

Virginia Information Technologies Agency



Information Technology Investment Board

RECOMMENDED TECHNOLOGY INVESTMENT PROJECTS
(RTIP) REPORT
FOR THE 2008-2010 BUDGET BIENNIUM,
SEPTEMBER 1, 2007, SUBMISSION

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA





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1.0 RTIP Report

1.1 Summary of Board Process Recommendations

The Commonwealth Information Technology Investment Board (Board) proposes the following process-based recommendations to improve the overall governance and oversight of technology investments in the Commonwealth:

- **To improve the return on investment (ROI) of the Commonwealth's IT investment portfolio, the Governor and General Assembly may want to evaluate alternative governance and oversight strategies and processes.** Improved citizen services and increased operational efficiency and effectiveness are also important measures of overall portfolio value in the public sector. However, providing financial returns sufficient to fund future service improvements and efficiency/effectiveness initiatives is one reasonable measure of an IT portfolio's value. When analyzing the overall economic return of the Commonwealth portfolio for active major and non-major projects, self reported by the agencies, the current Commonwealth portfolio ROI is 0.3%. For the 24 active major projects recommended in this report for continued funding, the agency self-reported ROI projection is minus 1%.
- **The Governor and General Assembly may want to consider implementation of auditable processes for the reporting and review of total agency IT spend which would include all projects and ongoing operations and maintenance investments.** All Commonwealth projects of a \$100,000 or greater require review and approval of the CIO or Board. Recent APA audits and inquiries indicate that agencies continue to implement technology investment projects using operations and maintenance funding that is not visible to the CIO and Board. The bulk of an agency's total information technology (IT) spend is attributed to ongoing operations and maintenance tasks, and without an auditable accounting of how these funds are being spent, it is difficult for the CIO and Board to make informed investment decisions.
- **The Governor needs to increase the deployment of enterprise solutions.** Because of the limited visibility into total agency IT spend, agency-centric technology investments may continue to outweigh enterprise investments. While 22 of the 31 planned projects in the current portfolio are classified as enterprise projects or projects of statewide application, the Board does not have insight into the projects being implemented using operations and maintenance funds. Enterprise solutions benefit multiple agencies and a much broader stakeholder population, often resulting in meaningful economic returns or ROI.
- **In order for the Board to determine alignment of technology investments to the overall agency business strategy and associated goals and objectives, the Governor needs to promote a stronger quality IT strategic planning process among agencies.** While there has been improvement in the Commonwealth strategic planning process, planning disconnects still occur between agency business leaders and their supporting IT staff. An agency strategic plan sets priorities for an organization's technology investments and directs

development efforts based on an organization's mission, goals, and objectives. The APA has had difficulty determining not only the direction and objectives of the projects underway in some agencies, but also whether these projects constitute individual small undertakings or are part of a larger more comprehensive agency IT strategy.

In addition to the above, the Board notes two other areas in which the Governor and General Assembly may wish to consider process improvements: (i) Grant funded IT projects are often initiated on a very tight schedule, hindering effective project governance and oversight. A notification process to gain early visibility of potential agency grant applications that may result in major technology investments could help overcome such hindrances. (ii) Continuing issues in aligning the schedules for agency strategic planning, IT strategic planning, and the RTIP report publication date hinder the effective integration of the RTIP process into statewide strategic planning. The alignment of these activities would improve such integration and ensure that Commonwealth business needs drive technology solutions.

1.2 Summary of Board Project Recommendations

The Board recommends 55 technology investment projects listed in Appendix A of this report for new or continued funding. Twenty-four of the 55 projects currently are active, with an estimated total project cost of \$518,386,661, and are recommended for continued funding. All active projects are fully funded.

