



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 8, 2016

The Honorable Joseph R. Biden
President of the Senate
Washington, DC 20510

Dear Mr. President:

On behalf of the Administration, I am pleased to present for the consideration of the Congress a legislative proposal to establish an Information Technology Modernization Fund to improve cybersecurity and achieve cost-savings by retiring, replacing, and modernizing antiquated information technology (IT) systems and transitioning to more secure, efficient, and modern IT systems.

Currently, civilian agencies spend nearly three-quarters of their IT budgets maintaining “legacy” IT investments. These systems may pose security risks, such as the inability to utilize current security best practices, including data encryption and multi-factor authentication. These systems may also pose operational risks, such as rising costs and inability to meet mission requirements. Absent immediate action, the cost to operate and maintain legacy systems will continue to grow, while security vulnerabilities and other risks will remain unresolved.

To address these challenges, the proposed Information Technology Modernization Fund, to be administered by the General Services Administration, will fund the transition to more secure and efficient modern IT systems and infrastructure, such as cloud platforms, while also establishing a self-sustaining mechanism for Federal agencies to regularly refresh their IT systems based on up-to-date technologies and best practices.

More specifically, the Information Technology Modernization Fund legislative proposal addresses the challenges associated with legacy IT in a number of unique ways:

First, a board of experts will identify the highest-priority projects across the Government, ensuring that the Federal Government’s most pressing and highest-risk systems are targeted for replacement. In addition, the board will identify opportunities to replace multiple legacy systems with a smaller number of common platforms, facilitating a Government-wide transition to common platforms and re-engineered business practices.

Second, a repayment requirement will ensure that the Information Technology Modernization Fund is self-sustaining and can continue to support modernization projects well beyond the initial infusion of capital. As a result, \$3.1 billion in seed funding for fiscal year 2017 will address at least \$12 billion in modernization projects over the first 10 years and will continue to remain available into the future.

Third, experts in IT acquisition and development at the General Services Administration will provide integrated modernization expertise to agencies in implementing their modernization plans. Every investment that receives funding will benefit from centralized oversight and expertise, increasing the probability of success.

Fourth, funding for all projects will be tied to real-world delivery of incrementally developed products. This approach ensures that agencies employ agile development techniques and that funds support successful projects.

Finally, by establishing a central fund that agencies must apply to and compete for, the legislative proposal will provide strong incentives for agencies to develop comprehensive, high-quality modernization plans.

Ultimately, retiring or modernizing vulnerable and inefficient legacy IT systems will not only make us more secure, it will also save money. As a means of addressing these pressing challenges, the Information Technology Modernization Fund is an important first step in changing the way the Federal Government manages its IT portfolio. The innovative approaches in this legislative proposal will enhance agencies' ability to protect sensitive data, reduce costs, and deliver world-class services to the public.

The prompt and favorable consideration of this proposal would be appreciated.

Sincerely,


Shaun Donovan
Director

Enclosure

Identical Letter Sent to the Speaker of the House of Representatives



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

April 8, 2016

The Honorable Paul D. Ryan
Speaker of the House
of Representatives
Washington, DC 20515

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Shaun Donovan
Director

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Identical Letter Sent to the President of the Senate

Information Technology Modernization Fund Legislation

(a) Information Technology Modernization Fund.—

(1) **ESTABLISHMENT.**—There is established in the Treasury of the United States an Information Technology Modernization Fund for technology related activities, to improve information technology and enhance cybersecurity across the Federal government (in this section referred to as the “Fund”).

(2) **ADMINISTRATION OF FUNDS.**—The Administrator of General Services shall administer the Fund in accordance with this subsection.

(3) USE OF FUNDS.—

(A) **IN GENERAL.**—The Administrator of General Services may, as consistent with the recommendations of the Information Technology Modernization Board established in subsection (b), make use of amounts in the Fund for the following purposes:

(i) transfer to the head of any Federal Department or Agency, notwithstanding any other provision of law, to remain available until expended, to improve, retire, or replace existing information technology systems to enhance cybersecurity and improve efficiency and effectiveness;

(ii) development, operation, and procurement of information technology products, services, and acquisition vehicles for use by federal agencies to improve government-wide efficiency and cybersecurity in the proper discharge of their responsibilities; and

(iii) services or work performed in support of the activities described in clause (i) or (ii).

(4) DEPOSIT OF FUNDS.—

(A) **IN GENERAL.**—There is appropriated to the Fund, out of any money in the Treasury not otherwise appropriated, \$3 billion for the fiscal year ending September 30, 2017.

(B) **OTHER CREDITS.**—The Fund shall be credited with all reimbursements, advances, and refunds or recoveries relating to information technology or services provided through the Fund.

(C) AVAILABILITY.—

(i) **IN GENERAL.**—Funds deposited, credited, or otherwise made available to the Fund shall be available without regard to fiscal year limitation.

