

U.S. General Services Administration
TECHNOLOGY MODERNIZATION FUND
Fiscal Year 2022 Budget Request

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Appropriations Language

*For carrying out the purposes of the Technology Modernization Fund, as authorized by section 1078 of subtitle G of title X of the National Defense Authorization Act for Fiscal Year 2018 (Public Law 115-91; 40 U.S.C. 11301 note), **\$500,000,000**, to remain available until expended.*

Program Description

The Technology Modernization Fund (TMF) is a revolving fund that finances Federal agencies' transition from antiquated legacy information technology (IT) systems to more effective, secure, and modern IT platforms. The National Defense Authorization Act for Fiscal Year 2018 (Public Law 115-91), Subtitle G—Modernizing Government Technology (MGT), Section 1078 established the TMF and Technology Modernization Board (Board). The TMF is administered by the U.S. General Services Administration (GSA) in accordance with recommendations made by the interagency TMF Board established by the MGT Act. The Board is chaired by the Administrator of the Office of Electronic Government and comprises six additional members, delineated in the Act, possessing expertise in IT development, financial management, cybersecurity, privacy, and acquisition.

In accordance with OMB guidance, the Board rigorously reviews agency modernization proposals and prioritizes projects that cut across multiple agencies, address immediate security gaps, and improve the public's ability to access Government services. The Fund will invest in a diverse portfolio of projects which have varying levels of repayment risk and repayment flexibility and expects to recover a portion of the funds.

The MGT Act provides the GSA Administrator and OMB Director with the authority to establish and amend the terms of repayment to the TMF. Extending repayment flexibility to agencies gives the Fund the ability to make smart investments and maximize the benefit to the Government and public. It allows the Fund to continue investing in projects with (i) the highest probability of success and (ii) the highest value to the public and/or highest impact security outcomes, regardless of whether cost savings are expected. Repayment can range from full repayment on investments with direct cost savings, such as replacing a legacy system with one that can be operated and maintained more efficiently, to minimal repayment for proposals that tackle the most urgent IT cybersecurity and modernization problems facing our Government, where cost savings are not easily realized by the proposing agency.

The GSA Administrator, in consultation with the Board and Director of OMB, is responsible for continuous oversight of funded projects to ensure success. Additionally, if requested, technical experts are paired with specific projects on a reimbursable basis to help them execute the projects quickly and successfully. All funding is provided in increments based on agile development practices and is subject to agencies achieving planned project milestones.

Ultimately, retiring or modernizing vulnerable and inefficient legacy IT systems will make agencies more secure and save money. Absent immediate action, the cost to operate and maintain legacy systems will continue to grow while security vulnerabilities and other risks will worsen. As a means of addressing these pressing challenges, the TMF is an important step in changing the way the Federal Government manages its IT portfolio.

The Board has reviewed more than 50 project proposals from Federal agencies requesting more than \$550 million and has approved 11 modernization projects totaling \$126 million in initial project awards, and \$89 million in current award amounts taking into account the agency's requests to change their project scope.

Summary of the Request

The FY 2022 request for the TMF is \$500 million for transfers to agencies in support of projects selected by the Board, and for services and work related to the administration of the Fund. Additional see funding in FY 2022 will allow the TMF to continue to tackle more complex, impactful, Government-wide IT modernization efforts

The pervasive use of legacy IT systems and infrastructure results in increased cybersecurity risks to Federal IT systems, inadequate services for the American people and businesses, and increased costs to operate and maintain aging systems. Absent action to modernize systems, the cost to operate and maintain legacy systems will continue to increase while security vulnerabilities and other risks will worsen .

The TMF is designed to improve the management and oversight of IT modernization investments, allowing agencies to move to more secure and efficient IT systems and infrastructure, such as cloud and shared services, while also establishing stronger mechanisms for Federal agencies to regularly refresh their IT systems based on modern technologies. A priority will be placed on the following proposals:

- **Modernizing high priority systems:** The Fund will support investments that modernize and support priority agency assets and services. This may include systems already designated as High Value Assets (HVAs) that have significant impact, or longstanding security issues.
- **Cybersecurity:** The Fund will support investments that move the Government to a consistent baseline of maturity in cybersecurity and privacy protections, including addressing gaps uncovered in the recent SolarWinds incident. This may include identity, credential, and access management, as well as moving towards a “zero trust” architecture – while maintaining the capabilities and performance that agencies need to deliver modern services and succeed at their mission.
- **Public-facing digital services:** The Fund will support the creation or modernization of digital services with demonstrable benefits to increasing access and equity, reducing fraud, and improving service delivery, including core issues exposed by the COVID-19 pandemic.

