



*Virginia Information Technologies Agency*

# VITA Update

**Sam A. Nixon Jr.**

Chief Information Officer of the Commonwealth

---

**House Appropriations Committee**

January 22, 2014



# VITA's Mission: Mandate for Change

- Business-like discipline to IT management
- Shared services
  - Uniform approach enhances security, efficiency
  - Consistent funding mitigates obsolescence
- Oversight
  - Procurement, projects, security, standards, architecture, & policy
- Modernization is an ongoing journey
  - Continuous change, evolving threats, new needs



## VITA Has Achieved All Major Goals

- Goal: establish performance & spending metrics
  - *Now: service levels (SLAs) & monthly invoices*
- Goal: curtail waste on failed IT projects
  - *Now: consistent project management oversight*
- Goal: enable data sharing across agencies
  - *Now: data standards & enterprise data services*
- Goal: leverage Commonwealth buying power
  - *Now: over 200 statewide contracts*
- Goal: enhance IT security
  - *Now: enterprise infrastructure protections*



## 2013 Accomplishments

- Met FY 2013 financial targets, including 3<sup>rd</sup> payment toward line of credit
- Technology and Performance
  - 100% SLA, 13.3K PCs, 19K phones, 92% solid state b/u, security, and more
- Adopted new statewide standards and completed work on major enterprise solution projects
  - Enterprise Information Architecture (EIA)
  - Electronic Data Management (EDM)
  - Service Oriented Architecture (SOA)
- Re-engineered eGov outsourcing model
  - Re-design of Virginia.gov
- Received numerous national awards (ITP, Security, eGOV, others)



## IT Provided As a Fully-Managed Service

- Centralized monitoring, management and support
- Shared services
  - Data center: mainframes, storage, servers
  - Networks: routers, firewalls, Enterprise Internet connection with redundant circuits
  - Desktop computers: with hardware/software refresh
  - Desktop software: Office, virus scan, remote support, and asset inventory management
  - Enterprise Email: full redundancy, hot fail-over and full security scans in/out
  - Help desk and incident management: storms & outages
  - Monitoring of servers, security, network: 24 x 7 x 365



