

February 27, 2018

M-18-12

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Mick Mulvaney
Director

SUBJECT: Implementation of the Modernizing Government Technology Act

The Modernizing Government Technology (MGT) Act is a key component of this Administration's continued efforts to improve Federal technology by providing financial resources and technical expertise to agencies. The MGT Act will allow agencies to invest in modern technology solutions to improve service delivery to the public, secure sensitive systems and data, and save taxpayer dollars. This memorandum sets forth Administration objectives and necessary actions agencies should take in order to implement the MGT Act.

Background

The MGT Act was enacted as part of the Fiscal Year 2018 National Defense Authorization Act (NDAA) on December 12, 2017.¹ The MGT Act has two primary provisions that address agency information technology (IT) modernization needs:

1. The establishment of a centralized Technology Modernization Fund (TMF) and Technology Modernization Board (Board);² and
2. The authorization for all CFO Act agencies³ to establish IT Working Capital Funds⁴ (WCFs).

This memorandum provides guidance to all agencies regarding the necessary planning for upcoming TMF activities, including the initial process for submitting project proposals to the Board, additional guidance to CFO Act agencies⁵ regarding the administration and funding of IT WCFs, and where to find additional information on topics such as disbursement and repayment process for the TMF funds.

¹ Pub. L. No. 115-91, National Defense Authorization Act for Fiscal Year 2018, Title X, Subtitle G (§§ 1076 through 1078).

² Ibid. § 1078(b)(1).

³ 31 U.S.C. § 901(b).

⁴ Pub. L. No. 115-91, Title X, Subtitle G, § 1077(b)(1).

⁵ 31 U.S.C. § 901(b).

A. Guidance to Agencies on the Technology Modernization Fund and Technology Modernization Board

Section A of this guidance is applicable to all agencies (as defined in 5 U.S.C. §551(1)).

Section 1 – The Technology Modernization Fund (TMF)

The TMF provides a new funding model for Federal technology modernization projects. Agencies may submit project proposals for technology modernization projects to the Technology Modernization Board (Board), described in greater detail below in Section 2. The Board will consider project proposals based on financial, technical, and operational criteria. Approved projects will receive funds in an incremental manner, tied to specific project milestones and objectives, and will be regularly monitored by the Board for success.

The MGT Act authorizes up to \$250,000,000 in appropriations for the TMF for each of fiscal years 2018 and 2019. Appropriations for fiscal year 2018 are currently pending. The Board will evaluate and recommend for funding the proposals that show the strongest case for delivering on agency mission objectives and a strong likelihood of success. Agencies must reimburse TMF for any transfer of TMF funds in accordance with the terms of a written agreement.⁶ The written agreement will document the purpose for which the funds will be used and the terms of repayment, which may not exceed 5 years unless approved by OMB.

Successful projects will demonstrate a strong execution strategy, technical approach, and have a strong team with a demonstrated history of successful modernization efforts. Agencies should, to the extent practicable, consider the adoption of commercial technology solutions in their proposals and provide a strong technical approach and acquisition strategy to implement those solutions. Furthermore, agencies are encouraged to submit proposals for common platforms and shared solutions or other modernization projects that will serve multiple components within a single agency or multiple agencies. OMB anticipates that the TMF will be a testbed for projects and procedures that agencies can operationalize through their IT planning processes and in their execution of their existing appropriations.

Where legally permissible, TMF funding may be used to accelerate modernization efforts that are ongoing. The TMF is not intended to duplicate funding provided through existing appropriations, including any agency funding of IT modernization projects through established IT WCFs. Consistent with the MGT Act, agencies may not submit any requests to the TMF, or utilize funding transferred into an agency WCF, to fund any project that has been expressly denied or restricted by Congress.

⁶ For more information on the funds disbursement and repayment process, please visit www.policy.cio.gov/.

Section 2 – The Technology Modernization Board

The Board will evaluate proposals and make recommendations for project funding to the GSA Administrator. The Board’s responsibilities will include, but are not limited to, the following:

- evaluating proposals submitted for TMF funding;
- establishing evaluation criteria;
- identifying opportunities to improve or replace legacy information technology systems;
- providing funding recommendations to the GSA Administrator; and,
- monitoring the progress and performance of approved modernization projects.

Pursuant to the MGT Act, the Board will be established on March 12, 2018, and will consist of seven members:

- The Administrator of the Office of E-Government (Federal CIO), who shall serve as the Chair;
- A senior official from GSA with technical expertise in information technology development;
- A member of the Department of Homeland Security’s (DHS) National Protection and Programs Directorate (NPPD); and
- Four employees of the Federal Government primarily having technical expertise in information technology development, financial management, cybersecurity and privacy, and acquisition, appointed by the Director of OMB.

