The 2020-21 Budget:
Governor's IT Project Proposals

Summary

Over 30 Budget Requests to Plan, Develop, and Implement Information Technology (IT) Projects. The *2020-21 Governor's Budget* includes several requests for resources to plan IT projects proposed by state government entities, or to develop and implement IT projects approved (or expected to be approved) by the administration's central IT entity—the California Department of Technology (CDT). The total cost of these requests in 2020-21 is over $200 million, a majority of which is General Fund, with additional one-time and ongoing costs in future years.

Several Budget Requests Present Opportunities for Legislative Oversight. Some of the budget requests present the Legislature with opportunities to take action to exercise more oversight of IT projects. We organize the opportunities into three groups based on the specific actions we recommend the Legislature to take.

- *Evaluate the Proposed Scope of Some Projects Before CDT Approval.* Some proposed IT projects requesting planning resources have the potential to be complex and costly projects once approved by the administration. We recommend the Legislature consider some projects' proposed scope and determine whether it agrees with the administration's choices among identified alternatives prior to the administration's approval of the projects.

- *Define Project Completion and Take Other Actions to Make Legislative Intent Clear About Project Goals.* Some approved IT projects are making decisions—such as changing when a project is to be deemed "complete"—that complicate legislative oversight. For this particular decision, the Legislature could exercise more oversight by defining its intent for when a project is complete when it appropriates funding for the project.

- *Condition New Resources for the Development and Implementation of Some Projects on Legislative Notification and Approval.* Some proposed IT projects are requesting resources to start development and implementation in 2020-21, but are still being planned and have not been approved by the administration. In such cases, the Legislature could exercise more oversight through the budget process by adopting provisional budget language that conditions the appropriation of resources for project development and implementation on prior written notification of, and approval by, the Legislature once the project proposal is approved.

More Legislative Involvement in Planning and Oversight of IT Projects Suggest New Budget Subcommittee Could Be Warranted. Changes to the budget subcommittee structure, such as a new subcommittee tasked with (among other potential tasks) consideration of budget requests for IT projects, would allow the Legislature to review IT project proposals in a centralized manner to ensure proposals receive similar levels of scrutiny and oversight.

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FEBRUARY 20, 2020

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INTRODUCTION

This report provides an overview of the proposed and approved IT projects in the Governor's proposed 2020-21 budget. We first provide relevant background information on the state's IT project approval process, approaches to development and implementation of projects once approved, maintenance and operation of IT systems once completed, and requirements for state government entities to request resources for projects through the budget process. We then identify and summarize the budget requests to plan proposed projects and to develop and implement projects (whether proposed or approved). As a subset of the latter, we highlight budget requests to develop and implement proposed projects that are still being planned but are expected to be approved in 2020-21. (We do not provide an in-depth analysis of any individual budget request for a proposed or approved project in this report, and instead include our analyses in other publications organized by budget area.)

For purposes of our analysis in this report, we focus on budget requests for proposed and approved projects from entities under the authority of CDT. CDT's IT project approval process provides the Legislature with opportunities to offer input on its priorities in the planning of proposed projects. In addition, given many projects are centralized through CDT, this process presents opportunities to exercise more legislative oversight of IT projects.
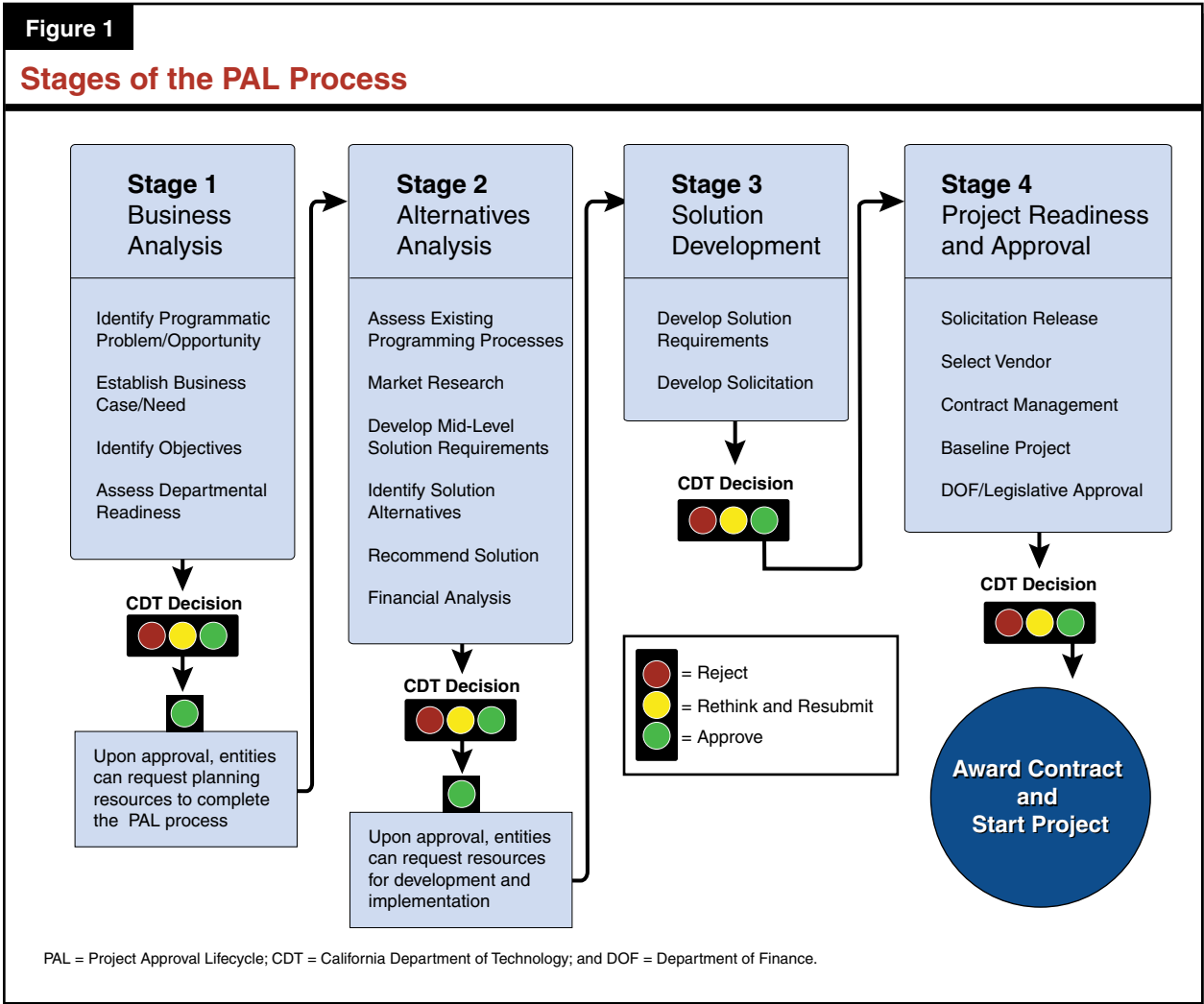
BACKGROUND

