



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** SB0272

**Title:** Generally revise Montana Information Technology Act

**Primary Sponsor:** Vance, Gordon

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	*	*
Other	(\$319,953)	(\$319,953)	*	*
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Other	(\$3,637,181)	(\$3,593,665)	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	\$0	\$0	*	*

**Description of fiscal impact:** SB 272 exempts the Montana Department of Justice (DOJ) from significant provisions of the Montana Information Technology Act (MITA). Due to the lack of information technology oversight by the State Information Technology Services Division (SITSD), and the heightened security risk to the state, DOJ access/services will need to be terminated. The State Information Technology Services Division will lose approximately \$3.6 million in annual revenues previously budgeted for the 2023 biennium. These costs will have to be shifted to other state agencies in the 2025 biennium. The funding mix of this cost-shift is unknown at this time. The cost to the Department of Justice to establish its own IT infrastructure outside of SITSD cannot be determined (see assumptions 3 and 13).

### FISCAL ANALYSIS

**Assumptions:**

**Department of Administration**

- Under SB 272, the DOJ will be exempted from significant portions of the Montana Information Technology Act.

2. This exemption limits SITSD’s ability to enforce network policies, increasing the state’s information technology security risk. As a result, DOJ will need to be removed from the state’s information technology network.
3. The DOJ/Executive Branch current shared/connected systems will no longer be feasible, given the separate network requirements and SITSD’s limited ability to enforce network policies. For example, DOJ and the Department of Revenue use a shared system for gambling and liquor licensing. DOJ will no longer have access to the Department of Revenue’s systems, creating a hardship for both gaming operators and liquor licensees.
4. If SB 272 is passed, the following DOJ access/services will need to be terminated soon after the bill’s effective date, upon review and approval of the Information Technology Board, and these services will need to be separately provided by DOJ:
  - a. State email
  - b. Microsoft O365 resources and licensing
  - c. Microsoft Dynamics – DOJ Sexual assault kit tracking system
  - d. State phone system
  - e. Shared network connectivity in the state
  - f. Wired state network
  - g. Wireless state network
  - h. Identity management for state systems
  - i. Employee access to SABHRS
  - j. Multi factor authentication
  - k. Citrix – remote access for DOJ employees
5. Many information technology products and services have tiered pricing models based on spending volume. If DOJ can no longer participate in the state’s enterprise information technology structure, DOJ will pay separately (and likely at a higher rate) for services the state has already purchased for statewide use.
6. The reduction in DOJ support for the cybersecurity enterprise increases risk to the state’s security posture. If SITSD does not receive other funding to offset the approximate \$662,000 loss in DOJ cybersecurity revenues in fiscal years 2022 and 2023, the division will be forced to reduce cybersecurity services that have already implemented, i.e., threat monitoring, behavioral based anti-virus software, and internal firewall updates.
7. The State Information Technology Services Division is financially obligated to pay vendors for existing licenses/subscriptions until the first opportunity to cancel licenses. With the exception of the Microsoft contract, where the number of DOJ licenses could be adjusted prior to the beginning of fiscal year 2022, SITSD has little or no recourse to obtain reimbursement from DOJ for their proportionate share of other contracted services expenses.
8. It is estimated that a \$319,953 reduction in contracted services for fiscal years 2022 and 2023 will be achieved through the Microsoft DOJ license adjustment.
9. SB 272 does not allow the loss of revenue from DOJ, the University System, and the Office of Public Instruction to be considered in determining whether this bill will be detrimental to the operation of the state’s information technology network. It should be noted, however, that decisions regarding the operation of the network are impacted by the amount of funding provided. For fiscal years 2022 and 2023, the State Information Technology Services Division estimates it will lose \$3,637,181 and \$3,593,665 in DOJ revenues resulting in a net loss of \$3,317,228 in fiscal year 2022 and \$3,273,712 in fiscal year 2023.
10. In future biennia, it is estimated that remaining state agencies utilizing SITSD services will be required to pay for an approximate 9% increase to their information technology budgets to cover the loss of DOJ’s contribution to the state’s information technology network. The funding of the cost shift for the rate increase cannot be determined at this time.
11. In addition, if DOJ initiates separate procurement for its own services, there will be unknown impacts to the state and other state agencies and entities, such as services like payment processing and e-Gov. These impacts

could include contract issues with existing vendors, increased costs to DOJ other state agencies, and delays in implementation of other services.

**Department of Justice**

12. DOJ states its intent to separate from the Department of Administration in all of the regulatory and law enforcement functions of the information technology systems. However, DOJ notes that it is not its intent to separate from the administration functions provided by SITSD. These functions include human resources, payroll, budget/fiscal, phone system, and network.
13. DOJ asserts that its information technology security protocols are more stringent than those of SITSD, and further asserts these protocols negate SITSD concerns that DOJ would not be able to access the state network due to security issues.

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	(\$319,953)	(\$319,953)	\$0	\$0
<b>TOTAL Expenditures</b>	<u>(\$319,953)</u>	<u>(\$319,953)</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$0	\$0	*	*
Other	(\$319,953)	(\$319,953)	*	*
<b>TOTAL Funding of Exp.</b>	<u>(\$319,953)</u>	<u>(\$319,953)</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	(\$3,637,181)	(\$3,593,665)	\$0	\$0
<b>TOTAL Revenues</b>	<u>(\$3,637,181)</u>	<u>(\$3,593,665)</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$0	\$0	*	*
Other	(\$3,317,228)	(\$3,273,712)	*	*

**NO SPONSOR SIGNATURE**

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 Sponsor's Initials Date Budget Director's Initials Date