

fiscal forum

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Information Technology Investment Fund Projects

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Program Overview

As a number of statewide Information Technology (IT) systems and infrastructure became antiquated and outdated, the Governor recommended and the Legislature appropriated dedicated funding for Enterprisewide IT Investment Projects beginning in Fiscal Year (FY) 2012-13. According to Section 814 of Public Act (PA) 59 of 2013, the Department of Technology, Management, and Budget (DTMB) is responsible for the direction and implementation of IT Investment Fund projects that have received funding through the IT Investment Fund. DTMB is required to create a plan regarding the use of appropriated funds which must include descriptions of proposed projects, the anticipated time frame for project completion, the estimate cost of each project, number of employees assigned, and the contracts entered with outside vendors.

DTMB manages all IT Investment Fund projects through the IT Investment Fund Governance model. The department states that using this governance model has a number of benefits. The model allows for:

- Evaluation and confirmation of investments in IT Investment Fund projects
- Risk management in project execution and decision making
- Measurement of the performance of the IT Investment Fund overall

The IT Investment Fund Executive Governance Board provides leadership of the Fund and directs project funding allocation. The Executive Governance Board is comprised of a representative from the State Budget Office and senior management from DTMB, which includes: the Department Director, Chief Deputy Director, Chief Financial Officer, Chief Technology Officer, Director of the Center for Shared Solutions, and the Director of Customer Service.

The department is also required to provide updates every quarter on the spending plans to the House and Senate Appropriations Committees¹ and tracks overall project updates at Michigan.gov/OpenMichigan.²

The process of how IT projects are added to the IT Investment Fund is described in greater detail under “Expenditures.”

¹ FY 2014-15 reports can be found at: http://www.michigan.gov/dtmb/0,5552,7-150-9131_40662-340704--,00.html

² http://www.michigan.gov/openmichigan/0,4648,7-266-58520_63185--,00.html

Funding

Table 1
IT Investment Fund Appropriations

Source	GF/GP Amounts
PA 200 of 2012	\$47,000,000
PA 59 of 2013	\$47,000,000
PA 252 of 2014*	\$60,500,000
PA 84 of 2015	\$65,000,000
TOTAL	\$219,500,000

**Original allocation of \$63.0 million but reduced by \$2.5 million through Executive Order 2015-5.*

As shown in Table 1, the funding of Enterprisewide IT Investment Projects began with the FY 2012-13 budget, with \$47.0 million GF/GP appropriated. The FY 2013-14 budget continued the \$47.0 million GF/GP appropriation to Enterprisewide IT Investment Projects.

In the FY 2014-15 budget act, the appropriation for Enterprisewide IT Investment Projects was increased to \$63.0 million GF/GP. However, in order to address a revenue shortfall, Executive Order 2015-5 reduced the appropriation by \$2.5 million, resulting in a total of \$60.5 million GF/GP. Moreover, to promote greater transparency and oversight, the Legislature unrolled the Enterprisewide IT Investment line into four line items: Enterprisewide, General Government and Public Safety, Health and Human Services, and Michigan Administrative Information Network (MAIN) system replacement. By unrolling the funding into multiple line items, if funding in one project category line item needed to be reallocated for unexpected costs in another project category line item, DTMB would be required to request a transfer of funds between the two line items from the House and Senate Appropriations Committees.

The total appropriation for FY 2015-16 is \$65.0 million GF/GP. In addition to the four existing IT Investment Fund project line items, the Legislature included a fifth line item covering Cyber Security IT upgrades.

Table 2 shows appropriations for IT Investment Fund projects by project category/line item from FY 2012-13 through FY 2015-16. Although the categories were not formally implemented until the FY 2014-15 budget, DTMB classified projects based on the project categories for the 1st Quarter FY 2014-15 report.

