

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 738

(Delegate Kaiser, *et al.*)

Health and Government Operations

Budget and Taxation

Department of Information Technology - Major Information Technology
Development Projects - Oversight

This bill makes various changes to the statutory framework governing the funding, management, and oversight of major information technology (IT) development projects for State agencies; first-year funding to implement the bill is specifically authorized from the Information Technology Investment Fund (ITIF). The bill also establishes the Maryland Office of Digital Experience (MODE) within the Department of Information Technology (DoIT), establishes the Information Technology Advisement Board (ITAB) within the Department of Legislative Services (DLS), and repeals the Modernize Maryland Commission (MMC). **The bill takes effect June 1, 2025.**

Fiscal Summary

State Effect: No effect assumed for FY 2025. Beginning in FY 2026, special fund expenditures increase, potentially significantly, for additional staff needed to implement the bill; although the number of staff needed is unknown, funding authorized from ITIF is anticipated to be sufficient to fully cover any costs incurred by DoIT for fiscal 2026. Out-year costs to implement the bill are also assumed to be reimbursed by existing ITIF funding, as discussed below; to the extent ITIF funds are not available, general funds are needed. DLS can likely staff ITAB using existing budgeted resources. Potential reductions in IT expenditures across State agencies resulting from economies of scale and efficiencies cannot be predicted absent actual experience under the bill but may be significant; they are not reflected in this analysis. No effect on revenues.

Local Effect: The bill does not directly affect local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary: Broadly, the bill:

- defines and expands the responsibilities of the Secretary of Information Technology and DoIT related to the oversight of major IT development projects;
- establishes MODE and the Maryland Digital Service Unit (MDSU) and Major IT Development Project Oversight Division (MIDPOD) within MODE;
- clarifies that a unit of State government may not contract for an IT service or product unless doing so is consistent with the IT master plan;
- requires DoIT, instead of the Department of General Services (DGS), to assess the procurement process for IT projects involving modernization and make recommendations to increase the State's ability to proceed with a modernization project in a rapid and responsive manner;
- modifies or repeals various reporting requirements for DoIT and units of State government related to major IT development projects funded by ITIF;
- requires the Chief Information Officer for a unit of State government with a planned or ongoing major IT development project to meet with the Secretary of IT on a quarterly basis to report and discuss specified information related to the project;
- requires DoIT to develop and publish an online dashboard for major IT development projects and expedited projects, and to report to specified committees of the General Assembly on specified IT contracts;
- establishes ITAB to serve as an expert advisory entity to the General Assembly;
- repeals the requirement that the Joint Audit and Evaluation Committee complete a study on specified DoIT audit findings;
- for fiscal 2026, authorizes the transfer of \$4.3 million in staff augmentation funds from ITIF to implement the bill, as well as up to 20% of the remaining appropriation to ITIF;
- authorizes the Governor, by June 30, 2026, to transfer to MODE up to 50 vacant or filled positions, along with the associated funds and unexpended appropriations that were included in the fiscal 2026 operating budget, as specified;
- requires DoIT to work with units of State government to find efficiencies related to productivity suites and related applications, as specified;
- specifies that in fiscal 2026, except for funds explicitly authorized by the bill to be transferred to implement the bill, no additional general funds beyond those appropriated for DoIT in the fiscal 2026 operating budget may be used to implement the bill; and
- requires the Senate Budget and Tax Committee and House Health and Government Operations Committee to convene a workgroup to evaluate the bill, as specified.

The following sections include more detailed discussions of some of the bill’s provisions, as appropriate.

Oversight of Implementation

“Oversight of implementation” means management of the process to implement a new technology, system, or product into practice and use by a unit of State government. It includes planning and preparation to implement the product or practice and ongoing monitoring and support of the implementation team to ensure successful execution and that the project goals are met. It does not include responsibility for (1) day-to-day management of any individual projects or products or (2) responsibility for implementing individual-level process requirements for a project or product.

Major Information Technology Development Projects and Project Funding

As part of the Secretary of Information Technology’s responsibilities related to the review, approval, and oversight of major IT development projects, the Secretary must ensure that no funding is provided for a project unless:

- the Secretary determines that the unit has the internal capacity to adequately support the project, program management, and responsibility over program activities, including human capital, subject matter expertise, and technical infrastructure;
- within 30 days after awarding a contract, the managing unit sends to the Board of Public Works (BPW) and the Legislative Policy Committee (LPC) a notice that identifies the project management team, affirms that DoIT has reviewed and approved the contract, and is signed by the head of the unit acknowledging and accepting accountability for the implementation of the project or product; and
- while a unit is managing an active project or product, the unit agrees to report to DoIT every three months on the project status in a manner requested by DoIT.

