

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 362 (The Speaker and Delegate Cardin)
 (By Request – Administration)

Health and Government Operations

Finance

Reorganization of State Government - Department of Information Technology

This Administration bill establishes the Department of Information Technology as a principal department of State government and transfers all duties, responsibilities, budgeted funds, and employees from the Office of Information Technology within the Department of Budget and Management to the new department.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: General fund expenditures for the new Department of Information Technology increase by \$264,400 in FY 2009 for four new positions and related operating expenses to perform administrative and managerial tasks currently performed by DBM staff. Out-year expenditures reflect annualization and inflation. No effect on revenues.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	264,400	262,400	275,300	288,900	303,300
SF Expenditure	0	0	0	0	0
ReimB. Exp.	0	0	0	0	0
Net Effect	(\$264,400)	(\$262,400)	(\$275,300)	(\$288,900)	(\$303,300)

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

Local Effect: None.

Small Business Effect: The Administration has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.).

Analysis

Bill Summary: The Department of Information Technology is designated as a primary procurement unit for the purpose of controlling procurement of information processing equipment and associated services and telecommunication equipment, systems, or services.

The bill also transfers from DBM to the new department primary responsibility for coordinating all aspects of the State's telecommunications policy, procurement, and management. This includes improving and expanding access to telecommunications and computer networks in rural areas and by people with disabilities.

By January 15 of each year, the new Department of Information Technology must report to the Department of Legislative Services regarding the project status of each major IT project under development or receiving operations and maintenance funding. The report is to provide the most up-to-date information regarding (1) changes in the project's schedule, cost, or scope; (2) the project's risk assessment; and (3) any change in the project's monitoring or oversight status.

The bill also repeals the State Information Technology Board.

Current Law: The Office of Information Technology and the State's Chief of Information Technology (CIT) are within DBM and report to the Secretary of Budget and Management. The CIT is charged with:

- developing, maintaining, and enforcing statewide IT standards, policies, and practices;
- providing technical assistance, advice, and recommendations to the Secretary of Budget and Management and other units of State government concerning IT matters;
- reviewing each unit's annual project plan to make IT services available to the public over the Internet;
- developing and maintaining a statewide IT master plan; and
- adopting by regulation and enforcing nonvisual access standards to be used in the procurement and provision of IT services.

The Secretary of Budget and Management is charged with:

- coordinating the development, procurement, management, and operation of telecommunication equipment, systems, and services by State government;

- acquiring and managing common user telecommunication equipment, systems, or services;
- promoting compatibility of telecommunication systems by developing policies, procedures, and standards for the acquisition and use of telecommunication equipment, systems, and services by State agencies;
- coordinating State government telecommunication systems and services;
- advising units of State government about planning, acquisition, and operation of telecommunication equipment, systems, or services; and
- providing radio frequency coordination for State and local governments in accordance with regulations of the Federal Communications Commission.

DBM is also responsible for establishing a statewide fiber-optic network, a 24-hour dual party telephone relay service for the hearing impaired, and other services to expand telecommunications access for individuals with disabilities.

Chapters 467 and 468 of 2002 required an agency or unit of the Executive Branch of State government, other than public institutions of higher education and the Maryland Port Administration, to obtain the approval of the CIT before making expenditures on major information technology development projects (MITDP), which were defined as projects that included planning, procuring, creating, installing, testing, or providing initial training on an IT project in which:

- the estimated total cost equals or exceeds \$1 million;
- the project is undertaken to support a critical business function associated with the public health, education, safety, or financial well-being of the citizens of Maryland; or
- the Secretary of Budget and Management determines that the project requires the special attention and consideration given to a MITDP.

Chapters 467 and 468 also established the Major Information Technology Development Fund (MITDF) under the direction of the CIT, which centralized State funding for major Executive Branch IT projects funded solely with general funds. Special-funded agencies manage funding for their major IT projects, although their projects remain subject to the review, approval, and oversight of the CIT.

Background: The Chief of Information Technology position and the Information Technology Board were created in 1993 by executive order as recommended in the *Preliminary Report of the Governor's Commission on Efficiency and Economy in Government*. Chapter 493 of 1994 established them in statute, and funding for the office was included in the fiscal 1994 budget.

In fiscal 2007, there were 44 active MITDPs subject to OIT oversight. In fiscal 2008, six ongoing projects and two new projects received a total of \$9.2 million in funding from the MITDF.

In 2005, Legislative Services found that CITs in 22 states reported to a cabinet secretary, as is currently the case in Maryland, while 25 CITs reported directly to the chief executive, as is provided in this bill. The remaining three CITs reported to a board. In recent years, four states have gone from having their CIT report to the chief executive to having them report to a cabinet-level authority, while eight states have established CITs' status as independent authorities reporting directly to the chief executive.

State Fiscal Effect: The Governor's fiscal 2009 proposed budget includes 118 regular positions and 5 contractual positions within the Office of Information Technology that would transfer to the new department. According to DBM, OIT lacks the capacity to absorb additional responsibilities currently provided by DBM staff with its existing resources. In short, the creation of a new department carries with it the loss of certain economies of scale. DBM advises that it would continue to rely on IT and legal staff in the new department to oversee its own IT systems through interagency agreements, so no additional positions or funds would be needed for that purpose within DBM.

Nevertheless, general fund expenditures could increase by an estimated \$264,445 in fiscal 2009 to hire additional staff in the new department concurrent with the bill's July 1, 2008 effective date. This estimate reflects the cost of adding four new positions to provide management and administrative services, primarily related to personnel and procurement, currently provided by DBM staff. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	4
Salaries and Fringe Benefits	\$249,605
Operating Expenses	<u>14,840</u>
Total FY 2009 State Expenditures	\$264,445

Future year expenditures reflect full salaries with • 4.4% annual increases and 3% employee turnover; and • 2% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: SB 212 (The President) (By Request – Administration) – Finance.

Information Source(s): Department of Budget and Management, Department of Legislative Services

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ncs/ljm Revised - Updated Information - March 18, 2008
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