

Statement for the Record of
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President, Citizens Against Government Waste
Before the House Committee on Oversight and Government Reform
Subcommittee on Government Operations

“Data Centers and the Cloud: Is the Government Optimizing New Information Technologies to Save Taxpayer Money?”

May 14, 2013

My name is Thomas A. Schatz, and I am president of Citizens Against Government Waste (CAGW). CAGW was founded in 1984 by the late industrialist J. Peter Grace and nationally-syndicated columnist Jack Anderson to build support for implementation of President Ronald Reagan’s Grace Commission recommendations and other waste-cutting proposals. Since its inception, CAGW has been at the forefront of the fight for efficiency, economy, and accountability in government. CAGW has more than one million members and supporters nationwide, and, over the past 28 years, it has helped save taxpayers \$1.2 trillion through the implementation of Grace Commission findings and other recommendations.

CAGW does not accept government funds. Eighty-five percent of the organization’s funding comes from individual contributors around the nation. Corporate and foundation gifts account for the remaining 15 percent.

CAGW’s mission reflects the interests of taxpayers. All citizens benefit when government programs work cost-effectively, when deficit spending is eliminated, and when government is held accountable. Not only will representative government benefit from the pursuit of these interests, but the country will prosper economically because government mismanagement, fiscal profligacy, and chronic deficits soak up private savings and crowd out the private investment necessary for long-term growth.

CAGW appreciates the committee's ongoing efforts to oversee IT expenditures, such as today's hearing, as well as your legislative initiatives.

It is no secret that wasteful spending is present throughout the federal government. Regardless of any particular department that one examines, there are billions of dollars worth of savings to be identified.

The Grace Commission duly noted the technological challenges facing the federal government. At the time of the commission's report, the average age of a government computer was 6.7 years; the average computer used by a U.S. business was three years old. Government computer systems were incompatible and required service technicians specifically trained to maintain the outdated equipment. The extra bodies added \$1 billion to the federal payroll over a three-year period.

The commission reported that in 1976, the Federal Aviation Administration paid \$4 million for new data terminal technology that was never installed. The Department of Transportation contracted in 1982 for computer related services at a cost of \$18 million, while its own computers were only being used at 20 percent of capacity. A study showed that updating the government's IT equipment could save \$22.6 billion over three years. In fact at that time, a five-year plan was underway to cure the government's technology woes.

By comparison, in the private sector, IBM's General Systems Division updated its computer technology, saving \$360,000 in the first six months after installation. And Boeing's new word processing system saved \$483,000 over a nine-month period.

While times have changed, there are still technological challenges, as well as new opportunities, facing the federal government. For example, a proactive federal IT initiative that

could produce billions of dollars in savings would be increasing the usage of cloud computing tools. Cloud computing enables organizations and individuals to access information without concern about the server's physical location; promising cheaper, faster, easier, more flexible, and more effective IT. Most organizations already utilize some form of cloud computing, whether their users are synchronizing web-enabled smartphones through their email provider, or obtaining information over the Internet.

These cloud services include public, private and shared service models, ranging from Email-as-a-Service (EaaS) and cloud-based web hosting to large scale Infrastructure-as-a-Service (IaaS). In the fall of 2011, Citizens Against Government Waste (CAGW) published issue briefs on cloud computing¹ and best practices for cloud procurement² to assist federal decision makers on cloud purchases, and in December 2012, published its 2012 Federal Cloud Review.³

On December 1, 2010, the General Services Administration (GSA) announced that it would become the first federal agency to deploy a cloud-based email system (EaaS). GSA anticipated saving up to \$15 million over five years with the new system.⁴ While GSA's Office of Inspector General has been unable to verify the expected savings due to inadequate cost analysis at the agency, it is the potential for savings such as these that has encouraged adoption of cloud computing strategies.⁵ On December 9, 2010, the Obama administration announced its

¹ Deborah Collier, "Cloud Computing 101: A Brief Introduction," Citizens Against Government Waste, September 2011.

