

GovWin's Raleigh State & Local Executive Breakfast Recap: Will North Carolina Privatize State IT?

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For those in attendance at GovWin's North Carolina State and Local Executive Breakfast in Raleigh on April 14, 2011, future IT business prospects with state and local governments are certainly improved after the presentations from the CIOs in the state, City of Raleigh, and City of Durham. Q&A moderator Dr. Alan Shark (PTI) suggested the same when he asked the audience "Who is feeling good about IT business opportunities in the state now?" For the record, almost all hands in the audience of 126 IT executives went up in response to Dr. Shark's astute observation. The biggest news of the day was likely from the state CIO, Jerry Fralick, who indicated that in regards to state IT, "everything is on the table" for assessment of the possibility of privatization; this really is good news for the IT contracting community interested in doing business with North Carolina.

The Vendors

Prior to the CIO presentations, the mood among vendors was a little more tepid as they considered the looming budget cuts in federal, state, and local governments. Some observations from the vendor community included:

- Many vendors in attendance are focused primarily on the federal space. However, with proposed cuts to the federal budget, many of these same vendors are looking to expand into the state and local market.
- Many other vendors are focused primarily in the federal space with a limited presence in state and local; these vendors reported looking to expand their state and local business in light of current market conditions and the negative prognosis for the federal budget.
- Some vendors have a primary presence in the state and local market, but are looking to grow business opportunities in light of generally declining budgets.
- According to Dr. Alan Shark, 75-80% of vendors in attendance have substantially changed product offerings than they had 3-5 years ago due to changes in technology.
- A majority of vendors are interested in partnering opportunities, either with other vendors or through joint-ventures with state and local governments.
- A sizeable portion of vendors were looking for key market advantages in the state and local market for specialized businesses like 8As, small businesses, minority-owned, or women-owned entities.
- Most vendors with unfamiliarity with the state and local market were interested in both tactical and strategic business intelligence assistance; with the myriad of laws, regulations, and procurement methodologies used in states and localities, determining where and how exactly to do business in these markets is challenging, if not daunting.

The good news for all vendors in attendance is that GovWin has both tactical and strategic resources to assist companies with their business needs in the state and local market. Whether vendors are looking for databases covering state and local business opportunities, government contacts, extensive research on larger IT projects, strategic analysis and research on upcoming opportunities and business trends, roadmaps on business processes in states and localities, or thought leadership on IT business, GovWin has them covered.

The CIOs

The CIOs for the City of Durham, City of Raleigh, and State of North Carolina were the primary attractions at the event; below are the summaries of their presentations.

City of Durham – Kerry Goode, Chief Information Officer

Identified Challenges

- Durham has population growth projected at 40 million over the next 6 years, which presents problems with providing government services and associated IT support.
- Obtaining funds for critical IT infrastructure – The current broadband infrastructure is insufficient to meet future growth needs. The city would like to implement new technologies for the entire enterprise. Budgets will need to grow to accommodate changes, with special consideration to the human capital expense.

- Managing data growth and protection – Durham has less than 50% of their data protected and no ability entirely recover all of their data should a catastrophic failure occur. The city can only do a partial recovery that will take weeks to retrieve from tape backup systems. Clearly, Durham lacks the tools to manage data, data growth, data storage, and data recovery.
- Implementing IT governance changes – Moving forward, IT leadership will make final IT spending decisions, make IT headcount decisions, participate in decisions about major IT projects, and allocate IT resources.
- Aligning IT solutions to effectively and efficiently solve business problems – IT was previously managed as a 'cost center' that needed to be reduced. IT in the state is moving now toward being a resource that can reduce operating expenses in other departments. IT was not previously aligned with business units. IT did not have productive relationships with key vendors for consultation and guidance in the past.

Upcoming Opportunities

- City considering major infrastructure investments in FY 12.
- Redevelopment of city's web presence on Sharepoint 2010.
- Replacement of backup and recovery system.
- Fiber optic implementation study.
- Upgrade network security.
- Pilot cloud applications.
- Pilot to align devices (iPad, Xoom, and smartphones) with potential new apps.

