

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Governmental Oversight and Accountability Committee

BILL: CS/SB 1218

INTRODUCER: Governmental Oversight and Accountability Committee

SUBJECT: Information Technology

DATE: March 7, 2010 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Wilson	GO	Fav/CS
2.			GA	
3.			WPSC	
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

The Committee Substitute creates an Office of the Chief Technology Officer (“The Office”) in the Department of Financial Services comprised of three principal operating units. The Office is charged with creating a multi-year operating plan on the transformation of state agency information technology procurement, policy, and execution practices. The office head is appointed by the Governor and the Cabinet.

The bill takes effect July 1, 2010.

This bill creates undesignated sections of the Florida Statutes.

II. Present Situation:

The operations and organizational configuration of information technology itself reflects the state’s traditional avoidance of concentration of authority in any one constitutional or statutory office. This dispersion complemented the separation of powers among the three governmental branches in its early history but as the reach of state government became greater over the years it also permitted the development of separately funded enclaves of technology operations within

departments and their subordinate units. The cumulative annual investment of state funds in technology infrastructure is in excess of \$2.1 billion.¹ Only seven major technology initiatives command one-third of the total state agency spending. Even these financial indicators may understate the full financial commitments for activities and processes that are indirectly influenced by technology.

The 2007 legislature enacted CS/CS/SB 1974 to bring particular focus on information technology as an enterprise responsibility that links all of the state's separate business and jurisdictional entities. That legislation created an Agency for Enterprise Information Technology reporting to the Governor and Cabinet. That entity was made responsible for the development of a long-range consolidation plan for technology resources, beginning with the establishment of common e-mail communication platforms and data center consolidations. Initial steps to execute these two responsibilities have been undertaken.

The State of Florida and its executive branch agencies have had a checkered experience in organization, management and operation of technology. Several Auditor General reports have examined government management structures and operations over recent years and reported significant financial commitments made in excess of reasonable expectations of need. A total of twenty state agencies have had one or more technology financial post-audits completed in the past three years. Fifteen additional audits have been completed on technology operations in educational entities while three additional ones covered multijurisdictional public organizations.²

Following the adjournment of the 2006 Regular Session of the Florida Legislature the then Senate Ways and Means Committee was commissioned to undertake a comprehensive review of information technology in state government. That commission resulted in the publication of a wide-ranging study that catalogued all of the state's historical and structural efforts at identifying, operating, and funding information technology.³ The report discussed the statutory attempts at making programmatic sense of such an evolving technology and the contractual difficulties associated with failed attempts. The complex decision-making environments characteristic of the Florida state government federated executive system of management also played a role in attempting to achieve focus and accountability in this area.

Common themes soon presented themselves in both successful and unsuccessful ventures. Many projects were found to be off-task and off-budget, there was a poor understanding of operational expectations, or personnel and operational practices were insufficient for the proper and timely execution of responsibilities. In their 2007 report, the Senate Governmental Oversight and Productivity Committee identified several common attributes of state agency contractual procurements in which actual performance demonstrated a significant departure from expectations. All of those procurement underperformances reviewed had significant technology components and were found to be beset of one or more of the following conditions:

1. A management-directed imperative to execute faster than the agency had capacity;

¹ Technology Review Workgroup, *Technology Spending*. Presentation before the Senate Governmental Oversight and Productivity Committee, Tallahassee, FL: December 13, 2004.

² State of Florida, Office of the Auditor General, www.state.fl.us/audgen/pages/subjects/infotech/htm.

³ *Enterprise Information Technology: Senate Review and Study*, Report No. 2007-140. Tallahassee, FL: January 2007.

2. Loss of knowledge capital through a strategic disinvestment in agency capacity or over reliance upon contract vendors;
3. Decision-making based upon price rather than product or service effectiveness;
4. Decision-making motivated by minimizing state investment and maximizing shared federal revenues;
5. Claimed tangible savings that were speculative;
6. Unwritten understandings accompanied by longer term financial liabilities;
7. A rush to the procurement market with a poor understanding of expectations; and
8. Vendor systems that could not deliver the service or product on time, on-task, or on budget.

Limitations on the ability to execute system-wide changes are not confined to information technology. The Department of Management Services' human resources outsourcing initiative fell more than one year behind schedule as its contract vendor, Convergys Customer Management Group, had to contend with a difficult technology migration from the predecessor state personnel system to its successor one.⁴ As a consequence there were missed or delayed employee payrolls, benefit coverage interruptions, incorrect benefit premium calculations, and ineffective implementation of electronic time and attendance reports. All of these resulted in increased management attention to these difficulties as they have produced widespread employee dissatisfaction. Shortly after the department renegotiated the contract in late 2009, Convergys announced it was selling this line of business entirely to the English firm NorthgateArinso.

In a March 11, 2005, presentation to the National Association of State Comptrollers, the Department of Financial Services reported to the Nation's other state chief financial officers on Florida's experience to date with Convergys. The report⁵ described the history of the procurement and the many performance expectations that the service provider had not executed well into the early implementation of its nine-year contract with the Department of Management Services.

The 2006 Legislature terminated funding for the State Technology Office in partial response to these cumulative difficulties. It funded an interim Enterprise Information Technology Services unit in the DMS pending a more significant restructuring of state agency relationships.

III. Effect of Proposed Changes:

The bill creates within the Department of Financial Services the Office of the Chief Technology Officer. It is comprised of three divisions: Strategic Procurement; Policy Formulation, Development and Standards; and Implementation.

The Office is charged with developing a multi-year execution plan for state agency information technology with specific tasks and benchmarks, as follows:

- Consolidation of state agency data centers by the year 2013;

⁴ The proprietary state legacy system was **COPES** (**CO**operative **P**ersonnel and **E**mployment **S**ystem) and was replaced by commercial business software developed by the German firm **SAP** (**S**ysteme **A**nwendungen **P**rodukte).

⁵ Florida Department of Financial Services, *Outsourcing Human Resource Management*, undated.

- By the end of Calendar Year 2010, initiating a revised financial management infrastructure encompassing the legislative appropriations system; cash management; accounting; purchasing; and human resources subsystems;
- By the start of the year 2011, a reconfiguration of the roles and responsibilities associated with strategic information technology practices affecting the Department of Financial Services, the Agency for Enterprise Information Technology, and the Department of Management Services; and,
- By a date to be determined, the creating of state agency-wide customer relationship management systems embracing all licensure, certification, and regulatory inspections systems now managed by separate state agencies.

The effective date of the bill is July 1, 2010.

Other Potential Implications:

As discussed, below, the relationship of this new office to the existing Agency for Enterprise Information Technology needs to be established.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The 2007 Legislature created the Agency for Enterprise Information Technology and gave it a systemic mission in state information technology. The Office embraces this mission implicitly but also extends the expectations into more tactical and operational responsibilities not now assigned to the AEIT. Attempting to gauge the appropriations impact of this bill is imprecise at present as it both supplements and supplants the role of

AEIT. The funding considerations associated with this bill will also be affected by the 2010 Legislature's decisions on beginning the replacement of state financial management systems. Legislation that would have started that process, SB 2088, was passed by the Senate in 2009 but received no further action. This year's version is SB 2020.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

The Committee Substitute replaces the advisory body in the original bill with a chief technology officer in the Department of Financial Services. The formal structure will integrate subsequent technology changes in procurement practice, standards-setting, and policy development across all state agencies. It will be housed in an agency itself beginning a transformation of financial management practices. The CS provides a timetable for the beginning of technology transformations in data center consolidation, electronic mail services, and customer relationship management in licensure and certification systems.

B. Amendments:

None.