

Department of Information Technology
Fiscal Year 2026 Operating Budget
Response to Department of Legislative Services Analysis

House Appropriations Committee

Transportation and the Environment Subcommittee

The Honorable Courtney Watson, Chair

February 26, 2025

Senate Budget and Taxation Committee

Education, Business and Administration Subcommittee

The Honorable Nancy J. King, Chair

March 3, 2025

The Department of Information Technology (DoIT) appreciates the opportunity to respond to the Department of Legislative Services' (DLS) analysis of the Office of the Secretary's budget.

The DLS analysis focuses on three key observations, which include the increase in funding for Major Information Technology Development Projects (MITDP), the creation of a category for expedited projects, and the decrease in funding for the Office of Security Management (OSM). The following testimony addresses the requests for comments in the analysis. DoIT concurs with five (5) of the ten (10) operating budget recommendations in the DLS analysis.

Performance Analysis: Managing for Results

1. Cybersecurity

DoIT should comment on the reason for the increase in devices protected by critical patch compliance.

The increase in devices protected by critical patch compliance is accredited to remediation (replacement/upgrade) of laptops and desktops, addition of newly onboarded agencies and end users to whom laptops and desktops were deployed to, and refined reporting and remediation of critical vulnerabilities via endpoint management systems.

DoIT should comment on the increase in security incident tickets and how the department is addressing these incident tickets.

Fiscal 2023 security incident ticket reporting reported ticket count beginning from DoIT's transition to independent ticketing for security incidents around the October 2022 timeframe. As such, the fiscal 2023 count represented a count across approximately 75% of the fiscal year (FY) versus the full fiscal 2024 count. The additional increase in security incident tickets is accredited to a changing threat landscape for the state, local, tribal and territorial (SLTT) sector that has seen an increase in malicious activity, improved visibility from enhancements in detection and service capabilities, and increased end user and agency incident reporting following OSM reporting awareness efforts.

OSM continues to invest in the people, processes, and tooling driving security incident detection and remediation. Continued training of analysts and refinement in processes drive rapid, effective triage, prioritization, and remediation of security incidents. Integration of automation and artificial intelligence(AI) capabilities to assist in the response and remediation of security events, particularly in the areas of greatest incident volume like email security, provide additional scalability to OSM. Taken together, these efforts ensure efficient usage of current allocated resources and future State investments in OSM as the cybersecurity threat landscape evolves and expands.

2. Oversight of Major IT Projects

DoIT should discuss the reason for the decrease in performance in all three MITDP indicators and its plan to improve performance in these areas.

Reduction in percent of projects on schedule: The reduction in the percent of MITDPs performing on schedule is due to two (2) primary factors: procurement delays and inaccurate schedule estimates. DoIT can do very little about procurement delays, although we have been working collaboratively with the Office of State Procurement (OSP) on multiple contract vehicles to improve IT service acquisition. Separately, we are changing how and when MITDP schedules are estimated to both improve the accuracy of schedules and more clearly communicate schedule uncertainty moving forward.

Reduction in percent of projects spending within 10% of their project plan: Nearly all projects spending outside of 10% of their project plan are underspending their plan (with the notable exception of those projects that have submitted deficiency requests). The reasons for this vary, but in most cases it is due to the same delays described above. Projects are expected to move faster than they have been able to and are thus underspending. As described above, we are working to improve both procurement speed (to the extent we can) and project schedule estimation so that we can more accurately predict project spending and recommend appropriations closer to what a project ends up spending.

Reduction in percent of projects using agile development processes: All MITDPs are required to use an agile development process. While all say that they are, this metric is based on our staff's expert opinion of whether they are actually using agile

methodologies. This number is significantly lower than we would like because MITDPs are operating in a rigid environment that frequently blocks true agile development, from our budgeting and procurement processes to leadership expectations and reporting requirements.

3. Support Services for State Agencies

DoIT should brief the committees on the average industry benchmark for both these performance indicators and how the department plans to reach these benchmarks.

