

**Written Explanation of FY27 ADS Budget Changes
Submitted to the House Energy & Digital Infrastructure Committee**

The Agency of Digital Services (ADS) is responsible for state information technology and security that enable digital government operations across Vermont. For FY27, the proposed ADS budget includes several important changes designed to improve transparency, align funding with statewide priorities, and ensure sustainable support for enterprise technology services.

1. Full Funding of Core Enterprise Services (CES) with General Fund Support

For the first time, the FY27 proposal includes a \$9 million General Fund allocation to support Core Enterprise Services (CES). CES represents the foundational capabilities that all agencies rely upon, including cybersecurity protections, network connectivity, and data storage. By incorporating General Fund support, the increase in the per-user allocation rate for CES is lessened for agencies, easing the financial burden on individual departments while reflecting the enterprise-wide importance of these services.

Core Enterprise Services promotes equitable access to technology across state government by ensuring all agencies, regardless of size or budget, have access to the same high-quality technology infrastructure and services. With the use of both General Fund support and Internal Service Fund (ISF) allocations, smaller agencies or those with limited resources are provided the same access to critical enterprise services such as cybersecurity, network connectivity, productivity tools, and data storage.

The framework and shift to a Core Enterprise model reflect a move toward standardizing on foundational technology capabilities across the enterprise. Creating a responsible and predictable technology foundation allows Vermont to move past a legacy model of disparate, transactional procurement handled differently across business agencies. This improved approach strengthens the state’s ability to maintain secure, reliable, and modern systems that support Vermonters across government.

Core Enterprise Services – FY27 Funding Sources	Amount (\$)
General Fund (10000)	\$9,317,893
CIT Internal Service Fund (58100)	\$35,687,012
VCGI Fund (21328)	\$14,000
Municipal Registration Plan Fund (21330)	\$1,017,998
VISION Internal Service Fund (59300)	\$3,207,690
Total CES Funding	\$49,244,593

2. Separation of Budget Appropriations for CES and Demand Services

To increase clarity and improve financial management, ADS's budget has been split into two distinct appropriations:

- **Core Enterprise Services Appropriation** – Funds foundational statewide technology capabilities using a combination of General Fund and existing internal service funds (CIT, VCGI, Mun Reg Plan, VISION).
- **Demand Services Appropriation** – Funds agency-specific technology use, including enterprise licensing, private cloud usage, and field services billed via timesheets. This appropriation is supported by three newly established internal service funds:

ADS Demand Services – FY27 Funding Sources	Amount (\$)
ADS Enterprise Offerings ISF (formerly SLA)	11,711,911
ADS Professional Services ISF (formerly Timesheet)	30,594,071
ADS Customized Services ISF (formerly Bespoke)	5,000,000
Total Demand Services Funding	47,305,982

This distinction at the appropriation level intends to provide greater transparency, making it clear which resources support statewide infrastructure versus agency-specific demand.

3. Budget Reductions and Realignment

The total FY27 request for ADS is lower than FY26, reflecting several structural changes:

- **Staffing Costs** – Reductions will be achieved through natural attrition, without impacting service levels or administering RIFs.
- **Project-Based Expenses (Bespoke Category)** – Project expenditures are no longer represented in the central ADS budget, following a Department of Finance & Management recommendation. These costs are now captured solely within each agency's budget, avoiding duplication of spending authority and simplifying financial oversight and controls. DFM will work with ADS to develop a process for Bespoke transparency in reporting.
- **Contracted Services** – While ADS retains oversight and responsibility of IT and services contracts, spending authority for contracts shifts to partner agencies. Agencies will be solely responsible for paying vendors under contract with the state and will not be represented in addition within the ADS budget.

Conclusion

These FY27 budget changes reflect a necessary strategy to distinguish between foundational and operational technology costs within state government, align IT services with predictable budget and spend, and ensure that Vermont's statewide technology infrastructure is reliably funded across the enterprise.