Table 2
IT Investment Fund Appropriations by Project Category
FYs 2012-13 through 2015-16

Project Category	GF/GP Amounts
Cyber Security	\$2,000,000
Enterprisewide IT	\$42,762,400
General Government and Public Safety	\$62,943,400
Health and Human Services	\$40,483,900
MAIN System Replacement	\$71,310,300
TOTAL	\$219,500,000

Expenditures

The IT Investment Fund Executive Governance Board works with a variety of partners to approve IT Investment Fund projects and craft the associated budget for each project out of the IT Investment Fund appropriations for each fiscal year. All projects must go through the following procedure before they are added to the IT Investment Fund portfolio:

- Departments submit IT investment requests through the Project and Portfolio Management application. Project details are listed, such as: the return on investment, the total cost of ownership, the alignment with the Governor's and department's IT strategies, and the overall goals and objectives. A score is given to each project to assist with the initial prioritization of submitted projects.
- The project list is then reviewed to determine the critical nature of each project. Each project is given a critical ranking and then prioritized once again with the new criteria.
- The IT Investment Fund Executive Governance Board reviews the list and recommends IT projects approved for funding.
- The list of approved projects is given to the State Budget Office for final selection. Approved projects will be then be added to the IT Investment Fund portfolio based on the appropriated funding levels for the IT Investment Fund.

Since each project has its own budget and projects are started at different times, there can be some delay in the expenditure of funds. DTMB notes that project start times can be delayed by project development time, staffing shortages, agency readiness, or resource conflicts. In addition, complex IT projects can take several years to complete, resulting in the associated funding being carried over in a work project fund.

In FY 2012-13, \$21.1 million was expended on various projects with the remainder, \$25.9 million, reclassified as a work project for outstanding projects. In FY 2013-14, approximately \$16.3 million was expended out of the \$47.0 million appropriated, with the remaining \$30.7 million carried forward in a work project. The department notes in a FY 2014-15 quarterly report that of the combined \$94.0 million allocated between FYs 2012-13 and 2013-14, \$55.4 million was expended through the end of FY 2013-14.

As of August 10, 2015, \$25.3 million has been expended out of the \$63.0 million appropriation for FY 2014-15. DTMB has stated that a cumulative total of \$101.7 million has been expended from the IT Investment Fund at the end of the 3rd Quarter of FY 2014-15.

IT Investment Fund Projects

The IT Investment Fund has a portfolio of 43 projects as of the end of the 3rd Quarter of FY 2014-15. Of these, 19 projects have been completed, 20 projects are currently on-going, 2 projects are on hold, and 2 projects are in the planning stage. The projects have impacted numerous departments and statewide systems. Projects range from improved protection of networks to faster processing of agency data to system modernization.

The largest project in the portfolio is Project Statewide Integrated Governmental Management Applications (SIGMA), also known as Michigan Administrative Information Network (MAIN) replacement. MAIN currently serves as the state's accounting and financial system. Implemented in 1994, MAIN has many inadequacies including an interface that is outdated and complicated to interact with. The critical financial systems the state relies on have outlived their usefulness, are technologically obsolete, and no longer upgradeable. In addition, many other departmental systems cannot directly interact with MAIN, decreasing overall efficiency.

Project SIGMA involves the designing, building, and implementation of a new statewide accounting system. Once completed, budget preparation, financial reporting, and interfacing with various departmental systems are expected to be greatly improved. DTMB anticipates that transparency of financial operations will be enhanced with SIGMA's financial reporting capabilities. Many financial processes, such as budget preparation and Comprehensive Annual Financial Report (CAFR) drafting, should become automated and streamlined for departments. The state's financial system will be based on modern technology and abilities while benefiting from future upgrades as needed. SIGMA is anticipated to be completed by October 2017 and has an estimated project budget of \$152.3 million.

The Sales, Use, and Withholding Tax Legacy Modernization for the Department of Treasury is the second largest project in the IT Investment Fund portfolio, with an estimate budget of \$15.7 million. This project moved business tax registration and the sales, use, and withholding tax into a new and integrated system which should handle all tax types and increase the amount of data captured through the registration and tax return process.

All other projects in the IT Investment Fund portfolio have a budget below \$15.0 million. The vast majority of projects in the portfolio have a budget between \$1.0 and \$6.0 million. A full list of projects can be seen in the Appendix. Further details about each project can be found at Michigan.gov/OpenMichigan.³

DTMB notes that through the 3rd Quarter of FY 2014-15, IT Investment Fund projects have retired or replaced 65 systems, eliminated 48 system interfaces, automated 230 manual processes, and implemented 40 new systems.

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NOTE: This report was written by Perry Zielak, Fiscal Analyst. Kathryn Bateson, Administrative Assistant, prepared the report for publication.