DoIT was requested to create MFR's that expanded the cost transparency for enterprise services and provided value to State agencies. Two new MFR's were established: Average IT Cost per FTE for Enterprised State Employees; and Percent of IT Service Rates that are within the average range of Industry Benchmarks for State Government IT.

The Average IT Cost per FTE for Enterprised State Employees is calculated by viewing multiple State agencies that receive all IT services through DoIT and calculating an average cost based on the number of FTE's serviced. This calculation will be provided annually to view increases or decreases to the cost of IT per FTE to increase cost transparency in relation to DoIT services.

The Percent of IT Service Rates that are within the average range of Industry Benchmarks for State Government IT was calculated through a Service Rate Assessment. DoIT contracted with a vendor to benchmark its comparable rate to other IT organizations to demonstrate the efficiency and value of DoIT services to its customer agencies and the State of Maryland. DoIT's annual recovery for the services analyzed is 8% less than the peer average based on rates and billed volumes. Service categories analyzed included End User Services, Security/Firewall/ID Mgmt, Network (WAN and LAN), Cloud Services, Workspace and Messaging, Voice and Data Analytics. DoIT's total cost recovery (amounts billed via the 0876 schedule) based on rates and billed volumes for the services came in around \$5.2M less than the peer average. This information will be provided annually to illustrate value to State agencies.

It should be noted that year over year engagement with a vendor to obtain this data is not sustainable due to budgetary restrictions. DoIT is currently assessing ways to capture this data without annual vendor engagement.

Ongoing attainment of these benchmarks will be met through DoIT's continued financial stewardship and pursuit of cost-savings initiatives to benefit the State of Maryland.

Fiscal 2025 Proposed Deficiency

The Department of Legislative Services (DLS) recommends reducing the fiscal 2025 proposed deficiency appropriation by \$193,000 in general funds to align with the estimated needs of the agency.

DoIT and the State Board of Elections (SBE) are in agreement with this reduction.

Modernization of IT Projects

DLS recommends deleting the fiscal 2026 budgeted amount of \$28.8 million in general funds set aside for expedited projects and striking the language that makes a reduction contingent on the provision as a technical amendment. In addition, DLS recommends adopting committee narrative requesting that DoIT submit a report to the budget committees on how an IT project will be determined an expedited project. These actions will delay funding for expedited projects until the agency has clearly defined criteria and projects to use the funding.

DoIT is actively developing criteria for expedited projects that will be in place before the beginning of fiscal 2026 and will be prepared to submit a report to the budget committees accordingly. Rather than cutting expedited projects in its entirety, DoIT recommends reducing the expedited funds by 50% from \$28.8M to \$14.4M to be able to support legacy modernization efforts.

ITIF-funded Projects

DoIT should comment on the actual timing of the expenditures of the fund balances.

*As stated in the analysis, the Governor’s Fiscal 2026 Budget Book assumes that the ITIF fund balance will be \$16,912 at the **end of FY25** and will be \$0 at the **end of FY26**. According to the spend plans provided by the project sponsors, the expenditures will occur over the course of fiscal year 2026.*

Personnel Data

DLS recommends deleting 2 regular positions that have been vacant for more than a year for a reduction of \$210,608 in special funds. DoIT should brief the committees on the reason for high vacancy rates and discuss the department’s staffing strategy to fill these vacant positions, including the strategy of converting positions previously contracted to regular positions.

DoIT has been working closely with DBM to reclass, recruit and hire staff as efficiently as possible. From the start of fiscal 2024 through the midpoint of fiscal 2025, DoIT onboarded 46 employees. As technology continues to evolve, so do the skillsets required of DoIT staff. In order to meet the demands of emerging technology, approximately half of the vacant positions require reclassification which prolongs the recruitment process. Of the 39 vacant positions referenced in the analysis, 19 are pending reclass, 11 are in recruitment, and 9 are in the interview/offer stage.

