

F10A04
Information Technology
Department of Budget and Management

Operating Budget Data

(\$ in Thousands)

	FY 05	FY 06	FY 07	FY 06-07	% Change
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$19,842	\$28,987	\$46,930	\$17,944	61.9%
Special Fund	4,599	7,296	7,542	246	3.4%
Reimbursable Fund	<u>15,010</u>	<u>17,960</u>	<u>15,055</u>	<u>-2,905</u>	<u>-16.2%</u>
Total Funds	\$39,451	\$54,243	\$69,527	\$15,285	28.2%

- The Office of Information Technology's (OIT) operations and core services show modest growth in fiscal 2007. The major change in the budget is significant funding for new major information technology (IT) projects.

Personnel Data

	FY 05	FY 06	FY 07	FY 06-07
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>
Regular Positions	123.50	119.00	119.00	0.00
Contractual FTEs	<u>5.00</u>	<u>4.00</u>	<u>4.00</u>	<u>0.00</u>
Total Personnel	128.50	123.00	123.00	0.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	3.81	3.20%
Positions Vacant as of 12/31/05	15.00	12.60%

- OIT continues to shrink, losing a net 4.5 full-time equivalent regular positions as a result of fiscal 2006 position cap abolitions. Yet, the office continues to have a high turnover rate.

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

For further information contact: Simon Powell

Phone: (410) 946-5530

Analysis in Brief

Major Trends

Satisfaction with Statewide Services Remains High: Survey data continue to indicate that satisfaction with the statewide services provided by OIT is high. Use of networkMaryland also continues to grow.

Maryland Portal Attracts Visitors: The number of unique visitors visiting the Maryland Portal continues to grow.

Issues

Expenditures Supported by the Major IT Development Project Fund: A review of projects to be supported by the Major IT Development Project Fund is provided.

State IT Master Plan Implementation Status: In December 2004, OIT submitted a long overdue State IT Master Plan. The implementation status of the 8 key strategic initiatives contained in that plan is summarized.

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Add language approving funding for specified projects through the Major Information Technology Development Project Fund.		
2. Delete two long-term vacant positions.	\$ 75,277	2.0
3. Delete funds for video surveillance equipment at various Department of Juvenile Services facilities.	2,000,000	
4. Delete funding for the Department of Labor, Licensing, and Regulation Maryland Business Registry.	1,000,000	
Total Reductions	\$ 3,075,277	2.0

Updates

Resource-sharing Proposals: Status of Recent Proposals: The status of resource-sharing proposals submitted to the Legislative Policy Committee during calendar 2004 and 2005 is provided.

F10A04 – DBM – Information Technology

F10A04
Information Technology
Department of Budget and Management

Operating Budget Analysis

Program Description

The Office of Information Technology (OIT) is organized as follows:

- **Executive Direction** including the State Chief Information Officer (CIO).
- **Enterprise Information Systems** including the development of infrastructure and security standards as well as the Help Desk.
- **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.
- **Networks** including the operation of networkMaryland and the State's wireless system.
- **Strategic Planning** responsible for the oversight of IT procurement, project management, and policies and planning.
- **Web Systems** including the operation of the State web portal.
- **Telecommunications Access of Maryland** provides telecommunications relay service for Maryland's hearing and speech disabled citizens.

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

OIT's Managing for Results data reflect 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 2003 – 2005

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Project Oversight			
New major IT development projects on time, on budget, and meeting identified requirements (%)	67	83	100
Statewide IT and Telecommunications Services			
Availability and accuracy of ASM systems rated acceptable or above (%)	82	95	92
Routine voice system service requests completed within 72 hours (%)	89	89	95
State agency requests for transport or Internet services through DBM OIT Telecom via networkMaryland (% fulfilled)	39	52	79

