

ASSEMBLY THIRD READING

AB 1323 (Chiu and Bennett)

As Amended March 26, 2021

Majority vote

SUMMARY

This bill requires the Department of Technology (CDT) to identify, assess, and prioritize legacy information technology (IT) system modernization efforts across state government, to analyze all existing state IT contracts to identify candidate services that can be centralized or eliminated due to redundancy, and to work with other agencies and the Legislature to evaluate options to modernize state government IT project approval and oversight processes.

Major Provisions

- 1) Requires CDT to identify, assess, and prioritize legacy information technology system modernization efforts across state government.
- 2) Requires CDT to submit an annual report to the Legislature that includes: an explanation of how CDT is prioritizing legacy IT system modernization efforts across state government; an estimate of the annual and total preliminary costs for each effort and for the entire state modernization portfolio; and the impediments and risks that could, or issues that already have, led to changes in how CDT identifies, assesses, and prioritizes modernization efforts.
- 3) Requires all state agencies and state entities to submit all of their current IT service contracts to CDT before May 1, 2022.
- 4) Requires CDT to analyze the contracts submitted pursuant to 3), above, and use the information obtained from that analysis to, among other things, submit a report to the Legislature that identifies each service that CDT believes would be appropriately centralized; summarizes market research the department would conduct to estimate the one-time and ongoing costs to the state of each service; and calculates potential offsetting savings to the state from reduced overlap and redundancy of services.
- 5) Requires CDT to develop an implementation plan, including associated budget requests, that includes, but is not limited to, a list of existing service contracts of state agencies to be replaced with centralized service contracts managed by CDT and a proposed strategy and timeline for the transition from existing service contracts to centralized service contracts.
- 6) Requires CDT, the Department of Finance, the Government Operations Agency, and other relevant state agencies to work with legislative staff and the Legislative Analyst's Office (LAO) to evaluate options to modernize state government IT project approval and oversight processes.

COMMENTS

The COVID-19 pandemic has put tremendous strain on government agencies, and, in many cases, the failure of governments across the country to continue providing timely and reliable services resulted from outdated IT infrastructure that was not suited for a coordinated state effort of that magnitude. In California, the Employment Development Department's (EDD) reliance on COBOL, a 60-year-old programming language that many state IT staff have never been taught,

stymied the agility of the department to carry out routine responsibilities and recover from system crashes when faced with a tenfold increase in people filing for unemployment. Problems arising from outdated IT systems are not unique to EDD. Similar issues with outdated IT have resulted in problems ranging from misreporting public health data relating to COVID-19, to critically suppressing the efficiency of the DMV, whose offices only began accepting credit cards last year.

Failure to modernize legacy IT systems¹ has critical implications, especially when that technology is pushed to its limits by an unexpected event. Poorly maintained legacy IT systems can lack the sophistication or regular upgrades necessary to patch security vulnerabilities, leaving them susceptible to cybersecurity breaches. Legacy IT systems are also, put simply, more likely to fail, as the infrastructure itself degrades, and the technological pressures they must support outpace their capacity. Finally, legacy IT systems are surprisingly costly to the organizations maintaining them. According to a U.S. Government Accountability Office report, of the \$90 billion the federal government spent on IT in 2019, nearly 80% went to operating and maintaining legacy systems. While from 2010 to 2017, the amount spent on IT modernization decreased by \$7.3 billion, the cost of operating and maintaining existing IT rose by 9%. Though the upfront cost of avoiding modernization may be lower, the overall cost can be substantially higher when considering increasing upkeep costs, costs associated with system failures, and losses in efficiency.

California's state agencies, like many organizations, have fallen victim to this cycle of continuously kicking the IT modernization can down the road, instead relying on outdated legacy systems prone to failure and inefficiency. This continual delay of modernization results from myriad factors making comprehensive IT reform extremely difficult to complete. For one, while CDT has the statutory authority to review and approve IT projects initiated by state agencies (*see* Gov. Code Sec. 11546.1(a)(1)(B)), it is not clear whether, under current law, CDT is authorized to identify legacy IT systems in each state entity and prioritize their stabilization or modernization according to risk of failure, and it is unlikely that CDT is authorized to require a state agency to complete stabilization and modernization efforts. This lack of centralized authority to oversee and manage IT modernization and stabilization has resulted in fragmented and redundant IT infrastructure across the state agencies, stifling interagency collaboration and complicating the experience of users attempting to access state services online.

Individual agencies are also less likely to undertake IT reform of their own accord, as the sizable upfront costs and high risk of failure tend to disincentive prioritizing these types of projects. Additionally, as a memo written by the LAO points out, "this and prior administrations have a history of introducing new IT-related policy and other initiatives with limited legislative involvement. Administrative IT policy changes can fundamentally change how the state delivers (or does not deliver) IT projects and services, and too often these changes are implemented only to be reversed by the administration a few years later." In order to ensure that critical IT reform is appropriately coordinated and prioritized, and that it is carried out with accountability to

¹ According to a publication by the Institute of Electrical and Electronics Engineers (IEEE), "[t]here is no formal definition of 'legacy system,' but it's commonly understood to mean a critical system that is out of date in some way. It may be unable to support future business operations; the vendors that supplied the application, operating system, or hardware may no longer be in business or support their products; the system architecture may be fragile or complex and therefore unsuitable for upgrades or fixes; or the finer details of how the system works are no longer understood."

completion, the LAO recommends enacting reform measures in statute to offer the Legislature the opportunity to provide policy direction and hold the Administration accountable.

