

F10A04
Information Technology
Department of Budget and Management

Operating Budget Data

(\$ in Thousands)

| | <u>FY 04</u> <u>Actual</u> | <u>FY 05</u> <u>Working</u> | <u>FY 06</u> <u>Allowance</u> | <u>FY 05-06</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|---|-------------------------------|--------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| General Fund | \$12,729 | \$21,739 | \$38,042 | \$16,303 | 75.0% |
| Special Fund | 5,455 | 8,123 | 466 | -7,657 | -94.3% |
| Reimbursable Fund | <u>14,006</u> | <u>17,581</u> | <u>15,065</u> | <u>-2,516</u> | <u>-14.3%</u> |
| Total Funds | \$32,190 | \$47,442 | \$53,572 | \$6,130 | 12.9% |
| Contingent & Back of Bill Reductions | | | -49 | -49 | |
| Adjusted Total | \$32,190 | \$47,442 | \$53,524 | \$6,081 | 12.8% |

- The Governor's fiscal 2006 allowance for the Office of Information Technology (OIT) is almost \$6.1 million above the fiscal 2005 working appropriation, 12.8%.
- Major budget changes are the transfer of the Telecommunications Access of Maryland (TAM) program to the Department of Disabilities and an increase of \$17.4 million in support for the Major Information Technology Development Project Fund.

Personnel Data

| | <u>FY 04</u> <u>Actual</u> | <u>FY 05</u> <u>Working</u> | <u>FY 06</u> <u>Allowance</u> | <u>FY 05-06</u> <u>Change</u> |
|------------------------|-------------------------------|--------------------------------|----------------------------------|----------------------------------|
| Regular Positions | 123.50 | 123.50 | 115.00 | -8.50 |
| Contractual FTEs | <u>5.00</u> | <u>5.00</u> | <u>4.00</u> | <u>-1.00</u> |
| Total Personnel | 128.50 | 128.50 | 119.00 | -9.50 |

Vacancy Data: Regular Positions

| | | |
|-----------------------------------|-------|--------|
| Turnover, Excluding New Positions | 3.68 | 3.20% |
| Positions Vacant as of 12/31/04 | 15.00 | 12.15% |

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

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- The fiscal 2006 allowance reflects the transfer of 5 full-time equivalent (FTE) regular positions associated with the TAM program to the Department of Disabilities and the abolition of 3.5 FTE regular positions.

Analysis in Brief

Major Trends

State IT Master Plan: Though completed behind schedule, OIT released a State Information Technology (IT) Master Plan in December 2004. Containing six elements, it represents an ongoing work plan for the next several years.

2004 Digital States Survey: Using new criteria for its ranking methodology, the 2004 Digital States Survey showed Maryland's rank falling. The revised methodology places greater emphasis on the "next generation of digital service delivery." That next generation model places more value on the level of IT guidance that the State is developing through its IT Master Plan rather than simply the provision of on-line services.

Issues

The Major IT Development Project Fund and Major IT Expenditures: A review of projects to be supported by the Major IT Development Project Fund as well as the overall level of expenditures on major IT projects is provided.

Information Technology Oversight: During the 2004 interim, two separate examinations of the state of IT oversight in Maryland were completed: one by the Legislative Branch and the other by the Executive. The two reports will be compared.

Recommended Actions

| | <u>Funds</u> |
|---|---------------------|
| 1. Add language deleting two reimbursable funded regular positions and associated funding. | |
| 2. Add language withholding funds pending a report detailing implementation of various component of the new State Information Technology Master Plan. | |
| 3. Add language approving funding for specified projects through the Major Information Technology Development Project Fund. | |
| 4. Reduce funding to replace the Multiple Agency Fingerprint Information System. | \$ 6,250,000 |
| 5. Reduce funding for an Offender Based Management System. | 2,000,000 |
| 6. Delete proposed funding for the Network Live Scan project. | 936,848 |
| Total Reductions | \$ 9,186,848 |

Updates

Availability of Services over the Internet: Chapter 5, Acts of 2000 required that by the end of calendar 2004, all units of the Executive Branch (excluding higher education institutions) were to have 80% of their services and information available over the Internet. While it is impossible to know if that goal was met, Maryland has always performed well on surveys that look at on-line service availability.

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Operating Budget Analysis

Program Description

During the 2004 interim, the Office of Information Technology (OIT) reorganized its operations. The changes aligned the office around available resources at the expense of preserving a structure grounded in a 2002 reform proposal for information technology (IT) oversight, a structure for which resources no longer exist. The intent of the reorganization is to provide additional resources for increased project management oversight without creating additional bureaucracy. The revised organizational structure that sits under the Executive Direction program has five elements:

- **Web Systems** including the operation of the State web portal.
- **Applications Systems Management (ASM)** including the operation of the Financial Management Information System (FMIS), the system created to improve financial and human resources accountability including agency-based accounting, purchasing, budgeting, personnel, and asset management.
- **Strategic planning.**
- **Networks** including the operation of networkMaryland and the State's wireless system.
- **Enterprise Information Services** including the development of infrastructure and security standards as well as the Help Desk.

The mission of OIT is to provide information technology leadership to the Executive Branch in order to effectively manage State IT resources. Key goals are centered on the effective utilization of resources.

Performance Analysis: Managing for Results

The Department of Budget and Management's (DBM) OIT Managing for Results (MFR) data reflects the mission of the office: providing statewide IT oversight as well as providing statewide information systems and networks. **Exhibit 1** details selected performance measures.

**Exhibit 1
OIT Selected Performance Measures
Fiscal 2002 to 2006**

| | <u>Fiscal 2002</u> | <u>Fiscal 2003</u> | <u>Fiscal 2004</u> | <u>Fiscal 2005</u> | <u>Fiscal 2006</u> |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Project Oversight | | | | | |
| New major IT development projects on time, on budget, and meeting identified requirements (%) | | 67 | 83 | 80 | 80 |
| Statewide IT and Telecommunications Services | | | | | |
| Availability and accuracy of ASM systems rated above acceptable (%) | | 82 | 95 | 88 | 88 |
| Routine service requests completed within 72 hours (%) | 91 | 89 | 89 | 90 | 90 |
| State agency requests for transport or Internet services the DBM OIT Telecom via networkMaryland (% fulfilled) | | 39 | 52 | 60 | 70 |

Source: Department of Budget and Management

A number of points can be made from the exhibit:

- In terms of oversight of major IT development projects, OIT reports that 83% of the projects included for the determination of the MFR data were successful, i.e. operating within approved budget, scope, and schedule. This statistic is based on six projects, with only one (the Department of Housing and Community Development’s Multi-family Information System) judged as not successful based on being behind schedule.
- Utilization of networkMaryland continues to grow in terms of being able to fulfill agency requests for transport or Internet services over the network. It should be noted that the growth in utilization is lower than OIT’s forecast last year (52% versus the forecasted 60%), and fiscal 2005 and fiscal 2006 estimates of utilization are below that forecasted in last year’s MFR submission. However, the data is somewhat skewed because the network is now being rolled out into more rural areas, and until completed many agency requests cannot be fulfilled. For those areas with access to the network, there is an extremely high level of utilization.
- In last year’s MFR, there was the goal to develop the State IT Master Plan by June 2004. The MFR goal of “YES” turned out to be “NO”, although it is not reflected in this year’s MFR. OIT issued a State IT Master Plan in December 2004. While the plan has been issued, it is more a

