



ERNIE FLETCHER
GOVERNOR

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EXECUTIVE ORDER

TREY GRAYSON
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY R. Adler

2006-684
June 19, 2006

Secretary of State
Frankfort
Kentucky

RELATING TO THE REORGANIZATION OF THE FINANCE AND
ADMINISTRATION CABINET

WHEREAS, the Commonwealth of Kentucky has always promoted effective and efficient management of state government operations and resources; and

WHEREAS, it is the duty of public officers to increase quality in the administration and management of state services; and

WHEREAS, Executive Order 2005-062 was not ratified by the General Assembly; and

WHEREAS, in accordance with KRS 11.501(4), the Commonwealth must provide information technology infrastructure, technical directions, and a proficient organizational management structure to facilitate the productive application of information technology and resources to accomplish programmatic missions and business goals; and

WHEREAS, in accordance with KRS 11.501(10), the sharing of information resources and technologies among executive branch state agencies is the most cost-effective method of providing the highest quality and most timely government services that would otherwise be cost-prohibitive; and

WHEREAS, in accordance with KRS 11.507(1)(c), the Commonwealth Office of Technology is charged with developing strategies and policies to support and promote the effective applications of information technology within state government as a means of saving money, increasing employee productivity, and improving state services to the public; and

WHEREAS, in accordance with KRS 11.511(3)(a), the Executive Director of the Commonwealth Office of Technology is charged with assessing, recommending, and implementing information technology governance and organization design to include effective information technology personnel management practices; and

WHEREAS, this reorganization plan will provide a vehicle to efficiently and effectively carry out the statutory mission of the agency in the most cost efficient manner possible; and

WHEREAS, Section three (3) of Senate Bill two (2) from the 2005 Regular Session stated that the Governor may reorganize the Kentucky e-Health Network Board under the Cabinet for Health and Family Services to include the Kentucky Telehealth Board; and

WHEREAS, Senate Bill 49, from the 2005 Session of the General Assembly, merged the Governor's Office of Technology and the Revenue Cabinet with the Finance and Administration Cabinet;



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NOW, THEREFORE, I, Ernie Fletcher, Governor of the Commonwealth of Kentucky, by virtue of the authority vested in me by the Constitution and KRS 12.028, do hereby **ORDER** and **DIRECT** the following:

- I. The Secretary of the Finance and Administration Cabinet is directed to review each executive branch agency's IT infrastructure and to consolidate operational control under the Commonwealth Office of Technology when it is found to be in the best interests of the Commonwealth.
- II. The Telehealth Board administratively attached to the Commonwealth Office of Technology is hereby transferred to the Cabinet for Health and Family Services. The Telehealth Board administratively attached to the Commonwealth Office of Technology is hereby abolished.
- III. The Kentucky Geospatial Board (KyGB) is hereby established to promote a more effective, streamlined body better aligned to the advancements in geospatial technology. In addition, the KyGB shall advise the executive director of the Commonwealth Office of Technology on issues relating to geographic information and geographic information systems. The Geographic Information Advisory Council administratively attached to the Commonwealth Office of Technology is hereby abolished.
- IV. The Office of Administrative Services within the Finance and Administration Cabinet shall have the following changes in organizational structure:
 - A. The Division of Printing within the Office of Administrative Services is hereby transferred to the Office of Infrastructure Services within the Commonwealth Office of Technology within the Finance and Administration Cabinet. The Division of Printing within the Office of Administrative Services is hereby abolished.
- V. The Commonwealth Office of Technology within the Finance and Administration Cabinet shall have the following change in organizational structure:
 - A. The Office of Enterprise IT Policy and Planning within the Commonwealth Office of Technology within the Finance and Administration Cabinet is hereby renamed the Office of Enterprise Policy and Project Management.
 1. The Division of Enterprise Architecture under the former Office of Enterprise IT Policy and Planning within the Commonwealth Office of Technology is hereby renamed the Division of Enterprise Project Management within the Office of Enterprise Policy and Project Management.
 2. The Division of IT Contract & Asset Management under the former Office of Enterprise IT Policy and Planning within the Commonwealth



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Office of Technology is hereby abolished. Personnel, records, files, etc. within this Division will be assigned to the Office of Administrative Services within the Finance and Administration cabinet.