Role of CDT. CDT is a department within the California Government Operations Agency with broad authority over all aspects of technology in state government. This report focuses on two of the department's responsibilities: (1) to review and approve IT projects proposed by state government entities, and (2) to oversee the development and implementation of approved projects until they are completed. (Some entities and projects are not covered by CDT's authority under state statute. Excluded entities include, for example, constitutional offices.)

Project Approval Lifecycle (PAL). To review and approve IT projects proposed by state government entities, CDT implemented a new IT project approval process—PAL—in 2016. (For a comprehensive description of the PAL process, please see our February 17, 2017 report—*The 2017-18 Budget: The New IT Project Approval and Funding Process*.) The PAL process divides IT project approval into four stages: (1) business analysis, (2) alternatives analysis, (3) solution development (including procurement analysis), and (4) project readiness and approval (including vendor selection and finalization of IT project details). Each stage in the PAL process requires entities to submit an associated planning document to CDT for its approval. Collectively, the planning documents from the four stages provide a complete project plan (including the project's cost, schedule, and scope) to develop and implement the proposed project. **Figure 1** provides a graphical depiction of the PAL process.

Development and Implementation. Once CDT approves a proposed IT project (and, for most proposed projects, the Legislature appropriates funding), the state government entities can start to develop and implement their approved projects. Projects can approach the development and implementation of their projects in several ways: (1) the traditional approach, (2) the "agile approach," or (3) some combination of the traditional and agile approaches. Using the traditional approach, entities develop the entire scope of the project before it is implemented. Using the agile approach, entities develop some of the project scope (often referred to as modules) and implement it while the rest of the scope is being developed. As entities develop and implement their projects, the initial cost, schedule, and scope of the project may change. If entities deviate from the cost, schedule, and scope approved

Figure 1

Stages of the PAL Process

Stage 1 Business Analysis	Stage 2 Alternatives Analysis	Stage 3 Solution Development	Stage 4 Project Readiness and Approval

Stage 1 Business Analysis

Identify Programmatic Problem/Opportunity

Establish Business Case/Need

Identify Objectives

Assess Departmental Readiness

CDT Decision

Upon approval, entities can request planning resources to complete the PAL process