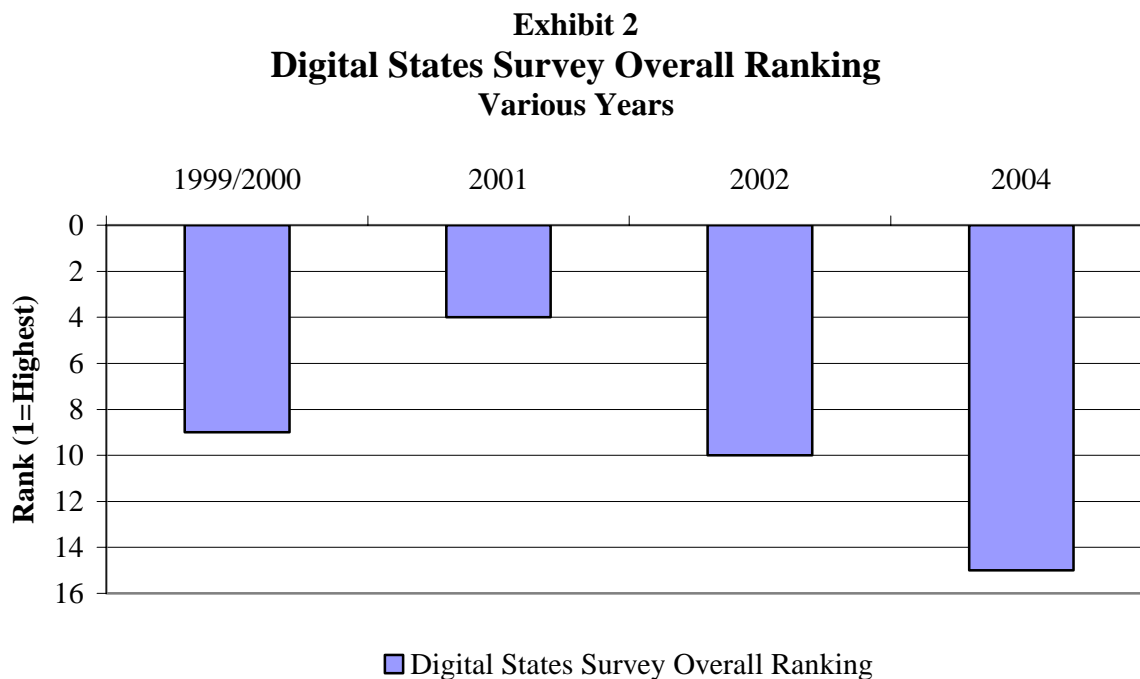
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starting-point for ongoing work. As articulated by OIT, the plan consists of a series of initiatives, all of which are still being developed:

- **The establishment of technical standards and enterprise architecture.** The historically autonomous nature of IT development in Maryland has resulted in a diverse set of hardware and software solutions through State government. OIT awarded a technical architecture contract in July 2004 to inventory current technical infrastructures and then define structures as a framework for all State operations. OIT has noted that the benefits of the development of these standards include lower maintenance and help desk costs, abbreviated service restoration times, leveraging purchasing power, reducing procurement times and costs, increasing interoperability, and improving reliability and stability. This process will continue throughout 2005.
- **The completion of the build out of, and migration to, networkMaryland.** For example, the Eastern Shore is being added to the network in 2005.
- **The consolidation of common information platforms such as email and time reporting.** For example, three different types of email systems can operate in the same State office building. This is both inefficient and makes security more difficult. Establishing a standard for such operations piggybacks onto the enterprise architecture work and will occur during 2005 and 2006.
- **The consolidation and standardization of agency web sites.** Currently 65 State agencies manage web sites using different standards, contractor support, hosting agreements and licensing arrangements. Again, this is cost inefficient and provides for inconsistency in terms of appearance and operation. OIT is actively developing and implementing standard guidelines for agency web sites, and broader standardization should be complete by the end of 2006.
- **The further development of professional project management.** OIT notes that there are very few certified IT project managers in the State workforce. DBM aims to develop a Project Management Center of Excellence to develop a core of certified managers. It hopes to begin this by calendar 2006 utilizing existing vacant positions. Juxtaposed with the development of this in-house capacity will be the requirement that beginning in fiscal 2006, all major IT development projects have to be reviewed independently through Independent Verification and Validation (IV&V) contracts. The fiscal 2006 budget includes \$400,000 for this activity.
- **The establishment of a consolidated and enhanced disaster recovery site.** Disaster recovery guidelines were developed in 2003 and each agency has some kind of backup and recovery process, but they are inconsistent and uncoordinated. OIT intends to develop a State-owned single service restoration center for critical applications. Funding for the planning of this project is included in the fiscal 2006 budget.

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Another form of performance measurement comes from the review of the State’s IT performance as considered by external bodies. One such widely considered ranking is conducted by the Center for Digital Government, a private research and advisory institute on IT policies and best practices in state and local government. As shown in **Exhibit 2**, in the most recent survey, Maryland’s ranking slipped to fifteenth, down from a high of fourth in 2001.



Source: Center for Digital Government

Interestingly, the 2004 ranking is based on significantly different criteria than in earlier years. Earlier surveys were geared toward the utilization of technologies and availability of on-line information and assistance in a variety of areas such as education, commerce, and social services. The 2004 survey was based on very different criteria around four broad areas:

- Implementation and adoption of on-line services. Specifically, the ranking was based on a list of 25 common applications across nine categories of services;
- Architecture and infrastructure;
- Collaboration by government function and across traditional boundaries (e.g., intergovernmental collaboration); and
- Leadership.

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The Center of Digital Government also noted that Maryland was ranked fifth for sustained leadership for performance in surveys from 1997 to 2002, performance based on service provision. It would appear that the new challenge for the State is to develop the “next generation of digital service delivery.” It is to this challenge that the various strands of the State’s IT Master Plan development point to. Arguably, success in that development should improve the State’s ranking in this particular survey.

Governor’s Proposed Budget

As detailed in **Exhibit 3**, the Governor’s fiscal 2006 allowance for OIT is almost \$6.1 million (12.8%) above the fiscal 2005 working appropriation. As shown in **Exhibit 4**, the key funding changes are essentially four-fold:

- A \$17.4 million increase in the funding of major IT projects (detailed in Issue 1 below).
- The transfer of the Telecommunications Access of Maryland (TAM) program to the Department of Disabilities (\$7.1 million). TAM allows individuals with speech or hearing loss to communicate with anybody else through the telephone. The service operates via a text telephone and is relayed by an operator. The transfer to the Department of Disabilities consolidates TAM into a cabinet-level agency that includes other like services such as the Office for the Deaf, the Maryland Assistive Technology Guaranteed Loan Program, deaf constituent services, and responsibility for the Governor’s Advisory Board for Telecommunications Relay.
- A reduction of almost \$1.1 million in capital lease payments associated with the ending of some private branch exchanges leases (PBX is a telephone network that operates within an organization and shares a number of external phone lines) and the delay of others.
- A reduction of almost \$2.9 million in non-personnel expenses throughout OIT.