# CoVA IT Infrastructure

## Computers

59,374 PCs  
3,356 servers

## Mailboxes

58,948 accounts

## Data storage

1.5 petabytes

## Mainframes (2)

IBM

Unisys

## Communications

55,000 desk phones  
6,100 handhelds (PDAs)  
11,000 cell phones

## Networks

2,039 circuits

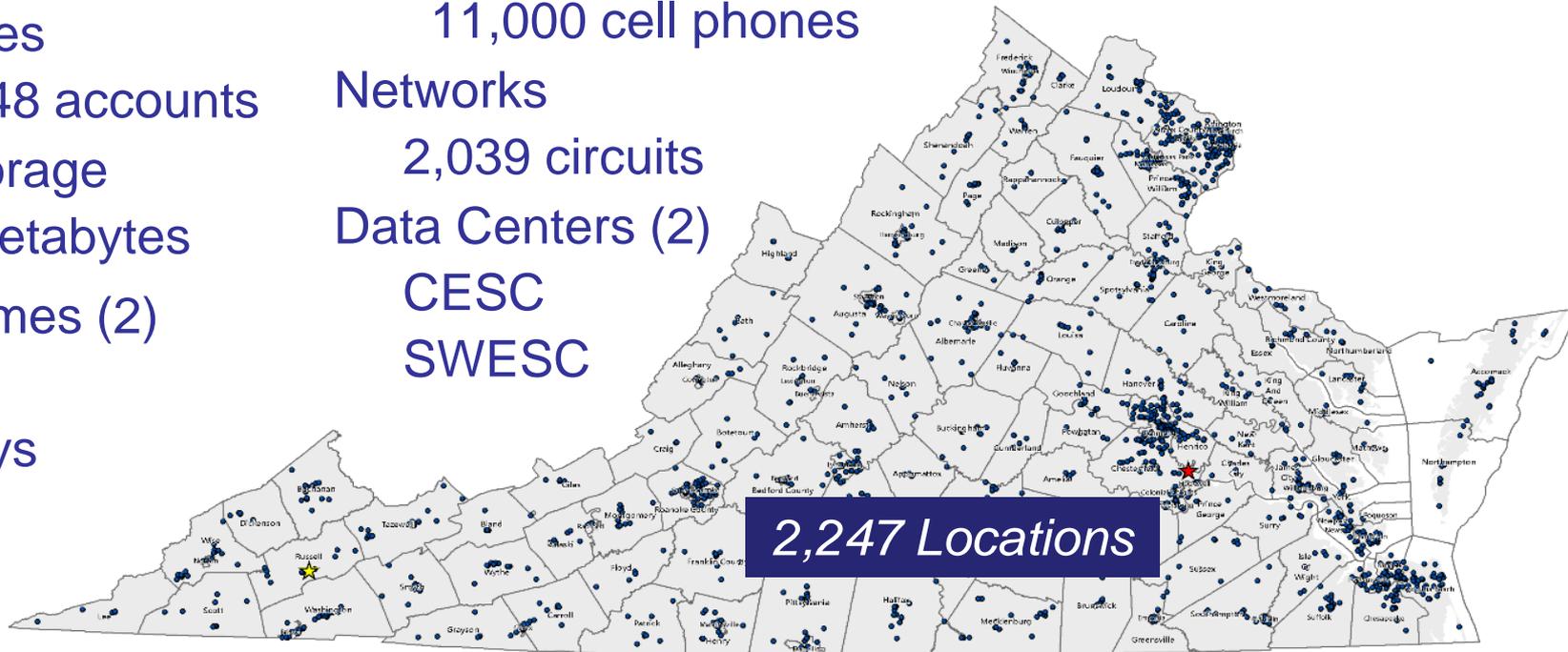
## Data Centers (2)

