination.
- Developing and implementing standards will result in increased data access and resource sharing.
- Utilizing information technology as an asset is critical to maintaining enhanced service delivery and a greater customer focus.
- Developing financial strategies to support information technology as an asset will enable agencies to purchase services that support critical programs in a competitive, service-oriented environment. User-based funding presumes the agencies have the best understanding of their program requirements. All requests for resources to fund information management services will be initiated by the customer agencies.
- Implementing a bona fide revolving fund that generates revenue based on use will provide for the planned acquisition and management of facilities and new technology.

- Authorizing a separate purchasing authority will enable the information technology entity to negotiate timely volume purchase agreements on an enterprise basis resulting in cost savings.
- Ensuring appropriate staffing levels and classifications must be a priority to deliver efficient service at a competitive cost. Each function must be analyzed to determine the appropriate skills necessary to perform the service. Current classifications and positions must be analyzed to guarantee effective performance.
- Removing FTE caps will allow agencies to forego the costly expense of entering into personal services contracts with programming and analyst staff that can be employed at a lower cost to the State.
- The importance of a peer relationship for the Information Technology Director with other department directors is critical to the success of the enterprise.

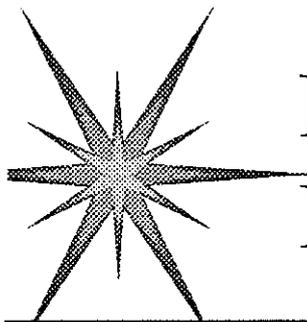
ALTERNATIVES

The Governor has indicated he will propose the creation of a Department of Technology. Other issues that could be addressed by the Legislature include the role of the ICN and the Iowa Telecommunications and Technology Commission, funding streams, the proposed exemption from purchasing, exemption from FTE limitations, and the creation of information technology standards for all agencies. The Governor has stated that the role of this enterprise is to help prepare Iowa State government for the 21st century. But it has not been defined what role the Central Information Technology Entity should play in utilizing information technology as part of business reengineering and improving on current practices.

BUDGET IMPACT

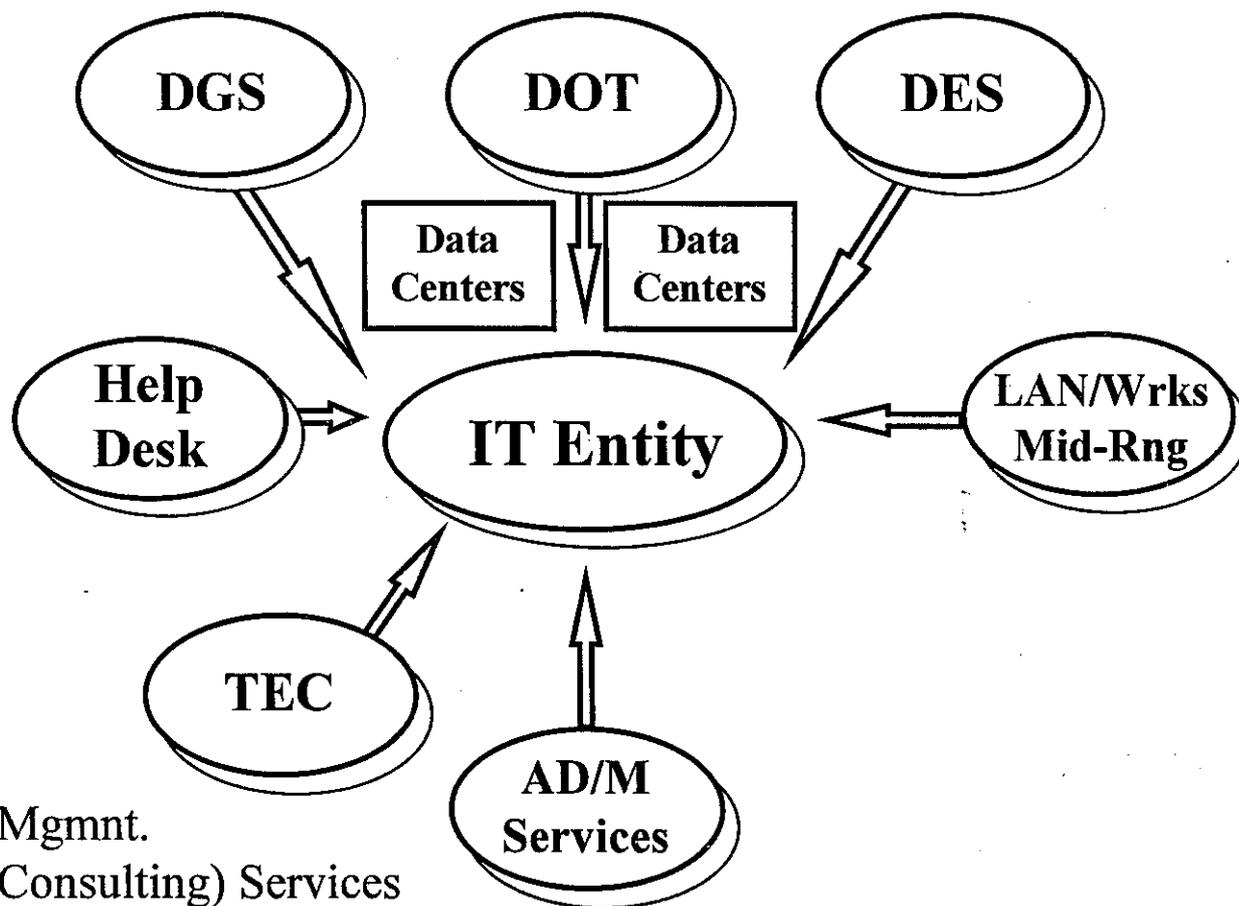
The proposal for this reorganization was for both cost savings and better provision of services. The Executive Branch anticipates that savings will occur through the consolidation but does not have a current estimate.