It should also be noted that the fiscal 2006 allowance further reduces OIT to 115 FTE regular positions, 70 FTE regular positions below that provided in the fiscal 2003 allowance. The fiscal 2006 allowance reflects the transfer of 5 positions associated with the TAM program to the Department of Disabilities as well as the abolition of 3.5 FTE regular positions.

It should be noted that effective December 31, 2005, OIT had 15 vacant positions. Of these 15 positions, 1 was abolished in the fiscal 2006 allowance. On average OIT effectively needs 4 FTE positions vacant to meet turnover. The State Chief Information Officer (CIO) has spoken of using 4 vacant positions with additional administrative support to begin to enhance project management expertise (and there is funding in the fiscal 2006 allowance to reclassify positions to do that) as part of the development of a Project Management Center of Excellence. **While allowing the State CIO to pursue this initiative, the Department of Legislative Services (DLS) believes that 2 additional FTE positions could be cut from OIT and recommends this action.**

**Exhibit 3
Governor's Proposed Budget
Information Technology
(\$ in Thousands)**

| How Much It Grows: | <u>General Fund</u> | <u>Special Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|---|--------------------------------|--------------------------------|-------------------------------|---------------------|
| 2005 Working Appropriation | \$21,739 | \$8,123 | \$17,581 | \$47,442 |
| 2006 Governor's Allowance | 38,042 | 466 | 15,065 | 53,572 |
| Contingent & Back of Bill Reductions | <u>-34</u> | <u>0</u> | <u>-15</u> | <u>-49</u> |
| Adjusted Allowance | \$38,008 | \$466 | \$15,050 | \$53,524 |
| Amount Change | \$16,269 | -\$7,657 | -\$2,530 | \$6,081 |
| Percent Change | 74.8% | -94.3% | -14.4% | 12.8% |

Where It Goes:

| | |
|---|----------------|
| Personnel Expenses | -399 |
| Increments | \$189 |
| Reclassification of positions to enhance project and contract management..... | 110 |
| Other fringe benefit adjustments | -30 |
| Turnover adjustments | -91 |
| Savings from fiscal 2006 abolitions and transfers..... | -577 |
| OIT non-personnel changes | -10,752 |
| Equipment repair including PBX maintenance | 240 |
| Data center charges..... | 158 |
| Outside legal charges..... | -175 |
| Outside consulting services (audit)..... | -206 |
| IV&V services (fiscal 2006 IV&V funding is budgeted in the MITDPF) | -250 |
| Lower telecommunications lease costs..... | -304 |
| NetworkMaryland engineering and other services..... | -350 |
| Other outside consulting services | -552 |
| Capital lease payments | -1,083 |
| Savings derived from the use of NetworkMaryland rather than leased telecommunications services | -1,128 |
| Transfer of Telecommunications Access of Maryland to the Department of Disabilities | -7,102 |

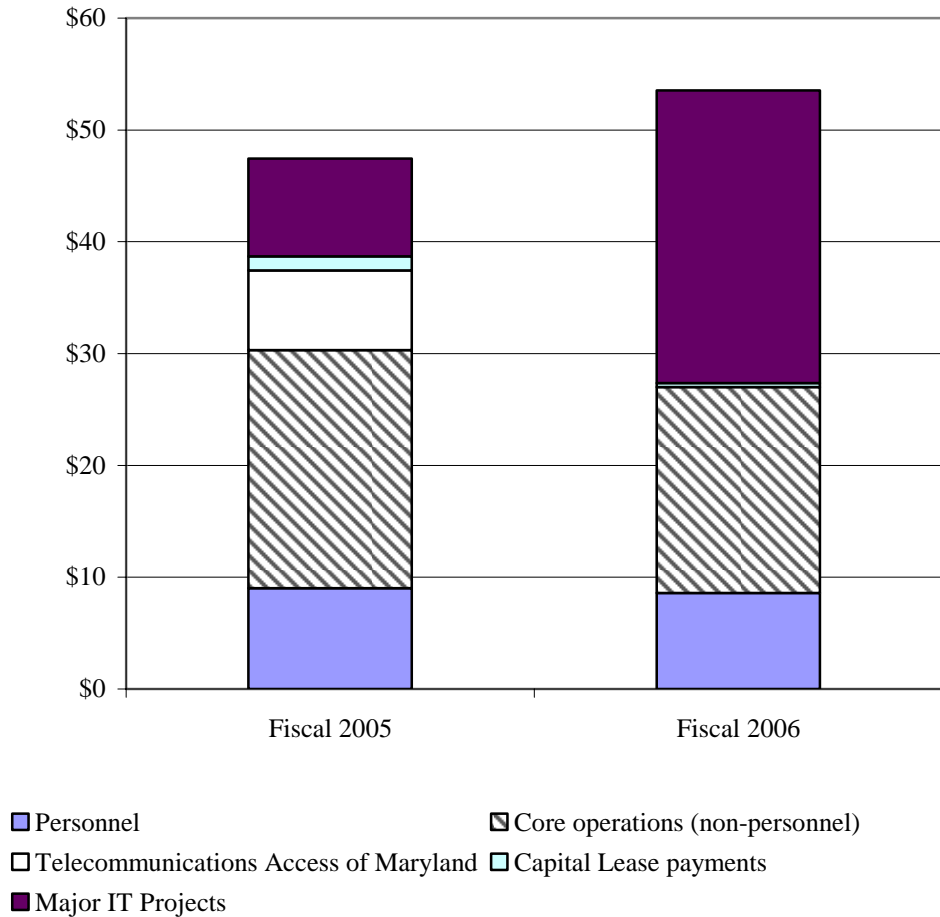
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Where It Goes:

| | | |
|--|---------------|----------------|
| Major Information Technology Development Project Fund | 17,400 | |
| Major information technology development projects | | 17,400 |
| Other changes | | -168 |
| Total | | \$6,081 |

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

Exhibit 4
Office of Information Technology
Summary of Funding Changes
Fiscal 2005 – 2006
(\$ in Millions)



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

Issues

1. The Major IT Development Project Fund and Major IT Expenditures

Chapter 467 and 468, Acts of 2002, created the MITDPF. The fund replaced the Information Technology Investment Fund (ITIF), preserved the various telecommunications revenue streams that were dedicated to ITIF for major IT projects, limited the use of the fund for other smaller IT projects, and enhanced the role of the CIO in approving projects from the fund. Further, in addition to preserving the existing revenue streams, all general funds appropriated for major IT projects are to be held in the fund.

As shown in **Exhibit 5**, in fiscal 2006, almost \$25.8 million in general funds has been added to the MITDPF. This general fund appropriation together with a small anticipated fund balance and limited special fund revenues supports just under \$26.2 million in spending. As detailed in **Exhibit 6**, of the anticipated \$26.2 million in spending, just over \$7.6 million (29%) is for ongoing project oversight and projects for which funding has previously been approved by the General Assembly. The remaining \$18.5 million (71%) is for new projects.

