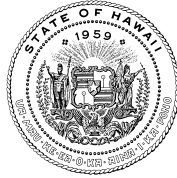


JOSH GREEN, M.D.
GOVERNOR
KE KIA'ĀINA



KEITH A. REGAN
COMPTROLLER
KA LUNA HO'OMALU HANA LAULĀ

MEOH-LENG SILLIMAN
DEPUTY COMPTROLLER
KA HOPE LUNA HO'OMALU HANA LAULĀ

STATE OF HAWAII | KA MOKU'ĀINA O HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWE LAULĀ
P.O. BOX 119, HONOLULU, HAWAII 96810-0119

WRITTEN TESTIMONY
OF
KEITH A. REGAN, COMPTROLLER
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES
TO THE

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

WEDNESDAY, MARCH 20, 2024, 2:00 P.M.
CONFERENCE ROOM 329 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S. B. 2516, S. D. 2, H. D. 1

RELATING TO THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES.

Chair Nakashima, Vice Chair Sayama, and members of the Committee, thank you for the opportunity to submit testimony on S.B. 2516, S.D. 2, H.D. 1.

The Department of Accounting and General Services (DAGS) **supports** the intent of this measure but requests a few changes. This measure, in its current form, addresses a structural deficiency that was inadvertently created when the position of Chief Information Officer (CIO) was transferred from the Governor's Office to DAGS as part of Act 84, Session Laws of Hawaii (SLH) 2011, without a change in the reporting structure. This was compounded when DAGS information technology functions were consolidated under the newly created Office of Enterprise Technology Services (OETS) headed by the CIO in Act 58, SLH 2016.

As noted in previous testimony, §27-43, established within DAGS the OETS, and unlike other attached agencies, the words “for administrative purposes” are notably absent. According to statute, OETS is a division of DAGS, and as such, the Comptroller has managerial responsibility over the division without supervision of the division head (CIO) as indicated in §27-43, which states that the Chief Information Officer “shall be appointed by the governor as provided in §26-34. The chief information officer shall report directly to the governor...”. Statutorily, the department director has no supervisory control over a division head for which the department director has statutory managerial oversight. The changes proposed in this measure would correct the above-mentioned structural deficiencies and allow the Comptroller to have managerial oversight of the division through the CIO.

We are requesting a few modifications to the measure for your consideration.

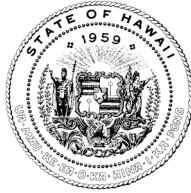
The modifications are:

1. Section 2: Continue to have the CIO be appointed by the Governor and be subject to the Senate’s advice and consent process. In essence, keep the existing statutory language that reads “The chief information officer shall be appointed by the governor as provided in section 26-34.”
2. Section 2: the CIO’s salary is linked to the first deputy comptroller’s salary. We request that, rather than the salary be tied to the first deputy comptroller, the salary of the CIO be established by the Governor. Private sector salaries for these types of highly specialized positions are significantly higher than the first deputy comptroller and the comptroller. Providing the Governor with the ability to attract qualified candidates will be critical. We would recommend that

this line read "(b) The salary of the chief information officer shall be established by the Governor."

We appreciate the opportunity to provide our suggestions on this measure and look forward to further discussions on this matter. Thank you for the opportunity to provide testimony on this measure.

JOSH GREEN, M.D.
GOVERNOR
KE KIA'AINA



DOUGLAS MURDOCK
CHIEF INFORMATION
OFFICER

OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

P.O. BOX 119, HONOLULU, HI 96810-0119
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LATE

Written Testimony of
DOUGLAS MURDOCK
Chief Information Officer
Enterprise Technology Services

Before the
HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
WEDNESDAY, MARCH 20, 2024

SENATE BILL 2516 SD2 HD1
RELATING TO THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

Dear Chair Nakashima, Vice Chair Sayama, and members of the committee:

The Office of Enterprise Technology Services (ETS) **opposes** this bill.

As technology continues to transform the workplace and services to residents with advancements in artificial intelligence and other tools, it is more important than ever that the independence and value of the CIO position and ETS be maintained and not diminished.

This bill will have the effect of making it difficult to hire and retain the high-quality IT workforce necessary to run an enterprise as large and complex as the state. Changing the Chief Information Officer's reporting official from the governor to the comptroller will diminish the influence of the CIO in the other departments. The CIO will no longer be in the cabinet and not be seen as a peer.