The Board will distribute information and communications regarding the TMF, including updates to the submission and evaluation process, a charter governing Board operations, evaluation criteria for project proposals, and any other relevant information to www.policy.cio.gov.

Section 3 –Initial Project Proposal Submissions Process

All agencies are encouraged to begin submitting Initial Project Proposals to ofcio@omb.eop.gov using the template provided in Appendix A starting February 27, 2018. Appendix B provides some areas of consideration that are intended to aid agencies in an initial submission. Agencies may submit as many Initial Project Proposals as they wish. However, the submission of Initial Project Proposals does not guarantee funding from the TMF, and selection of projects for funding by the GSA Administrator does not require agencies to accept funds for projects. Initial Project Proposals will continue to be collected at the address above until the Board issues further instructions for project submission. For updates, downloadable Initial Project Proposal templates, and additional information, please visit www.policy.cio.gov.

Section 4 –Additional MGT Act Implementation Information

Additional information on agency considerations for project proposals, the process and mechanics of TMF funds disbursement and repayment, and other matters relevant to the implementation of the MGT Act is available at www.policy.cio.gov. If necessary, OMB may

provide additional supplemental guidance on the areas described above or other relevant matters that may arise out of initial MGT Act implementation. Questions regarding this memorandum should be directed to ofcio@omb.eop.gov.

B. Guidance to CFO Act Agencies on IT Working Capital Funds

Section B of this guidance is applicable to all CFO Act agencies (as defined in 31 U.S.C. §901 (b)).

Under the MGT Act, all CFO Act agencies are authorized to establish an IT Working Capital Fund (WCF).⁷ IT WCFs may only be used: (A) to improve, retire, or replace existing information technology systems to enhance cybersecurity of existing systems and to improve efficiency and effectiveness of the life of a given workload; (B) to transition legacy information technology systems to commercial cloud computing and other innovative commercial platforms and technologies, including those serving more than one covered agency with common requirements; (C) to assist and support covered agency efforts to provide adequate, risk-based, and cost-effective information technology capabilities that address evolving threats to information security; (D) to reimburse funds transferred to the agency from the Technology Modernization Fund; and, (E) for a program, project, or activity or to increase funds for any program, project, or activity that has not been denied or restricted by Congress.

By March 26, 2018, all CFO Act agencies should notify their OMB Resource Management Office (RMO) and the OFCIO Desk Officer if the agency intends to establish an IT WCF in FY 2018 and initiate the process of creating a new Treasury account for the WCF. If an agency determines it will establish an IT WCF after February 27, 2018, the agency should notify their OMB RMO and the OFCIO Desk Officer at least 30 days prior to establishment.

If an agency establishes an IT WCF under the MGT Act, OMB will oversee the fund and the IT investments it supports consistent with OMB's management and budget development role. In the fiscal quarter after an agency establishes an IT WCF, and every quarter thereafter, the agency will report to OMB on all IT investments funded out of the IT WCF. Pursuant to the MGT Act, each agency shall submit to OMB:

- a) All planned transfers and reprogramming actions for the upcoming quarter, including a brief narrative justification;
- b) Updates to the IT Dashboard, reflecting changes to all investments or projects funded from the IT WCF in the prior quarter and planned for funding in the upcoming quarters (including all necessary updates to IT Portfolio/Business Cases/Standard Reports); and
- c) A summary by fiscal year of actual obligations, expenditures, and unused balances.

OMB will align IT WCF reporting to pre-existing reporting processes (such as the OFCIO integrated data collection (IDC) process, Agency Strategic reviews, PortfolioStats, and TechStats). Agencies that establish WCFs should consider, to the extent applicable, the criteria and guidance the TMF Board formally approves for TMF projects.

⁷ Pub. L. No. 115-91, Title X, Subtitle G, §1077(b)(1).

Agencies are reminded that, pursuant to the MGT Act, all transfers and reprogramming of funds to the WCFs are subject to any applicable appropriations law restrictions. The MGT Act does not confer transfer authority. Therefore, agencies may transfer funds to WCFs only if they have other authority that authorizes the transfer of such funds. Agencies are encouraged to review their existing agency-specific authorities to identify accounts with applicable transfer authority. In concert with the decision to establish a WCF, agencies should identify accounts with applicable transfer authority and submit the account names to their OMB RMO and OFCIO desk officer.

