

MEMORANDUM

TO: Rep. Mary Hooper, Chair, House Appropriations Committee & Rep. Martha Feltus

FROM: John Quinn III, State CIO & Secretary

DATE: March 12, 2021

SUBJECT: Response to Wednesday, March 10, 2021 discussion on the IT Modernization Fund

The Agency of Digital Services is grateful for the opportunity to present to the legislature a plan to establish an IT Modernization Fund in an effort to begin reshaping the way the state plans for and funds IT projects. We know that this plan will be enhanced over time, but we are certain this first step is solid and a perfect place to start this year. We are, however, concerned with the recent indication that the special fund would require greater consideration in the legislature and may be left out of this year's budget. We are puzzled as to why the legislature would not want to take this positive step forward.

I think we can all agree and understand that there is a growing urgency to provide additional means to finance the modernization of information technology systems for the economic benefits of the State and for the welfare and safety of our citizens. The IT Modernization Fund is established for the purpose of implementing or upgrading existing technology platforms, systems, and cybersecurity services. The intent of the fund shall be used to reduce the States technical debt, modernize tech systems to eliminate risk factors, save money, and to better the Vermonter's experience by offering technical solutions which are more accessible and manageable.

The Agency of Digital Services utilizes several processes to vet IT projects and will apply these processes to the projects being considered for inclusion in the IT Fund.

The process begins with the creation of the Information Technology Business Case and Cost Analysis (IT-ABC) form. The form is completed by the business unit in cooperation with the local ADS team and the Enterprise Project Management Office. The "ABC" form captures information on the business problem to be solved, proposes a solution, details a justification, and analyses what others are doing, including risks, proposed costs, operating costs, and existing costs. Prior to submission to ADS, it is reviewed by the Agency/Department Secretary/Commissioner, or their delegate, their CFO, and the ADS IT Lead. The Chief Technical Officer and CIO's office within ADS then review and approves or denies the IT-ABC prior to the start of the project. During significant changes to the project, the IT-ABC is updated, and the review and approval process is repeated.

Through the IT-ABC review and approval process the project is evaluated for the following:

- Does the project align with the Governor's goals?
- Does it align with the goals of ADS?



- Does it align with the goals of the Agency/Department?
- Does the project address new or updated legislation?
- Is the project required for compliance reasons?
- Does the project reduce our technical debt?
- Does it reduce our cybersecurity risk posture?
- Is it addressing an area where the state is resource-constrained?
- What is it doing to provide a positive impact to services for Vermonters?
- Does it bring operational efficiency to state processes?
- What is the Agency/Department's readiness/support for completing the project?
- Is the project required due to vendor abandonment?

Projects in this process that is greater than \$1M, or as directed by the CIO, are also subjected to an independent review prior to any work starting on the project to ensure sound solution selection, project approach, and risk identification and mitigation.

To best capitalize on federal funding opportunities, the state will look to source revenues to be put toward the fund which allows for matching opportunities of eligible systems. The Administration has put forward a revenue plan for the first year which achieves this as well as eliminates new tax burdens put toward Vermonters. Upon establishment of the funds, the Administration will look to add additional revenue sources in the coming years with the input and consent of the legislative branch. Annually, monies within the fund shall be appropriated through the legislative process with receipts from the following sources:

1. Purchasing Card Rebate Program
2. Negotiated Vendor Administrative Fees
3. Electronic buy-back program
4. Twelve percent of fees collected from the Mutual and Trust fund regulation assessment.

Notwithstanding any contrary provisions of the law, unexpended balances and any earnings shall remain in the Fund from year to year. This will be extremely important for managing the budget of large multi-year projects. The Secretary of the Agency of Digital Services shall administer and manage the fund with annual reporting to the legislature on the health of the fund along with annual expenditure and project updates.

With the establishment of a special fund, we can move away from the antiquated way IT projects are conceived and funded. Our vision is that eventually, the IT modernization projects will no longer face the hurdle of uncertain funding which has placed us in the situation we find ourselves today. With several systems greater than 40 years old and the costs to replace such systems increasing every year, the time is now for a new way of thinking about how we fund our critical IT infrastructure projects. The creation of this special fund will give a greater vision into our IT needs and will rely on the input from the executive branch and the legislature, working together, to provide Vermonters with a modern and collaborative experience with state government.

We hope the committee will reconsider this fund and for it to be included in the SFY2022 budget. We can no longer afford to "kick the can down the road", as Vermonters expect modern delivery of services now, and not sometime in the unforeseeable future.



