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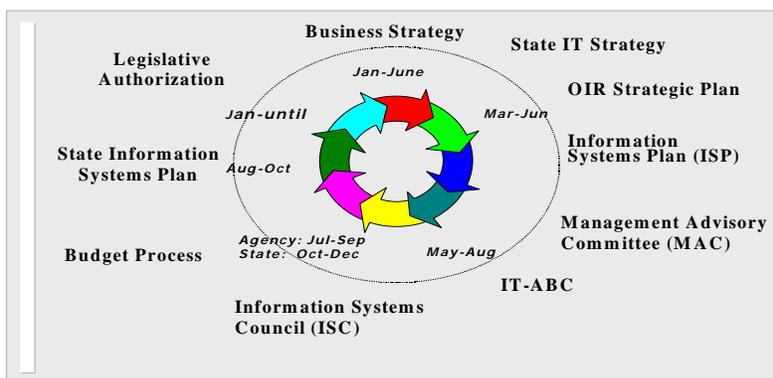**Email: rozann.shick@state.tn.us**

State IT Management Initiatives - Executive Summary

Tennessee has enjoyed many distinguished achievements within the recent year - none more valuable than its Information Systems Planning Process – and most of them as a direct result of intensive and successful planning. This year's five submissions for the NASCIO Recognition Awards are each a testimony to the effectiveness of this planning process, and the degree of its influence upon 53 different agencies of state government.

For example, Tennessee's official government portal ranked as the nation's best government web site in 2002 by the Taubman Center for Public Policy at Brown University. Individual eGovernment initiatives appear in the agency's strategic plan, and are carefully assisted by the state Portal Advisory Committee. In another area, the national trend-setting caliber of the Department of Treasury's Local Government Investment Pool (LGIP) Internet Banking Application provides a secure and convenient method for city and county governments to deposit, withdraw, transfer, and examine funds invested with the state. This project was carefully planned within the IT planning process. Within the context of our statewide network, the Tennessee Information Infrastructure (TNII) project is the first state government, managed services network to use leading edge MultiProtocol Label Switching (MPLS) Internet Protocol (IP)/Virtual Private Network (VPN) technology allowing multiple entities with disparate IP addressing structures to co-exist on the same physical network infrastructure. TNII was a visible planning effort with comprehensive involvement leading to support and implementation. For disaster recovery and continuity, Tennessee's central IT Office of Information Resources (OIR) is charged with providing the communications and computing capabilities required for all the agencies of state government that serve the citizens. Within the formal IS planning process, in accordance with State of Tennessee IT Strategic Plan, year 2002, Goal 2 outlines that "Tennessee will provide an innovative, responsive and dynamic information technology infrastructure of the highest attainable levels of reliability, availability, and interoperability."

What are the secrets to these successes? The secrets include no less than a comprehensive planning program, with all of the accompanying policy, ongoing offers to tutoring to enhance understanding, and the support to agency Information System Directors to enable them to use this process as the single-most effective way to communicate their most important initiatives to their leadership through this proven pathway. Through an understanding of the annual cycle of planning as it relates to the budget, this planning dialogue creates a support mechanism for agency success. Perhaps the greatest result of this year's success, is the landmark intiative for what some in the industry have referred to as consultant "re-insourcing" – which is outlined within the context of planning, in Tennessee's 2003 submission of State IT Management Initiatives.

Planning, Review, and Approval Process

A. Description of project, including length of time in operation.

This year's significant success in IT consultant "re-insourcing" could only have been successful against the backdrop of Tennessee's valuable planning process, and with the active support of our governance board. So, for this year's award submission, Tennessee will attempt to weave *an italicized thread of our new re-insourcing initiative in the foreground*, against the background of our dynamic planning process. The State of Tennessee recognized that need for government services would continue to grow, and yet resources available to government were decreasing. State agencies in response to being called on to do more with less, have reasonably turned more aggressively to IT as a major enabler that could assist government in managing change. It is also understood that a well-defined information technology planning process was a critical success factor. The State of Tennessee has developed a comprehensive technology planning process to enhance technology project initiation, review, and approval. The various stakeholders in this process are as follows:

- **Information Systems Council (ISC)**

The ISC is the governing oversight authority over information technology within State government. The Council is comprised of eleven representatives from the legislative, executive, and judicial branches of State government:

- **Office of the Budget**

Central budget authority for State government.