The Secretary of Budget and Management must withhold any unexpended funds appropriated in a fiscal year for a major IT development project at the Secretary of Information Technology’s recommendation. However, the Secretary of Budget and Management may release funds at the discretion of the Secretary of Information Technology if the Secretary of Information Technology determines that the issue leading to the initial withholding of funds has been addressed. Within 30 days after any such funding is withheld, DoIT must report on the purpose of the withholding to the Governor and specified committees of the General Assembly.

The Secretary of Information Technology may recommend to the Secretary of Budget and Management that withheld funding be reallocated to other ITIF expenses and the Secretary of Budget and Management may, at his or her discretion, follow the recommendation.

However, if the reallocated funds exceed \$500,000, the Secretary of Information Technology must, in consultation with the Secretary of Budget and Management, submit a proposal to LPC for a 60-day review and comment period.

Maryland Office of Digital Experience

MODE is established to (1) provide oversight, leadership, intervention, and strategic modernization for major IT development projects, including large-scale, high impact, multi-agency projects, in a transparent manner that ensures a positive return on investment and (2) direct the development of modernized systems in a specified manner. The Secretary of Information Technology must appoint a Chief Digital Experience Officer to serve as the head of the office.

The office may employ or retain regular or contractual employees at the discretion of the Chief Digital Services Officer and Chief of MIDPOD as necessary to meet the requirements of the office. The officer and chief may set the compensation for office employees, subject to the approval of the Secretary of Budget and Management. The office may use a short-term contract or contractual hiring to support human resource needs to support the rapid hiring of office employees or contractors.

The office may require a unit of State government to provide reimbursement for services provided from funds provided to the unit from ITIF or other funds allocated to the unit for an IT project or product.

Maryland Digital Service Unit

MDSU is established as a unit within MODE and must collaborate with units of State government to support improved service delivery to State residents and agency staff to implement user-centered design, software development, and project management best practices. MDSU is responsible for (1) assisting units of State government to prioritize the development and procurement of user-friendly, accessible, and multilingual digital platforms to ensure that all State residents, including those with disabilities, can easily access and use government services and information; (2) working collaboratively with units of State government to consolidate and streamline State websites and digital applications to reduce redundancy, complexity, and maintenance costs and prioritize projects that are financially efficient and drive positive outcomes for State residents; and (3) overseeing the implementation of user-centered design principles, accessibility standards, and best practices across units of State government.

Major IT Development Project Oversight Division

MIDPOD is established as a division within MODE and must consult with DoIT to:

- adopt new standards with which major IT development projects and expedited projects are required to comply, in alignment with the State System Development Life Cycle;
- monitor the performance of project management teams for major IT development projects and expedited projects and ensure the teams have the appropriate talent and expertise necessary to deliver the intended project value; and
- provide expertise, support, and intervention as necessary for the project management team to successfully implement a project in a manner consistent with any standards adopted.

The division must establish and staff a discovery team to deploy team members to help units of State government identify (1) the problem that an IT project or product is solving; (2) the likely users of the project or product; (3) what a successful solution looks like; and (4) other issues to ensure successful implementation of the project or product. The Secretary may delegate any major IT development project to the division that the Secretary determines is appropriate to serve as a pilot project for the division to provide these services.

Information Technology Investment Fund – Reports and Published Information

The bill repeals one of the two annual reports that DoIT must complete about projects that receive funding from ITIF and, instead, expands the information that must be included in the other report (which is due by January 15 of each year). Specifically, the bill requires the report to include:

- additional details about ITIF project funding and project status;
- additional details about the risk assessment that must be undertaken for the project; and
- specified project tracking metrics.

The bill specifies that this report (1) is confidential; (2) must communicate the requisite information in a clear and concise manner that, to the greatest extent possible, avoids the use of technical language or reliance on existing industry knowledge; and (3) include an executive summary of key information, as specified.

Additionally, DoIT must publish and maintain a publicly available project and portfolio dashboard on its website. The dashboard must include, for each major IT development

project and expedited project specified information about each project, organized by the accountable unit of State government. DoIT may redact specific risks identified from the dashboard if it determines that public sharing of the information could pose a risk to the project. If a risk is redacted, the information must still be shared with LPC. Any redacted risk is confidential, as specified.

Department of General Services Reporting

Beginning December 31, 2025, and each July 1 and December 31 thereafter, DGS must, in consultation with DoIT, report to specified committees of the General Assembly on any projects over \$1.0 million undertaken by a unit of State government under a master contract for Statewide Agile Resources and Teams contract or work order approved by BPW in fiscal 2025, as specified.

