

U.S. General Services Administration
TECHNOLOGY MODERNIZATION FUND
Fiscal Year 2023 Congressional Justification

CONTENTS

Appropriations Language	2
Program Description	2
Summary of the Request	4
Program Financing.....	8
Amounts Available for Obligation	9
Explanation of Changes, Appropriated Dollars and FTE	10
Obligations by Object Classification	10

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), **\$300,000,000** to remain available until expended.*

Program Description

The Federal Government spends approximately \$90 billion annually on information technology (IT) systems and even more on IT-related grants to state, local, tribal and territorial governments, yet IT modernization remains challenging. It can be difficult for agencies to fund large, multi-year modernizations or to address urgent cybersecurity needs within their annual IT budget. The Technology Modernization Fund (TMF) is a revolving fund that helps finance Federal agencies' transition from antiquated legacy information technology (IT) systems to more effective, secure, and modern IT platforms. It represents a new and smarter model for funding and overseeing IT modernization projects since it a) relies on technical experts to review requests and oversee performance; b) invests money in smaller, incremental amounts based on the value being delivered; c) allows agencies to request money in a way that is better aligned with the fast pace of change in technology, especially around cybersecurity; and d) provides agencies with flexible repayment terms and incentivizes the development of shared and reusable services across Government.

The National Defense Authorization Act for Fiscal Year 2018 (Public Law 115-91), Subtitle G—Modernizing Government Technology (MGT) Act, Section 1078 established the TMF and Technology Modernization Board (TMF Board or 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 voting members, delineated in the Act, possessing expertise in IT development, financial management, cybersecurity, privacy, and acquisition. Additionally, alternate Board members provide further expertise and can stand in as a voting Board member. The MGT Act authorizes the TMF to transfer appropriations and collections in the TMF to other agencies as determined by the TMF Board. The American Rescue Plan Act of 2021 (Public Law 117-2) added an additional \$1 billion appropriation to the TMF.

In accordance with guidance from the Office of Management and Budget (OMB), the Board rigorously reviews agency modernization proposals and prioritizes projects that support cross-Government collaboration via scalable services, address urgent cybersecurity needs, modernize high-priority systems, and improve a citizen's ability to easily access Government services via public-facing digital services. To maintain a focus on delivering impact, the Fund will invest in a diverse portfolio of projects which have varying levels of 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 cybersecurity 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 cybersecurity and modernization problems facing our Government, and 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 yield savings in time and budget. Absent immediate action, the cost to operate and maintain legacy systems will continue to grow while cybersecurity vulnerabilities and other mission risks grow. 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.

Prior to 2021, the Board reviewed more than 50 project proposals requesting over \$550 million; this resulted in 11 approved projects representing \$89 million in active investments. Since the American Rescue Plan (ARP) was enacted, the Board has received over 130 proposals from over 60 Federal agencies and components requesting more than \$2.5 billion in funding. The TMF has supported nine new modernization projects totaling nearly \$320 million¹ since receiving the ARP appropriation. With existing proposals in the pipeline and new proposals received on a rolling basis, the TMF plans to allocate the majority of remaining ARP funds and announce additional investment rounds in FY 2022.

Projects funded through the Technology Modernization Fund have had a significant impact on improving the public's experience and expanding shared services throughout the Government, better utilizing taxpayer money. Modernization efforts like the Department of Labor's (DOL) Labor Certification Modernization project allowed the department to digitize a previously expensive, paper-based process which not only generated savings for DOL, but also improved efficiency for partnering agencies like the U.S. Department of Agriculture (USDA) and U.S. Citizen and Immigration Services (USCIS). In fact, the USDA's Farmers.gov Portal project, also funded through the TMF, allowed USDA to add connections to the new DOL system for farmers and producers to improve citizen end-user experience and increase overall transparency.

¹Figure does not include classified proposals. If you have questions about a classified project, please contact tmf@gsa.gov.

Though the TMF only accepts project proposals from Federal agencies, projects like the Equal Employment Opportunity Commission's (EEOC) Charge and Case Management System Modernization effort can directly impact state, local, tribal, and territorial agencies as well. EEOC used TMF funds to improve a 19 year old legacy system that is also used by 92 Fair Employment Practice Agencies (FEPAs, state or local equivalents to the EEOC), with many using the EEOC tool as their system of record.

Looking ahead, the most recent TMF investments aim to support three agencies (Department of Education, Office of Personnel Management, and the General Services Administration) in accelerating their migration to an Advanced Cybersecurity and Infrastructure Security Agency (CISA) maturity model, and tackling critical zero trust architecture (ZTA) modernization initiatives. Login.gov's project will advance the cybersecurity posture for the anticipated 32+ million active users who access over 200 services spanning 27 Federal agencies, while DHS's Southwest Border Technology Integration Program (TIP) will use data and technology to more efficiently, effectively, and humanely process noncitizens encountered at our Southwest Border. These efforts will reduce technical debt and duplication of work incurred by agencies across the Federal Government, and improve cross-agency collaboration. The TMF also recently announced \$9M in investments to modernize key systems, transform operations, and safeguard Americans' personal data at two small Federal agencies – the U.S. Postal Regulatory Commission and the Selective Service System.

