



Innovation and Opportunity: Transforming Government Through IT

State of the States: State IT in Tough Times - Priorities, Issues and Trends

**State of California Briefing
November 29, 2010**

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National Association of State Chief Information Officers**



About NASCIO

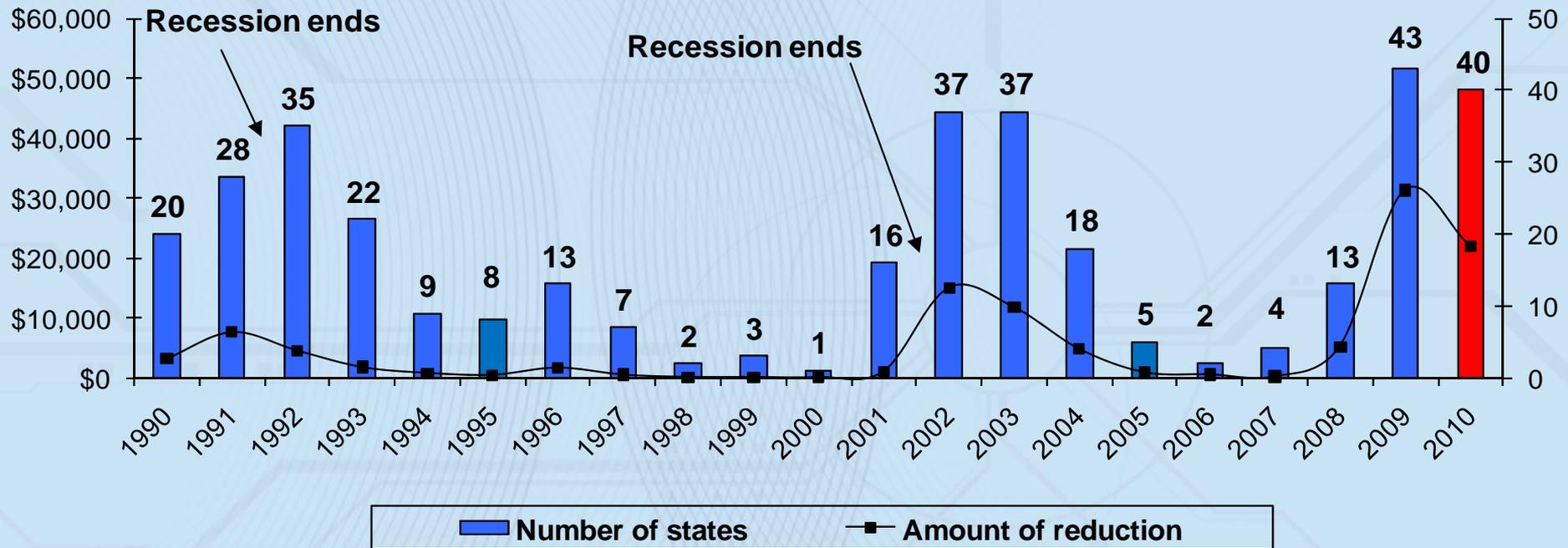
- National association representing state chief information officers and information technology executives from the states, territories and D.C.
- NASCIO's mission is to foster government excellence through quality business practices, information management, and technology policy.
- Founded in 1969 – we're a legacy system



State IT Landscape Today

- ✓ **Tough Times:** dealing with the state fiscal crisis, forced budget reductions, spending reductions, personnel actions
- ✓ CIOs seeking IT operational cost savings
- ✓ Continued **consolidation** - IT infrastructure, services and more
- ✓ Living with the past - modernizing the **legacy**
- ✓ IT security and **risk!** Game has changed
- ✓ IT **workforce:** retirement wave, skills, recruiting
- ✓ Issues with federal program funding: cost allocation, regulations, constraints

Budget Cuts Made After the Budget Passed, Fiscal 1990-Fiscal 2010 (\$ millions)





What are you anticipating in IT budget changes for 2011-12?

- 9% a) Severe cutbacks (20% to 30%)
- 34% b) Substantial cuts (10% to 20%)
- 38% c) Moderate cuts of 10% or less
- 11% d) No cutbacks; maintaining status quo
- 8% e) Modest increases (up to 10% or more)