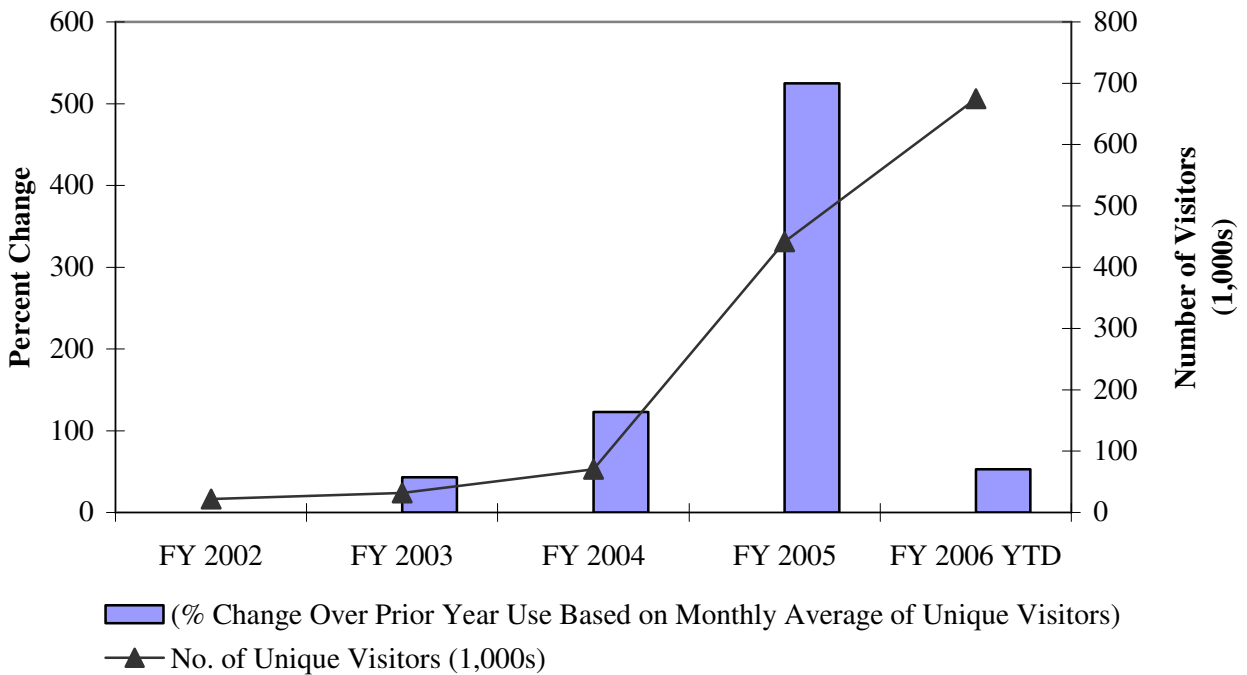
Source: Department of Budget and Management

A number of points can be made from the exhibit:

- In terms of oversight of major IT development projects, OIT reports that in fiscal 2005, it achieved a success rate of 100% in terms of projects operating within approved budget, scope, and schedule.
- Utilization of networkMaryland continues to grow in terms of being able to fulfill agency requests for transport or Internet services over the network. According to OIT, networkMaryland has been implemented in 19 jurisdictions, and 60% of leased telecommunications services have been migrated to the network. OIT is now looking to use the network for VOIP (voice over Internet protocol that allows users to make telephone calls over a computer network). The fiscal 2007 allowance includes \$210,000 to support a limited VOIP pilot.

Exhibit 2 details the growth in the use of the Maryland Portal in recent years. The average monthly number of unique visitors to the Maryland Portal has increased from under 22,000 in fiscal 2002 to almost 675,000 in fiscal 2006 year-to-date. Year-over-year utilization has grown dramatically in recent years (unlike OIT’s continuing rather timid objective of a 5% year-over-year increase). The large increase in fiscal 2005 is a reflection of the State’s web branding effort as well as improved navigation and search capabilities. Further, satisfaction levels gathered from survey data concerning ease of use and usefulness of information on the Portal home page are high (80 and 85% respectively) in fiscal 2005.

Exhibit 2
Increased Utilization of the Maryland Portal
 (Percent Change Over Prior Year Use Based on Monthly Average of Unique Visitors)
 Fiscal 2002 – 2006 Year-to-date



Source: Department of Budget and Management

Maryland was not among the 2005 “Best of the Web” state portals as ranked by the Center for Digital Technology (a private research and advisory institute on IT policies and best practices in state and local government). However, as it happens, to be eligible for the award you have to enter the competition, and Maryland did not. At least two State agencies did enter in other categories. The center awarded the Department of Natural Resources web site “Best of Web in Government to Citizen” category, and the Maryland Workers’ Compensation Commission won a “Best of Web in Government to Business” award.

Governor’s Proposed Budget

As shown in **Exhibit 3**, the fiscal 2007 allowance for OIT increases by just under \$15.3 million over the fiscal 2006 working appropriation, 28.2%. As has been true for the past several years, the figure is driven by the extent of project funding in the Major Information Technology Development Project Fund (MITDPF).

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

How Much It Grows:	General Fund	Special Fund	Reimb. Fund	Total
2006 Working Appropriation	\$28,987	\$7,296	\$17,960	\$54,243
2007 Governor's Allowance	<u>46,930</u>	<u>7,542</u>	<u>15,055</u>	<u>69,527</u>
Amount Change	\$17,944	\$246	-\$2,905	\$15,285
Percent Change	61.9%	3.4%	-16.2%	28.2%

Where It Goes:

Personnel Expenses	\$499
Increments and other compensation	\$193
Fiscal 2007 employee and retiree health insurance	169
Understatement of fiscal 2006 health insurance	109
Retirement contributions	74
Savings from fiscal 2006 position abolitions.....	60
Turnover adjustments	60
Other fringe benefit adjustments	-56
Reclassifications	-110
OIT Operations and Core Services	-\$2,659
Telecommunications Access of Maryland voice relay contract	523
Communications costs based on additional OIT responsibility for telecommunications at six multi-service centers and to support a VOIP pilot	463
Enhancement to Maryland Portal search engine (vendor for current search engine has no plans to upgrade)	410
Equipment repairs (networkMaryland, microwave and wireless infrastructure, and PBXs no longer covered by warranty).....	371
Other	-10
Applications software maintenance	-178

