

SUBCOMMITTEE NO. 4

Agenda

Senator Richard Roth, Chair
Senator Lois Wolk
Senator Tom Berryhill



Thursday, April 18, 2013
Upon Adjournment of Senate Budget and Fiscal Review
Room 112

Consultant: Brady Van Engelen

Item Number and Title

0840	State Controller
0890	Secretary of State
7502	California Technology Agency
8880	Financial Information System for California

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AGENDA – VOTE ONLY ITEMS

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Issues Proposed for Vote Only:

	Issue	2013-14 Amount	Fund Source	Staff Recommendation
Secretary of State (0890)				
1	Revision of Uniform Limited Liability Company Act	\$89,000	Special Fund	APPROVE
2	Victims of Corporate Fraud Compensation Fund	\$123,000 (\$98,000 ongoing)	Special Fund	APPROVE
California Technology Department (7502)				
3	Midrange Server Capacity	\$14.9 million	Technology Service Revolving Fund	APPROVE
4	Mainframe CPU Processing Capacity	\$7.21 million	Technology Service Revolving Fund	APPROVE
5	Enterprise Data Storage	\$4.82 million	Technology Service Revolving Fund	APPROVE
6	Network Capacity	\$5.12 million	Technology Service Revolving Fund	APPROVE

Issues Proposed for Vote Only – Issue Descriptions**Secretary of State****Issue 1 – Revision of Uniform Limited Liability Company (LLC) Act**

Governor’s Budget Request: The 2013-14 Governor’s Budget includes a request for a one-time augmentation of \$89,000 of Business Fees Funds to implement revisions per SB 323 (Chapter 419, Statutes of 2012).

Background: SB 323 (Chapter 419, Statutes of 2012) repealed an existing LLC law, contained in Title 2.5 of the California Corporations Code on December 31, 2013 and insert an entirely new LLC law contained in Title 2.6 effective January 1, 2014. The revisions are more uniform with current LLC law in other states.

The California Corporations Code requires LLC filings with the Business Programs Division to be on Secretary of State (SOS) prescribed forms. According to the SOS, the revisions in statute will require 23 LLC forms, instructions, and documents to be revised. Additionally, there are fifteen informational notices that will require revision and nine different SOS websites that will require updates. SOS does not intend on hiring additional personnel to make the necessary revisions.

Issue 2 – Victims of Corporate Fraud Compensation Fund

Governor’s Budget Request: The Governor’s 2013-14 Budget includes a request for one permanent position and Business Fees Fund spending authority of \$123,000 in the budget year, and ongoing expenditure authority of the Business Fees Fund of \$98,000.

Background: SB 1058 (Chapter 564, Statutes of 2012) provided a statutory framework for the Secretary of State’s (SOS) management of the Victims of Corporate Fraud Compensation Fund (VCFCF) by SOS, by codifying certain existing regulations promulgated by the SOS to administer the VCFCF, codifying changes to other existing regulations promulgated by the SOS, and adding new statutory language to facilitate the approval of valid claims from the VCFCF.

California Technology Department

Issue 3 – Midrange Server Capacity

Governor’s Budget Request: The Governor’s 2013-14 Budget requests increased expenditure authority of \$14.91 million (Technology Services Revolving Fund). The request stems from the Office of Technology Services need for additional hardware, operating system software, applications software, Statewide E-mail, and Database software to ensure adequate midrange service capacity to meet the needs of customer driven workloads. This request also includes resources to meet the disaster recovery requirements of customers.

Background: There is an increased demand on services by customer departments at a variety of state entities. This increased demand, largely stemming from increased population and use of services, results in the growth of customer applications and the need for additional server capacity. Office of Technology Services (OTech) continues to experience a substantial increase in the midrange computing workload, database instances, Disaster Recovery, and web services.

Issue 4 – Mainframe CPU Processing Capacity

Governor’s Budget Request: The Governor’s 2013-14 Budget includes a proposal to increase expenditure authority by \$7.21 million (Technology Services Revolving Fund) in Fiscal Year 2013-14 to allow the Office of Technology Services to purchase 1,872 millions of instructions per second (MIPS) of mainframe processing capacity to meet projected customer needs.

