Maryland
DEPARTMENT OF
INFORMATION TECHNOLOGY

Wes Moore | Governor
Aruna Miller | Lt. Governor
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Department of Information Technology
Fiscal Year 2027 Operating Budget
Response to Department of Legislative Services Analysis

House Appropriations Committee

Transportation and the Environment Subcommittee

The Honorable Courtney Watson, Chair

March 9, 2026

Senate Budget and Taxation Committee

Education, Business and Administration Subcommittee

The Honorable Nancy J. King, Chair

March 5, 2026

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 Fiscal Year (FY) 2027 budget.

The DLS analysis focuses on four key observations, which include the decline in Major Information Technology Development Projects (MITDP) performance indicators, the transfer of Maryland Benefits to DoIT, the establishment of the MITDP Oversight Division (MOD), and the increase of both regular and contractual full-time equivalent (FTE) positions. The following testimony addresses the requests for comments in the analysis. DoIT concurs with five (5) of the eight (8) operating budget recommendations in the DLS analysis.

<u>Performance Analysis: Managing for Results</u>

1. **<u>Cybersecurity</u>**

   DoIT should comment on the contributing factors that lowered the number of security incident tickets received in fiscal 2025.

   The number of security incidents received is a lagging indicator of frequency, reflecting detected and reported incidents from state agencies, local government, and public utilities, cybersecurity technology tool configuration, and actual attack frequency. It should not be used in isolation as a measure of cybersecurity performance as incidents will fluctuate year over year and does not gauge the actual impact of incidents. This measure is best used to understand the frequency of particular attack trends and engagement from state, local, and critical infrastructure partners.

   From a macro-perspective, the public sector, including state and local, continues to see a rise in cybersecurity attacks due to geopolitical tension, general increased threat actor activity, and the impact of artificial intelligence (AI) lowering the barriers for executing cyberattacks including Agentic AI-driven attacks. State and local governments are uniquely targeted by threat actors because of its direct impact on citizens' daily lives, critical infrastructure operation and its direct management of constituent services, increasing the likelihood of economic payoffs for attackers.

To address the frequency, scope, and complexity of cyberattacks, the Office of Security Management (OSM) continues to invest in the people, processes, and tools that drive security incident detection and remediation while establishing robust cybersecurity governance and controls. OSM advocates cybersecurity services centralization across the state executive branch and extending services where possible to local governmental entities. Ongoing training of cybersecurity, information technology (IT), and state workforce, while continuously refining processes to foster rapid, effective triage, prioritization, and remediation of security incidents. Integration of automation and AI capabilities assists in the response and remediation of security events, particularly in high-volume areas like email, identity, and data security. Together, these efforts ensure efficient usage of currently allocated resources and future state investments in OSM as the cybersecurity threat landscape evolves and expands.

2. <u>**Oversight of Major IT Projects**</u>

DoIT should comment on the efforts that it has taken to address the decline in the three MITDP performance indicators.

The existing MFRs are not strong predictors of success. When these projects were started they were awarded under a model by which all of the funding was awarded at once. This is not agile development. There is a direct correlation between the number of projects utilizing agile development and the number of projects behind schedule. As we continue to pause projects to get them in compliance with revised standards, these projects will continue to report a decline in existing performance metrics. We will be collaborating with DBM in the spring to revise the MFRs to ensure the performance metrics are better aligned with DoITs new requirements.

In April 2025, we announced new staffing requirements for MITDPs that go into effect at the beginning of FY 2027. The new requirement obligates all MITDPs to have a technical product manager, technical lead, and user experience lead managing the project. These are new skillsets in most MITDPs and enable the projects to execute the further reforms rolling out this spring.

Later this month (March 2026), we will be resetting the intended scope and success metrics of all MITDPs that have not yet completed implementation. The new scope *definitions will include measurable progress indicators that will allow DoIT to better monitor the progress of the projects. Once each project completes this reset, they will be subject to new oversight criteria requiring truly agile, iterative, and user-centered development practices. These new ways of working, combined with the new scope definitions, will give DoIT far better visibility into the status of projects, which will allow us to ensure they deliver value, and, most importantly, better results for the people of Maryland.*

3. **Support Services for State Agencies**

DoIT should brief the committees if alternative ways to collect data on the service rate assessments have been identified.

DoIT will be working with the Department of Budget and Management (DBM) in the spring to update existing Managing for Results (MFR) performance metrics and establish a repeatable MFR that identifies the value to the state for IT services that does not require annual vendor engagement.

