F10A04
Information Technology
Department of Budget and Management

Operating Budget Data

($ in Thousands)

	FY 02 Actual	FY 03 Approp	FY 04 Allowance	FY 03-04 Change	FY 03-04 % Change
General Funds	$37,968	$17,566	$16,165	-1,401	-8.0%
FY 2003 Cost Containment		-1,084	0	1,084	
Contingent & Back of Bill Reductions		-1	-36	-36	
Adjusted General Funds	**$37,968**	**$16,482**	**$16,129**	**-$352**	**-2.1%**
Special Funds	11,618	11,185	19,691	8,507	76.1%
Contingent & Back of Bill Reductions		0	-2	-2	
Adjusted Special Funds	**$11,618**	**$11,184**	**$19,689**	**$8,505**	**76.0%**
Reimbursable Funds	14,703	16,129	17,742	1,613	10.0%
Contingent & Back of Bill Reductions		-2	-14	-12	
Adjusted Reimbursable Funds	**$14,703**	**$16,127**	**$17,729**	**$1,601**	**9.9%**
Adjusted Grand Total	**$64,289**	**$43,793**	**$53,547**	**$9,754**	**22.3%**

- The Governor's fiscal 2004 allowance for the Office of Information Technology (OIT) is $9.8 million (22.3%) above fiscal 2003.
- The key change from fiscal 2003 is the appearance of an almost $9 million special fund appropriation for the Major Information Technology Development Project Fund that was created in statute in the 2002 session.

Personnel Data

	FY 02 Actual	FY 03 Working	FY 04 Allowance	Change
Regular Positions	149.00	161.00	141.50	-19.50
Contractual FTEs	14.50	12.40	5.50	-6.90
Total Personnel	**163.50**	**173.40**	**147.00**	**-26.40**
Vacancy Data: Regular Positions				
Budgeted Turnover: FY 04	4.94	3.49%		
Positions Vacant as of 12/31/02	27.50	17.08%		

Note: Numbers may not sum to total due to rounding.

For further information contact Simon G. Powell Phone: (410) 946-5530

- The fiscal 2004 allowance includes 19.5 full-time equivalent abolished positions, largely in the Program Management function.

- The abolition of these positions reduces personnel expenses by $2.2 million in fiscal 2004.

Analysis in Brief

Major Trends

Program Management: The Managing for Results (MFR) data hint at the turmoil experienced in the Program Management office during the past year more by what is not included than what is.

Information Technology and Telecommunications Services: As a service provider, this unit's MFR provides service data for the Department of Budget and Management's (DBM) statewide telecommunications services but not for the statewide information technology services.

Issues

OIT Program Management: In Amongst the Rubble, Some Good Things Are Left Standing: By the fall of 2002, the promising organizational framework for the reform of the Information Technology (IT) oversight that had been outlined at the beginning of the 2002 session and subsequently strengthened by the passage of Chapters 467 and 468, Acts of 2002 was floundering. Hiring restrictions imposed by DBM and the loss of the State CIO combined to undermine progress made in net.work.Maryland and improved project documentation. It is far from certain that the current organization can deliver the information technology oversight that was promised.

Major Information Technology Development Project Fund: Transactions involving this fund are detailed.

Volume V Information Technology Projects: A summary of funding obligations for currently identified major IT development projects.

Section 34 of the Fiscal 2004 Budget Bill: The fiscal 2004 budget bill includes an across-the-board cut to "information technology expenditures for telecommunications." The basis for that cut is unclear.

Recommended Actions

		Funds
1.	Add language requiring the transfer of certain prior year encumbrances to the Major Information Technology Project Development Fund.	

2.	Add language approving funding for specified projects through the Major Information Technology Project Development Fund.	
3.	Delete funding for independent verification and validation of information technology projects not supported in whole or in part by the Major Information Technology Development Project Fund.	$ 656,000
4.	Reduce funding in the allowance based on the availability of fiscal 2002 funds that can be used for fiscal 2004 expenditures.	481,000
5.	Adopt narrative expressing intent of the committees concerning the use of net.work.Maryland.	
6.	Transfer $18,602,000 to the general fund through the 2003 Budget Reconciliation and Financing Act.	
	Total Reductions	**$ 1,137,000**

Updates

Resource-Sharing Proposals: Status of 2002 Proposals: The status of resource-sharing proposals approved by the Legislative Policy Committee in 2002 is summarized.

High-speed Telecommunications and Data Transmission for Underserved Areas: The April 2002 *Joint Chairmen's Report* required DBM and the Maryland Technology Development Corporation to report back to the budget committees on specific proposals to address any identified needs for high-speed telecommunications and data transmission.

F10A04

Information Technology

Department of Budget and Management

Operating Budget Analysis

Program Description

The Office of Information Technology (OIT) within the Department of Budget and Management (DBM) consists of three broad programs. **Program Management** is the core part of the DBM Information Technology (IT) program oversight reform plan that was implemented in 2002. This program is charged with oversight of major IT projects in all non-exempt State agencies as well as developing statewide IT standards and guidelines. In order to do this, Program Management is divided into three key areas:

- **Contracts and Project Management** is responsible for the management of statewide IT contracts and for operating a statewide project management assistance program.

- **IT Investment Management** is responsible for the efficacy of IT investment through, for example, the development of IT policies, best practices, and evaluation of projects. This function will also be charged with developing a State IT Master Plan.

- **Security and Architecture** is responsible for statewide security as well as a statewide IT architecture. The statewide architecture consists of four separate layers (modeled on the Federal Enterprise Architecture Framework): the *business architecture* which identifies and defines the core business areas and functions and their users; the *data architecture* which identifies and defines the data model and data sets; the *applications architecture* which identifies and describes applications systems and modules, as well as their relationships to business processes and other applications systems; and the *technology architecture* which identifies and defines network descriptions, components, and workings. The enterprise architecture is what the State does and how it does it. More importantly, the enterprise architecture should promote interoperability, resource and information sharing between agencies offering potential economies of scale and lend itself to capital IT investment planning by building on existing IT and reducing duplication.

Two other pieces of the Program Management office – Quality Assurance and Education and Training – are still on hold.

The other two DBM OIT programs provide key statewide services. **Applications Systems Management (ASM)** supports the Financial Management Information System (FMIS) created to improve financial and human resources accountability including agency-based accounting, purchasing, budgeting, personnel, and asset management. **Telecommunications** coordinates the development, procurement, management and operation of telecommunications equipment, systems, and services in State government.

Performance Analysis: Managing for Results

DBM OIT's Managing for Results (MFR) data reflect the dual nature of the office: statewide IT oversight and the provision of certain key statewide management information systems (MIS) and telecommunications services. **Exhibit 1** details selected performance measures. In truth, with the exception of the measures for the Telecommunications office, the exhibit (and by extension the agency's MFR) reveals little as to actual performance in the OIT office. Ironically, one of the measures that is included in Exhibit 1 for Program Management, the development of a State IT Master Plan by 2004, is an extension of a measure from last year which indicated the completion of a State IT Master Plan by 2003. Clearly that is not now expected to occur. The reason for this lies in the disappointing implementation of the IT oversight reform plan (discussed further below in Issue 1).