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Executive Branch Information Technology (IT) Enterprise

- IT Entity**
1. Data Center Mgmt.
 2. Network Mgmt.
 3. LAN Mgmt.*
 4. Mid-Range Mgmt.
 5. Workstation Mgmt.
 6. TEC Services**
 7. AD/M Services***
 8. Administration



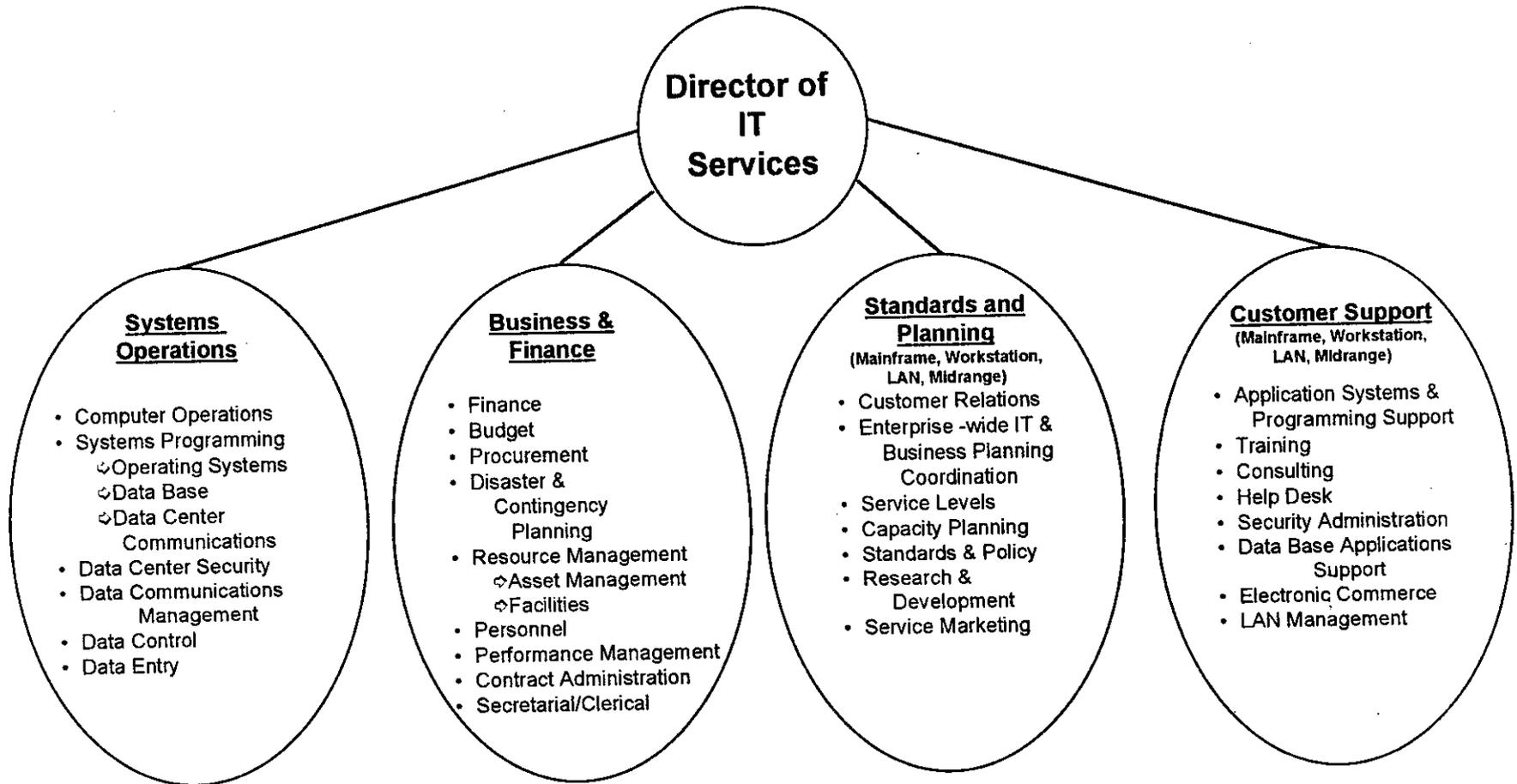
*LAN (Local Area Network) Mgmt.