Expedited Projects

As the eligibility criteria for expedited projects is yet to be finalized and a proposed list of projects eligible to be deemed expedited projects is not available, the Department of Legislative Services (DLS) recommends deleting $3 million in general funds in the ITIF for expedited projects.

DoIT agrees with this recommendation.

MITDP Oversight Division

DoIT should comment on how it will prioritize MITDPs that may require assistance from the two teams and provide a list of projects it has identified where the two teams will be deployed for fiscal 2027.

DoIT's MITDP Oversight Division flags MITDPs which require more direct intervention from DoIT. Project interventions could include discovery sprints, security reviews, focused stakeholder interviews or engineering challenges. Support will be prioritized based on numerous *factors. The aforementioned reset of MITDP scope and success metrics beginning later this month and the new oversight criteria that will follow that reset will give DoIT new insight into the strengths and weaknesses of each project. This will allow us to make better judgments about the kind of support that will be most impactful. From there, we will also consider each project's projected cost, potential impact of success or failure, alignment with the Governor's priorities, and agency readiness, in order to prioritize our limited resources. In most cases, we will prefer to begin any longer-term engagement with discovery in order to determine the appropriate long-term support model, which may or may not be an intervention team.*

DoIT may also support discovery for projects that are not yet MITDPs in order to set them up for success, as resources allow.

DoIT should clarify how many positions will be funded with the $4 million in oversight staffing funding. DoIT should also comment on how or to what extent the newly established division to monitor and support implementation of MITDPs will mitigate problems identified in the MFR related to incorrect scope and cost estimates.

In FY 2027, this $4M will pay for 13+ contractual full-time equivalents (FTEs). These staff are members of the MITDP Oversight Division (MOD), which has existed in some form for well over a decade, despite being established in statute only last year. This team is a key part of the MITDP reforms currently underway and will be responsible for monitoring projects and assessing their performance based on the new oversight criteria, as described above.

<u>ITIF Funded Projects</u>

Because the ITPR for DoIT's Statewide Permitting Platform MITDP was not provided as required by statute, DLS recommends deleting $500,000 in general funds for the new project.

*The Statewide Permitting Platform is **not** a MITDP and therefore an ITPR is **not** required by statute. The $500,000 in general funds was included in the Governor's Allowance for discovery, which is an allowable expense per statute. Depending on the outcome of that discovery, the Statewide Permitting Platform may or may not become a MITDP at which point an ITPR would be required.*

DLS recommends adopting committee narrative requesting that DoIT, in collaboration with DBM, provide out-year funding and cost estimates for each MITDP by fiscal year and fund source with the submission of the Governor's Fiscal 2028 Budget Books.

DoIT does not agree with this recommendation. This year, DoIT chose to stop collecting out-year projections beyond total estimated cost to complete an MITDP. Projected yearly cost data is notoriously inaccurate, as DLS points out several times in this analysis, and is significantly impacted by funding decisions and procurement delays, both of which are out of the control of DoIT and the implementing agencies. Instead of making inaccurate projections, we are estimating annual costs based on dividing each project's estimated cost to complete over the estimated remaining years, as reported in the MITDP mid-year report. DLS also has the data necessary to perform these projections if so desired.

We are also working to change the MITDP funding model to fund projects based on both stage gates and performance. We are implementing new lifecycle phases for MITDPs and funding will be dependent on successful completion of each stage and the performance of each project within those stages.

DoIT and DBM should ensure that deficiency appropriations are correctly budgeted in the ITIF within DoIT's budget beginning in fiscal 2028 to ensure that DoIT has oversight of the MITDP. DoIT should comment on how it will coordinate with SBE to ensure that it maintains oversight as the NCRIS project progresses.

DoIT is in agreement with this recommendation. As the SBE NCRIS project is an existing MITDP, DoIT MOD will continue to provide oversight in accordance with statute.

Personnel Data

DoIT should brief the committees on how much savings the transition of the 86 positions previously funded through contracts to contractual FTEs will generate.

DoIT has committed to reducing our reliance on vendors by bringing subject matter expertise in house, in alignment with the Governor's priorities and Government Modernization Initiative (GMI). Insourcing by converting contractors to State contractual employees has been our primary method of doing that as approximately 50% of DoIT's operating budget consists of *contract services. In FY 2025 alone, DoIT converted contractors in Infrastructure and Security Operations resulting in a savings of $4.775M.*

In FY 2026, DoIT has focused on converting contractors identified in MD Benefits, Security Operations and Data Enterprise, resulting in $2.65M in savings across those programs. These savings have been reinvested into DoIT's operating budget to fund administrative priorities and unfunded legislative mandates.