Stage 2 Alternatives Analysis

Assess Existing Programming Processes

Market Research

Develop Mid-Level Solution Requirements

Identify Solution Alternatives

Recommend Solution

Financial Analysis

CDT Decision

Upon approval, entities can request resources for development and implementation

Stage 3 Solution Development

Develop Solution Requirements

Develop Solicitation

CDT Decision

= Reject

= Rethink and Resubmit

= Approve

Stage 4 Project Readiness and Approval

Solicitation Release

Select Vendor

Contract Management

Baseline Project

DOF/Legislative Approval

CDT Decision

Award Contract and Start Project

PAL = Project Approval Lifecycle; CDT = California Department of Technology; and DOF = Department of Finance.
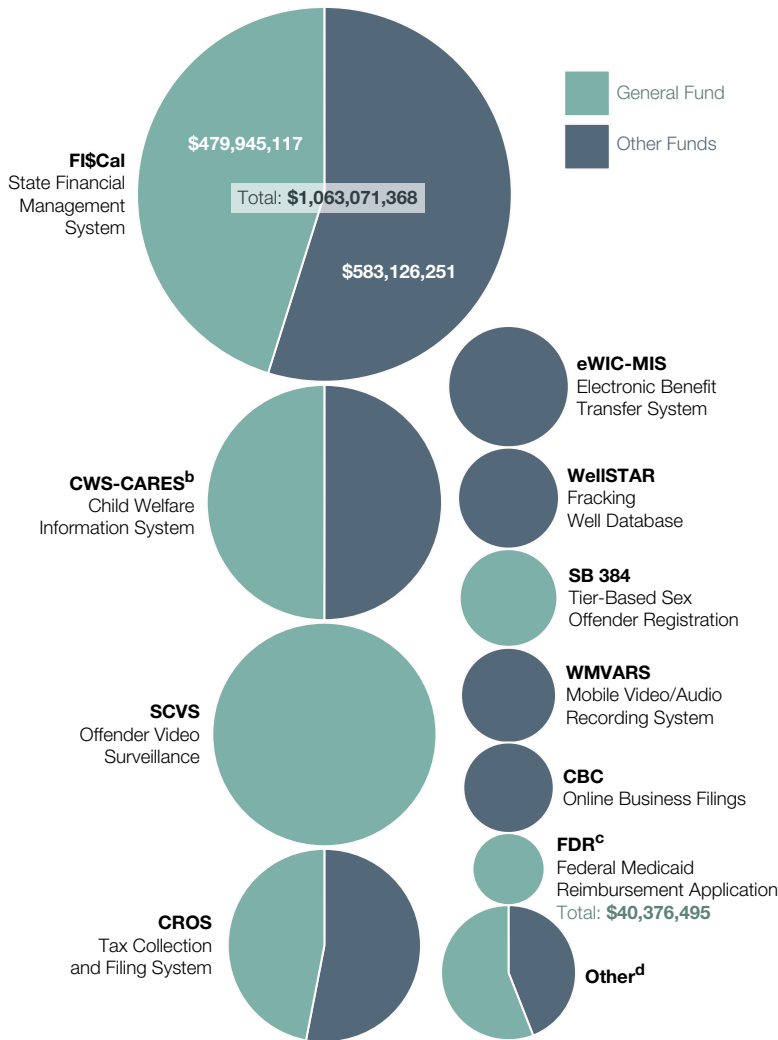
by CDT through the PAL process (in an amount or by a percentage set by CDT)—regardless of development approach—CDT often requires entities to submit a revised project plan in a new planning document called a Special Project Report (SPR). As of February 2020, a total of 23 IT projects (under CDT's authority) are currently in development and implementation at a total cost of $2.7 billion ($1.5 billion General Fund). **Figure 2** (on the next page) shows projects currently underway (under CDT's authority) in order of total cost and General Fund cost.

Maintenance and Operations (M&O). Once the development and implementation of an IT project is completed, the project becomes an IT system and enters into M&O. M&O includes activities and costs associated with the state government entity's ongoing upkeep and continuing use of an IT system.

Certain CDT-Approved Documents Required to Request Resources Through Budget Process, Assisting the Legislature's Oversight. State IT policy requires state government entities to submit certain documents to CDT for approval before requesting resources through the annual budget process. The administration shares the approved documents with the Legislature to assist with its deliberations over budget requests, including its consideration of whether additional legislative oversight of proposed and approved IT projects is warranted. To request resources for planning to complete the PAL process, entities must submit and have approved by CDT a Stage 1 Business Analysis for the proposed IT project. To request resources to develop and implement a proposed project (that is expected to be approved by CDT in the budget year) or an approved project, entities must submit

Figure 2

IT Projects Under CDT's Authority Already in Development and Implementation[a]

General Fund

Other Funds

FI$Cal
State Financial Management System

$479,945,117

Total: **$1,063,071,368**

$583,126,251

eWIC-MIS
Electronic Benefit Transfer System

CWS-CARES[b]
Child Welfare Information System

WellSTAR
Fracking Well Database

SB 384
Tier-Based Sex Offender Registration

SCVS
Offender Video Surveillance

WMVARS
Mobile Video/Audio Recording System

CBC
Online Business Filings

FDR[c]
Federal Medicaid Reimbursement Application
Total: **$40,376,495**

CROS
Tax Collection and Filing System

Other[d]

[a] Only IT projects under CDT's authority.

[b] A Special Project Report for the Child Welfare Services—California Automated Response and Engagement System (CWS-CARES) IT project has been submitted to CDT for approval, which will likely change the total project cost.

[c] The Federal Draw and Reporting (FDR) IT project is one component of the larger California Medicaid Management Information System (CA-MMIS) Modernization IT project. The CA-MMIS Modernization IT project is estimated to cost a total of $500 million total funds +/- 20 percent.

[d] Other state IT projects each representing less than 1.5 percent of total state IT project costs.

IT = information technology and CDT = California Department of Technology.

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and have approved by CDT a Stage 2 Alternatives Analysis. A nearby text box explains why some requests to develop and implement projects are submitted prior to completing the PAL process. To request additional resources to develop and

implement an approved project that has deviated from its initial cost, schedule, and scope, entities must submit and have approved by CDT a new SPR. (Figure 1 also shows when in the PAL process entities can submit budget requests.) For each request, the Legislature must decide whether to appropriate additional funding.

Fewer SPRs for IT Projects Approved Through PAL Process. Historically, IT projects (especially complex and costly ones) required several SPRs. Each SPR can lead to a budget request for additional resources to develop and implement a project above its initial cost. Since CDT began implementation of the PAL process in 2016, however, no project approved through all four stages of the PAL process has required an SPR on the basis that the project deviated from its initial cost or schedule. (Some projects approved through the PAL process did require SPRs because additional scope was added to the project to, for example, incorporate legislative and regulatory changes made to programs included in the project after the initial scope of the project was approved.) This initial success suggests fewer SPRs might be required for projects approved through the PAL process in the future. However, as few complex and costly projects have been approved through the PAL process to date, and as none of the few approved have been completed, one should be cautious about drawing firm conclusions from the initial track record of the PAL process.