Background: In 2009-10, the Office of Technology Services relocated its raised floor computing operations and infrastructure from the Cannery Campus and South Annex building to the State Compensation Insurance Fund (SCIF) Vacaville building to provide ongoing lease cost savings, identified in the 2009-10 Data Center Relocation Budget Change Proposal. As a result of this relocation, the Office of Technology Services has two major mainframe data centers: Gold Camp and Vacaville.

The Office of Technology currently has over 500 customers of which, approximately 250 are mainframe processing customers, and many are still adding new applications, building new databases, and using WebSphere to add Web interfaces to their legacy applications. Mainframe computing demand is projected to increase by 12.1 percent in 2013-14.

Issue 5 – Enterprise Data Storage

Governor’s Budget Request: The Governor’s 2013-14 Budget includes a request to increase the spending authority of the Technology Agency by \$4.82 million (Technology Services Revolving Fund) in Fiscal Year 2013-14 for hardware, software, and connectivity components to ensure adequate data storage support to meet the needs from customer-driven workloads, approved information technology (IT) projects, and disaster recovery.

Background: While providing for the increasing needs of current customers, the Office of Technology must provide resources for approved Information Technology projects supported by the Office of Technology. In order to achieve both normal growth and approved IT projects, the Office of Technology must increase the number and density of virtual servers in preparation of departments growing or migrating over to the Office of Technology. Virtual servers require large amounts of data storage to support their efficient and effective use of IT resources and data processing. Increased IT density allows the Office of Technology to support the migration of Information Technology workload from other agencies. In addition, the Office of Technology must provide for customers with Disaster Recovery data storage requirements that are currently located at the Office of Technology or relating them to the Office of Technology.

Issue 6 – Network Capacity

Governor’s Budget Request: The Governor’s 2013-14 Budget includes a request to increase the spending authority of the Technology Agency by \$5.12 million (Technology Services Revolving Fund) in Fiscal Year 2013-14 to purchase switches, circuits, load balancers, firewalls and maintenance services.

Background: The Office of Technology currently manages two data centers located in Vacaville and Rancho Cordova, California. The Office of Technology is responsible for the network infrastructure needs of the data centers that provide network services connecting the Office of Technology data center facilities to most of the executive branch departments and local agencies.

This request addresses many of the objectives outlined in the 2012 Statewide IT Strategic Plan (ISTP), including:

- **Efficient, Consolidated, and Reliable Infrastructure and Services** – Leverage IT infrastructure and shared services that are secure and sustainable. Leveraging the advantages of cloud computing and establishing repeatable processes.
- **Accessible and Mobile Government** – Create a more accessible state government by increasing convenience, schedule and location accessibility issues. Create a more secure network for the state.

Issues Proposed for Discussion / Vote**0840 STATE CONTROLLER**

Department Overview: The State Controller (SCO) is the Chief Fiscal Officer of California. The Controller provides fiscal control for, and independent oversight of, more than \$100 billion in receipts and disbursements of public funds. In addition, the Controller offers fiscal guidance to local governments, and performs audit functions to uncover fraud and abuse of taxpayer dollars. The SCO's primary objectives are to:

- Account for and control disbursement of state funds.
- Determine legality and accuracy of claims against the State.
- Issue warrants in payment of the State's bills.
- Administer the Uniform State Payroll System.
- Audit and process personnel and payroll transactions for state civil service, exempt employees, and state university and college system employees.
- Audit state and local government programs.
- Inform the public of the State's financial condition.
- Administer the Unclaimed Property Law.
- Inform the public of financial transactions of city, county, and district governments.

The SCO is funded through the General Fund, as well as over 300 special funds and accounts and reimbursements. The Governor's Budget requests \$173.25 million (\$41.81 million General Fund) and 1,358 personnel years to support the SCO. This represents a substantial decrease in funding from the current year, due largely to the suspension of the 21st Century Project in February 2013.