DLS recommends increasing turnover expectancy for the 11 new positions to 25%, which are supported with general funds.

DoIT is in agreement with this recommendation.

Issues

1. **Cybersecurity**

   DoIT should clarify the utilization of the $16.9 million remaining of the $28 million that was budgeted for cybersecurity assessments in the fiscal 2025 budget.

   The FY 2025 appropriation was the first year that OSM was funded 100% with general funds (GF's), exclusive of the dedicated purpose account (DPA). The increase of $28M that was outlined in the budget adjustments as "Cybersecurity Assessments and Remediation"reflects that change. Within DoIT's budget request, that money was earmarked for developing statewide cybersecurity programs, including assessments, cyber remediation, cybersecurity engineering, governance, risk and compliance (GRC), penetration testing, information security officers (ISOs), and incident response. These are fundamental cybersecurity programs essential for remediating and preventing cybersecurity lapses. While assessments did not move forward in FY 2025, which was mainly attributable to a failed procurement, OSM continued to move forward in the other areas listed above that strengthen and expand the State's cyber posture.

   Remediation efforts continued after the first round of assessments. This funding supported staffing to direct and implement the programmatic responses along with the potential software, hardware, and resources necessary to implement change. OSM *adopted the standards for cybersecurity that are established by the National Institute of Standards & Technology (NIST). Funding has been used to ensure that the organization incorporates these guidelines, specifications and requirements to ensure that DoIT's products, services and systems are safe and of high quality. Additionally, OSM is enforcing the need for effective enterprise risk management including the authorization to operate (ATO) process which is a critical cybersecurity and privacy approval process that verifies a system's security, compliance and risk level prior to being approved to process State data.*

In FY 2025, OSM supported significant updates to the state's firewalls and cloud service disaster recovery, launched the statewide vulnerability program, published new cybersecurity and privacy policies and standards, onboarded additional state agencies into centralized cybersecurity services, and addressed multiple major incidents that had a material impact. These efforts combined new hardware, services and vendor support to strengthen the system that increasingly hardens the network from unauthorized access and cyber threats and ensure business continuity through rapid restoration after an outage or cyberattack.

DoIT should comment on the estimated funding requirement to ensure that these remediation actions are always deployed and operational.

OSM is committed to more accurately estimating future requirements for the Statewide Cybersecurity and Privacy program and fully expects that the funding requirement will likely need to increase year over year. This anticipated increase is driven by several factors: technology and service provider inflation, expected increases in staffing costs (including salary increases, transitioning contractual roles to state FTEs, and recruiting specialized professionals), and the continued expansion of program needs due to the rapid increase in attacker proficiency, the State's expanding attack surface, AI governance, and the need to support local government and critical infrastructure as the federal government reduces support. Strategically, OSM's FY 2027 fiscal request was "flat" as the office concentrated on internally optimizing expenditures, specifically by reducing reliance on costly contractors in favor of State FTEs, eliminating redundant and underutilized technologies, and improving internal process efficiency. In the future FY 2028 and FY 2029 fiscal requests, OSM will likely submit an increase in funding *requirements to continue improving the state's cybersecurity posture, address vulnerabilities identified in the forthcoming cybersecurity assessments, support cybersecurity centralization, mature the GRC program, and support our local government partners.*

2. **Artificial Intelligence**

DLS recommends adopting committee narrative for a report on the State's AI efforts and the progress the State has made toward its implementation in accordance with the State's AI enablement strategy. The report should also highlight the estimated costs for implementing the efforts identified, the estimated timeline for their implementation, and how successful implementation of AI can be measured or tracked.

DoIT is in agreement with this recommendation.

3. **Transfer of Maryland Benefits to DoIT**

DoIT should brief the committees on the reason for the continued integration of operational duties for CJAMS and CSMS with Maryland Benefits, the impact of the continued integration on the platform development and maintenance, and its contingency plans to ensure that the applications are accessible to the users if the estimated separation of the applications extends beyond fiscal 2026.

CJAMS and CSMS will continue to be hosted on the Maryland Benefits platform, which is a shared service model administered by DoIT. The separation between DHS and DoIT is primarily administrative, which includes a shift in management responsibility (roadmap, budget, and planning) to DHS, rather than a separation of the technical applications themselves. The continued technical integration via the shared platform is strategic because it:

- *reduces the need for multiple platform deployments;*
- *increases stability and quality by using repeatable automated processes;*
- *ensures improved consistent security practices;*
- *and lowers costs and reduces the administrative burden faced by agencies.*

The shared service model is designed to support sustained systems development and maintenance. The continued integration benefits platform development by allowing for shared components (software, cloud, security) and facilitating stable, high-quality development through automated processes.