The two positions that DLS has proposed to be eliminated are in the process of being reclassified to Mobile Device Manager and Platform Project Manager. Per legislation passed in 2024, DoIT is working towards centralizing Statewide platforms. Both of these positions will be supporting that mission and the elimination of these positions will be detrimental to the agency.

Issues

1. Cybersecurity

Modernize Maryland Act - DoIT should provide the committees with an update on the status of the annual report and highlight key recommendations that were identified.

The annual report will be voted on at the next Maryland Modernization Committee (MMC) meeting on February 28th. Key recommendations are as follows:

1. *Promoting diversity and inclusion throughout information technology hiring and procurement in the State government.*
2. *Increasing consolidation and optimization of IT resources through coordination and transparency.*
3. *Enhancing the visibility of OSM, specifically the Maryland Security Operations Center (SOC).*
4. *Creating a collaborative entity to improve the efficiency of network resources.*

Audit Report Findings on Cybersecurity Assessments - DoIT should brief the committees on how these align with the needed remediation and why it used existing contracts in lieu of procuring new contracts.

Due to the critical nature of the findings in the cyber assessment, DoIT did not feel that it was in the State's best interest to push remediation off until a new contract vehicle was in place. DoIT utilized the Network Managed Services (NMS) contract to bring on contractual support (both through the prime and subcontractors) for the following remediation activities:

1. *Governance - develop policies, standards and procedures that form the basis for how DoIT defines and delivers its services.*
2. *Configuration Management Database/Common Service Data Model (CMDB/CSDM) - implement a solution utilizing ServiceNow to track assets (i.e. hardware, software, systems, sub-systems, etc); develop a comprehensive list of systems under DoIT management and a list of systems under agency management that DoIT supports; and ensure that hardware assets are accurately accounted for within ServiceNow which will include network devices, servers and end user's devices (laptops, printers, etc) and ensure that an accurate inventory of the software used across the network is administered and maintained in ServiceNow.*
3. *Identity Access Management (IAM) - implement and rollout Delinea's Privilege Manager product to support meeting the needs of privileged access management and implement and rollout Okta's Statewide ID platform to manage identity provisioning and enforce the adoption of common standards and controls.*
4. *Authorized to Operate (ATO) - perform a risk assessment and/or a formal ATO to ensure ten (10) mission critical systems are operating in a secure manner.*

In May 2023, DoIT issued a stop work order on all NMS work orders related to DoIT's cybersecurity remediation. In January 2024, DoIT released a request for procurement (RFP) for cybersecurity services. This RFP included three functional areas: 1) assessments, 2) adversary emulation program development and execution; and 3) authorization to operate (ATO) program implementation. The RFP is anticipated to go to the Board of Public Works (BPW) for award in April 2025.

2. Artificial Intelligence

DoIT should brief the committees on the department's preliminary efforts to measure these factors and the possibility of including these factors as performance indicators.

DoIT formed its AI Enablement Team in early January 2025, focusing on executing the 2025 AI Enablement Strategy & Study Roadmap alongside members of the AI Subcabinet. Initial efforts are foundational and focused on "enablement" - launching and maturing an operationalized AI governance framework; pathways and playbooks for agency partners to run and analyze proofs-of-concept and experiments, and to subsequently scale and put successful experiments into production; approved tools and trainings in the hands of the workforce; and partnerships across civil society, industry, and academia to power portions of these efforts.

The pace of change in AI is such that DoIT's goals and organizational design focused on AI enablement will need to iterate as the State's maturity does in this area, and the frontier shifts. Given this context, we are actively developing performance indicators that can be more evergreen and genuinely helpful as metrics for the agency's role in AI enablement. Because AI is a technology to solve problems, and current indicators measure DoIT's ability to do that for its agency customers, integrating a metric into an existing goal will likely be the best path forward. Examples of options we are evaluating include meeting SLAs for AI projects that come through intake, or "solutions supported" by DoIT, or some sort of "readiness score" measured against an external benchmark.

Operating Budget Recommendations

1. **Strike the contingent language that reduces general fund appropriations for expedited projects contingent on legislation eliminating the mandate for expedited projects.**

DoIT concurs with this recommendation.