Thirty-one new projects are recommended for funding. All new projects have received CIO planning approval and the estimated total investment is \$336,259,711. If all new projects are fully funded, \$63,050,194 will be required to support planned expenditures in the remaining 2006-2008 budget biennium; \$204,696,171 will be required in the 2008-2010 budget biennium. For the 2006-2008 budget biennium, \$63,655,744 is required to support planned expenditures, of which \$23,730,846 is funded and \$39,924,898 is unfunded. For the 2008-2010 budget biennium, \$206,258,221 is required to support planned expenditures, of which \$59,680,627 is funded and \$146,577,594 is unfunded.

Exhibit 1 summarizes the Board recommendation for new or continued technology investment project funding. As agreed to by the Board, the recommended list of active projects does not include the projects in the Virginia Information Technology Infrastructure Partnership, which implements the Northrop Grumman partnership and supporting contract. The Board fully supports the continuation of the partnership as a long-term Commonwealth program initiative. In recognition of the complexity, cost and significant impact of the infrastructure transformation on the operation of state government, the Board has established a dedicated committee to provide program governance and oversight.

Secretariat	Recommended for Continued Funding		Recommended for Funding		Total Recommended Projects		
	No.	Project Cost	No.	Project Cost	No.	Project Cost	Percent of Cost
Administration	1	\$854,948	2	\$1,000,000	3	\$1,854,948	0.2
Agriculture & Forestry	1	\$1,204,540	0	\$0	1	\$1,204,540	0.2
Commerce and Trade	2	\$4,913,700	1	\$45,000,000	3	\$49,913,700	5.9
Education	6	\$62,627,995	5	\$14,721,351	11	\$77,349,346	9.1
Finance	1	\$2,136,325	1	\$111,000,000	2	\$113,136,325	13.2
Health & Human Resources	3	\$25,885,891	8	\$71,228,360	11	\$96,139,729	11.2
Natural Resources	0	\$0	2	\$3,340,000	2	\$3,340,000	0.4
Public Safety	4	\$392,280,191*	6	\$41,100,000	10	\$433,380,191	50.7
Technology	0	\$0	1	\$5,000,000	1	\$5,000,000	0.6
Transportation	6	\$28,483,071	5	\$43,870,000	11	\$72,353,071	8.5
Totals	24	\$518,386,661	31	\$336,259,711	55	\$854,646,372	100

Exhibit 1: Summary of 2007 Major IT Projects Recommended for Funding

* The Recommended for Continued Funding amount for Public Safety includes the STARS project, accounting for \$370,000,000 of the total cost for that Secretariat.

In making these recommendations, the Board re-emphasizes its intent to give increased priority to IT projects that have statewide application or a potential for an enterprise solution. Projects with statewide application benefit multiple agencies within the Commonwealth or localities and can take the form of applications or contract vehicles, while enterprise solutions are implemented across all state agencies.

1.3 Report Background and Purpose

The Board serves as the supervisory board for the Virginia Information Technologies Agency (VITA). The Board also is assigned responsibility for the planning, budgeting, acquiring, using, disposing, managing and administering of information technology in the Commonwealth. In this role, the Board is required to submit a list of recommended technology investment projects and priorities for funding those projects to the Governor and General Assembly by September 1 of each year.

In developing the 2007 Recommended Technology Investment Projects (RTIP) Report, the Board employed IT Investment Management (ITIM) best practices to select the right mix of technology investments (projects) from the Commonwealth Major IT Project Portfolio. Only projects supported by a strong business case, based on Board-established selection and ranking criteria, were considered as priorities for funding. In making its recommendations, the Board placed increased emphasis on IT projects offering enterprise solutions and projects with statewide application. The Board focus on enterprise projects and projects with statewide application is discussed in Section 1.5 of this report.

This year marks the fifth year for submission of the RTIP Report by the Board. While the purpose of the 2007 RTIP Report is to fulfill a mandated reporting requirement, it is the Board's desire that the report add value to the Commonwealth technology investment decision-making process. To this end, the report reflects changes made by the Board in the past year to the technology governance process, which places increased emphasis on

strong investment alignment to the Commonwealth's strategic goals and objectives as established by the Council on Virginia's Future, the Governor and the 2007-2011 Commonwealth of Virginia Strategic Plan for Information Technology.