CESC

SWESC

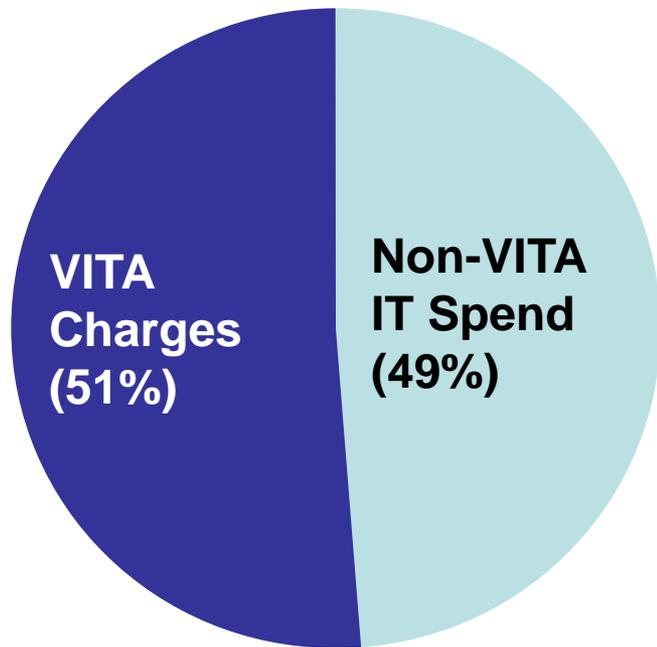
## Printers

5,311 network  
22,000 desktop





# Agency Business Needs Drive IT Spending



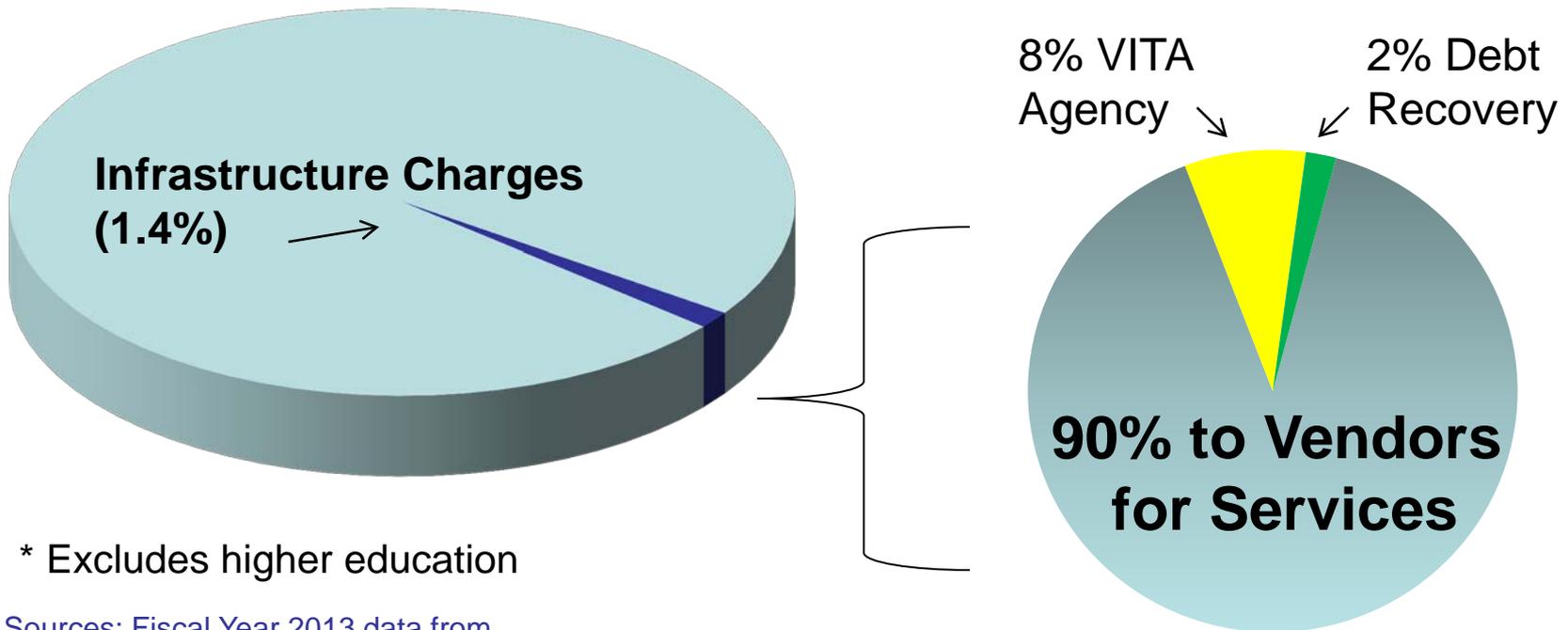
- VITA charges are only half of exec. branch IT spend
- Non-VITA IT spend =
  - Software \$160M
  - Agency Staff \$55M
  - Hardware \$38M
  - Telecomm. \$16M
  - Other IT \$13M

Sources: Fiscal Year 2013 data from Commonwealth Data Point, VITA



# VITA Charges Average < 2% of Budgets

## Total FY 13 In-Scope Expenditures \*



\* Excludes higher education

Sources: Fiscal Year 2013 data from Commonwealth Data Point, VITA



## VITA Is Primarily Self-Funded

- Under 1% of VITA budget is GF
- Self-funding (cost recovery) pays for
  - Vendor payments (90%)
  - VITA's oversight: security, project management, data standards, architecture, strategic planning, procurement, & IT services
- ISF rates are overseen by JLARC & DPB
- Adjusted annually
  - FY 2013 rates decreased 2.3% (avg.)
  - FY 2014 rates flat (avg.)



# Changes in VITA Budget (HB 30)

| Budget Components  | Biennial Amount (\$ millions) |
|--|-------------------------------|
| Increased use of IT services by state agencies           | 26.0                          |
| Contractually-required NG COLA                           | 13.6                          |
| (Elimination of debt recovery surcharge)                 | (12.0)                        |
| Growth in E-911 program                                  | 5.6                           |
| Replacement for VITA's 30 year-old telco. billing sys.   | 2.4                           |
| Other (eGov, broadband grant, central approps.)          | 2.3                           |
| NG contract transition planning                          | 2.2                           |
| New IT security & risk mgmt. staff (4 FTEs)              | 0.7                           |
| <b>TOTAL net additions in HB 30 (FY 2015 &amp; 2016)</b> | <b>40.8</b>                   |

