

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1003 (Senator Rosapepe)
 Budget and Taxation

Department of Information Technology - Data Sharing and Integration

This bill establishes the Management Intelligence Incentive Fund (MIIF) to support new management intelligence projects in the State. The bill also expands the responsibilities of the Secretary of Information Technology (IT) to include allowing the integration of data and sharing of information among units of State government. The Secretary must include a component on the integration of data and sharing of information among units of State government in the statewide IT Master Plan (ITMP) and administer MIIF. The bill also requires the ITMP to ensure compliance with all necessary security measures and restrictions to ensure that access to legally defined confidential information is limited to authorized persons.

Fiscal Summary

State Effect: General fund expenditures for the Department of Information Technology (DoIT) increase by at least \$625,100 in FY 2017 for the administration of MIIF. Future years reflect annualization and the elimination of one-time costs. General fund expenditures for general fund agencies increase significantly as unencumbered and unexpended appropriations are transferred to MIIF rather than reverted to the general fund; MIIF revenues increase correspondingly. MIIF revenues further increase due to any other funds appropriated or collected under the bill. MIIF expenditures increase correspondingly to finance State management intelligence projects. Units of State government can provide the additional information required by the bill to DoIT using existing resources.

| (in dollars) | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| SF Revenue | - | - | - | - | - |
| GF Expenditure | \$625,100 | \$803,800 | \$833,200 | \$863,700 | \$895,400 |
| SF Expenditure | - | - | - | - | - |
| Net Effect | (\$625,100) | (\$803,800) | (\$833,200) | (\$863,700) | (\$895,400) |

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

Local Effect: The bill is not expected to materially affect local governmental operations or finances.

Small Business Effect: Potential meaningful. The standards established by DoIT under the bill may alter the scope and increase the cost of IT projects performed by small businesses under contract to the State.

Analysis

Bill Summary:

Definitions

“Enterprise level data analytics” means standard data analytics capabilities and services that leverage data throughout all units of State government. “Management intelligence” means the process of collecting, organizing, sharing, and analyzing data through integrated data management, reporting, visualization, and advanced data analytics to discover patterns and other useful information that will allow policymakers and State officials to make more informed decisions; it includes specified types of data management strategies.

Statewide Information Technology Master Plan

The component on integration of data and the sharing of information among units of State government included in the ITMP must include:

- requirements for achieving statewide data integration;
- an implementation schedule;
- priorities for data integration that are determined in a specified manner;
- the identification of current statewide and agency data integration efforts and a long-term strategy for integrating those efforts into the master plan;
- the identification of current agency management intelligence and analytic needs and a long-term strategy for prioritizing those needs in the master plan; and
- detailed cost information for development, implementation, operations, and maintenance costs for the five-year period following the development of the master plan.

Each unit of State government must develop and submit to the Secretary its priorities for data integration and information on any existing data integration efforts.

Management Intelligence Incentive Fund

MIIF consists of:

- money appropriated in the State budget to the fund;
- general funds appropriated for management intelligence projects of any unit of State government, other than a public institution of higher education, that (1) are unencumbered and unexpended at the end of a fiscal year; (2) have been abandoned; or (3) have been withheld by the General Assembly or the Secretary;
- any investment earnings; and
- any other money from any source accepted for the benefit of the fund.

MIIF may not include any money received by the Maryland Department of Transportation, the Maryland Transportation Authority, the Maryland Public Broadcasting Commission, the Judicial Branch of State government, or the Legislative Branch of State government. The State Treasurer must invest the money in the fund and, any investment earnings must be credited back to the fund.

Each year, the Governor must submit with the State budget (1) a summary showing the unencumbered balance of MIIF at the close of the prior fiscal year and a list of any encumbrances; (2) an estimate of projected revenue from each of the specified sources of funding for MIIF; and (3) a project list that includes specified information.

A unit of State government may submit a request to the Secretary to support the cost of a management intelligence project. To administer the fund, the Secretary must establish procedures for requests for support and the granting of money from the fund. When determining whether to approve a request, the Secretary must consider numerous criteria and give priority to projects that meet more than one of the criteria.

Required Reports

By November 1 of each year, the Secretary must provide a report on MIIF to the Governor, Secretary of Budget and Management, and specified committees of the General Assembly. The report must include specified information about the financial status of MIIF and the projects it is funding. Additionally, by January 15 of each year, for each project in development, the Secretary must provide a detailed summary report that includes specified information to the Department of Legislative Services.

Current Law: The Secretary of Information Technology is charged with certain express duties that generally apply to the Executive Branch, including several public institutions of

higher education. These duties include developing the ITMP that serves as a basis for the management and direction of information technology including telecommunications, data processing, and information management and is consistent with State goals, objectives, and resources. With some exceptions, primarily for public institutions of higher education, each unit of State government must develop and submit an information technology plan and annual project plans to the Secretary. Information technology developed, purchased, and used by State agencies must be consistent with the ITMP. The Secretary must also review the annual project plan for other units of the Executive Branch and provide technical assistance, advice, and recommendations to these agencies.

The responsibilities established for DoIT under the bill are substantively similar to its existing “Major IT Development Projects” (MITDP) program, which was established by Chapter 467 and 468 of 2002 to centralize State funding for major Executive Branch IT projects funded solely with general funds. Special-funded agencies manage funding for their major IT projects, although their projects remain subject to the review, approval, and oversight of DoIT. For a project to be eligible for funding as a MITDP, it must (1) be estimated to cost at least \$1 million; (2) support critical business function associated with the public health, education, safety, or financial well-being of the citizens of Maryland; or (3) be determined to require special attention and consideration by the Secretary.