Projected FY 2011 Revenue is \$53 billion Less than FY 2008

General Fund Revenue: FY 2007-FY 2011

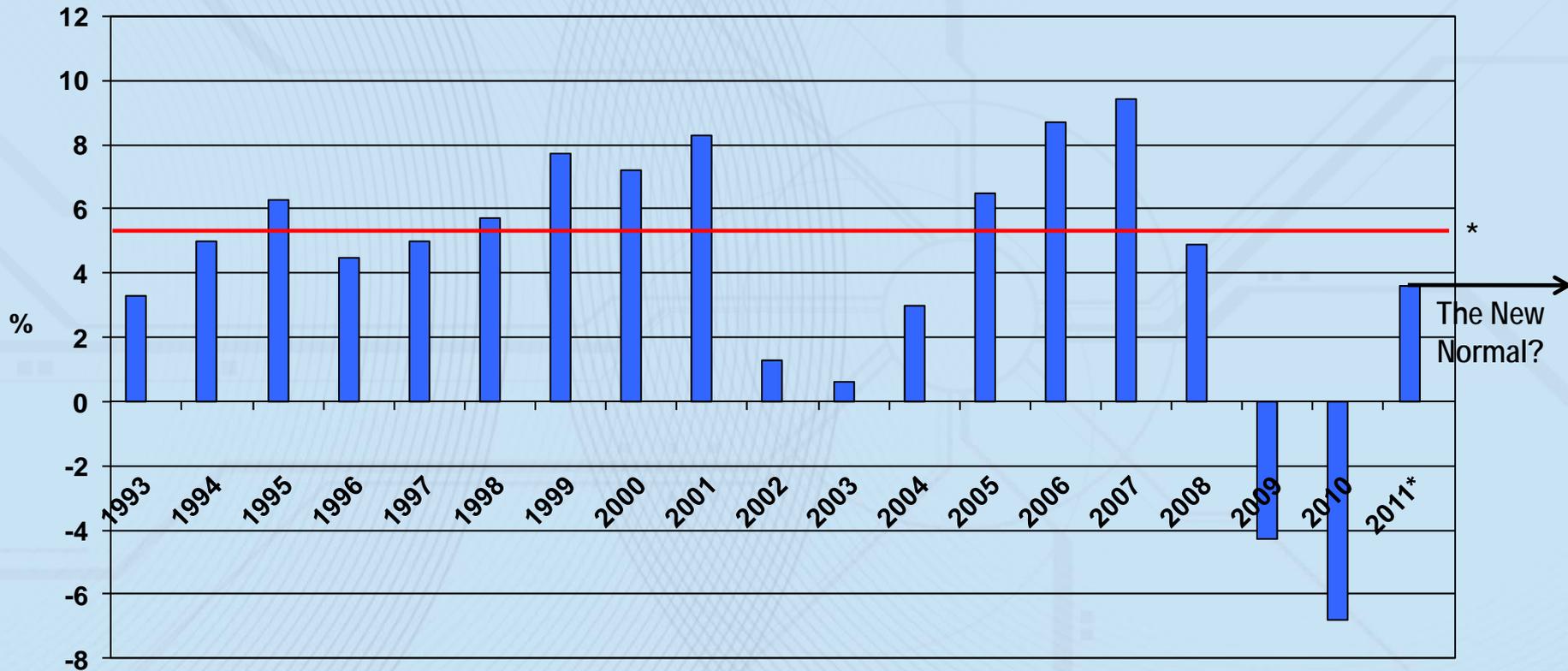


* FY 2007, 2008, and 2009 are actual. FY 2010 is estimated and FY 2011 is proposed



Negative GF Spending Two Years in a Row, Increase in FY 2011

General Fund Expenditure Growth (%)



**33-year historical average rate of growth is 5.6 percent*

Source: NASBO June 2010 Fiscal Survey of States

**Fiscal '11 numbers are proposed*

My state IT budget will go back to normal in ...

- 21% a) 1 year
- 21% b) 2 years
- 17% c) 5 years
- 10% d) 10 years
- 31% e) Never



Strategies Used to Reduce or Eliminate Budget Gaps, FY 2010

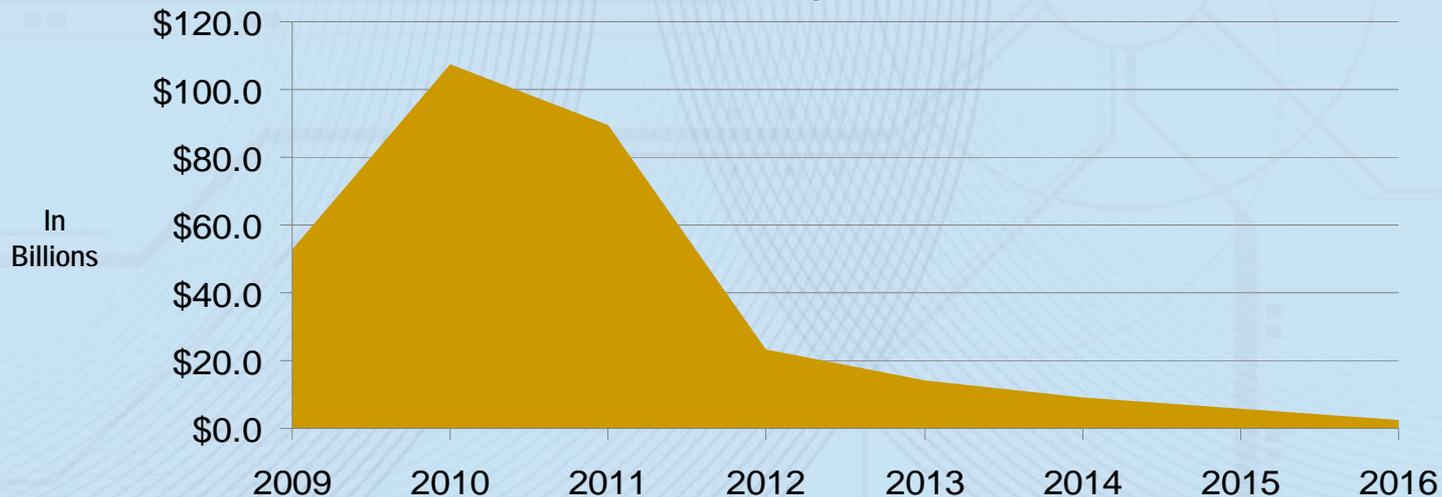
- Layoffs: 26 states
- Furloughs: 22 states
- Salary Reductions: 12 states
- Across-the-Board Cuts: 28 states
- Targeted Cuts: 36 states
- Reduce Local Aid: 22 states
- Reorganize Agencies: 14 states
- Employees empty their own trash: TX and more



Bottom Line: State Fiscal Outlook is *Tough* for Several Years

- Slow revenue growth
- Impact of health care reform
- Medicaid assistance (FMAP) ends
- High unemployment continues
- The Cliff in 2012! ARRA funding ends

Federal Outlays to States





Bottom Line: State Fiscal Outlook is *Tough* for Several Years

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States must transform themselves: redesign delivery systems, streamline operations, consolidate services, collaborate, innovate, be creative and manage citizen expectations. There is a burning platform...IT enables strategic change...seize the opportunity.



