



OFFICE OF ENTERPRISE TECHNOLOGY SERVICES

P.O. BOX 119, HONOLULU, HI 96810-0119
Ph: (808) 586-6000 | Fax: (808) 586-1922
ETS.HAWAII.GOV

Written Testimony of
DOUGLAS MURDOCK
Chief Information Officer
Enterprise Technology Services

Before the
HOUSE COMMITTEE ON LABOR & GOVERNMENT OPERATIONS
THURSDAY, MARCH 14, 2024

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

Dear Chair Matayoshi, Vice Chair Garrett, and members of the committee:

The Office of Enterprise Technology Services (ETS) offers **comments** on this bill.

We recommend the bill be modified to limit the change to HRS §27-43 and clarify that the Office of Enterprise Technology Services is an administratively attached agency to DAGS.

“§27-43 Office of enterprise technology services; chief information officer; information technology steering committee; establishment; responsibilities. (a) There is established within the department of accounting and general services, for administrative purposes, the office of enterprise technology services, which shall be headed by a full-time chief information officer to organize, manage, and oversee statewide information technology governance. The chief information officer shall be appointed by the governor as provided in section 26-34. The chief information officer shall report directly to the governor and shall:”

In practice, ETS has been treated as an administratively attached agency since its inception. This change would codify that practice. Under this change, the CIO would continue to report to the governor to ensure the CIO's independence in providing advice to the governor, all state agencies, and in testimony to the legislature.

The existence of the Office of Enterprise Technology Services 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** 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.

We offer a few comments on the bill.

- Dual-hatting the CIO to deputy director under the Comptroller would diminish the authority and independence of ETS and the CIO. It could also lead to the CIO being assigned to projects unrelated to ETS' statutory mission.
- A deputy director earns significantly less than the existing CIO salary and less than several other members of the ETS staff and less than other state CIOs or IT Directors. This would make hiring a top candidate for the position very difficult and retention would also be a challenge.

- In the IT community, working for the state CIO and Office of Enterprise Technology Service is preferable to taking a position in the Department of Accounting and General Services under the Comptroller. This would impact the ability of the state to fill critical IT positions.
- 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."
- Federal practices sometimes require plan approvals or participation by the state CIO and therefore someone needs to carry that title.

If the determination is made to place the CIO under the authority of the Comptroller, we add the following comments:

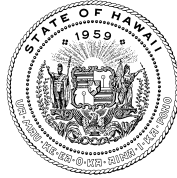
- The position should be appointed by the Governor and confirmed by the Senate like any other Deputy Director position.

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.

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.

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

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 LAWELAWÉ 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 LABOR AND GOVERNMENT OPERATIONS

MARCH 14, 2024, 9:15 A.M.
CONFERENCE ROOM 309 AND VIA VIDEOCONFERENCE, STATE CAPITOL

S.B. 2516, S.D. 2

RELATING TO THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES.

Chair Matayoshi, Vice Chair Garrett, and Members of the Committee, thank you for the opportunity to submit testimony on S.B. 2516, S.D. 2.

The Department of Accounting and General Services (DAGS) offers comments on this measure. In its current form, the measure would rename the position of state Chief Information Officer (CIO) as the Chief Information Officer and Deputy Comptroller. In addition, the measure specifies that the Chief Information Officer and Deputy Comptroller for Information Technology shall be appointed by, and shall report to, the Comptroller. We believe that this measure presents a unique opportunity to correct a structural deficiency that was inadvertently created when the position of CIO was transferred from the Governor's Office to DAGS as part of Act 84, Session Laws of

Hawai'i (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 (ETS) headed by the CIO in Act 58, SLH 2016.

According to Hawai'i Revised Statutes (HRS) §27-43, the Office of Enterprise Technology Services (ETS) is established within DAGS, and, unlike other attached agencies, the words "for administrative purposes" are notably absent. Technically, according to statute, ETS is a division of DAGS, and, as such, the Comptroller has managerial responsibility over the division. However, this managerial responsibility is clouded by the fact that, according to §27-43, ETS, a division of DAGS, "shall be headed by a full-time chief information officer to organize, manage, and oversee statewide information technology governance," and the Chief Information Officer (CIO) "shall be appointed by the governor as provided in section 26-34. The chief information officer shall report directly to the governor...". This creates a unique and unmanageable situation where the department director has no supervisory control over a division head for which the department director has statutory managerial oversight.

There are a number of options that may be considered to correct the existing structural deficiency. We present them here for your consideration:

Option 1:

Modify §27-43 to clarify that the office of enterprise technology services is an administratively attached agency. We would offer the following change for consideration:

“§27-43 Office of enterprise technology services; chief information officer; information technology steering committee; establishment; responsibilities. (a) There is established within the department of accounting and general services, for administrative purposes, the office of enterprise technology services, which shall be headed by a full-time chief information officer to organize, manage, and oversee statewide information technology governance. The chief information officer shall be appointed by the governor as provided in section 26-34. The chief information officer shall report directly to the governor and shall:”

Option 2:

Consider making the office of enterprise technology services a department and, as such, make the Chief Information Officer position the director of the department. We would encourage that, should this be the route to remedy the exiting structural deficiency, an interim step be taken to insert language clarifying that ETS is administratively attached to DAGS.