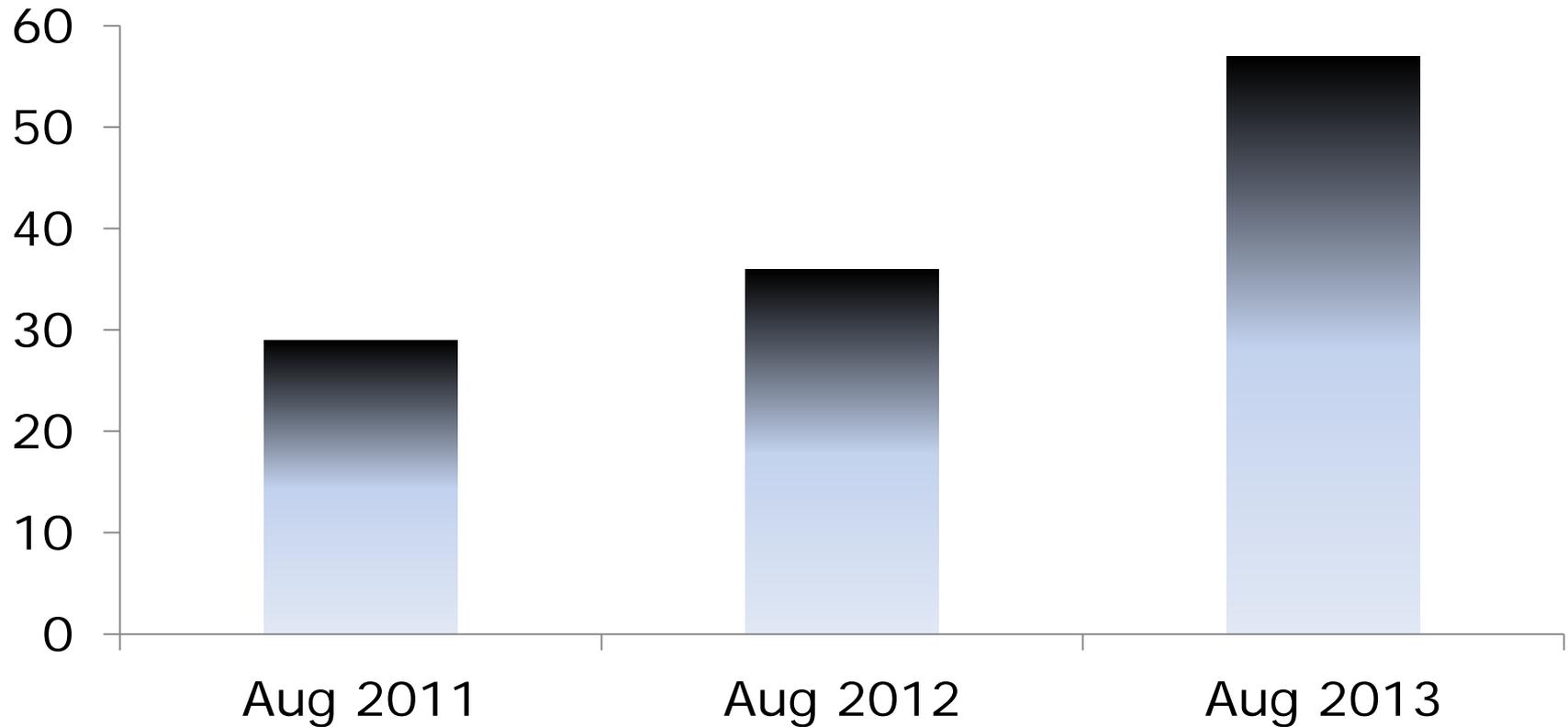


## Changes in Usage Affect VITA Costs & Staff

- Agency use of IT varies (Jul 11 – Nov 13)
- Use of some services increased
  - Phones
  - Copiers & printers
  - Disaster recovery (storage & servers)
  - Data storage
  - PCs
- Use of some services decreased
  - Non-disaster recovery servers
  - Wide area network circuits