F10A04 – DBM – Information Technology

Where It Goes:

Outside consulting contracts.....	-250
IV&V supported through MITDPF	-400
Reduction in networkMaryland implementation support as agencies complete migration to network	-477
Capital lease payments (completion of Y2K PBX payments).....	-611
Fiscal 2006 MITDPF projects (Disaster Recovery, Business Processes Systems Planning, Statewide Radio System Planning).....	-2,500
Major Information Technology Development Projects	\$17,445
Major Information Technology Development Projects	17,445
Total	\$15,285

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

Looking only at OIT’s operations, personnel expenses increase by \$499,000. The vacancy rate in OIT remains high – 12.6%, or 15 positions as of December 31, 2005. OIT indicates that it has filled 4 vacancies since the beginning of the year. Of the other 11 vacancies, OIT indicates that they have been given approval to hire and offers will be made to 5 candidates in the near future.

Spending on OIT operations and core services falls by just under \$2.7 million. However, this figure is slightly misleading. \$2.9 million in fiscal 2006 funding transferred from the MITDPF to OIT’s budget does not appear in fiscal 2007 – three strategic planning projects concerning disaster recovery, business process systems, and statewide radio systems development (\$2.5 million), and IV&V funded through the MITDPF (\$400,000). Absent those expenditures, there is some modest growth in OIT operations and core services, primarily focused around the Telecommunications Access of Maryland program as well as related to the maintenance and enhancement of statewide services offered by OIT (networkMaryland, the Maryland Portal, and telecommunications services).

Changes in the MITDPF expenditures are detailed in Issue 1.

Issues

1. Expenditures Supported by the Major IT Development Project Fund

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 the ITIF for major IT projects, limited the use of the fund for other smaller IT projects, and enhanced the role of the State CIO in approving projects from the fund. Further, in addition to preserving the existing revenue streams, the legislation required all general funds appropriated for major IT projects to be held in the fund.

As shown in **Exhibit 4**, in fiscal 2007, over \$34.4 million in general funds have been added to the MITDPF. This general fund appropriation together with an anticipated fund balance of just over \$1 million and special fund revenues (primarily interest income) supports just over \$34 million in spending.

Exhibit 4 MITDPF Fund Data Fiscal 2004 – 2007

<u>MITDPF Fund Data Fiscal 2004 through 2007</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Opening Fund Balance	\$6,863,178	\$4,192,602	\$3,797,644	\$1,058,452
Revenues				
General Fund		5,430,672	16,569,561	34,415,000
Special Fund	3,658,631	384,614	843,600	1,163,500
Abandoned projects from prior years/returned awards	505,579	33,863		
Transfers from other agencies		3,326,000		
Total Available Revenues	\$11,027,388	\$13,367,751	\$21,210,805	\$36,636,952
Expenditures				
Transferred to agencies	-6,834,786	-9,570,107	-8,080,723	
Additional project commitments (approved by legislature/ <i>Joint Chairmen's Report</i>)			-12,071,630	
Requested Expenditures				-34,415,000
Fund Balance	\$4,192,602	\$3,797,644	\$1,058,452	\$2,221,952

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

As detailed in **Exhibit 5**, of the anticipated \$34.4 million in spending, just over \$13 million (40%) is for ongoing project oversight and for four projects for which funding has previously been approved by the General Assembly. The remaining almost \$21.4 million (60%) is for eight new projects.

Exhibit 5
Major IT Development Project Fund
Projects Receiving Fiscal 2007 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	DLS recommends approval.
Department of Human Resources (DHR)	Children’s Electronic Social Services Information Exchange (CHESSIE)	Child welfare case management system.	\$3,900,000	Final year of development funding. Early release of referral module has been successfully implemented statewide. Harford County will pilot the fully functional CHESSIE beginning in February 2006 with all other jurisdictions fully operational by the end of calendar 2006. DLS recommends approval.
DBM	Statewide Disaster Recovery Planning	Planning for a State-owned and managed disaster recovery center.	\$1,000,000	The request builds on fiscal 2006 funding of \$500,000. That funding is supporting a contract that will provide the basis for subsequent initiatives. DLS recommends approval.
Department of Public Safety and Correctional Services (DPSCS)	Offender case management system	Plan, develop, and implement a comprehensive offender case management system to manage an individual from pre-trial through release.	\$1,500,000	Second year of what is now projected to be a four-year project. Estimated cost now at \$4.6 million, \$900,000 over the fiscal 2006 estimate. Project is still in the requirements phase with the decision on an IT solution expected at the end of February. Fiscal 2006 funding has yet to be transferred from the MITDPF. DLS recommends approval.
DPSCS	Multiple Agency Fingerprint Information System (MAFIS)	Replace existing MAFIS system. Current system was implemented in 1990, upgraded in 1997, and is considered obsolete.	\$6,250,000	This funding represents the second of two major installments for this project. A requirements analysis is almost complete. A Request for Proposal is anticipated at the end of the fiscal year. Fiscal 2006 funding has yet to be transferred from the MITDPF. DLS recommends approval.