2013-14 State Controller's Budget

FUND SOURCE	2011-12	2012-13	2013-14
General Fund	\$74.83	\$87.05	\$41.81
Unclaimed Property Fund	\$27.83	\$32.78	\$35.06
Central Service Cost Recovery Fund	\$20.37	\$20.10	\$23.26
Other Special Funds and Accounts	\$38.8	\$48.73	\$14.71
Reimbursements	\$53.1	\$59.3	\$58.4
Total Expenditures	\$215.10	\$247.96	\$173.24
Personnel Years	1,333.4	1,543.4	1,358.3

*Dollars in thousands

Issue 1 – Payroll Audits/Special Fund Audits

Governor's Budget Request: The State Controller's Office (SCO) has requested five two-year limited-term positions and \$608,000 (General Fund) to perform payroll audits. Additionally, the State Controller's Office has requested 7.9 permanent positions and \$828,000 to perform audits of the state's 570 special funds.

Background: Prior to the state adopting collective bargaining for state employees in 1979, the SCO performed many payroll functions under a more uniform standard. With the adoption of collective bargaining, the SCO decentralized many of the payroll functions, and the state provided four positions to audit many of the payroll functions that were delegated to state entities. According to the SCO office, budget constraints that existed in the early 1980s forced the state to eliminate the positions and the audit work performed by the SCO was no longer performed.

Government Code Section § 12476 affords the SCO the authority to audit the uniform state payroll system, the State Payroll Revolving Fund, and related records of state agencies within the uniform pay roll system. According to the SCO, the Audits Division will perform fourteen audits annually of state agencies that are deemed to be high-risk. The audit reports generated by the

SCO are designed to identify internal control weaknesses within each agency's payroll and personnel functions and will provide recommendations that the agency should adopt to address the identified weaknesses.

The SCO has submitted a second, but similar, budget change proposal that is being requested to support the audit of the state's 570 special funds. Specifically, SCO is requesting \$828,000 in General Fund and 7.9 permanent positions to perform special fund auditing functions and provide annual reports to the Department of Finance (DOF). In light of a significant underreporting of funds available by a state agency to the DOF, the Governor directed the Department of Finance to conduct a fund-by-fund review in concert with the SCO to determine if any additional discrepancies in fund balances existed between the two agencies. This review led to the state to identify a number of accounting-related and reporting practices that would need to be adopted to address a continued special fund reconciliation process that has been outlined by the DOF and the SCO in a joint policy statement issued in August 2012.

Staff Comment: Both requests submitted are in response to the investigative work conducted by the Sacramento Bee, which found that the California Department of Parks and Recreation had been conducting a vacation buyout program that had distributed over \$271,000. In a subsequent report, the Sacramento Bee discovered that the Department of Parks and Recreation had accumulated over \$54 million in surplus money in two special funds managed by the Department.

Staff recognizes the need for SCO to be provided with additional resources to perform both the payroll and special fund audits. However, staff questions the need for the SCO to be provided with 7.9 permanent positions to support special fund audit related functions. The SCO has noted that the Financial Information Systems for California (FI\$Cal), the business enterprise management system the state is preparing to implement, may have capabilities that assist in the review of special fund balances. While FI\$Cal is not set for full implementation until July 1, 2016, FI\$Cal is scheduled to begin its initial roll out in July 2013. Staff would recommend the requested 7.9 special fund audit positions be two-year limited term. Upon completion of the initial FI\$Cal roll out, interested parties will have a better understanding of the capabilities of the FI\$Cal platform and be able to make a more accurate assessment as to what, if any, personnel resources should be dedicated for special fund auditing purposes.

Staff Recommendation: Approve five two-year limited term positions and \$608,000 in 2013-14 and 2014-15 (General Fund) to perform payroll audits. Approve 7.9 two-year limited-term positions to perform special fund audits, which includes \$828,000 in 2013-14 and 2014-15 to perform special fund audits.

Vote:

0890 SECRETARY OF STATE

Department Overview: The Secretary of State (SOS), a statewide elected official, is the chief election officer of the State and is responsible for the administration and enforcement of election laws. The SOS is also responsible for the administration and enforcement of laws pertaining to filing documents associated with corporations, limited partnerships, and the perfection of security agreements. In addition, the office is responsible for commissioning notaries public, enforcing the notary laws, and in conjunction with being the home of the State Archives, preserving documents and records having historical significance. The SOS is the filing officer for lobbying and campaign registration and disclosure documents filed under the Political Reform Act. The SOS also operates the Safe-At-Home program, maintains the Domestic Partners and Advanced Health Care Directives Registries, and is home to the California Museum for History, Women and the Arts.