Exhibit 1

OIT Selected Performance Measures
Fiscal 2001 through 2004

	FY 01	FY 02	FY 03	FY 04
Program Management				
New major IT development projects on time, on budget, and meeting identified requirements (%)			80	80
Develop State IT Master Plan by 2004				Yes
Statewide IT and Telecommunications Services				
Number of substantial disruptions, due to technical issues, to ASM MIS supporting statewide administrative process	0	1	1	1
PBX bills issued within 45 days of the end of the billing period (%)	21	100	95	95
Routine service requests completed within 72 hours (%)	88	91	90	90

PBX = Private Branch Exchange

Source: Department of Budget and Management, Department of Legislative Services

More revealing than a discussion of what is in the MFR is what is not. Specifically:

- In the fiscal 2003 MFR, the ASM program, which operates various MIS to "meet the business needs" of "Marylander's policymakers, program, and financial managers," detailed a variety of customer satisfaction measures. Of interest at that time was the fact that satisfaction measures regarding the effectiveness of two major systems (R*STARS and ADPICS) were heading down rather than up. The fiscal 2004 MFR does not include these measures. Rather, the measures chosen in fiscal 2004

demonstrate reliability of systems (and in that regard they are positive), but not if those systems meet the needs of the users. DBM indicates that at this time they do not have the capacity to supply performance measure beyond simple system availability.

- In the fiscal 2003 budget analysis, the Department of Legislative Services (DLS) recommended that performance measures related to the operation of the Maryland Portal (the one-stop gateway to State services) be included in the MFR. Indeed, it was noted that the contract for the operation of the Maryland Portal included the development of data so that system performance could be monitored. DBM indicates that, again, system reliability issues are being tracked but customer satisfaction measures were among the items in the Portal contract that were not executed, and DBM has no capacity to track these measures.

- In the fiscal 2003 budget analysis, DLS also recommended that the State Chief Information Officer (CIO) assign MFR measures to State agencies to measure an agency's IT capability. That rating would also be reflected in agency Information Technology Project Request (ITPR) submissions. DBM agreed in principle that this should occur but noted that it was unlikely that they would be able to undertake this agency assessment until some time in fiscal 2003. The current state of OIT means that this assessment will not now happen until some undetermined future point.

- Finally, one of the key critiques of the legislature last session was DBM's decision to delay implementation of statewide training and education standards for IT personnel. Again, DLS recommended last year that the State CIO establish the minimum requirements needed for State IT positions (to include continuing education) and require agencies, within a given time-frame, to achieve compliance with those requirements. Compliance was to be included within agency MFRs. DBM concurred with this recommendation and decided to move forward with this issue based on the legislature's concerns. However, once more this is not going to happen at this time.

Overall, it has to be said, that the DBM OIT MFR could stand considerable improvement. While progress on the IT oversight function has been stalled, this office continues to provide important statewide telecommunications and IT services. Measurement of the performance level of the delivery of those services is inadequate.

Fiscal 2003 Actions

Impact of Cost Containment

The fiscal 2003 general fund legislative appropriation for OIT was reduced by almost $1.1 million as part of cost containment. All of that funding was personnel-related and carried over into the fiscal 2004 allowance. The impact of this cut, which is compounded by the fiscal 2004 allowance, on any opportunity to significantly ramp-up statewide IT oversight in the near future is significant (see Issue 1 for further discussion on this topic).

Impact of Contingent Reductions

The fiscal 2003 legislative appropriation was further reduced by a nominal amount ($3,000 in total funds) to reflect the elimination of the employee transit initiative in fiscal 2003 as proposed in the Budget Reconciliation and Financing Act (BRFA) of 2003.

Taken together, these actions reduce the fiscal 2003 appropriation to almost $43.8 million, just under $20.5 million (31.9%) below actual 2002 expenditures. General fund expenditures fell by almost $21.5 million (56.6%) from fiscal 2002 to fiscal 2003. However, in reality, the original fiscal 2003 appropriation was already almost 30.2% below actual 2002 expenditures, with original general fund levels 53.7% below actual 2002 general expenditures. Reorganization of the OIT, the cancellation of several major information technology contracts, and significant fiscal 2003 general fund legislative reductions (based on the availability of other funds) accounted for this significant change from fiscal 2002 to 2003.

Governor's Proposed Budget

As shown in **Exhibit 2**, the Governor's fiscal 2004 allowance represents a $9.8 million increase over fiscal 2003 (22.3%). This increase is derived from special and reimbursable fund gains, with general funds actually declining by $352,000 (2.1%). Specific components of change are as follows:

- **Personnel expenses** fall by almost $1.5 million. The key changes are an increase of just over $1.2 million through turnover relief and decreases of $2.2 million through abolished positions (19.5 full-time equivalents (FTE)). This $2.2 million reduction is over and above the fiscal 2003 cost containment that is carried forward into fiscal 2004 and represents $2.2 million in additional savings that could be taken in fiscal 2003. **Thus, the Department of Legislative Services recommends adding language to the 2003 BRFA reducing the fiscal 2003 OIT general fund legislative appropriation by $2.2 million.**

  The fiscal 2004 allowance includes a budgeted turnover rate of 3.49%, considerably lower than the 12% assumed in the fiscal 2003 appropriation, an amount inflated by the significant number of new positions (with high built-in turnover rates) that were added to the Program Management function. To meet budgeted turnover, the OIT needs to average 4.94 FTE vacancies. Vacancies on December 31, 2001, stood at 27.5 FTEs, 17.08%, again an artificially high figure based on positions created in fiscal 2003 but which were not filled due to fiscal constraints and management issues in the OIT. After the abolition of 19.5 FTE positions, the OIT has just over 3 FTE existing vacancies above the level needed to meet fiscal 2004 budgeted turnover.

- **Statewide IT and Telecommunications Services** expenditures increase by just over $2 million. Overall contract expenditures grow by over $2.3 million. The allowance includes a total of just over $5 million for 15 different contracts including: funding to pay for Internet Service Providers (ISPs) for net.work.Maryland; improvements in human resource systems; system security enhancements; a statewide architecture project; and ongoing work to improve the State incident response capability.

Exhibit 2

Governor's Proposed Budget
Information Technology
($ in Thousands)

	FY 02 Actual	FY 03 Approp	FY 04 Allowance	FY 03-04 Change	FY 03-04 % Change
General Funds	$37,968	$17,566	$16,165	-$1,401	-8.0%
FY 2003 Cost Containment		-1,084	0	1,084	
Contingent & Back of Bill Reductions		-1	-36	-36	
Adjusted General Funds	**$37,968**	**$16,482**	**$16,129**	**-$352**	**-2.1%**
Special Funds	11,618	11,185	19,691	8,507	76.1%
Contingent & Back of Bill Reductions		0	-2	-2	
Adjusted Special Funds	**$11,618**	**$11,184**	**$19,689**	**$8,505**	**76.0%**
Reimbursable Funds	14,703	16,129	17,742	1,613	10.0%
Contingent & Back of Bill Reductions		-2	-14	-12	
Adjusted Reimbursable Funds	**$14,703**	**$16,127**	**$17,729**	**$1,601**	**9.9%**
Adjusted Grand Total	**$64,289**	**$43,793**	**$53,547**	**$9,754**	**22.3%**

Where It Goes:

Personnel Expenses	**-$1,493**	
Turnover relief		$1,212
Employee and retiree health insurance		125
Other fringe benefit adjustments		-285
Bonuses and overtime		-345
Abolished positions (19.5 FTE positions)		-2,200
Statewide IT and Telecommunications Services	**$2,051**	
Miscellaneous contracts		2,321
Capital lease expenditures for Baltimore City State Office Complex PBX		1,328
Adjustment of telecommunications expenses to reflect prior year actuals		705
Net.work.Maryland maintenance contract		550
Equipment repair		-422

Where It Goes:

Lower software maintenance costs associated with the Maryland Portal based on a lower number of purchased software licenses		-776
Maryland Relay Program		-1,655
Major Information Technology Development Project Fund	**$8,947**	
Project funding		8,122
Independent Verification and Validation (IV&V) funding		825
Other		249
Total		**$9,754**

Note: Numbers may not sum to total due to rounding.