- **Office for Information Resources (OIR)**

Central technology authority for State government and information technology service provider to agencies of state government.
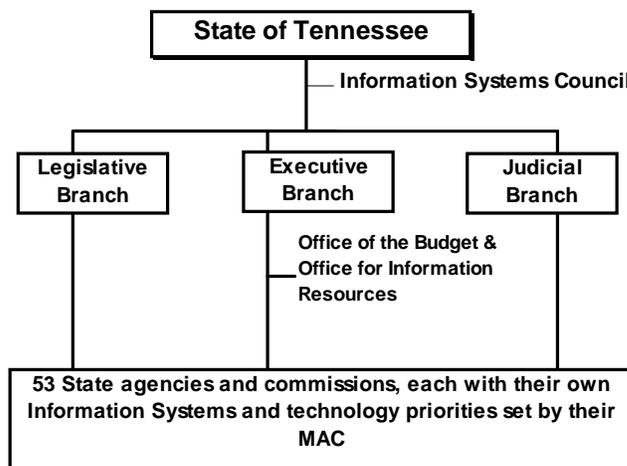
- **Management Advisory Committee (MAC)**

A Management Advisory Committee (MAC) was established within each agency as a part of the planning process to enable executive management to more effectively direct information technology activities.

State of Tennessee: Highlights of Consultant "Re-Insourcing" Against the Background of a Dynamic IT Planning Process

The typical MAC is chaired by the Deputy Executive Officer of the agency with three or four program / functional executives as MAC members. Some agencies include their General Counsel, Chief Financial Officer, or Internal Auditor on the MAC. Agency IS Directors are staff to the MAC.

Although the information systems planning process in Tennessee has been in operation since 1981, a specific initiative this year for IT consultant "re-insourcing" has produced landmark results during a year of severe national state budget austerity. The Information Systems Council leadership was engaged to hear the proposal just before the beginning of the fiscal year. Within 30 days, budget appropriation language was passed to allow a first-ever conversion of consultant dollars into new state employee position authorizations, in order to escape the spiraling dependence on more costly consultants.

- **Executive Management Meeting on Information Systems Planning.**

Annually, a festive Executive Management Kick-Off Meeting is held to initiate the planning season. The Commissioner of Finance and Administration (State's Chief Financial and Executive Officer), State Budget Director, and the Chief Information Officer arrange the meeting to discuss administrative initiatives, as well as budgetary and technology direction. Attendance at this session includes the Commissioner or executive officer, deputy officers, budget/fiscal officer and systems director of each state agency. This session sets the stage for senior management involvement and support of information systems planning.

- **Preparation and authorization of individual IT plans by 53 separate government agencies of the executive, legislative, and judicial branches of State government.**
  - Each agency annually develops an Information Systems Plan, which is due at the beginning of the fiscal year and covers a three-year planning horizon. Agency executive management and business staff, with agency Information Systems staff assistance, perform the following activities:
  - Review of the strategic business plan for the agency including the statement of mission, goals, objectives, and strategies that set business direction.
  - Assessment of the current technology environment within the agency including evaluation of the primary hardware, application software, and connectivity in place.
  - Development of an Information Technology Strategy based upon the analysis of the current environment and the business goals that need to be achieved. This strategy identifies the agency's long-range goals related to managing and sharing data and information technology in support of the agency's business strategic plan. The strategy also addresses agency technology weaknesses and needs.

In support of the Information Technology Strategy, large and small technology projects are identified and documented in the ISP. These projects may include traditional application development or acquisition projects as well as projects involving specific technologies including computer telephony, mobile device connectivity, and communication infrastructure projects. A streamlined description is provided for each small project. Each large project is described in a Project Proposal, which addresses the business process, to be impacted by the project and clearly specifies the business strategy or objectives supported by the project. A Cost Benefit Analysis document detailing the costs, benefits, risks, and funding sources for the project is also included. The Project Proposal and Cost Benefit Analysis provide a framework for an agency's executive management to evaluate and prioritize proposed projects. The documents provide a concise mechanism to monitor costs and benefits during implementation. The Information Systems Plans are reviewed and authorized by Management Advisory Committees within each agency.

- **Preliminary review of each plan is conducted by the central budget and technology agency: the Department of Finance and Administration, through the IT Assessment and Budget Committee (IT-ABC.)**

After the submission of the Information Systems Plans to the Office for Information Resources, external review of the Information Technology Strategy and supporting projects begins. The Agency Information Systems Plan is a multi-year strategy and covers at least three years. Year One covers projects for the current fiscal year for which funding is already in place. Year Two covers the following fiscal year where funding for these initiatives will be requested in the budget submitted in October of the current fiscal year. Year Three covers future projects. *The "re-insourcing" effort became an active Year One effort led by OIR with global and energetic participation across all agencies.*

