Information Technology Investment Fund: An Overview
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Introduction

Information technology (IT) projects funded through the Department of Technology, Management, and Budget's (DTMB's) Information Technology Investment Fund (ITIF) line item are managed differently from traditional IT projects. Information Technology Investment Fund projects are distinguished by their critical nature and are subject to close oversight by a special Governance Board. This paper provides an overview of ITIF project practices, oversight, and appropriations.

Background

The Department of Information Technology (DIT) was established under Governor John Engler by Executive Order 2001-3 to create a unified approach to the implementation and management of IT-related functions within State government. Eight years later, Governor Jennifer Granholm issued Executive Order 2009-55, which merged DIT with the Department of Management and Budget to create the Department of Technology, Management, and Budget. The DTMB continues to manage and support enterprise-wide IT projects throughout State government.

The Enterprise Information Management Program was established within the DTMB by Governor Rick Snyder through Executive Order 2016-24. The project was proposed as a means of effectively managing and improving the State's outdated information technology systems. Snyder proposed $50.0 million General Fund/General Purpose (GF/GP) for the Enterprisewide Information Technology Investment Project for fiscal year (FY) 2012-13. The Legislature ultimately appropriated $47.0 million GF/GP for the project and the associated line item was later renamed the Information Technology Investment Fund.

Previously, an Information Technology Innovation Fund line item funded a program designed to encourage innovative IT projects within State government. This line was appropriated $2.5 million in FY 2012-13 and FY 2013-14. However, low participation levels resulted in that program's termination in FY 2014-15.

Project Selection and Oversight

State departments and agencies apply for ITIF project status and funding by submitting details of their proposed project to the State Budget Office (SBO), which then forwards ITIF requests to the seven-member ITIF Executive Governance Board. Proposals are evaluated and ranked by the Board based on critical need. The Board creates a list of projects recommended for funding, which is then submitted back to the SBO. The SBO must give final approval before the project is officially proposed as a potential add to the ITIF portfolio. During the course of the project, the Board provides oversight, participates in planning, and conducts ongoing quality reviews.
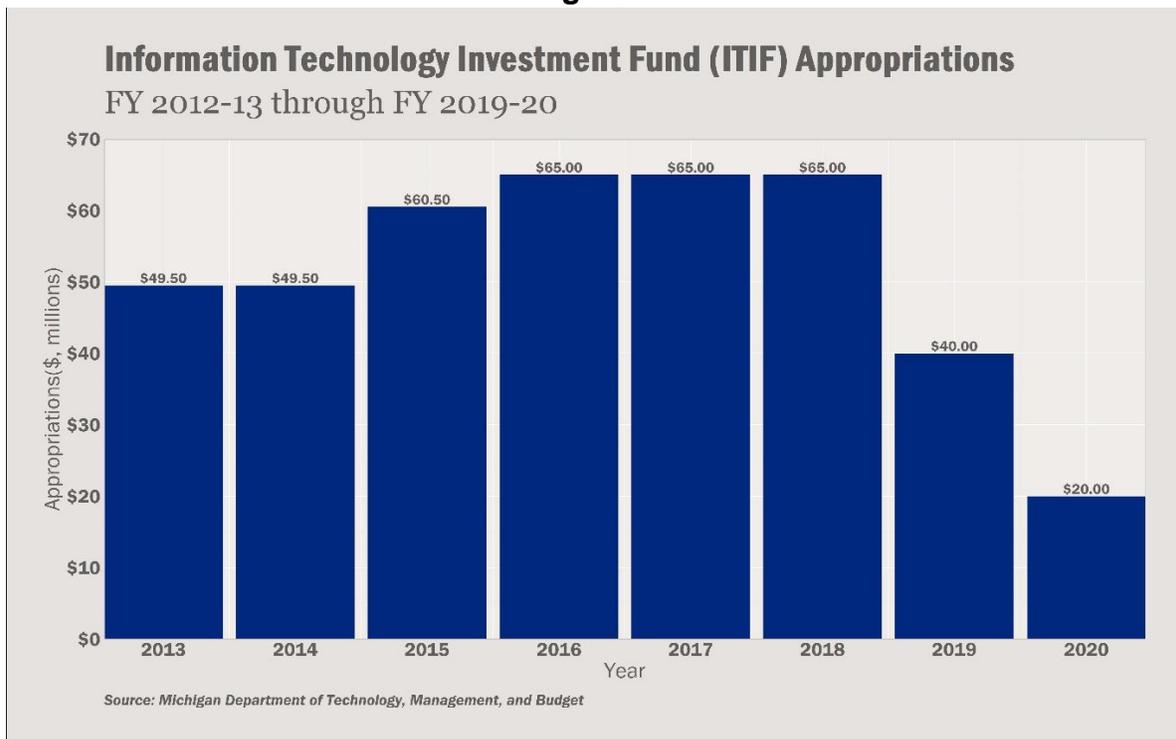
A list of new proposed ITIF projects is included as part of the Executive Recommendation at the beginning of the budget process. The legislature may choose to fund only some specific projects, or to appropriate some other amount from which the Department may distribute funding. Appropriations must be made each fiscal year.