While there have been significant improvements in the Commonwealth strategic planning process, planning disconnects still occur between agency business leaders and their supporting IT staff. Nine major projects that were not in the 2006 RTIP Report were granted both planning and development approval in the past year. The implementation of a new Commonwealth portfolio management system (ProSight) will help to address the planning disconnects. Because of the new ProSight tool, the Board now is able to maintain better visibility into the Commonwealth portfolio, including regular portfolio reviews conducted as part of the Board's quarterly meeting agenda. Closer, regular scrutiny of the portfolio by the Board should reduce last-minute agency projects being submitted between RTIP reports.

1.4 Projects Recommended for Funding

The Board recommends funding be continued for 24 currently active projects, as listed in Appendix A. The estimated total investment in active projects is \$518,386,661. As of June 30, 2007, all active projects are fully funded and have reported cumulative expenditures of approximately \$267 million, or 52% of the estimated total investment.

The Board also fully supports continuation of the IT Infrastructure Partnership between the Commonwealth of Virginia and Northrop Grumman Corporation to modernize and transform Virginia's IT infrastructure. The partnership and the transformation program are managed by the Virginia Information Technologies Agency, with oversight from the IT Infrastructure Committee of the Board. The 10-year partnership agreement is valued at \$1,986,304,000, with \$455 million in non-general funds committed through the end of the 2006-2008 biennium and planned expenditures of \$460 million in the upcoming 2008-2010 biennium.

The Board reviews the status of active projects at each meeting through the ITIB Major IT Project Status Report. The July 2007 status report shows 18 projects with a green status, six with a yellow status, and zero reported as red. Projects with a yellow status are considered under control but are being closely watched by the CIO as agencies address minor project performance, schedule, cost, risk or scope issues. Because all active projects are under control or appropriate corrective actions are being taken, the Board recommends their continued funding. The Board retains the right to terminate any active project, based on the recommendation of the CIO, if the situation warrants.

The Board recommends funding for 31 new investment projects, as listed in priority order in Appendix A. The projects, which have received planning approval from the CIO, represent a potential investment of \$336,259,711. The 2007 Board recommendation contains 17 projects included in last year's report, but not initiated because of funding shortfalls or delays.

The estimated expenditure for the 31 planned projects in the remaining 2006-2008 budget biennium is \$64 million. The estimated expenditure for the 2008-2010 budget biennium is \$206 million. For detailed information on planned expenditures and funding needed through the 2012-2014 budget biennium, please refer to Appendix B – 2007 Major IT Projects Approved for Planning Forecasted Expenditures and Funding. To fully fund the

estimated project expenditures for all planned projects for the remaining 2006-2008 budget biennium, an additional \$40 million is required. An additional \$147 million will be required for the 2008-2010 budget biennium.

Exhibit 2 summarizes the funding source distribution of the 31 planned projects for the 2008-2010 biennium across general and non-general funds, as well as the specification of non-general funds from federal, state and other sources. The Non-General Other category generally is used when funding is available from internally generated savings, such as improved tax collection or reimbursements, or from fundraising.

