

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Thursday, September 16, 2004
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Larry Robinson, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Larry Robinson, Randel Christmann, Rich Wardner; Representatives Eliot Glassheim, Keith Kempenich, Bob Skarphol, Ken Svedjan, Robin Weisz, Lonny Winrich; Chief Information Officer Curtis L. Wolfe

Members absent: Senators Randy A. Schobinger, Tom Seymour

Others present: See attached appendix

It was moved by Representative Skarphol, seconded by Senator Wardner, and carried on a voice vote that the minutes of the July 7, 2004, meeting be approved as distributed.

Chairman Robinson welcomed Senator Ray Holmberg, Grand Forks, a member of the Legislative Council, to the meeting.

REPORT FROM THE CHIEF INFORMATION OFFICER

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, distributed information regarding Oracle's bid for PeopleSoft. A copy of the information is on file in the Legislative Council office. He said the United States District Court has denied a request of the United States Department of Justice to issue an injunction to block Oracle's proposed takeover of PeopleSoft. He said the Department of Justice is in the process of assessing whether or not to appeal the ruling and Oracle has yet to state its intentions regarding PeopleSoft. He said the proposed takeover could result in North Dakota receiving a reduced number of new software releases for the ConnectND system.

In response to a question from Senator Robinson, Mr. Wolfe said there may not be resolution to the Oracle and PeopleSoft situation for 6 to 24 months.

Mr. Wolfe said on August 10, 2004, the Information Technology Department received a written response from the Attorney General's office regarding the department's request for further clarification regarding the legal opinion stating the department is required to follow the administrative rulemaking requirements of North Dakota Century Code (NDCC) Chapter 28-32 for establishing policies, standards, and guidelines. A copy of the written response from the Attorney General's office is on file in the Legislative Council

office. He said the response provides that the department is an administrative agency subject to formal rulemaking and the department must review each policy, standard, or guideline to determine whether the policy, standard, or guideline meets the legal definition of a rule.

Mr. Wolfe distributed correspondence between the Information Technology Department, Office of Management and Budget, and Public Service Commission regarding the commission's request to purchase disk storage. A copy of the correspondence is on file in the Legislative Council office.

Mr. Wolfe provided information regarding the recommendation of the State Information Technology Advisory Committee regarding prioritization of major computer software projects. A copy of the information is on file in the Legislative Council office. He said the State Information Technology Advisory Committee met on Wednesday, September 8, 2004, and prioritized major computer software projects for the 2005-07 biennium as follows:

	Project	Agency	2005-07 Estimated Cost	
			General Fund	All Funds
1	North Dakota public safety mobile communications	Division of Emergency Management	\$3,000,000 ¹	\$5,700,000 ¹
2	Medicaid management information system (MMIS) rewrite	Department of Human Services	\$3,667,820	\$29,188,159
3	Criminal justice information system	Information Technology Department	\$1,000,000	\$1,000,000
4	Integrated tax system	Tax Commissioner's office	\$12,625,000	\$12,625,000
5	Computer-aided dispatch	Division of Emergency Management	\$500,000	\$500,000
6	Offender management system upgrade (ITAG) ²	Department of Corrections and Rehabilitation	\$375,000	\$375,000
7	Mainframe migration	Information Technology Department	\$6,300,000	\$6,300,000

Project	Agency	2005-07 Estimated Cost	
		General Fund	All Funds
8 AS/400 migration	Secretary of State	\$500,000	\$500,000
9 Time and labor	Enterprise Architecture	\$700,000	\$700,000
10 Enhanced support center	Information Technology Department	\$1,000,000	\$1,800,000
11 Geographic information system	Information Technology Department	\$325,000	\$325,000
12 Health Insurance Portability and Accountability Act (HIPAA) project	Department of Human Services	\$319,000	\$3,190,000

¹This project also has a \$3 million general fund anticipated cost for the 2007-09 biennium.

²This project was ranked No. 11 after the initial ranking by the State Information Technology Advisory Committee, but the project was moved to No. 6 after additional discussion of the project by the committee.

Mr. Wolfe said the Information Technology Department is considering asking the Legislative Assembly for authorization to borrow the necessary funding for the mainframe migration project. He said the loan would be repaid with revenue received through the department's rate structure.

In response to a question from Representative Kempenich regarding the mainframe migration project, Mr. Wolfe said borrowing the necessary funding for the project and repaying the loan with revenue received through the department's rate structure would allow the department to access special and federal funds for the project instead of requesting funding from the general fund for the entire project.

Mr. Wolfe said the State Information Technology Advisory Committee did not prioritize the personal computer replacement project of the Department of Human Services. He said the committee has decided to include the personal computer replacement project with the committee's recommendation relating to the standardized workstations for state government.