- **Cross-government collaboration / scalable services:** The Fund will support public-facing or agency-facing shared services, including technical infrastructure that can offer agency technology teams a scalable, secure foundation for the rapid creation and modernization of digital services across multiple Departments and Agencies.

IT modernization can generate significant long-term cost savings and improvements in security and service delivery, but agencies are not always able to fund the investments upfront. The TMF provides a central pool of funding dedicated to IT modernization and the Board provides a mechanism to prioritize, distribute, and oversee those resources to address the most urgent IT modernization projects across the Federal Government.

The TMF strengthens the ability of the Federal Government to strategically prioritize investments across the Government, ensuring the TMF supports projects with the greatest Government-wide impact. The Board evaluates and prioritizes agencies' investment proposals according to criteria established by the Board. The criteria include the risks of continuing to operate the legacy IT system, the capacity to reuse the modernized platform, improved user experience and service delivery, and potential cost savings. GSA assists in the evaluation of proposals and ongoing monitoring of projects receiving TMF funds.

The TMF provides up-front funding for modernization investments that agencies will repay over a period of up to five years unless otherwise approved or altered by GSA and OMB. This enables agencies to amortize non-recurring up-front costs and more appropriately plan for retirement, replacement, and modernization of legacy systems. Funding for all projects is incremental and tied to the completion of agreed-upon milestones. This approach ensures that agencies employ agile development techniques, which prevents sunk costs.

As previously mentioned, the Board has already reviewed more than 50 initial project proposals from Federal agencies requesting more than \$550 million and has approved 11 modernization projects totaling \$126 million in initial project awards, and \$89 million in current award amounts taking into account agencies' requests to change their project scopes. OMB and the TMF PMO are working with agencies to identify additional high-return, high-impact proposals for Board consideration. There is a strong interest on the part of agencies to secure up-front funding for their projects through the TMF. Detailed information about each funded project, as well as the projects' status, are available on the TMF website, <https://tmf.cio.gov>.

| Projects Funded Through Initial TMF Seed Funding | |
|---|----------------------------|
| FY 2018 - FY 2021 Projects | Project Allocations |
| U.S. Department of Energy | |
| Enterprise Cloud Email | \$ 3,743,702 |
| U.S. Department of Agriculture | |
| Farmers.gov Customer Experience Portal | \$ 4,000,000 |
| U.S. Department of Housing and Urban Development | |
| Mainframe Migration | \$ 13,850,013 |
| U.S. Department of Labor | |
| Visa Application Transformation | \$ 3,500,000 |
| U.S. General Services Administration | |
| Application Modernization | \$ 9,816,833 |
| U.S. Department of Agriculture | |
| Infrastructure Optimization and Cloud Adoption | \$ 500,000 |
| U.S. Department of Agriculture | |
| Specialty Crops System Modernization | \$ 8,000,000 |
| U.S. General Services Administration | |
| NewPay Implementation | \$ 16,986,021 |
| U.S. Equal Employment Opportunity Commission | |
| Charge and Case Management System Modernization | \$ 4,000,000 |
| U.S. Department of Homeland Security | |
| Customs and Border Protection ACE Collections Module | \$ 15,000,000 |
| U.S. Department of Labor | |
| Data Modernization | \$ 9,600,000 |
| Total Project Allocations | \$ 88,996,569 |

Program Financing

The TMF provides up-front funding to agencies through transfers of budget authority from the TMF to the receiving agency. The Fund will invest in a diverse portfolio of projects having varying levels of repayment risk and payment flexibility and expects to recover a portion of the funds. The expenses of the GSA TMF Program Management Office are funded through the available fund balance.