Budget Requests to Develop and Implement IT Projects Prior to Project Approval

The California Department of Technology (CDT) receives, reviews, and acts on documents for proposed information technology (IT) projects year-round through its IT project approval process—the Project Approval Lifecycle (PAL). By contrast, the state's annual budget process officially starts on January 10th (with the release of the Governor's budget) and often ends by June 15th. During the remaining six months of the calendar year, the Department of Finance sets deadlines by which state government entities must submit certain documents to CDT for its review and approval in order to request resources through the budget process. These deadlines are supposed to ensure the approved documents are available during the budget process to help the Legislature deliberate over budget requests. To prevent a delay in the start date of a proposed project, however, some requests are made anticipating future actions will be taken by the administration within specific timeframes to approve the project. Specifically, under the administration's policy, entities with an approved Stage 2 Alternatives Analysis can request resources to develop and implement a proposed project if they expect the project will be approved by CDT in the coming budget year (that is, CDT approval *after* the budget process for that fiscal year has been completed). As a result, CDT-approved documents for the last two stages of the PAL process that provide important support to justify a budget request—such as the selection of the vendor and the final cost, schedule, and scope of the project—may not be available during the budget process to assist legislative deliberations. In such cases, the administration, nonetheless, has submitted budget requests.

GOVERNOR'S 2020-21 IT PROJECT PROPOSALS

The Governor's proposed 2020-21 budget includes a number of requests for resources to plan, develop, and implement proposed and approved IT projects. We organize these requests into three groups: (1) requests for planning resources to complete the PAL process, (2) requests for resources to develop and implement projects (whether proposed or approved), and (3) requests for resources to develop and implement proposed projects that are still being planned but are expected to be approved in 2020-21. As mentioned earlier, for purposes of our analysis in this report, we only include budget requests from entities under the authority of CDT.

Requests for Planning Resources to Complete the PAL Process. The Governor's proposed 2020-21 budget includes six requests for resources to complete the PAL process with a total cost of $18.7 million ($14.4 million General Fund) in 2020-21, $7.9 million ($7.1 million General

Fund) in 2021-22, and $5.8 million ($5.3 million General Fund) in 2022-23 and ongoing. (Some state government entities in this group of budget requests also are requesting ongoing resources to, for example, improve their internal business processes even after their proposed IT projects are approved by CDT and completed.) **Figure 3** (on the next page) lists these requests by state entity and proposed project name.

Requests for Resources to Develop and Implement IT Projects. The Governor's proposed 2020-21 budget includes 30 budget requests for resources to develop and implement IT projects (whether proposed or approved) with a total cost of $213.5 million ($106.2 million General Fund) in 2020-21, $35.2 million ($17.6 million General Fund) in 2021-22, $17.1 million ($6.6 million General Fund) in 2022-23, and $11.6 million ($5.1 million General Fund) in 2023-24 and ongoing. Based on an initial review of project approval documents,

Figure 3

2020-21 Budget Requests for Planning Resources to Complete the PAL Process[a]

(In Thousands)

		2020-21	
State Government Entities	**Proposed IT Projects**	**Total Funds**	**General Fund**
Department of State Hospitals	Electronic Health Record—Core Modules	$9,606	$9,606
State Controller's Office	California State Payroll System Project	3,449	1,966
Department of Justice	Firearms IT Systems Modernization[b]	2,352	—
Department of Developmental Services	Uniform Fiscal System Modernization	1,411	1,344
Franchise Tax Board	Enterprise Data to Revenue 2	1,112	1,112
Department of Social Services	State Verification Hub	806	323
Totals		**$18,736**	**$14,351**

a Only IT projects under the California Department of Technology's authority. Figure only reflects 2020-21 funding amounts requested. Additional costs in future years vary by proposal.
b Planning resources requested prior to starting the PAL process.
PAL = Project Approval Lifecyle and IT = information technology.

at least 8 of the 30 budget requests are for projects using the agile approach at a total cost of $160.5 million ($83.9 million General Fund) in 2020-21 with additional costs in future years. Figure 4 (on pages10 and 11) lists the 30 requests for resources to develop and implement IT projects, by state entity and proposed or approved project name.

Requests for Resources to Develop and Implement Proposed IT Projects That Are Still Being Planned but Are Expected to Be Approved in 2020-21... Of the 30 budget requests in the Governor's proposed 2020-21 budget for resources to develop and implement IT projects, ten are for proposed projects that are still being planned, but are expected to be approved in 2020-21. The total cost of these resources are $72.8 million ($37.8 million General Fund) in 2020-21, $12.6 million ($9.1 million General Fund) in 2021-22, $4.9 million ($3.1 million General Fund) in 2022-23, and $2.2 million ($1.5 million General

Fund) in 2023-24 and ongoing. These requests are highlighted in Figure 4.

