

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** Senate Bill 810

**PRINTER NO.** 1398

**AMOUNT**

See Fiscal Impact

**FUND**

General Fund

**DATE INTRODUCED**

August 7, 2019

**PRIME SPONSOR**

Senator Phillips-Hill

**DESCRIPTION**

Senate Bill 810 establishes a new Chapter 43 (Information Technology) in Title 71 (State Government) to provide for the administration of the Commonwealth's information technology (IT) portfolio across state government agencies under a new Officer of Information Technology in the Office of Administration. The legislation includes the following provisions:

Office of Information Technology

- Establishes the Office of Information Technology (office) under the Governor's Office of Administration.
- Consolidates the IT functions of agencies within the office, including planning, procurement, staffing, budgeting and compliance.
- Provides for the Secretary of Administration to appoint a director of the office who has authority over IT functions.
- Requires IT functions to be organized in shared service centers.
- Requires each agency chief information officer (CIO) to report to the director and employees responsible for IT within state agencies to be transferred to the office.
- Requires the director to develop policies for agency IT planning and financing, including a budget plan to manage all IT funding, in consultation with the Budget Secretary.
- Requires funding for IT projects to be allocated based on an approved business case (project) submission which specifies the need for IT services and related resources, including expected improvements to programs or operations, and the requirements for resources and funding, together with an evaluation of those requirements by the agency CIO which takes into consideration: (1) the agency's current IT; (2) IT sharing opportunities; and (3) other relevant factors.
- Requires an audit of agency IT assets, inspections/testing of IT assets to determine compliance with IT plans, architectural reviews and capability assessments of IT services, technologies and systems, and maintenance of a comprehensive inventory of IT.

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- Provides for the establishment of an operational testing environment to enable the evaluation of new IT services and retirement of existing services.
- Establishes the Information Technology Fund (fund) as an account in the General Fund, transfers encumbered funds designated for IT purposes from the agencies to the fund and requires the director to approve expenditures from the fund.
- Requires the director, Secretary of the Budget and Treasurer to develop budgeting and accounting processes for IT expenditures.
- Requires the director to make an annual report to the General Assembly regarding the provision of IT services and spending in the prior year.
- Requires the Commonwealth to maintain a centralized portal (a publicly accessible internet website) and state agencies to link to the portal.
- Requires the development of a statewide IT transparency portal to provide detailed information regarding the status of each IT project.
- Requires the office to develop remediation plans for business cases experiencing cost or schedule overruns or performance shortfalls.

### Business Operations

- Requires bid proposals submitted by vendors to disclose where services will be performed.
- Provides the director with oversight over all state agency telecommunications, except the Pennsylvania Statewide Radio Network.
- Provides for coordination and development of cost sharing systems for maintenance and operation of telecommunications systems.
- Requires the director's assurance that no confidential data is processed through IT until safeguards are established.
- Establishes project approval standards.
- Requires the director to review and approve or disapprove all IT projects within 15 business days.
- Authorizes the director to suspend an IT project if the project: (1) fails to meet quality assurance standards; (2) exceeds projected costs; or (3) fails to meet its projected completion date.
- Provides that the director must specify the grounds for the disapproval or suspension of a project and provide notice to the agency, Secretary of the Budget, Treasurer, Auditor General and the General Assembly.
- Prohibits the Treasurer from funding a suspended project unless the director approves an amended project plan.
- Provides for a process by which an agency can request the director to review a determination to disapprove or suspend a project.

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- Prohibits the purchase of IT equipment by an agency unless the director determines that it is in compliance with the provisions of this act and other applicable laws.
- Provides agencies with the option to purchase refurbished computer equipment and requires an agency to report savings.
- Provides for the office to maintain data on equipment reliability, cost savings and matters related to purchasing refurbished equipment and make quarterly reports.

### Procurement of Information Technology

- Requires the office to contract for all IT, consistent with Title 62 (Procurement).
- Requires the office to establish processes, specifications and standards relating to IT purchases, leases, licensing and service contract requirements.
- Requires the office to use purchasing benchmarks.
- Requires the office to provide strategic sourcing resources and planning to estimate IT needs.
- Ensures that statements of objectives are used when issuing solicitations for IT projects.
- Provides that contact information compiled by the office is a public record after the award of the contract and that trade secrets, test data, proprietary information and security information currently protected from disclosure remain confidential.
- Allows for the use of an electronic procurement system to conduct reverse auctions and electronic bidding on multiple award contracts for the acquisition of IT hardware.
- Provides that the vendor's price may be revealed during a reverse auction.
- Allows the office to contract with a third party to conduct a reverse auction.
- Provides that formal bidding requirements are satisfied when a procurement is conducted in compliance with a reverse auction or electronic bidding requirements established by the office.
- Requires the director to establish procedures for IT bulk purchasing.
- Provides that all bids shall be subject to evaluation and selection by acceptance of the most advantageous offer.
- Requires the following factors to be considered when evaluating an IT purchase: (1) best value; (2) compliance with IT project management and security polices; and (3) conformance with the conditions in the solicitation.
- Provides exceptions from competitive bidding requirements from IT contracts in the case of a pressing need or emergency arising from an IT security incident or in the use of master licensing or purchasing agreements governing the office's acquisition of proprietary or intellectual property.