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State CIO Priorities and Perspectives: Opportunities in Tough Times

JEOPARDY

British
Literature

U.S.
Lakes

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Broadway
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Consolidation

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Collaboration

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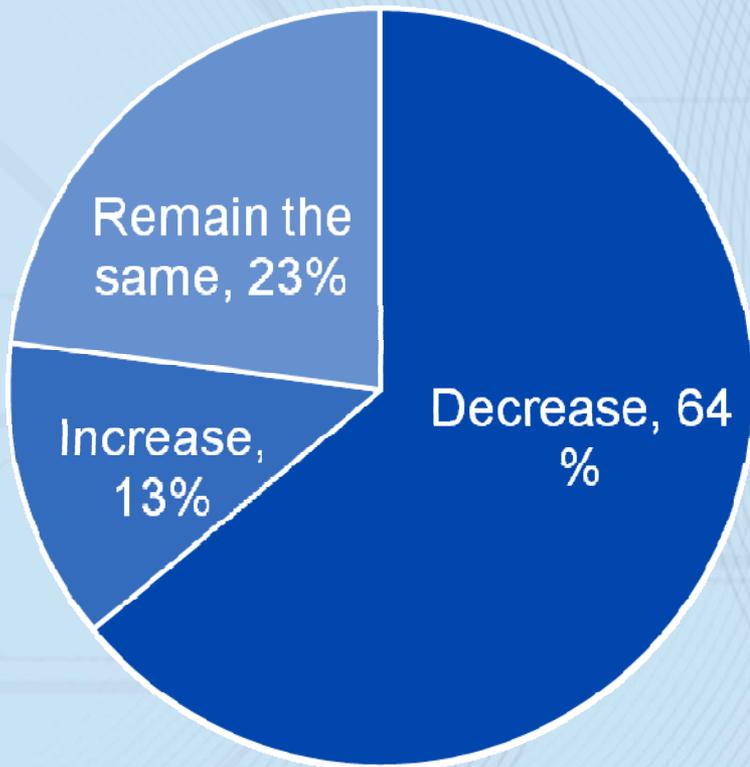
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State CIO Priorities 2011

1. **Consolidation / Optimization:** centralizing, consolidating services, operations, resources, infrastructure, data centers
2. **Budget and Cost Control:** managing budget reduction, strategies for savings, reducing or avoiding costs, activity based costing
3. **Health Care:** the Affordable Care Act, health enterprise architecture, assessment, partnering, implementation, health information exchange, technology solutions, MMIS
4. **Cloud Computing:** as a service delivery strategy; models, governance, service management, provisioning, security, privacy, data ownership
5. **Shared Services:** business models, sharing resources, services, infrastructure, independent of organizational structure
6. **Governance:** improving IT governance, data governance, partnering
7. **Security:** risk assessment, governance, authority and executive support; budget and resource requirements; insider threats; third party security practices; frameworks
8. **Broadband and Connectivity:** strengthening statewide connectivity, public safety wireless network, telehealth
9. **Legacy modernization:** enhancing, renovating, replacing, legacy platforms and applications, business process improvement
10. **Data and Information Management:** enhancing the role of data, information/intelligence, knowledge management

CIOs' view on IT budgets for 2011–13



- As state budgets go down, so does funding for IT
- A few exceptions: ARRA & mandates
- Many CIOs see budget decreases as an **opportunity** to improve, especially by breaking down barriers, strengthening IT governance, developing creative solutions



For 2011, what should the top priority for state CIOs be?

- 6% a) Improving cyber security protection
- 19% b) Advancing a consolidation agenda
- 46% c) Seeking efficiencies and cost control
- 9% d) Cloud computing strategies
- 12% e) Infrastructure modernization - data center, networks, etc.
- 8% f) Updating their resume



