

**Information Technology Department
Budget No. 112
Senate Bill No. 2021**

	FTE Positions	General Fund	Other Funds	Total
2021-23 legislative appropriations	479.00	\$28,975,953	\$246,170,105	\$275,146,058
2021-23 base budget	402.00	17,165,311	195,882,334	213,047,645
Legislative increase (decrease) to base budget	77.00	\$11,810,642	\$50,287,771	\$62,098,413

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2021-23 legislative appropriations	\$28,975,953	\$0	\$28,975,953
2019-21 legislative appropriations	17,165,311	11,400,000	28,565,311
2021-23 legislative increase (decrease) to 2019-21 appropriations	\$11,810,642	(\$11,400,000)	\$410,642
Percentage increase (decrease) to 2019-21 appropriations	68.8%	(100.0%)	1.4%

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS
Changes to Base Budget

	FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Adjusted funding for base payroll changes		(\$117,618)	\$1,307,858	\$1,190,240
Added funding to provide employee salary increases of 1.5 percent on July 1, 2021, with a minimum monthly increase of \$100 and 2.0 percent on July 1, 2022		293,017	2,168,111	2,461,128
Added funding for employee health insurance premiums to reflect a revised premium estimate of \$1,428.77 per month		3,206	17,835	21,041
Reduced funding for salaries and wages to reflect anticipated savings from vacant positions and employee turnover			(250,000)	(250,000)
Added funding for the IT unification initiative, including the transfer of 53 FTE positions from 10 agencies. Of the total, \$11,128,805 is for salaries and wages and \$17,515,243 is for operating expenses.	53.00		28,644,048	28,644,048
Removed undesignated FTE positions	(5.00)		(1,055,737)	(1,055,737)

Added funding for 29 FTE cybersecurity positions, of which \$7,363,657 is for salaries and wages, \$5,491,534 is for operating expenses, and \$131,034 is for capital assets	29.00	11,222,710	1,763,515	12,986,225
Reduced funding for mainframe technology (\$825,000) and hardware hosting (\$3,075,000)			(3,900,000)	(3,900,000)
Added funding for cloud-based systems (\$825,000) and platform as a service expenses (\$3,075,000)			3,900,000	3,900,000
Adjusted funding for operating expenses, primarily related to a decrease in IT data processing and an increase in IT equipment		(193,580)	133,230	(60,350)
Transferred federal funding between lines items, resulting in decreases of \$990,679 in the operating expenses line item and \$9,321 in the geographic information system line item and increases of \$500,000 in the statewide longitudinal data system line item and \$500,000 in the EduTech line item			0	0
Reduced funding for capital assets			(940,242)	(940,242)
Reduced funding for statewide longitudinal data system operating expenses to provide total statewide longitudinal data system funding of \$4,486,278		(456,277)		(456,277)
Reduced funding for EduTech operating expenses to provide total EduTech funding of \$9,691,939		(424,409)	(353,214)	(777,623)
Reduced funding for K-12 wide area network operating expenses (\$223,661) and capital assets (\$200,000) to provide total K-12 wide area network funding of \$4,679,718		(423,661)		(423,661)
Adjusted funding for the geographic information system (GIS), including an increase for GIS land parcels project maintenance costs (\$150,000) and a decrease for GIS IT contractual services and repairs (\$100,986)		49,014		49,014
Added funding for the Health Information Technology Office and health information network, including \$5,500,000 from federal funds and \$920,991 from the health information exchange fund. Total federal funding provided for this purpose is \$6,000,000, of which \$500,000 is included in the department's base budget.			6,420,991	6,420,991
Reduced funding for statewide interoperable radio network (SIRN) IT contractual services and repairs			(68,624)	(68,624)
Transferred funding from the Department of Emergency Services Division of State Radio for SIRN tower maintenance		1,858,240		1,858,240

operating expenses, resulting in total SIRN funding of \$14,193,796

Added one-time funding from a transfer from the health information planning loan fund to the electronic health information exchange fund for the Health Information Technology Office and health information network			6,000,000	6,000,000
Added one-time funding from the federal Coronavirus Relief Fund for cybersecurity operating expenses			6,500,000	6,500,000
Total	<u>77.00</u>	<u>\$11,810,642</u>	<u>\$50,287,771</u>	<u>\$62,098,413</u>

FTE Changes

The Legislative Assembly approved 479 FTE positions for the Information Technology Department (ITD) for the 2021-23 biennium, an increase of 77 FTE positions from the 2019-21 biennium authorized level of 402 FTE positions. The Legislative Assembly added 53 FTE IT positions transferred from 10 agencies for the IT unification initiative and 29 FTE cybersecurity positions and removed 5 unidentified FTE positions.

One-Time Funding

The Legislative Assembly appropriated \$12.5 million of one-time funding to ITD for the 2021-23 biennium, of which \$6 million is from funding transferred from the information technology planning loan fund to the electronic health information exchange fund for the Health Information Technology Office and health information network and \$6.5 million is from the federal Coronavirus Relief Fund for cybersecurity operating expenses.