3. The Division of Relationship and Service Management under the former Office of Enterprise IT Policy and Planning within the Commonwealth Office of Technology is hereby abolished.
- B. The Office of Infrastructure Services will have the following changes:
1. The Division of Security Services under the Office of Infrastructure Services within the Commonwealth Office of Technology is hereby renamed the Division of Communications.
 2. The Division of Computing Services under the Office of Infrastructure Services within the Commonwealth Office of Technology is hereby renamed the Division of IT Operations.
 3. The Division of Communications Services under the Office of Infrastructure Services within the Commonwealth Office of Technology is hereby renamed the Division of Client Services.
 4. The Division of Infrastructure Support under the Office of Infrastructure Services within the within the Commonwealth Office of Technology is hereby renamed the Division of Technical Services.
 5. The Division of Field Services under the Office of Infrastructure Services within the Commonwealth Office of Technology is hereby established and shall be headed by a Director who shall report to the Executive Director of the Office of Infrastructure Services.
 6. The Division of Printing Services under the Office of Infrastructure Services within the Commonwealth Office of Technology is hereby established and shall be headed by a Director who shall report to the Executive Director of the Office of Infrastructure Services.
- C. The Office of Consulting and Project Management within the Commonwealth Office of Technology within the Finance and Administration Cabinet is hereby renamed the Office of Application Development.
1. The Division of Centers of Expertise under the former Office of Consulting and Project Management within the Commonwealth Office of Technology is hereby renamed the Division of Portfolio Management within the Office of Application Development.
 2. The Division of Human Services Systems under the former Office of Consulting and Project Management within the Commonwealth Office of



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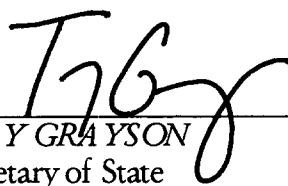
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Technology is hereby renamed the Division of Data Architecture within the Office of Application Development.

3. The Division of Transportation Systems under the former Office of Consulting and Project Management within the Commonwealth Office of Technology is hereby renamed the Division of Support Services under the Office of Application Development.
 4. The Division of General Government under the former Office of Consulting and Project Management within the Commonwealth Office of Technology is hereby abolished.
 5. The Division of Financial Systems under the former Office of Consulting and Project Management within the Commonwealth Office of Technology is hereby renamed the Division of Consulting & Project Management under the Office of Application Development.
- VI. To the extent that the provisions of this Executive Order enlarge upon, detract from, or otherwise conflict with any provisions of any previous Executive Orders relating to the organization of the internal structure of the Finance and Administration Cabinet, including but not limited to titles or designations, the previous Executive Orders are hereby rescinded and abolished.
- VII. All personnel, records, files, equipment and funds heretofore assigned to organizational entities in previous organizational structures are hereby correspondingly transferred to the recipient cabinets.
- VIII. The Finance and Administration Cabinet, the Cabinet for Health and Family Services, the Personnel Cabinet, the Office of the State Budget Director and all other affected agencies shall take all necessary action to effectuate this Order.

This Order is effective June 16, 2006.


ERNIE FLETCHER
Commonwealth of Kentucky


TREY GRAYSON
Secretary of State

REORGANIZATION PLAN
FINANCE AND ADMINISTRATION CABINET

EXECUTIVE ORDER 2006-684

John R. Farris, Secretary
Finance and Administration Cabinet

INTRODUCTION

It is the policy of this Administration to derive maximum benefit from the streamlining of state government structures, thereby reducing escalating management costs and attaining a more efficiently operated government. Senate Bill 49 from the 2005 Regular Session merged the Commonwealth Office of Technology (“COT”) and the Revenue Cabinet with the Finance and Administration Cabinet. In KRS 12.028, the General Assembly acknowledges that there is a need for the Governor to group related functions of organizational units and administrative bodies to garner greater economy, efficiency and improved administration. The goal of this Executive Order is to accomplish the aforementioned goals by the following organizational changes:

1. COT will study IT operations in all cabinets and will consolidate those functions into COT where deemed in the best interests of the Commonwealth.
2. COT will transfer one board, the Telehealth Board to the Cabinet for Health and Family Services because said cabinet is in a better position to oversee its functions.
3. COT will receive the Division of Printing in order to eliminate duplicate processes.
4. COT will reorganize its internal offices and divisions in a way that will prove more efficient, economical and transparent, and which will enable COT to better execute its enterprise-wide IT responsibilities.