Why Consolidation as a Top Priority? Reality of State Government





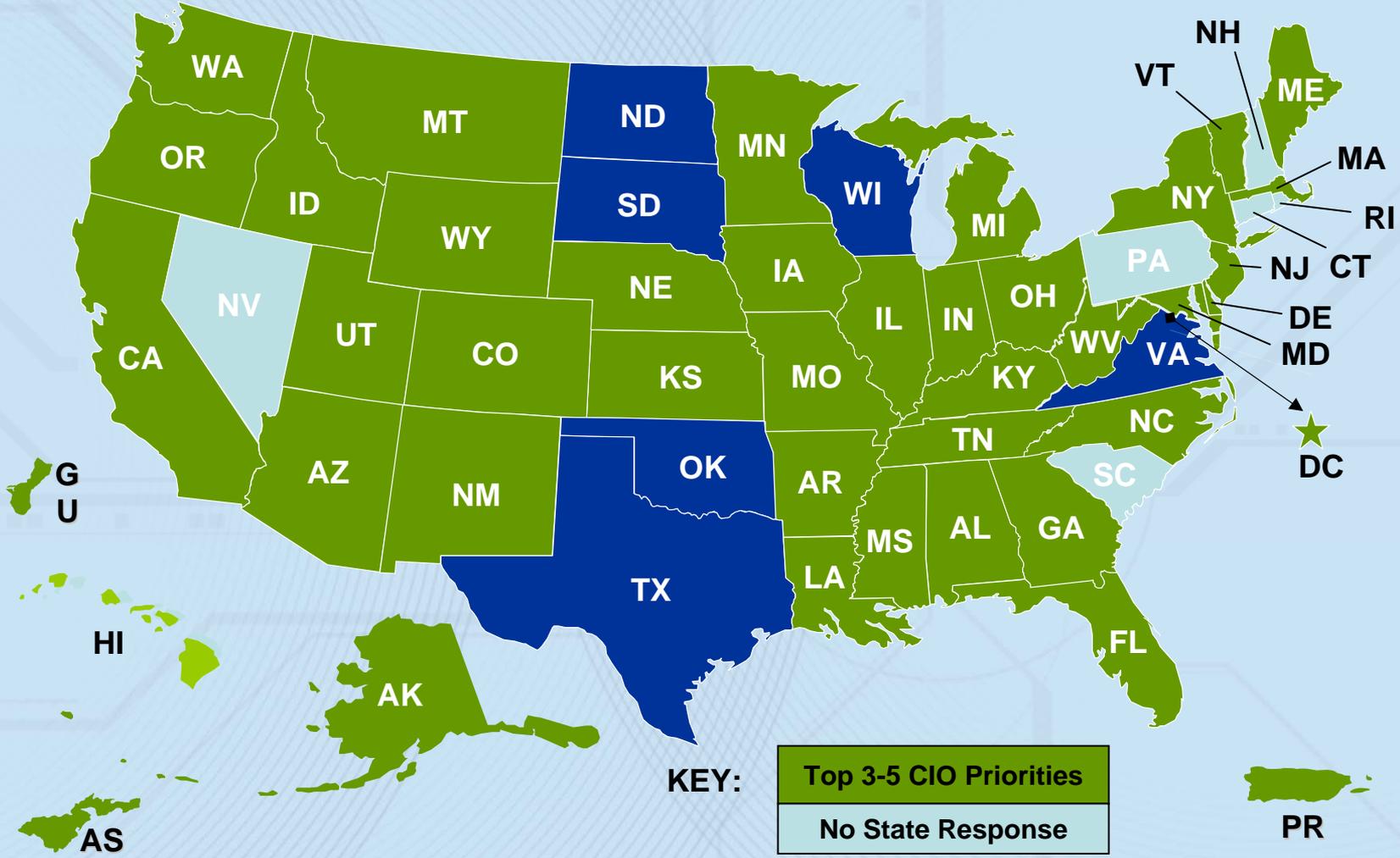
Consolidation to Reduce Costs

IT consolidation: a key strategy to address budget issues and control costs.

- Facilities: reducing data centers, equipment, operational costs
- Enterprise services: networks, email, telecommunications, imaging, wireless
- Server consolidation: operations, security, backup/recovery
- IT personnel



Consolidation: In CIOs Top Priorities for 2010



IT and Solution Priorities 2011

1. **Virtualization** (servers, storage, computing, data center)
2. **Cloud computing** (software as a service, infrastructure, applications, storage)
3. **Networking** (voice and data communications, unified communications)
4. **Legacy application modernization/renovation**
5. **Identity and access management**
6. **Document/Content/Records/E-mail management** (active, repository, archiving, digital preservation)
7. **Security enhancement tools**
8. **Business Intelligence (BI) and analytics applications**
9. **Enterprise Resource Planning (ERP)**
10. **Social media and networking** (Web 2.0 services, wikis, blogs, collaboration technologies, and social networking)

2010 State CIO Survey:

Perspectives and trends from state government IT leaders

- **IT governance:** Many CIOs shoulder much of the responsibility for statewide IT governance but do not have the same level of authority.
- **IT investments and budgets:** Two-thirds of CIOs expect lower IT budgets in 2011 through 2013.
- **Statewide IT business models and sourcing strategies:** In the next 3 years, most CIOs plan to expand IT shared services and managed services.
- **Procurement and procurement reform:** CIOs give state IT procurement processes a grade of “C” and say processes and practices need updating.





Business Models & Sourcing Strategies

% of CIOs reporting specific plans for next 3 years	
Expand existing IT shared services model	76 %
Expand existing managed services model	49
Build new data centers	27
Expand outsourcing	27
Introduce an IT shared services model	27
Introduce outsourcing as a new service model	19
Downsize state-owned & -operated data center(s)	16
Introduce a managed services model	16
In-source some operations that currently are outsourced	14



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Key Issues and Trends

Cyber Security Risks

- Critical infrastructure protection
- Spam, phishing, hacking, and network probes up
- More aggressive threats – organized crime
- Protecting legacy systems
- Data classification and protection
- Securing mobile solutions


NASCIO Research Brief | MARCH 2010



SECURITY AT THE EDGE: PROTECTING MOBILE COMPUTING DEVICES
PART II: POLICIES ON THE USE OF PERSONALLY OWNED SMARTPHONES IN STATE GOVERNMENT

GROWING ADOPTION, SHRINKING STATE BUDGETS, AND SAFEGUARDING SECURITY

Smartphones have dramatically grown in popularity and have commonly found their way into the government workplace. With government-issued devices, such as the BlackBerry™, iPhone™, and others, public sector employees use smartphones to access email, browse the Internet, access business applications and for a myriad of other purposes. While a great deal of productivity, efficiency and convenience can be derived from smartphone use, the potential for security incidents and data breaches is a practical concern for state CIOs and CSOs. With widespread adoption on the consumer side, state officials are now faced with a new dilemma – requests by employees to use their personal devices for state business. In an effort to address these requests, make the work lives of employees less complicated, and perhaps reduce state IT acquisition costs, officials must once again face the classic dilemma of balancing risks and rewards.

The state IT workforce is shrinking and service demands are growing. Like others in today's economic climate, state employees have extended their work day and are seeking balance between their work and personal lives. The economic downturn and shrinking state budgets have forced some states to reconsider their prohibition on the use of personal devices for official work purposes. In the past, many states managed security risks by issuing smartphones to employees and disallowing any other connection to networked resources so that the state had control over how smartphones were configured and used. But not every state can afford that kind of control and many have cut costs by limiting the number of employees who receive work phones. As a result, many employees have tried to stay connected by

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NASCIO represents state chief information officers and information technology executives and managers from state governments across the United States. For more information visit www.ncscio.org.

