

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Governmental Operations Committee

BILL: PCS/SB 1974

INTRODUCER: Governmental Operations Committee

SUBJECT: Information Technology Management

DATE: March 28, 2007 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Wilson	Wilson	GO	Pre-meeting
2.			GA	
3.				
4.				
5.				
6.				

I. Summary:

The bill establishes a series of policy goals and objectives for the organization and delivery of state technology resources. It creates the Agency for Enterprise Information Technology as the successor organization to the State Technology Office. The agency head is the Governor and Cabinet. The agency will act as the focal point for large-scale enterprise policy for state agencies, initially in four defined areas, and ultimately embracing the development of architecture standards and the consolidation of state agency data centers. The bill provides separate appropriations and positions for information security and a staffing complement for the agency. It directs a series of sequential expectations in terms of agency organization and operational mission for the next two fiscal years. It also authorizes the development of a plan for the use of open software that will permit agency implementation of no copyrighted software to improve the accessibility of citizens to agency documents and operations.

The bill creates ss. 14.204, 282.0055, 282.0056 F.S.; amends ss. 20.22, 216.0446, 282.0041, 282.20, 282.3055, 282.315, 282.318, 282.322, 216.023, 215.95, 215.96, 282.103, 282.107, 339.155, 381.90, 403.973, 408.05, 420.0003, 420.511, 381.90, 403.973, 408.05, 420.0003, 420.511, 943.08, and 1001.26, F.S.; and repeals ss. 186.022, 282.005, 282.101, 282.102, 282.23, 282.3031, 282.3032, 282.3063, 282.310, 287.057(24), 288.1092, and 288.1093, F.S.

II. Present Situation:

Information technology governance for the Executive Branch of state government has been largely centered in a State Technology Office created in ch. 282, F.S. That office is directed to provide leadership activities on behalf of state agencies although its principal activities have been focused on serving the requirements of those agencies reporting directly to the Governor.

The cumulative annual investment of state funds in technology infrastructure for state agencies is in excess of \$2.1 billion.¹ Only seven major information technology initiatives command one-third of the total spending for state agencies. Even these numbers, however, may mask the full financial commitments for activities and processes that are indirectly influenced by technology.

The State of Florida and its executive branch agencies have had a checkered experience in the 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. Most recently, 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;
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

¹ Technology Review Workgroup, *Technology Spending*, Presentation Before the Senate Governmental Oversight and Productivity Committee, 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.

8. Vendor systems that could not deliver the service or product on time, on-task, or on budget.

Recent actions by the Department of Management Services have focused increased attention on its contractual activities in the areas of purchasing, infrastructure technology operations, and personnel management. Its human resources outsourcing initiative is more than one year behind schedule and its contract vendor, Convergys Customer Management Group, has had to contend with a difficult technology migration from the predecessor state personnel system to its successor one.⁴ As a consequence there have been missed or delayed employee payrolls, benefit coverage interruptions, incorrect benefit premium calculations, and ineffective implementation of electronic time and attendance reports. All of these have resulted in increased management attention to these difficulties as they have produced widespread employee dissatisfaction.

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. The actions taken by the department preserve existing interagency relationships but are not recognized by statute.

III. Effect of Proposed Changes:

Sections 1 through 4. The bill creates s. 14.04, F.S., and the Agency for Enterprise Information Technology in the executive Office of the Governor which has the Governor and cabinet as the agency head. The agency is charged with the development of strategies for the design and delivery of enterprise electronic information technology activities within state agencies. Enterprise activities are defined to include common services delivered at the agency level.

Section 5. The bill reserves enterprise authority for this new agency and continues the assignment and operation of strategic services to the individual state agencies charged by law with the execution of their specific business missions.

Section 6. The bill creates s. 282.0056, F.S., to develop a multi-year operational work plan to be effective at the commencement of the 2008-09 fiscal year. The process anticipates that the agency will begin two of the four named projects in each of the succeeding years: data center consolidation; enterprise e-mail; information security; customer relationship management. Individual state agencies affected by the work plan are to provide the agency with information to complete the necessary cost analysis and equipment inventories.

⁴ The proprietary state legacy system was **COPES** (**CO**operative **P**ersonnel and **E**mployment **S**ystem) and was replaced by independent 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.

Section 7. Section 282.20, F.S., is amended to substitute the Department of Management Services for the former State Technology Office as the successor entity to management of the Technology Resource Center. That center shall submit to the agency in the 2007-08 fiscal year a copy of its service rates and cost allocation plan along with comments from the Agency Chief Information Officers Council.

Sections 8 and 9. Section 282.3055, F.S., is amended to modify the duties assigned to state agency chief information officers to permit them to provide guidance to the agency on recommended information technology policy.

Section 10. This section amends s. 282.318, F.S., to make conforming changes and to provide for the designation of an agency chief information officer, the development of standardized risk assessment templates, and the training of state agency information security managers. This section also provides a delegation of rule-making authority to the agency. It also deletes more lengthy text in existing law on the same subject matter.

Section 11. This section amends s. 282.322, F.S., to provide for the legislative designation of high-risk information technology projects to receive special project monitoring reports.

Section 12. The bill amends s. 216.023, F.S., to require that instructions for the submission of legislative budget requests for information technology projects in excess of \$ 5 million must include a statement of specific statutory authority, governance structure and expected business objectives.

Sections 13 and 14, respectively, give to the Department of Management Services the authority assigned to the former State Technology Office and repeal sections no longer made necessary by its termination and the creation of the Agency for Enterprise Information Technology.

Sections 15 through 26 provide conforming terminology changes or delete obsolete cross references.

Sections 27, 28, and 29 appropriate funds, positions and authorized salary rate for the operation of the agency and designated functions such as information security.

Section 30. The bill is effective July 1, 2007.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The theoretical promise that open software provides the ability to provide greater public access to government documents without the additional licensing expense by the using public or custodian agency.

C. Government Sector Impact:

The PCS provides a specific appropriation of \$ 581,751 and 5 positions for the funding of a specific information security unit.

It additionally contemplates funding the enterprise staff of the agency at a level yet to be developed. About \$1 million is the estimate for the funding of related expense items for the completion of feasibility studies on customer relationship management and data center consolidation, outside consultant services, and office equipment.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The bill authorizes the development of a planning initiative on customer relationship management, the components and scope of which is not specifically discussed.

The PCS also begins a planning process for open software. This will be a substantial undertaking and the bill sets no near-term expectations for this activity given its scope. "Open" software is the preferred term for the movement which originally described this product as "free." Closed software is copyrighted source code which requires a licensing agreement and, customarily, the payment of royalties. In an "open" environment a base software product is allowed to be modified by its users such that it adapts to the organization in which it is embedded. The users are essentially co-developers and the refinement process is continuous and horizontal. The software developers act like a software stock exchange in which buyers and sellers, as co-developers, adapt the product to specific organizational circumstances. Errors can be fixed quickly because the scale of defect is limited to the using entity. Closed software is vertically developed and while its security solutions are powerful and penetration resistant, they can be vulnerable to the large enterprise scale of their global markets. The leading advocacy document for the open software movement is Eric Raymond's 1999 essay *The Cathedral & the Bazaar*.

Even vertical developers of software have the ability of making documents open and this functionality can be directed by the procuring agency if it so desires as part of its licensing agreement.

This Senate Professional Staff Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

VIII. Summary of Amendments:

None.

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