...Reflect Misalignment of Budget Process and PAL Process. State government entities can request resources to develop and implement proposed IT projects before finishing the PAL process. Specifically, entities with an approved Stage 2 Alternatives Analysis can request resources to develop and implement a proposed project with the expectation that it will be approved by CDT in the coming budget year. By not completing the PAL process before requesting these resources, entities are asking the Legislature to appropriate funding without the benefit of a complete project plan that provides valuable information to the Legislature—including an approved cost, schedule, and scope for the proposed project. (For a more comprehensive analysis of this misalignment, please see our March 14, 2019 budget and policy post—*The 2019-20 Budget: Aligning the State's IT Project Approval Process With the Annual Budget Process.*)

EXERCISING MORE LEGISLATIVE OVERSIGHT OF IT PROJECT PROPOSALS

A number of the requests in the Governor's proposed 2020-21 budget present opportunities for the Legislature to exercise more oversight of

proposed and approved IT projects. This section considers some of the opportunities within each of the three groups of budget requests that we

identified in the previous section. We also consider whether organizational changes would help the Legislature exercise its oversight role through the budget process.

Evaluate the Proposed Scope of Some Projects Before CDT Approval. The first group of budget requests we identified in the previous section is for planning resources to complete the PAL process. Some of the proposed IT projects in this group have the potential to be complex and costly projects once approved by the administration. One opportunity for the Legislature to exercise more oversight of potentially complex and costly project proposals is to evaluate the proposed scope of the project when considering planning resources. The purpose of this effort would be to determine whether the proposed scope is appropriately sized and cost-effective, or if a reduced scope with less cost and risk is feasible.

One way the Legislature can consider the proposed scope of a project is to evaluate alternatives. (The text box [on the next page] provides an example of how the Legislature can evaluate alternatives for a proposed project.) State government entities that are proposing projects must evaluate alternatives as part of Stage 2 (the alternatives analysis stage) of the PAL process. Therefore, once proposed projects are approved by CDT through Stage 2, the Legislature could use these evaluations to determine whether it agrees with the administration's approved alternative. In assessing the alternatives, the Legislature could look at which part of the proposed project would be completed first and determine whether the anticipated benefits from that part is of sufficient value from the Legislature's perspective were that to be the only part of the project to be completed. The Legislature also could find a part of the project scope that, if developed and implemented, would demonstrate the ability of a future vendor to feasibly complete the entire project scope. This assessment would give the Legislature more confidence that a proposed project would use the funding the Legislature appropriates to complete the project on time and within budget or, if the project is not completed, to deliver at least a part of the project that would be of value. Our text box (on the next page) on the State Controller's Office's

proposed California State Payroll System project provides one example of how the Legislature could use these tools through the budget process.

Define Project Completion, Take Other Actions to Make Legislative Intent Clear About Project Goals. The second group of budget requests we identified in the previous section is for resources to develop and implement IT projects (whether proposed or approved). Some of the projects in this group are complex and costly projects approved by the administration that use an agile approach for development and implementation. Although the agile approach to development and implementation in concept allows state government entities to start benefiting from their projects sooner, using this approach in practice for complex and costly projects has some risks. Specifically, if the project does not commit to essential elements of the project scope at the outset of the project, the ultimate outcome may end up costing more and delivering less than the Legislature intended. Consequently, additional legislative oversight—by statutorily defining project completion—is warranted.

For example, our office recently released a report on one of the state's most complex and costly projects using the agile approach—the Financial Information System for California (FI$Cal). (FI$Cal does not have a budget request in the second group we identified in the previous section, and is used here only as an example.) In our report, we found the new definition of project completion in FI$Cal's most recent project plan—which removed a number of planned activities and system functions from the project scope while adding additional hours to complete what project scope remains—was inconsistent with the agile approach and did not account for the significant amount of work that remains after the project is deemed "complete." As a result, the administration's new definition of completion for FI$Cal does not reflect all of the costs associated with the project (including additional costs in the Governor's proposed 2020-21 budget). The absence of an accurate total project cost warrants additional legislative oversight, including the potential adoption of statutory language that defines the completion of the project from the Legislature's

Scope of Proposed SCO IT Project Merits Legislative Review

The State Controller's Office (SCO)'s California State Payroll System (CSPS) is a proposed information technology (IT) project currently in Stage 2 (the alternatives analysis stage) of the Project Approval Lifecycle (PAL) process, with approval through Stage 2 anticipated in fall 2020. Stage 2 approval—a critical juncture in the planning process—provides an opportunity for the Legislature to exercise oversight of CSPS by evaluating the proposed scope of the project.

Payroll for State's Workforce. SCO is responsible for issuing pay to the state workforce, including state employees, California State University, and the Judicial Council. SCO issues payroll and manages human resources for about 260,000 employees using a legacy IT system. After a decade-long attempt to replace the legacy IT system failed, SCO renewed its effort in a new proposed project known as CSPS. SCO has 11 objectives for the new system, most of which are related to improving SCO's own operations and administration of the system.

Governor's Budget Requests $3.5 Million for Continued CSPS Activities. In recent years, the Legislature authorized a number of requests for planning resources for CSPS as SCO has worked through the PAL process. As of 2019-20, the CSPS team includes 17 permanent positions and 1 limited term position. The *2020-21 Governor's Budget* requests about $3.5 million and 8 positions in 2020-21 ($1.7 million and 7 positions ongoing) to continue to support the proposed CSPS project. A majority of the requested resources support the continued implementation of the PAL process, while some are dedicated to supporting other related payroll workload.

SCO Anticipates Submitting Stage 2 Alternatives Analysis in July 2020. SCO anticipates it will submit its Stage 2 Alternatives Analysis package to CDT for approval in July 2020. The transition between the second and third stage of the PAL process will be critical. Upon completion of Stage 2, SCO will have finished evaluating the various project alternatives and will identify its recommended alternative. As such, once this analysis is complete, moving to the third stage requires departments to begin procuring a solution for the project *based on the alternative selected in Stage 2*.