This bill seeks to provide this statutory guidance to permit CDT to oversee and manage the modernization of the state's IT infrastructure. Specifically, this bill would provide CDT with explicit authority to identify and prioritize the stabilization and modernization of legacy IT systems; direct CDT to identify opportunities to centralize IT service offerings; and modernize state IT project approval and oversight processes. This bill appears to represent a critical first step in ensuring that the state eliminates costly redundancy and commits to carrying out essential IT reform. Staff notes that while this bill is rather demanding in terms of its reporting requirements, such comprehensive reporting is arguably necessary, both to provide accountability on the part of the administration to carry out modernization efforts, and to ensure that the Legislature is allowed ample opportunity to provide policy direction as this sizeable undertaking is carried out.

One major obstacle to the modernization of legacy IT systems is that those systems are typically essential to fulfilling the day-to-day responsibilities of those agencies. Because state agencies routinely provide critical services to California residents, even temporary service outages can have profound effects on the well-being of the State's residents most in need. To ensure that system modernization projects do not delay or otherwise interrupt the provision of essential services, the author should consider specifying that CDT's annual report to the Legislature discussing processes for prioritizing legacy IT system modernization projects also include proposals for ensuring continuity of services as those modernization projects are undertaken.

Additionally, though centralization of IT services can have substantial benefits for both the provision of public services and the cost efficiency of state governance, shared IT systems between agencies, and/or with operations consolidated within CDT, has the potential to increase risk of personal information lawfully possessed by one agency being accessed without authorization by personnel from another. For instance, a shared user interface for California residents to access personalized information about public benefits provided by several agencies, if not thoughtfully implemented, would have the potential to reveal personal health information provided in regard to MediCal benefits, to, e.g. the DMV through that user's profile. To ensure confidentiality of sensitive information is maintained as IT infrastructure is centralized, it may be beneficial for implementation plans for centralization to include provisions for maintaining confidentiality of agency information.

According to the Author

California leads the country when it comes to technology and innovation, but the IT systems in state government struggle to function. Numerous attempts to modernize these systems have been frequently delayed, significantly over budget, and often failed. The state's storied struggle with IT has spanned many decades, Administrations, and legislative bodies.

Historically, the Governor's office has led on IT-related policy and related initiatives with limited legislative involvement. While administrative IT reforms can fundamentally change how the state delivers IT services, all too often changes are reversed by the next administration. Interruptions in continuity result in severe consequences for state IT project planning, development, implementation, and oversight. [...]

The state is deluged with troubled IT projects, but there is no concrete plan to resolve the issues that cross agencies, departments, and projects. Additionally, there is no centralized agency with the explicit statutory authority to analyze, plan for, and implement statewide IT reform.

A combined lack of standardized policies and defined leadership have pushed the state's IT system to be unnecessarily disconnected, unmanageable, and difficult to reform. AB 1323 begins to lay the groundwork for statewide IT reform.

Arguments in Support

According to the Internet Association:

Building on the hard work of all the teams in the state focused on IT modernization, AB 1323 will give each of them - as well as those who are a little further behind - the kind of support and information they need to pursue a successful statewide IT modernization effort. By requiring IT modernization plans include the information outlined throughout 11546.45(a)(2), [...] the Department of Technology, the Legislature, and the state workforce itself will have the opportunity to provide a truly objective assessment of the current state of the IT landscape. With a few other changes, this bill will ensure the IT modernization plans presented are successfully implemented.

Arguments in Opposition

None on file

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Costs (General Fund (GF)) possibly in excess of \$150,000, in additional staff for CDT to review all state agency IT contracts for redundancies, impact to user demand and management approaches regarding demand and supply and submit a report to the Legislature with recommendations for IT modernization efforts and estimated costs.
- 2) Likely minor and absorbable costs to GovOps to work with legislative staff to evaluate potential options for modernizing the state's IT approval and oversight processes.

VOTES

ASM PRIVACY AND CONSUMER PROTECTION: 11-0-0

YES: Chau, Kiley, Bauer-Kahan, Bennett, Carrillo, Cunningham, Gabriel, Gallagher, Irwin, Lee, Wicks

ASM ACCOUNTABILITY AND ADMINISTRATIVE REVIEW: 7-0-0

YES: Petrie-Norris, Patterson, Burke, Gray, Lackey, Medina, Rodriguez

ASM APPROPRIATIONS: 16-0-0

YES: Lorena Gonzalez, Bigelow, Calderon, Carrillo, Chau, Megan Dahle, Davies, Fong, Gabriel, Eduardo Garcia, Levine, Quirk, Robert Rivas, Akilah Weber, Holden, Luz Rivas

UPDATED

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