**Exhibit 5
MITDPF Fund Data
Fiscal 2003 – 2006**

| | <u>MITDPF</u> <u>Fiscal 2003</u> | <u>MITDPF</u> <u>Fiscal 2004</u> | <u>MITDPF</u> <u>Fiscal 2005</u> | <u>MITDPF</u> <u>Fiscal 2006</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <i>Based on DBM Assumptions</i> | | | | |
| Opening Fund Balance | \$6,109,518 | \$6,863,178 | \$4,192,602 | \$318,648 |
| <u>Revenues</u> | | | | |
| General fund | | | 5,430,672 | 25,756,409 |
| Special fund | 4,307,334 | 3,658,631 | 386,444 | 446,365 |
| DBM contributions | 25,327,182 | | | |
| Abandoned projects from prior years/returned awards | 887,000 | 505,579 | | |
| Transfers from other agencies | | | 3,326,000 | |
| Total Available Revenues | \$36,631,034 | \$11,027,388 | \$13,335,718 | \$26,521,422 |
| <u>Expenditures</u> | | | | |
| Actual expenditures | -5,589,439 | -6,834,786 | -1,264,157 | |
| Additional project commitments (approved by legislature/JCR) | | | -8,026,913 | |
| Additional project commitments (not approved by legislature/JCR) | | | -3,726,000 | |
| Requested expenditures | | | | -26,156,409 |
| <u>Adjustments</u> | | | | |
| Fiscal 2003 BRFA transfer | -23,627,500 | | | |
| Additional general fund transfer (interest incorrectly credited) | -550,917 | | | |
| Total Adjustments | -24,178,417 | | | |
| Fund Balance | \$6,863,178 | \$4,192,602 | \$318,648 | \$365,013 |
| Based on actual expenditures, approved commitments, proposed expenditures and adjustments | | | | |

Note: The fiscal 2004 fund balance shown in this exhibit is \$97,572 lower than that shown in the Governor's budget as DLS has lowered special fund revenues by this amount as representing funds that may have been inappropriately credited to the MITDPF and that need to be transferred to the Maryland Aviation Administration for commissions on pay phones at Baltimore/Washington International Airport. This carries through into fiscal 2005 and 2006.

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

**Exhibit 6
Major IT Development Project Fund
Projects Receiving Fiscal 2006 Funding**

| <u>Agency</u> | <u>Project Name</u> | <u>Project Description</u> | <u>MITDPF Funding</u> | <u>Comment</u> |
|-----------------------------------|------------------------------------|--|-----------------------|--|
| Ongoing Oversight/Projects | | | | |
| DBM | IV&V | External project review funding | \$400,000 | Given the projects that will likely require IV&Vs in fiscal 2006, OIT can also charge a portion of the IV&V costs to alternative funding sources. In issuing IV&Vs it should maximize the use of other fund sources. |
| DHR | CHESSIE | Child welfare case management system | \$5,019,561 | Penultimate year of funding. Includes both lease payment and development funding. |
| DPSCS | System stabilization | Ensure the stabilization of mission critical infrastructure | \$1,300,000 | Maintenance of basic IT infrastructure that allows the department access to external databases critical to other projects. Fiscal 2006 budget is \$743,000 above fiscal 2005 estimate. DLS recommends approval. |
| DPSCS | Network live scan | Submission of fingerprints, mug shots and other data to State and FBI databases for rapid identification | \$936,848 | Project builds on NCIC 2000 project. Fiscal 2006 budget is \$569,000 above fiscal 2005 estimate. OIT indicates that this project can be completed with previously approved fiscal 2005 funds. DLS recommends deleting \$936,848. |
| New Projects | | | | |
| DBM | Business Processes System Planning | Replacing legacy budget, accounting, and personnel systems | \$1,000,000 | Hardware and skill sets associated with these legacy systems are becoming hard to maintain. Funding is to assess risks associated with current systems, prepare cost estimates to replace the systems, and develop a replacement strategy. DLS recommends approval. |
| DBM | Statewide Radio System Planning | Planning for the development, design, engineering, and implementation for a common statewide interoperable 700MHz radio system | \$1,000,000 | Development of a standard enterprise architecture for a statewide interoperable 700 MHz radio system. The establishment of this standard will maximize the benefits of interoperability that can be gained from the Public Safety Communications System infrastructure currently being development by OIT. DLS recommends approval. |

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| <u>Agency</u> | <u>Project Name</u> | <u>Project Description</u> | <u>MITDPF Funding</u> | <u>Comment</u> |
|---------------|--|---|-----------------------|---|
| DBM | Statewide Disaster Recovery Planning | Planning for a State-owned and managed disaster recovery center | \$500,000 | Consistent with the State IT Master Plan, this initiative is intended to provide a State-owned and managed multi-agency center for use in the event of catastrophic failures of State business systems. DLS recommends approval. |
| DPSCS | Offender case management system | Plan, develop, and implement a comprehensive offender case management system to manage an individual from pre-trial through release | \$3,500,000 | DPSCS has indicated that it will be developing this system over three years. DLS recommends approval of \$1.5 million for the first year. |
| DPSCS | Multiple Agency Fingerprint Information System (MAFIS) | Replace existing MAFIS system. Current system was implemented in 1990, upgraded in 1997 and is considered obsolete. | \$12,500,000 | Upgrading this system is integral to other data-collection and data-sharing initiatives currently being undertaken by the department. However, the project can be spread over two years. DLS recommends approval of \$6.25 million in funding. |
| Total | | | \$26,156,409 | |

CHESSIE = Children's Electronic Social Services Information Exchange

DPSCS = Department of Public Safety and Correctional Services

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

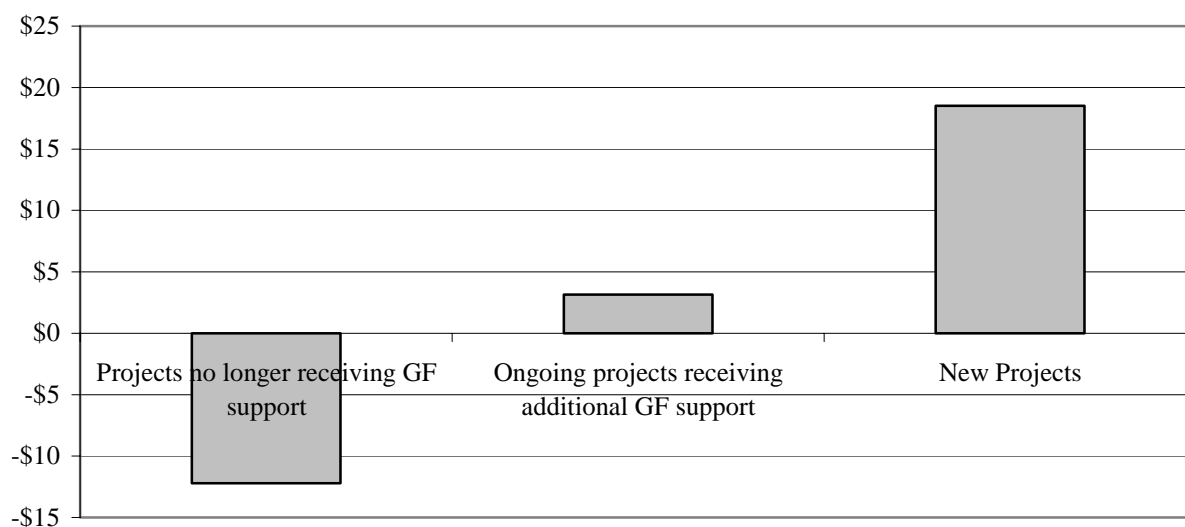
DLS recommends reducing funding for two DPSCS projects (MAFIS and the Offender Case Management System) by \$8.25 million as these projects will be developed over a multi-year period and deleting \$936,848 for the DPSCS Network Live Scan project based on DPSCS's ability to complete that within existing resources. DLS also recommends that back of the bill language be adopted detailing which of the fiscal 2006 projects to be funded from the MITDPF are approved. The language will enable OIT to move ahead with approved projects at the stated appropriation level (or some minor variation) without the need for additional review. If OIT wishes to deviate from the approved project list or significantly deviate from the approved funding level, budget committee review and comment shall be requested.