Another significant increase is the inclusion of just over $1.3 million for lease payments through the State Treasurer's Office to replace the PBX (Private Branch Exchange) at the Baltimore City State Office Complex. This is the first year of five years of scheduled payments.

The most significant decline is almost $1.7 million in expenditures in the Maryland Relay Program. This program offers services to the hearing-impaired. According to the program, the Federal Communications Commission (FCC) has recently adopted rules that have resulted in a significant reduction in the telecommunication relay services for which the State is responsible. The change, which did not negatively impact service delivery, actually resulted in increased expenditures through a fund held by the FCC. As a result, expenditures are down and the fund balance of the Universal Service Trust Fund that supports the Maryland Relay Program has swelled to $5 million**. Based on the reserves that need to be held in the fund to support the program, $3 million of the fund balance in the Universal Service Trust Fund could be transferred to the general fund. DLS recommends that this transfer occur through the 2003 BRFA.**

- **Major Information Technology Development Project Fund.** This fund, created by statute in the 2002 session, appears for the first time in the fiscal 2004 allowance. Further discussion of the fund is found in Issue 2.

Issues

1. OIT Program Management: In Amongst the Rubble, Some Good Things Are Left Standing

In fiscal 2002 budget deliberations, the legislature adopted language withholding $4 million until DBM submitted a detailed action plan outlining steps it was proposing to take to reform the IT development process statewide. The plan was requested following the very costly failure of a number of different IT systems, including within DBM itself. The plan called for the hiring of a small but highly qualified and well-paid cadre of IT professionals to undertake review and approval of IT projects, assess agency IT capacity, provide appropriate technical assistance, monitor projects at different points in the project development process, and facilitate the improvement of IT skills statewide. Plan implementation began during the 2002 session although parts of the plan were deferred until fiscal 2004 and 2005.

To further strengthen the hand of the State CIO, Chapters 467 and 468, Acts of 2002 enhanced the oversight role of the State CIO and the OIT by giving the State CIO broader budgetary control over major IT development costs. Within four months of the end of session, the promising organizational framework that had been outlined and then strengthened during the 2002 session, headed by a new State CIO, had given way to an organization without leadership and without the capacity to effectively fulfill its mission.

What Went Wrong?

Reasons for this dramatic shift in the OIT's fortunes include:

- Having apparently lost the confidence of the Governor, the State CIO departed from the position in August 2002. The timing of this action in combination with the November election has meant that there has been no State CIO since that time. While the office has continued to function, the lack of long-term leadership has essentially stalled progress on ramping-up the Program Management function.

- Even before the departure of the former State CIO, budget decisions were already hampering efforts to build up capacity. The legislature made virtually no direct ongoing operating cuts to the OIT in the fiscal 2003 budget. However, the implementation of the statewide position cap (Section 37 of the fiscal 2003 budget bill) resulted in 24 positions being abolished in the OIT, 17 in the Program Management function (see **Exhibit 3**).

- In addition to being limited in terms of the bodies that could be hired, in choosing those bodies the State CIO was limited in the ability to hire people with the necessary skill sets. During last year's budget deliberations, DLS specifically raised the issue of the problems that arise from trying to shoe-horn people into State personnel classifications and salary levels. Despite assurances that this would not happen, in reality it remained a problem.

Exhibit 3

The Impact of Personnel Cuts on IT Program Management

	Program Management	ASM	Telecomm.	OIT Total
Proposed Personnel Allocation under 2002 DBM IT Reform Plan	73	74	48	195
Personnel Allocation in Fiscal 2003 Allowance	63	74	48	185
Personnel Allocation After Section 37 Reductions (Fiscal 2003 Working)	46	67	48	161
Fiscal 2004 Allowance	33	64	44.5	141.5
Difference Proposed Reform Plan to Fiscal 2004 Allowance	-40	-10	-3.5	-53.5
Actual Employees December 31, 2002	28	61	44.5	133.5

Source: Department of Budget and Management; Department of Legislative Services

- When hires were made, sometimes the fit was imperfect and the subsequent departures of these compounded the difficulty of getting the organization afloat by further delaying the hiring of other staff. Even after the position reductions imposed under Section 37 of the fiscal 2003 budget bill, vacancies remained.

This difficulty in getting the Program Management office operational has compounded tensions between the OIT and some other State agencies that were already unenthusiastic about any kind of effort to centralize authority over IT. It has also prompted DBM to include funding for IV&V of projects that they have been moving forward. IV&V is simply the use of outside contractors hired by DBM to ensure oversight over a specific project.

What Went Right

Although the Program Management office is clearly not where anybody would like it to be, there were some positive elements that came out over the past year:

- Net.work.Maryland as promised, is functioning and near completion of the initial build-out phase. The fiscal 2004 capital budget contains $5 million in funding to complete the core network. When completed by the end of fiscal 2004, the core network will have cost $27.8 million. This is lower than the estimated $45 million initially proposed, much of this difference due to the changing scope of the project. For example, the completed core network, while reaching all regions of the State, does not provide a point of presence in every county. Other issues, such as the extent of private sector participation, remain unresolved. Nevertheless, the project has made significant progress in the past 12 months.

- The completion of net.work.Maryland will present the State with some opportunity for future cost savings. The April 2002 *Joint Chairmen's Report* (JCR) required DBM to complete a statewide Wide Area Network (WAN) inventory in order to ensure consistency between agency WAN projects and net.work.Maryland. Based on the review of State agencies included in the inventory, three areas of potential savings are identified:

  - State agencies currently have connections to 12 Internet points of presence at a cost of $809,000. Net.work.Maryland has two Internet connections. Those costs are already budgeted in DBM. Clearly this is an area of duplication.

  - State agencies currently spend $2 million to lease 73 inter-LATA (local access transport areas) data circuits. The State is divided into 4 major LATAs. Inter-LATA connections are considered long distance; therefore, the cost of transmitting data from one LATA to the next is more expensive. Since net.work.Maryland has inter-LATA capability, the need for leased inter-LATA connections is significantly reduced. DBM indicates that some agencies may have a compelling need for inter-LATA capacity other than through net.work.Maryland, but that should be the exception rather than the norm.

  - State agencies currently spend $7.1 million on 1,520 local (intra-LATA) leased data circuits. These are essentially the "last mile connections" to the network. While opportunities for savings here are more limited, there are examples of multiple State agencies sharing a building but having separate intra-LATA data circuits. Thus, even at this level, the potential exists for savings from economies-of-scale.

  In addition, current expenditures for WAN management within State agencies could be reduced.

  At this point, according to DBM, 14 agencies are fully or somewhat using the network, 8 are currently moving to use or expand use of the network (including 2 existing users), 18 agencies expect to use or expand current use (including 3 current users), and 16 agencies have no interest in using the network.

  Why the continued reluctance of some agencies to utilize net.work.Maryland? Undoubtedly a lack of confidence in DBM's ability to manage a reliable network is at the core of their concern. While agencies already put their trust in other private network providers, those providers have experience in network management. DBM does not. Nevertheless, the State has invested $27.8 million in this network, and not to require agencies to use it, is foolish. The challenge to DBM will be to provide the leadership and management of the network required to meet the needs of its users.