(5) REIMBURSEMENT.—

(A) **IN GENERAL.**—For products and services developed under subsection (a)(3)(A), the agencies requesting or using those products or services shall pay prices fixed by the Administrator of General Services in accordance with this subsection, and for transfers made under subsection (a)(3)(A) agencies are required to reimburse the

Fund according to terms established in the written agreement described in subsection (a)(6). Notwithstanding any other provision of law, an agency may make a reimbursement required by this paragraph from any appropriation available for information technology activities. An obligation to make a payment under an agreement under this section in a future fiscal year shall be recorded pursuant to 31 U.S.C. § 1501 in the fiscal year in which the payment is due.

(B) PRICES FIXED BY ADMINISTRATOR OF GENERAL SERVICES.—In coordination with the Director of the Office of Management and Budget, the Administrator of General Services shall fix prices and establish repayment terms at levels sufficient to ensure the solvency of the Fund, including operating expenses. Any change to such prices and terms shall undergo a review by the Administrator of General Services in coordination with the Director of the Office of Management and Budget.

(C) FAILURE TO MAKE TIMELY REIMBURSEMENT.—The Administrator of General Services may obtain reimbursement by the issuance of transfer and counterwarrants, or other lawful transfer documents, supported by itemized bills, if payment is not made by a requisitioning agency within 90 days following an agreed upon repayment period documented in written agreements referenced in subsection (a)(6)(A), or within 45 days following payment schedules for products and services developed under subsection (a)(3)(A)(ii).

(6) WRITTEN AGREEMENT.—

(A) IN GENERAL.—Prior to transferring funds to an agency under subsection (a)(3)(A)(i), the Administrator of General Services and the head of the requisitioning agency must enter into a written agreement documenting the purpose for which the funds will be used and the terms of repayment. An agreement pursuant to this subparagraph shall be recorded as an obligation as provided in subsection 5(A).

(B) REQUIREMENT FOR USE OF INCREMENTAL DEVELOPMENT PRACTICES—For all funds transferred to agencies under subsection (a)(3)(A)(i), in the absence of compelling circumstances documented by the Administrator of General Services at the time of transfer, such funds shall be transferred only on an incremental basis, tied to metric-based development milestones achieved by the agency, to be described in the written agreement required under clause (A).

(b) Information Technology Modernization Board.—

- (1) ESTABLISHMENT.—There is established an Information Technology Modernization Board (in this section referred to as the “Board”) which shall evaluate all proposals for modernization.
- (2) MEMBERSHIP.—The Board shall consist of seven voting members.
- (3) CHAIR.—The Administrator of the Office of Electronic Government shall serve as Chair.

(4) PERMANENT MEMBERS.—The Administrator of the Office of Electronic Government and a senior General Services Administration official, appointed by the Administrator of General Services, shall serve as permanent members.

(5) PERMANENT SEATS.—One additional member, appointed by the Secretary of Commerce, shall be an employee of the Department of Commerce National Institute of Standards and Technology, and another additional member, appointed by the Secretary of Homeland Security, shall be an employee of the Department of Homeland Security National Protection and Programs Directorate, and each shall have a term of one year, renewable up to three times at the discretion of the relevant Secretary.

(6) OTHER APPOINTED MEMBERS.—

(A) REQUIRED EXPERTISE.— In addition to the members described in paragraphs (4) and (5), the Board shall be comprised of three other Federal employees primarily having technical expertise in information technology development, financial management, cybersecurity and privacy, and acquisition, and who shall each be appointed by the Director of the Office of Management and Budget.

(B) TERM.—Each member described in this paragraph shall have a term of one year, renewable up to three times at the discretion of the Director of the Office of Management and Budget.

(7) RESPONSIBILITIES.—The responsibilities of the Board are to—

(i) provide input to the Office of Management and Budget for the development of processes for agencies to submit modernization proposals to the Board and the criteria by which they will be evaluated;

(ii) request that the Administrator of General Services assist agencies in the further development and refinement of select submitted modernization proposals, based on an initial evaluation performed with the assistance of the Administrator of General Services;

(iii) review and prioritize, with the assistance of the Administrator of General Services and the Office of Management and Budget, modernization proposals based on established criteria, including addressing the greatest security and operational risks, having the greatest government-wide impact, and having a high probability of success based on factors such as a strong business justification, technical design, procurement strategy, including adequate use of incremental development practices, and program management;

(iv) identify, with the assistance of the Administrator of General Services, opportunities to improve or replace multiple information technology systems with a smaller number of information technology systems common to multiple agencies;

(v) recommend the funding of modernization proposals, in accordance with the uses in subsection (a)(3)(A), to the Administrator of General Services;

(vi) monitor, in coordination with the Administrator of General Services, progress and performance in executing approved projects and, if necessary, recommend the suspension or termination of funding for projects that fail to meet the terms of the written agreement described in subsection (a)(6).

