

SB0487_FAV_MTC_Procurement - Major IT Development

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Position: FAV



Senate Budget and Taxation Committee

February 5, 2025

Senate Bill 487 – *Procurement – Major Information Technology Development Projects*

POSTION: SUPPORT

The Maryland Tech Council (MTC), with over 800 members, is the State's largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State's life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of support for Senate Bill 487.

Senate Bill 487 requires that each procurement contract for a major information technology (IT) development project include terms and conditions governing the indemnification obligations and limitation of liability of the contract may not exceed in aggregate twice the value of the contract. It also requires Maryland's Chief Procurement Officer and the Secretary of Information Technology to, together with appropriate stakeholders, make recommendations on adjusting the procurement process and associated timeline for major IT projects to ensure personnel with required expertise are available to work on an awarded contract.

Many reputable national and multinational IT firms decline to do business with Maryland, as these firms would not potentially risk their entire business on a single project due to our insistence on unlimited liability in IT contracts. This perspective, however, is not exclusive to just the large firms. MTC represents hundreds of local small to mid-sized IT firms. Though significantly smaller in size, many of these companies are just as capable of developing large IT projects for the State. However, they are similarly unwilling to stake their entire business—that in many cases took years to build—on a single State project due to current unlimited liability and indemnification provisions. As a result, not only does the State not often receive the best value for IT needs but also misses an opportunity to help grow local IT firms.

By limiting liability and indemnification obligations to no more than twice the value of the contract, the State will likely receive better value from potential IT vendors and may also help cultivate local, responsible, and competent IT firms. As such, MTC urges the Senate Budget and Taxation Committee to give Senate Bill 487 a favorable report.

For more information call:

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Senate Bill 487- DoIT Written Testimony.docx.pdf

Uploaded by: Sara Elalamy

Position: INFO



Wes Moore | Governor
Aruna Miller | Lt. Governor
Katie Savage | Secretary

TO: Senate Budget and Taxation Committee
FROM: Department of Information Technology
RE: Senate Bill 487 - Procurement - Major Information Technology Development Projects
DATE: February 5, 2025
POSITION: Letter of Concern

The Honorable Guy Guzzone
Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Chairman Guzzone,

The Department of Information Technology (DoIT) is concerned about Senate Bill 487 - Procurement - Major Information Technology Development Projects. The bill seeks to modify the oversight, procurement, and risk management processes for major information technology development projects (MITDPs) in Maryland. While we recognize the intent to enhance accountability and mitigate risks, we have serious concerns regarding the bill's feasibility, implementation challenges, and its potential impact on IT procurement efficiency. We list below some of our key concerns.

The bill requires the Secretary of Information Technology to conduct risk assessments for MITDPs deemed to pose "exceptional risks" to the state. However, the bill does not clearly define what constitutes an "exceptional risk" or outline standardized criteria for these assessments. This ambiguity may lead to inconsistent evaluations and arbitrary decision-making, making implementation difficult.

The proposed liability limits for IT procurement contracts—capping contractor liability at twice the contract value—may constrain our ability to negotiate terms that adequately protect state interests. While exceptions exist for fraud, intentional misconduct, and negligence leading to bodily harm or property damage, the bill does not account for other critical scenarios where higher liability may be warranted.

The bill increases DoIT's oversight responsibilities, requiring risk assessments, detailed evaluations, and annual reporting. Without additional resources or funding provisions, this



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added workload could strain existing personnel and delay critical IT projects.

SB 487 targets only major IT development projects, leaving similar procurement processes for other large-scale state projects unaffected. If the goal is to enhance risk management and efficiency, a broader, more comprehensive approach should be considered rather than singling out MITDPs.

The bill emphasizes identifying and modernizing legacy systems but introduces complex and restrictive procurement requirements that could slow down the modernization efforts it aims to support. The additional bureaucratic layers may lead to longer project timelines and increased risk due to legacy systems being in place longer than necessary.

Rather than enacting SB 487 in its current form, we recommend a collaborative effort involving DoIT, the Chief Procurement Officer, and key stakeholders to review liability provisions already included in procurement templates, refine risk assessment criteria, address liability concerns, and streamline procurement processes without imposing overly burdensome requirements. A balanced approach will ensure the state can effectively manage risks while maintaining the flexibility necessary for successful IT project execution.

We urge the committee to consider alternative solutions that achieve the intended goals without unintended negative consequences and additional administrative costs. Thank you for your time and consideration. Please feel free to reach out if you require further discussion on this matter.

Best,

Melissa Leaman
Acting Secretary
Department of Information Technology