F10A04 – DBM – Information Technology

<u>Agency</u>	<u>Project Name</u>	<u>Project Description</u>	<u>MITDPF Funding</u>	<u>Comment</u>
New Projects				
Comptroller	Computer Assisted Collections System	Replacing legacy automated collection system to improve collection of delinquent taxes.	\$9,065,000	The existing collection system does not provide all the tools that are available to enable the Comptroller to maximize the collection of past-due taxes. DLS recommends approval.
State Department of Assessments and Taxation	Assessment Administration and Valuation System	Establish single real property database with statewide access.	\$2,000,000	Combines two existing databases – land management (including property location and account ownership) and property valuation. It is argued this will add access to information internally as well as for the public. DLS recommends approval.
DBM	Statewide Personnel System	Replace existing State personnel management system.	2,000,000	In fiscal 2006, DBM received funding to study the possible replacement of statewide budget, accounting and personnel IT systems. The current IT personnel system is 30 years old. DLS recommends approval.
Department of Health and Mental Hygiene (DHMH)	HMIS	Replace existing Hospital Management Information System (HMIS).	2,300,000	Replace the existing census and billing component of HMIS used in DHMH's 16 hospital centers. The upgrade will also move clinical functions from a paper-based to electronic format. DLS recommends approval.
DLLR	Maryland Business Registry	Develop a Maryland Business Registry.	1,000,000	The Information Technology Project Request (ITPR) was not available until after the budget was submitted and does not provide adequate information about this project. The ITPR project description seems inconsistent with the project description provided in the Governor's operating books. DLLR was not able to add much about this project in response to DLS's questions, and it is unclear at this point how this project interfaces with existing databases and systems at other agencies. DLS recommends deleting the funding.

F10A04 – DBM – Information Technology

<u>Agency</u>	<u>Project Name</u>	<u>Project Description</u>	<u>MITDPF Funding</u>	<u>Comment</u>
Maryland Higher Education Commission	Student Financial Aid System	Replace existing student financial aid system.	1,700,000	Create a web-based system for initial applications, award notification, renewal, and acceptance, notifying institutions of awards, and so forth. Replaces existing system which will not be supported after 2006. DLS recommends approval.
DJS	Video Surveillance Implementation	Install video surveillance equipment in various DJS facilities.	2,000,000	The proposal to add video surveillance at various facilities was made by DJS in fiscal 2006 and not funded by the legislature. DJS should continue its efforts to provide appropriate staffing levels to facilitate effective programming, and assess the efficacy of recently installed two-way radio equipment throughout its facilities in meeting its security needs. Video surveillance can be considered on a case-by-case basis as it implements its recently-submitted facilities maser plan. DLS recommends deleting the funding.
DJS	Statewide Education Technology	Add to DJS's network a layer dedicated to Education units at DJS facilities.	1,300,000	The proposal is intended to add functionality for the education units at many of DJS's existing facilities. DLS recommends approval.
Total			\$34,415,000	

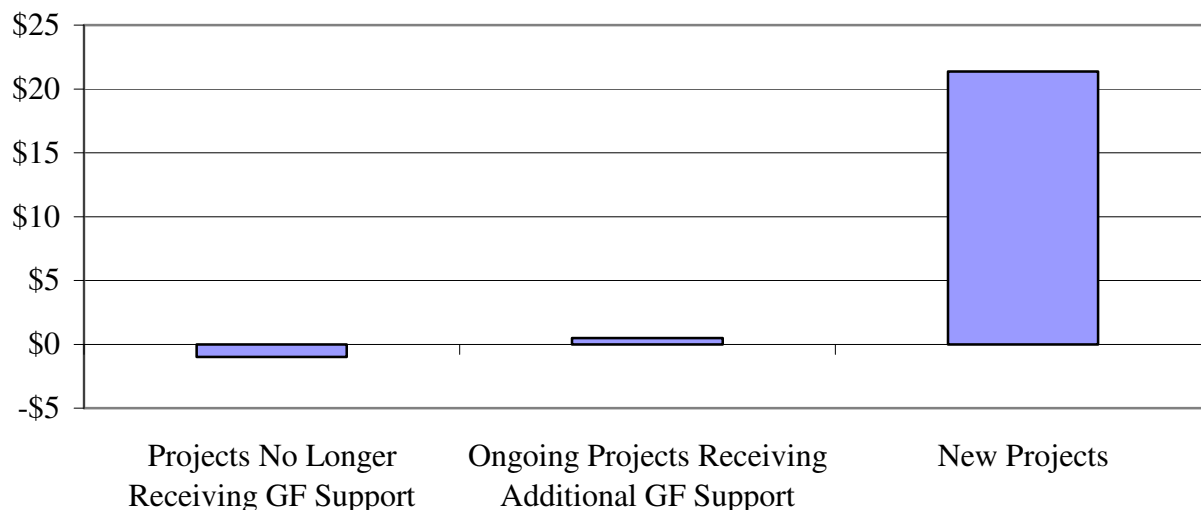
Source: Department of Legislative Services; Department of Budget and Management

The Department of Legislative Services (DLS) recommends deleting funding for two projects – the video surveillance equipment proposed for various Department of Juvenile Services (DJS) facilities (\$2 million), and the Department of Labor, Licensing, and Regulation Maryland Business Registry project (\$1 million). DLS also recommends that back of the bill language be added detailing which of the fiscal 2007 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 with 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.