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State governments at risk

A call to secure citizen data and inspire public trust



1. To whom does your State's CISO, or equivalent responsible for information security, report?



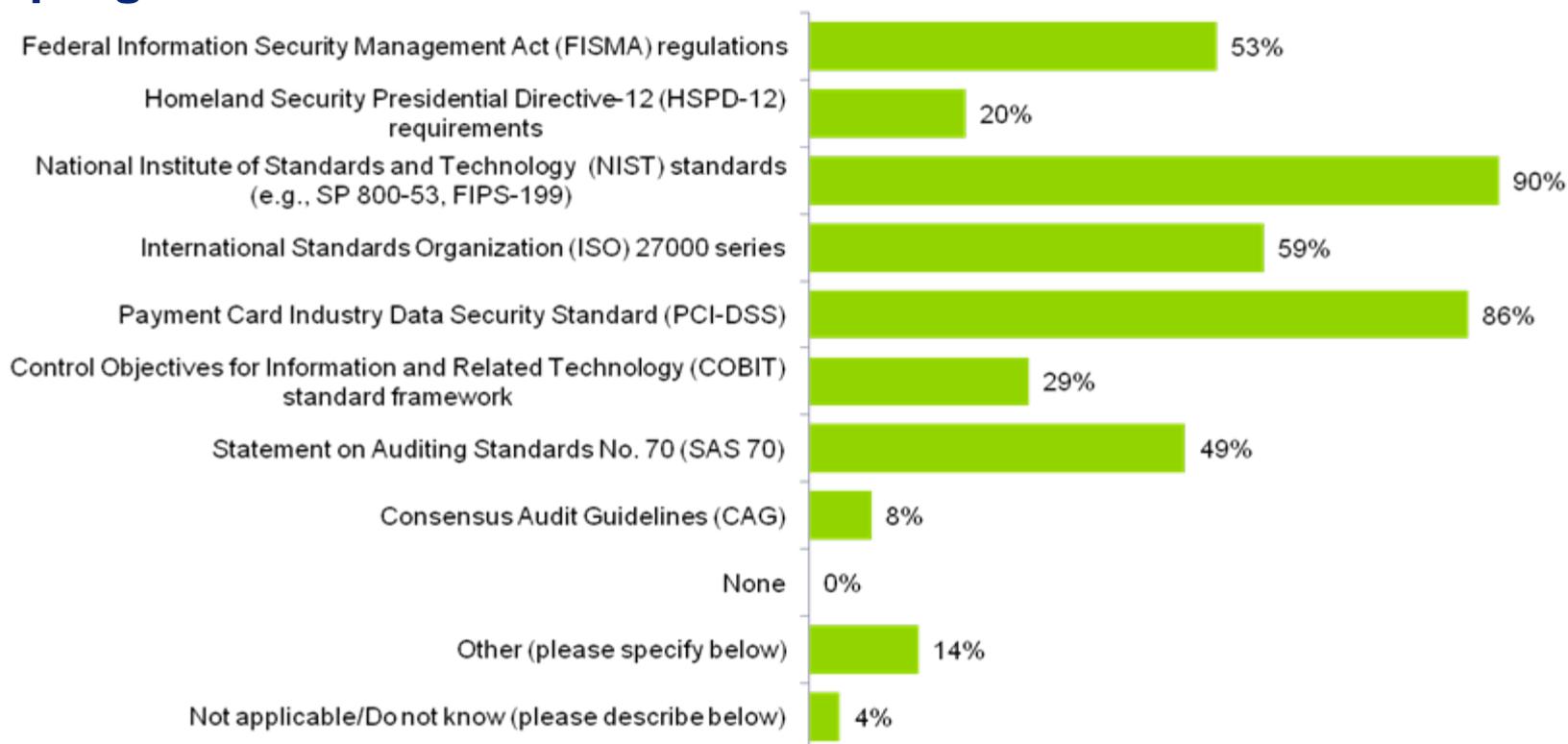
76 percent of the respondents indicated that their CISOs report to the Chief Information Officer (CIO).

1. Security Initiatives for 2010



Survey respondents chose data protection (60 percent), risk assessments (58 percent), training and awareness (54 percent), application security (42 percent) and security measurement/reporting (42 percent) as their top five initiatives for 2010.

4. Which of the following external security standards, regulations, frameworks or guidance does your State choose to adhere to, comply with, or rely on, in carrying out its information security program?



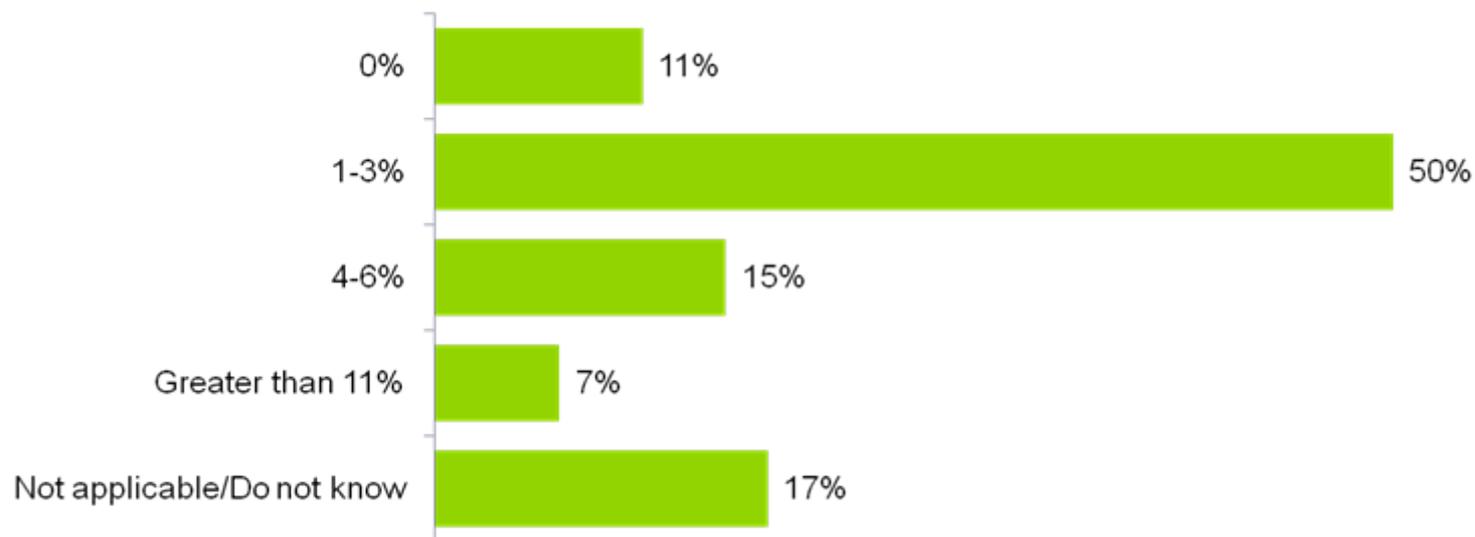
90 percent of respondents indicated that their State chose NIST for their information security program.