Given the ever-increasing number of cybersecurity threats facing the Federal Government, the huge demand for technology modernization investment across the Federal enterprise, agencies' ongoing modernization needs, and the new technology standards being issued across Government, the \$300 million requested herein is an additional installment needed to build on the smart, cost-effective, timely, and results driven approach used by the TMF to help agencies deliver high priority modernization projects with real, cross-Government and citizen-facing impact.

Summary of the Request

The FY 2023 request for the TMF is \$300 million for transfers and support given to agencies in support of projects selected by the Board, and for services and work related to the administration of the Fund. Additional funding in FY 2023 will allow the TMF to meet significant unmet demand shown for the fund, continue to tackle more complex, impactful, Government-wide IT modernization efforts, and appropriately scale operations to address modernization and cybersecurity needs at significant scale. Additional annual appropriations are critical to build on the investment funding necessary to address the size and scale of the Federal Government's IT modernization and cybersecurity needs.

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 cybersecurity vulnerabilities and other risks grow.

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

- **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 critical incidents. 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. Many such services were highlighted in the Customer Experience Executive Order (E.O. 14058)².
- **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 cybersecurity and service delivery, but agencies are not always able to fund the investments upfront. The TMF provides a central pool of working capital 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.

²<https://www.federalregister.gov/documents/2021/12/16/2021-27380/transforming-federal-customer-experience-and-service-delivery-to-rebuild-trust-in-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 (in full or in part) 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. The TMF Board makes an investment and funding recommendation for the entire project; however, funding for all projects is incremental and each transfer is tied to the completion of agreed-upon, outcome-based milestones. The funding for the entire project is then set aside to ensure availability for subsequent phases through completion. This approach ensures that agencies employ agile project and development techniques, to prevent sunk costs and focus on project success.

In addition to providing agencies with a financing solution, the TMF also allows GSA and OMB to serve as a strategic investor that brings both funding and technical expertise to agencies allowing them to scale solutions more quickly. By pooling resources and expertise together, the TMF is able to facilitate collaboration between agencies and serve as a catalyst for change. For example, the TMF created a Zero-Trust cohort after awarding funding to three agencies to implement the Zero-Trust security framework within their IT environments. This cohort meets regularly to share findings and leverage best practices to accelerate improvements to the Government's security posture. By continuing to fund the TMF at the requested level, Congress, GSA, and OMB can create more opportunities to create shared learning environments between different parts of the Federal Government to address common IT challenges.

OMB and the TMF PMO continuously work with agencies to identify additional high-return, high-impact proposals for Board consideration, and there is a strong interest across Government to accelerate modernization and cybersecurity work via up-front funding through the TMF. Detailed information about each project the TMF Board has awarded, including funds transfers and project status, are available on the TMF website, <https://tmf.cio.gov>.

Projects Approved by the Board FY 2018 Projects	Project Allocations
US Department of Energy Enterprise Cloud E-Mail	\$2,436
US Department of Agriculture Farmers.gov Customer Experience Portal	\$4,000
US Department of Housing and Urban Development Mainframe Migration	\$13,850
FY 2018 Projects Subtotal	\$20,286
Projects Approved by the Board FY 2019 Projects	Project Allocations
US Department of Labor Labor Certificate Processing Modernization	\$3,500
US General Services Administration Application Modernization	\$9,817
US Department of Agriculture Infrastructure Optimization and Cloud Adoption	\$500
US General Services Administration NewPay Implementation	\$7,317
FY 2019 Projects Subtotal	\$21,134
Projects Approved by the Board FY 2020 Projects	Project Allocations
Equal Employment Opportunity Commission Charge and Case Management Modernization	\$4,000
US Department of Agriculture Specialty Crops	\$8,000
Department of Homeland Security Customs and Border Protection ACE Collections	\$15,000
FY 2020 Projects Subtotal	\$27,000
No New Projects in FY 2021	
FY 2022 Projects	Project Allocations
US Department of Labor Data Modernization	\$9,600
FY 2022 Projects Subtotal	\$9,600
Grand Total FY 2018 - FY 2022	\$78,020 ³

³ Detailed information about each project the TMF Board has awarded, including funds transfers and project status, are available on the TMF website, <https://tmf.cio.gov>.

