State Government IT Operating Structures and Models

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Introduction

States deliver technology in one of three different structures: centralized, decentralized or hybrid. The decision to change from one structure to another is one of the most complex, impactful and yet least visible considerations a legislature can undertake. The decision to centralize or decentralize accountability and decision rights for delivering value from technology investments requires clearly defined ambitions and outcomes. While one model offers value in terms of efficiency, scale and accountability, the other offers domain expertise, agility and innovation. The right answer is dependent upon many factors unique to each state context, such as:

- **Cabinet or non-cabinet executive branch**
- **Constituent trends and priorities**
- **Revenue/Budget stability or instability**
- **Current state reality and technology maturity**

Non-Cabinet Comparative States & Trends

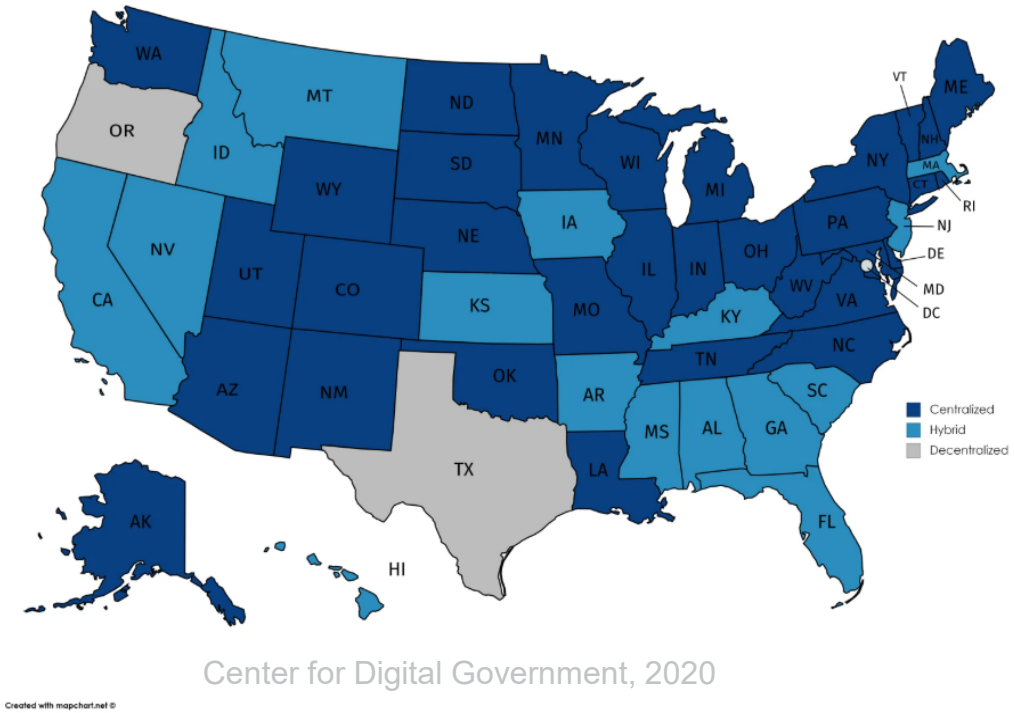
STATE	Legislature	Annual	Population trend
➢Connecticut	biennial	$34B	growing
➢Georgia	annual	$61B	growing
➢Mississippi	annual	$20B	stable
➢Nevada	biennial	$15B	growing
➢New Hampshire	annual	$7B	growing
➢Texas	biennial	$136B	growing

Source: The Council of State Governments' survey of governors' offices, 2022.
Annual total budget from 2021

IT Structures in State Government

- **Centralized state IT** is characterized by a single consolidated IT organization which provides most IT services to the other agencies.
  - Provides IT governance, strategy and oversight
  - Most IT services, support and personnel for other state agencies.
  - Generally considered the most advanced and desirable form of IT structure.
- **Decentralized state IT** is a structure where individual agencies have internal IT departments which provide most of their support, systems and strategy within their own discreet appropriations.
  - Central IT agency may also be present, but it focuses on policy.
  - This structure is characterized by siloed systems and data across the agencies.
  - Generally more expensive and is difficult to maintain consistent security, resiliency and quality.
- **Hybrid state IT** structures are a mix of the two, either by design or because the state is transitioning towards a fully centralized structure.
  - Hybrid IT provides options and agility while still allowing the state to benefit from some of the cost-savings of a fully centralized system.
  - This structure often suffers from power siloes, lack of enterprise alignment and blurred accountability