Other than as just noted, the approval applies to all but one project: CHESSIE. For CHESSIE, OIT will need to submit a formal request to use funds set aside for the project in the MITDPF. Given the long-standing issues and concerns surrounding the development of CHESSIE, this additional level of legislative oversight is prudent. OIT will also have to request funds for IV&Vs in order for the legislature to monitor the projects for which IV&Vs are being used.

Changes in MITDPF Funding

Fiscal 2006 general fund support for major IT projects, \$25.8 million, is significantly above the \$16.3 million that was anticipated in the major IT spending plan provided in the fiscal 2005 budget. As shown in **Exhibit 7**, this increase is a combination of three factors:

Exhibit 7
Change in General Fund Support for Major IT Projects
Fiscal 2006 Allowance Compared to Fiscal 2006 Anticipation Plan
(\$ in Millions)



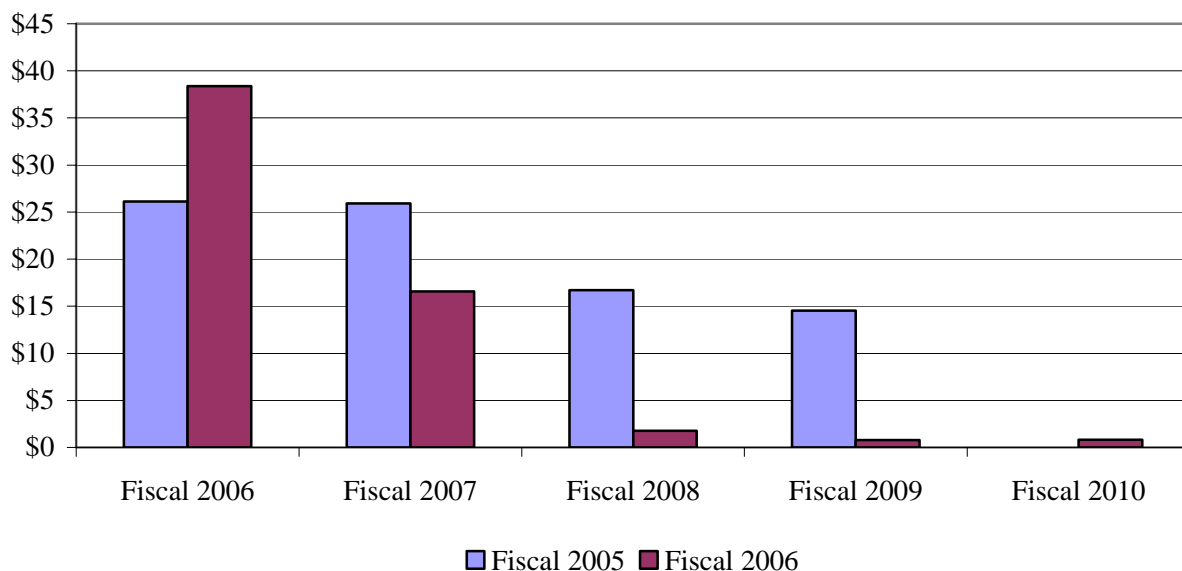
Source: Department of Budget and Management; Department of Legislative Services

- A number of projects (totaling \$12.2 million) are not receiving general fund support in fiscal 2006. For example, the DPSCS MIOMS project (an enterprise-wide offender management system) that was anticipated to be funded at \$5.6 million has been cancelled. The Department of State Police (DSP) race-based traffic stop project anticipated \$2.5 million in funding. This funding related to hardware installation in patrol vehicles rather than system software development is funded directly in the DSP budget.
- Three projects are funded at higher than anticipated levels (\$3.2 million): CHESSIE and the DPSCS network stabilization and network live scan projects.
- \$18.5 million funding of new projects.

Out-year Major IT Project Funding

As shown in **Exhibit 8**, the level of out-year expenditures (fiscal 2006 to 2009) anticipated in the fiscal 2005 budget for all major IT projects (including funds for projects receiving partial or no support from the MITDPF) is markedly different than that anticipated by OIT in the fiscal 2006 budget.

Exhibit 8
Comparison of Fiscal 2005 and 2006 Out-year Funding Plan



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

Essentially, for projects currently under development, after fiscal 2007, there is virtually no level of anticipated funding. This reflects:

- The movement of a significant number of projects out of the development phase and into operation/maintenance.
- The deletion of out-year spending on cancelled projects.
- The anticipated completion of several high-profile projects such as CHESSIE in fiscal 2007.
- The new projects added to the major IT list in fiscal 2006 are anticipated to be one-time expenditures (for example, MAFIS), complete by fiscal 2007 (for example, the State Board of Elections Statewide Voter Registration system), or are planning funds. However, these planning funds could lead to future major IT project spending.

2. Information Technology Oversight

During the 2004 interim two separate examinations of the current state of the State's oversight of IT were undertaken: the first, by the Office of Legislative Audits (OLA) at the request of the Joint Audit Committee; the second, by DBM, as a result of a JCR request. The main findings of the OLA report and DBM's response are provided in **Exhibit 9**.

Exhibit 9 Summary of OLA and DBM 2004 Reports on IT Oversight

| <u>OLA Audit Finding</u> | <u>DBM Response</u> |
|--|--|
| DBM has not established strong central control over IT project management commensurate with its authority under law. | DBM's model for IT project oversight combines agency responsibility (executive sponsorship as well as project stakeholders and project managers), DBM oversight, peer review, and external review through IV&Vs. |
| DBM has not established continuous centralized contract monitoring of State agencies' major IT development projects. | DBM has enhanced oversight at the front-end of project development in reviewing solicitation documents as well as providing ongoing review through the System Development Life Cycle tool as well as other standards. |
| DBM no longer maintains direct control over the majority of expenditures for major IT development projects. | DBM contends that they can withhold funds through authority in the State Finance and Procurement Article as well as through control of the MITDPF. Certainly, control over MITDPF funding is readily apparent. However, it is the case that DBM chose not to formally withhold appropriations for IT projects outside of the MITDPF in fiscal 2005 as it had done in the past. |
| DBM has not yet issued a Statewide IT Master Plan. | The plan was issued December 2004. As discussed above, it contains a number of moving parts that are in the process of implementation. |
| DBM has not established a State job classification series to aid in attracting and retaining persons to function as effective IT project managers. | DBM concurred that attracting and retaining qualified IT staff was an issue and a response to this problem forms a part of the State IT Master Plan. |
| DBM has fulfilled certain education and training missions of the 2002 IT Reform Plan but needs to do more. | DBM noted that best practices are discussed and shared through monthly IT Advisory Committee meetings but more formalized training could be considered. |
| The State does not have statewide enterprise architecture in place. | DBM awarded a contract for the development of Maryland's Technical Architecture Framework in July 2004. This contract is also one of the key components of the State IT Master Plan. |

Source: Office of Legislative Audits; Department of Budget and Management

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A number of general points can be made about OLA's observations and DBM's response:

- The current approach to IT oversight clearly utilizes a different model to that developed in the 2002 IT Reform Plan. The reorganization of OIT during the 2004 interim reinforces this differing approach.