Enclosures

APPENDIX A

Initial Project Proposal Template

Instructions: Please fill out all of the information requested below. Initial Project Proposals selected by the Technology Modernization Board (Board) for further consideration may receive assistance in developing an in-depth proposal and business case to present to the Board. Please avoid the use of acronyms or terminology likely to be unfamiliar to someone outside of your agency and/or program area.

Please complete the form using plain language and submit to OMB, as a .docx file, at ofcio@omb.eop.gov. Please limit Initial Project Proposals to 2 pages, using 10 point font (“General Information” excepted).

General Information

<i>Project Name:</i>	
<i>Sponsoring Agency:</i>	
<i>Project Sponsor Name:</i>	
<i>Project Sponsor Title and Office:</i>	
<i>Project Sponsor Email:</i>	
<i>CIO Sponsor Name, Title and Email:</i>	
<i>CFO Sponsor Name, Title, and Email:</i>	

1. Describe how the project fulfills your Agency’s mission, identify the problem this project solves and how successful execution of this project solves the problem. (1-3 sentences)

2. Provide an estimation of the TMF funding request and the method used for cost estimation. If less than the estimated total project cost, also state the estimated total project cost and how you intend to repay the TMF.

3. Describe the key metrics for success and your suggested initial milestones for implementation, including the deliverables, anticipated completion dates, and other criteria through which you will demonstrate that your intended milestones were met.

4. Describe why the project will succeed, citing examples such as: (1) executive level support for this effort, (2) the strength or experience of the team, including any agency digital service experts, other agency development resources, the availability of contractor support (3) the preparedness to begin executing this project, and (4) other relevant factors that will demonstrate the likelihood of project success.

5. Describe why the Technology Modernization Fund makes sense for this project and how the approach you are taking for this effort is different than what you have previously attempted.

APPENDIX B

Relevant Considerations in Preparing an Initial Project Proposal

A thoughtful IT modernization strategy prioritizes projects based on impact and probability of success. Impact can be measured by effect on users, risk reduction, opportunity enablement, and common solutions. Probability of success can be measured by team and project strategy strength.

The following topics are neither exhaustive nor may be applicable to all agency projects, but serve to provide a framework to identify projects ripe for IT modernization.

Agencies submitting Initial Project Proposals are encouraged (though not required) to address these considerations, including citing or attaching evidence that their project meets any applicable considerations. Agency project sponsors should also be able to address these issues as part of the evaluation process, should a project merit additional examination by the Board.

Impact on Agency Mission

- **User Impact and Expected Outcomes:** Successfully executing this project will have a demonstrable and visible impact to the public, in alignment with the agency's mission. The project will articulate a desired end state that clearly showcases how expected outcomes will enhance the delivery of services that reduces burden, improves performance, or has the potential to produce positive long term benefits.
- **Improving Security:** The project will address an urgent problem (cybersecurity, financial, operational, or another significant risk the agency has identified that could have a material impact on project execution) that would otherwise not be solved. The project leverages commercial capabilities and industry best practices where applicable in order to manage risk during execution and throughout the life and maintenance of the project.

Feasibility

- **Agency Sponsorship and Strength of Team:** The project has strong executive visibility and support, so that any issues that arise during execution can be addressed quickly and effectively. Agency leadership understands and champions the project success as essential to achieving agency priority goals.
- **Project Execution Strategy and Measures of Success:** The project identifies key milestones for success and demonstrates how the use of funds will enable milestone achievement. A successful project also envisions an appropriate governance structure and operational model that will last beyond initial execution. The project will enhance and improve the existing agency IT modernization strategy, and the project will ultimately be executed according to a strong project management approach that aligns to industry best practices and incorporates, to the greatest extent practicable, commercial technology solutions

Opportunity Enablement

- Expected Cost Savings, Lasting Financial Impact, and Ability to Repay the TMF: A successful project will provide detailed information on how the agency will save costs or dramatically improve service quality through modernization. The project will describe the importance of the investment to the agency (i.e., how impactful this project is to agency mission) and the expected long-term savings and operational efficiencies expected through successful project execution. Projects will highlight how business process or change management advances (including the repurposing of workforce as necessary) will be achieved as a result of successful project execution.

Common Solutions

- Reduction of Outdated, Insecure Systems to Modern, Scalable Platforms: A successful project will ensure that security is designed into execution from the outset and complements service delivery and mission objectives. Projects will leverage commercial products and services to the greatest extent practicable to boost security, decrease technical debt, and improve the ability of the project and the associated technology to adapt to a changing threat and operational environment. Where applicable, projects will demonstrate the ability of the agency to reduce outdated or duplicative systems (or to retired multiple systems) through modernization and deliver common solutions and reuse opportunities within an agency, or between the agency and external partners.