In addition, setting the CIO salary at the level of a deputy department head will significantly reduce the number of people interested in the position. A deputy director earns significantly less than the existing budgeted CIO salary and less than several other members of the ETS staff and less than other IT leaders at the department level and at the city and county of Honolulu.

The existence of the Office of Enterprise Technology Services in its current format under the leadership of the CIO has been extremely beneficial to the state.

As an example, the CIO and ETS were critical during the pandemic due to our lead role in designing, implementing, and constantly upgrading the Safe Travels Digital Application. The system was well ahead of its time in using artificial intelligence to validate

COVID tests and later, immunization cards. The system was a big part of an overall process that allowed our economy to recover while keeping our residents and visitors safe. This was in addition to keeping the state's IT infrastructure up and running in the challenging pandemic environment.

In 2019 and 2021, ETS worked with the departments and the Information Technology Steering Committee to develop the state IT strategic plan. The plan guides ETS and the executive branch in setting priorities and focusing on the right capabilities.

ETS provides expertise and leadership in cybersecurity, networking, project management, strategy and governance, enterprise architecture, data value, and operations, among other areas. Currently, ETS is working to provide guidance to the executive branch on responsible use of artificial intelligence.

ETS has won many national awards in the last 5 years including:

- Tanium Cybersecurity Industry Edge Award 2020
- NASCIO Cybersecurity Project of the Year 2023
- Google Customer Award – Safe Travels 2022
- GOVX Summit 2022 Finalist – Customer Experience
- GOVX Future Ready Award 2022
- StateScoop Government Executive of the Year – Doug Murdock 2022
- Center for Technology Excellence Award – Doug Murdock 2023
- Center for Digital Government Grade improved from B+ to A- in 2022

Modernization is always challenging, but there has been tremendous progress with modernization of 22 key state IT systems in the last 10 years, including statewide payroll, time and leave, tax, disability compensation, PUC case and documents management, cybersecurity, Office365, Adobe eSign, and the state portal.

ETS has identified and is working to assist departments with 12 other systems which are currently in some stage of modernization. Reducing the independence of the CIO could negatively impact ETS' ability to support those projects equitably.

In all, ETS tracks 657 state applications and 398 projects in our enterprise inventory and architecture system. This process allows us to determine where the state and departments can most effectively invest in their IT needs.

We believe **SB 2516 SD2 HD1** would diminish the role of the state's Chief Information Officer (CIO) and could set back the state's efforts to modernize our IT capabilities.

The state Comptroller already has a huge amount of responsibility overseeing the many divisions, district offices and attached agencies of DAGS and does not have the time nor the expertise to also manage the state's expanding IT requirements. A 2009 report by the State Auditor (Report No. 09-06) confirms this observation and recommended assigning "responsibility for the development and execution of the IT strategic plan to the State CIO."

As an alternative, we recommend allowing the Information Technology Steering Committee to study this issue and provide a report with recommendations for the next legislative

session. The option of creating a board or commission to oversee the duties of the CIO would be preferable to adding this responsibility to the Comptroller.

Thank you for the opportunity to provide testimony on this measure.



TIME/DATE: 2:00 p.m., March 20, 2024
PLACE: Room 329
COMMITTEE: House Consumer Protection Committee
BILL: SB 2516, SD 2, HD1, Relating to the Department of Accounting and General Services
POSITION: COMMENT

Aloha Chair Nakashima, Vice Chair Sayama and members of the committee!

My name is Christine Maii Sakuda and I serve as the executive director of Transform Hawai'i Government (THG), a nonprofit organization that advocates for a more accessible and responsive state government that leverages technology to help citizens, communities, and businesses throughout Hawai'i thrive.

Senate Bill 2516, SD2, HD1, clarifies that centralized computer information management and processing services shall be provided through the Chief Information Officer. It specifies that the Chief Information Officer shall be appointed by, and shall report to, the Comptroller.

From its inception more than ten years ago, THG has served as an important partner in establishing and promoting the success and effectiveness of the state CIO. We now know that technology underpins virtually every government service and that Hawai'i residents demand broadband access, digital learning, and services when and where needed. I have been honored to serve on the state IT Steering Committee which itself serves as an integral partner in the development and implementation of the state's technology services.