The Tennessee Department of Finance and Administration contains the State Budget Office, which oversees the development and management of the Budget for all of State government and OIR, which oversees information technology for all of State government. A review group comprised of both offices: the IT Assessment and Budget Committee (IT-ABC), has the responsibility to address information systems issues from a statewide (corporate) view, to take a strategic view on major technological issues, and to provide a process for monitoring technology projects. The review of Information Systems Plans is an important step in the accomplishment of these responsibilities. There are multiple purposes for plan review, to include:

- Approval or disapproval of current projects based on resource availability; adherence to the State's information systems architecture, policies and procedures; and contribution to fulfillment of the State's service delivery to its citizens.
- Recommendation of projects for inclusion or exclusion in funding formulas for the next fiscal year.
- Review of future projects in an attempt to identify long term needs for information technology resources.
- Review of the Information Technology Strategy in an attempt to evaluate the agency's approach in using information technology to enable and enhance service delivery as outlined in their Business Strategy.
- Review of the plan to develop an understanding of the issues affecting the effective and efficient use of information technology in the agency and the State as a whole. This information is important to identifying issues that not only affect the agency but also the systems community in the State. In its role as staff to the Information Systems Council, OIR is then better positioned to help pursue strategic initiatives to address major issues at the Enterprise level.
- Overall view of projects across agencies, which may be performing similar functions, generating redundant data, or demonstrating a need for sharing data or resources. There is a growing need for sharing data among agencies in order to facilitate service to the citizens of the State.

The IT-ABC is made up of the following staff: Director of Systems Development & Support, Director of Planning & Research, Director of Technology Financial Management, Director of Program Management & eGovernment, Director of Data Networking & Telecommunications, Business Development & Organizational Liaison, Director of Mainframe Support, Assistant Director of Budget.

The plan review begins as soon as the plans are submitted on July 1st. Approximately 50 staff members from the various divisions within OIR and Budget read and comment about the plans and / or projects. IT-ABC members complete their review of the staff comments and the ISPs. The action by the agency's Management Advisory Committee in setting project priorities helps ORC understand the relative importance of the project in the prioritization and ranking of all project requests throughout State government.

After IT-ABC preliminary review, an agenda detailing issues of concern to individual agencies is completed. A formal meeting is held by IT-ABC with each agency's MAC and IS staff to address the issues identified. After the formal meeting, a final disposition memo is developed by IT-ABC detailing the status (approval or disapproval) of projects. One of the strengths of the process is that the IT-ABC process remains active throughout the year as needed, providing flexibility and responsiveness to agency needs as they arise no matter where we are in the annual planning cycle. This keeps the planning process a living process, and prevents it from being just an exercise that produces a static result once a year,

- **Review and approval of a consolidated statewide plan is an annual objective of the Information Systems Council (ISC).**

After IT-ABC review and disposition, a Statewide Information Systems Plan is developed based upon individual agency plans. The Statewide Information Systems Plan consists of the following segments:

- Description of the Information Technology Environment on an enterprise basis including details about planning initiatives and the technical environment.
- Overview of specific agency technology projects
- Description of the Office for Information Resources
- List of agency existing applications
- Funding considerations based on the IT-ABC disposition of projects are finalized and the statewide agency initiatives are presented to the Information Systems Council.

The Council makes the final disposition on major projects and initiatives for State government.

B. Relative significance to the improvement of the operation of government.

The operation of State government has improved in three general areas directly related to the Information Systems Planning process: improvements in the way that agencies determine and direct information technology projects; improvements in the Statewide technology and fiscal review of projects; and significant improvements in overall information technology planning.

- **Improvements Within Agencies**

Individual projects are now more clearly defined due to the standardization of a comprehensive format as required by the Project Proposal and Cost Benefit Analysis. Anticipated review of these deliverables within the agency and outside the agency increases the accuracy of the descriptions and estimates. Project sponsors, as well as MAC members, are closely involved with the cost benefit analysis.

Individual projects are now part of an overall technology strategy that moves the agency toward a clearly defined goal. The goal to be supported is a part of the agency's business strategy. The closer link between technology and the business, as well as the clear tie between the two, enhances the visibility of information technology initiatives that are usually costly in dollars and manpower resources.

Management overview and direction of the information technology strategy and supporting projects is emphasized due to the nature of the need for these strategies to support the business initiatives of the agency. And because management played a key role in the development of the information technology strategy, the projects are more likely to be supported with resources.

- **Statewide Technology and Fiscal Review**

The explicit statement of the driving business need for technology projects as well as the definition of the project and associated costs and benefits improves the understanding of the need for the project outside of the agency. A more objective review of all information technology projects can be undertaken. Approvals and prioritization are based on more complete data and less on subjective issues.