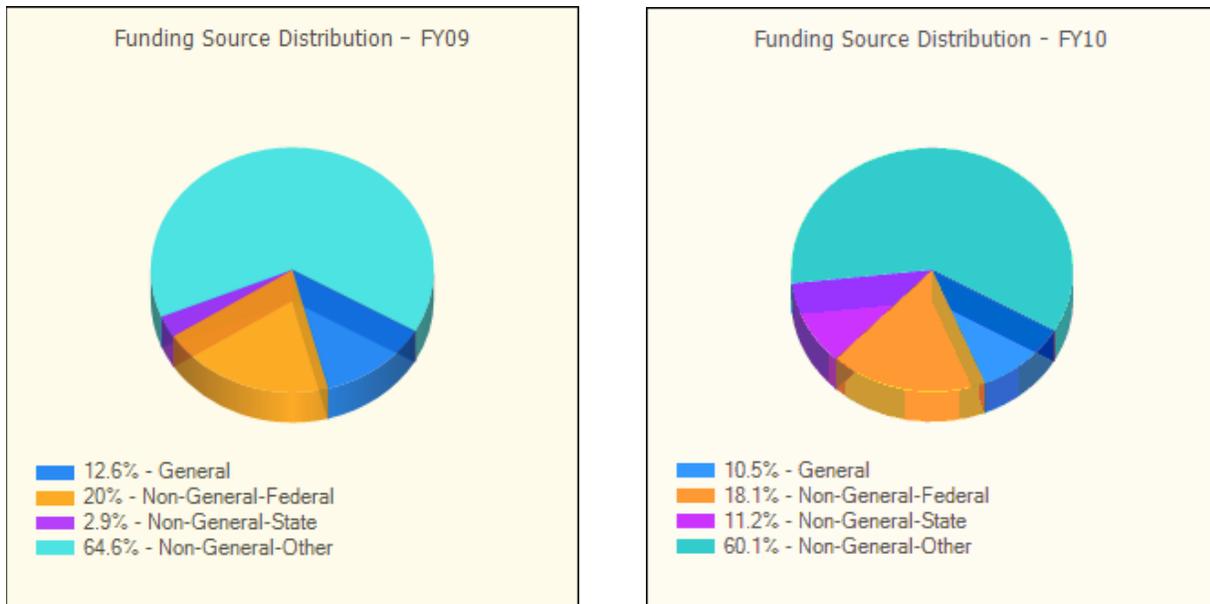


Exhibit 2: Summary of Funding Source Distribution for 2008-2010 Biennium

Note: The VEAP and MAPPER investments drive a large portion of the percentage in both FY09 and FY10 in the Non-General Other category.

Regardless of funding status, none of the projects can proceed until they are granted development approval by the Board. An agency initiates development approval for a project by conducting an analysis of project solutions, preparing an economic feasibility study or cost benefit analysis, and developing a proposal and charter for the selected solution. The project documentation is reviewed by the VITA Project Management Division (PMD) and the proponent Secretariat Oversight Committee, which recommend approval, disapproval or modification of the project to the CIO. Development approval follows an affirmative CIO recommendation and review by the Board. Projects that are not fully funded are not granted development approval by the Board.

As discussed in Section 1.5, this year the Board continues to place increased priority on IT projects that have statewide application or potential for an enterprise solution. Appendix B identifies 22 of the 31 recommended projects as having statewide application or enterprise solution potential. The Board strongly recommends that the Governor and General Assembly give consideration to collaboration or enterprise solution potential when considering agency funding requests.

1.5 Board Emphasis on Enterprise Projects and Projects with Statewide Application

In the 2006 RTIP Report, the Board recommendations highlighted IT projects offering enterprise solutions and opportunities for agencies to collaborate. In the 2007 RTIP Report, the Board has emphasized enterprise technology projects and projects with statewide application. Enterprise technology projects are projects requiring either vertical or horizontal integration within the Commonwealth, a Secretariat or agency, or between multiple Secretariats, agencies and/or localities. Projects with statewide application are defined as either enterprise technology projects or IT projects that implement a unique technology application or solution within an agency that also is accessed or utilized by other agencies in the Commonwealth.

Since enterprise and statewide application projects potentially benefit more than one agency and share resource demands, they generally are more cost effective and should provide a better return on investment than projects benefiting single agencies. VITA's PMD continues to screen all Commonwealth investments for opportunities for statewide application and enterprise potential. Giving high priority to IT projects that may have benefits across agencies is an important investment strategy that can save scarce Commonwealth resources.