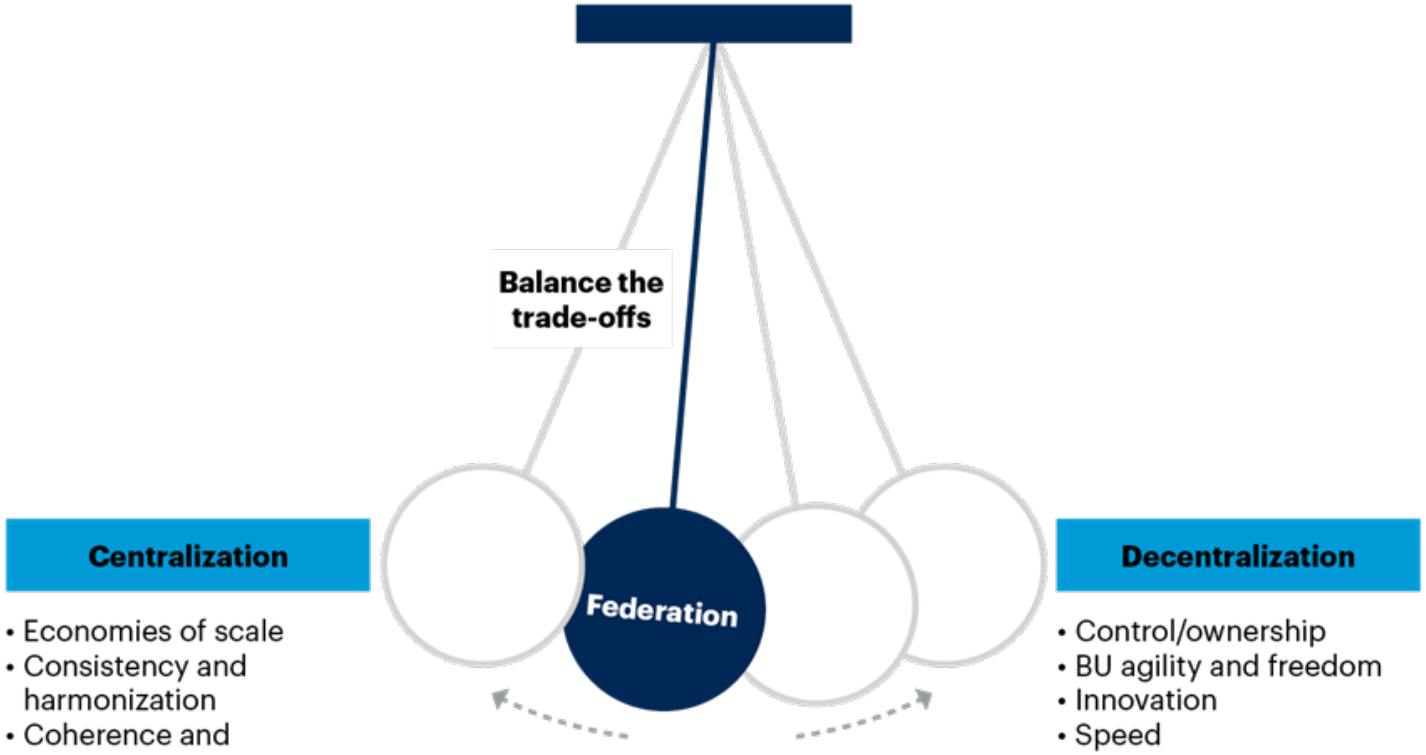
Centralized vs Decentralized IT



Center for Digital Government, 2020

- Connecticut - To centralized
- Georgia - Hybrid
- Mississippi - Hybrid
- Nevada - Hybrid
- New Hampshire - Centralized
- Texas - Decentralized

Value Propositions for Each



Centralization

- Economies of scale
- Consistency and harmonization
- Coherence and integration
- Interoperability
- Degree of commonality
- Enterprisewide agility

Decentralization

- Control/ownership
- BU agility and freedom
- Innovation
- Speed
- Degree of uniqueness
- Local expertise and responsiveness

Source: Gartner
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Centralized Structures

Challenges

- The operating model for IT often evolves organically and can be disproportionately influenced by inter-agency politics or stakeholder demand rather than optimally designed.
- CIOs are continually trying to balance the need for enterprisewide integration of IT against the pressures for distribution of IT capabilities for agency responsiveness and expertise.
- CIOs struggle to create a decision framework and rationale for a new, optimal design for their enterprise operating structure for IT.
- Realizing IT value is a complex undertaking, often due to suboptimal governance practices or misaligned operating models when balancing the needs of many disparate missions.

Advantages

- ❑.The purpose and value for IT is defined at the enterprise level.
- ❑There is increased accountability and transparency for technology investment decisions.
- ❑Standardization increases maturity in cybersecurity, business continuity and operational stability.
- ❑ Cost optimization is realized through aggregated volume contracting, reduced technology diversity, enterprise aligned prioritization of investments.
- ❑ Greater adoption of best practices for technology at scale.

Decentralized Structures

Challenges

- The enterprise cost for IT is higher and reflects duplicated compute infrastructure, higher licensing costs due to siloed contracting and a lack of standardization.
- Agencies compete for funding within silos so determining top enterprise priorities is elusive.
- Digital divides are common with larger agencies and smaller agencies having vastly different IT maturities and capabilities.
- Cybersecurity and business continuity at the enterprise level are weakened due to lacking standardization on best practices.
- Technical debt tends to be higher making legacy modernization activities a priority.

Advantages

- ❑ Agencies are accountable for their own technology performance and budget.
- ❑ Agencies develop deep IT expertise in the programs, systems and mission outcomes of each particular agency.
- ❑ IT can respond more quickly to the unique needs of the agency being served.
- ❑ IT can be more innovative within the single silo of an agency mission.
- ❑ Agency leadership has a stronger sense of ownership and accountability for its IT organizations performance.

Hybrid Structures

Challenges

- The responsibility is shared between a central IT provider and the stakeholder agency receiving “some” of its IT services which can blur accountability.
- It can be difficult to find the right balance of centralized services vs retained services.
- Budget appropriations are dispersed between the central service provider and the stakeholder agency.
- Enterprise alignment for prioritized investments can be problematic.
- Often, marginal cooperation amongst stakeholder agencies can negatively impact the anticipated outcomes.
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Advantages

- Some cost reductions can result from economies of scale.
- Clearly defined scope of shared vs. non shared services can result in improved workforce utilization at stakeholder agencies.
- Improved standardization, resilience, cybersecurity and accountability for the centralized services.
- “Better” technology is usually deployed, providing access to compute resources that otherwise would not be possible.
- Can minimize the challenges of both centralized and decentralized while introducing the advantages of each.
- Can be used plan an incremental transition from one structure to the other.

THANK YOU

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