DLS thus recommends narrative expressing intent that unless otherwise approved by the State CIO, all State agencies utilize net.work.Maryland by fiscal 2005. The narrative also requests DBM to provide DLS with a listing of those agencies for which funding is provided in the fiscal 2005 allowance for Internet or inter-LATA connectivity that could otherwise have been provided through net.work.Maryland and why that funding is needed. DLS also recommends that DBM require agencies to develop a plan by December 31, 2003, detailing how they will migrate to net.work.Maryland by fiscal 2005.

- A final accomplishment of note was the upgrading of standard documentation required for State IT projects – an improved State's Information Technology Project Request (ITPR) document, the introduction of similar documentation for WANs, and the development of a standard development life cycle (SDLC) document which is integrated in the revised ITPR (Chapters 467 and 468, Acts of 2002 require major IT projects to be supported by an approved SDLC plan).

  The new ITPR documents, for example, contained important new features including:

  - identifying external dependencies and issues that must be resolved before IT project milestones can be reached or even begun;

  - specifying external and internal benefits, and quantifying those benefits where possible through a Return on Investment (ROI) analysis;

  - undertaking a risk assessment analysis; and

  - requiring an agency to provide a self-assessment of their projects, utilizing a quantitative rating mechanism. Although self-assessment can obviously be somewhat self-serving, OIT will be performing a similar assessment of the agency's project.

Overall, the revised ITPR should provide better and more pertinent information in order to determine the need for, and the continuation of, information technology projects. The revised ITPR combines a discussion of technical specifications with project management capacity and an understanding of how service delivery will be improved and how to measure that improvement.

Unfortunately, the ability of OIT to deliver the assessment that was envisaged in the ITPR remains more a promise than a reality and without that check, it is impossible to know if the quality of ITPR submissions has materially improved. Further, important elements of the ITPR, including the ROI section, represent a paradigm shift for most State agencies that simply have never had to deal with this kind of concept in IT budgeting. Experience from other states moving in this direction indicates that this represents a huge cultural change for most organizations and one that does not happen quickly or without significant foot-dragging. Without a strong State CIO in place and demanding this change, it simply will not happen.

The Road Forward

At the time of writing, the State still had no CIO. The problems confronting a new CIO are as daunting as the problems that have faced previous CIOs and maybe even more so as prior failure to improve compounds existing problems by adding layers of frustration and mistrust. Specific issues to be confronted include:

- The fiscal 2004 allowance continues to erode the organizational basis for reform that was implemented in fiscal 2003. As noted above in Exhibit 3, Program Management sees another 13 positions abolished in the fiscal 2004 allowance, leaving it 40 positions down from the level proposed in the original IT oversight reform plan and 30 positions down from the fiscal 2003 allowance. While the allowance does provide for some additional contract funding (including for IV&V), the way forward for this office is far from certain.

- The Quality Assurance and Training and Education parts of the DBM IT reform plan, originally pushed off into fiscal 2004 and 2005, are obviously still on hold. The initial delay of the Training and Education component was a major concern to legislators in the 2002 session. This component is aimed at implementing IT training programs including ensuring compliance with State policies, procedures, standards, and guidance. To many observers, this is an area where improvement is vital as IT capacity at many agencies has long been perceived as sorely lacking. During the 2002 budget deliberations, DBM indicated that they would actually rearrange priorities to let a contract to move training programs forward. However, the turmoil of the summer ended any effort in this direction.

- Does the current organizational structure provide the State CIO with the ability to provide the leadership and strategic direction the State needs? In fiscal 2003 budget deliberations, it was noted that states were fairly evenly divided between those where the CIO reported directly to the Governor (either through as a Cabinet-level office or an office within the broader Governor's office) and those that reported to another cabinet-level agency head.

  The most recent survey of the National Association of State Chief Information Officers (NASCIO) noted that in 29 states the State CIO reports directly to the Governor, compared to 25 states in 2000, and 8 states in 1998. Clearly, there is a move away from reporting to another agency head as is the model in Maryland. Media interviews with State CIOs in states which are considered to be leaders in IT management (Virginia, Kansas, Washington State) all note that their ability to strategically shape the direction of IT was critically dependant upon the empowerment they receive from the chief executive.

- Having the right organizational structure alone is not the "silver bullet" for success, a fact underscored by the recent closure of the California Department of Information Technology. Other issues include the level of authority the State CIO actually has over IT statewide. Until recently, IT in Maryland has been very much a decentralized operation, spread among the individual State agencies. The budgetary authority given to the State CIO in Chapters 467 and 468, Acts of 2002 was a single step towards more centralized control. Other states have gone much further to the point of placing all IT funding in one agency. Michigan, for example, recently combined all State IT resources including staff, budget, hardware, and software assets into one cabinet level Department of Information Technology. This

restructuring was credited with lifting Michigan from ninth to second in Government Technology's 2002 Digital Survey (Maryland fell from fourth to tenth in the same survey).

- Another key area to be addressed is developing a statewide IT enterprise architecture. A key reason attributed to the IT success in Arizona, ranked first in the same Government Technology survey, was the creation of such a statewide enterprise architecture (a comprehensive technology framework covering networks, computing platforms, security, data and applications). This was the priority established for Maryland in the past year but again circumstances conspired to prevent the State moving forward.

- Another issue that must be addressed is the ability to attract and retain the staff needed to manage what are essentially high-risk ventures. The MFR for the Program Management office, for example, sets the goal of 80% of major IT projects being on time, on budget, and meeting identified needs. A consulting firm recently reported that in 2000 only 28% of government IT projects succeed in meeting these goals, and that was an improvement over prior years. Without adequate project management, IT projects will continue to fail but most State CIOs consider their own state's project management capability to be low, and Maryland appears no different.

  In order to attract better quality staff, some form of independent salary-setting authority for IT positions needs to be considered. This requirement extends beyond OIT to the State generally. Previous attempts to improve statewide IT capacity through grade increases within the existing personnel structure do not appear to have made a difference. In addition, increases need to be tied to training standards and skill sets that IT employees should have.

- Finally, the issue of leadership stability has to be confronted. Constant change in the State CIO, the key IT leadership position, necessarily engenders uncertainty and foot dragging among State agency IT professionals.

  In summary, it has often been commented that the problem in Maryland was not the financial resources devoted to IT but the human resources available to implement, manage, and lead IT ventures. This problem has perhaps never been more apparent. The solution may lie in considering a much more radical overhaul of IT oversight than hitherto envisaged.

Recognizing that specific direction requires the appointment of a State CIO, DBM should nevertheless be prepared to comment on where it believes the State should be heading in terms of IT program oversight. Specifically, DBM should comment on if it believes the current organizational framework can work given past experience and if the trend in other states for a state CIO to report directly to the Governor as well as much greater centralization over IT is the way forward for Maryland.

2. Major Information Technology Development Project Fund

In addition to enhancing the oversight of the State CIO and OIT over major information technology development projects, Chapters 467 and 468, Acts of 2002 also created the Major Information

Technology Development Project Fund (MITDPF). This fund replaced the Information Technology Investment Fund (ITIF), preserving the ITIF revenue stream for major IT projects, limiting the use of the fund for other smaller projects, and enhancing the role of the State CIO in approving projects from the fund. Further, in addition to preserving the existing revenue stream, all general funds appropriated for such major IT projects are to be held in the fund. For fiscal 2004 no new general funds were added to the MITDPF. All of the fiscal 2004 projects proposed for funding by DBM will use previously available funds as well as anticipated fiscal 2004 revenues.