In response to a question from Senator Christmann regarding the HIPAA project, Mr. Wolfe said if the MMIS rewrite project is funded by the Legislative Assembly, the HIPAA project would not be necessary as the necessary HIPAA project requirements would be incorporated in a new MMIS.

In response to a question from Representative Svedjan, Mr. Wolfe said agencies will be requesting funding for the major computer software projects in their budget requests for the 2005-07 biennium. After the Governor's executive budget recommendation is released, the Information Technology Department will revise the prioritization to reflect those projects that are funded in the executive budget recommendation and will present the prioritization to the Appropriations Committees of the Legislative Assembly.

Mr. Wolfe provided information regarding the Information Technology Department's budget request for the 2005-07 biennium. He said the department's budget request for the 2005-07 biennium is \$102,475,162--\$13,517,242 from the general fund, \$87,457,920 of special funds, and \$1,500,000 of federal funds. He said the department's general fund request of \$13,517,242 represents an increase of \$5,322,439 from the 2003-05 legislative appropriation of \$8,194,803, and the department's general fund initiatives for the 2005-07 biennium include:

Division of Independent Study	\$760,700
Educational Technology Council	2,000,000
EduTech	2,652,348
Information Technology Department operations	776,028
Statewide information technology network (kindergarten through grade 12 portion)	3,382,023
Criminal justice information sharing initiative	1,000,000
Enhanced support center	942,800
Enterprise fund	1,000,000
Geographic information system	1,003,343
Total	\$13,517,242

Mr. Wolfe distributed a copy of a post-project review report relating to the information technology consolidation required by House Bill No. 1505. A copy of the report is on file in the Legislative Council office. He said consolidation of the remaining four agencies--Department of Corrections and Rehabilitation, State Department of Health, Public Service Commission, and Workforce Safety and Insurance--should be completed by the end of November 2004. He said in regard to information technology functional consolidation accumulated savings, the department is estimating savings of \$438,775 for the 2003-05 biennium, of which \$330,429 relates to the 15 agencies identified in Section 10 of House Bill No. 1505 and \$108,346 relates to the remaining 29 agencies. He said the estimated savings has been impacted by the timing of consolidation, equipment credits provided to agencies for equipment on lease, and funding source restrictions. He said not all funding sources estimated to have savings are able to be transferred to the general fund. He said the estimated savings for the 2005-07 biennium is \$961,146 from all funds.

In response to a question from Senator Christmann, Mr. Wolfe said Section 11 of House Bill No. 1505 provides that the Information Technology Department and the Office of Management and Budget shall achieve efficiencies during the 2003-05 biennium relating to the required consolidation of information technology functions and the director of the Office of Management and Budget shall transfer the savings accumulated as a result of these efficiencies in the amount of \$1.4 million to the general fund by June 30, 2005. He said achieving savings of \$1.4 million would have required 14 positions with average salaries of \$50,000 per year to be eliminated beginning July 1, 2003, and the executive committee appointed to govern the consolidation did not recommend position reductions of that magnitude. He said approximately one-third, or \$146,258, of the 2003-05

estimated savings of \$438,775 will be transferred to the general fund by June 30, 2005.

Mr. Wolfe provided information regarding the state's contract structure associated with the ConnectND system. A copy of the information is on file in the Legislative Council office. He said to date the state has entered into contracts totaling \$24,548,391 with PeopleSoft and Maximus for implementation of the ConnectND system.

In response to a question from Representative Skarphol, Mr. Wolfe said the operating cost for the ConnectND system for the 2005-07 biennium will be approximately \$24 million, including debt service, maintenance contract fees, and salaries and wages for the individuals responsible for maintaining the system. He said the Information Technology Department and the Office of Management and Budget are in the process of updating the return on investment report for the next meeting of the Budget Section scheduled for October 5, 2004.

PROPOSED INFORMATION TECHNOLOGY BILL DRAFTS

Mr. John Walstad, Code Revisor, Legislative Council, presented a bill draft [50132.0200] relating to the exclusion of certain policies, standards, and guidelines of the Information Technology Department from compliance with the Administrative Agencies Practice Act. The bill draft amends NDCC Section 28-32-01(11) to provide that policies, standards, and guidelines adopted by the Information Technology Department, under Chapter 54-59, including product and service standards and best practice standards, primarily intended to affect state agencies, including institutions under the control of the State Board of Higher Education, and counties, cities, and school districts in this state that are reviewed by the State Information Technology Advisory Committee are not considered rules under the Administrative Agencies Practice Act.