This Executive Order will create a state government environment that better supports Governor Fletcher’s “Prescription for Innovation: Delivering Broadband Technology for a 21st Century Kentucky.”

SUMMARY OF PLAN

According to the Kentucky Revised Statutes, COT has the sole responsibility for IT operations in the Executive Branch. COT must ensure that these operations are conducted in the most efficient and effective way. The statutory authority for this Executive Order is contained in KRS 11.501-11.511. In particular, the most pertinent statutes are KRS 11.501(4), 11.501(10), 11.504(1)(c), and 11.511(3)(a). To begin with, KRS 11.501(4) states that the Commonwealth must provide information technology infrastructure, technical directions and a proficient organizational management structure to facilitate the productive application of information technology and resources to accomplish programmatic missions and business goals.

In addition, the statutes charge COT with ensuring that Kentucky IT operations are efficient. In KRS 11.507(1)(c), COT is charged with developing strategies and policies to support and to promote the effective applications of information technology within state government as a means of saving money, increasing employee productivity, and improving state services to the public.

The Executive Director of COT is charged with supervising IT personnel. KRS 11.511(3)(a) states that COT shall assess, recommend, and implement information technology governance and organization design to include effective information technology personnel management practices. It has been determined by the Governor, the Secretary of the Finance and Administration Cabinet and the Executive Director of COT that in order to carry out these statutory missions, it is necessary for the executive branch agencies to share information resources and technologies. Sharing of information resources will result in a cost effective means to provide the highest quality and most timely government services that would otherwise be cost prohibitive, KRS 11.501(10).

I. Consolidation of Executive Branch IT Operations

The first step toward the consolidation of IT operations is to evaluate the IT operations of each cabinet. Once the evaluations are complete, IT functions from each cabinet can be transferred to COT when appropriate. Information technology consolidation remains an unrealized opportunity for the Commonwealth of Kentucky to reduce costs of operations, to eliminate waste and to create efficiencies in state government operations.

A current trend in the public sector is to consolidate information technology operations and services to produce both cost savings and service improvements. Currently the states of Michigan, Delaware, Virginia, Indiana, Ohio, Texas, Missouri, California, Oregon, and others are engaged in significant IT consolidation efforts. For example, Michigan recently reported that the consolidation efforts that began in 2002 have resulted in \$97 Million dollars in savings.

COT has statutory authority and responsibility for the management of the state's information technology as is clearly established in KRS 11.505 to 11.511. Historically, COT has recommended standards for agencies in regard to equipment, software and information technology planning, budgeting, and spending. The state's current IT organization operates as an informal delegation of authority from COT, and is not effectively managed nor monitored by COT.

To accomplish the objective of consolidation, it is directed that all IT personnel and organizations be aligned to report to the Executive Director of COT. This alignment will continue until such time as there is directed reorganization directly under COT or delegated authority to the agency to provide these functions within the agency. All IT contracts and purchases will be transferred to COT with this directive and will be subject to COT review and approval going forward.

Net Benefits

Information technology consolidation will allow the state's technology planning, investment, implementation, and operation to be centrally organized and managed in concert with the Governor's goals for the state. Consolidation will transform the way the Commonwealth provides technology goods and services by centralizing the provision of

state agency computers, networks, storage systems, servers, help desk, telecommunications equipment, and other technology resources within COT.

The consolidation of information technology in State Government will reduce annual information technology costs by millions of dollars. Similar efforts in the public and private sectors have consistently demonstrated savings of 10% to 20% in the areas of consulting, contract labor, supplies, hardware and software purchases, maintenance, rent, and other categories. Because of duplicate spending, the state has failed to achieve economies of scale and realize its true buying power.

II. The Transfer of a Board from COT to Another Agency

In one situation, a board administratively attached to COT would be more appropriately served by abolishing it within COT and transferring it to the agency that performs similar functions for the Commonwealth.

Net Benefits

The Board addressed in this Executive Order is the Telehealth Board. The Telehealth Board, established in KRS 11.550 and attached to the Commonwealth Office of Technology (COT), will be transferred to the Cabinet for Health and Family Services. Senate Bill Two (2), from the 2005 Regular Session, states that the Governor "may reorganize the Kentucky Telehealth Board under the Cabinet for Health Services." Since the Telehealth Board's mission directly supports the missions of the Cabinet for Health and Family Services, in particular the E-Health arena, it has been deemed appropriate to undergo such reorganization. The Telehealth Board will provide a model for the E-Health network while COT will retain a seat on the board. COT will continue to provide Telecom assistance to the Board as well as all efforts necessary to support the Board in its statutory mission.