This continued emphasis on enterprise projects and projects of statewide application is reflected in the current Commonwealth portfolio. In coordination with the Secretary of Technology, two programs have been established to handle large, complex enterprise technology initiatives for the Commonwealth: the Virginia Information Technology Infrastructure Partnership and the Virginia Enterprise Applications Program (VEAP). In addition, the Banner implementation continues to be a successful collaborative effort in higher education. Following is a description of each of these significant enterprise and collaboration initiatives:

- The Virginia Information Technology Infrastructure Partnership is a program that provides a modern standardized IT infrastructure "utility" with improved services at predictable costs. In 2006, Northrop Grumman successfully assumed responsibility for IT infrastructure operations and launched a portfolio of transformation projects to modernize the IT infrastructure over three years. Transformation includes construction of new facilities, refreshes of hardware, consolidation of servers and help desks, creation of a single statewide network and messaging platform, enhanced security and implementation of consistent processes and standards for managing the IT environment. Over the next biennium, the partnership will focus on completion of the remaining IT transformation projects, with particular emphasis on improving coordination and communications with agencies, information security and disaster recovery, and shifting from an agency-centric, geographically distributed environment to an enterprise-wide, centrally managed IT environment. The partnership has continued dependency on and heightened coordination with the 85 customer agencies' business processes and applications owners. VITA is working closely with the Department of Planning and Budget (DPB), DOA and others to transform business processes related to billing, requests for services and procurement of IT goods and services to meet the requirements of an IT "utility" model.

- While the IT transformation program focuses on the aging Commonwealth's infrastructure, VEAP will transform many of the Commonwealth's financial and administrative business processes and applications. The program intends to achieve this vision by engaging in a series of projects focused primarily on the Commonwealth's administrative business processes and the data required to accomplish those processes. The near-term focus of the program will be on budgeting and financial management, but the program's scope includes human resource management, supply chain management and other administrative processes. Key among the deliverables that VEAP envisions is a best practices-based set of modern policies and procedures, common reporting tools and the consolidation of Commonwealth data. The first major project, relating to financial management, is currently in the planning phase. The Program Director anticipates seeking development approval from the Board for this initial project in the second quarter of calendar year 2008. Other related projects, such as budgeting and business intelligence and data management, are being evaluated based on their ability to provide quick wins to the Commonwealth while supporting the longer term vision of a data-centric, integrated solution.
- Currently, 11 higher education institutions share functional and technical knowledge on using the Banner enterprise resource planning (ERP) software. This knowledge transfer occurs at the Mid-Atlantic Banner User Group (MABUG) and through direct contact among the Banner institutions. Seven institutions have completed the implementation of Banner and four institutions currently have active projects to implement Banner. The most recent implementation of Banner is at Radford University. Three of the four active projects are expected to successfully complete in FY08. In addition, the member institutions also are participating in a collaborative non-major IT project for interfacing Banner with the eVA procurement system. Through this collaboration, each institution will receive a copy of the interface to reduce the cost of developing an interface for each institution.

1.6 Report Development Process

In contrast to the 2006 RTIP Report development process, and in consideration of the shift in the DPB agency strategic planning dates for the next budget biennium to the fall, the 2007 RTIP report development process consists of two phases. The September 1 *Code of Virginia*-mandated report has been developed based on preliminary information gathered from the agencies through July. An update to the September report will be delivered on November 1 to incorporate Secretariat and agency priorities that may shift during the strategic planning process that takes place throughout the months of September and October.

The Board revised the 2006 RTIP selection and ranking criteria at the April 2007 Board meeting and those revisions were incorporated into the project scoring and ranking process now automated in the Commonwealth Technology Portfolio (CTP) - ProSight tool. Special instructions regarding the update of major project information within the CTP were issued to the agencies. Board-approved selection and ranking criteria were applied during the initial evaluation of all proposed projects to establish an initial project ranking.

Based on the initial project ranking, the CIO presented a final recommended ranking to the Board. Following review of the CIO recommended project ranking, the Board approved the projects and priorities listed in Appendix A for the September 1 RTIP Report.

Exhibit 3 summarizes the first phase of the RTIP process to develop the September 1 report.