In response to a question from Representative Svedjan, Mr. Walstad said NDCC Section 54-59-02 refers to state agencies, including institutions under the control of the State Board of Higher Education, counties, cities, and school districts in the state. However, Section 54-59-02.1 refers to executive branch state agencies, departments, and institutions, excluding institutions under the control of the State Board of Higher Education and agencies of the judicial and legislative branches, and Section 54-59-09 refers to executive branch state agencies and institutions, excluding the institutions under the control of the State Board of Higher Education with respect to academic and research uses of information technology.

In response to a question from Representative Glasheim, Mr. Wolfe said counties, cities, and school districts receive wide area network services from the Information Technology Department and only the policies, standards, and guidelines relating to wide area

network services would affect counties, cities, and school districts.

Representative Skarphol requested the Legislative Council staff to work with the Information Technology Department to determine how other states handle information technology policies, standards, and guidelines and the administrative rulemaking requirements.

The Legislative Council staff presented a bill draft [50130.0200] relating to the establishment of a statewide information technology improvements revolving fund. The bill draft creates a new section to NDCC Chapter 54-59 establishing a statewide information technology improvements revolving fund for information technology projects providing improvements in the efficiency of state government services or information technology projects involving multiple state agencies or institutions. The Chief Information Officer may not provide funds for any project that the Legislative Assembly has indicated an intent to reject in the project's proposed or substantially similar format. A state agency or institution interested in obtaining money from the fund is to submit a written request detailing information on the purpose, scope, cost benefit, and projected return on investment of the project to the Chief Information Officer. The Chief Information Officer presents each request to the State Information Technology Advisory Committee for its consideration. If the committee approves the request, the Chief Information Officer shall recommend the proposed project to the Budget Section for approval. The Chief Information Officer may not provide funds for the project without approval of the Budget Section. Agencies and institutions shall repay funds provided from the statewide information technology improvements revolving fund and any related interest during subsequent bienniums as money becomes available through savings, increases in revenue, legislative appropriation, or other sources. The Chief Information Officer shall report to the Budget Section and the Information Technology Committee on the status, projected return on investment, and actual return to the fund for each project approved by the Budget Section. The bill draft also provides a \$1 million general fund appropriation to the Information Technology Department for the purpose of establishing a statewide information technology improvements revolving fund.

Mr. Wolfe said the statewide information technology improvements revolving fund would provide a funding mechanism for information technology projects not identified during the budget process. He said a long-term goal would be to increase the balance available in the fund.

In response to a question from Representative Skarphol, Mr. Wolfe said the statewide information technology improvements revolving fund could be used for a project not funded by the Legislative Assembly due to a lack of funding available.

In response to a question from Representative Skarphol, Mr. Wolfe said the balance of the statewide

information technology improvements revolving fund would increase by requiring agencies to repay funds provided from the fund with interest.

In response to a question from Representative Glassheim, Mr. Wolfe said if the Legislative Assembly would not like an agency to be able to apply for funding from the statewide information technology improvements revolving fund for a particular project, the Legislative Assembly could add language in an agency's appropriations bill providing that the agency shall not receive funding from the fund for the project.

Representative Glassheim said the repayment of funds may not be realistic because some savings resulting from information technology projects result from a decrease in staffing. If an agency eliminates a full-time equivalent position, the agency would not have the funding to repay the fund. He said the committee may want to consider providing funds from the statewide information technology improvements revolving fund without requiring repayment.

Representative Skarphol said the repayment of funds should be required.

Representative Svedjan said the language in the bill draft referring to the Legislative Assembly's intent to reject a project needs to be strengthened and he believes the repayment of funds should be required from savings or increased revenue resulting from the project.

Senator Robinson said savings from an information technology project could be related to controlling expenditure increases or cost avoidance.

Representative Weisz said if a project does not realize savings, the statewide information technology improvements revolving fund should be able to be replenished with a legislative appropriation.

Senator Christmann suggested expanding the Emergency Commission process to address these information technology needs.

Representative Skarphol said funds from the statewide information technology improvements revolving fund should only be approved for projects which are financially accurate.

Representative Weisz said the bill draft may need to be revised to provide that all information technology projects need to provide improvements in efficiency.

The Legislative Council staff presented a bill draft [50129.0200] relating to the powers and duties of the Information Technology Committee and the Information Technology Department, information technology plans, and the Information Technology Department annual report. The bill draft:

- Amends Section 54-35-15.2 to more accurately reflect the powers and duties of the Information Technology Committee.
- Amends Section 54-59-05(7) relating to the powers and duties of the Information Technology Department to provide that the department shall request and review information regarding any major information technology project of an executive or judicial branch

agency, the State Board of Higher Education, or any institution under the control of the State Board of Higher Education.