Boilerplate language for the DTMB budget requires the Department to submit a quarterly report describing the estimated time frame for completion, estimated cost, number of employees assigned, and contracts associated with each ITIF project. The report is submitted to the Senate and House Appropriations Committees, the Senate and House subcommittees on General Government, the Senate and House Fiscal Agencies, and the State Budget Director. With the exception of the Senate and House Appropriations Committees, these entities also must be notified if a transfer between ITIF projects exceeds $500,000.

ITIF Appropriations

Information Technology Investment Fund appropriations were first made in FY 2012-13. All ITIF appropriations consist of GF/GP dollars. Figure 1 below shows appropriations by fiscal year. These figures reflect changes made to original appropriation amounts through supplementals and executive orders. For example, initial appropriations in FY 2018-19 were $35.0 million, with $5.0 million added as a supplemental appropriation in Public Act 618 of 2018. This money was used to fund an MDARD Licensing and Inspection System project.

Figure 1

Source: Michigan Department of Technology, Management, and Budget

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The FY 2012-13 and FY 2013-14 figures above include the funding appropriated for the ITIF program in those fiscal years.

In FY 2014-15, the line item for ITIF was unrolled into four separate line items:
- Enterprisewide Information Technology Investment Projects ($11.4 million).
- General Government and Public Safety Information Technology Investment Projects ($28.6 million).
- Health and Human Services Information Technology Investment Projects ($6.0 million).
- Michigan Administrative Information Network (MAIN) System Replacement Information Technology Investment Projects ($17.0 million).

Under Executive Order 2015-5, $2.5 million later was removed from the Enterprise Information Technology Investment Projects line item. The Executive Order reduced appropriations across multiple State departments because of lower-than-expected revenue. The line remained unrolled until FY 2017-2018, when funds were appropriated to the renamed Information Technology Investment Fund line item for the first time.

Governor Gretchen Whitmer proposed $40.0 million for ITIF projects in FY 2019-20, matching year-to-date appropriations for FY 2018-19. The enacted budget for FY 2019-20 included $20.0 million but unrolled the line into five separate lines to reflect specific projects. After the budget was enacted in September 2019, the State Administrative Board removed the funding from these lines, leaving $100 placeholders, and transferred $20.0 million GF/GP to the General Services line item. An additional $15.0 million was appropriated to the original ITIF line item through Public Act 154 of 2019.

Governor Gretchen Whitmer's initial FY 2020-21 Executive Recommendation included $35.0 million for ITIF projects. This proposed funding included projects in the Department of Environment, Great Lakes, and Energy; the Department of Licensing and Regulatory Affairs; and the Department of Treasury.