2. **Delete the general fund appropriation for the State Board of Elections Voter Registration and Election Administration Modernization Major Information Technology Development Project.**

*DoIT discussed this reduction with SBE and SBE is **not** in concurrence with this recommendation.*

3. **Delete the general fund appropriation for expedited projects in the Information Technology Investment Fund to allow time for the agency to develop criteria and a list of projects.**

DoIT is actively developing criteria for expedited projects that will be in place before the beginning of fiscal 2026 and will be prepared to submit a report to the budget committees accordingly. Rather than cutting expedited projects in its entirety, DoIT recommends reducing the expedited funds by 50% from \$28.8M to \$14.4M to be able to support legacy modernization efforts.

4. **Reduce the general fund appropriation in the Information Technology Investment Fund for three Major Information Technology Development Projects to align the fiscal 2026 budgeted amount with the cashflows available for the projects.**

DoIT has discussed with MDH and concurs with this recommendation.

5. **Adopt committee narrative requesting a report including clearly defined criteria to determine that an information technology project is an expedited project.**

DoIT concurs with this recommendation.

6. Add language restricting funds pending a report on the status of corrective actions related to the most recent fiscal compliance audit.

DoIT does not concur with this recommendation, as DoIT has repeatedly disagreed with the majority of the MITDP related OLA findings. DoIT asks that the committee refer to legislation passed last year (SB982) that required the Joint Audit and Evaluation Committee, in consultation with the Joint Committee on Cybersecurity, Information Technology, and Biotechnology, to study and make recommendations for any statutory and operational changes necessary to address the findings of the audit issued on April 2, 2024, by OLA in DLS and to report on any recommendations for statutory changes to the Governor and, in accordance with § 2-1257 of the State Government Article, the General Assembly, including the Senate Budget and Taxation Committee, the Senate Committee on Education, Energy, and the Environment, the House Appropriations Committee, and the House Health and Government Operations Committee on or before December 1, 28 2024. DoIT requested to join a working group with these committees to address the findings that DoIT and OLA have historically not been in agreement with, particularly those related to the oversight of MITDPs. It is our concern that without a willingness to collaborate, OLA will never agree that the MITDP repeat findings are addressed favorably.

7. Delete 2.0 long term vacant positions.

DoIT does not concur with this recommendation. The two positions that are being eliminated are in the process of being reclassified to Mobile Device Manager and Platform Project Manager. Per legislation passed in 2024, DoIT is working towards centralizing Statewide platforms. Both of these positions will be supporting that mission and the elimination of these positions will be detrimental to the agency.

8. Delete general funds in the Radio Program as a technical correction.

DoIT concurs with this recommendation.

9. Reduce the fiscal 2025 proposed deficiency appropriation for the New Campaign Reporting Information System Major Information Technology Development Project based on expected costs.

DoIT has discussed with SBE and concurs with this recommendation.

10. Add a section to reduce the funding for the Statewide 700 megahertz Radio System Operating Cost based on recent actual spending.

DoIT does not concur with the recommendation to reduce the Radio System operating budget by \$1,677,680 based on recent actual spending. DoIT's fiscal 2026 budget request of \$19,934,445 is an increase of \$2,353,067 over fiscal 2025. The reason for the increase is due to Phase 5 of the radio system buildout coming out of its two warranty and falling under the maintenance contract. Phase 5 consists of five (5) counties (Montgomery, Prince George's, Calvert, Charles, and Saint Mary's), and the resulting maintenance cost increase is ~\$2,471,709. DoIT was able to reduce the total increase to \$2,353,067 by reducing other costs. To give perspective to this increase, when Phase 4 (Washington, Allegany, and Garrett counties) came out of warranty in fiscal 2021, it resulted in an increase of \$2,647,779 over fiscal 2020 in maintenance costs. In order to maintain this life saving public safety radio system at the level required, DoIT respectfully requests that the original budget request for \$19,934,445 be approved.