1. What major barriers does your State (or agency) face in addressing information security?



88 percent of the respondents indicated that the major barrier they face in addressing information security is lack of sufficient funding while 56 percent indicated that it is the increasing sophistication of threats.

4. What percentage of your department's overall IT budget is allocated to information security?

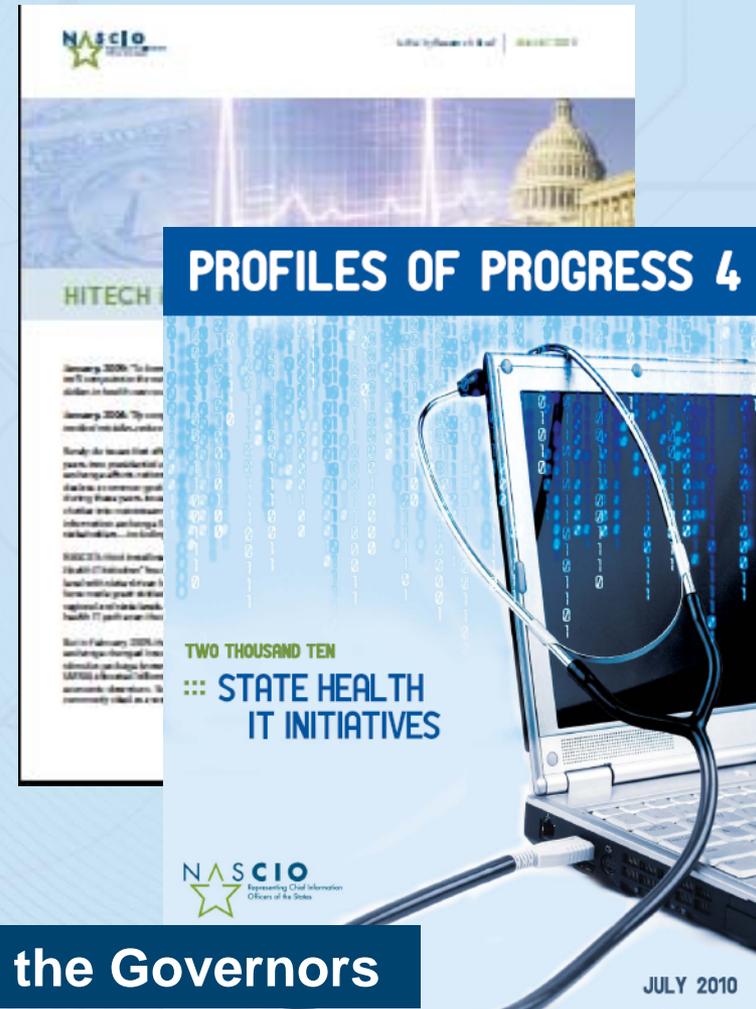


50 percent of the respondents indicated that 1-3 percent of their department's overall IT budget is allocated to information security

Gartner Trends 2010 recommends 5% of the overall IT budget be allocated to information security .

States, Health Care and IT

- Recovery Act, HITECH funding, PPACA and state responses
- Stakeholder collaboration to achieve HIE interoperability
- Legal, regulatory and administrative barriers
- Incentives to accelerate EHR deployment
- Data standards and formats
- Security and privacy concerns
- **IT critical for cost control**



A top public policy issue for the Governors

Digital Identity and the States

- States - nucleus of identity for individuals
- Identity - basis for providing services and sharing data across agencies
- Issue identity credentials - too many!
Create identity silos
- Lots of technical, operational, policy and legal questions to resolve



States need a national framework for interoperability: trusted federated identity model

Social Media: Connecting with Citizens



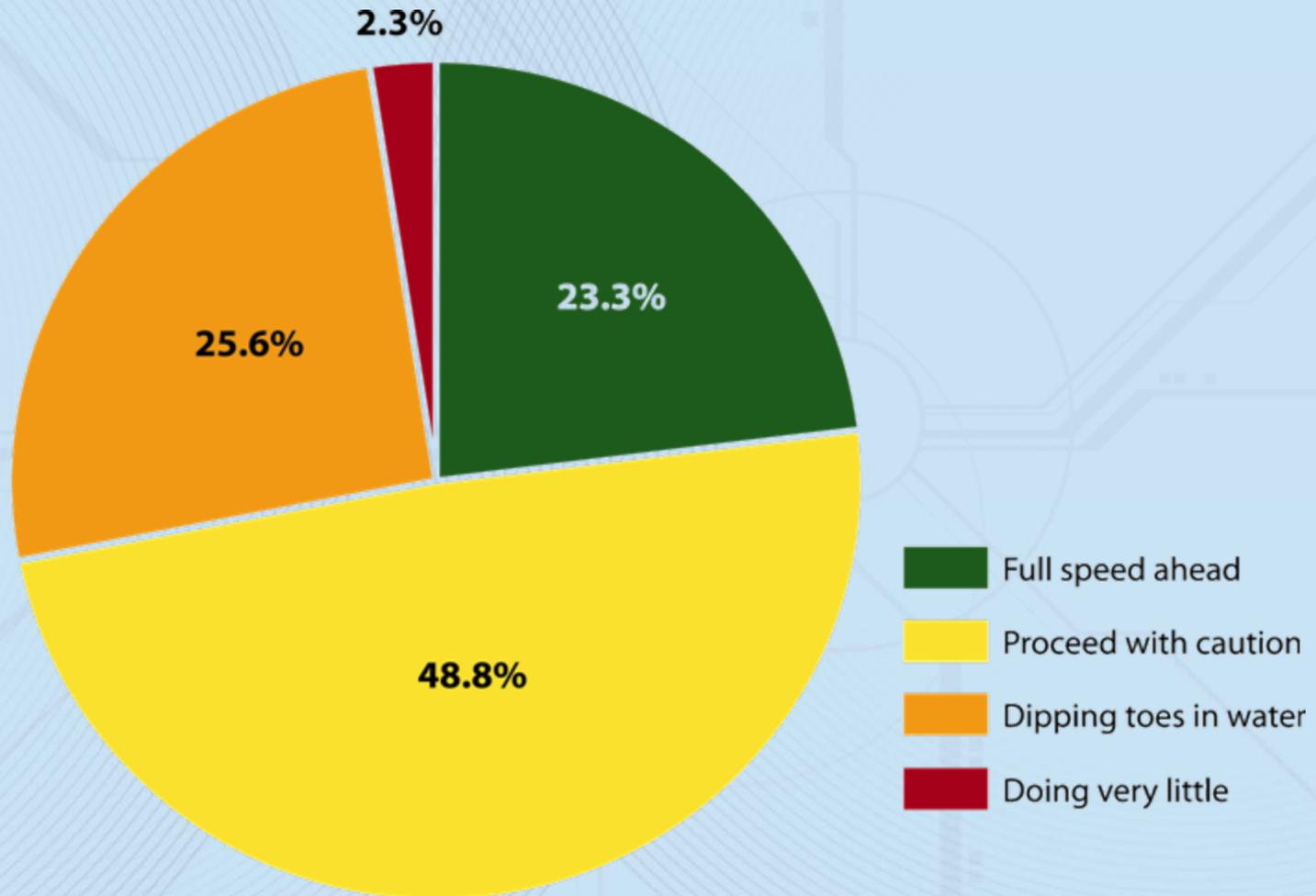
Social media adoption rates are broad across all state governments