Changes in MITDPF Funding and Out-year Needs

Fiscal 2007 general fund support for major IT projects, just over \$34.4 million, is significantly above the \$11.7 million that was anticipated in the major IT spending plan provided in the fiscal 2006 budget. As shown in **Exhibit 6**, this increase is a combination of three factors:

Exhibit 6
Change in General Fund Support for Major IT Projects
Fiscal 2007 Allowance Compared to Anticipated Fiscal 2007 Spending
(\$ in Millions)



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

- Two projects for which funding were anticipated at just under \$1 million are not receiving general fund support in fiscal 2007. These are both DPSCS projects (Network Live Scan and NCIC 2000) that are no longer in the development phase but have moved into operations and maintenance.
- One project is funded at higher than anticipated levels: it was anticipated that the DPSCS offender case management system would be funded at \$1 million in fiscal 2007 rather than the \$1.5 million requested.
- Almost \$21.4 million in funding of new projects.

With the addition of a significant level of new projects, known out-year general fund requirements are high – just under \$22 million in fiscal 2008 and over \$8 million for fiscal 2009.

At this point, Maryland continues to rely on a small special fund revenue stream (primarily investment income) supplemented by general fund appropriations for the development of major IT projects. Some observers believe that this is an unfortunate pairing that makes major IT projects

subject to the vicissitudes of economic and budget cycles. Maryland has included a Return on Investment (ROI) analysis into the IT decision-making process (how long it takes the technology to pay for itself through cost savings and cost avoidance). However, it is becoming more accepted that the previous narrow focus on ROI for IT investments has been replaced by a broader view of IT value – increasing the capacity to make better informed decisions, optimizing operations, and enabling government to meet public demands for government services. Indeed, reviewing the ITPRs for the projects proposed in the fiscal 2007 allowance, only one, the Comptroller's Computer Assisted Collections System has a financial ROI that is credibly developed.

A review of the literature on the funding of IT offers a number of possible alternatives to the current funding strategy:

- ***Diverted Reversions:*** This idea diverts reversions towards infrastructure investment and refurbishment.
- ***Reallocating Resources:*** The notion of moving away from traditional 9 to 5 transactions and information requests to electronic formats, removing labor, facilities, and material costs embedded in physical processing. Added to this might be the notion of creating efficiencies by avoiding duplication involved in running multiple systems. In either case, an up-front investment can yield back-end savings that can be subsequently used for new IT investment. Maryland has certainly moved many government transactions to the Internet, but it is often difficult to discern on a project by project basis how savings are actually realized.
- ***User Fees:*** User fees received in exchange for services provided or for the use of public property or infrastructure. While user fees are politically sensitive, it is argued that businesses and other customers who place a premium on time and convenience will accept such fees. Again, fees would be returned for subsequent investment. Many states, for example, fund state Portals through user fees. Recognizing the savings that can be realized from electronic transactions, some states have gone further by changing fee structures to add disincentives to the use of physical transactions or more accurately reflect the cost of providing those transactions. Several of the proposed fiscal 2007 major IT projects appear suitable to this type of funding strategy.
- ***Revolving Funds:*** Revolving funds generated from savings from internal efficiencies or more competitive contracting. This idea is based on the notion that budgets should be set based on last year's costs and savings from efficiencies or better pricing are reinvested back into IT (in some way a slightly modified reversion concept). Generally, in DLS's experience, it has been very difficult to pin agencies down to specific personnel and other efficiencies yielded from IT projects or other contracting activities. Agencies always seem to have ways to otherwise redirect those resources, not necessarily to IT.

Alternatively, when savings can be projected, for example through the use of networkMaryland; typically, budgets will be set with those savings and efficiencies already assumed.

- ***Gain Sharing:*** This strategy (also known as share in savings) targets a large untapped revenue source for many governments, namely delinquent taxes. Under a typical gain sharing arrangement, a private sector partner agrees to develop an enhanced collections system for a share of delinquent taxes collected. According to one recent article, five states have used this strategy to collect a combined \$1.5 billion. In the current round of project funding, the Comptroller's Computer Assisted Collections System chooses not to use this approach. That project is estimated to generate \$35 million to \$67 million in additional revenue. It would have perhaps been interesting to know if a gain-sharing arrangement would yield additional revenue. Nevertheless, even under this arrangement, while the State general fund benefits, there is no direct pay-back to the MITDPF.

Implementing any of these strategies requires not only a change in thinking about the current funding strategy used for funding major IT projects, but also in some instances statutory change. It also takes a better focus on the financial aspects of proposed projects. As stated above, while imposing a strict ROI model for IT investment is not considered entirely appropriate for public IT investments, a review of ITPRs for proposed major IT projects leaves the impression that agencies are simply unwilling or unable to quantify some of the justifications provided for projects.

