

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 982

(Senator Hester, *et al.*)Education, Energy, and the Environment and
Budget and TaxationHealth and Government Operations and
Appropriations

Information Technology - Modernization of Information Technology Projects

This bill makes various changes to the State’s governance, oversight, funding, and management of information technology (IT) projects, including (1) requiring that the Secretary of Information Technology (Secretary) and Department of Information Technology (DoIT) undertake specified research and planning activities and complete various plans and reports; (2) renaming, modifying, and expanding the Major IT Development Project (MITDP) Fund; and (3) establishing a process to fund “expedited projects.” **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General fund expenditures increase by \$2.2 million in FY 2025 for staff and contractual costs. Future years reflect inflation, the elimination of one-time costs, and ongoing consultant costs of \$200,000 annually. General fund expenditures, special fund revenues, and special fund expenditures may be affected to the extent that additional funding is required for MITDPs and to the extent that a revolving loan process is established; however, these potential impacts are not shown below. Revenues are not directly affected. **This bill establishes a mandated appropriation beginning in FY 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2.2	0.4	0.4	0.4	0.4
Net Effect	(\$2.2)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.4)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: Minimal.

Analysis

Bill Summary: The following sections include additional detail on the bill's various requirements; however, broadly speaking, the bill:

- specifies the intent of the General Assembly to centralize oversight of IT in DoIT, as specified;
- clarifies that IT includes networking and software applications and that a unit of State government may not purchase, lease, or rent IT unless consistent with the master plan, as determined by the Secretary;
- establishes numerous new study, planning, and reporting responsibilities for the Secretary and DoIT related to IT modernization;
- renames the MITDP Fund to be the Information Technology Investment Fund (ITIF);
- redefines what constitutes an MITDP, creates and defines a new “expedited project” category, and modifies how ITIF funds may be used to fund both project types;
- requires at least 20% of the funding appropriated to ITIF each year to be set aside for expedited projects;
- modifies the process by which State agencies request approval for IT projects from DoIT and DoIT's oversight of any such project;
- renames the Modernize Maryland Oversight Commission (MMOC) to be the Modernize Maryland Commission (MMC) and modifies its purpose, membership, and responsibilities; and
- requires additional staff for DoIT.

Legislative Intent – Centralization of Information Technology

The bill specifies that it is the intent of the General Assembly that responsibility and oversight of the IT projects for units of State government be centralized at DoIT and that priority be given to funding IT projects that address the greatest needs for the public health, education, safety, or financial well-being of the residents of Maryland.

Modernization Project Procurements, Inventories, Plans, and Reports

DoIT must, in consultation with the Department of General Services, hire a consultant to assess the procurement process for IT projects involving modernization and make recommendations to increase the State's ability to proceed with a modernization project in a rapid and responsive manner.

By January 1, 2025, DoIT must inventory and assess the State's legacy systems, as defined by the bill, and prioritize modernization. By January 1, 2026, and each January 1 thereafter,

SB 982/ Page 2

DoIT, in consultation with every unit of State government, must submit a report to the Governor, the Secretary, and the General Assembly that provides an estimate of the funding required to modernize each legacy system in each unit and a five-year projection of funding required to modernize each legacy system.

DoIT must consult with MMC to:

- develop standards for units of State government to assist in identifying legacy systems that require modernization projects appropriate to be financed as an expedited project through ITIF;
- adopt an IT Investment Maturity Model, as specified; and
- develop a State Modernization Plan.

By December 1, 2024, the Secretary must:

- develop a State Modernization Plan that includes specified information, including high level timeframe and cost estimates;
- develop a strategy for centralization of IT management across the Executive Branch of State government under DoIT; and
- identify positions in DoIT that would be suitable for independent salary setting authority or greater flexibility in position classification to ensure that DoIT can recruit and retain the necessary staff to meet its mission.

By December 1, 2024, DoIT must evaluate how ITIF could be used as a reimbursable fund to assist with State and local fiber and broadband projects and report on the evaluation. The State Modernization Plan, IT centralization strategy, and local fiber and broadband evaluation must be reported to the Governor and General Assembly as specified.