SCO Has Two Alternatives Still Under Consideration. When SCO first began Stage 2, it had at least six possible alternatives under consideration. SCO recently indicated it has narrowed the alternatives down to two: (1) using commercial off-the-shelf software that would involve modifying existing software as necessary to address the state's payroll needs (thereby creating a new payroll system) or (2) modernizing and improving the existing payroll system. SCO has stated that the estimated vendor cost of the first alternative could range from $350 million to $700 million (additional state costs also would be required) and they do not yet have an estimated cost for the second alternative.

Stage 2 Approval Presents Opportunity for Legislature to Exercise More Oversight. Once SCO evaluates the various project alternatives, recommends one of the alternatives for approval, and is approved through Stage 2 of the PAL process by CDT, the Legislature has an opportunity to determine whether it agrees with the administration's approved alternative. Were the Legislature to disagree with the approved alternative, the Legislature could work with the administration to agree on a new project scope and/or technical solution that might (for example) reduce the cost, risk, and schedule of the proposed project. To trigger this evaluation, the Legislature could adopt provisional language directing SCO to present each of the alternatives (and their associated cost, schedule, and scope) in an oversight hearing or report once the proposed CSPS project is approved through Stage 2 of the PAL process.

perspective. (For a more comprehensive analysis of the FI$Cal project's most recent project plan, please see our January 8, 2020 report—*FI$Cal IT Project Update—Special Project Report 8*.)

Another complex and costly project using the agile approach that is requesting resources in the Governor's proposed 2020-21 budget is the Child Welfare Services - California Automated Response and Engagement System (CWS-CARES) project. CWS-CARES faced a number of challenges using the agile approach at significant cost to the state, and is now proposing to fundamentally change its approach in a new SPR. We plan to publish an analysis of the new SPR for CWS-CARES (once it is approved by the administration), which likely will include opportunities for the Legislature to exercise more oversight of this project through the budget process.

Condition New Resources for the Development and Implementation of Some Projects on Legislative Notification and Approval. The third group of budget requests we identified in the previous section is for resources to develop and implement proposed IT projects that are still being planned but are expected to be approved by CDT in 2020-21. We acknowledge that each proposed project should be considered by the Legislature on a case-by-case basis and some may warrant approval prior to completing a project plan. But by not completing the PAL process before requesting these resources, state government entities are asking the Legislature to appropriate funding without the Legislature having the benefit of a complete project plan (including an approved cost, schedule, and scope for the proposed project). If the Legislature wants to provide resources to develop and implement proposed projects before they complete the PAL process, one opportunity to exercise more oversight through the budget process is to adopt provisional budget language that conditions the resources on prior written notification of, and approval by, the Legislature once the proposal is approved through Stage 4 (the project readiness and approval stage) of the PAL process. We recommend written notification at a minimum include the key details from the complete project plan, including the approved cost, schedule, and scope of the project.

In the *2019-20 Budget Act*, the Legislature adopted this type of provisional language for several proposed projects. One proposed project received approval through Stage 4 after its estimated start date, and provided written notification to the Joint Legislative Budget Committee. Other proposed projects will not start in 2019-20 as expected, or were withdrawn from the PAL process. Figure 5 (on page 14) lists the proposed projects with this type of provisional language in the *2019-20 Budget Act*, their expected project start dates at the time the provisional language was adopted, and their actual or expected project start dates as of February 2020.

Continued use of this type of provisional language is one way the Legislature can ensure proposed projects are vetted by the budget committees before the administration begins to develop and implement them.

Organizational Changes to Legislature's Budget Oversight Could Be Warranted. All of our recommended approaches for oversight would benefit from developing dedicated legislative expertise on IT projects. Currently, the Legislature considers most IT budget requests through subcommittees organized by program area. For example, the health and human services subcommittees will review the CWS-CARES proposal mentioned earlier. As a result, the Legislature has no venue to vet the entire IT portfolio, including related changes in policy, processes, and technology. Charging an existing subcommittee or creating a new subcommittee in each house and assigning it the responsibility to consider all budget requests for IT projects could allow for more direct involvement in project planning and provide oversight over the entirety of IT projects.

Our text box (on pages 12 and 13) on the Employment Development Department's proposed Benefit Systems Modernization project (for which there is a budget request in the second and third groups) provides one example of how the Legislature could exercise more oversight through the current subcommittee budget process or how a new IT-focused budget subcommittee could be more effective in exercising this oversight.