MITDPF Fund Balance

As shown in **Exhibit 4**, based on DBM assumptions of revenues, expenditures, and transfers, the estimated MITDPF fund balance at the close of fiscal 2004 is just over $570,000. This balance includes a $10,225,500 fund transfer to the general fund proposed in the 2003 BRFA. As also shown in Exhibit 4, DLS believes that based on a different set of assumptions for revenues and expenditures, the fiscal 2003 transfer envisaged in the 2003 BRFA can be raised to $23,627,500.

Revenue Expectations

Special Fund Revenues

The MITDPF receives a variety of telecommunications revenues including bypass revenues (generated from fees based on in-bound long distance calls completed in certain State telecommunication facilities) and certain payphone commissions. As shown in Exhibit 4, DBM's special fund revenue expectations of $4.5 million for fiscal 2003 are over $2.1 million below actual fiscal 2002 special fund revenues. The fiscal 2004 allowance assumes special fund revenues falling further still to only $4.25 million. In letters relating to the release of funds from the MITDPF during the interim, DBM and DLS were assuming special fund revenues of $5.25 million in fiscal 2003. However, the timing of revenue payments received to date in fiscal 2003 is such that revenues actually received during fiscal 2003 have been reduced by DBM to $4.5 million. Specifically, a quarterly payment estimated to be received in December was received in January. Thus the MITDPF anticipates only five quarterly payments for the remainder of fiscal 2003 and 2004 instead of six.

However, on the assumption that that late payment was an aberration, that extra quarterly payment can be credited to the MITDPF. Based on this assumption, the MITDPF fund balance at the end of fiscal 2003 would be higher by $750,000. **Thus, DLS recommends increasing the amount transferred from the MITDPF to the General Fund by $750,000. This action should be done through the 2003 BRFA.**

It should be noted that, while revenue declines may not be as precipitous as shown in Exhibit 4, it is clear that revenues from the special fund sources available to the MITDPF are generally falling. For example, commissions paid on payphone usage will shrink with the proliferation of wireless technologies,

Exhibit 4

Major IT Development Project Fund: Dueling Scenarios
Fiscal 2002 through 2004

MITDPF/ITIF Fund Data	ITIF FY 02	MITDPF FY 03	MITDPF FY 04
Based on DBM Assumptions			
Opening Fund Balance	$1,916,040	$3,657,745	$5,266,644
Revenues			
General fund	1,500,000		
Special fund	6,633,375	4,500,000	4,250,000
DBM contributions		17,812,175	
Total Available Revenues	**$10,049,415**	**$25,969,920**	**$9,516,644**
Expenditures			
Actual expenditures	3,166,447	1,200,000	
Additional project commitments (approved by legislature/ JCR)	3,225,223	2,633,400	
Proposed expenditures (as listed in budget)		6,644,376	8,946,546
Adjustments			
Fiscal 2003 BRFA transfer		-10,225,500	
Fund Balance			
Based on Actual Expenditures, Approved Commitments, and Proposed Expenditures	**$3,657,745**	**$5,266,644**	**$570,098**
Based on DLS Recommendations			
Opening Fund Balance		$3,657,745	$2,730,644
Revenues			
General fund			
Special fund		5,250,000	4,250,000
DBM contributions		25,312,175	
Total Available Revenues		**$34,219,920**	**$6,980,644**
Expenditures			
Actual expenditures		1,200,000	
Additional project commitments (approved by legislature/ JCR)		2,633,400	
Proposed expenditures (as listed in budget)		4,028,376	6,910,546
Adjustments			
Fiscal 2003 BRFA transfer		-23,627,500	
Fund Balance			
Based on Actual Expenditures, Approved Commitments, and Proposed Expenditures		**$2,730,644**	**$70,098**

Source: Department of Budget and Management; Department of Legislative Services

and bypass revenues may also fall as more local traffic is processed over net.work.Maryland. As a funding source for major IT projects, these revenues are clearly at best only ever going to be a supplement (see discussion below for out-year general fund needs for current projects).

DBM Contributions

As shown in Exhibit 4, in fiscal 2003 DBM transferred into the MITDPF over $17.8 million in excess funding (predominantly from IT contracts that were not going to be awarded). DLS would note that still more funds are available. As part of its review of the State's budget closeout transactions for fiscal 2002, the Office of Legislative Audits (OLA) reported $7.5 million in encumbrances within DBM related to FMIS. Specifically, according to DBM, these were encumbrances from fiscal 1995 and 1996 related to a contract for BearingPoint (formerly KPMG) to modify FMIS with system components that are no longer envisaged. Consequently, the encumbrance no longer represents an obligation to the State.

In its close-out audit, OLA recommended that the encumbrances be cancelled and the appropriations reverted to the general fund. As an alternative, and to ensure that this reversion occur, **DLS recommends budget bill language requiring DBM to transfer the appropriations supporting the encumbrance to the MITPDF, and through the BRFA, the amount transferred from the MITPDF to the general fund can thus be increased by an additional $7.5 million.**

Prior Commitments

The DBM and DLS anticipated fiscal 2004 ending fund balance assumes funding of almost $5.9 million in projects previously approved by the legislature (either in the 2002 JCR or through requests to the budget committees). **Appendix 4** details the projects that are prior commitments and their current status. As shown in Appendix 4, all of the prior year commitments are moving forward.

Proposed Expenditures

The DBM anticipated fiscal 2004 ending fund balance assumes funding of almost $15.6 million in projects that have not yet been approved by the legislature. These projects are spread over fiscal 2003 and 2004 and are detailed in **Appendix 5**.

Proposed project expenditures include IV&V funding. One thing that is unclear about IV&V funding is if, for those projects that are federally matched, State IV&V funding can also be matched. There appears to be no reason why not, and DBM has not indicated that this should be a problem. Based on the recommendations that DLS is making below concerning proposed expenditures, this issue is largely moot. However, should the committees not take DLS's recommendations concerning proposed expenditures (specifically that related to the Maryland Children's Electronic Social Services Information Exchange (MD CHESSIE)), a smaller reduction ($325,000) based on the idea of getting matching funds for IV&V expenditures can be made.

The proposed projects fall into three broad categories (and some obviously fall into more than one):

- Continuation of projects for which prior year funding has already been approved by the legislature under the revised IT oversight guidelines that involve some form of DBM Program Management review. For example, funding to complete the E-file project in the Comptroller's office, ongoing funding to bring the Department of Health and Mental Hygiene (DHMH) systems into the Health Insurance Portability and Accountability Act of 1996 (HIPAA) compliance, or the E-Samis management information system to improve the assessment of outcomes of substance abuse treatment programs.

- Projects that have not been approved by the legislature under the revised IT oversight guidelines but that bring the State into compliance with federal regulatory or statutory requirements. For example, the Department of Public Safety and Correctional Services (DPSCS) National Crime Information Center (NCIC) 2000 project that will allow the State continued access to key federal criminal justice databases.

- Other projects that have not been approved by the legislature under the revised IT oversight guidelines. For example, the State Police data collection efforts related to race based traffic stops and the integration of content management software in the Maryland Portal.

With two exceptions, DLS recommends that funding for these projects be approved. **First, based on ongoing concerns about the implementation of the Department of Human Resources (DHR) CHESSIE project, DLS recommends that funding be limited to meeting ongoing lease payments (these concerns are fully detailed in the DHR Administration analysis).** This represents a total reduction of just under $4.1 million from proposed MITDPF expenditures. **Second, DLS recommends deferring improvements to the Maryland Portal.** While it may be more cost-effective to implement software changes now rather than at a later point, the next State CIO needs to review the Maryland Portal and assess the direction in which that project should move. This represents a reduction of $580,000 from proposed MITDPF expenditures. Again, these reductions result in an increase ($4.652 million) in the amount that can be transferred from the MITDPF to the general fund in the 2003 BRFA.