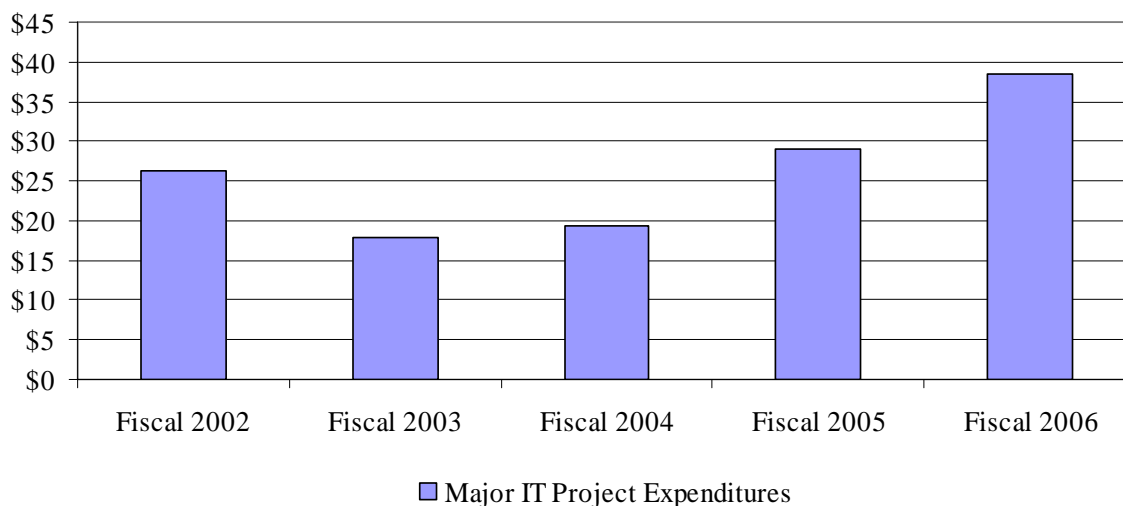
The development of a cadre of qualified IT professionals based in DBM as envisaged in the reform plan was based on a model of centralized control of IT oversight. The issue of centralized versus decentralized control has been a constant debate within the public sector IT community. The Center for Digital Government characterizes centralization as a reaction to uncoordinated/profligate spending and unnecessary duplication among agencies while decentralization is a reaction to poor service, inadequate capacity and a lack of trust in a central provider. Maryland's move to centralized oversight at that time certainly reflected concerns about profligate spending.

- At the same time, core elements of the State CIO's authority that DBM points to in its response to the audit findings were clearly established in the IT reform legislation, for example, the institutionalization of the concept of system development life cycles.
- Maryland's current approach to IT oversight appears to be more grounded between the two poles of centralization and decentralization. The use of peer review as well as IV&Vs is perhaps the most obvious elements of this different approach. At the same time, the State CIO retains important elements of control over the funding and thus the development of projects.

Interestingly, the centralized approach is tended to amongst those states ranked in the top 10 of the Digital States Survey whereas most states tend towards this middle ground position.

- In its response to the OLA audit, DBM notes that the IT oversight it intends to pursue is more suited to the current level of funding for major IT projects. Certainly, as shown in **Exhibit 10**, major IT project funding fell sharply in fiscal 2004 and has only moved significantly past fiscal 2002 funding levels in the proposed fiscal 2006 budget. By the same token, in the total State budget, IT-related expenditures (excluding personnel costs) approach \$400 million, and OIT is also responsible for ensuring that total level of spending follows overall State IT policies.

Exhibit 10
Major IT Projects Expenditures
Fiscal 2002 – 2006
(\$ in Millions)



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

OLA's insights into IT oversight and DBM's response are both clearly grounded in what the Center for Digital Government refers to as the next generation of digital service delivery. Indeed, the steps being taken by OIT as part of the State IT Master Plan read the same as in other states' IT Master Plans. While OIT has chosen a different path to achieve the desired level of IT oversight than that originally envisaged in the 2002 IT reform plan, OIT certainly understands that responsibility for the development of major IT projects and IT spending ultimately rests with it.

How then to hold OIT accountable for ensuring that it is providing effective oversight under the oversight structure it has chosen to use? **DLS recommends enhancing the existing statutory reporting requirement regarding major IT projects.** This can be incorporated into budget reconciliation legislation. Specifically:

- Any reporting on projects funded through the MITDPF should include a determination either by OIT and/or through IV&V/peer review that the IT projects are utilizing best practices.
- Project reports should also include a summary of any monitoring and oversight either provided directly by OIT and/or through IV&V/peer review including problems identified and corrective actions taken; and
- Information should be provided in the same format for other major IT projects that are not directly funded through the MITDPF.

DLS also recommends withholding funds pending the receipt of a report demonstrating OIT's progress in implementing the various pieces of the State IT Master Plan.

Recommended Actions

1. Add the following language:

SECTION X. AND BE IT FURTHER ENACTED, That:

- (1) two positions are deleted from the Office of Information Technology;
- (2) a reduction of \$157,000 is made in this budget to the Office of Information Technology in the Department of Budget and Management;
- (3) the Governor shall develop a schedule for allocating this reduction across the various State agencies that receive services from the Office of Information Technology and across all funds based upon State agency use of those services; and
- (4) the reduction under this section shall equal at least the amounts indicated for the budgetary fund types listed:

| <u>Fund</u> | <u>Amount</u> |
|----------------|-----------------|
| <u>General</u> | <u>\$99,000</u> |
| <u>Special</u> | <u>35,000</u> |
| <u>Federal</u> | <u>23,000</u> |

Explanation: The language deleted two reimbursable-funded regular positions and associated funding from the Office of Information Technology. The language apportions the cut across State agencies.

2. Add the following language:

, provided that \$100,000 of this appropriation may not be expended until the Office of Information Technology submits a report detailing the implementation status of its recently published State Information Technology Master Plan. The report shall also include specific time-lines for the full implementation of each element of the plan. The report shall be submitted to the budget committees by December 1, 2005, and the committees shall have 45 days from the receipt of the report to review and comment.

Explanation: The Office of Information Technology (OIT) published a State Information Technology (IT) Master Plan in December 2004. The plan comprises several ongoing initiatives and gave broad time-frames for the implementation of each. The language withholds funds until OIT provides an update on the implementation of each of the various parts of the State IT Master Plan together with more specific time-frames for the overall plan implementation.

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| Information Request | Author | Due Date |
|--|---------------|------------------|
| Implementation of State IT Master Plan | OIT | December 1, 2005 |

3. Add the following language:

The General Assembly approves the use of the Major Information Technology Development Project Fund to support projects as listed in the 2005 Joint Chairmen’s Report (JCR). The Office of Information Technology 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 45 days to review and comment from the date of receipt of any submittal.