- Amends Section 54-59-11 relating to information technology plans to provide that information technology plans are subject to acceptance by the Information Technology Department and information technology plans must include an asset management plan relating to the inventory of information technology assets owned, leased, or employed by the entity. The bill draft also provides that the statewide information technology plan must be developed with emphasis on long-term strategic goals, objectives, and accomplishments, and the statewide information technology plan must contain specific information regarding information technology projects, plans, and benefits.
- Amends Section 54-59-19 relating to the Information Technology Department annual report to revise the required contents of the report.

In response to a question from Senator Robinson regarding information technology plans, Mr. Wolfe said the Information Technology Department reviews information technology plans to ensure the plans are in compliance with the department's policies, standards, and guidelines.

In response to a question from Senator Christmann, Mr. Wolfe said the suggested changes in the content of the statewide information technology plan and the department's annual report align reporting requirements regarding the department's services and accomplishments with the department's annual report and requirements regarding statewide information technology accomplishments with the statewide information technology plan.

Mr. Grant Crawford, Chief Information Officer, North Dakota University System, provided information regarding proposed information technology statutory changes. A copy of the information is on file in the Legislative Council office. He said the current information technology planning process has fractured higher education's planning activities by separating research and teaching from administrative uses of technology and the existing legislation makes it more difficult for the State Board of Higher Education to effectively set standards and policies for information technology. He suggested the bill draft be revised to:

- Make the State Board of Higher Education explicitly responsible for information technology management, oversight, and project reporting for all areas associated with higher education rather than having the Information Technology Department responsible for administration and network-related activities and the State Board of Higher Education responsible for the remainder.

- Align information technology planning with State Board of Higher Education planning and accountability.
- Require continued State Board of Higher Education participation in the statewide information technology network and require the board to be responsible for research and advanced function networks such as Internet 2.
- Require periodic reporting to the Information Technology Committee.

Mr. Crawford said the North Dakota University System is also seeking the removal of the four-year limitation for the use of the statewide information technology network for occupants of technology parks or business incubators owned by higher education institutions. He said the limitation was put in place assuming all businesses in parks or incubators would be fully established in four years and would move onto operations at another location. He said not all businesses are prepared to move on in four years and others will remain permanent or long-term tenants of parks or incubators as anchor tenants.

In response to a question from Representative Glasheim, Mr. Crawford said the North Dakota University System would continue to participate as a partner in the statewide information technology network.

Senator Christmann said that he would not support the removal of the four-year limitation for the use of the statewide information technology network by occupants of technology parks or business incubators. Representative Skarphol said that he also would not support the removal of the limitation.

In response to a question from Representative Winrich, Mr. Crawford said an example of an "anchor tenant" would be ComMark, Inc., located at the Traill County Technical Center at Mayville State University.

The committee recessed for lunch at 12:05 p.m. and reconvened at 1:00 p.m.

The Legislative Council staff presented a bill draft [50131.0200] relating to prioritization of major information technology projects, the State Information Technology Advisory Committee, information technology standards, and use of information technology services. The bill draft:

- Creates a subsection to Section 54-35-15.2 to provide that the Information Technology Department shall receive a report from the Chief Information Officer regarding the recommendations of the State Information Technology Advisory Committee relating to the prioritization of proposed major information technology projects and other information technology issues.
- Amends Section 54-59-02.1 relating to the prioritization of major information technology projects to provide that the Information Technology Department shall submit information regarding proposed major information

technology projects for executive branch state agencies, departments, and institutions, excluding institutions under the control of the State Board of Higher Education and agencies of the judicial and legislative branches to the State Information Technology Advisory Committee. The State Information Technology Advisory Committee shall review the projects and rank those projects that receive the committee's affirmative recommendation. The recommendations of the State Information Technology Advisory Committee shall be submitted to the Information Technology Committee, the Office of Management and Budget, and the Appropriations Committees of the Legislative Assembly.

- Amends Section 54-59-07 relating to the State Information Technology Advisory Committee to provide that the committee shall review policies, standards, and guidelines developed by the Information Technology Department and the Chief Information Officer shall submit recommendations of the State Information Technology Advisory Committee regarding information technology issues to the Information Technology Committee for its consideration.
- Amends Section 54-59-09 relating to information technology standards to eliminate the role of the Office of Management and Budget in the development of statewide information technology policies, standards, and guidelines and to provide that the Information Technology Department shall develop policies, standards, and guidelines using a process involving advice from state agencies and institutions.
- Amends Section 54-59-22 relating to required use of information technology services to eliminate the role of the Office of Management and Budget in the granting of exemptions to entities and in the development of a delivery system and policies and guidelines relating to required use of information technology services.