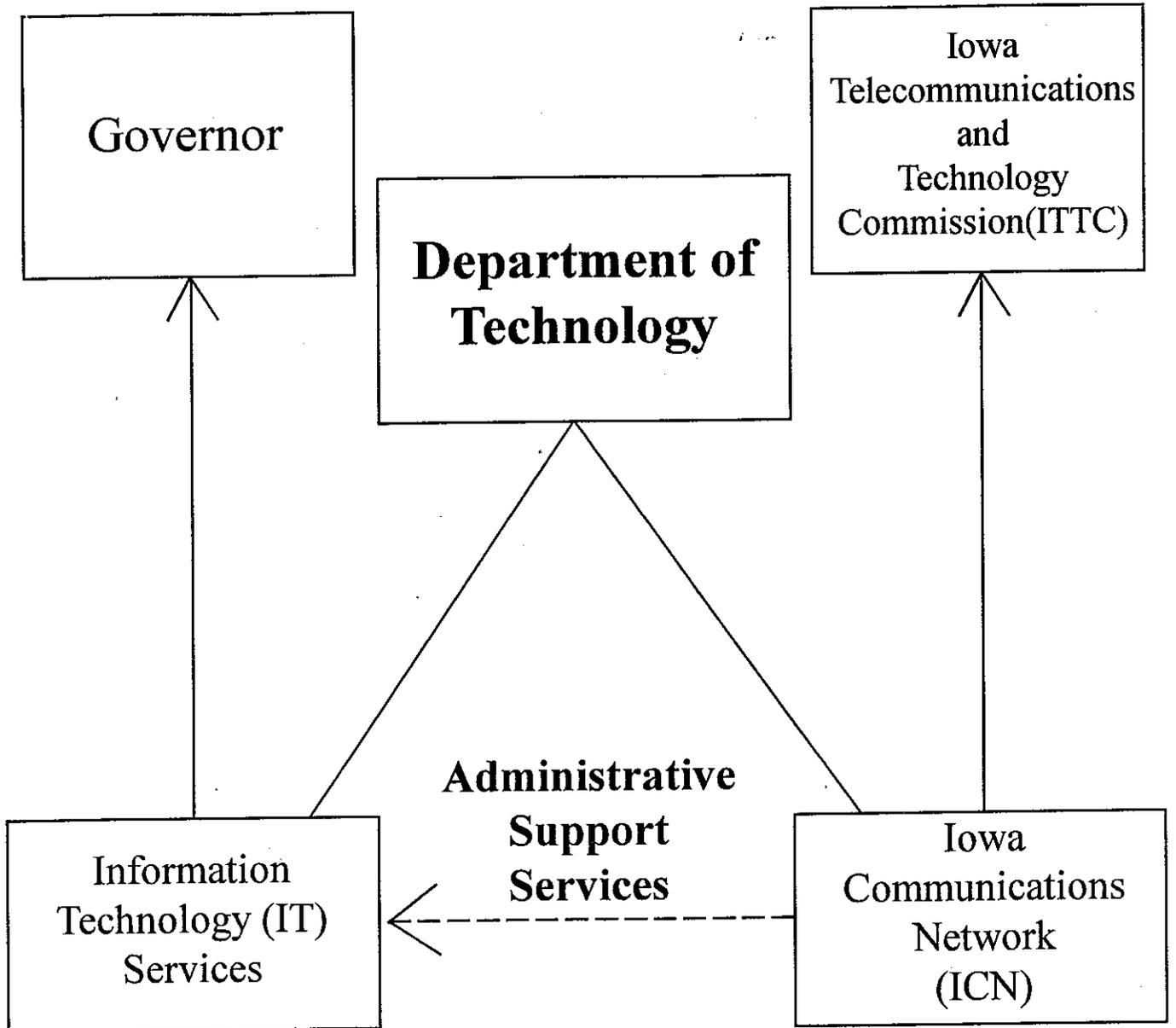
**TEC (Training, Education, Consulting) Services

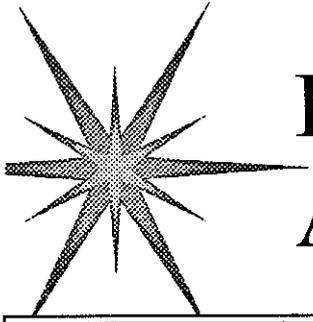
***AD/M (Application Development/Maintenance) Services

Information Technology Entity

(Interim Tactical Organization)







By August 31, 1996, the Following is Anticipated:

- ✓ Peat Marwick Report Completed
- ✓ Determine Organizational Placement of the IT Entity
- ✓ Hire an IT Director
- ✓ Establish Detailed Table of Organization for IT Entity
- ✓ Establish Service Level and Administrative Agreements with Agencies
- ✓ Complete Administrative (common management) Consolidation
- ✓ Consider “Competitive Provision of Services” (insourcing, outsourcing, benchmarking, etc.?) Options for IT Service Delivery