² Deborah Collier, "Cloud Computing 201: Guidelines for Successful Cloud Investments," Citizens Against Government Waste, November 2011.

³ Deborah Collier, "2012 Federal Cloud Review," Citizens Against Government Waste, December 2012.

⁴ Steve Hoffman, "GSA Becomes First Federal Agency to Move Email to the Cloud Agencywide," U.S. General Services Administration, GSA #10694, December 1, 2010.

⁵ "Audit of GSA's Transition from Lotus Notes to the Cloud," Report Number A120131/O/F/F12004, Office of the Inspector General, U.S. General Services Administration, September 28, 2012.

25 Point Implementation Plan to Reform Federal Information Technology Management (25 Point Plan),⁶ encouraging federal agencies to quickly adopt cloud computing tools and to consider “cloud-first” when making new information technology (IT) purchases in order to manage information in a cost-effective manner.

Federal spending on cloud computing alone is expected to total \$11.2 billion between 2012 and 2017.⁷ While progress has been made in expanding cloud services, a July 11, 2012, Government Accountability Office (GAO) report indicated there are several roadblocks remaining in the path to full implementation and adoption.⁸ Among these challenges are meeting federal security requirements, obtaining guidance on deployment, acquiring internal cloud knowledge and expertise, certifying and accrediting vendors, ensuring data portability and interoperability, overcoming cultural barriers, and procuring services on a consumption or on-demand basis. Addressing these concerns is critical for successful cloud adoption by federal agencies.

Part of the administration’s 25 Point Plan included data center consolidation. In March 2011, the Government Accountability Office issued a report stating that the number of data centers had increased from 432 in 1998 to more than 2,000 in 2010.⁹ In February 2010, the Office of Management and Budget (OMB) and the federal Chief Information Officer (CIO) announced the Federal Data Center Consolidation Initiative, which is supposed to lead to the consolidation of 1,200 data centers by the end of 2015.¹⁰ If successful, the consolidation effort

⁶ “25 Point Implementation Plan to Reform Federal Information Technology Management,” U.S. Office of Management and Budget, December 9, 2010.

⁷ John K. Higgins, “Federal Cloud Adoption, Part 2: Raining Contracts,” *E-Commerce Times*, May 16, 2012.

⁸ “Information Technology Reform: Progress Made but Future Cloud Computing Efforts Should be Better Planned,” U.S. Government Accountability Office, GAO-12-756, July 11, 2012.

⁹ GAO-11-318SP, page 66.

¹⁰ Federal Data Center Consolidation Initiative (FDCCI) Data Center Closings 2010-2013, November 19, 2012.

should not only improve efficiency, but also reduce the cost of data center hardware, software purchases, maintenance, and center operations. As agencies increase their use of cloud computing tools and rely upon third party vendors for their data storage needs, further data center consolidation efforts may be possible, which would increase savings to taxpayers.

In March 2012, OMB initiated PortfolioStat, which is supposed to provide an evidence-based review of agency IT portfolios, including data on commodity IT investments, potential IT duplication, investments that do not appear to be well aligned to agency missions or business functions, and other key considerations and data within agency IT portfolios.¹¹ On March 13, 2013, *Federal Computer Week* reported that PortfolioStat would be extended to the Federal Data Center Consolidation Initiative, as part of the administration's effort to curb waste and inefficient spending.¹²

In order for PortfolioStat to be effective in the data center consolidation process, agency reporting must be more accurate and transparent than it has been through the IT Dashboard, which has been tracking the overall success of federal IT programs. In October 2012, the GAO found that over time, about 47 percent of the dashboard investments reviewed were rated by their agencies at the same rating in every rating period.¹³ In at least two agencies, the Department of Defense and the National Science Foundation, no IT investments were rated at high or moderate risk levels. Even though the DOD indicated that it did not have any projects at either high or moderate risk, in November 2012, the Air Force halted its \$1 billion Expeditionary Combat Support System project, mostly due to the estimated additional \$1 billion that would have been

¹¹ "Implementing PortfolioStat," Office of Management and Budget, OMB Directive M-12-10, March 30, 2012.