2007 RTIP Report Selection Process for September 1 Report

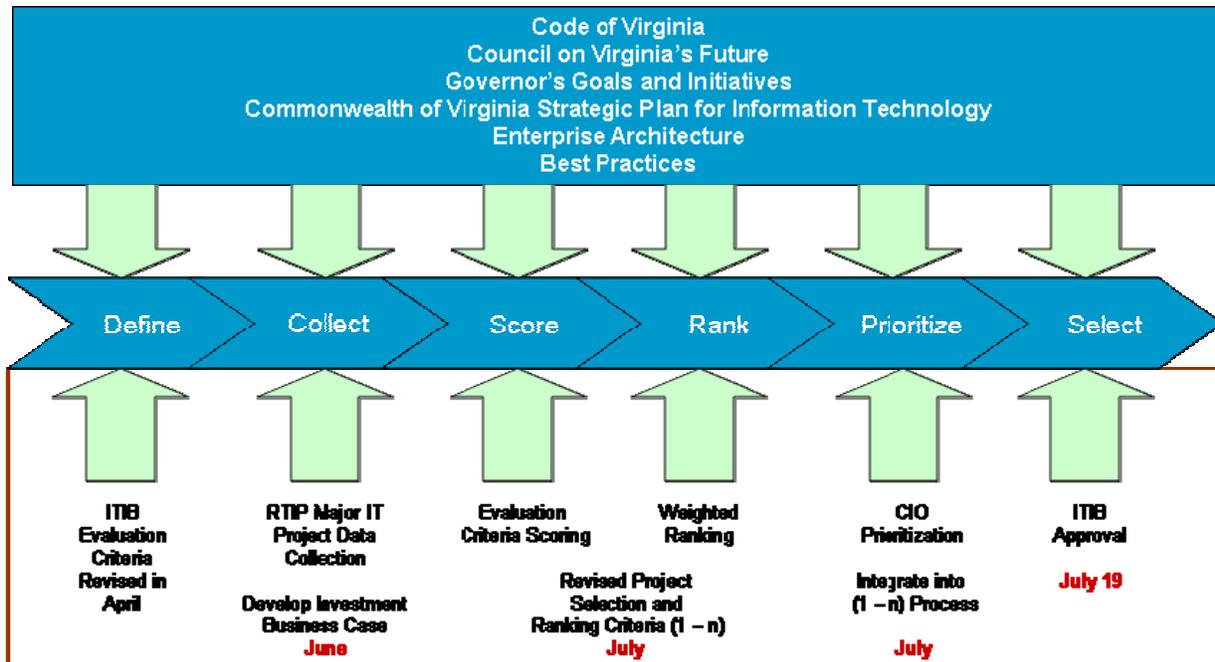


Exhibit 3: Summary of 2007 RTIP Process Phase 1

This year, the Governor directed his Cabinet to meet with their respective agencies regarding strategic goals and objectives and associated performance measures. Prior to the meetings, the Governor issued specific planning guidance to all agency heads regarding the upcoming budget biennium. Meetings will be conducted throughout the summer of 2007 with results being reported back to the Governor in August. As agencies complete their plans, new IT projects may surface in support of identified business needs or business priorities may shift. The agency strategic planning effort led by DPB is scheduled to take place beginning in August, with finalized plans due in the September - October timeframe.

Following completion of the strategic planning cycle and the Governor and Cabinet reviews of agency strategic goals, objectives and performance measures, revised agency and Secretariat priorities will be incorporated into the September 1 recommended project ranking. A revised 2007 recommended technology investment projects list will then be reviewed and approved by the Board at its October 18, 2007 meeting and an update issued to the Governor and General Assembly on November 1 to inform them of any significant changes to major project funding priorities. Exhibit 4 outlines the second phase of the RTIP process that will be used to produce the November 1 update.