DLS also recommends that back of the bill language be adopted detailing which of the fiscal 2004 proposed projects are approved. This will enable DBM to move ahead with these projects at the stated appropriation level without the need for additional review although DBM shall provide DLS with OIT certification of project status prior to the transfer of funds. However, if DBM wishes to deviate from the approved project list or from the approved appropriation, budget committee review and comment shall be obtained.

MITDPF Fund Balance

The fiscal 2004 projected MITDPF fund balance is just over $570,000. While these funds could support other IT initiatives, they could also be transferred to the general fund through the 2003 BRFA. **DLS recommends transferring $500,000 in this manner leaving a nominal fund balance.**

3. Volume V Information Technology Projects

Beginning in fiscal 2003, the Governor's operating budget submission has included a separate Volume V listing major IT development projects. These projects meet at least one of the following criteria:

- the estimated total cost of development is over $1 million (with development generally including expenditures for the planning, purchase, creation, installation, testing, and initial training associated with a new IT system or the significant enhancement of an existing IT system);
- the project supports a critical business function; and/or
- the DBM secretary determines that, for example, the potential benefits or risks merit such a designation.

In the fiscal 2004 allowance, there are 28 projects listed in Volume V, including projects in the Maryland Department of Transportation as well as statewide projects listed under DBM. Total project costs are projected to be over $250 million, with the fiscal 2004 allowance providing $27.8 million for these projects. All of these major IT projects, regardless of fund source, are subject to the approval of the State CIO. More detailed funding data for the 28 projects are detailed in **Exhibit 5**.

Exhibit 5

Fiscal 2004 Major IT Projects
Funding Data
($ in Millions)

		Fiscal 2004				
	Expenditures Prior to FY 2004	MITDPF Support	Non-MITDPF Support*	Total FY 2004 Allowance	Projected Future Expenditures	Total Expenditures
FY 2004 Major IT Projects	$109.4	$8.9	$18.9	$27.8	$114.9	$252.1

*Note: Of the $18.9 million in non-MITDPF support, $12.9 million represents funding with no MITDPF support, $6 million is supplemental to MITDPF support.

Source: Department of Budget and Management; Department of Legislative Services

While the fiscal 2004 allowance contains no general fund support for these projects, general fund support in the out-years is anticipated. For the current 28 projects listed in Volume V (which includes projects supported wholly or in part through MITDPF and those with no MITDPF support), projected future expenditures include $71.4 million in general funds: $26.8 million in fiscal 2005; $20 million in fiscal 2006; $12.2 million in fiscal 2007; and $12.4 million in fiscal 2008. Of the $71.4 million, $37.9 million (53.1%) is in one agency, the Department of Public Safety and Correctional Services. As

noted above, special fund revenues will only offset a small portion of this cost. These data also exclude the notion of additional general fund-supported IT investments.

The DBM OIT fiscal 2004 allowance includes $656,000 for IV&V of major IT projects not being supported through the MITDPF. This represents just under 5% of fiscal 2004 major IT project expenditures for which there is no MITDPF support either in whole or in part (compared to IV&V support for MITDPF projects which is 10% of the total MITDPF support for a project).

The idea of IV&V support for these projects is clearly warranted given the current state of the OIT office. However, DLS believes that IV&V costs are legitimate project costs that should be borne by the agency in which the project is based. Clearly this does not represent a problem in terms of projects that are supported through special funds. Neither do there appear to be issues when projects are supported only by federal funds. **Thus, DLS recommends reducing the general fund appropriation by $656,000 allowing DBM to generate IV&V funds from the agencies.**

4. Section 34 of the Fiscal 2004 Budget Bill

Section 34 of the fiscal 2004 budget bill contains the interesting phrase that general funds are to be cut by $12 million "of information technology expenditures for telecommunications." This represents over one-third of the fiscal 2004 general fund allowance for telecommunications expenses as budgeted in the relevant Comptroller's budget object code. While telecommunications expenses are, for whatever reason, budgeted in other objects, it is hard to know from where these savings are going to come.

The roll-out of net.work.Maryland noted above does present some opportunities for savings, particularly related to costs for Internet service providers, inter-LATA (long distance) connections, and existing WAN management contracts, but these savings are not going to total $12 million in general funds nor are they savings which can be fully realized in fiscal 2004.

DBM should be prepared to detail the basis for the reduction.

Recommended Actions

1. Add the following language:

   Provided that $7.5 million in prior year appropriations supporting encumbrances from fiscal 1995 and 1996 relating to a contract for BearingPoint (formerly KPMG) to modify the Financial Management Information System shall be transferred to the Major Information Technology Project Development Fund.

   Explanation: The fiscal 2002 close-out audit noted that the Department of Budget and Management (DBM) retained $7.5 million in prior year encumbrances to support changes to the Financial Management Information System, which are no longer envisaged. The language directs DBM to transfer those funds to the Major Information Technology Project Development Fund.

2. Add the following language:

   The General Assembly approves the use of the Major Information Technology Project Development Fund to support projects as listed in the 2003 Joint Chairmen's Report (JCR). The Department of Budget and Management shall submit any projects not listed in the JCR, or any projects listed in the JCR for which the proposed funding level increases by more than 10 percent, to the budget committees. The committees shall have 30 days to review and comment.

   Explanation: The language notes the approval of the following projects at the specified funding levels to be funded from the Major Information Technology Project Development Fund:

Agency	Project Name	Proposed Funding ($)
Fiscal 2003		
Department of Public Safety and Correctional Services	NCIC 2000	$2,764,219
Fiscal 2004		
Comptroller	E-file	275,000
Department of Public Safety and Correctional Services	NCIC 2000	2,245,889
Department of Health and Mental Hygiene	HIPAA-Medicaid	304,500
Department of Health and Mental Hygiene	HIPAA-Non-Medicaid	550,000
Department of Health and Mental Hygiene	E-Samis	825,000
Department of Human Resources	CSES Enhancement	238,374
State Police	Race-based Traffic Stops	1,207,783

Information Request	Author	Due Date
Projects that deviate from 2003 Joint Chairmen's Report (JCR) listing of approved projects or approved projects with funding levels more than 10% above proposed levels as noted in the JCR	DBM	30 days prior to expenditure

		Amount Reduction	
3.	Delete funding for independent verification and validation of information technology projects not supported in whole or in part by the Major Information Technology Development Project Fund. The Department of Budget and Management can generate these funds from the agency in which the project is based.	$ 656,000	GF
4.	Reduce funding in the allowance based on the availability of fiscal 2002 funds that can be used for fiscal 2004 expenditures. The Department of Budget and Management encumbered $481,000 in fiscal 2002 to support a collaboration component of the Maryland Portal. This component would allow a secure forum for exchange of ideas and information among agency Chief Information Officers. This improvement is currently on hold and can be deferred. The funding can be used to cover other proposed fiscal 2004 contract expenditures.	481,000	GF

5. Adopt the following narrative:

Utilization of net.work.Maryland: With the completion of the core network anticipated by the end of fiscal 2004, it is the intent of the committees that, unless approved by the State Chief Information Officer, all State agencies utilize net.work.Maryland in fiscal 2005.