(c) Responsibilities of the Administrator of General Services.—

(1) IN GENERAL.—In addition to the responsibilities outlined in section (a), the Administrator of General Services shall support the activities of the Board and provide technical support to, and oversight of, agencies which receive transfers from the Fund.

(2) RESPONSIBILITIES.—The responsibilities of the Administrator of General Services are to—

(i) provide direct technical support in the form of personnel services or otherwise to agencies transferred amounts under subsection (3)(A)(i) and for projects funded under subsection (3)(A)(ii);

(ii) assist the Board with the evaluation, prioritization, and development of modernization proposals;

(iii) perform regular project oversight and monitoring of approved modernization projects, in coordination with the Board and the Office of Management and Budget, to increase the likelihood of successful implementations and reduce waste; and

(iv) publish and maintain list of projects funded by the Fund on a public dashboard to be updated not less than on a quarterly basis, that will include a description of the project, project status, and financial expenditure data related to the project.

Section by Section Analysis

Information Technology Modernization Fund

a. Information Technology Modernization Fund

Section 1. Establishment

This section establishes an Information Technology Modernization Fund to improve information technology and enhance cybersecurity across the Federal government.

Section 2. Administration of Funds

This section designates the Administrator of General Services to administer the Fund among projects the modernization proposals recommended for funding by the Information Technology Modernization Board.

Section 3. Use of Funds

This section allows the Administrator to make use of the funds, as consistent with the recommendations of the Information Technology Modernization Board, for the following purposes: Transfer to an agency head to improve or retire existing IT systems or enhance cybersecurity; development, operation, or procurement of IT products; services or work in support of the above.

Section 4. Deposit of Funds

This section appropriates \$3 billion from the Treasury for the fiscal year ending September 30, 2017; money available for the Fund will be available without regard to fiscal year limitation.

Section 5: Reimbursement

This section stipulates that agencies will pay prices fixed by the Administrator, and transfers are permitted to reimburse the Fund in installments established in writing by the Administrator; the Administrator, in coordination with OMB, will establish repayment terms at levels that ensure solvency of the Fund; the Administrator can obtain reimbursements if payment is not made by a requisitioning Agency following the relevant agreed upon repayment period outlined in previous sections.

Section 6: Written Agreement

This section states that the Administrator and a participating Agency must have a written agreement documenting the purpose of the funds and the terms of repayment; in the absence of compelling documented circumstances the allocated funds will be transferred on an incremental basis tied to metric-based milestones, described in the required written agreement.

b. Information Technology Modernization Board

Section 1: Establishment

This section establishes an Information Technology Modernization Board which will evaluate and recommend the funding of all modernization proposals to the Administrator of General Services.

Section 2: Membership

This section states that the Board will consist of seven voting members.

Section 3: Chair

This section states that the Administrator of the Office of Electronic Government will serve as Chair.

Section 4: Permanent Members

This section states that the Administrator of the Office of Electronic Government and a senior General Services Administration official will serve as permanent members.

Section 5: Permanent Seats

This section states that the Department of Commerce National Institute of Standards and Technology (NIST) and the Department of Homeland Security National Protection and Programs Directorate will each have one seat on the Board, with each representative serving a one year term, renewable up to three times at the discretion of the Director of OMB.

Section 6: Other Appointed Members

This section states that three members shall be other Federal employees, primarily having expertise in IT development, financial management, cybersecurity and privacy, and acquisition, who shall be appointed by the Director of OMB. These members will serve one year terms, renewable up to three times at the discretion of the Director of OMB.

Section 7: Responsibilities

This section states that the responsibilities of the Board are to: provide input to OMB for the development of processes for agencies to submit modernization proposals; request the assistance of the Administrator of General Services with assisting agencies in the further development and refinement of select modernization proposals; review and prioritize, with the assistance of the Administrator of General Services and the Office of Management and Budget, modernization proposals based on established criteria of business justification, technical design, procurement strategy, etc.; identify, with the assistance of the Administrator of General Services, opportunities to improve or replace multiple information technology systems with a smaller number common to multiple agencies; recommend modernization proposals for funding; and monitor, in coordination with the Administrator of General Services, progress of projects and recommend suspension or termination of funding if a project fails to meet the terms of written agreements.

c. Responsibilities of the Administrator of General Services

Section 1: In General

This section directs the Administrator to provide support to the Board and agencies that apply to the Fund.

Section 2: Responsibilities

This section states the responsibilities of the Administrator in support of the Board are to: provide technical support to agencies that are transferred funds; assist the Board with evaluation of modernization proposals; perform regular project oversight in coordination with the Board and OMB; publish and maintain a dashboard, updated quarterly, of projects funded by the Fund.