2. State IT Master Plan Implementation Status

In the 2004 interim, the Office of Legislative Audits undertook a performance review of IT oversight in Maryland. Many of OIT's key responses to this audit pointed to the December 2004 release of the State IT Master Plan as the foundation for improved IT development and oversight in the State. Certainly, the State IT Master Plan was long overdue and included elements consistent with the development of best practices as articulated by independent observers and as also noted in other states' IT Master Plans.

The 2005 *Joint Chairmen's Report* withheld funds in OIT's budget pending the submission of a report from OIT on implementation of the IT Master Plan. **Exhibit 7** summarizes the implementation status of the eight key strategic initiatives contained in the plan.

It appears that OIT is moving ahead in each of its identified eight strategic areas. The one area that has been a particular concern over the years has been the adequacy of program management oversight. OIT has established an oversight protocol for major IT projects that appears, based on the data shown in Exhibit 1, to be yielding results. However, DLS would note that some states have gone much further in this area, for example requiring all IT project managers to be certified. Although OIT has established its own PMO with certified projected managers, there are still many IT professionals in State agencies that are not certified. **DBM should be prepared to brief the committees on the option of requiring project manager to be certified by a date certain.**

Exhibit 7
Implementation Status of State IT Master Plan Strategic Initiatives

Initiative

Status

Establishment of technical standards and enterprise architecture.

A repository of information characterizing State IT assets has been developed (Technical Reference Model (TRM)). The TRM is the foundation for statewide technical standards and enterprise architecture. The fiscal 2007 budget includes funding to continue this effort.

Further develop professional project management.

A project management protocol has been established. OIT has also established a Project Management Office (PMO) staffed by certified project managers. PMOs have also been established within a number of agencies.

Establishment of disaster recovery site.

Funding in the fiscal 2006 budget is being used to identify and quantify critical system operational and service delivery risks, assess current risk mitigation strategies, and identify ways to improve those strategies. Fiscal 2007 funding is provided to implement appropriate strategies.

Complete build out of and migration to networkMaryland.

The core backbone will be completed by fiscal 2006. Also by the same time, a point of presence will be established in every jurisdiction. As shown in Exhibit 1, agencies continue to migrate to the network.

Consolidate common information platforms.

A strategy for implementing this consolidation has been identified – inventory existing systems and develop applicable standards. Once standards have been selected, an implementation strategy can be developed.

Consolidate and standardize agency web sites.

Branding guidelines have been established for agency web sites, and web sites now have a consistent “look.” Ongoing standardization of web sites should lead to an improved ability to link to multiple agency web sites with a single transaction.

Modernize core statewide business systems.

Funding was included in the fiscal 2006 budget to review all core statewide applications: accounting, finance, procurement, personnel, employee benefits, and timekeeping. Fiscal 2007 funding is provided to upgrade one of these applications: the personnel IT system.

F10A04 – DBM – Information Technology

Initiative

Status

Develop interoperable wireless public safety communications system.

Funding was included in the fiscal 2006 budget to establish the enterprise architecture for the wireless public safety communications system and develop technical standards for system use. Fiscal 2007 funding is provided to implement two proof of concept sites.

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

Recommended Actions

1. 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 2006 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	Independent Verification and Validation	\$400,000
Budget and Management	Statewide Personnel System	2,000,000
Budget and Management	Statewide Disaster Recovery Planning	1,000,000
Assessments and Taxation	Assessment Administration and Evaluation System	2,000,000
Comptroller	Computer Assisted Collections System	9,065,000
Health and Mental Hygiene	Hospital Management Information System	2,300,000
Human Resources	Children’s Electronic Social Services Information Exchange	3,900,000
Maryland Higher Education Commission	Student Financial Aid System	1,700,000
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
Juvenile Services	Statewide Education Technology	1,300,000

F10A04 – DBM – Information Technology

Information Request	Author	Due Date		
Projects that deviate from the 2006 JCR listing of approved projects with funding levels more than 10% above proposed levels as noted in the JCR	Office of Information Technology	45 days prior to expenditure		
			<u>Amount</u>	<u>Position</u>
			<u>Reduction</u>	<u>Reduction</u>
2. Delete two long-term vacant positions. Of the 15 vacancies in the Office of Information Technology as of January 1, 2006, 4 had been vacant for more than 12 months.			\$ 75,277	GF 2.0
3. Delete funds for video surveillance equipment at various Department of Juvenile Services (DJS) facilities. DJS has finally completed a facilities master plan and many of the facilities scheduled to get this equipment will be closed or rebuilt. Video surveillance equipment should be requested through the capital budget as appropriate. DJS's security needs can be handled through the utilization of two-way radios (funded in the fiscal 2006 budget and in the process of implementation throughout DJS's facilities) as well as appropriate staffing.			2,000,000	GF
4. Delete funding for the Department of Labor, Licensing, and Regulation (DLLR) Maryland Business Registry. The Information Technology Project Request for this particular project was lacking in detail. It is also unclear why DLLR should be the location for this project given that it is intended to replace a system at the Department of Business and Economic Development (DBED) that was upgraded in 2002 based on the justification that it made DBED a one-stop shop for business license and permitting information.			1,000,000	GF
Total General Fund Reductions			\$ 3,075,277	2.0

Updates

1. Resource-sharing Proposals: Status of Recent 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 2004 and 2005, LPC formally considered and approved five different proposals. These proposals, as well as their status, are summarized in **Exhibit 8**.