The Governor's Budget proposes total spending of \$106.35 million (\$26.62 million General Fund) for the SOS in 2013-14. Proposed staffing totals 503 personnel years (PYs), an increase of two PYs compared with the current year. The increase in proposed expenditures is due to a projected increase in Federal Trust Fund monies, which largely reflects counties' use of federal voting improvement funds. Counties' use of this money fluctuates annually.

2013-14 California Secretary of State Budget

Funding	2011-12	2012-13	2013-14
General Fund	\$9.77	\$26.57	\$26.62
Secretary of State's Business Fees Fund	\$35.52	\$35.30	\$35.17
Federal Trust Fund	\$66.53	\$19.15	\$30.95
Reimbursements	\$29.82	\$10.51	\$11.99
Victims of Corporate Fraud Compensation Fund	\$2.96	\$1.59	\$1.53
Total Expenditures	\$147.59	\$91.12	\$106.35
Personnel Years	470.5	501.0	503.0

*dollars in thousands

Issue 1 – Business Connect Project

Governor's Budget Request: The Governor's 2013-14 Budget proposes requests an augmentation of \$3.721 million in reimbursement authority for the continuation of the California Business Connect Project.

Background: The Secretary of State is the filing officer for the state, responsible for filing commerce and trade documents such as business formations, state and federal tax lien notices, and keeping records of key persons or entities operating corporations and limited liability companies. The office receives more than one million business filings annually, and current systems rely on antiquated and paper databases, such as index cards, to process and maintain records. Many business services must be done in-person or by mail. These processes lead to very slow service, preventing new businesses from opening their doors and creating jobs. Processing times for the office have been as high as 117 days, preventing new companies from beginning operations and creating uncertainty for existing companies.

California Business Connect will automate these processes to allow for faster, more reliable services to businesses. Once completed, the project will allow for real-time filing or business records, allow government agencies to access information about businesses in a timely manner, and allow for more secure and timely processing of payments.

The Feasibility Study Report (FSR) for this project was approved by the Technology Agency in April 1, 2011. According to the most recent Project Status Report (PSR), which was released in March, the project management team is currently in confidential discussions with prospective bidders. The project management team anticipates the receipt of final proposals in June 2013. According to SOS project management, the requested \$3.721 million in reimbursement authority will be utilized for contracting services for a project manager, independent project oversight consultant, independent validation and verification, information security vendor, test manager, and other operating expenses associated with the project.

Staff Comment: According to the FSR, the project is expected to cost \$23.79 million to complete, with annual ongoing maintenance and support costs of \$1.8 million. SOS believes that once the project is complete, it will provide a net benefit to the state of \$5.8 million annually by allowing the office to eliminate 48 positions and creating a faster process to collect business fees, and potentially provide a greater source of revenue to the General Fund. The project is expected to see full implementation in June 2016.

The project will be funded through a portion of a \$5 disclosure fee that is paid at the time domestic stock and foreign corporations file their annual Statements of Information, and expedited fees paid by businesses to ensure a quicker turnaround time. The use of this money is in compliance with California Corporations Code sections 1502 and 2117, which requires that one-half of disclosure fees must be utilized to enhance program services, including the development of an online database to provide public access to all information contained in the Statement of Information filing.

SOS states that it will not need to increase filing fees or seek General Fund monies to pay for this project. SOS will continue to seek expenditure authority for this project on an annual basis.

Staff Recommendation: Approve as Budgeted.

Vote:**Issue 2 – Help America Vote Act (HAVA) - VoteCal**

Governor's Budget Request: The Governor's budget requests \$27.079 million in expenditure authority from the Federal Trust Fund to continue work on the VoteCal system, an information technology project that will create a statewide database of voter registration information.

Background: Section 303 of the federal HAVA mandates that each state implement a uniform, centralized, interactive, computerized voter registration database that is administered at the state level. The state-managed system also must provide an interface for counties that are charged with conducting elections to allow counties to access and update registration data.

Currently, counties maintain voter registration data autonomously with their own election management systems. Data from these systems is uploaded to the state at varying intervals into a state database called CalVoter 1. This system has been approved by the federal government on a temporary basis until VoteCal is fully implemented.