³ http://www.michigan.gov/openmichigan/0,4648,7-266-58520_63185---,00.html

APPENDIX
IT Investment Fund Projects: Project Budgets, Expenditures, and
Targeted Completion Dates

Project Title/Summary	Department/ Agency	Overall Project Budget	Expenditures as of 6/30/15	Targeted Completion Date
Agencywide Licensing and Inspection System New system to handle 40 types of licensing and 80,000 inspections annually; provide online services to citizens.	DARD	\$4,149,300	\$1,425,193	2016
Offender Management Legacy Modernization Phase 1 Process of merging two DOC legacy systems into an updated system, the Offender Management System (OMS).	DOC	\$6,400,000	\$6,023,157	Complete
Offender Management Legacy Modernization Phase 2 Continued processing of merging DOC systems into the new Offender Management System.	DOC	\$6,000,000	\$4,701,944	2017
Remedial Information and Data Exchange System that will assist with investigations, monitoring, and cleaning of sites, and improve agency response time.	DEQ	\$1,400,000	\$587,218	2018
Electronic Medical Business Records System Upgrades technology at the five state hospitals and automates the medical records of patients.	DHHS	\$11,200,000	\$9,685,112	2015
Data Hub Program - MICAM Phase 1 Allows for single authentication process for state web-based systems; implementation of system architecture.	DHHS	\$200,000	\$185,019	Complete
Data Hub Program - MICAM Phase 2 Allows for single authentication process for Medicaid applications and health professional information network.	DHHS	\$800,000	\$177,905	2015
Electronic Death Registry System Provides platform for electronic updates of death records and record database for improved efficiency.	DHHS	\$1,150,000	\$940,203	Complete
ICD-10 Diagnosis Code Conversion Project Identifies areas within DHHS requiring remediation prior to the implementation of the ICD-10 code sets.	DHHS	\$2,000,000	\$498,605	2016
Medicaid Compliance Program Develops real-time eligibility and enrollment system for Medicaid and Children's Health Insurance Program (CHIP).	DHHS	\$13,200,000	\$8,925,980	2016
IT Infrastructure Improvements Projects to improve statewide information exchange between public health systems and Medicaid.	DHHS	\$3,000,000	\$4,608	TBD
Statewide Automated Child Welfare Information System New platform for case management, data reporting and payments of children's services programs.	DHHS	\$3,900,000	\$3,792,885	Complete
MiCSES IBM Efficiency Roadmap Detailed analysis and system check of the MiCSES application performed by IBM with DTMB and partners.	DHHS	\$400,000	\$379,060	Complete

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Proposal for Fire Services Effort to replace Bureau of Fire Services legacy systems into a single system.	LARA	\$25,000	\$10,816	Complete
Electronic Medical Business Records System Initiative to adopt a common Electronic Medical Records and financial system at the state's two homes for veterans.	DMVA	\$2,300,000	\$324,900	TBD
Qualified Voter File (QVF) Refresh Refresh the current architecture and software platform of the QVF system and update user interface.	State	\$2,500,000	\$1,354,070	2017
Enterprise Cloud Strategy Implementation Initiative to integrate a Cloud First strategy with a public-private partnered data center.	DTMB	\$7,000,000	\$921,435	2018
MI.gov Citizen Portal Improves Michigan.gov portal for easier access to information.	DTMB/ e-Michigan	\$950,000	\$615,437	2017
MI.gov Hardware Upgrade Upgrades the servers for Michigan.gov portal.	DTMB/ e-Michigan	\$500,000	\$343,372	Complete
Unified Portal - Enterprise Information Management (EIM) Improves management of state information assets; effort to expand organizational framework to all departments.	DTMB/ e-Michigan	\$3,100,000	\$446,610	2017
Unified Portal - Michigan Business Portal Transfers Business One Stop agency content to the Michigan Business Portal.	DTMB/ e-Michigan	\$1,500,000	\$950,202	2015
Unified Portal - MiPage Effort to allow users to interact with state systems in personalized manner; creation of mobile friendly applications.	DTMB/ e-Michigan	\$5,200,000	\$3,600,452	2016
Grant System Phase 1 Process of replacing outdated MDOT system with new grant tracking and administrative system.	MDOT	\$875,000	\$875,072	Complete
City Income Tax Agreement Development of income tax return processing system for collection of city income taxes.	Treasury	\$13,594,055	\$406,120	2017
Sales, Use, Withholding Tax Legacy Modernization Migrates business tax registration and sales, use, and withholding tax platforms to the SAP platform.	Treasury	\$15,700,000	\$15,348,601	Complete
State Essential Services Assessment Development of tax collection system on acquisition cost of eligible manufacturing personal property.	Treasury	\$6,000,000	\$158,233	2016

