

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Technology Officer



Fiscal Year 2019 Budget Oversight Hearing

Testimony of
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Office of the Chief Technology Officer

Before the
Committee on Government Operations
Brandon Todd, Chairman
Council of the District of Columbia

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Room 123
John A. Wilson Building
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Good morning, Councilmember Todd, members of the Committee, and Committee staff. I am Barney Krucoff, Interim Chief Technology Officer of the District of Columbia. With me is Phil Peng, of the OCFO, OCTO's longtime Agency Financial Officer. We are pleased to testify before you today.

Last month, Mayor Bowser presented "A Fair Shot," the Fiscal Year 2019 Budget and Financial Plan, the District's 23rd consecutive balanced budget. This budget does more to make Washington, D.C., a place where people of all backgrounds and in all stages of life are able to live and thrive by making key investments in infrastructure, education, affordable housing, health and human services, economic opportunity, seniors, and public safety. These investments reflect the key priorities identified by District residents at Budget Engagement Forums and telephone town halls held during the budget formulation process.

I am pleased to discuss with you OCTO's proposed FY19 budget, comprised of \$121 million dollars and a staff of 372 positions, allowing us to continue to develop, implement, and maintain the District's technology infrastructure and major enterprise applications; establish and oversee technology policies and standards for the District; provide technology services and support for District agencies; and develop technology solutions to improve services to businesses, residents, and visitors in all areas of District government. Overall, OCTO's FY19 operating budget is 7.1 percent higher than fiscal year 2018, which is necessary in order for us to fulfill our commitments and plans in the upcoming fiscal year.

I suspect every agency director thinks their agency's budget is unique. What I believe makes OCTO unique is the extent to which we are funded by other agencies. Of the \$121 million, \$71 million, or 58 percent, is directly appropriated to OCTO. The next largest share of the \$121 million comes from intra-District funds transferred to OCTO from our sister



agencies for a variety of services. Intra-District funds constitute \$39 million, or 32 percent, of the FY19 total. Finally, the remaining 10 percent comes from special-purpose revenue earned by providing data transport services to federal agencies and some nonprofit organizations, specific obligations we must provide. These portions of the budget appear to be growing the fastest—10 percent for intra-District and 20 percent for special purpose—however, much of both the intra-District and special purpose increased funding is not, in fact, actual growth, but a realignment in how that funding is reflected. In previous years, the federal government gave money for in-school broadband to DC Public Schools (DCPS), and DCPS then transferred the money to OCTO. That means through FY18 money was not in OCTO's budget at the beginning of the year, and thus not reflected in the agency's budget tables. Beginning FY19, the federal government will send the money directly to OCTO, thus creating the illusion of an increase in our budget.

Two other areas that are seeing an increase in our budget are comptroller source Groups 40 and 41. **Group 40—Other Services and Charges**—is proposed to be 12.5 percent higher than in 2018. This is primarily due to the following:

- OCTO moved dc.gov to the cloud, which costs \$378,000 per year.
- We upgraded the hardware supporting PeopleSoft and other Oracle databases. PeopleSoft runs much faster now, but the hardware maintenance moving forward will cost \$295,000 per year.
- In addition, we moved the entire government's email and collaboration tools to the cloud, costing an additional \$1.3 million per year for Microsoft Office 365. Among other benefits, we are using collaboration tools to facilitate our interactions with agency CIOs, for example, designating a common workspace for our meeting agendas and notes.



The key to understanding why this comp source group is growing is due to the words I repeated three times, “per year.” The entire information technology industry is moving toward subscription-based services and pricing, which carry annual costs. Oddly, even when the cloud is saving the District money overall, it can appear as an increase in OCTO’s locally funded budget. For example, take the dc.gov move to the cloud that offers several technical advantages, including scalability and independence from DC’s infrastructure, which can be an advantage, particularly in the event of an emergency. However, it is also important to point out that when a major application like dc.gov moves to the cloud, it is not only a technical change but also a significant accounting change. Previously, when dc.gov ran in an OCTO data center, it ran on hardware paid for one time with capital dollars, and we ran the equipment for multiple years. The cost of debt payments was reflected in the District budget, but not under an OCTO line item. Now that dc.gov is in the cloud, the District is still paying for computer cycles, but now those payments are in the form of annual subscriptions, which are inherently a part of OCTO’s operating budget. This is a realignment in how we account for these monies in FY19 and beyond.

Comptroller Source Group 41—Contractual Services—is easier to explain. In FY17, OCTO spent over \$50 million on contractual services. That FY17 amount included one-time, non-recurring funding, which is why it is significantly higher than other years. The \$37 million in FY18 will rise by the end of the year, as this is the approved budget and not the actual number. The \$40 million proposed for FY19 reflects where we expect OCTO will end FY18.

Importantly, Contractual Services is where you will find the bulk of OCTO’s CBE spending. OCTO continues to do very well with meeting the District’s aggressive goals for working with small local disadvantaged businesses. OCTO’s adjusted approved expendable budget for FY18 is \$91 million, and the adjusted approved SBE goal is over \$48 million. The numbers are in for the



first quarter, and with 25 percent of the year gone, we have reached 30 percent of the goal. We remain on track to exceed expectations.