Information Technology Advisory Board

ITAB is established as an expert advisory entity to the General Assembly and to review any State reports or other available information regarding existing major IT development projects, including specified documents. The board must be staffed by DLS. A member of the board may not receive compensation as a member of the board but is entitled to reimbursement for expenses. By December 15 each year, the board must submit to LPC and the Joint Committee on Cybersecurity, Information Technology, and Biotechnology a report that:

- interprets and summarizes the reports and other information that it has reviewed;
- provides advise to the State based on the reports and other information reviewed; and
- communicates the requisite information in a clear and concise manner that, to the greatest extent possible, avoids the use of technical language or reliance on existing industry knowledge.

A member of the board is subject to the public ethics law and must disclose to the State Ethics Commission if the member (1) is employed by an entity that currently does business with the State that is related to the matters before the board or (2) has a financial interest in an entity that currently does business with the State that is related to the matters before the board.

Staff and Funding Requirements Related to the Bill

By June 30, 2026, the Secretary of Budget and Management may, with the approval of the Governor, transfer by budget amendment to MODE the following appropriations in the fiscal 2026 operating budget to implement the bill:

- up to \$4.3 million in staff augmentation funds; and
- up to 20% of the remaining appropriation to ITIF.

Additionally, by June 30, 2026, the Governor may transfer to MODE up to 50 vacant or filled positions and the associated funds and unexpended appropriations that were included in the fiscal 2026 operating budget. An individual who is a permanent or contractual staff member in a budgeted position in DoIT or a unit of the State Executive Branch who is transferred to MDOT must be transferred without any decrease to or loss of the individual's rights, pay, status, working conditions, benefits, or retirement benefit status.

In fiscal 2026, except for funds otherwise transferred pursuant to the bill, no additional general funds beyond those appropriated for DoIT in the fiscal 2026 operating budget may be used to implement the bill.

Additional Department of Information Technology Responsibilities

In fiscal 2026, DoIT must (1) work with units of State government to find economies of scale through use of one statewide productivity suite under one State license, but may provide for specific exceptions as necessary to meet specific unit needs; (2) identify any other technology licensing or costs that could be reduced with a statewide contract for licensing or services; and (3) provide that any such savings accrue to ITIF to assist in implementing the bill.

Legislative Workgroup

The Senate Budget and Taxation Committee and House Health and Government Operations Committee must convene a workgroup to evaluate the provisions of the bill, including (1) the duties and responsibilities that should be assigned to DoIT, MODE, MIDPOD, MDSU, or other offices in DoIT; (2) what if any additional actions should be taken to ensure adequate resolution of the findings made by the Office of Legislative Audits in 2024; (3) whether it would be efficient and effective to have a DoIT employee embedded on-site in units of State government with a major IT development project to assist in project management to provide expertise, and to serve as a liaison between the unit and DoIT; (4) whether additional or independent procurement authority should be given to DoIT; and (5) whether there are more efficient and effective ways or mechanisms including establishment of an independent IT project management authority, to provide project and program management implementation.

Current Law:

Department of Information Technology Responsibilities

DoIT and the Secretary of Information Technology are responsible for:

- developing, maintaining, revising, and enforcing IT policies, procedures, and standards;
- providing technical assistance, advice, and recommendations to the Governor and any unit of State government concerning IT matters;
- reviewing agency project plans to make information and services available to the public over the Internet;
- developing and maintaining a statewide IT Master Plan, as specified;
- developing a statewide cybersecurity strategy, as specified;
- adopting and enforcing nonvisual access standards to be used in the procurement of IT services, as specified;
- in consultation with the Maryland Cybersecurity Coordinating Council (MCCC), advising and overseeing a consistent cybersecurity strategy for units of State government, as specified;
- advising and consulting with the Legislative and Judicial branches of State government regarding a cybersecurity strategy;
- in consultation with MCCC, developing guidance on consistent cybersecurity strategies for specified local government entities;
- upgrading IT and cybersecurity-related State government infrastructure;
- annually evaluating (1) the feasibility of units of State government providing public services using artificial intelligence, machine learning, commercial cloud computer services, device-as-a-service procurement models, and other emerging technologies and (2) the development of data analytics capabilities to enable data-driven policymaking by units of State government; and
- conducting inventories of systems that employ artificial intelligence that are used by a unit of State government, as specified.

“IT” means all electronic information processing, including maintenance, telecommunications, hardware, software, and associated services.