The VoteCal project will create a new, interactive database and update county systems to allow interconnectivity. VoteCal also will allow connections to various databases in order to confirm voter identity (such as the Department of Motor Vehicles, and the Social Security Administration), and to vital records and criminal justice records in order to validate information on deaths and felony convictions.

According to the most recently submitted Special Project Report, (SPR5), total estimated costs are \$98.17 million. Total current year spending for the project is approximately \$4.7 million. The project will be deployed on a pilot basis in September 2015, and will be fully deployed in June 2016. The project is completely funded by the federal government. Operating costs – which SOS estimates will be \$4 million annually, and will eventually be assumed by the state.

Staff Comment: On December 28, 2012 SOS awarded the System Integration (SI) contract to a vendor, CGI Technologies and Solutions. SOS and the vendor have developed a seven phase project timeline which includes; (1) project planning, (2) Design, (3) Development, (4) Testing, (5) Pilot Deployment, (6) Full Deployment and Cutover, and (7) First year operations and closeout. Throughout the process, SOS has committed to maintaining regular interactions with county election officials.

Staff Recommendation: Approve as budgeted.

Issue 3 – Help America Vote Act (HAVA) – Spending Plan

Governor's Budget Request: The Governor's 2012-13 Budget includes \$3.8 million in spending authority from the Federal Trust Fund to continue implementing the Help America Vote Act of 2002 (HAVA).

Background: On October 29, 2002, President Bush signed into law the Help America Vote Act of 2002. This legislation requires states and localities to meet uniform and nondiscriminatory election technology and administration requirements applicable to federal elections. To date, California has received \$433.9 million in federal HAVA funds, including interest earned.

HAVA has, so far, allowed the state and counties to replace punch-card voting systems and improve voter outreach, poll worker training, county security measures, and voter access for persons with disabilities. Activities in 2013-14 include voting system testing and approval and voter education programs. Grants to counties account for \$1.12 million of the funding. In addition, the Secretary of State is continuing work on the VoteCal project. Continuing to fund the HAVA program is critical to meeting federal mandates.

Staff Comment: The Budget Act of 2004 included a one-time augmentation of \$266.1 million in federal funds to continue HAVA implementation. However, spending authority was subject to annual spending plan update. Most recently, the 2012 Budget Act authorized expenditure authority of \$4.4 million for voter education, voter system testing and approval, election assistance for individuals with disabilities, completion of the Post-Election Audit study, and regular administrative functions.

Staff Recommendation: Approve as Budgeted.

Issue 4 – SB 1001 Lobbyists and Committees Fees

Governor's Budget Request: The Governor's 2013-14 Budget requests an augmentation of one Personnel Year and \$81,000 in expenditure authority from the Political Disclosure Accountability, Transparency and Access Fund to administer the provisions of SB 1001.

Background: Existing law, pursuant to the Political Reform Act of 1974 (PRA), requires the SOS, in consultation with the Fair Political Practices Commission, to provide online and electronic filing processes for use by specified political committees, lobbyists, lobbying firms, and lobbyist employers. Those processes must enable a user to comply with all relevant disclosure requirements. The SOS must also make all the data filed available on the Internet for public viewing in an easily understood format. This online reporting and disclosure system is commonly referred to as the Cal-Access system.

SB 1001 created the Political Disclosure Accountability, Transparency and Access Fund, increased the filing fee for lobbyists to \$50 per year, and increased the filing fee for political committees. The intent of SB 1001 was to provide a source of revenue to assist the SOS with the maintenance and stabilization of Cal-Access. Cal-Access is a suite of applications developed in 13 different programming languages which, until recently, ran the system on a server cluster and associated components that are more than 12 years old, using an uncommon version of the Unix operating system. While the SOS has the funding to maintain the existing

hardware and software, finding parts and qualified people to do the maintenance on such outdated equipment has been increasingly difficult.

Staff Comment: The Cal-Access system went down November 30, 2011, was restored December 7, 2011, went down December 9, 2011, and was restored again on December 30, 2011. The causes of the outages were layered and complex and no quick fix was available. The recovery efforts pursued in December 2011 stabilized Cal-Access and enable it to continue running. However, a long term alternative solution has yet to be identified.

Staff Recommendation: Approve as Budgeted.

Issue 5 – Elections Mandates

Governor's Budget Request: The Governor's 2013-14 Budget proposes to suspend three newly identified elections mandates, totaling \$10.6 million in General Fund savings.

