COMMONWEALTH *of* VIRGINIA

Virginia Information Technologies Agency

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November 1, 2010

The Honorable Charles J. Colgan
Chair, Senate Finance Committee
Senate of Virginia
10660 Aviation Lane
Manassas, Virginia 20110-2701

The Honorable Lacey E. Putney
Chair, House Appropriations Committee
Virginia House of Delegates
Post Office Box 127
Bedford, Virginia 24523

Chairmen Colgan and Putney:

Pursuant to Section J of Item 434 of the budget for the 2010-12 Biennium, I am required to "assess the feasibility of reducing or eliminating the Enterprise Applications Division by June 30, 2011." This requirement is included as part of a larger obligation "to develop and implement a plan to improve the productivity, efficiency, and effectiveness of VITA."

As you likely recall, the assessment related to the Enterprise Applications Division was to be submitted to you no later than September 1, 2010. However, in coordination with your respective Committee staffs, you extended the deadline until November 1, 2010. I wish to express my thanks for the accommodation granted to me by each of you with regard to this extension.

It is with the preceding background that I submit this letter in satisfaction of the requirements placed on me by Section J of Item 434 of the budget for the 2010-12 Biennium. VITA has completed its assessment of the "feasibility of reducing or eliminating the Enterprise Applications Division by June 30, 2011." Based on this assessment, I have concluded that reducing or eliminating the Enterprise Applications Division is not feasible at this time. There are several reasons for this conclusion.

First, the Enterprise Applications Division ("EAD") provides services that are essential to the Commonwealth's current and future daily operations. Presently, Commonwealth agencies rely on software applications for everything from creating the state's budget to records management. And while many agencies report that they rely heavily on applications to deliver services to citizens, very few agencies have the experience, knowledge or resources to effectively manage their business software applications. EAD is tasked not only with helping individual agencies manage their applications, but also with managing applications across the executive branch in order to reduce redundancy, save money and improve efficiency. To achieve

this goal, EAD has built and maintains a portfolio of all applications used by state agencies (in the executive branch) and public institutions of higher education. The most recent data from the portfolio shows that executive branch agencies report using nearly 2,000 applications. A few agencies have not started reporting. As a result, this number will only increase.

There is a clear need to reduce the redundancy among the applications used by agencies. Of the nearly 2,000 applications currently listed in the applications portfolio, more than 200 are financial management applications and more than 100 are human resource management applications. As agencies outgrow these applications and as applications become obsolete, EAD makes resources available to help agencies select software from a more limited menu that provides the needed functionality but is consistent with the software other agencies are using. In providing this service, EAD helps agencies leverage their purchasing power and helps the Commonwealth build a more consistent applications environment, which encourages more efficient data sharing within agencies and between agencies. This last point is important because more than half of the applications in the Commonwealth's applications portfolio don't share data.

EAD's work in the selection and acquisition of the new performance budgeting system is an example of how EAD helps improve the Commonwealth's efficiency. Working with the Department of Planning and Budget in 2010, EAD managed the implementation of the first phase of the new performance budgeting system, marking the first time Virginia has launched a new, Commonwealth-wide budgeting system since 1980. This new system will enhance the Commonwealth's ability to use strategic planning as the foundation for resource allocation decisions.

To help new businesses form in Virginia, EAD has worked with the Virginia Department of Business Assistance to establish Virginia's Business One Stop, an online system that organizes all business formation requirements and walks new businesses through them, step by step. The goal of the Business One Stop is to be the single point of contact for all business entities in Virginia. Establishing this service required a great deal of collaboration with numerous Commonwealth agencies. The benefit of this collaboration is that even though the new business enters its information only one time, the information is provided to multiple agencies, thereby achieving in one transaction a result that previously would have taken several transactions to achieve.

EAD's work on performance budgeting and Virginia's Business One Stop, as well as its role in reducing redundancy, are only a few instances of the essential services it provides. EAD also is responsible for setting state-wide data standards and supporting mission-critical VITA internal applications -- applications VITA and other agencies depend upon for the delivery of IT services to all executive branch agencies. Additionally, EAD has been working to leverage

VDOT's Cardinal project (a financial management system) to become the de-facto standard enterprise resource planning (or ERP) solution for the Commonwealth.

Second, eliminating EAD does not eliminate the need for the services it provides. Based on the most recent applications portfolio data:
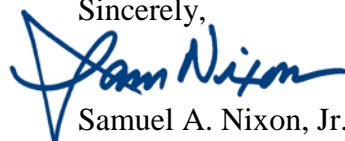
- 34 percent of applications have less than 10 users
- 17 percent of applications were created in 1995 or earlier
- The vast majority (1,000) of applications that agencies report using for a core business activity are custom coded, meaning its very likely they are more expensive to maintain and replace than commercially available software, and they provide fewer data sharing opportunities

What these few pieces of information indicate is that the Commonwealth is not maximizing the benefit it receives for the money it spends on applications, and that duplication of effort and solutions are still the norm. EAD is the only executive branch organization that is tasked with improving this situation.

Finally, since April 2010, EAD's staff has been reduced by 24 percent either through layoff or attrition. None of the positions eligible to be staffed again has been filled. Given the important needs that EAD fills, further reductions at this time do not appear appropriate.

I recognize the concern regarding EAD that was expressed in the most recent budget. To be fair, however, the portion of VITA that is now EAD has undergone some form of statutorily mandated change nearly every year since the then-named Enterprise Applications Public-Private Partnership Project Office was established in 2006. I offer this not as a defense, but to provide some context with which to view EAD. I believe very strongly that proper management of the Commonwealth's business applications will be vital to maintaining Virginia's well-deserved reputation as a state that enjoys superior management. In my role as Chief Information Officer, I will continue to look for opportunities to improve how the Commonwealth uses business applications.

Sincerely,

Samuel A. Nixon, Jr.

c: The Honorable Martin Kent, Chief of Staff
       The Honorable Jim Duffey, Secretary of Technology