Exhibit 8 Status of Resource-sharing Proposals Approved by the Legislative Policy Committee in Calendar 2004 and 2005

<u>Proposal Name</u>	<u>Project Summary</u>	<u>Status</u>
Verizon Wireless (2004)	Verizon Wireless proposed to construct a new communications tower and other improvements at the Department of Natural Resources Matapeake Terminal.	Board of Public Works (BPW) approved. The project is complete and in service.
Sprint Personal Communication Services (2004)	Sprint Personal Communication Services proposed to construct a new communications tower and other improvements off the Capital Beltway.	BPW approved. However, Sprint withdrew the project based on community and National Park Service concerns.
Mobility Technologies (2005)	Mobility Technologies proposed installing 100 traffic congestion sensors around the Baltimore and Capital beltways and along I-95. The State would receive real-time data from those sensors benefiting the State's Coordinated Highways Action Response Team (CHART) system.	BPW approved. Project plans are being finalized with the aim of being complete by the end of the calendar year.
Trichord (2005)	Trichord proposed installing 100 traffic congestion sensors in the Washington metropolitan region. Again, the State would receive real-time data for the CHART system.	BPW approved. Project plans are being finalized with the aim of being complete by the end of the calendar year.
Bonneville International Corporation (2005)	Bonneville International Corporation proposed to construct a new communications tower and other improvements at Gambrell State Park while removing an existing communications monopole at another site in the same park.	BPW approved. Construction currently underway and project completion expected within 90 days.

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

F10A04 – DBM – Information Technology

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 a communications tower that the company intends to construct and maintain on State property). In recent years, the State has forwarded relatively few resource-sharing proposals for LPC consideration. As shown in Exhibit 8, while the number of proposals forwarded to LPC in the last two calendar years totaled only five – four of those proposals have either been implemented or are moving ahead.

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 2005					
Legislative Appropriation	\$18,346	\$7,873	\$0	\$17,696	\$43,914
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	2,094	250	0	0	2,344
Reversions and Cancellations	-598	-3,524	0	-2,685	-6,807
Actual Expenditures	\$19,842	\$4,599	\$0	\$15,010	\$39,451
Fiscal 2006					
Legislative Appropriation	\$28,809	\$7,296	\$0	\$15,060	\$51,165
Budget Amendments	178	0	0	2,900	3,078
Working Appropriation	\$28,987	\$7,296	\$0	\$17,960	\$54,243

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

Fiscal 2005

The fiscal 2005 legislative appropriation for OIT was reduced by just under \$4.5 million. This reduction was derived as follows:

- Budget amendments increased the appropriation by just over \$2.3 million. General fund amendments totaled just under \$2.1 million, including just over \$3.3 million in general funds transferred from DHR to support expenditures relating to CHESSIE (funds subsequently incrementally transferred back to DHR as various aspects of CHESSIE were considered successfully implemented). This increase was offset by a reduction of \$1.3 million as part of the close-out process from a variety of contracts. Special funds were increased by \$250,000 to support Independent Verification and Validation of projects funded through the MITDPF.
- The increase in the legislative appropriation resulting from various budget amendments was more than offset by over \$6.8 million in reversions and cancellations. Specifically, general fund reversions were just under \$0.6 million (a combination of unspent funds associated with salaries and benefits, contracts, and less than anticipated Annapolis Data Center charges) with special fund cancellations of just over \$3.5 million (the anticipated transfer of Video Relay Service and Internet Relay Service for the deaf from the Federal Communications Commission to the State did not occur), and reimbursable fund cancellations of just under \$2.7 million (a combination of delayed lease payments, decommissioning of leased network with the roll-out of networkMaryland, lower audit costs, vacancies, and other operating costs).

Fiscal 2006

To date, the fiscal 2006 legislative appropriation for OIT has been increased by almost \$3.1 million. Of this amount, \$178,000 in general funds represents the OIT share of the fiscal 2006 cost-of-living adjustment originally budgeted elsewhere in DBM. The remaining \$2.9 million is derived from reimbursable transfers from the MITDPF for projects being developed through OIT as well as IV&V.

Audit Findings

Audit Period for Last Audit:	August 1, 1999 – June 30, 2002
Issue Date:	May 2003
Number of Findings:	11
Number of Repeat Findings:	5
% of Repeat Findings:	45%
Rating: (if applicable)	n/a

These findings are limited to OIT issues. Finding numbers refer to original audit funding numbers.

Finding 1: A new budget preparation system costing \$18.8 million was not successfully implemented because of inadequacies in contract management, as well as deficiencies in the contract specifications.