STATEWIDE INFORMATION TECHNOLOGY NETWORK

Chairman Robinson called on Senator Holmberg, Chairman, Higher Education Committee, for comments on private sector use of the statewide information technology network. Senator Holmberg said during the Higher Education Roundtable meeting on Tuesday, June 15, 2004, the roundtable discussed the issue of allowing startup businesses in small communities to access the statewide information technology network for a limited period of time and allow other businesses in small communities to access the network to receive workforce training. He

said he appreciates the Information Technology Committee reviewing this issue.

Mr. Cory Finneman, Vice President of Research, Department of Commerce, provided information regarding private sector use of the statewide information technology network, including the possibility of the department providing funding to startup businesses to assist with the purchasing of broadband Internet services. He said the Department of Commerce administers three programs to financially assist businesses and communities in North Dakota--the agriculture products utilization fund, Development Fund, and community development block grant program. At the present time, a business could request a loan from the Development Fund for information technology hardware needs, and a community could access funds from the community development block grant program to install broadband connectivity, but there are no programs to assist businesses with the purchasing of broadband Internet services. He said based on discussions with businesses across the state, it appears as though affordability instead of accessibility is the main issue. He said the three major reasons making affordability an issue are a perceived cost variance for services between different areas of the state, the true capacity needs of businesses, and the difficulty of budgeting for information technology.

The Legislative Council staff distributed correspondence from Mr. Don Hedger, President, Killdeer Mountain Manufacturing, Inc., Killdeer, regarding private sector use of the statewide information technology network. A copy of the correspondence is on file in the Legislative Council office. The correspondence indicates that Mr. Hedger finds it difficult to afford the bandwidth needed to connect the manufacturing company located in three rural communities to customers and suppliers. Private sector use of the statewide information technology network has been explored; however, it has been discovered that it is impractical and could jeopardize federal e-rate funding received by the state.

Mr. Dan Pullen, Director, Educational Technology Council, provided information regarding the potential effect of private sector use of the statewide information technology network on the state's e-rate funding. A copy of the information is on file in the Legislative Council office. He said North Dakota schools receive over \$4.4 million in e-rate funds each year. He said it is clear that any use of the kindergarten through grade 12 portion of the statewide information technology network for any purpose by private sector entities would constitute a violation of federal e-rate rules and would disqualify the state and the state's schools from receiving e-rate discounts on telecommunications services and Internet access.

In response to a question from Representative Skarphol, Mr. Pullen said if a private sector entity would pay a fee to the local telecommunications provider to access the kindergarten through grade 12

portion of the statewide information technology network, the use would constitute a violation of federal e-rate rules.

Mr. Paul Schuetzler, Chief Executive Officer, Consolidated Telecom, Dickinson, provided information regarding private sector use of the statewide information technology network. A copy of the information is on file in the Legislative Council office. He said Consolidated Telecom is committed to providing broadband services to all of its members either through a digital subscriber line offering or through wireless Internet. He said the Consolidated Telecom prices for these services are competitive with other providers in the state. He said videoconferencing equipment is available that will work at the broadband speed levels available through Consolidated Telecom.

In response to a question from Senator Christmann, Ms. Kathy McCracken, Coordinator, Central Dakota Telecommunications Consortium, Glenfield, said there is a misperception by the private sector regarding the amount of bandwidth needed for videoconferencing. She said school districts use a T-1 connection for videoconferencing, so private sector entities believe a T-1 connection is required for videoconferencing.

Mr. David Crothers, Executive Vice President and General Manager, North Dakota Association of Telephone Cooperatives, Mandan, commented on private sector use of the statewide information technology network. He said the North Dakota Association of Telephone Cooperatives would appreciate the state helping rural customers to afford broadband telecommunications but the association would not be supportive of the state serving customers.

Ms. Deana Wiese, Assistant Executive Director, Information Technology Council of North Dakota, distributed correspondence from Mr. Don Morton, Chairman, Public Policy Committee, Information Technology Council of North Dakota, regarding private sector use of the statewide information technology network. A copy of the correspondence is on file in the Legislative Council office. The correspondence indicates the Information Technology Council of North Dakota facilitated a meeting of information technology stakeholders on September 2, 2004, to discuss private sector use of the statewide information technology network. The group concluded that it is not feasible for private sector businesses to utilize the statewide network due to the risk of loss of federal e-rate funding. The group also concluded that it is not an issue of technology availability but affordability. The council is willing to work with the Legislative Assembly and the Department of Commerce to conduct a rural information technology business needs and cost research analysis and to review state funding programs to subsidize the cost of service and implementation.