Background: Mandate suspension does not impact state statute. However, compliance with State Statute is subject to local election officials as the suspended mandates are not considered reimbursable activities. The three mandates proposed for suspension include:

Voter Identification Procedures: SB 414 (Chapter 260, Statutes of 2000) requires local election officials to compare signatures on provisional ballot envelopes with signatures on voter registration materials and reject provisional ballots if they determine the signatures do not match. Estimated statewide costs associated with this mandate are estimated to be \$7.2 million.

Permanent Absent Voters: A series of measures (AB 1520, Chapter 922, Statutes of 2001, AB 3034, Chapter 664 Statutes of 2002 and AB 188, Chapter 347, Statutes of 2003) have increased accessibility to permanent absentee voter status for eligible voters. The Commission on State Mandates has determined that maintenance of that list is a reimbursable activity and statewide cost is estimated to be \$2.3 million.

Modified Primary Election: The blanket primary system established under Proposition 198 (1996), allowed voters not affiliated with political parties to vote in party primaries. The Legislature passed SB 28 (Chapter 898, Statutes of 2000) upon a Supreme Court ruling which deemed Prop 198 unconstitutional, which restored many of the same voting practices put in place prior to 1996, with the exception that voters could participate in the party primaries at the party's discretion. The scope of reimbursable costs has been reduced significantly upon the passage of Proposition 14, which established the current open primary system and are related only to Presidential primaries and elections for party officials. The Commission on State Mandates has determined that reimbursable costs associated with this mandate total \$1 million.

LAO Recommendation: In addition to the three mandates proposed for suspension the 2013-14 Budget, the LAO has identified six others that relate to local elections. The LAO has raised concerns with the level of uniformity that would exist if the proposed three mandates are suspended, and has recommended that the Legislature fund all elections mandates. Doing so would require \$60 million in 2013-14 and ongoing costs would be approximately \$30 million. Additionally, the LAO has suggested that the Legislature direct the Administration to work with Senate Budget and Fiscal Review

counties to explore alternative funding mechanisms for elections mandates. Estimates for each currently suspended mandate and the mandates proposed for suspension are listed below:

MANDATE	2013-14	2014-15	2015-16
Voter Identification Procedures	\$7.2 million	\$4 million	\$4 million
Permanent Absentee Voters II	\$2.3 million	\$4 million	\$4 million
Modified Primary Absentee Ballots	\$1.0 million	-----	\$0.5 million
Absentee Ballots	\$49.6 million	-----	\$25 million
Absentee Ballot – Tabulation by Precinct	\$70k	-----	\$70k
Brendan Maguire Act	-----	-----	Negligible
Handicapped Voter Access Information	-----	-----	Negligible
Voter Registration Procedures	\$2.5 million	-----	\$1.5 million
TOTAL	\$60 million	\$10 million	\$30 million

Staff Recommendation: Action related to this item will be taken at a later Subcommittee hearing.

7502 DEPARTMENT OF TECHNOLOGY

Department Overview: The Department of Technology supports state programs and departments in the delivery of state services and information to constituents and businesses through agile, cost-effective, innovative, reliable and secure technology. The Department retains statewide authority to centralize and unify information technology projects and data center services to enhance the ability to develop, launch, manage and monitor large information technology projects.

In August 2010, the California State Legislature passed AB 2408 (Chapter 404, Statutes of 2010) to reestablish the Office of the State Chief Information Officer (OCIO) as the California Technology Agency and to rename the State Chief Information Officer as the Secretary of the California Technology Agency. While Senate Bill 90 (Chapter 183, Statutes of 2007) had already made the OCIO a cabinet-level agency with statutory authority over strategic vision and planning, enterprise architecture, IT policy, and project approval and oversight for the state in 2007; AB 2408 codified into law significant functions, duties, and responsibilities of the office that had been assigned to the Office of the Chief Information Officer. In addition to consolidating statewide IT functions under one cabinet-level agency, the legislation passed in 2010 was also responsible for coordinating the activities of agency and department CIOs and promoting the efficient and effective use of IT in state operations.

Effective July 1, 2013, the Governor's Reorganization Plan No. 2 (GRP2) creates the Government Operations Agency and, as a part of that plan, moves the California Technology Agency (previous Organization Code 0502) under the newly created Government Operations Agency.