# Agency IT Projects Are Increasing



Note: Active projects only

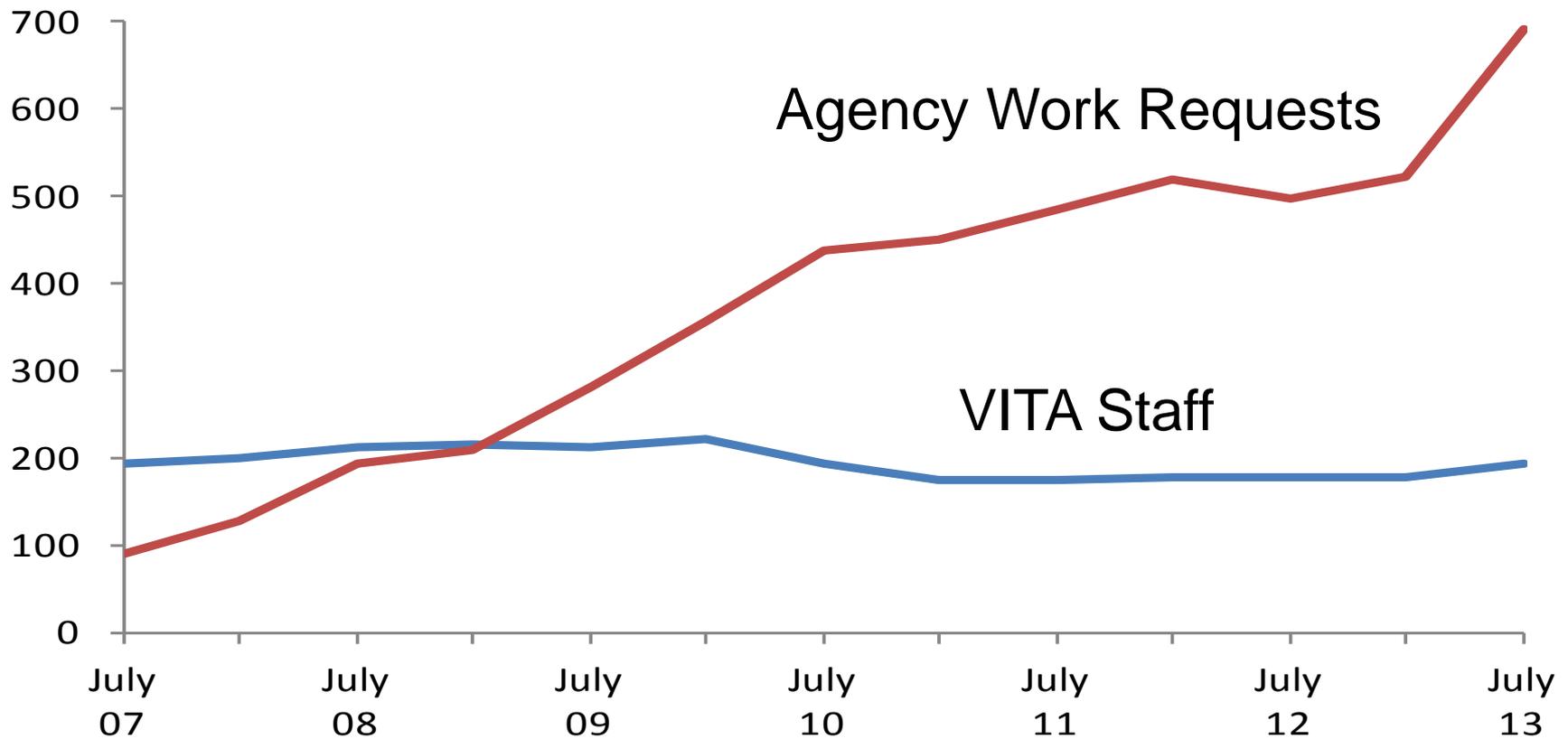


# Major IT Projects by Secretariat

| Secretariat              | Number of Projects | Projected Amount     |
|--------------------------|--------------------|----------------------|
| Health & Human Resources | 15                 | \$173,766,587        |
| Commerce & Trade         | 3                  | \$65,065,231         |
| Finance                  | 2                  | \$60,732,324         |
| Education                | 7                  | \$23,964,622         |
| Transportation           | 6                  | \$13,756,043         |
| Public Safety            | 4                  | \$11,408,087         |
| Technology               | 1                  | \$8,347,520          |
| Natural Resources        | 1                  | \$980,000            |
| <b>TOTAL</b>             | <b>39</b>          | <b>\$358,020,414</b> |