Figure 4

2020-21 Budget Requests for Resources to Develop and Implement IT Projects[a]

(In Thousands)

State Government Entities	Proposed or Approved IT Projects	2020-21	
		Total Funds	**General Fund**
California Health and Human Services Agency (Office of Systems Integration) Department of Social Services	Child Welfare Services-California Automated Response and Engagement System[b]	$54,000	$27,200
Employment Development Department	Benefit Systems Modernization	46,000	23,000
Department of Tax and Fee Administration	Centralized Revenue Opportunity System	24,523	10,557
Department of Corrections and Rehabilitation	Statewide Correctional Video Surveillance Project	21,550	21,550
Department of Developmental Services Department of State Hospitals	Cooperative Electronic Document Management System	6,357	6,174
Department of Transportation	Transportation System Network Replacement	5,424	—
Department of State Hospitals	Pharmacy Modernization	5,378	5,378
Department of Consumer Affairs	Business Modernization Cohort 1	5,231	—
Department of Justice	Firearms: Precursor Parts (AB 879)[c]	5,000	5,000
Department of Human Resources	Legal Division Accounting and Work Management System EntHR LMS Statewide Data Reporting EntHR LMS Data Share CalCareers Website Enhancement	4,223	2,197
Department of Justice	Criminal Records: Automatic Relief (AB 1076)[c]	3,637	—
Department of Social Services	County Expense Claim Reporting Information System	3,467	1,597
State Controller's Office	CalATERS Replacement	3,096	1,764
Department of Alcoholic Beverage Control	Business Modernization and Responsible Beverage Service	3,054	—
California Health and Human Services Agency (Office of Systems Integration)	Electronic Visit Verification Phase II	2,874	291
Department of Toxic Substances Control	Cost Recovery Management System	2,710	—
Department of Public Health	Laboratory Field Services—Electronic Tissue and Biologics System	2,600	—

(Continued)

State Government Entities	Proposed or Approved IT Projects	2020-21	
		Total Funds	General Fund
Department of Justice	Firearms: Transfers (SB 61)[c]	2,440	—
Franchise Tax Board	VRC System Modernization Project	1,903	—
Department of Justice	Legislative Workload[c]	1,641	150
Department of Justice	Assembly Bill (AB) 528: Controlled Substance Utilization Review and Evaluation System (CURES)	1,567	—
Department of Veterans Affairs	CalVet Electronic Health Record	1,195	1,195
Department of Managed Health Care	Independent Dispute Resolution Process Portal Modernization[d]	1,163	—
California Public Utilities Commission	Electric Rates, Tariffs and Programs (AB 1362)[c]	1,021	—
California Energy Commission	Modernized Appliance Efficiency Database System 2.0	1,000	—
Department of Industrial Relations	Electronic Adjudication Management System Modernization Project	864	—
Office of Statewide Health Planning and Development	Hospitals: Procurement Contracts (AB 962)[d]	790	—
Office of Statewide Health Planning and Development	Hospital Community Benefits Plan Reporting (AB 204)[d]	519	—
Department of Housing and Community Development	Community Development Block Grant (CDBG) / CDBG-Disaster Recovery Procurement Project	184	—
State Controller's Office	Performance and Management Learning System	123	123
Totals		**$213,534**	**$106,176**

[a] Only IT projects under CDT's authority. Some resource requests include a combination of planning, development, and implementation resources. Highlighted projects are projects requesting resources for development and implementation that are still being planned but are expected by the administration to be approved in 2020-21. Figure only reflects 2020-21 funding amounts requested. Additional costs in future years vary by proposal.

[b] Also referred to as the Child Welfare Services - New System.

[c] Proposed IT project names not available, so budget change proposal description used instead.

[d] CDT anticipates that these proposed IT projects requesting resources for development and implementation before completing the PAL process will be delegated back to the entities that proposed them.

IT = information technology; EntHR = Enterprise Human Resources; LMS = Learning Management System; CalATERS = California Automated Travel Expense Reimbursement System; SB = Senate Bill; VRC = Vehicle Registration Collection; CalVet = Department of Veterans Affairs; CDT = California Department of Technology; and PAL = Project Approval Lifecycle.

Accelerated EDD IT Project Proposal Limits Legislative Oversight

Role of Employment Development Department (EDD). EDD administers the state's unemployment, paid family leave, and short-term disability insurance programs. EDD has three separate information technology (IT) systems for these benefit programs, two of which—unemployment insurance and disability insurance—were partially upgraded in recent years.

Benefit Systems Modernization (BSM). In 2016, the administration proposed an IT project—BSM—to replace the three existing IT systems with a new consolidated and modern system. According to the administration, the state needs a new system because the partial upgrades in prior years relied on a patchwork of complex fixes that is difficult to maintain and update. The administration proposed, and the Legislature approved, funding and staff positions in 2017-18 and 2018-19 to plan the proposed BSM project.

Governor's Proposed 2020-21 Budget Asks Legislature to Approve Significant Amount of Resources to Begin Development and Implementation of BSM. The Governor's proposed budget requests $46 million total funds ($23 million General Fund) and 147.5 staff positions in 2020-21 to begin development and implementation of BSM. The proposed IT project currently is in Stage 4 (the final stage) of the Project Approval Lifecycle (PAL) process, and expects to complete Stage 4 by September 30, 2020.

Administration Sped Up PAL Process for BSM to Accelerate Changes to Paid Family Leave Program, Limiting Legislative Oversight. As part of the 2019-20 budget agreement, the state lengthened paid family leave from six weeks to eight weeks. The Governor also indicated an interest in broader changes, including a flexible benefit to be shared among parents or caregivers. At the time, our office noted that technology issues could limit near-term changes to the paid family leave program and broader changes, such as those envisioned by the Governor, likely would require several years to implement. In light of this limitation, the administration has accelerated the expected start date for the proposed BSM IT project by nearly one year—from July 1, 2021 to September 2020.