ENTERPRISE RESOURCE PLANNING SYSTEM INITIATIVE - CONNECTND SYSTEM

Ms. Pam Sharp, Director, Office of Management and Budget, provided information regarding the status of the implementation of the ConnectND system. She said the financial and human resource components of the system, except for the employee expense, budget, and strategic sourcing modules, will be rolled out to state agencies on October 1, 2004. She said the Office of Management and Budget is working on prioritizing future functionality of the system, including time and labor, eSupplier, eBenefits, and other modules.

Mr. Crawford provided information regarding the status of the implementation of the ConnectND system. A copy of the information is on file in the Legislative Council office. He said the State Board of Higher Education approved an implementation plan for the grants and contracts functionality in July 2004. The plan provides for testing and configuration of grants and contracts functionality with a "go live" date for the remaining four higher education institutions--North Dakota State University, University of North Dakota, Minot State University, Minot State University - Bottineau--by January 2005. He said anticipated additional one-time and ongoing costs for fiscal year 2005 of approximately \$4.1 million relating to higher education's implementation of the ConnectND system will be allocated as follows:

- \$1.25 million in forgiveness from Maximus.
- \$1.38 million from ConnectND budget funds.
- \$600,000 from Higher Education Computer Network operating funds.
- \$250,000 from State Board of Higher Education contingency funds.
- \$630,000 from higher education institutions, although the North Dakota University System has a pending request to the Emergency Commission for \$150,000 from the state contingency fund. If the Emergency Commission grants funding of \$150,000 to the North Dakota University System, the \$630,000 from higher education institutions would be reduced to \$480,000.

LARGE INFORMATION TECHNOLOGY PROJECTS

Ms. Nancy Walz, Director, Policy and Planning Division, Information Technology Department, distributed a copy of the department's large project summary for the quarter ending June 30, 2004. A copy of the summary is on file in the Legislative Council office. She said there are six new projects being reported this period--Department of Human Services children's health insurance program, Department of Transportation electronic crash reporting system and 2D-3D orthophotogrametry, and North

Dakota University System's facility management system, housing management system, and parking management system. She said four projects have been completed--Department of Public Instruction's TetraData project, Department of Human Services HIPAA project and Medicaid working disabled project, and the Information Technology Department's work management system. She said the department is closely monitoring the ConnectND project, North Dakota University System library management system project, and Bank of North Dakota e-commerce project.

Mr. Eric Hardmeyer, President, Bank of North Dakota, provided a status report on the Bank's e-business project. A copy of the information is on file in the Legislative Council office. He said the Bank implemented the new guarantor system on July 1, 2004. He said the new system is demonstrating new real-time functionality, reduction in manual processes, and workflow improvements. He said parallel processing and additional system testing between the new system and the legacy system will continue until satisfactory levels of performance are achieved for all areas of the new system.

In response to a question from Senator Robinson, Mr. Hardmeyer said the Bank anticipates shutting down the legacy system at the end of the calendar year.

INFORMATION TECHNOLOGY DEPARTMENT - ANNUAL REPORT

Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, distributed a copy of the department's annual report on information technology projects, services, plans, and benefits pursuant to NDCC Section 54-59-19. A copy of the report is on file in the Legislative Council office. He said the annual report is composed of the following sections:

- Section 1 - An executive summary that describes and quantifies benefits the state is realizing from investments in information technology.
- Section 2 - A status report on the costs and benefits of large information technology projects completed in the last 12 months.
- Section 3 - A summary of small information technology projects completed in the last 12 months.
- Section 4 - Information on the department's performance, including a rate comparison and an update on the department's performance measures.
- Section 5 - An overview of ongoing information technology initiatives.

Mr. Ressler said in regard to the department's performance, the department tracks and monitors the cost and the revenue for each service to ensure that service is not subsidizing another service. He said

the federal government does not allow the department to charge rates that generate revenues in excess of costs; therefore, the department monitors its cash balances and adjusts rates accordingly. He said the department also monitors what other entities are charging for similar services in an effort to maintain quality services at a fair price. The following is a summary of rate comparisons for the services that generate a majority of the department's total revenue:

SOFTWARE DEVELOPMENT		
	Systems Analysis	Programming
North Dakota Information Technology Department rates	\$56.25 per hour	\$52 per hour
South Dakota Bureau of Information Technology rates	\$48 per hour	*
Montana Information Technology Services Division rates	Local providers	*
Priority Technologies, Inc. Maximus	\$86.25 per hour Ranges from \$125 to \$275 per hour	*
Capstone	Ranges from \$100 to \$140 per hour	*
Inet	Ranges from \$60 to \$100 per hour	*
K-2	Ranges from \$60 to \$80 per hour	*
Route 94	Ranges from \$60 to \$80 per hour	*

*The Information Technology Department is the only provider offering programming services at a rate separate from systems analysis.