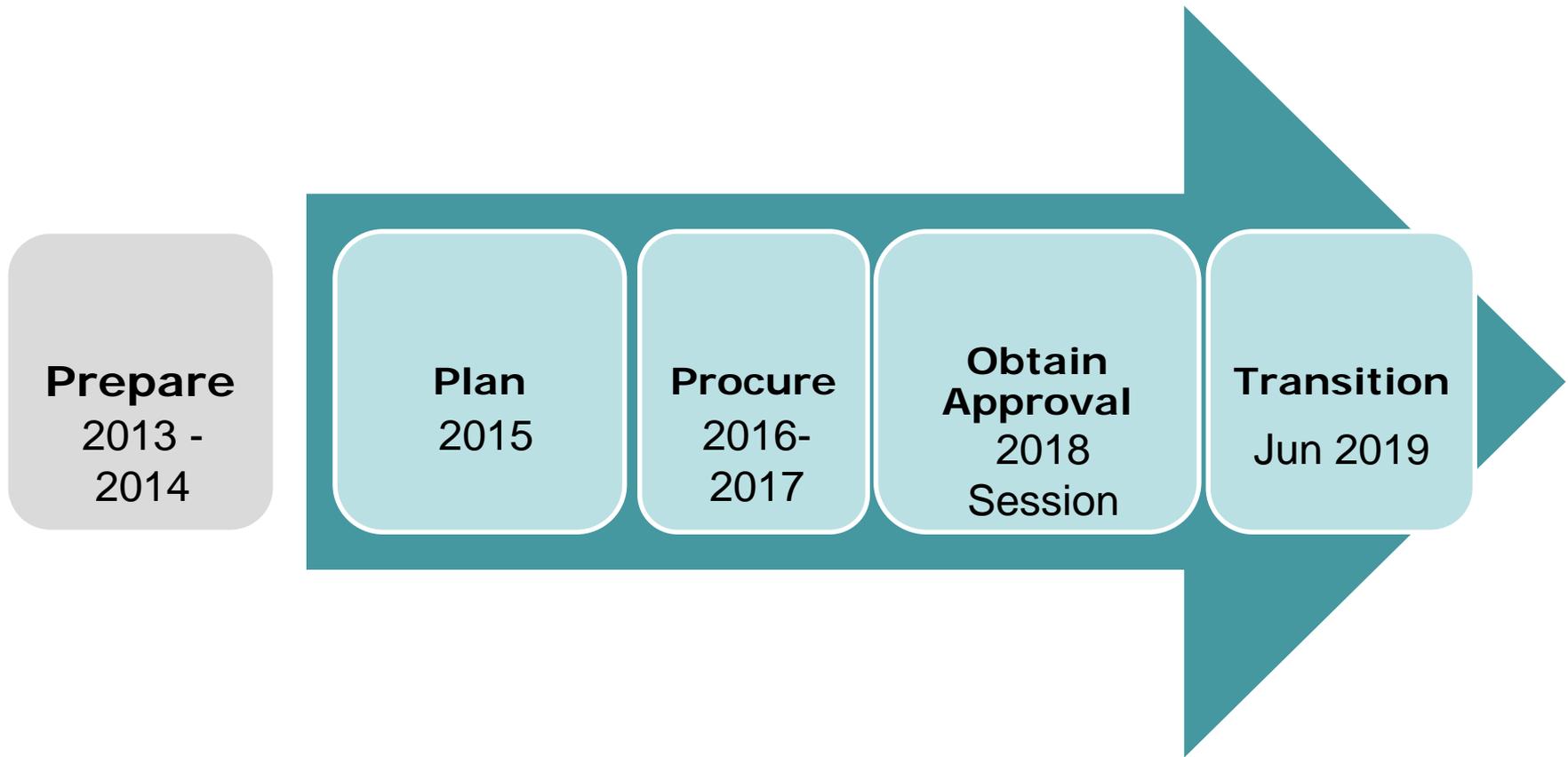


# Staffing Hasn't Kept Pace with Workload





# Prospective Timeline for NG contract



Note: Calendar Years



## Assessment of NG Contract

- 13-year term expires on July 1, 2019
- Focus since 2005 has been tactical:
  - Finish “transformation” of 89 agencies
  - Improve overall performance, better alignment to Commonwealth strategic goals
- VITA requires additional resources to maintain operations & address new goals
- Potential directions when term ends
  - In-sourcing, out-sourcing, multi-sourcing, or partial in-sourcing



# Transformation Must Be Completed

- VEC is partly complete, but timeframe & cost to complete are unknown
  - Extensive parallel efforts on UI project
- VDEM projected to complete next year
  - Unique high availability requirements
  - One time cost of about \$800k
- VSP has some new equipment, but no agreement to begin transformation
  - Solution must comply with VSP & FBI rules
  - Incremental cost: \$1.8M, plus \$1.6M recurring



# Transformation Must Be Completed

- Continued operational & security risk elevated until transformation finishes
- Data breach or outage could impact Commonwealth finances & public safety
  - 2012 S.C. & Utah data breaches cost \$20M and \$2-10M
- Agencies pay contractual “legacy” fees until transformation is completed
  - Higher cost to support out-dated equipment



## Policy Decision: Contract Term

- Term expires on July 1, 2019, but can be extended by 180 days
  - Decision must be made by Sept. 30, 2018
- Disentanglement begins 9 months before term ends, & length may vary
  - NG activities “to accomplish a complete, timely, and seamless transition”
  - May take up to two years (March 2021)
- Contract continues until disentanglement is complete



## Policy Decision: Data Center

- Will Commonwealth want a dedicated state data center, located in Virginia?
  - Other states use multi-tenant and/or out-of-state data centers, potentially lowering costs
  - Use of in-state center ensures Virginia laws apply & supports economic development
- Use of public “cloud” services may lower costs, but may add complexity & hinder security of data