Information Technology Project Requests

Instead of designating eligible projects as MITDPs when submitting IT project requests to DoIT, a unit of State government must instead submit information in support of the project request to the Secretary for review and determination *before* submitting its IT project requests.

Major Information Technology Development Project Fund and Expedited Projects

The MITDP Fund is renamed to be ITIF and the purpose of the fund is expanded to include supporting expedited projects. The bill makes a series of conforming changes to existing requirements related to the funding of MITDPs to also include expedited projects and requires project funding decisions to be included in DoIT's annual report about the fund.

“Expedited project” means a project that is not an MITDP that receives money from the fund in a manner that allows for modernization projects consistent with the State Modernization Plan to move forward in a nimble and expedited manner. Each fiscal year, at least 20% of the amount included in the Governor’s allowance and appropriated to ITIF must be set aside for expedited projects. Any amount set aside that is not used in the fiscal year must remain set aside in the fund and available for future expedited projects. The Governor must submit with the State budget the amount proposed to be set aside for expedited projects.

The authorized uses of funding in ITIF are expanded to include expedited projects and, for either MITDPs or expedited projects, a revolving loan process through which an agency may reimburse the fund in future fiscal years as established by the Secretary in regulation.

The bill authorizes the Secretary to adopt regulations as necessary to implement existing provisions related to ITIF and requires the Secretary to adopt regulations necessary to establish a process for units of State government to request and receive funding for an expedited project aligned with the State Modernization Plan that:

- allow units of State government to apply for project funding biannually;
- be consistent with the goals and preferences of State procurement law and encourage small and minority business enterprise vendors and
- provide measures that ensure compliance with the State Law and DoIT’s regulations by both vendors and units of State government.

A contract to modernize an IT system that is an expedited project funded with money set aside for expedited projects must be expedited for approval by the Board of Public Works.

The Secretary may approve funding for MITDPs, expedited projects, and other expenditures from ITIF only when the projects are in compliance with statewide plans, policies, and standards, as determined by the Secretary, and meet other existing requirements.

Major Information Technology Development Projects and Oversight

The bill increases the cost threshold, from \$1.0 million to \$5.0 million, required for an IT project to be considered an MITDP eligible for funding through ITIF. Also, the bill specifies that MITDPs do not include:

- technology that is reoccurring, standard operating technology as determined by the Secretary and submitted to the Legislative Policy Committee (LPC) for a 30-day

- review and comment period (statute does not require review by LPC for such projects); or
- projects with an estimated total cost of development that is (1) less than \$5.0 million and is funded with money set aside for expedited projects in ITIF or (2) more than \$5.0 million and is funded with money set aside for expedited projects in ITIF that meet other specified conditions.

The bill specifies that, for the purposes of State IT law, oversight means the obligation to monitor, assess, approve, and report on the implementation and financial status of MITDPs and does not include continued project or program management support or responsibility over project activities of a successfully implemented project as delegated by the Secretary to a unit of State government.

The Secretary may delegate oversight of a successfully implemented project to a unit of State government if the Secretary determines the unit has the internal capacity, including human capital, subject matter expertise, and technical infrastructure, to adequately support continued project and program management and responsibility over program activities. The Secretary may revoke the delegation if the Secretary determines a unit no longer has the capacity to adequately support continued project or program management or responsibility over program activities.

The Secretary, independent of the required oversight, may provide support, including design, engineering, and product support to a unit of State government. The bill modifies the information that must be included in a systems development life cycle plan (which is required for a project to receive funding from ITIF).

Modernize Maryland Commission

MMOC is renamed to MMC and its purpose and existing duties are repealed; instead, the purpose of MMC is to ensure best practices related to the modernization and the replacement of legacy systems. To that end, MMC must:

- identify best practices for IT modernization and the replacement of legacy systems;
- provide recommendations for modernization of IT systems to the Governor, the Secretary, and the General Assembly;
- provide recommendations to promote transparency in modernization efforts in units of State government; and
- each year, submit a report of its findings and recommendations to specified committees of the General Assembly, the Governor, the Secretary, and the Joint Committee on Cybersecurity, IT, and Biotechnology.