We have learned from the experiences here, and from observing successful government technology transformations in other states, that the state CIO must have a breadth of purview that is enterprise wide. It must integrate the needs and functional areas across state agencies, departments, and divisions. The CIO's leadership role must encompass information technology operations, projects, and strategies to ensure that the state is making the best overall use of its assets, resources, and investments, both now and in the future. To do so, it is important for the CIO role to maintain a high level of stature in state government. Attracting qualified government technology leaders to serve in key roles, including the role of CIO, requires ensuring a competitive wage and the knowledge, skills, and ability to serve at the highest levels of state government. Accountability and responsiveness are other key ingredients to ensuring the success of a CIO. We would welcome an opportunity to work with government leaders to propose a more robust detailing of such accountability provisions going forward and potentially for the next legislative session.

Please continue to call upon Transform Hawai'i Government as a resource on government modernization. Through research, data, and in-depth policy recommendations, and resources, we wish to support your efforts to make Hawai'i a better place and look forward to working closely with you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Christine Sakuda', is written over a faint blue circular graphic.

Christine Sakuda
Executive Director
Transform Hawai'i Government
email: csakuda@TransformHawaiiGov.org | phone: (808) 321-2811
web: www.TransformHawaiiGov.org

SB-2516-HD-1

Submitted on: 3/18/2024 1:06:37 PM

Testimony for CPC on 3/20/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Greg Dalin	Individual	Oppose	Written Testimony Only

Comments:

Testimony Against S.B. NO. 2516

Dear Honorable Members of the Committee,

I am reaching out to voice opposition to S.B. NO. 2516, "RELATING TO THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES." My primary concern lies in the bill's proposal to restructure the reporting line of the Chief Information Officer (CIO), requiring this pivotal role to report directly to the Comptroller instead of being appointed by and reporting to the Governor.

Key Concerns:

Erosion of Authority and Strategic Influence: The role of the Chief Information Officer (CIO) extends beyond the confines of traditional IT management, occupying a central position in both the public and private sectors at the executive and cabinet levels. This prominent standing underscores the critical importance of technology in shaping government operations and strategic direction, mirroring its pivotal role in the private sector where innovation and efficiency drive success. Such a position enables the CIO to provide effective counsel to the Governor and to foster collaborative efforts across different departments and branches of government, ensuring a cohesive approach to technology and digital transformation.

Positioning the CIO to report under the Comptroller significantly undermines this dynamic, effectively sidelining the role from its crucial strategic advisory capacity and diminishing its influence over comprehensive technology strategies. This proposed realignment risks fragmenting the state's technology governance, potentially leading to inefficient coordination and execution of essential technology initiatives. It threatens to stifle innovation and adaptability, qualities that are paramount in both the public and private sectors for navigating the complexities of modern digital landscapes.

In essence, relegating the CIO to a lesser role not only undermines the strategic value technology brings to government operations but also detracts from the state's ability to harness and leverage technology for public good, efficiency, and future readiness. The implications of such a change could significantly hamper the state's potential to implement critical technology initiatives effectively, compromising our ability to meet the evolving needs of our citizens and maintain a competitive edge in a digital world.

Detrimental Impact on Talent Acquisition and Retention: The efficacy of the state's technology endeavors heavily relies on attracting and keeping top talent. Restructuring the CIO's position could detract from its appeal to highly qualified candidates, signaling a diminished prioritization of technology leadership. This is especially concerning when considering the competitive nature of salaries and the stature of the position, critical factors in attracting the best talent.

Recommendation Revisions:

In light of these concerns, I strongly recommend that, at the very least, the Enterprise Technology Services (ETS) should be established as an attached agency within DAGS, maintaining a direct reporting line to the Governor. This would ensure that the CIO's position retains its essential statewide executive role in IT, fostering a conducive environment for strategic decision-making, innovation, and cross-departmental collaboration.

- **Minimum Requirement for ETS:** To reflect its critical role in supporting the state's technology infrastructure and improving service delivery to the public and government operations, ETS must, at a minimum, be an attached agency. This structural change is essential for enhancing operational efficiency and responsiveness to the state's evolving technology needs.
- **Direct Reporting to the Governor:** The CIO, overseeing ETS, should continue to be appointed by and report directly to the Governor. This reporting structure is critical for maintaining the authority, visibility, and independence necessary for leading the state's technology initiatives successfully and for ensuring that Hawaii remains competitive in technology leadership and governance.