If you look at Table 4 of OCTO's FY19 budget, there are some other programs with budgetary changes that I would like to now focus on:

- In **Agency Management**, program activities in the 1000s, you will see small across-the-board cuts, with the notable exception of an increase for Legal Services. Investing in our legal team is already returning benefits. For years OCTO operated with only one lawyer. Our expanded team has improved the rigor of contract reviews, helped to create a successful data policy, and worked closely with other agencies on cross-collaborative projects, among other accomplishments.
- **Applications Services and Operations** is increasing, primarily because they continue to bring in more work from agency customers. This team handles numerous smaller (by that I mean less than citywide), but still very important IT projects. For example, next week the Department of Small and Local Business Development (DSLBD) will roll out their new streamlined CBE registration process and system, built by this OCTO team with significant help from our Software Quality Assurance Team. DSLBD staff should be proud, and CBE applicants are going to see immediate improvements.
- **Mission Focused Application Solutions** supports the Department of Motor Vehicles and is growing about 10 percent. This team is very active this year as well in developing innovative improvements related to driver's licenses. Stay tuned for further announcements from DMV.
- **The DC GIS and Data Transparency and Accountability** programs operate closely together. They are growing only modestly, but I want to point out their accomplishments,



which include publishing the District's first Enterprise Data Set Inventory, establishing regular business intelligence training courses, and developing the innovative new CrimeCards Application with MPD.

- **Enterprise Procurement Application Services** runs the PASS system, which tracks and processes the District's many procurements. The PASS team is expanding their help desk function, which supports the citywide e-invoicing project. This project is becoming a big success. So far, six agencies have been converted and 15 agencies are scheduled in next week; 100 agencies are to be on the system by the end of the fiscal year. At agencies now using e-invoicing, vendor payments under the program take place in an average of less than 30 days. The program is very popular with subcontractors who can now see when their prime contractor gets paid, and thus know when they should expect payment.
- In **Enterprise HR Application Services**, also known as the team that runs PeopleSoft, proposed spending is up for FY19. Thanks to the Mayor, the budget was right-sized to support the PeopleSoft operations. This is the most significant growth within OCTO. I believe the Mayor and City Administrator recognized that the District's capital investment in the PeopleSoft platform over many years had not been fully matched by local funding for operations. For example, this year the PeopleSoft team, with our partners at OFRM and DCHR, processed raises, including back pay for members of the Washington Teachers Union (WTU). It was important and accurate work that needed to be performed expeditiously. There are always changes needed to the HR system to meet the needs of the District's diverse workforce and complex operational rules, thus the base capacity of the team needs to increase.



- The 4000 series programs cover the operating costs for the District's base **IT Infrastructure and Communications Technology**. The big movers are **DC Net** and **Citywide Messaging**. DC Net is self-funded with funds primarily coming from District agencies, federal agencies, and non-profit partners. Under the self-funded model, the DC Net budget fluctuates to meet the need. Regarding Citywide Messaging, the team's big accomplishment was moving from on-premise email and desktop licensing to Microsoft Office 365 across the entire government. Importantly, however, many agencies continue to operate older, but still supported, versions of Microsoft desktop software. In the future, as those older desktop packages of popular programs like Microsoft Word and Excel transition from supported to unsupported software, more agencies will need advanced Office 365 licenses.
- With the recent high-profile ransomware attack on the City of Atlanta, cyber security is getting even more attention than usual. Rest assured cyber security is a top priority for the Mayor and for OCTO. As proposed, the operating budget for OCTO's **Citywide IT Security Services** will be up 70 percent since Mayor Bowser took office. Frankly, our current challenges include retaining staff in this hot field, filling vacancies, and identifying the most important areas to tackle first. We have spent a lot of time recruiting, and I am happy to report that we are close to finalizing deals with two candidates for the Chief Information Security Officer and head of Security Engineering. Our most important operating funded security initiative in FY19 will be enhancing security controls where we have documents and data stored in the cloud.
- Finally, there is the 6000 series, **OCTOhelps**. This is the desktop/laptop-level IT support program for 54 agencies, with DCPS as the largest client agency. OCTOhelps currently



supports approximately 56,000 computers, 42,000 of which are in DCPS, including classroom computers. There are still many government computers that OCTO helps does not support. Typically, agencies do a good job maintaining their computers, and all of the machines report into our Security Operations Center. In the future, I believe security requirements will necessitate greater standardization of desktops and laptops and greater sharing of responsibility and visibility between OCTO helps and agency IT shops across the enterprise.

Lastly, the FY19 budget proposes \$47M in capital funding for OCTO projects. The big-ticket item is the buildout of a replacement data center as one of our existing centers is on a site slated for redevelopment. Beyond that, the Mayor focused on the basics: \$5 million for IT security to strengthen and refresh our layers of defenses. We will also be investing capital funds in enterprise backup systems, disaster recovery, some outdoor WiFi, and continuity of operations for critical District systems.

In closing, the resources allocated to OCTO will play a critical role in supporting all District agencies and, in turn, support residents' efforts to reach and remain on the pathway to the middle class. The Council and this Committee are critical allies in this effort, and I appreciate your work to ensure we operate efficiently and effectively. I look forward to our continued work together to achieve our shared goals and give all residents a fair shot to benefit from Washington, D.C.'s continued prosperity.

Thank you for the opportunity to testify today. I look forward to answering your questions.