2007 RTIP Report Selection Process for November 1 Update (Phase 2)

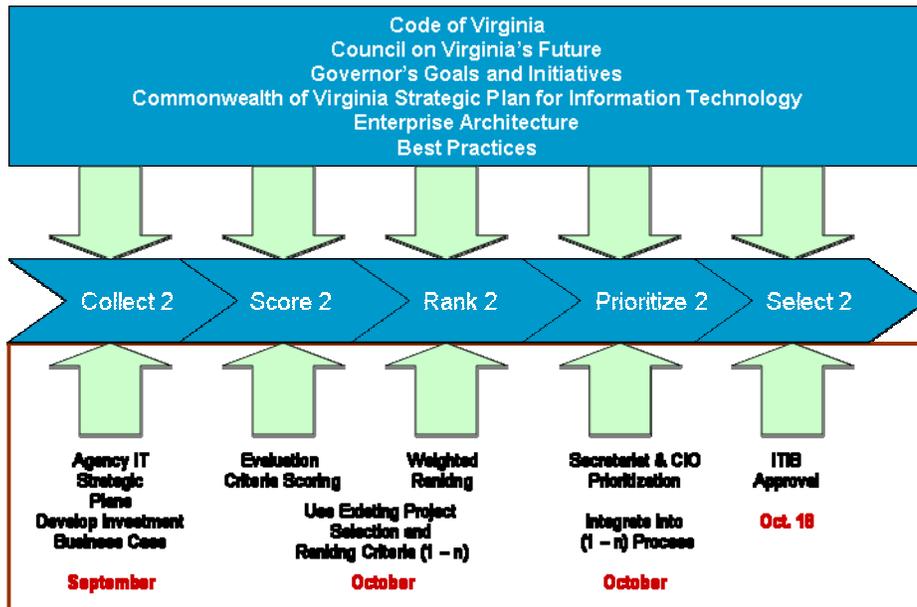


Exhibit 4: Summary of 2007 RTIP Process Phase 2

1.7 Status of 2006 RTIP Recommended Projects

Recognizing the dynamic nature of the Commonwealth IT Portfolio since the publication of the 2006 RTIP Report in September 2006, the portfolio has continued to evolve:

- Seven projects, with a total investment of \$25 million, were successfully completed.
- Four projects, representing an investment of \$23 million, were granted development approval and are now active.
- Five projects, representing an investment of \$133 million, were reclassified in project category or approval status.
- Two projects recommended in the 2006 RTIP Report, with an estimated cost of \$2 million, were cancelled due to consolidation or agency response to changing business needs or opportunities.

Appendix D details the changes in the Commonwealth IT Portfolio from the 2006 RTIP Report to the 2007 RTIP Report.

1.8 Contact Information

Questions or comments about the 2006 RTIP Report may be directed to Constance Scott at (804) 416-6179 (constance.scott@vita.virginia.gov) or Nicole Helmantoler at (804) 416-6171 (nicole.helmantoler@vita.virginia.gov).

2.0 Appendices

Appendices are included as separate attachments with the report. A description of each Appendix follows:

- **Appendix A - 2007 Major IT Projects Recommended for Funding:** Presents summary information about active projects on the Commonwealth Major IT Project Status Report Dashboard recommended for continued funding (active projects are not ranked) and new major IT projects approved for planning (development approval is contingent upon funding) and recommended in order of priority for funding.
- **Appendix B – 2007 Major IT Projects Approved for Planning Forecasted Expenditures and Funding:** Presents detailed information on planned expenditures and funding needed through the 2012-2014 budget biennium for new major IT projects approved for planning (development approval is contingent upon funding).
- **Appendix C- 2007 Major IT Project Descriptions:** Presents the project description for each project recommended in the 2007 RTIP Report. Projects are alphabetized by Secretariat, agency and project name.
- **Appendix D - Status of 2006 RTIP Recommended Projects:** Presents the status, as of June 30, 2007, of major IT projects recommended for continued or new funding in the 2006 RTIP Report.
- **Appendix E – Portfolio ROI Calculations:** Presents the supporting detail calculations for Commonwealth portfolio for active major and non-major projects and the active major project portfolio.