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### Security

- Requires the director to establish IT security standards and to review and revise them annually.
- Authorizes the director to assume responsibility for IT security for an agency that fails to adhere to the security standards.
- Requires the director to authorize the use of IT security goods, software or services purchased with taxpayer money.
- Provides for the director to establish risk-based control standards to identify specific security and privacy protections for IT in line with threats and risks to Commonwealth residents and the agencies.
- Requires the director to conduct risk assessments to identify risks to the IT network and agency operations.
- Requires the director to contract with an independent certified information security auditor to perform an information technology audit of the agencies and determine a schedule of continuous agency information security audits.
- Requires agencies, in cooperation with the office, to provide the director with a corrective action plan to remedy issues identified in a security audit report.
- Requires the director to biennially assess the ability of each agency's vendors to comply with security standards and establish metrics to determine compliance with current security standards.
- Establishes a Joint Cybersecurity Oversight Committee to review and coordinate cyber security policies, discuss emerging threats, recommend policy changes and report on its activities.

### Enforcement and Penalties

- Provides that actions taken by the director related to this chapter are subject to review in accordance with 2 Pa.C.S. Chapters 5 (relating to practice and procedure and 7 (relating to judicial review).
- Prohibits any person from purchasing, attempting to purchase, procuring or attempting to procure any property or services for private use or benefit. A person that violates this provision commits a misdemeanor of the first degree and upon conviction is liable to repay the amount expended in violation of this chapter and court costs.
- Prohibits the director, any other policy making employee of the office and any employee of a state agency involved in the management of an IT project from having a financial interest or personal beneficial interest in the purchase of or contract for IT. A person that violates this provision commits a felony of the third degree and shall be removed from office or state employment.
- Requires the director to require bidders under this chapter to certify that each bid on IT contracts overseen by the office is submitted competitively and without collusion.

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The legislation is scheduled to take effect immediately.

## FISCAL IMPACT

The administrative responsibilities delegated to the new Office of Information Technology within the Office of Administration to manage and oversee the Commonwealth’s IT portfolio in Senate Bill 810 will cost the Commonwealth \$14,705,700. This includes: \$6,742,500 for 47 additional staff; \$3,283,200 to purchase IT hardware and software; and \$4,680,000 for external services. A breakdown of the cost by item is included in the chart below.

Cost Item	Personnel	Hardware/ Software	External Services	Total
Inspection of IT assets for plan compliance	\$ 435,000	\$ 216,000	\$ 360,000	\$ 1,011,000
Audit of IT assets	\$ -	\$ 86,400	\$ 900,000	\$ 986,400
Reviews/capability assessments of IT	\$ 870,000	\$ 432,000	\$ -	\$ 1,302,000
Standardize data elements	\$ 870,000	\$ 432,000		\$ 1,302,000
Development and maintenance IT inventory	\$ 725,000	\$ 172,800	\$ 360,000	\$ 1,257,800
Operational testing to evaluate/introduce new IT	\$ 870,000	\$ 1,296,000	\$ 1,080,000	\$ 3,246,000
Transparency portal development and operation	\$ 580,000	\$ 432,000	\$ 720,000	\$ 1,732,000
IT budgeting and budget process modifications	\$ 507,500	\$ 43,200	\$ -	\$ 550,700
Project planning, management, remediation	\$ 1,305,000			\$ 1,305,000
Inventory of Telecommunications systems	\$ -	\$ 86,400	\$ 540,000	\$ 626,400
Biennial security compliance assessment and reporting	\$ 580,000	\$ 86,400	\$ 720,000	\$ 1,386,400
<b>Total</b>	<b>\$ 6,742,500</b>	<b>\$ 3,283,200</b>	<b>\$ 4,680,000</b>	<b>\$ 14,705,700</b>

Additionally, the provisions contained in the legislation provide for greater financial accountability in the management of the Commonwealth IT portfolio and individual IT projects that will likely result in the reduction of costs. Some of these measures include: (1) coordination of IT planning and budgeting across agencies; (2) a thorough project review and approval process based on standards that considers agency needs and IT sharing opportunities; (3) possible project suspensions for failure to meet quality assurance standards, exceeding project costs and failure to meet project completion dates; (4) required development of remediation plans for projects experiencing cost or schedule overruns or performance shortfalls; (5) an audit of IT assets; (6) development and maintenance of IT inventory; (7) the building of IT operational testing and evaluation capabilities; and (8) the development of an IT transparency portal to provide detailed information regarding the status of each IT project.

Based on information provided by the Governor’s Budget Office detailing IT spending from FY 2009-10 through FY 2019-20, it is estimated that the Commonwealth’s annual expenditures for IT will amount to \$1,071,000,000 in the current year. Assuming provisions contained in the legislation reduce costs by 2% to 3%, the legislation will likely result in a savings to the Commonwealth between \$21,420,000 and \$32,130,000 annually.