The Office of Technology Services (OTech), within the Department of Technology, provides the Information Technology processing platforms for over 500 customers, including the Executive Branch and public entities. OTech is accountable to its customers for providing secure services that are responsive to their needs and represent best value to the state. The OTech is a fee-for-service organization and operates as a 100 percent reimbursable department. OTech's Service Level Agreements with its customers include a 99.9 percent service availability goal for IT services. The OTech must continue to provide sufficient processing capacity to deliver their performance and service agreed to in the Service Level Agreements.

Budget Overview: The Governor's 2013-14 Budget proposes \$543.49 million dollars (\$4.24 million General Fund) and 1,242.2 Personnel Years. The Governor's 2013-14 Budget request reflects an increase of \$57.7 million dollars (\$60,000 General Fund decrease) and an increase of 5.0 Personnel Years that were approved in the Fiscal Year 2012-13 Governor's Budget.

2013-14 California Technology Agency Budget Overview

Funding	2011-12	2012-13	2013-14
General Fund	\$3.31	\$4.30	\$4.24
State Emergency Telephone Number Account	\$93.99	\$111.86	\$113.07
Federal Trust Fund	\$1.93	\$1.93	\$1.93
Reimbursements	\$1.63	\$2.81	\$2.81
Technology Services Revolving Fund	\$324.27	\$362.13	\$418.26
Central Service Cost Recovery Fund	\$3.29	\$3.20	\$3.19
Total Expenditures	\$428.43	\$486.22	\$543.49
Personnel Years	1,145.9	1,237.2	1,242.2

*dollars in thousands

Issue 1 – Information Technology Procurement Transfer

Spring Finance Letter: The Governor's 2013-14 Budget request is the transfer of the Information Technology (IT) Procurement Section within the Department of General Services (DGS) to the Technology Department (department). This request includes a request to transfer funding and 23 positions to the department. Includes a request for a \$212,000 budget augmentation to support the facilities costs associated with absorbing 23 personnel and also includes trailer bill language necessary to provide the department with the appropriate authority to conduct IT procurement-related activities.

Background: AB 1498 (Chapter 139, Statutes of 2012) required the DGS and the department to develop a plan for the transition of IT procurement authority from DGS to the department. Shortly thereafter, the Information Technology Procurement Authority Workgroup (ITPAW) was formed, and tasked with providing a recommendation to the Governor regarding organization responsibility for IT procurement authority. The ITPAW recommended moving procurement authority from DGS to the department effective July 1, 2013.

According to the department, this request represents a significant increase in workload and cannot be absorbed internally. Included in this request is a \$212,000 budget augmentation that will allow the department to absorb IT procurement staff currently located at DGS. The DGS has submitted a conforming Spring Finance Letter that will transfer authority and the associated positions to the Technology Department.

Staff Comment: Staff notes that the request underscores the greater level of efficiencies that will be achieved by transferring technology procurement authority from the DGS to the department. Staff recommends that the department report to the Legislature the extent to which efficiencies are made. Specifically, the extent to which:

- Procurement timelines are reduced, and
- Size and requirements of procurement documents are reduced,

Staff Recommendation: Approve the Spring Finance Letter request, approve draft trailer bill and approve conforming Spring Finance Letter request submitted by the Department of General Services. Adopt proposed Supplement Reporting Language as defined in staff recommendation.

Issue 2 – Telecommunications Procurement Transfer

Spring Finance Letter: The Governor's 2013-14 Budget requests the transfer of 4.5 positions and funding related to telecommunication procurement activities within the Department of General Services to the Technology Department (department). This proposal also includes trailer bill language necessary to provide the department with the authority to conduct telecommunication procurement oversight related activities.

Background: Currently, the Department of General Services Procurement Division is responsible for the acquisition of telecommunication goods or services. AB 2408 (Chapter 404, Statutes of 2010) amended the Public Contract Code and transferred this authority to the then California Technology Agency. The transition began on February 1, 2012 and the agency

created the Telecommunications Procurement Branch (TPB). The requested 4.5 permanent positions will be tasked with the development of workload rates associated with the procurement of telecommunications for the state.

Staff Comment: This request conforms with previous action taken by the Legislature.