- two-thirds of survey respondents **lack enterprise policies** addressing social media
- 98% of use - free social media tools on hosted, third party platforms

Social media pose **challenges** to states in the areas of:

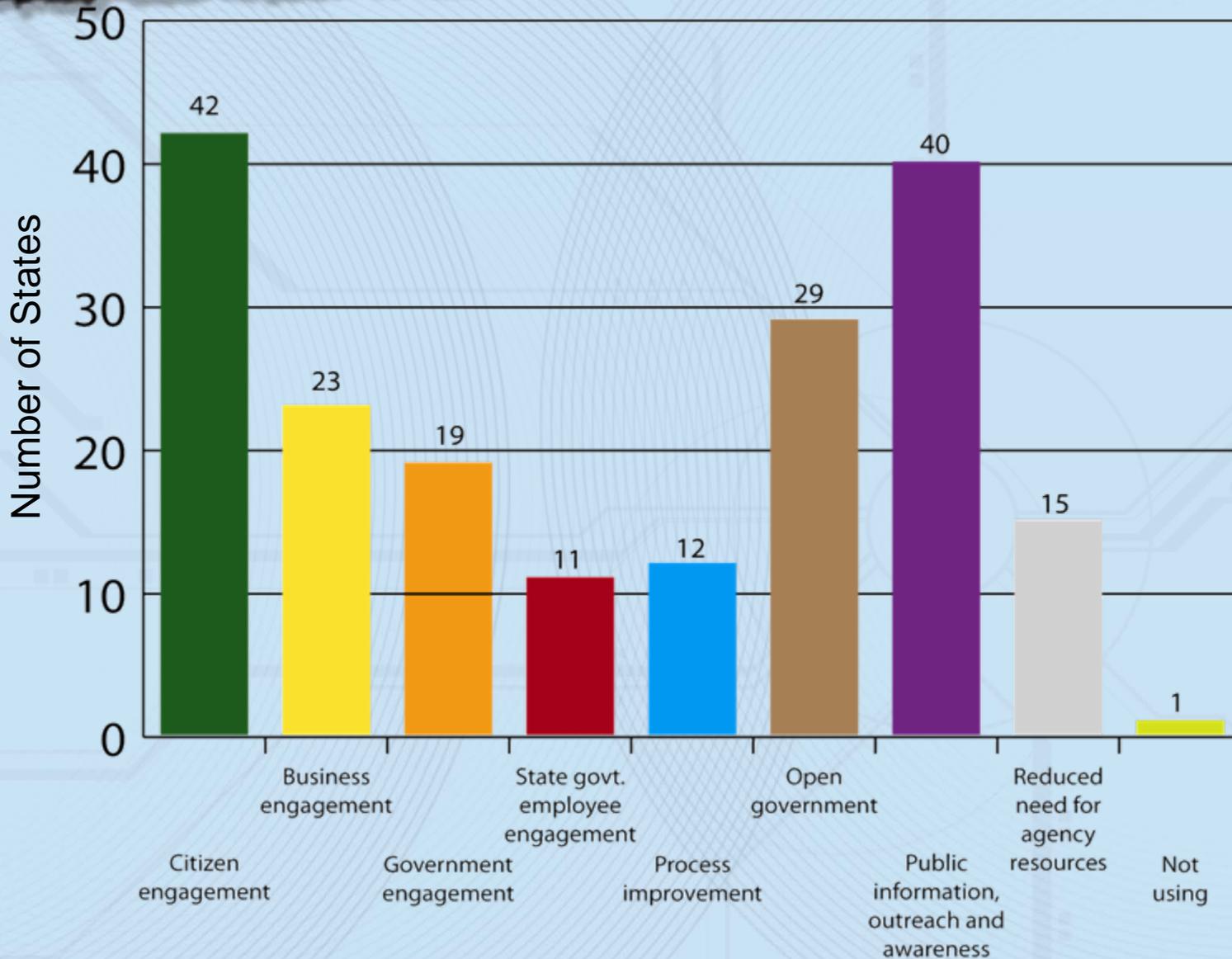
- security
- legal issues associated with terms of service
- privacy
- records management
- acceptable use

Social Media: State Status





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Why Use Social Media?

Risk Management: What are States Doing?

