SB 123

Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 123 (Chair, Budget and Taxation Committee)(By Request - Departmental - Information Technology)

Budget and Taxation Health and Government Operations

Major Information Technology Development Project Fund - Revenue Sources and Authorized Expenditures

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This departmental bill requires that all revenues generated by information technology (IT) agreements involving resource sharing and from the sale, lease, or exchange of communication sites, facilities, or frequencies be used only to support the operation of the statewide telecommunications and computer network known as networkMaryland.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: Minimal increase in general and special fund revenues to the extent that the bill gives State agencies an incentive to maximize revenues from future resource-sharing agreements. Agencies may be able to use those revenues to offset all or some of the reimbursable funds paid for their use of networkMaryland; the net effect on agency revenues and expenditures is expected to be minimal.

Local Effect: Minimal reduction in subscriber fees paid by local governments that use networkMaryland.

Small Business Effect: The Department of Information Technology (DoIT) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: "Resource sharing" is defined as the utilization of a State resource by private industry in exchange for the provision to the State of a communication service or other consideration. Within the context of IT, this often involves private use of State-owned transmission towers or lines in exchange for a fee or provision of other telecommunication service.

A State agency may entertain proposals for resource sharing involving State IT resources; with the exception of the University System of Maryland, Morgan State University, and St. Mary's College of Maryland, an agency must notify the Secretary of Information Technology of any such proposal. If the Secretary determines that the value of resources, services, or property offered to the State under a resource-sharing proposal exceeds $100,000, the proposal must be advertised for at least 30 days on eMaryland Marketplace and be submitted for a 60-day review to the Legislative Policy Committee (LPC). LPC may recommend that the proposal be treated as a State procurement. Following LPC review, a proposal must be approved by the Board of Public Works in order to be implemented.

Revenue generated by resource-sharing agreements is deposited into the Major Information Technology Development Fund (MITDF) and is available to fund any major IT development project in the State.

DoIT must establish a telecommunications and computer network that is accessible throughout the State and that is available to State and local governments and all public and private educational institutions.

Background: networkMaryland represents the statewide high-speed network for public-sector use mandated by State law. It relies on resource shared fiber optic cable assets throughout the State. Among other services, networkMaryland offers governments and educational institutions low-cost Internet access as well as a statewide Intranet for critical government accounting, administrative, and public safety services. Through the State budget process, State agency users of networkMaryland are charged a fee based on their usage. In fiscal 2014, total State appropriations for the Network Division within DoIT, whose primary function is to administer networkMaryland, were $19.4 million.

The Department of Budget and Management advises that State agencies other than public institutions of higher education and the Maryland Department of Transportation currently have four resource-sharing agreements in effect. Three of these involve the Department of Natural Resources, and one involves the Maryland Institute for Emergency Medical Services Systems. Over the past five fiscal years, these four agreements have generated a combined total of $368,000 in revenues to MITDF, or an average of about $74,000 per year. This represents less than one-half of 1% of the Network Division's budget on an annual basis.

State Fiscal Effect: DoIT advises that agencies have little incentive to maximize the benefits to the State when they engage in resource-sharing agreements because the revenues from those agreements accrue to MITDF, where they can be disbursed to any major IT project in the State. By reserving revenues from resource-sharing agreements for networkMaryland, the bill allows agencies to use those revenues to offset some or all of the reimbursable funds they pay in fees for their use of networkMaryland. This provides agencies with an incentive to maximize revenues from their agreements, which may result in increased general and special fund revenues. By substituting revenues from resource-sharing agreements for some of the reimbursable funds paid by agencies to networkMaryland, the bill may allow agencies to redirect existing resources to other purposes. The net effect on agency revenues is expected to be minimal, given the limited number of resource-sharing agreements in the State.

Local Fiscal Effect: To the extent that increased revenues from State resource-sharing agreements offset the operating costs of networkMaryland, subscriber fees paid by local governments may decrease. The overall affect is expected to be minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 20, 2014
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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Major Information Technology Development Project Fund – Revenue Sources and Authorized Expenditures

BILL NUMBER: SB 123

PREPARED BY: Department of Information Technology

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

__X__ WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

___ WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

None