

**Department of Legislative Services**  
Maryland General Assembly  
2024 Session

**FISCAL AND POLICY NOTE**  
**Enrolled - Revised**

Senate Bill 982

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

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**Information Technology - Modernization of Information Technology Projects**

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This bill makes various changes to the State’s governance, oversight, funding, and management of information technology (IT) projects, including (1) requiring various entities to 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.**

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**Fiscal Summary**

**State Effect:** General fund expenditures increase by \$2.1 million in FY 2025 for staff and contractual costs, of which \$1.0 million is budgeted. Future years reflect inflation, the elimination of one-time costs, and ongoing consultant costs of \$200,000 every other year beginning in FY 2026. 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	2.1	0.4	0.2	0.4	0.3
Net Effect	(\$2.1)	(\$0.4)	(\$0.2)	(\$0.4)	(\$0.3)

*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.

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## Analysis

**Bill Summary:** The bill establishes the intent of the General Assembly that oversight of IT be centralized in the Department of Information Technology (DoIT), and that priority be given to funding IT projects to address the needs for the public health, education, safety, or financial well-being of Maryland residents. In broad terms, with additional detail provided below, the bill also:

- requires the Joint Audit and Evaluation Committee (JAEC), in consultation with the Joint Committee on Cybersecurity, Information Technology, and Biotechnology (JCCIB) to study and make recommendations related to issues identified in the most recent audit of DoIT;
- 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;
- requires the Department of General Services (DGS) to hire a consultant to assess the State's process for procuring IT;
- 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 strengthens DoIT's oversight of any such projects;
- 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.

### *Study on Audit Findings*

By December 1, 2024, JAEC must, in consultation with JCCIB, study and make recommendations for any statutory or operational changes necessary to address findings of the audit issued on April 2, 2024, by the Office of Legislative Audits in the Department of Legislative Services (DLS), and report on any recommendations for statutory changes to the Governor and General Assembly, as specified.

### *Modernization Project Procurements, Inventories, Plans, and Reports*

DGS must, in consultation with DoIT, 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. The bill does not specify a deadline for completion of the assessment.

By July 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 every other January 1 thereafter, 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, 2025, 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.

A contract to modernize an IT system or to proceed with an expedited project must be expedited for approval by the Board of Public Works and placed on the agenda as soon as practicable.

### *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.

The Secretary must make a recommendation to the Secretary of Budget and Management to withhold project funds, regardless of fund source, if (1) a unit of State government is not consistently reporting on the status of a project or projects to DoIT in the form and manner required by DoIT or (2) DoIT determines that project implementation issues exist, including specified issues of concern that could jeopardize successful implementation.

### *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.

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.

### *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 DLS, 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.

DLS can handle the required study and reporting on specified DoIT audit issues using existing budgeted resources.

### *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 and Department of General Services*

General fund expenditures increase by \$2.1 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 for DoIT beginning October 1, 2024. 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. 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 DGS 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	\$133,705
One-Time Procurement Process Assessment	1,000,000
Legacy System Assessment	1,000,000
Operating Expenses	<u>14,512</u>
<b>FY 2025 Staff/Consultant Expenditures</b>	<b>\$2,148,217</b>



The fiscal 2025 budget bill as passed by the General Assembly includes a fiscal 2024 appropriation of \$3.0 million in general funds to the Dedicated Purpose Account to complete an inventory and assessment of State legacy systems and various other IT-related projects unrelated to the bill. Thus, it is assumed that a portion of those funds is used to cover the full cost (\$1.0 million) of the assessment of State legacy systems required by the bill.

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 every other year, beginning in fiscal 2026, in expert consultant costs for DoIT to work with each State agency to complete the modernization reports due every other year beginning January 1, 2026.

#### *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.

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### **Additional Information**

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

**Designated Cross File:** HB 1188 (Delegate Kaiser, *et al.*) - 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:**

rh/mcr

First Reader - February 20, 2024

Third Reader - March 27, 2024

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