The transition plan itself, scheduled to conclude in June 2026, includes dedicated workstreams for roadmap management, release train and planning, and operations, ensuring continuity and focused development over the course of the administrative shift. To mitigate risk and ensure application accessibility, the following processes have been put in place:

- *the transition process is designed with a close focus on risk reduction and ensuring a seamless continuity of operations and sustained systems development;*
- *detailed monthly updates on progress are provided to all senior stakeholders from both DHS and DoIT;*

User access is not expected to be impacted by the administrative shift, as public customers will continue to access CJAMS and CSMS through the Maryland Benefits centralized Consumer Portal, which remains the single point of entry.

Given that this platform encountered significant investment and implementation challenges prior to being transferred to DoIT, DLS recommends adopting committee narrative requesting a report on the progress of the shared platform, including the costs, implementation progress, additional efficiencies identified, and the estimated savings. The report should also highlight how procurements for the different components of the platform are being carried out and if savings can be identified either through consolidation of multiple contracts or separating a single contract into multiple contracts.

DoIT is in agreement with this recommendation.

4. Termination of the Project Management Information System Contract

DoIT should brief the committees on when the contract with SHI, Inc. is scheduled to end along with the timeline to issue a request for proposals for a new vendor for

an enterprise PMIS that meets all the regulatory requirements. DoIT should also brief the committees on its contingency plan if a new contract is not awarded before the fiscal 2028 MITDP funding request cycle.

The contract with SHI, Inc. for the Clarity Project Management Information System (PMIS) was terminated in 2025. DoIT does not currently have a timeline to issue a request for proposal (RFP) for a new vendor and may never do so, depending on the solution path we choose for this use case. In the meantime, we will use several Google Workspace tools we have built to continue to meet all statutory requirements.

Operating Budget Recommendations

1. **Delete general funds for expedited projects in the Information Technology Investment Fund.**

   DoIT concurs with this recommendation.

2. **Delete general funds for the Maryland Department of Health Medicaid Pharmacy Benefits Electronic Claims System Major Information Technology Development Project.**

   DoIT does not concur with this recommendation. The current contract providing this system expires in 2029 and must be replaced, which requires starting the RFP in FY 2027. After consultation with MDH, the agency does not need the full $1.5M in funding; we recommend a 50% reduction to $750k.

3. **Delete general funds for the Department of Information Technology Statewide Permitting Platform Major Information Technology Development Project (MITDP) because the information technology project request for this MITDP was not submitted as required by § 3.5-308 of the State Finance and Procurement Article.**

   DoIT does not concur with this recommendation. The Statewide Permitting Platform is ***not*** *a MITDP and therefore an ITPR is* ***not*** *required by statute. The $500,000 in general funds was included in the Governor's Allowance for discovery, which is an allowable expense per statute. Depending on the outcome of that discovery, the Statewide*

Permitting Platform may or may not become a MITDP at which point an ITPR would be required

4. **Increase turnover expectancy for 9 new positions in Program F50B04.01 to 25% to be consistent with budgeted turnover for new positions.**

   DoIT concurs with this recommendation.

5. **Increase turnover expectancy for 2 new positions in Program F50B04.05 to 25% to be consistent with budgeted turnover for new positions.**

   DoIT concurs with this recommendation.

6. **Adopt committee narrative requesting a report on artificial intelligence implementation.**

   DoIT concurs with this recommendation.

7. **Adopt committee narrative requesting a report on Maryland Benefits and its implementation.**

   DoIT concurs with this recommendation.

8. **Adopt committee narrative requesting inclusion of information on outyear funding and cost estimates for Major Information Technology Development Projects.**

   DoIT does not concur with this recommendation. As previously stated, DoIT chose to stop collecting out-year projections beyond total estimated cost to complete an MITDP. Projected yearly cost data is notoriously inaccurate, as DLS points out several times in this analysis, and is significantly impacted by funding decisions and procurement delays, both of which are out of the control of DoIT and the implementing agencies. Instead of making inaccurate projections, we are estimating annual costs based on dividing each project's estimated cost to complete over the estimated remaining years, as reported in the MITDP mid-year report. DLS also has the data necessary to perform these projections if so desired.