¹² Frank Konkel, "Data center initiative to become part of PortfolioStat," *Federal Computer Week*, March 13, 2013, <http://www.fcw.com/articles/2013/03/13/fdcci-portfoliostat.aspx>.

¹³ "Information Technology Dashboard: Opportunities Exist to Improve Transparency and Oversight of Investment Risk at Select Agencies," Government Accountability Office, GAO-13-98, October 16, 2012.

required in order to make the system operational.¹⁴ Ensuring that the data provided to tools such as the IT Dashboard and the PortfolioStat are current and accurate is critical to ensuring that taxpayer dollars are not being wasted on failing programs.

The government can effectively reduce the cost of federal IT by increased adoption of cloud computing strategies and tools, which will enable further data center consolidation efforts. However, a tight rein must be kept on the data reporting of the status of federal IT projects, including the data center consolidation effort through both the IT Dashboard and the PortfolioStat. Taxpayers should continue to keep a watchful eye on federal IT investments, particularly cloud computing and data center consolidation efforts.

I appreciate the opportunity to provide comments on data center consolidation and how cloud computing can help with these efforts. CAGW looks forward to further participation in the Committee's IT reform endeavors.

Thank you for the opportunity to provide this testimony.

¹⁴ Randall Stross, "Billion-Dollar Flop: Air Force Stumbles on Software Plan," *The New York Times*, December 8, 2012, http://www.nytimes.com/2012/12/09/technology/air-force-stumbles-over-software-modernization-project.html?_r=0.

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Thomas A. Schatz is president of Citizens Against Government Waste (CAGW) and its lobbying affiliate, the Council for Citizens Against Government Waste (CCAGW).

CAGW was founded by the late businessman J. Peter Grace and late Pulitzer Prize-winning columnist Jack Anderson in 1984 following the completion of President Ronald Reagan's Private Sector Survey on Cost Control (the Grace Commission). A 501(c)(3) nonprofit, nonpartisan educational organization, CAGW works to eliminate waste, fraud, abuse, and mismanagement in government and has more than one million members and supporters nationwide. According to official Office of Management and Budget and CAGW estimates, implementation of Grace Commission and other CAGW waste-cutting recommendations has helped save taxpayers \$1.08 trillion.

Mr. Schatz is a nationally-recognized spokesperson on government waste and has been interviewed on hundreds of radio talk shows from coast to coast. He is a regularly featured guest on national television news programs and local news broadcasts. His appearances include ABC's "Good Morning America," CBS's "60 Minutes," FOX News Channel's "The O'Reilly Factor," NBC's "Nightly News," and PBS's "The News Hour." He was a regularly featured guest on the "Pork Watch" segment of CNBC's "Squawk Box." His editorials on fiscal policy have appeared in publications nationwide, including *The New York Times* and *The Wall Street Journal*.

Mr. Schatz has testified numerous times on government waste issues before committees of the United States Senate and House of Representatives, as well as before state and local legislative and regulatory bodies.

During his 25 years with CAGW, Mr. Schatz has helped make CAGW a "leading government watchdog on fiscally conservative issues, like taxes and earmarks," according to *National Journal*. In his role as president of CCAGW, *The Hill* named him one of the "top 10 public interest lobbyists."

Prior to joining CAGW in 1986, Mr. Schatz spent six years as legislative director for Congressman Hamilton Fish Jr. and two years practicing law and lobbying.

Mr. Schatz holds a law degree from George Washington University and graduated With Honors from the State University of New York at Binghamton with a bachelor's degree in political science. He is married to Leslee Behar and has two daughters, Samantha and Alexandra.