DoIT, in consultation with the Department of Legislative Services, must staff the commission.

Additional Staff Required

Beginning in fiscal 2026, the Governor must include in the annual budget bill two position identification numbers and an appropriation in an amount sufficient to create two positions within DoIT to:

- assist in administering the process for units of State government to apply for expedited projects under the bill; and
- be a grants administrator responsible for aggressively seeking all possible federal or private grant funding to support MITDPs or expedited projects under the bill.

Current Law:

Secretary of Information Technology

DoIT and the Secretary are responsible for:

- developing and enforcing IT policies, procedures, and standards;
- providing technical assistance, advice, and recommendations to any unit of State government;
- reviewing agency project plans to make information and services available to the public over the Internet;
- developing and maintaining a statewide IT Master Plan, as specified;
- developing a statewide cybersecurity strategy, as specified;
- adopting and enforcing nonvisual access standards to be used in the procurement of IT services, as specified;
- in consultation with the Maryland Cybersecurity Coordinating Council (MCCC), advising and overseeing a consistent cybersecurity strategy for units of State government, as specified;
- advising and consulting with the Legislative and Judicial branches of State government regarding a cybersecurity strategy;
- in consultation with MCCC, developing guidance on consistent cybersecurity strategies for specified local government entities;
- upgrading IT and cybersecurity-related State government infrastructure; and
- annually evaluating (1) the feasibility of units of State government providing public services using artificial intelligence, machine learning, commercial cloud computer services, device-as-a-service procurement models, and other emerging technologies

and (2) the development of data analytics capabilities to enable data-driven policymaking by units of State government.

“IT” means all electronic information processing, including maintenance, telecommunications, hardware, software, and associated services.

Major Information Technology Development Projects

In order to centralize State oversight and funding for major Executive Branch IT projects, Chapters 467 and 468 of 2002 established a review and approval process for MITDPs and the related MITDP Fund. The process and fund are both managed by DoIT.

For a project to be considered an MITDP, it must (1) be estimated to cost at least \$1.0 million; (2) support critical business functions associated with the public health, education, safety, or financial well-being of the citizens of Maryland; or (3) be determined to require special attention and consideration by the Secretary.

The MITDP Fund may be used to pay for MITDPs in general funded agencies, although MITDPs are often funded through other means (including federal funds). Among other sources of revenue, the fund consists of money received from IT agreements involving resource sharing, but certain government entities (including the Maryland Public Broadcasting Commission, as well as the Legislative and Judicial branches) are exempt from paying any money into the fund. Special funded agencies manage funding for their major IT projects, although their projects remain subject to the review, approval, and oversight of DoIT.

Modernize Maryland Oversight Commission

The purpose of MMOC is to (1) ensure the confidentiality, integrity, and availability of information held by the State concerning State residents and (2) advise the Secretary and the State Chief Information Security Officer on appropriate IT and cybersecurity investments and upgrades, funding sources, and future procurement mechanisms, as specified. MMOC released its [first annual report](#) in December 2023. The commission must:

- advise the Secretary on a strategic roadmap with a timeline and budget that will (1) require updates and investments of critical IT and cybersecurity systems, as specified, to be completed by December 31, 2025, as specified and (2) require all updates and investments of IT and cybersecurity to be made by December 31, 2030;
- make periodic recommendations on investments in State IT structures based on required assessments;
- review and provide recommendations on DoIT’s basic security standards for use of the State’s broadband network; and

- each year, report its findings and recommendations to specified committees of the General Assembly. (This report may not contain information about the security of an information system.)

State Fiscal Effect: Many of the bill's changes related to project funding and management are administrative or procedural in nature and not anticipated to affect total general or special fund expenditures, but other changes either affect the distribution of available funding and/or require additional expenditures, staff, or contractual support.