Option 3:

The following alternative language to the existing statutes may be considered to address the structural deficiencies that have plagued the department since 2011:

1. **Keep §27-43** as is in the S.D. 2 version clarifying that the CIO is appointed by the comptroller.
2. **Modify §26-6** to clarify that the comptroller has responsibility over the CIO as the functions described are carried out “through” the CIO.

We would offer the following change for consideration:

(b) The department shall:

(9) Provide centralized computer information management and processing services through ~~Under the direction of the chief information officer, provide centralized computer information management and processing services;~~

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.



TIME/DATE: 9:15 a.m., March 14, 2024
PLACE: Room 309
COMMITTEE: House Labor & Government Operations Committee
BILL: SB 2516, SD 2, Relating to the Department of Accounting and General Services
POSITION: COMMENT

Aloha Chair Matayoshi, Vice Chair Garrett 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, renames the position of state Chief Information Officer as the Chief Information Officer and Deputy Comptroller and specifies that the Chief Information Officer and Deputy Comptroller 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; and 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. We understand this measure to have potential impacts to the pay scale necessary to attract qualified candidates to the position in the future. 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 'C. Sakuda', is written over a faint blue circular stamp.

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

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

SB-2516-SD-2

Submitted on: 3/12/2024 4:24:14 PM

Testimony for LGO on 3/14/2024 9:15:00 AM

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 writing to express my strong opposition to S.B. NO. 2516, "RELATING TO THE DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES," regarding the proposed change that would position the Chief Information Officer (CIO) that reports directly to the Comptroller, rather than maintaining a position appointed by the Governor.

Key Concerns:

- 1. Diminished Authority and Effectiveness:** In many States, the CIO holds a cabinet-level position, reflecting the critical role of technology in government operations and strategic planning. This status enables the CIO to effectively advise the Governor and collaborate with other departments on an equal footing. The proposed repositioning under the Comptroller could significantly diminish the authority of the CIO, potentially leading to less effective coordination and implementation of statewide technology initiatives.
- 2. Impact on Talent Recruitment and Retention:** The success of any technology initiative relies heavily on the ability to attract and retain top talent. The proposed restructuring could make the CIO position less attractive to highly qualified candidates, as the perceived downgrading could be interpreted as a lack of prioritization of technology leadership within the state government. This is concerning, especially when competitive salaries and the prestige of the position are crucial for attracting the best talent. The City and County of Honolulu's proposed salary for the equivalent position would be much higher than the State CIO under this Senate Bill.
- 3. Operational Inefficiencies:** The Chief Information Officer should have the autonomy to oversee the Enterprise Technology Services (ETS) as an attached agency or as a separate department. This autonomy is essential for swift decision-making and effective governance of the state's technology infrastructure. By embedding the CIO within the Department of Accounting and General Services and under the Comptroller's direct supervision and appointment, there is a risk of creating additional bureaucratic layers that could hinder the agility and responsiveness of the state's technology operations.

Long-Term Implications:

The proposed changes in S.B. NO. 2516 are not only concerning but are also short-sighted. Restructuring the CIO's position in this manner could significantly set the state back on any modernization and change initiatives. As technology continues to evolve at a rapid pace, the need for visionary leadership in technology within our state government has never been more critical. This change threatens to stifle innovation, slow down the implementation of new technologies, and ultimately, hinder our state's ability to serve its citizens effectively. We must consider the long-term ramifications of such a restructuring, ensuring that Hawaii remains competitive and continues to advance in its technology and service offerings to the public.

Recommendation:

To ensure that Hawaii remains at the forefront of technology innovation and governance, the position of the Chief Information Officer (CIO) must retain its cabinet-level status, with direct reporting to the Governor. This structure is essential not only for maintaining the authority and visibility required to lead the state's technology initiatives effectively but also for attracting and retaining top talent, and fostering collaboration across departments.

Furthermore, considering the extensive range of shared services provided by ETS to various state departments, ETS must be elevated to a status that reflects its importance and scope of influence within the state government. Therefore, ETS should either become an attached agency or be established as a separate department. This change would acknowledge the critical role ETS plays in supporting statewide technology infrastructure, ensuring more efficient and effective delivery of services to the public and within government operations.

By making these adjustments, we can safeguard the state's technology leadership and operational effectiveness, ensuring that Hawaii continues to advance in its technology and service offerings to the public. I urge the legislature to reconsider the proposed restructuring in S.B. NO. 2516 and to maintain the Chief Information Officer's position as a pivotal element of the Governor's cabinet, while also recognizing the significance of ETS by enhancing its organizational status accordingly.

Mahalo for your consideration of my testimony,

Greg Dalin

SB-2516-SD-2

Submitted on: 3/12/2024 4:36:40 PM

Testimony for LGO on 3/14/2024 9:15:00 AM

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

Comments:

My name is Eugene Chang. After over forty-five years of experience commercializing technology for building IT systems on the mainland, I have returned to Hawai‘i. I am an active member of a professional society, the IEEE Hawai‘i, the IEEE Computer Society, and the IEEE Communications Society, all involving 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 will 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 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.

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. 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 titles of “chief information officer” or “deputy comptroller” will not hide the fact 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.

In summary, SB2516 is detrimental to Hawai‘i’s ability to benefit from ETS’s strategic contributions.

Respectfully,

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