Background: The fiscal 2017 ITMP characterizes the current state of IT in Maryland State government as a distributed model in which each agency has developed and implemented its own internal IT operation to support its own needs. While there is some cross-agency support, many agencies have duplicated the development and operation of IT infrastructure, systems, processes, and operations in their own way, to their own standards, and to varying degrees of effectiveness. Therefore, DoIT has begun to adopt the “Enterprise Model” to guide and administer IT services for units of government throughout the State. The ITMP advises that the Enterprise Model establishes a consistent, high-quality baseline for IT that will allow agencies to focus on their missions.

Across all agencies included in the MITDP program, total MITDP costs are projected to be \$107.9 million in fiscal 2016, \$148.5 million in fiscal 2017, \$94.6 million in fiscal 2018, \$52.6 million in fiscal 2019, and \$60.2 million in fiscal 2020. Actual MITDP expenditures in fiscal 2015 were \$26.3 million.

State Revenues: Similar to what Chapters 467 and 468 of 2002 did for major IT projects in the State, this bill centralizes State funding for major Executive Branch projects related to management intelligence. Although there may be some overlap between projects that could be included in DoIT’s existing MITDP program and the projects eligible for funding by MIF, for the purposes of this analysis, it is assumed that the bill does not affect the projects or funding for projects in the MITDP program.

A reliable estimate of the amount of revenue that MIIF collects, or that Executive Branch agencies forgo, in any given year cannot be made. Agencies were unable to provide reliable estimates of funding they currently receive for management intelligence projects that otherwise go to MIIF under the bill. MIIF's total funding depends on numerous unknown factors, including (1) which projects may be considered a management intelligence project under the bill; (2) which projects meet eligibility for funding; (3) how much money the budget appropriates to the fund each year; and (4) how much general funds are transferred to the fund from State agencies each year due to being unencumbered, unexpended, or abandoned. Even so, given the prevalence and importance of data management and analytics in the State, MIIF is expected to fund multiple projects each year; however, it is expected to oversee and fund fewer projects than DoIT's MITDP program, as discussed below.

State Expenditures:

Required Staff

Projects eligible for MIIF funding must be directly related to management intelligence, which is a more limited scope compared to project eligibility for the MITDP program. Although the amount of funding and corresponding number of projects for MIIF in future years is unknown, this estimate is based on the assumption that approximately half the number of staff are needed to manage MIIF than currently staff MITDP.

To meet the bill's extensive additional responsibilities for DoIT, the agency needs at least five additional full-time regular staff with expertise in data integration to manage MIIF and its corresponding projects. Therefore, general fund expenditures for DoIT increase by \$625,103 in fiscal 2017, which accounts for the bill's October 1, 2016 effective date, to hire three oversight project managers, one project controller/scheduler, and one project manager supervisor. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect full salaries with annual increases and employee turnover, as well as annual increases in ongoing operating expenses. The Department of Legislative Services notes that these positions require specialized expertise in data integration and, therefore, are compensated at the upper levels of the State's salary schedule.

| | |
|---|------------------|
| Positions | 5.0 |
| Salaries and Fringe Benefits | \$601,030 |
| Operating Expenses | <u>24,073</u> |
| Total FY 2017 State Expenditures | \$625,103 |

To the extent that there is more funding available to MIIF and more corresponding projects, DoIT may require additional staff in future years; however, this potential impact cannot be

reliably estimated. Similarly, to the extent that there is overlap between MIIF projects and existing or planned MITDP projects, fewer staff may be needed since existing staff can be redirected to MIIF projects. As noted earlier, however, this analysis assumes that MIIF funds all new projects that have no effect on existing or planned MITDP projects.

Project Funding

Due to the limited nature of what can be funded by MIIF, it is likely to fund fewer projects compared to the MITDP program. While total MIIF expenditures cannot be reliably estimated, they are expected to be less than expenditures under the MITDP program.

For illustrative purposes only, to provide an example of the types of projects that may be funded by MIIF, the Department of Human Resources advises that it is currently working on a shared data repository project between itself, the Department of Juvenile Services, the Maryland Department of Aging, the Maryland Health Benefit Exchange, and the Department of Housing and Community Development. The total cost of that project is expected to be \$22.7 million split between general funds (\$5.1 million) and federal funds (\$17.6 million).

Information Technology Master Plan

Although the inclusion of additional information in the ITMP does not necessarily affect State operations or finances, units of State government are expected to follow the requirements set out in the plan, and the bill requires the ITMP to include detailed plans for achieving statewide data integration, as well as a component related to the security of the data when necessary. The added level of complexity that IT projects in the State must meet under the bill is likely to lead to significant increased costs for those IT projects; however, the total impact cannot be reliably estimated.

Additional Information

Prior Introductions: None.

Cross File: HB 1425 (Delegate Frick) - Health and Government Operations.

Information Source(s): Department of Information Technology, Department of Commerce, Department of Budget and Management, Maryland Department of Planning, Department of General Services, Department of Human Resources, Department of Housing and Community Development, Department of Disabilities, Department of Health and Mental Hygiene, Department of Juvenile Services, Department of Veteran Affairs,

Department of State Police, Maryland Department of Aging, Maryland Department of Transportation, Department of Legislative Services

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