Information Request	**Author**	**Due Date**
Listing of, and justification for, agencies with fiscal 2005 funding for Internet or inter-LATA connectivity that could otherwise have been provided through net.work.Maryland	DBM	December 31, 2003

Total General Fund Reductions **$ 1,137,000**

6. Transfer $18,602,000 to the general fund through the 2003 Budget Reconciliation and Financing Act. A summary of these recommendations is as follows:

Analysis Page	**Recommendation**	**$ Amount**
8	Reduce OIT Fiscal 2003 General Fund Appropriation	$2,200,000
10	Transfer surplus funds from Universal Service Trust Fund	3,000,000
17-20	Transfer funds from MITDPF	13,402,000
	Of which:	
17	*Estimated higher special fund revenues*	*750,000*
19	*Additional DBM contributions from prior year encumbrances*	*7,500,000*
20	*Project reductions*	*4,652,000*
20	*Reduced Fund Balance*	*500,000*
	Total	**$18,602,000**

Updates

1. Resource-sharing Proposals: Status of 2002 Proposals

The Legislative Policy Committee (LPC) is required by law to review and comment on IT proposals involving resource sharing, that is the exchange of goods and services, or a gift, contribution, or grant of real or personal property with a value in excess of $100,000 [State Finance and Procurement Article, §3-405(c)(3)(ii)]. During calendar 2002 LPC formally considered and approved four different proposals. These proposals, as well as their status, are summarized in **Exhibit 6**.

Exhibit 6

Status of Resource-sharing Proposals Approved by the Legislative Policy Committee in Calendar 2002

Proposal Name	Counties Primarily Impacted	Project Summary	Status
ODEC	Lower Eastern Shore, Anne Arundel, and Prince George's	Old Dominion Electric Cooperative (ODEC) proposed to install a multi-conduit system in the right-of-way along Route 50 from Ocean City to College Park. Fiber optic cable would be installed in one of the conduits.	Tentative partnership agreed to, but ODEC has put off any investment in the current market.
PF.Net	Prince George's, Anne Arundel, Baltimore, Carroll, and Baltimore City	PF.Net proposed to install a multi-conduit system of fiber optic cables in various State right-of-ways.	No longer a viable project.
FiberGate	Prince George's, Montgomery, and Frederick	FiberGate proposed installing and maintaining State-owned fiber in Prince George's County for shared use between FiberGate and the State in exchange for State dark fiber elsewhere.	Still under negotiation.
VoiceStream	Frederick and Washington	VoiceStream proposed constructing and maintaining certain telecommunications facilities in Washington and Frederick counties in return for the relocation and abandonment of licenses currently held by the Maryland Institute for Emergency Medical Services Systems (MIEMSS).	Agreement has been reached but the proposal has not been presented to the Board of Public Works because of opposition concerning the impact of the project on the adjacent Antietam battlefield.

Source: Department of Budget and Management; Department of Legislative Services

Resource-sharing proposals involve the State providing some benefit to a private company (for example, use of right-of-way) and in return the private company giving the State a benefit (for example, use of fiber optic cable that the company intends to install and maintain along that right-of-way). As shown in Exhibit 6, at this point none of the four proposals approved by the LPC has come to fruition, although only one project (PF.Net) appears to be dead.

2. High-speed Telecommunications and Data Transmission for Underserved Areas

While net.work.Maryland moves forward to fruition, concern still remains in certain parts of the State about access to high-speed telecommunications and data transmission services. The Maryland Technology Development Corporation (TEDCO) recently completed an assessment of the need for high-speed telecommunications and data transmission services in comparison to capacity. The April 2002 JCR requested TEDCO and DBM to report back to the committees on specific proposals to address any identified needs.

The TEDCO assessment concluded that indeed access to high-speed telecommunications and data transmission services varied across the State. Specifically:

- In terms of dial-up performance, the speed and reliability of dial-up access varies across the State and even within the same jurisdiction and is a function of the performance of copper telephone wires.

- In terms of Digital Subscriber Lines (DSL) and Cable modems, access is limited on the Eastern Shore and in Western Maryland (DSL being unavailable in Western Maryland).

- The report also indicated a significant amount of network connectivity statewide, although certain areas of the State were better served than others (again, the Eastern Shore and Western Maryland with less network connectivity).

The assessment did not specifically address the issue of wireless connectivity and neither did it speak directly to capacity versus actual demand for services. At the time of writing, the DBM and TEDCO JCR response was still undergoing formulation.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets

Information Technology

($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2002					
Legislative Appropriation	$44,655	$11,192	$0	$18,751	$74,598
Deficiency Appropriation	0		0	0	0
Budget Amendments	-5,427	2,301	0	0	-3,126
Reversions and Cancellations	-1,260	-1,875	0	-4,049	-7,184
Actual Expenditures	**$37,968**	**$11,618**	**$0**	**$14,702**	**$64,289**
Fiscal 2003					
Legislative Appropriation	$17,634	$11,185	$0	$16,129	$44,948
Budget Amendments	-68	0	0	0	-68
Cost Containment	-1,084	0	0	0	-1,084
Contingent Reductions	-1	0	0	-2	-3
Working Appropriation	**$16,481**	**$11,185**	**$0**	**$16,127**	**$43,793**

Note: Numbers may not sum to total due to rounding.

Fiscal 2002

The fiscal 2002 legislative appropriation for OIT was decreased by just under $10.3 million. Budget amendments decreased the appropriation by just over $3 million. This change consisted of:

- General fund budget amendments decreasing the appropriation by just over $5.4 million. This decrease was predominantly due to DBM using $5.8 million in funds that were originally appropriated for the Personnel Benefits Information System, a system that ultimately was not developed, to fund Pay for Performance reimbursements that were inadequately funded in agency budgets in fiscal 2002. This decrease was offset by just under $400,000 in DBM's fiscal 2002 close-out budget amendment, which aligned funding with expenditures.

- Special fund budget amendments increasing the appropriation by just over $2.3 million. These funds were derived from the Information Technology Investment Fund and were designated for certain information technology projects that were approved by the budget committees.

  The appropriation was further decreased by reversions and cancellations of just under $7.2 million. This figure includes just over $1.4 million in a combination of general and special fund cost containment reductions (see the fiscal 2003 operating budget analysis for further details). Other general fund reversions totaled $39,000. Cancellations included almost $1.7 million in special funds and just over $4 million in reimbursable funds.

Fiscal 2003

To date, the fiscal 2003 legislative appropriation has been reduced by almost $1.2 million. A general fund budget amendment realigning funds based on the centralized allocation of equipment within DBM reduced the OIT legislative appropriation by $68,000. The appropriation has been further reduced by cost containment and contingent reductions (see above for a detailed explanation).