GSA works with the Board and the Office of Management and Budget to develop the reimbursement model on an annual basis. Through this process, GSA ensures the solvency of the Fund. Agencies receive funding from the TMF in increments and make payments to the Fund for the repayment, as established in the written agreement. This unique structure provides agencies with additional flexibility to pursue important modernization projects.

Amounts Available for Obligation

(Dollars in Thousands)

| | FY 2020 Actual | FY 2021 Enacted | FY 2022 Request |
|---|-------------------|--------------------|--------------------|
| Resources: | | | |
| Available from prior year | \$ 84,745 | \$ 86,562 | \$ 70,115 |
| Appropriation | \$ 25,000 | \$ 25,000 | \$ 500,000 |
| Offsetting Collections | \$ 6,384 | \$ 13,903 | \$ 13,301 |
| Total Resources Available | \$ 116,129 | \$ 125,465 | \$ 583,416 |
| PMO Obligations | \$ (819) | \$ (1,850) | \$ (1,850) |
| Transfer Out for Modernization Projects | \$ (28,748) | \$ (53,500) | \$ (60,000) |
| Fund Balance | \$ 86,562 | \$ 70,115 | \$ 521,566 |

Note: Total Resources Available and Fund Balances include amounts committed to approved projects in the outyears but are reflected here as they contribute to the current balances.

| American Rescue Plan Act 2021 - 2025 | FY 2020 Actual | FY 2021 Enacted | FY 2022 Request |
|---|-------------------|--------------------|--------------------|
| Resources: | | | |
| Available from prior year | | \$ - | \$ 750,000 |
| Appropriation | | \$ 1,000,000 | |
| Offsetting Collections | | | |
| Total Resources Available | \$ - | \$ 1,000,000 | \$ 750,000 |
| PMO Obligations | | | |
| Transfer Out for Modernization Projects | | \$ (250,000) | \$ (250,000) |
| Fund Balance | \$ - | \$ 750,000 | \$ 500,000 |

Explanation of Changes, Appropriated Dollars and FTE

(Dollars in Thousands)

| | FTE | FY 2020 Actual | FTE | FY 2021 Enacted ¹ | FTE | FY 2022 Request |
|---------------------------|-----|-------------------|-----|---------------------------------|-----|--------------------|
| | 3 | \$ 25,000 | 6 | \$ 25,000 | 6 | \$ 500,000 |
| Program Changes: | | | | | | |
| Subtotal, Program Changes | | | | \$ - | 0 | \$ 475,000 |
| Total Adjustments | | | | 0 \$ - | 0 | \$ 475,000 |

¹ FY 2021 Enacted only includes funding provided in annual appropriations acts. An additional \$1 billion was appropriated in the American Rescue Plan Act of 2021 (P.L. 117-2)

Obligations by Object Classification

(Dollars in Thousands)

| | FY 2020 Actual | FY 2021 Enacted | FY 2022 Request |
|--|-------------------|--------------------|--------------------|
| 11.1 Full-time, permanent | \$ 432 | \$ 825 | \$ 825 |
| 11.5 Other personnel compensation | \$ 2 | \$ 12 | \$ 12 |
| 12.1 Civilian personnel benefits | \$ 141 | \$ 256 | \$ 256 |
| 21.0 Travel and transportation of persons | \$ 4 | \$ 37 | \$ 37 |
| 25.1 Advisory and assistance services | \$ - | \$ 679 | \$ 679 |
| 25.3 Other goods & services from Federal sources | \$ 240 | \$ 33 | \$ 33 |
| 26.0 Supplies and materials | \$ - | \$ 8 | \$ 8 |
| 94.0 Financial transfers | \$ - | \$ 303,500 | \$ 310,000 |
| 99.0 Obligations, Appropriated (Annual) | \$ 819 | \$ 305,358 | \$ 311,858 |
| Subtotal, PC&B | \$ 575 | \$ 1,093 | \$ 1,093 |
| Subtotal, Non-labor | \$ 244 | \$ 304,265 | \$ 310,765 |
| <i>Net Outlays</i> | \$ (5,579) | \$ 241,000 | \$ 342,000 |

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