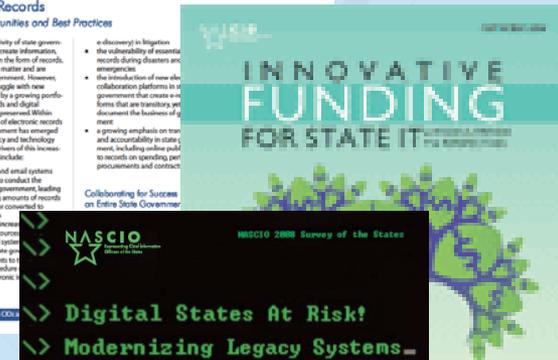
What is your state doing to mitigate concerns and risks of using social media? Select all that apply.

Answer Options	Response Percent
Negotiating custom agreements with providers	26 %
Developing/Implementing policies	72 %
Developing/Implementing guidelines	72 %
Monitoring use	51 %
Registering users	9 %
Requiring secure sign-in	9 %
Educating users	67 %
Selectively blocking users	37 %
Do not have any concerns	0 %



State Trends to Monitor

- Moving to the **cloud**
- Legacy system replacement
- Multi-state collaboration: sharing infrastructure, solutions, code & applications
- Innovative funding, financing
- Integrated service channels
- Born Digital: e-records, digital preservation and e-discovery





CIOs Reporting Status of Cloud Computing

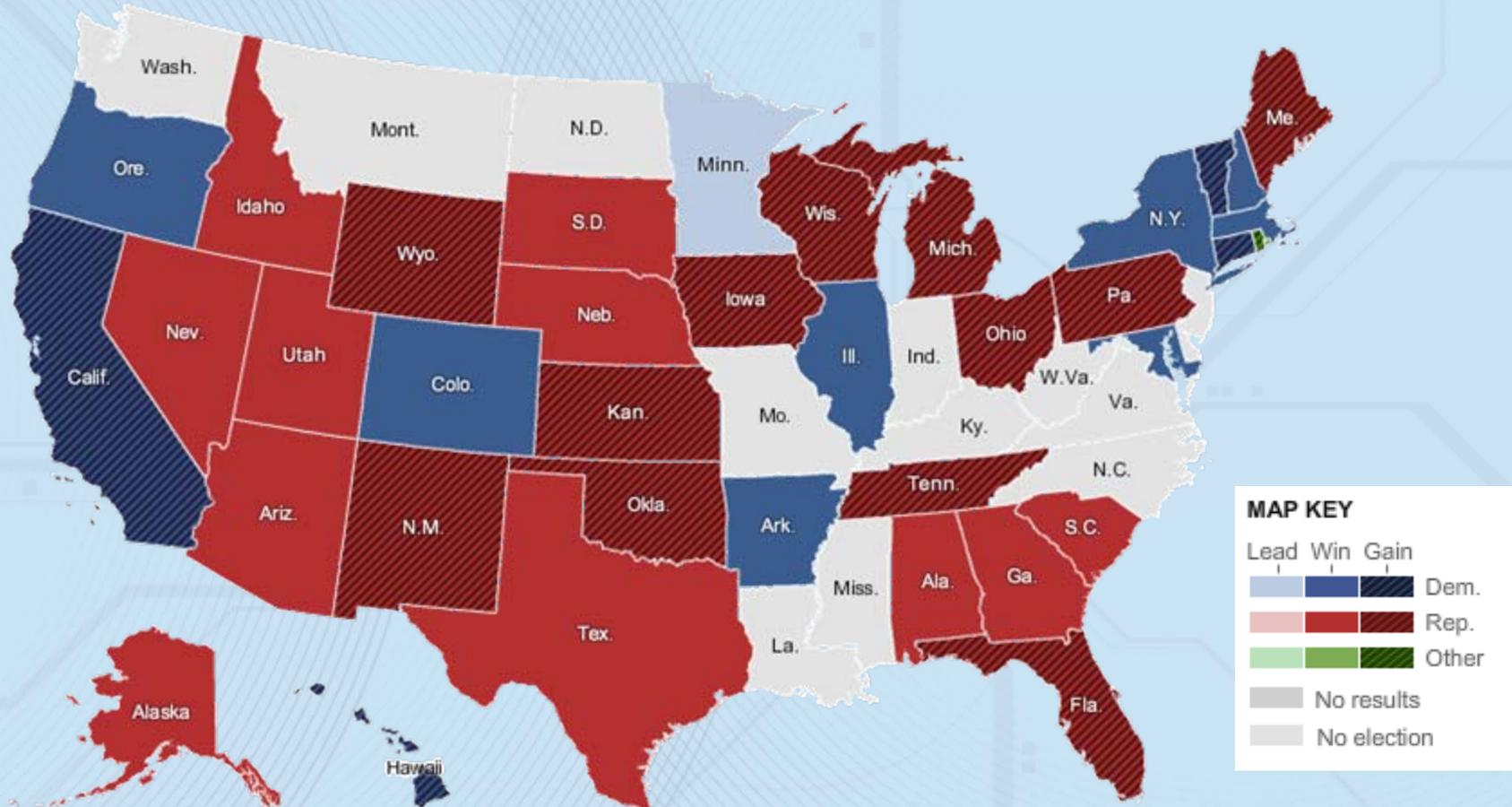
Investigating the use of cloud computing, but as yet have not taken action	54%
Running an active project to move portions of computing infrastructure to cloud computing	21%
Undertaking a cloud computing pilot for a portion computing requirements	13%
No formal plans to use cloud computing	5%
Have been using cloud computing for years, but under another name	5%
Other	3%

Looking Ahead

- Continuing state budget issues...2014?
- More IT consolidation, shared services
- **Outsourcing:** more steering, less rowing?
- IT implications of healthcare reform
- Demand for performance, results
- Extending the enterprise: locals?
- Massive collaboration - Web 2.0
- **Elections** and CIO transitions – impact?



37 Gubernatorial Elections: Results



25 new Governors (+2) and...1230 new legislators



New Tough Times Agenda: Eight Major Moves

1. Service delivery – more interactive
2. Production – enterprise-wide shared services
3. Extended value chain – reform industries
4. **Infrastructure – extend access**
5. Feedback – open government models, data
6. Collaboration – broader engagement
7. Standards – trustworthy and open
8. Authority – create new processes, organizations



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Questions?

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