American Rescue Plan Act	
Projects Approved by the Board	Project
FY 2022 Projects	Allocations
Classified Proposal*	
US General Services Administration	
GSA MAX.gov	\$ 14,500
US General Services Administration	
GSA Advancing Zero Trust	\$ 29,802
US General Services Administration	
GSA Log.in gov	\$ 187,050
US Department of Homeland Security	
Southwestern Border	\$ 50,000
US Department of Office of Personnel	
Zero Trust Networking	\$ 9,900
US Department of Education	
Zero Trust Architecture	\$ 20,000
U.S. Postal Regulatory Commission	
IT Modernization	\$ 2,645
U.S. Selective Service System	
Registration and Verification Modernization	\$ 5,989
Total	\$ 319,886

*Details on classified projects are not included. If you have questions about a classified project, please contact tmf@gsa.gov.

4

Program Financing

The TMF provides up-front funding to agencies through transfers of budget authority from the TMF to the receiving agency. The Fund invests in a diverse portfolio of projects having varying levels of repayment flexibility. The expenses of the GSA TMF PMO, which executes the responsibilities of GSA including TMF Board support, are funded through the available fund balance.

GSA works with the Board and OMB to continuously monitor ongoing spend while evaluating and adjusting the reimbursement model as needed on an annual basis. Through this process, GSA ensures the solvency of the Fund. Agencies receive funding from the TMF in increments and repay the TMF per a written agreement between GSA and the agency. This unique structure provides agencies with additional flexibility to pursue important modernization and cybersecurity projects.

⁴ Detailed information about each project the TMF Board has awarded, including funds transfers and project status, are available on the TMF website, <https://tmf.cio.gov>.

The TMF PMO is requesting \$300 million in FY 2023, an increase of \$275 million over the FY 2022 annualized CR level, to accelerate Government-wide IT modernization efforts, meet a significant increase in demand for investment from agencies, support active projects, and the associated program management and project oversight.

Amounts Available for Obligation

(Dollars in Thousands)

Resources:	FY 2021 Actual	FY 2022 Annualized C.R.	FY 2023 Request
Available from prior year	\$ 86,563	\$ 121,298	\$ 114,421
Appropriation	\$ 25,000	\$ 25,000	\$ 300,000
Return of Unused Funds	\$ 9,669	\$ 1,308	\$ -
Offsetting Collections	\$ 7,091	\$ 15,634	\$ 38,964
Total Resources Available	\$ 128,323	\$ 163,240	\$ 453,385
PMO Obligations	\$ (805)	\$ (4,219)	\$ (6,259)
Transfer Out for Modernization Projects	\$ (6,220)	\$ (44,600)	\$ (233,000)
Fund Balance	\$ 121,298	\$ 114,421	\$ 214,126

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 2021 Actual	FY 2022 Annualized C.R.	FY 2023 Request
Resources:			
Available from prior year	\$ -	\$ 1,000,000	\$ 515,492
Appropriation	\$ 1,000,000	\$ -	\$ -
Total Resources Available	\$ 1,000,000	\$ 1,000,000	\$ 515,492
Transfer Out for Modernization Projects		\$ (484,508)	\$ (402,785)
Fund Balance	\$ 1,000,000	\$ 515,492	\$ 112,707

Note: \$1 billion was appropriated in the American Rescue Plan Act of 2021 (P.L. 117-2).

Explanation of Changes, Appropriated Dollars and FTE

(Dollars in Thousands)

	FTE	FY 2021 Actual	FTE	FY 2022 Annualized C.R.	FTE	FY 2023 Request
	2	\$ 25,000	18	\$ 25,000	25	\$ 300,000
Program Changes:						
Personnel Increase from Program Expansion					7	\$ 1,760
Non-Personnel Cost Increase due to Program Expansion						\$ 280
Increase of Transfers to Modernization Projects						\$ 272,960
Subtotal, Program Changes					7	\$ 275,000
Total Adjustments					7	\$ 275,000

Obligations by Object Classification

(Dollars in Thousands)

	FY 2021 Actual	FY 2022 Annualized C.R.	FY 2023 Request
11.1 Full-time, permanent	\$ 464	\$ 2,592	\$ 3,896
11.3 Other than full-time permanent	\$ 7	\$ -	\$ -
11.5 Other personnel compensation	\$ 9	\$ 52	\$ 78
12.1 Civilian personnel benefits	\$ 157	\$ 855	\$ 1,286
21.0 Travel and transportation of persons	\$ -	\$ 32	\$ 40
25.3 Other goods & services from Federal sources	\$ 168	\$ 680	\$ 950
26.0 Supplies and materials	\$ -	\$ 8	\$ 10
94.0 Financial transfers	\$ -	\$ 44,600	\$ 233,000
99.0 Obligations, Appropriated (Annual)	\$ 805	\$ 48,819	\$ 239,259
Subtotal, PC&B	\$ 637	\$ 3,499	\$ 5,259
Subtotal, Non-labor	\$ 168	\$ 45,320	\$ 234,000
ARP Transfers	\$ -	\$ 484,508	\$ 402,785
Net Outlays	\$ (6,280)	\$ 479,000	\$ 378,000