One of the primary ways EDD was able to accelerate the expected start date of the proposed project is by using a new pilot approach to procurement—the challenge-based procurement. Unlike traditional procurements, a challenge-based procurement is conducted in multiple phases. The first phase of the procurement is the issuance of a problem statement (instead of a detailed list of requirements, like in a traditional procurement) that describes, at a high level, the business problem(s) the state government entity wants to solve. Vendors respond to the problem statement, and a small number (expected to be between three and five) are selected to move onto the next phase. Selected vendors are then asked to demonstrate their ability to solve the business problem(s) using pilots, product demonstrations, proof of concepts, and prototypes. The vendor with the highest score on their demonstration enters into negotiations with the state over (among other topics) the final cost, schedule, and scope of the proposed project. Once negotiations are completed, the state enters into a contract with the vendor.

As a result of using the challenge-based procurement approach, the administration's accelerated budget proposal asks the Legislature to appropriate funding to begin development and implementation of BSM before the California Department of Technology (CDT) has approved, or made public, the proposed project's cost, schedule, and scope. (Based on preliminary market research, the administration expects the project will cost hundreds of millions of dollars.)

Meanwhile, the Governor has not proposed changes to the paid family leave program that require technology upgrades, and the Legislature has not yet considered any further changes. As a result, the Legislature has not had the opportunity to determine whether the potential risks of accelerating the BSM project—under this new procurement method—are outweighed by the need to accelerate major, albeit unknown, changes to the paid family leave program. Potential risks include less time to plan the transition from EDD's current IT systems for these programs to a new system (including how data will be shared and transmitted) and missed requirements for the new system that, if added later to the project scope, could result in higher costs and schedule delays.

Some Opportunities to Exercise More Legislative Oversight Through Budget Process. For proposed IT projects requesting resources for development and implementation before completing the PAL process, we often recommend that the Legislature adopt provisional budget language that conditions the resources on prior written notification of, and approval by, the Legislature once the proposal is approved through Stage 4 of the PAL process. *At a minimum*, we recommend the Legislature adopt this type of provisional language for BSM. Provisional language alone, however, would not provide the Legislature with enough information regarding the proposed project given the accelerated approach to planning, the project using a new procurement approach, and the absence of any major proposed changes to the state's paid family leave program.

If the Legislature wants to provide resources to begin development and implementation of BSM before the proposed project completes the PAL process, we recommend the Legislature also consider other opportunities to exercise more oversight including (but not limited to):

- An oversight hearing to review the approved project cost, schedule, and scope of the project once it is approved by CDT through Stage 4.
- Adoption of supplemental reporting language that requires EDD to explain what broader changes to the paid family leave program could be accelerated by BSM and provide more information about their associated costs and timeline.
- Adoption of trailer bill language to define the completion of the proposed project, including objectives for the future IT system and measures of success during its development and implementation.

BSM Proposal a Good Example of How a New Budget Subcommittee Could Be Valuable. A new subcommittee focused on IT issues could be valuable in exercising oversight in the circumstances of the BSM proposal. Such committee could be in the position to:

- ***Collection Information Across Departments.*** Hear requests from all departments, including EDD, that are using the new challenge-based procurement approach to determine whether the benefits of the new approach outweigh the additional resources it requires from CDT and its compression of the planning process by, on average, one year.
- ***Reduce Risks When Project Scope Changes.*** In the case of BSM, California will be the first state to consolidate its unemployment, paid family leave, and short-term disability insurance programs into one IT system, which is itself a risk for a proposed project of this complexity and (likely) cost. EDD also is implementing each of the programs in the system one at a time (to accelerate changes to the paid family leave program, which is likely to go first), rather than the department's preferred approach during its initial planning (from a risk perspective) of implementing them all at once. The Legislature, to reduce the risk associated with the proposed project, might have considered reducing the project scope to a single program such as paid family leave (if the Legislature agreed with the administration on its prioritization).

Figure 5

IT Projects With Provisional Language in the *2019-20 Budget Act*

State Government Entities	Proposed or Approved IT Projects	Expected Start Date	Actual or Updated Expected Start Date
Department of Social Services	Intensifying LPA Field Time With Data (Part 1: Protecting History: Data Migration for Legacy Systems)	December 2017[a]	July 2020
Department of Public Health	Surveillance, Health, Intervention, and Environmental Lead Database	July 2019	November 2020
Department of Toxic Substances Control	Cost Recovery Management System	August 2019	October 2019[b]
California Health and Human Services Agency (Office of Systems Integration)	Medi-Cal Eligibility Data Systems Modernization	February 2020	Withdrawn from PAL[c]
Department of Developmental Services	Reimbursement System Project	July 2020[d]	July 2020

[a] At the time the provisional language was approved, the expected start date for this project was December 2017. It was our understanding at the time that this proposed project was connected to the Child Welfare Services–California Automated Response and Engagement System (CWS-CARES) project, and would be rescheduled once a new Special Project Report for CWS-CARES was approved. The expected start date for this proposed project has since been rescheduled to July 2020.

[b] The department complied with the provisional language and provided written notification to the Legislature with the requested information.

[c] The Office of Systems Integration transferred sponsorship of the Medi-Cal Eligibility Data Systems Modernization to the Department of Health Care Services. This decision led to a withdrawal of the proposed project from PAL.

[d] Provisional language was approved for the Reimbursement System Project because the department requested development and implementation resources during the 2019-20 budget process, even though the project expected to start in July 2020. The Legislature ultimately only approved planning resources to complete the PAL process in 2019-20, and added provisional language as a precautionary measure.

IT = information technology; LPA = Licensing Program Analyst; and PAL = Project Approval Lifecycle.

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