ITIF Expenditures

Information Technology Investment Fund expenditures from the Fund's inception to the third quarter of FY 2019 totaled $326.0 million. A majority of this funding, $175.3 million (nearly 55%) was used to fund the replacement of MAIN with the Statewide Integrated Governmental Management Applications (SIGMA). The Statewide Integrated Governmental Management Applications is the main system for the State of Michigan's financial operations, including internal accounting and budgeting, vendor payments, payments to locals, and grants. Many ITIF projects are schedule to span multiple calendar and/or fiscal years. Milestones are typically created with the intention of tracking progress throughout the project lifecycle.
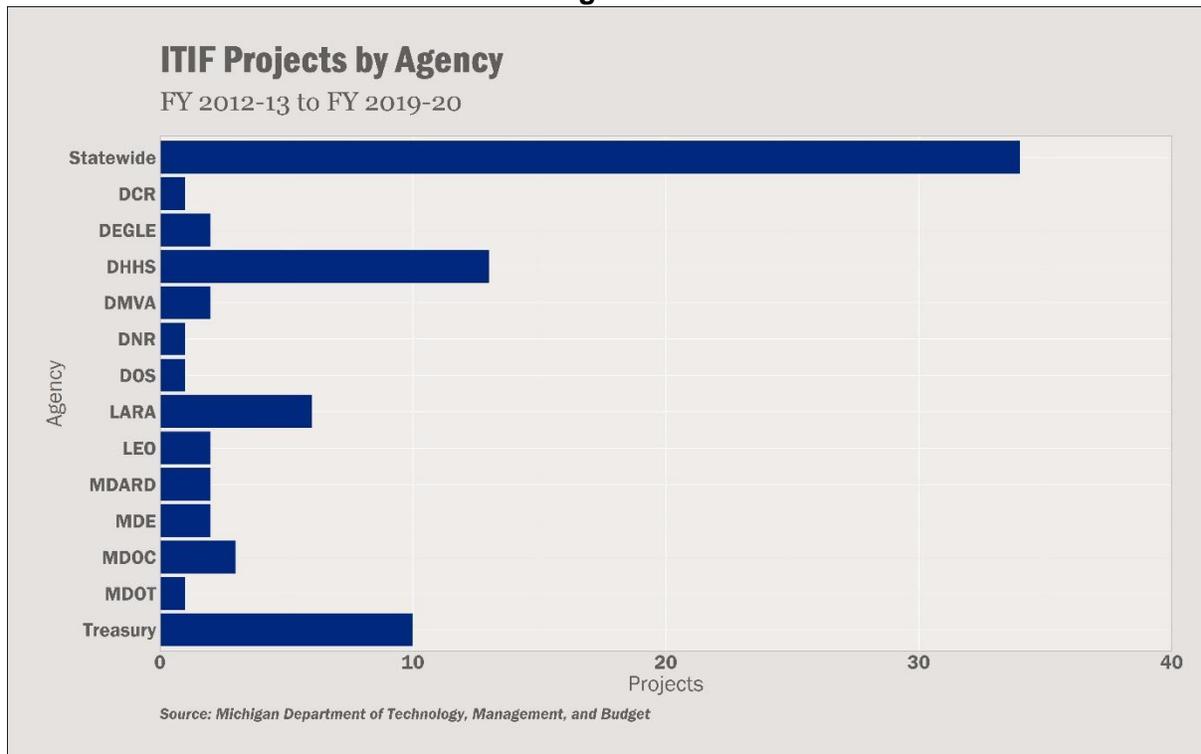
If enterprise-wide projects—those that affect all or most State departments and agencies—are excluded, the departments with the greatest percentages of total expenditures are the Department of Health and Human Services (11.4%), Treasury (11.0%), and the Department of Corrections (6.1%).

Overview of Projects

As of March 2020, there have been a total of eighty ITIF portfolio projects; many (34) of these have been enterprise-wide endeavors. The Department of Health and Human Services has had thirteen ITIF projects approved as of FY 2018-19, followed by Treasury with ten. The remaining projects have been scattered among other departments. Figure 2 below displays project counts by department.

Figure 2

ITIF Projects by Agency
FY 2012-13 to FY 2019-20

Source: Michigan Department of Technology, Management, and Budget

Fifty projects have reached completion. Forty-eight of these were completed at- or under-budget. The most expensive completed project to date was the replacement of the Sales, Use, and Withholding Legacy System for the Department of Treasury, the total cost of which was just under its $15.7 million budget.

Conclusion

Debate over how the State funds and manages its IT endeavors has attracted significant attention from legislators in recent years. Continued interest in IT and IT management practices across State government suggests that ITIF is likely to remain a topic of discussion in future budget cycles, particularly as revenue losses place pressure on the General Fund.