TELEPHONE FEES	
North Dakota Information Technology Department rates	Telephone line - \$21 per device per month Speaker function - \$2 per month Display function - \$1 per month Voice mail (unlimited) - \$3 per month
South Dakota Bureau of Information Technology rates	Telephone line - \$11 per device per month* Speaker function - Actual cost Display function - Actual cost Voice mail (unlimited) - \$6 per month
Montana Information Technology Services Division rates	Telephone line - \$20 per device per month Speaker function - \$1 per month Display function - \$7 per month Voice mail (three-minute limit) - \$5 per month Voice mail (six-minute limit) - \$8 per month Voice mail (ten-minute limit) - \$10 per month
Qwest	\$39.88 per month*
Polar Communications	\$27.23 per month*
SRT	\$28.79 per month*
Consolidated Telcom	\$41.06 per month*

*The customers buy their own telephone device.

LONG DISTANCE	
North Dakota Information Technology Department rates	In state - \$.05 per minute Out of state - \$.05 per minute 800 service - \$.07 per minute
South Dakota Bureau of Information Technology rates	In state - \$.08 per minute Out of state - \$.09 per minute 800 service - \$.10 per minute
Montana Information Technology Services Division rates	In state - \$.105 per minute Out of state - \$.105 per minute 800 service - \$.10 per minute
Minnesota Department of Administration	In state - \$.064 per minute Out of state - \$.064 per minute 800 service - \$.08 per minute
Nebraska Division of Communications	In state - \$.07 per minute Out of state - \$.07 per minute 800 service - \$.09 per minute
Oklahoma Office of State Finance	In state - \$.09 per minute Out of state - \$.09 per minute 800 service - \$.11 per minute

Service	North Dakota Information Technology Department Rates	South Dakota Bureau of Information Technology Rates	Montana Information Technology Services Division Rates
Central computer central processing unit (CPU) rates	Batch CPU - \$.98 per second CICS CPU - \$.98 per second ADABAS CPU - \$1.03 per second TSO CPU - \$.98 per second	Batch CPU - \$1.53 per second CICS CPU - \$1.53 per second ADABAS CPU - \$1.53 per second TSO CPU - \$1.53 per second	Batch CPU - \$1.74 per second CICS CPU - \$.51 per second ADABAS CPU - \$.99 per second TSO CPU - \$2.13 per second
Network fees	Device fee - \$29 per device per month DSL service - Actual cost (ranges from \$40 to \$120) ATM T-1 service - \$840 per month	Device fee - \$46 per device per month DSL service - \$125 per month ATM T-1 service - \$495 per month Access fee - \$52 per device per month	Device fee - \$72.60 per device per month DSL service - \$250 per month ATM T-1 service - \$650 per month

Mr. Ressler provided the following update on the department's performance measures:

Performance Measures	Baseline (Previous Years)	Current Status (June 2004)	Target
Acceptable level of total net assets	2001 - 1.6 2002 - 1.4 2003 - 1.6	1.4	< or = to 2.0
Percentage of Information Technology Department rates reported in annual report that are competitive	2003 - 100%	100%	100%
Total number of customer projects and service requests completed			
Projects	N/A	20,826	Monitor
Service requests	N/A	21,742	Monitor
Customer satisfaction indexes (percentages satisfied or very satisfied) relating to:	2002-2003		
Value	85.3-86.0%	88.1%	90%
Timeliness	94.9-90.2%	91.6%	95%
Quality	94.6-94.2%	92.3%	95%
Knowledge	95.9-96.1%	97.3%	98%
Professionalism and courtesy	98.6-96.9%	97.3%	100%
Employee satisfaction index	2001 - 1.967 2002 - 2.010 2003 - 1.983	1.96	2
Controllable employee turnover	2001 - 4.0% 2002 - 2.4% 2003 - 1.9%	3.2%	4.0-6.0%
Percentage of service levels met	N/A	100%	100%
Percentage of strategic business plan objectives completed or on schedule	2001 - 35% 2002 - 50% 2003 - 65%	72%	70%

OTHER ITEMS

Mr. Jeff Carr, Systems Architect, Information Technology Department, provided information regarding the future of the state's server and operating system infrastructure. A copy of the information is on file in the Legislative Council office. At the present time, he said, the state operates critical information technology business applications on a wide variety of platforms, provides disaster recovery services to only a limited number of the critical applications, and requires staff with legacy skill sets to support applications. He said the future of the state's mainframe should be addressed because a majority of the state's essential business functions are dependent on the mainframe and the operation of the mainframe represents the largest opportunity for cost-savings. He said there are four alternatives for addressing the future of the state's mainframe:

- Maintain the current mainframe environment.
- Outsource the mainframe environment.
- Rewrite the applications dependent upon the mainframe to operate on another platform.