  - NG already provides private cloud to CoVA



## Will State Have Funds to Buy Assets?

- Outsourcing chosen in 2005 because state lacked capital
  - NG provided capital, which state is repaying
  - Cost to end contract early reflects this (\$318M in FY 2014)
- Will funding exist to buy Chester data center & other IT assets?
  - 2013 assessed value of Chester facility is \$38M
  - Contract stipulates at least \$47M cost for certain assets (mainframes, servers, PCs)



## Policy Decision: IT Staff

- More than 550 state IT staff became NG employees in 2006
  - NG now has 580 staff & contractors
- State may offer to hire NG staff & subcontractors
  - Offers must be made from Oct 2018 - Sept 2019
- In-sourcing will require substantial hiring
  - At least \$24M-\$48M plus benefits



## Decisions Needed by End of CY 2015

- Prerequisite activities must be completed during McAuliffe Administration
  - Will require direction from policymakers by end of CY 2015 before next steps begin
  - Consulting support will be critical
  - Current VITA staffing cannot support ongoing operations & also new planning/procurement
- Options will also be affected by changes in provision & management of IT
  - Mobile computing, new contractual models, etc



## Benchmarking of NG Fees

- NG performed market analysis at VITA's request
- Additional steps may be needed to ensure market competitiveness of fees paid to NG
  - Lengthy contract term hinders ability to use marketplace to ensure price competitiveness
- VITA will work with Secretary of Technology to determine next steps
  - Use of consultants will require additional resources



## Challenges, Look-ahead

- Lingering resistance to shared services approach
  - IT as a fully-managed service, not just hardware
  - Agency perceptions on cost recovery
- IT Security
- Evolution of NG relationship
  - Technology innovation
  - Continuous change to NG contract
- Aging “legacy” applications
- VITA organization
  - Insufficient oversight authority
  - Aging workforce



# Questions?

**Samuel A. Nixon Jr.**

sam.nixon@vita.virginia.gov

(804) 416-6004