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

| <u>Agency</u> | <u>Project Name</u> | <u>Proposed Funding (\$)</u> |
|---|--|------------------------------|
| Budget and Management | Business Processes System Planning | \$1,000,000 |
| Budget and Management | Statewide Radio System Planning | 1,000,000 |
| Budget and Management | Statewide Disaster Recovery Center Planning | 500,000 |
| Public Safety and Correctional Services | System Infrastructure Stabilization | 1,300,000 |
| Public Safety and Correctional Services | Offender Based Management System | 1,500,000 |
| Public Safety and Correctional Services | Multiple Agency Fingerprint Information System | 6,250,000 |

| Information Request | Author | Due Date |
|---|---------------|------------------------------|
| Projects that deviate from the 2005 Joint Chairmen’s Report (JCR) listing of approved projects or with funding levels more than 10% above proposed levels as noted in the JCR | OIT | 45 days prior to expenditure |

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| | <u>Amount Reduction</u> | |
|---|------------------------------------|----|
| 4. Reduce funding to replace the Multiple Agency Fingerprint Information System (MAFIS). A replacement for the existing MAFIS program is required but may be phased in over two years. | \$ 6,250,000 | GF |
| 5. Reduce funding for an Offender Based Management System. The Department of Public Safety and Correctional Services has indicated that this project can be phased in over a three-year period. | 2,000,000 | GF |
| 6. Delete proposed funding for the Network Live Scan project. According to the Office of Information Technology, this project can be funded through existing resources. | 936,848 | GF |
| Total General Fund Reductions | \$ 9,186,848 | |

Updates

1. Availability of Services over the Internet

Chapter 5, Acts of 2000 required all units of the Executive Branch (excluding higher education institutions) to make 50% of their information and services available to the public over the Internet by calendar 2002, rising to 65% and 80% by calendar 2003 and 2004, respectively. However, it has been difficult to assess compliance with the statute. During 2004 budget deliberations, the budget committees requested that DBM report back to them on what services and information offered by agencies should be available to citizens on-line and how many are already available on-line.

In reporting back to the committees, DBM noted that its response was not intended to provide a comprehensive overview of all services provided by State agencies. Rather, the intent was to evaluate if services being provided met citizen needs and generated operating savings.

In terms of meeting citizen needs, the report cited a Center for Digital Government survey on the usage of information technology in providing services to its citizens. The survey listed 9 service categories and 25 specific Internet services most desired by citizens. As shown in **Exhibit 11**, according to the survey, of the 25 designated services, 18 were fully available on-line in Maryland with the remaining 7 services partially implemented.

**Exhibit 11
Center for Digital Government
Suite of Digital Services**

| <u>Service Category</u> | <u>On-line Service</u> | <u>States with Full Implementation</u> | <u>Maryland Implementation Status</u> |
|------------------------------|--|--|---------------------------------------|
| Customer Care | On-line customer assistance system | 58% | Full |
| Recreation and Travel | Fishing and hunting license | 86% | Full |
| | State parks and campsite reservations | 65% | Full |
| | Traffic flow | 63% | Full |
| Public Safety | Criminal history background check | 42% | Partial |
| | Real time alerts (Homeland, Amber, Weather) | 63% | Full |
| | VIN validation search | 42% | Partial |
| Health and Consumer Services | Certificate ordering (birth, marriage, divorce, death) | 44% | Full |
| | Credential status look up (doctor, dentist, nurse) | 72% | Full |
| | Hospital accreditation status | 30% | Full |
| | Contractor status | 49% | Full |
| Social Services | Benefits application and status | 19% | Partial |
| | Child support billing and payment | 36% | Partial |
| | Adoption/Foster parent application | 14% | Partial |
| Licensing | Master business licensing | 28% | Full |
| | Business registration renewal | 42% | Full |
| | Vehicle registration renewal | 67% | Full |
| Professional Licensing | Driver's license renewal | 37% | Partial |
| | Physician renewals | 44% | Full |
| | Nurse renewals | 65% | Full |
| Employment and Labor | Job search | 98% | Full |
| | Unemployment insurance (UI) application | 72% | Full |
| Tax and Revenue | Individual income tax filing and payment | 67% | Full |
| | Business tax filing and payment | 70% | Partial |
| | UI employer tax and wage report filing and payment | 67% | Full |

Source: Center for Digital Government; Department of Budget and Management

It is possible to quibble about whether all of the services said to be fully available on-line are actually available on State agency web-sites (for example, dentist credentials are not available on-line). It is also impossible to know if the requirements of Chapter 5 were accomplished by the end

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of 2004. DBM received only incomplete information back from agencies on the percentage of services and information available on-line.

However, there are clearly many services available on-line and access to them is relatively good. For example, the Maryland portal (Maryland.gov) provides simple access to a wide array (95 in all) of useful on-line government services and information. Statistics on portal usage show rapid growth in utilization in terms of the monthly growth in unique visitors. Further, as noted above in the performance measures section, Maryland has always ranked well in surveys that focus on on-line service delivery

As noted above in the section on performance review, DBM is also working to standardize agency web sites in order to enhance the ease of navigation and use for users. This is a process that will be ongoing through calendar 2006.

The DBM report was silent as to additional functions that could be provided on-line and that would potentially generate operating savings. Indeed, while there is little doubt that the on-line availability of government services and information is a significant benefit to Maryland citizens in its dealings with government, there is little documented evidence that the State has generated operating savings as a result of its investment in making services and information available on-line.

Current and Prior Year Budgets

Current and Prior Year Budgets Office of Information Technology (\$ in Thousands)

| | <u>General Fund</u> | <u>Special Fund</u> | <u>Federal Fund</u> | <u>Reimb. Fund</u> | <u>Total</u> |
|----------------------------------|-------------------------|-------------------------|-------------------------|------------------------|-----------------|
| Fiscal 2004 | | | | | |
| Legislative Appropriation | \$14,809 | \$19,689 | \$0 | \$17,742 | \$52,240 |
| Deficiency Appropriation | 0 | 0 | 0 | 0 | 0 |
| Budget Amendments | -146 | -6,935 | 0 | -2,141 | -9,222 |
| Cost Containment | -1,422 | 0 | 0 | 0 | -1,422 |
| Reversions and Cancellations | -512 | -7,298 | 0 | -1,595 | -9,406 |
| Actual Expenditures | \$12,729 | \$5,455 | \$0 | \$14,006 | \$32,190 |
| Fiscal 2005 | | | | | |
| Legislative Appropriation | \$18,346 | \$7,873 | \$0 | \$17,696 | 43,914 |
| Budget Amendments | 3,394 | 250 | 0 | -115 | 3,528 |
| Working Appropriation | \$21,739 | \$8,123 | \$0 | \$17,581 | \$47,442 |

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

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Fiscal 2004

The fiscal 2004 legislative appropriation for OIT was reduced by almost \$20.1 million. This reduction was derived as follows:

- General fund reductions totaled almost \$2.1 million – including \$146,000 in budget amendments, just over \$1.4 million in cost containment reductions, and \$512,000 in general fund reversions. The budget amendment reflected a realignment of telecommunications costs within DBM. Cost containment actions taken to OIT were adopted by the BPW in July 2003. Just under \$769,000 of this amount was salary and fringe benefit savings associated with the elimination of 17 positions, including 7 filled positions. Of the remainder, most (\$574,000) represented reductions in contracts, including consulting services for networkMaryland and FMIS, with smaller reductions to travel and contractual assistance. The reversions came from a variety of areas but most (almost \$487,000) represented salaries and benefits associated with vacant positions.
- Special fund reductions totaled a little over \$14.2 million – almost \$7 million reduced through budget amendment and \$7.3 million in special fund cancellations. The budget amendments included \$3.8 million in Major Information Technology Project support and just under \$3.2 million in reductions to the Telecommunication Access of Maryland program. The bulk of the cancellations were in the Major Information Technology Development Project Fund. These funds will be used to fund projects in fiscal 2005.
- Reimbursable funds fall by just over \$3.7 million – just over \$2.1 million through budget amendments, just under \$1.6 million as a result of cancellations.