III. The Transfer of the Division of Printing to COT

The Division of Printing is transferred from the Office of Administrative Services within the Finance and Administration Cabinet to COT.

Net Benefits

Currently, there is a duplication of efforts between the two entities. Much of the infrastructure in the Division of Printing is in need of replacement. Instead of retaining two production facilities and spending funds to replace old equipment, the Division of Printing will share print capability with COT's production services. During the nighttime, COT completes the mainframe production for state businesses. The Division of Printing will use these computers during the day which will result in the best use of resources. In addition, as a corollary to the Governor's Prescription for Kentucky, this administration is striving to reduce any existing mechanisms for forms production and to

rely instead on electronic means when possible. Further, with the merging of printing and network technology, COT can benefit from the consulting expertise of the Division of Printing as it undertakes IT consolidation.

IV. Changes within COT's Internal Organizational Structure

Within the current framework of COT there are opportunities to provide for more efficient and effective governance of IT operations.

Net Benefits

The proposed Executive Order supports Executive Order 2003-064 and Governor Fletcher's plan to streamline state government to ensure that the taxpaying public receives the best value for their tax dollar. The proposed organization will better align COT's resources and personnel with their functions, leading to better service at lower cost. It also creates an organization that can easily meet new requirements while minimizing overhead costs.

Under this new organizational structure, the divisions are aligned by functions, which are based on skill sets and system applications. As a result, the Commonwealth can benefit from sharing resources, mentoring new developers and cross training among agencies. This newly organized COT is composed of three (3) functional units reporting to the Executive Director. COT will be responsible for establishing performance measures and benchmarking policies and procedures as well as assessing, recommending and implementing IT governance and organization design to include effective IT personnel management practices. COT will also oversee shared IT resources and services, establish partnerships and alliances for effective implementation of IT projects and identify IT applications that should be statewide in scope. COT will ensure that these applications are not developed independently or duplicated by individual agencies within the Executive Branch. The offices organized under COT will provide services throughout state government and coordinate the IT work of all state agencies. COT will have twelve (12) divisions with Division Directors reporting directly to the Executive Director of the Commonwealth Office of Technology.

A. The Office of Enterprise Policy and Project Management

The Office of Enterprise IT Policy and Planning is renamed the Office of Enterprise Policy and Project Management. The Office of Enterprise Policy and Project Management will be responsible for long-term capital IT planning and project management within the entire Executive Branch. The current structure of the Office of Enterprise Policy and Project Management does not allow for a focused approach to tracking and completing IT projects. As a result, many projects go over budget or simply fail. The proposed reorganization would create a more disciplined approach to how projects are undertaken and result in greater efficiency and return on investment by ensuring projects are linked to business strategy via enterprise project portfolio management.

The Office of Enterprise Policy and Project Management will consist of two (2) divisions. First, the former Division of Enterprise Architecture is renamed the Division of Enterprise Project Management. The Division of Enterprise Project Management will support the greater project management community within Executive Branch procurement, provide and mentor training, and other resources or services pertinent to this skill-set.

Secondly, the former Division of IT Contract and Asset Management is abolished under this Executive Order. Operations previously performed by this Division will be centrally administered from the Office of Administrative Services within the Finance and Administration Cabinet.

Third, the Division of Relationship and Service Management is abolished under this Executive Order.

Fourth, the Geographic Information Advisory Council (GIAC) is abolished and the Kentucky Geospatial Board (KyGB) is created to assume its functions in order to promote a more effective, streamlined body better aligned to the advancements in geospatial technology.

Finally, the current Division of Geographic Information will collect, compile and facilitate the production of geospatial data for the Commonwealth. It will be this division's responsibility to be an active voice in leading the direction of GIS across state government through cabinet and agency engagements as well as participation in the KyGB.