Information Technology Investment Fund

Among the changes that likely have no direct fiscal effect are the renaming of the MITDP Fund to be ITIF, modifications to the authorized uses of funding for ITIF, changes to the MITDP approval and funding process (ITIF continues to fund MITDPs under the bill), and the establishment of a process by which expedited projects may receive funding from ITIF.

However, the bill's requirement that at least 20% of the funding appropriated to ITIF each year be set aside for expedited projects may require either (1) the redirection of funds from some ongoing projects that may have received partial installment funding and are expecting additional funding to support project completion or (2) additional general fund support to ensure that all eligible projects receive funding. While it is likely that some future projects that would receive funding under current law as an MITDP instead receive funding as an expedited project under the bill, other projects may not qualify for expedited project funding and may be cut or have their scope reduced to ensure that 20% of ITIF funds are available for expedited projects. Alternatively, general funds could be used to ensure any such projects also receive funding. To the extent general funds are provided, general fund expenditures, special fund revenues for ITIF, and special fund expenditures for ITIF increase correspondingly; however, any such impact is speculative and cannot be reliably estimated at this time.

Department of Information Technology

General fund expenditures increase by \$2.2 million in fiscal 2025, which reflects the bill's July 1, 2024 effective date. This estimate reflects the cost of hiring one fiscal analyst and one grants administrator. The bill requires these positions to be hired beginning in fiscal 2026, but this analysis assumes the staff begin working in fiscal 2025 to assist with implementing the bill's various requirements, including staffing duties for MMC and assisting with the various required planning activities. The estimate does not include a start-up delay because sufficient time is needed to complete the Modernization Plan and centralization strategy by December 2024. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The estimate also includes (1) a one-time cost of \$1.0 million for DoIT to hire a consultant to assess the procurement

process for IT projects involving modernization and (2) a one-time cost of \$1.0 million for DoIT to hire an expert consultant to assess State legacy systems.

Positions	2
Salaries and Fringe Benefits	\$177,965
One-Time Procurement Process Assessment	1,000,000
Legacy System Assessment	1,000,000
Operating Expenses	<u>15,052</u>
FY 2025 Staff/Consultant Expenditures	\$2,193,017

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. The estimate also includes \$200,000 annually, beginning in fiscal 2026, in expert consultant costs for DoIT to work with each State agency to complete the annual modernization report due each year beginning January 1, 2026.

Revolving Loans

The bill authorizes ITIF funding to be used for a revolving loan process through which an agency may reimburse the fund in future fiscal years, as established by the Secretary in regulation. The bill, however, does not require DoIT to implement a revolving loan process.

Nevertheless, should DoIT choose to establish such a process under the authority granted by the bill, State expenditures (all funds) would increase for agencies to pay back loans from ITIF used for their IT projects; special fund revenues for ITIF would increase correspondingly. Any such impact, however, is potential and cannot be reliably estimated at this time.

Other State Agencies

State agencies may benefit from the expedited project process established by the bill to replace legacy systems with new and upgraded IT systems under the bill. For example, affected State agencies may, among other things, experience administrative efficiencies, improve customer service, and require fewer staff for certain duties to the extent those duties can be automated with modernized systems. However, any such impact cannot be reliably estimated without actual experience under the bill.

Additional Comments: Provisions of the bill related to expedited IT modernization projects, including the requirement that DoIT conduct an inventory of legacy systems, are drafted to a subsection of statute that deals only with revenue-generating IT projects (such as resource sharing agreements). Therefore, it is not clear that those new provisions can be

implemented as drafted, however, this analysis assumes that they are implemented as intended.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1188 (Delegate Kaiser) - Health and Government Operations and Appropriations.

Information Source(s): Department of Information Technology; Maryland Department of Emergency Management; Comptroller's Office; Secretary of State; University System of Maryland; Department of General Services; Board of Public Works; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2024
km/mcr Third Reader - March 27, 2024
Revised - Amendment(s) - March 27, 2024
Revised - Clarification - March 27, 2024

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510