Object/Fund Difference Report
DBM - Information Technology

Object/Fund	FY 02 Actual	FY 03 Working Appropriation	FY 04 Allowance	FY 03 - 04 Amount Change	Percent Change
Positions					
01 Regular	149.00	161.00	141.50	-19.50	-12.1%
02 Contractual	14.50	12.40	5.50	-6.90	-55.6%
Total Positions	**163.50**	**173.40**	**147.00**	**-26.40**	**-15.2%**
Objects					
01 Salaries and Wages	$ 9,032,886	$ 12,788,099	$ 10,255,179	-$ 2,532,920	-19.8%
02 Technical & Spec Fees	539,723	543,272	201,245	-342,027	-63.0%
03 Communication	9,686,631	8,738,947	11,209,077	2,470,130	28.3%
04 Travel	262,295	488,966	176,992	-311,974	-63.8%
07 Motor Vehicles	0	0	1,088	1,088	n/a
08 Contractual Services	43,123,636	21,896,553	28,776,601	6,880,048	31.4%
09 Supplies & Materials	97,017	134,680	96,170	-38,510	-28.6%
10 Equip – Replacement	1,372,342	116,000	116,000	0	0%
11 Equip – Additional	0	0	2,613,565	2,613,565	n/a
12 Grants, Subsidies, Contr	0	5,000	5,000	0	0%
13 Fixed Charges	174,043	168,899	148,048	-20,851	-12.3%
Total Objects	**$ 64,288,573**	**$ 44,880,416**	**$ 53,598,965**	**$ 8,718,549**	**19.4%**
Funds					
01 General Fund	$ 37,967,758	$ 17,566,304	$ 16,165,432	-$ 1,400,872	-8.0%
03 Special Fund	11,618,157	11,184,704	19,691,244	8,506,540	76.1%
09 Reimbursable Fund	14,702,658	16,129,408	17,742,289	1,612,881	10.0%
Total Funds	**$ 64,288,573**	**$ 44,880,416**	**$ 53,598,965**	**$ 8,718,549**	**19.4%**

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Fiscal Summary
DBM - Information Technology

Unit/Program	FY 02 Actual	FY 03 Legislative Appropriation	FY 03 Working Appropriation	FY 02 - 03 % Change	FY 04 Allowance	FY 03 - 04 % Change
01 Executive Direction	$ 9,382,881	$ 2,968,088	$ 2,965,588	-68.4%	$ 2,366,842	-20.2%
02 Division of Information Technology Investment Management	359,702	1,177,363	1,177,363	227.3%	1,560,458	32.5%
03 Division of Application Systems Management	9,651,693	10,339,171	10,339,171	7.1%	10,235,789	-1.0%
04 Division of Telecommunications	23,869,842	27,523,570	27,613,570	15.7%	28,797,894	4.3%
05 Division of Contracts Management	139,036	1,331,753	1,304,253	838.1%	827,370	-36.6%
06 Major IT - Office of Information Technology	3,347,838	0	0	-100.0%	0	0%
07 Division of Security and Architecture	2,725,405	1,517,971	1,480,471	-45.7%	864,066	-41.6%
08 Major Information Technology Development Projects	14,812,176	0	0	-100.0%	0	0%
01 Major Information Technology Development Projects	0	0	0	0%	8,946,546	
Total Expenditures	**$ 64,288,573**	**$ 44,857,916**	**$ 44,880,416**	**-30.2%**	**$ 53,598,965**	**19.4%**
General Fund	$ 37,967,758	$ 17,633,804	$ 17,566,304	-53.7%	$ 16,165,432	-8.0%
Special Fund	11,618,157	11,184,704	11,184,704	-3.7%	19,691,244	76.1%
Total Appropriations	**$ 49,585,915**	**$ 28,818,508**	**$ 28,751,008**	**-42.0%**	**$ 35,856,676**	**24.7%**
Reimbursable Fund	$ 14,702,658	$ 16,039,408	$ 16,129,408	9.7%	$ 17,742,289	10.0%
Total Funds	**$ 64,288,573**	**$ 44,857,916**	**$ 44,880,416**	**-30.2%**	**$ 53,598,965**	**19.4%**

Note: Fiscal 2003 appropriations and fiscal 2004 allowance do not include cost containment and contingent reductions.

Major Information Technology Development Project Fund – Prior Year Commitments*

Agency	Project Name	Project Description	MITDPF Funding Commitment	Status and Comment
DPSCS	Network rollout	Provide DPSCS with a more efficient and secure network.	$2,140,413	Budget amendment completed. Transfer in progress.
DPSCS	Telephone Replacement	Telephone replacement at Eastern Correctional Institution.	$269,850	Budget amendment completed. Transfer in progress.
DPSCS	Enhanced WAN	Enhanced monitoring of Wide and Local Area Networks and disaster recovery equipment.	$814,960	Budget amendment completed. Transfer in progress.
Comptroller	E-file	Provide a portal for the submission of personal, business, and employer tax payments.	$1,250,000	Budget amendment completed. Transfer in progress.
DHMH	HIPAA-Medicaid	Software and software engineering services to assist the Medicaid program in meeting October 2003 HIPAA deadlines.	$335,200	Budget committees approved funding January 2003. The project is intended to meet a federal statutory requirement.
DHMH	HIPAA-HMIS	Software and software engineering services to assist the Hospital Management Information System program in meeting October 2003 HIPAA deadlines.	$148,200	Budget committees approved funding January 2003. The project is intended to meet a federal statutory requirement.
DHMH	HIPAA-Non-Medicaid	Software and software engineering services to bring three payment systems (Kidney Disease, Children's Medical Services, and Breast and Cervical Cancer) into compliance with October 2003 HIPAA deadlines.	$900,000	Budget committees approved funding January 2003. The project is intended to meet a federal statutory requirement.
Total			**$5,858,623**	

* Prior year commitments exclude DBM Capital Budget ($400,000) and Document Management ($500,000) systems that were cancelled by DBM. The Capital Budget system has been funded utilizing available fiscal 2002 DBM operating funds.

Source: Department of Budget and Management; Department of Legislative Services

Major Information Technology Development Project Fund – Proposed Expenditures

Agency	Project Name	Project Description	MITDPF Funding Commitment	Status and Comment
Fiscal 2003				
DPSCS	NCIC 2000	Make agency compliant with federal NCIC 2000 requirements.	$2,764,219	Letter received from DBM requesting approval of funds. **DLS recommends approval** as the project is intended to meet a federal regulatory requirement. Unless requirement is met, access to key federal criminal justice databases is limited.
DHR	CHESSIE	Implement a child welfare case management system.	$3,300,000	**DLS recommends funding of lease payments only.** This represents a reduction of $2.036 million.
DBM	Maryland Portal	Portal Reserve.	$580,157	**DLS recommends deferral.**
Fiscal 2004				
Comptroller	E-file	Provide a portal for the submission of personal, business, and employer tax payments.	$275,000	**DLS recommends approval.** The project replaces an existing system that will no longer be supported.
DPSCS	NCIC 2000	Make agency compliant with federal NCIC 2000 requirements.	$2,245,889	**DLS recommends approval** as the project is intended to meet a federal regulatory requirement. Unless requirement is met, access to key federal criminal justice databases is limited.
DHMH	HIPAA-Medicaid	Ongoing work to bring MMIS into HIPAA compliance.	$304,500	**DLS recommends approval** as the project is intended to meet a federal statutory requirement
DHMH	HIPAA-Non-Medicaid	Ongoing work to bring claims administration systems for the Kidney Disease, Children's Medical Services, and the Breast and Cervical Cancer Diagnosis and Treatment programs into HIPAA compliance.	$550,000	**DLS recommends approval** as the project is intended to meet a federal statutory requirement

Agency	Project Name	Project Description	MITDPF Funding Commitment	Status and Comment
DHR	CHESSIE	Implement a child welfare case management system.	$3,300,000	**DLS recommends funding of lease payments only.** This represents a reduction of $2.036 million.
DHMH	E-Samis	Continued implementation of web-enabled data management system to assess substance abuse treatment program performance and facilitate program improvements.	$825,000	**DLS recommends approval.** The budget committees recently agreed to the release of prior year funding for this project.
DHR	CSES Enhancements	Ongoing modification of Child Support Enforcement System to meet federal system requirements.	$238,374	**DLS recommends approval.**
State Police	Race-based Traffic Stops	Development of electronic data collection process for all eligible traffic stops.	$1,207,783	**DLS recommends approval.** The project is a response to lawsuits alleging discrimination in traffic stops.
Total			**$15,590,922**	

Source: Department of Budget and Management; Department of Legislative Services