Fiscal 2005

To date, the fiscal 2005 legislative appropriation has been increased by just over \$3.5 million. The bulk of the increase related to general funds. Specifically, \$3.326 million was transferred from DHR to the MITPDF to support the fiscal 2005 development costs for CHESSIE. This transfer was as provided for in fiscal 2005 budget bill language. The remaining general fund increase was for the fiscal 2005 cost-of-living increase.

**Object/Fund Difference Report
DBM – Information Technology**

| <u>Object/Fund</u> | <u>FY04 Actual</u> | <u>FY05 Working Appropriation</u> | <u>FY06 Allowance</u> | <u>FY05 - FY06 Amount Change</u> | <u>Percent Change</u> |
|---|------------------------|---|---------------------------|--------------------------------------|---------------------------|
| Positions | | | | | |
| 01 Regular | 123.50 | 123.50 | 115.00 | -8.50 | -6.9% |
| 02 Contractual | 5.00 | 5.00 | 4.00 | -1.00 | -20.0% |
| Total Positions | 128.50 | 128.50 | 119.00 | -9.50 | -7.4% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 8,477,957 | \$ 9,016,637 | \$ 8,617,477 | -\$ 399,160 | -4.4% |
| 02 Technical & Spec Fees | 150,577 | 138,594 | 213,214 | 74,620 | 53.8% |
| 03 Communication | 8,767,092 | 10,535,184 | 8,201,155 | -2,334,029 | -22.2% |
| 04 Travel | 71,763 | 134,969 | 75,417 | -59,552 | -44.1% |
| 06 Fuel & Utilities | 8,966 | 8,780 | 17,500 | 8,720 | 99.3% |
| 07 Motor Vehicles | 1,933 | 1,994 | 1,880 | -114 | -5.7% |
| 08 Contractual Services | 13,943,944 | 24,763,339 | 33,186,895 | 8,423,556 | 34.0% |
| 09 Supplies & Materials | 56,851 | 603,934 | 1,252,359 | 648,425 | 107.4% |
| 10 Equip - Replacement | 569,616 | 145,295 | 604,500 | 459,205 | 316.1% |
| 11 Equip - Additional | 0 | 1,938,572 | 1,203,082 | -735,490 | -37.9% |
| 12 Grants, Subsidies, and Contributions | 5,000 | 5,000 | 0 | -5,000 | -100.0% |
| 13 Fixed Charges | 136,343 | 150,161 | 198,902 | 48,741 | 32.5% |
| Total Objects | \$ 32,190,042 | \$ 47,442,459 | \$ 53,572,381 | \$ 6,129,922 | 12.9% |
| Funds | | | | | |
| 01 General Fund | \$ 12,728,800 | \$ 21,739,069 | \$ 38,042,070 | \$ 16,303,001 | 75.0% |
| 03 Special Fund | 5,455,328 | 8,122,883 | 465,526 | -7,657,357 | -94.3% |
| 09 Reimbursable Fund | 14,005,914 | 17,580,507 | 15,064,785 | -2,515,722 | -14.3% |
| Total Funds | \$ 32,190,042 | \$ 47,442,459 | \$ 53,572,381 | \$ 6,129,922 | 12.9% |

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal Summary
DBM – Information Technology**

| <u>Program/Unit</u> | <u>FY04 Actual</u> | <u>FY05 Wrk Approp</u> | <u>FY06 Allowance</u> | <u>Change</u> | <u>FY05 - FY06 % Change</u> |
|--|------------------------|----------------------------|---------------------------|---------------------|---------------------------------|
| 01 Executive Direction | \$ 3,754,874 | \$ 4,842,917 | \$ 4,171,075 | -\$ 671,842 | -13.9% |
| 02 Division of Information Technology Investment Mgmt | 4,918,777 | 5,681,546 | 3,714,828 | -1,966,718 | -34.6% |
| 03 Division of Application Systems Management | 9,634,384 | 10,364,847 | 9,955,057 | -409,790 | -4.0% |
| 04 Division of Telecommunications | 13,882,007 | 17,796,477 | 9,575,012 | -8,221,465 | -46.2% |
| 05 Division of Contracts Management | 0 | 0 | 0 | 0 | 0% |
| 07 Division of Security and Architecture | 0 | 0 | 0 | 0 | 0% |
| 01 Major Information Technology Development Projects | 0 | 8,756,672 | 26,156,409 | 17,399,737 | 198.7% |
| Total Expenditures | \$ 32,190,042 | \$ 47,442,459 | \$ 53,572,381 | \$ 6,129,922 | 12.9% |
| General Fund | \$ 12,728,800 | \$ 21,739,069 | \$ 38,042,070 | \$ 16,303,001 | 75.0% |
| Special Fund | 5,455,328 | 8,122,883 | 465,526 | -7,657,357 | -94.3% |
| Total Appropriations | \$ 18,184,128 | \$ 29,861,952 | \$ 38,507,596 | \$ 8,645,644 | 29.0% |
| Reimbursable Fund | \$ 14,005,914 | \$ 17,580,507 | \$ 15,064,785 | -\$ 2,515,722 | -14.3% |
| Total Funds | \$ 32,190,042 | \$ 47,442,459 | \$ 53,572,381 | \$ 6,129,922 | 12.9% |

Note: The fiscal 2005 appropriation does not include deficiencies, and the fiscal 2006 allowance does not reflect contingent reductions.

**Fiscal 2006 Cost Containment Actions
As Submitted by the Agency
Estimated Fiscal 2006 Savings
Compared to Fiscal 2005**

| <u>Activity</u> | <u>Program</u> | <u>General Funds</u> | <u>Position Reduction</u> | <u>Impact of Action</u> |
|---|----------------|----------------------|---------------------------|------------------------------|
| Office of Information Technology | | | | |
| Chief Information Officer | F10A04.01 | | | |
| Reduced need for LATA | | \$240,000 | 0.00 | No operational change. |
| Reduced need for consultants | | 200,000 | 0.00 | No operational change. |
| Enterprise Infrastructure Systems | F10A04.02 | | | |
| Statewide Information Technology Support | | | | |
| Reassessed staffing levels vs. needs | F10A04.03 | 142,635 | 2.00 | No operational change. |
| Reduced contractual support | | 236,800 | 0.00 | No operational change. |
| Telecommunications | F10A04.04 | | | |
| Eliminated Division Director | | | 1.00 | Implementing reorganization. |
| Eliminated one position | | | 1.00 | No operational change. |
| Total General Fund Savings | | \$819,435 | | |

Source: Department of Budget and Management