- **Improvements in Overall Technology Planning**

Through the plan review process and IT project management, an enterprise-wide view is obtained so that initiatives are seen as State initiatives rather than individual agency initiatives. Resource maximization can take place through this view of similar, cooperative projects. Efforts can be more coordinated across agencies. Conformance of information technology initiatives to statewide architectural standards and direction is more readily encouraged and achieved.

In confronting a long-standing problem over recent years of an aging workforce with 30% eligible for retirement, inadequate and inequitable state employee pay, and annual cost-cutting measures that repeatedly eliminated IT staff positions, the new IT senior leadership team worked through our steering committee and leadership to receive support for an historic new direction of "re-in sourcing." Simply stated, this effort involved the conversion of yesterday's IT contractors into tomorrow's lower-cost state employees. As this effort began, it was our observation that the local market with regard to state IT contracts had not appropriately recalibrated since the 1999 dot.com collapse – instead, that the option-year extensions in many contracts still had inappropriate 90's era inflation clauses. So, a careful strategy was proposed. Powerful enabling language within the 2003 appropriation creatively allowed for the "transfer from professional services to payroll, amounts budgeted for contractors" … and also allowed the state "to increase authorized IT positions in order to replace contractors with state employees." Giving additional leadership credit where credit is certainly due, Tennessee also enjoys the vision of a Governor that is not so overly concerned with the growth in the number of state employees, that a savings to the taxpayer is not realized. In working carefully with a supportive Department of Personnel, we have reviewed market pay equity through William M. Mercer for critical skills, in a way that breaks the cycle and downward spiral of contractor dependence at significantly higher rates. We have also worked with the Tennessee State Employee Association to ensure that our first attempt at conversion allows consideration of a Career Service employee – although certain positions are being approved with their support as Executive Service with added hire/fire flexibility.

C. Benefits realized by service recipients, taxpayers, agency or state

Against the backdrop of our planning process, projects and initiatives are initiated, approved, and monitored to ensure they meet the business needs of the State. An atmosphere has been fostered to encourage cost effective technology solutions to service delivery challenges for State government. The effective and efficient use of resources expended on technologies, the close management control over the projects, and the benefits in citizen service have fostered the expanded use of information technology. Information technology in all of State government is driven by business goals established by the elected representatives of the citizens of the State. Executive management is accountable for technology initiatives. More realistic technology projects are defined and evaluated on a more objective basis.

As a result of the "re-insourcing" initiative, state and local newspapers and media have heralded the savings to taxpayers of from $4-5 million in the first year, and every year after. Sixty-five percent of 280 consultants are being rapidly converted to achieve this savings that averages over 13% of each dollar previously spent on consultants (even after all relevant benefits). Agency Commissioners and IT leaders are able to offer these timely savings at the very point in time that our new Governor needed to achieve a 9% statewide budget reduction. As the word spreads about the relative value and power of this initiative, we find that Tennessee is increasingly able to recruit nearly any employee talent desired as the employer of choice. This win-win was intensified by the fact that most of the consultants truly want to become state employees, and also by the fact that agency leadership feels the same way about the best candidates.

D. Return on investment

As we have engaged in bringing some of yesterday's consultants into state government, we have found that the average age of an IT employee in the Office of Information Resources has already been lowered eight years, and our conversion is not yet complete. The associated historic problems of not having good alternatives for "IT succession and leadership planning" are now overcome in great part by having multiple candidates for tomorrow's leadership positions. After years of reacting to arguments that many areas of IT focus were inappropriate core competencies for state government, now instead we have a strong pipeline of talent for what we realize is definitely a necessary long-standing core competency. Periodic tracking and communicade with state agencies ensures that the progress of consultant conversion stays on track.

The impact of more effective planning is difficult to measure; however, there is no doubt that information technology planning has enabled significant progress in the operation of State government. One indicator of that progress and effectiveness is national recognition. In this area, the State of Tennessee has been well honored. To mention a few honors received over the last several years, "The Best Managed State in the Country" by one national publication, "One of the Best Managed States" by another publication, and the only state to make the top five in both, "One of the Top 100 organizations among both private and public sector organizations by CIO Magazine", "the first and only state to receive ALL three Government Finance Officers Association (GFOA) awards of excellence and information systems that have been awarded the NASIRE and Smithsonian awards.

The State of Tennessee has also created innovative funding mechanisms to assist in the affordable adoption of technology to enhance service to citizens, as recently highlighted in a NASCIO special publication. In support of this effort, the State has established a fund called the Systems Development Fund as a mechanism for funding large application development projects. State agencies must repay funds utilized from either an application development funding source or an equipment and non-application system software source. The payback time frame is normally not over five years. Projects approved for expenditure from this fund are determined by the Information Systems Council based on the recommendation of the Commissioner of Finance & Administration.