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Cybersecurity and Infrastructure Protection - Data Loss Prevention Monitors data in motion and at rest to detect potential data breach incidents.	Enterprisewide	\$1,350,000	\$0	2016
Cybersecurity and Infrastructure Protection - Digital and Incident Response Procurement of tools to collect evidence from possibly compromised machines in the state's network.	Enterprisewide	\$1,150,000	\$0	2015
Cybersecurity and Infrastructure Protection – DMVA – Cyber Range Expansion Additional fiber, equipment, and connectivity to expand the Cyber Range to Camp Grayling, Alpena, and Battle Creek.	Enterprisewide	\$290,000	\$20,200	2015
Cybersecurity Continuous Improvement Improves people, process, tools, and infrastructure of state's cybersecurity administration.	Enterprisewide	\$800,000	\$650,000	2017
Cybersecurity and Infrastructure Protection – MSP – Michigan Cyber Command Center IRIP Acquisition of specialized hardware, applications, software, and training for incident response preparedness.	Enterprisewide	\$500,000	\$171,597	2015
Cybersecurity and Infrastructure Protection - Netwitness Upgrade Upgrades software to provide greater ability to conduct analysis of network data streams.	Enterprisewide	\$455,000	\$451,630	Complete
Cybersecurity and Infrastructure Protection - Websense Upgrade Upgrades the traffic filtering system for the enterprise to handle increased bandwidth.	Enterprisewide	\$345,000	\$343,749	2015
Enterprise Data Encryption Projects to protect and encrypt data statewide.	Enterprisewide	\$2,000,000	\$1,582,846	Complete
Enterprise Document Management Reduces paper processing and streamlines application process for state assistance programs.	Enterprisewide	\$450,000	\$280,681	Complete
Improve Project Portfolio Management Implements system for improved reporting and management of projects in the portfolio.	Enterprisewide	\$850,000	\$841,841	Complete
Intranet Operational Improvements Migrated and improved agency intranet sites to SharePoint portals.	Enterprisewide	\$1,500,000	\$1,261,406	Complete

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ITIF Legacy Portfolio Management Resources Establishment of Project Control Office to monitor and track IT Investment Fund projects.	Enterprisewide	\$1,700,000	\$648,005	Ongoing
ITIF Project Assurance Resources Ability to perform inline project assurance checks and quality audits on all IT Investment Fund projects.	Enterprisewide	\$1,500,000	\$479,170	Ongoing
Network Upgrades - ATT Switched Ethernet Phase 1 Replaces fiber infrastructure to state agencies for increased bandwidth.	Enterprisewide	\$2,000,000	\$1,966,990	Complete
Performance Metric Creation of scorecards for all levels of state government under the MiResults tool.	Enterprisewide	\$950,000	\$932,554	Complete
Project SIGMA Involves the designing, building, and implementation of a new statewide accounting system.	Enterprisewide	\$152,413,600	\$28,045,396	2018
Reinventing Procurement System Implementation Provides a comprehensive state and local procurement system for increased efficiencies and cost savings.	Enterprisewide	\$0	\$0	Complete
SharePoint Service Environment Start-up Project Expands technical services available in Sharepoint to all state agencies.	Enterprisewide	\$1,400,000	\$1,206,849	Complete
Transparency Execution of a Changepoint Enterprise License Agreement for portfolio management and increased transparency.	Enterprisewide	\$300,000	\$155,288	Complete
TOTAL		\$282,996,955	\$101,720,411	

Acronyms / Abbreviations

DARD	Department of Agriculture and Rural Development
DEQ	Department of Environmental Quality
DHHS	Department of Health and Human Services
DMVA	Department of Military and Veterans Affairs
DOC	Department of Corrections
DTMB	Department of Technology, Management, and Budget
LARA	Department of Licensing and Regulatory Affairs
MDOT	Michigan Department of Transportation