Information Technology Investment Fund – Generally

To centralize State oversight and funding for major Executive Branch IT projects, Chapters 467 and 468 of 2002 established a review and approval process for major IT development projects and the related Major IT Development Fund. Chapter 497 of 2024

made various changes to the fund, including renaming it as ITIF. Under Chapter 497, the purpose of ITIF is to support both major IT development projects and expedited projects. ITIF is managed by DoIT and may be used only for major IT development projects, maintenance costs for major IT development projects for a specified time period, expedited projects, administrative costs, and costs for specified pilot programs and prototypes.

For a project to be eligible for funding through ITIF, it must (1) be estimated to cost at least \$5.0 million; (2) support critical business functions 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 of Information Technology. An expedited project is a project that is not a major IT development project but receives money from ITIF in a manner that allows for modernization projects to move forward in a nimble and expedited manner. Each fiscal year, at least 20% of ITIF funds must be set aside for expedited projects.

In order to request funding for a project from ITIF, a State agency must follow a specified statutory process. The Secretary of Information Technology must review the requests and, with the advice of the Secretary of Budget and Management, approve projects and specifications for consistency with all statewide plans, policies, and standards, including a systems development life cycle plan. The Secretary of Information Technology must be responsible for overseeing the implementation of major IT development projects, regardless of fund source.

The Secretary of Information Technology must make a recommendation to the Secretary of Budget and Management to withhold project funding from ITIF under certain circumstances.

Information Technology Investment Fund – Reports

DoIT is required to submit two annual reports about ITIF and the projects that receive funding through ITIF. The first report is due by November 1 of each year and must include (1) the financial status of ITIF and a summary of its operations for the preceding fiscal year; (2) an accounting for the preceding fiscal year of all money from specified revenue sources, including any expenditures made from the fund; and (3) specified information for each project receiving ITIF funds in the preceding fiscal year.

The second report is due by January 15 each year and must include, for each project receiving funding from ITIF, the most up-to-date project information including (1) project funding decisions and project status; (2) any schedule, cost, and scope changes since the last annual report; (3) a risk assessment, including any problems identified by any internal or external review and any corrective actions taken; and (4) any change in the monitoring or oversight status.

Modernize Maryland Commission

The purpose of MMC is to recommend best practices related to the modernization and the replacement of legacy systems. The commission must (1) identify best practices for information technology modernization and the replacement of legacy systems; (2) provide recommendations for modernization of IT systems to the Governor, the Secretary of Information Technology, and the General Assembly; (3) provide recommendations to promote transparency in modernization efforts in units of State government; and (4) submit an annual report of its findings and recommendations to specified committees of the General Assembly. MMC must be staffed by DoIT, in consultation with DLS.

State Expenditures: DoIT advises that many of the bill's requirements can be handled using existing budgeted resources, but that any additional resources needed to implement other provisions of the bill are covered in fiscal 2026 by funds available for transfer from ITIF. Out-year funding is discussed below.

DoIT anticipates that some additional staffing may be needed specifically to staff discovery teams required by the bill because it does not currently have any staff available to serve on those teams. Depending on how many staff are ultimately needed by DoIT, which depends on numerous unknown factors (including, for the discovery teams, how many State agencies require DoIT's assistance), total staffing costs may exceed \$1.0 million annually.

Nevertheless, DoIT advises, and DLS concurs, that the ITIF funding authorized to be transferred to implement the bill for fiscal 2026 (\$4.3 million and, additionally, up to 20% of the funding available in ITIF) is sufficient to cover any additional staffing costs that DoIT may incur in fiscal 2026. This analysis assumes that those funds are available for these purposes. Moreover, to the extent that any positions are transferred from other State agencies, along with the associated appropriations (which is also authorized by the bill), the impact on ITIF may be less pronounced.

In the out-years, the bill authorizes a unit of State government to reimburse MODE for services provided to the unit from ITIF funds allocated to the unit for an IT project or product. Therefore, this analysis assumes that costs for new MODE staff, including discovery teams, that provide services related to IT projects or products to units of State government continue to be paid using ITIF funds dedicated to those projects or products. DLS notes that the Budget Reconciliation and Financing Act of 2025 (HB 352) as introduced repeals the 20% set-aside for expedited projects, making those funds available for this purpose. However, to the extent there is not sufficient funding in ITIF or if services provided by MODE are not directly related to an ITIF-funded project, additional general funds may be needed instead.

Additional Comments: DoIT advises that the ITIF project and portfolio dashboard required by the bill may take at least one year to fully develop and publish. The bill does not provide a deadline for completion of the dashboard.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 705 (Senators Hester and Hershey) - Budget and Taxation.

Information Source(s): Department of Information Technology; Maryland State Board of Elections; Comptroller's Office; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - February 21, 2025
js/mcr Third Reader - April 5, 2025
Revised - Amendment(s) - April 5, 2025

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