City of Raleigh – Gail M. Roper, Chief Information Officer

Completed and Underway IT Projects

- Completed - Free downtown public Wi-Fi. Likely to expand in the future.
- Completed - Downtown fiber ring.
- Underway – 125 miles of fiber being laid for new traffic light network. This will serve as a cornerstone of improved IT infrastructure for the city.
- Underway – partnership with Microelectronics Center of North Carolina (MCNC). MCNC builds partnerships among academic, research, government and business communities to enable and advance education, innovation and economic development throughout North Carolina by delivering the world's foremost information technology services through the North Carolina Research and Education Network (NCREN). The CIO engaged in this partnership due to shared interests, the ability to increase the city's capacity for IT infrastructure, and the realization of providing cost-effective services.
- Underway – partnership with One Economy. One Economy is bringing \$1.4 million in stimulus funding to provide workforce and other technology training in underserved communities.
- Underway – partnership with One Economy, Cisco, and SAS in the Digital Connectors program. Through Digital Connectors and using the Saint Monica Teen Center, youth from Raleigh's underserved population receive training and computers to then train others in the community to use IT. These same youth are then recruited for further training, education, and IT jobs in the community.

Upcoming Opportunities

- Implementation of an Enterprise Work Management solution.
- Implementation of an Enterprise Content Management solution.
- Implementation of an Enterprise Resource Planning solution.
- Comprehensive Land Management.
- Implementation of mobile solutions.
- Looking for future partnership opportunities.
- Interested in providing services to underserved populations.
- Interested in any opportunities that bring economic development to the area.

State of North Carolina – Jerry Fralick, Chief Information Officer

Currently Underway Initiatives

- Under negotiations with private vendor to build a *new state web portal*. This would be paid for with fees generated from other state functions. The CIO hopes to have this fee structure and funding made more permanent through new legislation. This new portal will allow citizen access to services, receive

information from the state, and improve overall transparency. The portal should be operational by July 1, 2011. The next goal of the project will be to consolidate web-based applications.

- *Consolidating agencies* – Information Technology Services will be consolidated into the Department of Management and Administration with the Administration, State Personnel, and State Controller.
- IT and non-IT procurement will be consolidated to reduce costs ([See GovWin's tracked Pre-Opportunity here. Requires State and Local content subscription.](#))
- *INSA and Privatization Implications and Opportunities* - The IT Infrastructure Study and Assessment (INSA) program is an initiative to conduct an independent evaluation of the state's IT infrastructure, services, and costs within ITS and Executive Branch agencies to identify opportunities for efficiencies. It began in response to a memo on IT initiatives from Governor Beverly Perdue, based on recommendations by her Budget Reform and Accountability Commission (BRAC). INSA consultant contract is with Technology Partners Inc ([See GovWin's tracked Opportunity here. Requires State and Local content subscription.](#)) 1) Changes should reduce duplication, improve utilization and efficiency of resources, and implement industry best practices. 2) The assessment will provide objective data to help policy makers determine the best path for accelerated consolidation of the IT infrastructure, such as personal computers, networks, servers, and print services. The consolidation might include additional internal consolidation, increased use of vendors, or some combination. **3) Final considerations and recommendations from INSA are currently underway. Significant RFIs and RFQBs will be forthcoming within 2-3 weeks (by May 7, 2011) for privatizing state IT functions.** *Note: GovWin is closely watching for developments on this breaking news. 4) CIO Fralick stated that in terms of IT functions, "everything is on the table" for privatization. 5) Despite the possibilities of privatization, CIO Fralick was still somewhat cautionary; he emphatically indicated that he did not want to be the state official responsible for the types of privatization failures that materialized in the Commonwealth of Virginia in recent years.

GovWin's Take

The Raleigh State and Local Executive Breakfast uncovered some new IT business opportunities and may have been just the fortification that the flagging spirits of some vendors needed. The potential business impact of the privatization of large portions of the state's IT functioning is monumental, to be sure. In fact, IT opportunities arising from the upcoming RFIs could be some of the largest state IT initiatives across the country in coming years. Opportunities will likely abound for both large and small vendors; partnerships will be key in developing the creative solutions necessary to capture these potentially substantial contracts. Partnerships in North Carolina localities are also becoming increasingly important. Quite frankly, the localities are looking for partnerships that either provide services at decreased cost or provide jobs and other economic development opportunities for their communities. So, vendors would do well to look at plans and opportunities to bring value to the community beyond strictly selling goods and services to the localities. The bottom line is that IT business opportunities exist, even in recessionary times. Companies can still win business through careful partnering, bringing value to the community in creative opportunities that also bolster economic development, and initiating solutions that ultimately bring down the cost of doing government business.

[Read More](#) here about additional opportunities, state IT budgets, local IT budgets, and deeper analysis from the Raleigh Breakfast on GovWin's State and Local Industry Analysis page.

(Subscription to GovWin [State & Local Industry Analysis](#) required.)

**** FREE BLOG UPDATE: CIO Fralick's updates, INSA Recommendations for Privatization, and IT Business Opportunities here.**

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