B. The Office of Infrastructure Services

The Office of Infrastructure Services will be responsible for the day-to-day operations of Executive Branch IT resources. The majority of changes within this office consist of name changes for existing divisions. First of all, former Division of Security Services is renamed the Division of Communications. The Division of Communications will maintain network and security services. Secondly, the former Division of Computing Services is renamed the Division of IT Operations. The Division of Operations will coordinate management and maintenance of pre-existing infrastructure services. Third, the former Division of Communications Services is renamed the Division of Client Services. The Division of Client Services will operate the help desk and manage enterprise-wide customer support. Finally, the former Division of Infrastructure Support is renamed the Division of Technical Services. The Division of Technical Services will be responsible for software and data maintenance.

Two divisions are created within the Office of Infrastructure Services as a result of this Executive Order. First, the Division of Field Services is created. This division will consolidate the planning functions of Telephony support for state agencies and the Kentucky Wireless Interoperability Network Systems (KYWINS). In addition, the

division will support KYWINS in the field and support IT operations where appropriate. The Division of Field Services will include network administration and on-site PC maintenance and repair throughout the Commonwealth. This approach will result in efficiencies derived by the maintenance support for remote state agencies with pre-existing microwave support elements on site.

The other division created within the Office of Infrastructure Services is the Division of Printing Services. The Division of Printing Services is the result of the transfer of responsibilities from the previous Division of Printing within the Office of Administrative

C. The Office of Application Development

The former Office of Consulting and Project Management is renamed the Office of Application Development. The Office of Application Development will be responsible for IT project management, consulting and development for the Executive Branch. There are four name changes to pre-existing divisions and an abolishment of one division. This Executive Order replaces the Office's vertical management structure with an industry standard horizontal structure. Under the previous vertical structure, the Divisions were organized as functional groups of analysts, project managers and developers who focused solely on application development for designated cabinets. Divisions that previously focused on a fixed group of clients will now be organized into a skill-specific structure.

First of all, the former Division of Centers of Expertise is renamed the Division of Portfolio Management. The Division of Portfolio Management will be responsible for the Commonwealth's application development. Secondly, the Division of Human Services Systems is renamed the Division of Data Architecture. The Division of Data Architecture will be responsible for the development and support of data integration and data warehouse environments. Third, the Division of Transportation Systems is renamed the Division of Support Services. The Division of Support Services will be responsible for quality control and testing. Finally, the Division of Financial Systems is renamed the Division of Consulting and Project Management. The Division of Consulting & Project Management will develop the requirements, the business and technical analysis as well as prioritization, coordination and management of system application projects.

The Division of General Government is abolished under this Executive Order.

This Executive Order will result in a pooling of resources, which will provide the ability to achieve higher productivity from workers as well as cross-training workers to meet the challenges of maintaining legacy systems.

FISCAL IMPACT

While it is difficult to provide an exact dollar reduction or increase in expenditures that will result from the reorganization, there will likely be a reduction in expenses in the following areas:

1. IT consolidation will result in significant cost savings over several years through reductions in software licenses, dependence on staff augmentation contracts and redundant equipment.
2. Relocation and consolidation of staff will eventually result in lower operating expenses, i.e., salaries, rent, utilities, janitorial services, and office equipment.
3. Improved service and better co-coordinated use of resources will lead to significant cost savings and increased services to customer agencies.

Initially, there will be increased costs to COT due to their receipt of the Division of Printing from the Office of Administrative Services. There will be significant long-term savings for the Commonwealth due to the elimination of duplicative efforts for the same services.

Additional monetary benefits will be incurred due to the establishment of the Division of Field Services and the abolishment of the Division of General Government. The establishment of the Division of Field Services will provide a basis for servicing state agencies on an area basis rather than an agency basis. This will require fewer resources and improve response time.

There will be a fiscal impact resulting from the transfer of divisions from agencies to COT within this Executive Order and the transfer of one board from COT to another agency.

1. The Office of Administrative Services will transfer all remaining funds from fiscal year 2006 with the Division of Printing to COT.
2. COT will transfer all remaining restricted funds from fiscal year 2006 and all appropriated general funds along with the Telehealth Board to the Cabinet for Health and Family Services.

PERSONNEL IMPACT

The number of management positions will decrease as a result of this Executive Order.

Position	Before	After
Office/Department Heads	4	4
Division Directors	13	12
Total	17	16

Prior to this Executive Order, COT had 429 full time employees. After this Executive Order, COT will have 424 full time employees, 7 interim employees and 1 part time employee. Although there will be increased personnel costs to the Commonwealth Office of Technology, there will be long term cost savings to the Commonwealth as a result of more efficient operations.