Staff Recommendation: Approve Spring Finance Letter request, approve draft trailer bill language and approve conforming Spring Finance Letter request submitted by the Department of General Services.

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FI\$CAL)

Budget Overview: The 2012 Budget Act revised the funding formula for FI\$Cal, such that nearly all of the financial support directed to FI\$Cal is provided through various special and nongovernmental cost funds. The Governor's Proposed 2013-14 Budget includes \$84.8 million, (\$2.1 million General Fund) in support for the FI\$Cal. FI\$Cal's positions for 2011-12 totalled 158. As of December 1, 2012, FI\$Cal had 242.5 positions, 231 were permanent and 11.5 were temporary.

Background: The Financial Information System for California (FI\$Cal) is an enterprise resource planning IT platform designed to consolidate the functions of budgeting, accounting, procurement, financial management and cash management. FI\$Cal is based on an off-the-shelf software package and the project is designed to require a limited number of modifications. The FI\$Cal project stems from a requirement for the Department of Finance (DOF) to establish a new budget information system that would replace the current network of legacy systems that exist throughout the state's departments and agencies. FI\$Cal will eliminate the need for more than 2,500 independent legacy systems and department-specific applications that now support the internal financial management operations of the State. Many of the requirements of FI\$Cal are identified in Government Code Section § 15849.22.

The most recent projections for the overall cost of the project are \$616.8 million, representing a significant reduction from the earlier estimate of \$1.6 billion. This downward revision is attributable to cost reductions in several areas, including: departmental project staff; data management, and departmental end-user staff. In addition, the primary vendor was able to develop a more detailed and reduced cost estimate as the program has continued to evolve.

The final wave of FI\$Cal has a go-live date of July 2016, and will begin standard maintenance and operations procedures by the 2017-18 fiscal year. The FI\$Cal system is scheduled to be deployed in five waves, composed of a Pre-Wave and Waves 1-4. Pre-Wave is scheduled to go live July 1, 2013. Waves 1 through 4 are scheduled to go live in the subsequent three years. Pre-Wave is set to include the following: Agricultural Labor Relations Board, Office of Environmental Health Hazard Assessment, Department of Aging, California Arts Council and the Department of Fair Employment and Housing.

Wave 1, which is scheduled for July 1, 2014 will include: Alcohol and Beverage Control Appeals Board, California Alternative Energy and Advanced Transportation Financing Authority, California Citizens Compensation Commission, California Debt and Investment Advisory Commission, California Debt Limit Allocation Committee, California Educational Facilities

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Authority, California Health Facilities Financing, California Industrial Development Financing Advisory Commission, California Pollution Control Financing Authority, California Postsecondary Education Commission, California School Finance Authority, California State Summer School for the Arts, California Tax Credit Allocation Committee, California Urban Waterfront Area Restoration Financing Authority, Department of Alcohol and Beverage Control, Department of Justice, Department of General Services – Contracted Fiscal Services, Fair Employment and Housing Commission, San Francisco Bay Conservation and Development Commission, Scholarshare Investment Board, State Board of Equalization, State Controller's Office, State Treasurer's Office and the Department of Finance.

The implementation of FI\$Cal remains on track; however, there are still some issues that could alter either the cost or implementation timeline of the project. For example, the Bureau of State Audits (BSA) found, in its most recent annual update on the FI\$Cal project, that there are a few issues that could be of concern to the Legislature, including data management and conversion, which are critical components required to fully implement FI\$Cal.

Another issue that has been identified by the BSA is the current level of staffing of critical activities associated with the implementation of FI\$Cal. As of February 2013, there was a 22.5 percent staff vacancy rate at FI\$Cal. While staffing levels have increased, FI\$Cal has seen a net gain of 66 staff in the calendar year, the FI\$Cal project management team has noted that there are a limited pool of applicants that meet the necessary skill sets required to fill the positions.

The project management team has completed an inventory and has identified 2,200 legacy systems that will need to be converted to FI\$Cal. Additionally, there are 3,400 interfaces that will exchange data with FI\$Cal. The project management team cancelled the procurement of a data management contractor in June 2011, and the procurement of a new data management vendor had not been completed at the time of the completion of the audit conducted by BSA.

Staff Comment: This item is included as an informational item.