Adopting these recommendations will secure Hawaii's position as a frontrunner in technology innovation and governance, ensuring the state's effectiveness in operations and continuing advancements in technology and service offerings to the public. I implore the legislature to reconsider the proposed restructuring in S.B. NO. 2516, to preserve the CIO's crucial role in the Governor's cabinet, and to recognize the significance of ETS by enhancing its organizational status as recommended.

Mahalo for considering my testimony,

Greg Dalin

SB-2516-HD-1

Submitted on: 3/18/2024 3:16:51 PM

Testimony for CPC on 3/20/2024 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Eugene Chang	Individual	Oppose	Written Testimony Only

Comments:

Testimony of Eugene Chang regarding SB2516.

After over forty-five years of experience commercializing technology for building IT systems on the mainland, I have returned to Hawaii. I am an active member of IEEE Hawaii, the IEEE Computer Society, and the IEEE Communications Society, two societies that provide key technology essential to the IT community.

I was recently appointed to the IT Steering Committee. I offer observations from a straightforward reading of SB2526. The proposed changes to Section 27-43 significantly hinder the impact of the Enterprise Technology Service.

In the past thirty years, Enterprise Technology (IT) Service has grown from an automation tool into a potent strategic resource capable of making far-reaching organizational improvements. In commercial organizations, strategic discussions occur with the chief executive and the board of directors in commercial organizations. In our state government, these discussions should happen with the Governor and the Cabinet. SB2516 moves the Chief Information Officer away from direct talks with the Governor and Cabinet to a role under the Comptroller. This is contrary to the best practices of the IT industry.

Some of ETS's strategic power requires coordination and compromises between departments. Balancing these efforts for strategic gain is the governor's responsibility. SB2516 gives the Comptroller the role of gatekeeper of these strategic opportunities. With information flowing through the Comptroller, the governor and the cabinet may not hear the full range of opportunities colored by the Comptroller's budgetary responsibilities. SB2516 gives the Comptroller a preemptive review on issues that may be in tension with the Comptroller's other responsibilities.

In the future, SB2516 will hinder the state's ability to hire a skilled CIO. A savvy CIO candidate will not consider a role under the Comptroller an opportunity with the full range of CIO opportunities to make an impact. The "chief information officer" or "deputy comptroller" titles will not hide that the top ETS manager will be junior to the Comptroller. A professional seeking to make an impact as a CIO will not accept this structure.

If SB2516 is a reaction to problems with the management of IT contracts, this bill is silent about improving how IT contracts are managed. Efficient management of IT contracts is inherently

complex and requires tight coordination between a department commissioning the contract and ETS. At best, SB2516 signals displeasure with the CIO and does nothing to empower ETS to have a more effective influence over IT contracts. SB2516 does nothing to improve the management of IT contracts.

In summary, SB2516 is detrimental to Hawaii's ability to fully benefit from ETS's strategic contribution.

Respectfully,

Eugene Chang
eugene.chang@ieee.org
Honolulu, HI 96817

Dear Honorable Members of the Committee,

I'm submitting my testimony to oppose SB2516, which would have the Office of Enterprise Technology Services (OETS) report to the State of Hawaii Comptroller.

Let me introduce myself. I am Michael Nishida, a technology professional with over 35 years of experience in the private industry. As a member of the State of Hawaii's IT Steering Committee (ITSC), I have had the privilege of advising the OETS Chief Information Officer (CIO) on various technology initiatives. My experience in different reporting structures lends weight to my perspective.

From my experience, the most effective organizational structure is when the CIO, a pivotal role in any organization's technological advancement, reports directly to the Chief Executive Officer (CEO) or, in this case, the governor. As organizations increasingly rely on technology to streamline and improve service to their customers, it becomes crucial for the CIO to have the ability to report directly to the governor. As organizations look to the CIO as an enabler of technology, their feedback to the governor is critical to keep initiatives on track and thriving.

In today's changing world, the CIO plays a vital role in orchestrating many people from various groups toward a common objective. To accomplish this, the CIO needs the governor's authority. Moving the CIO under the State of Hawaii Comptroller could change the CIO's priorities to be cost-focused and would miss the intent of the governor's initiatives to bring new or improved services to the people of Hawaii.

Thank you for the opportunity to share my thoughts on this matter.

Sincerely,

Michael Nishida
Citizen of Hawaii and ITSC member