- Migrate the applications dependent upon the mainframe to another platform.

Mr. Carr provided the following cost analysis relating to alternatives for addressing the future of the state's mainframe:

Alternatives	Ongoing Annual Costs
Maintain the current mainframe environment	\$3,790,000
Maintain the current mainframe environment in the future	\$4,030,000 ¹
Outsource the mainframe environment	\$5,100,000 ²
Migrate the applications to another platform	\$1,865,000 ³

¹Maintaining the current mainframe environment in the future is critically dependent on the availability of trained staff. The estimated ongoing annual costs associated with maintaining the current mainframe environment in the future includes \$240,000 for three additional full-time equivalent positions and an associated training program.

²Outsourcing the mainframe environment involves utilizing an outside vendor to provide the mainframe environment. The vendor would be responsible for all software, hardware, and labor costs, and the state would be responsible for monitoring service levels. The estimated ongoing annual costs of \$5,100,000 includes \$4,500,000 for a contract with an outside vendor and \$600,000 for expenses associated with network connectivity and service level administration.

³Migration involves moving the existing applications from the mainframe to another platform while performing as few changes as possible. One-time costs associated with migrating the state's applications dependent on the mainframe are \$6,300,000, and the ongoing annual costs associated with migration are \$1,865,000.

Mr. Carr said the migration option is a reduction of \$1,925,000 in operating costs from current levels and a reduction of \$2,165,000 when compared to future mainframe costs. He said considering the migration one-time project cost of \$6,300,000, the reduction translates to payback within two bienniums. He said the department is in the process of retaining a consultant to assist in the drafting of a request for proposals for migrating from the mainframe. The request for proposals is anticipated to be released on December 30, 2004, and a bid would be awarded by June 30, 2005.

Mr. Jeff Swank, Policy and Planning Division, Information Technology Department, provided information regarding information technology plans. A copy of the information is on file in the Legislative Council office. He said information technology plans are to be submitted to the Information Technology Department by July 15 of each even-numbered year. The department reviews the plans for completeness and reasonableness, identifies large information technology projects to be prioritized by the State Information Technology Advisory Committee, and ensures the plans tie to the agency's budget request. He said 63 of the 72 state agencies submitted their information technology plans on or before July 15, three were received the following week, and two were submitted

the first week of August. Four agencies have yet to submit a plan.

Mr. Swank distributed information used by the State Information Technology Advisory Committee in the prioritization of large information technology projects. A copy of the information is on file in the Legislative Council office.

Mr. Ressler provided information regarding budgeted and actual information technology equipment and software purchases and the tracking of estimated savings by funding source pursuant to Section 7 of House Bill No. 1505. He said the department will be awarding a contract for cellular telephone service, an information technology testing tool, and standardized workstations in November 2004.

Ms. Connie Sprynczynatyk, Executive Director, North Dakota League of Cities, provided information regarding the coordination of information technology services between the state and political subdivisions. She said the North Dakota League of Cities coordinates with the Information Technology Department on a number of information technology services. She said videoconferencing will be an increasing activity for cities in the future.

Mr. Mark Johnson, Executive Director, North Dakota Association of Counties, provided information regarding the coordination of information technology services between the state and political subdivisions. A copy of the information is on file in the Legislative Council office. He said the North Dakota Association of Counties has partnered with several state agencies, including the Information Technology Department to develop automated systems that link state government to specific county agencies. He said counties need to be considered when funding state technology initiatives such as allowing counties to participate in the ConnectND project.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Robinson announced the committee's next meeting is tentatively scheduled for 1:00 p.m., Wednesday, November 3, 2004.

Chairman Robinson requested the Legislative Council staff to consolidate the bill drafts relating to administrative rules, powers and duties of the Information Technology Committee and the Information Technology Department, prioritization of major information technology projects, and information technology standards into a single bill draft, refine the bill draft to ensure consistency in language within NDCC Chapter 54-59, and incorporate the recommendations of Mr. Crawford, except for the removal of the four-year limitation for the use of the statewide information technology network for occupants of technology parks or business incubators.

Representative Skarphol requested the Legislative Council staff to provide the committee with information regarding what prevents the State Auditor from contracting with an outside vendor to conduct unannounced information technology security tests.

The meeting was adjourned subject to the call of the chair at 3:55 p.m.

Roxanne Woeste
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1