



## OFFICE OF THE STATE CHIEF INFORMATION OFFICER

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*Chief Information Officer*

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Steve Peace, Director  
Department of Finance  
Sacramento, California 95814

Dear Director Peace:

Thank you for the opportunity to review the Department of Finance's report on "Impacts of Budget Reductions on Key Information Technology Investments," a copy of which is attached to this letter. You and your staff are to be commended for producing such a clear, concise assessment of the State's information technology program. A few general observations seem in order:

The report highlights the challenges State departments face as we confront substantial cuts in government spending and services. The primary role of technology in government is to support cost-effective operations and improve public access to information, services and benefits. As spending cuts reduce the scope of various program areas, we must "right-size" our technology resources in tandem. However, many of these decisions still remain to be implemented pending enactment and signing of the Budget Act. Moreover, it is clear that the process of re-aligning government operations and programs in light of reduced resources will continue for the next several years.

In the meantime, IT departments have already been forced to manage their existing workload with fewer people as a result of the elimination of positions and the statewide hiring freeze. Moreover, the 2002-03 Mid-Year Revision budget decisions have reduced the resources available to departments, with more reductions lying ahead. As noted in your report, the State's IT managers have responded appropriately by prioritizing their allocation of resources on mission-critical operations, operational recovery and security.

Shifting resources to these priority functions is an acceptable short-term strategy, but it creates serious risks for the long-term management of existing IT projects which, if under-resourced for any substantial period of time, are candidates for ultimate project failure. To put it simply, our IT program in many departments may now be too ambitious for the available resources. Therefore, it is incumbent upon every department to take steps to align the scope of its IT program with the resources that are likely to be available to it and to stand down those IT activities that are non-critical.

I look forward to working with you and your staff in the coming months to meet the challenges that lie ahead of us.