Finding 2: A consultant’s report issued in March 2002 indicated significant mismanagement by DBM of the networkMaryland project.

Finding 3: **DBM did not effectively monitor departmental task orders procured under the statewide information technology contracts.**

Finding 4: DBM did not effectively monitor the procurement of services by various State agencies under the information technology services contracts.

Finding 5: DBM did not provide the necessary information to State agency buyers to ensure that purchases were obtained at the most favorable cost to the State, or sufficiently monitor contract purchases for contract compliance.

Finding 8: **Telecommunication vendors’ billings to the State were not independently audited.**

Finding 9: **The Division of Telecommunications did not verify that the State received credits and certain commissions due under its telecommunications contracts.**

Finding 10: **Delinquent telecommunication accounts due from State agencies were not adequately pursued for collection.**

Finding 11: **Telecommunications Access of Maryland Program costs were not certified to the Public Service Commission as required by law.**

Finding 13: DBM’s internal network was not adequately secured from external threats.

F10A04 – DBM – Information Technology

Finding 14: The State information security policy has not been significantly updated since July 1996.

*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY05 Actual</u>	<u>FY06 Working Appropriation</u>	<u>FY07 Allowance</u>	<u>FY06 - FY07 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	123.50	119.00	119.00	0	0%
02 Contractual	5.00	4.00	4.00	0	0%
Total Positions	128.50	123.00	123.00	0	0%
Objects					
01 Salaries and Wages	\$ 8,234,967	\$ 9,037,151	\$ 9,536,472	\$ 499,321	5.5%
02 Technical & Spec Fees	189,080	213,214	214,394	1,180	0.6%
03 Communication	9,690,002	8,269,175	8,081,496	-187,679	-2.3%
04 Travel	44,426	85,915	86,045	130	0.2%
06 Fuel & Utilities	17,934	17,500	20,500	3,000	17.1%
07 Motor Vehicles	17,018	2,965	5,800	2,835	95.6%
08 Contractual Services	18,961,193	34,493,599	48,475,968	13,982,369	40.5%
09 Supplies & Materials	626,046	516,601	171,921	-344,680	-66.7%
10 Equip - Replacement	1,200,465	609,500	47,579	-561,921	-92.2%
11 Equip - Additional	325,057	755,078	2,614,349	1,859,271	246.2%
12 Grants, Subsidies, and Contributions	0	10,000	10,000	0	0%
13 Fixed Charges	145,151	232,104	262,894	30,790	13.3%
Total Objects	\$ 39,451,339	\$ 54,242,802	\$ 69,527,418	\$ 15,284,616	28.2%
Funds					
01 General Fund	\$ 19,841,967	\$ 28,986,643	\$ 46,930,205	\$ 17,943,562	61.9%
03 Special Fund	4,599,139	7,296,288	7,541,896	245,608	3.4%
09 Reimbursable Fund	15,010,233	17,959,871	15,055,317	-2,904,554	-16.2%
Total Funds	\$ 39,451,339	\$ 54,242,802	\$ 69,527,418	\$ 15,284,616	28.2%

**Fiscal Summary
DBM - Information Technology**

<u>Program/Unit</u>	<u>FY05 Actual</u>	<u>FY06 Wrk Approp</u>	<u>FY07 Allowance</u>	<u>Change</u>	<u>FY06 - FY07 % Change</u>
01 Executive Direction	\$ 1,569,410	\$ 2,135,859	\$ 1,788,884	-\$ 346,975	-16.2%
02 Division of Information Technology Investment Mgmt	10,857,772	10,350,435	10,484,719	134,284	1.3%
03 Division of Application Systems Management	5,454,729	6,796,913	6,113,949	-682,964	-10.0%
04 Division of Telecommunications	6,414,559	5,766,557	5,731,076	-35,481	-0.6%
05 Division of Contracts Management	884,049	1,546,139	1,558,676	12,537	0.8%
06 Major IT - Office of Information Technology	0	2,500,000	0	-2,500,000	-100.0%
07 Division of Security and Architecture	1,123,695	1,346,576	2,033,756	687,180	51.0%
09 Telecommunications Access of Maryland	4,390,453	6,830,762	7,401,358	570,596	8.4%
01 Major Information Technology Development Projects	8,756,672	16,969,561	34,415,000	17,445,439	102.8%
Total Expenditures	\$ 39,451,339	\$ 54,242,802	\$ 69,527,418	\$ 15,284,616	28.2%
General Fund	\$ 19,841,967	\$ 28,986,643	\$ 46,930,205	\$ 17,943,562	61.9%
Special Fund	4,599,139	7,296,288	7,541,896	245,608	3.4%
Total Appropriations	\$ 24,441,106	\$ 36,282,931	\$ 54,472,101	\$ 18,189,170	50.1%
Reimbursable Fund	\$ 15,010,233	\$ 17,959,871	\$ 15,055,317	-\$ 2,904,554	-16.2%
Total Funds	\$ 39,451,339	\$ 54,242,802	\$ 69,527,418	\$ 15,284,616	28.2%