Federal COVID-19 Funding - 2019-21 Biennium

In House Bill No. 1395, the Legislative Assembly appropriated \$61,868,226 of federal coronavirus relief funds to ITD for the 2019-21 biennium. The department anticipates the funding will be spent as follows:

- \$29.6 million - Cybersecurity expenses to address an increase in security incidents related to the COVID-19 pandemic, including contractor support, additional software and licenses, staff training, and on-call third-party support for large-scale incidents;
- \$21.2 million - Telework expenses, including the upgrade to Microsoft Office 365 and purchasing equipment, such as laptops, headsets, and network and server hardware to meet additional capacity needed for state employees working remotely; and
- \$11.1 million - Digital government expenses to establish an enterprise-level call center, automate manual processes, and conduct an assessment of state employee remote work capabilities.

Federal COVID-19 Funding - 2021-23 Biennium

In Section 5 of Senate Bill No. 2021, the Legislative Assembly identified \$6.5 million of one-time funding appropriated to ITD in Section 1 for cybersecurity operating expenses for the 2021-23 biennium.

IT Unification Initiative

The 2019 Legislative Assembly authorized a shared services IT unification initiative, including a transfer of 96 FTE positions from five agencies to ITD, as a pilot project to consolidate IT resources and personnel in state government. The 2021 Legislative Assembly approved additional unification of state government IT resources and personnel, including the transfer of 53 FTE positions from 10 agencies to ITD. The following is a summary of FTE positions transferred to ITD as a result of the 2019-21 and 2021-23 biennium IT unification initiatives.

Agency	FTE Transferred - 2019-21 Biennium	FTE Transferred - 2021-23 Biennium	Total FTE Transferred
110 - Office of Management and Budget		4.00	4.00
190 - Retirement and Investment Office		2.00	2.00
226 - Department of Trust Lands	2.00		2.00
301 - State Department of Health		4.00	4.00
303 - Department of Environmental Quality		1.00	1.00
325 - Department of Human Services	48.00		48.00
380 - Job Service North Dakota		16.00	16.00
471 - Bank of North Dakota		16.00	16.00
504 - Highway Patrol		2.00	2.00
530 - Department of Corrections and Rehabilitation		6.00	6.00
540 - Adjutant General - Department of Emergency Services	4.00		4.00
601 - Department of Commerce		1.00	1.00
720 - Game and Fish Department		1.00	1.00
750 - Parks and Recreation Department	1.00		1.00
801 - Department of Transportation	41.00		41.00
Total	96.00	53.00	149.00

The following is a summary of funding changes approved as a result of the 2019-21 and 2021-23 biennium IT unification initiatives. Funding is provided from the ITD operating service fund.

	2019-21 Biennium	2021-23 Biennium	Total
Salaries for FTE positions transferred to ITD	\$18,266,327	\$11,128,805	\$29,395,132
Temporary salaries	544,896	0	544,896
Operating expenses for transferred FTE positions and other ITD services no longer performed by agencies	8,835,127	17,515,243	26,350,370
Total	\$27,646,350	\$28,644,048	\$56,290,398

Unification legislative intent - Section 10 of Senate Bill No. 2021 requires ITD to charge a state agency selected to participate in the 2021-23 biennium IT unification initiative a rate for the labor of any FTE position transferred to ITD during the 2021-23 biennium that may not exceed the salaries and wages and related operating expenses of the FTE positions for services the respective state agency was performing prior to the 2021-23 biennium. Legislative intent is provided that any FTE position transferred to ITD for the 2021-23 biennium IT unification initiative be transferred to the agency employing the position during the 2019-21 biennium, unless the 68th Legislative Assembly is presented with sufficient evidence of efficiencies gained and cost-savings realized by the state as a result of the 2021-23 biennium IT unification initiative. During the 2021-22 interim, ITD is required to report annually to the Legislative Management regarding any efficiencies gained and cost-savings realized as a result of the 2021-23 biennium IT unification initiative.

Section 8 of Senate Bill No. 2021 repeals Section 6 of Senate Bill No. 2016, which also included legislative intent regarding IT unification.

Unification study - Section 14 of Senate Bill No. 2021 provides for a Legislative Management study of the effectiveness, efficiency, cost, and any cost-savings of the 2019-21 biennium and 2021-23 biennium IT unification initiatives and the feasibility and desirability of continuing these initiatives. The study must include a review of changes in fees, services, operations, processes, and systems.

Cybersecurity

The Legislative Assembly added \$19,486,225 for cybersecurity initiatives for the 2021-23 biennium, of which \$6,500,000 is considered one-time funding from the federal Coronavirus Relief Fund and \$12,986,225 is considered ongoing funding from the general fund and ITD operating service fund. The Legislative Assembly also authorized the addition of 29 FTE cybersecurity positions, 17 of which relate to state cybersecurity and 12 FTE to local cybersecurity. Of the total, 23 FTE cybersecurity positions are funded from the general fund and 6 of the local FTE cybersecurity positions are funded from the ITD operating fund. Total cybersecurity funding is as follows.

	FTE	General Fund	Special Funds	Federal Funds	Total
Salaries and wages	29.00	\$5,840,142	\$1,523,515	\$0	\$7,363,657
Operating expenses		5,251,534	240,000	6,500,000	11,991,534
Capital assets		131,034	0	0	131,034
Total	29.00	\$11,222,710	\$1,763,515	\$6,500,000	\$19,486,225

Health Information Network Expansion

Health information network expansion - Section 1 of Senate Bill No. 2021 (2017) included \$43.6 million for the North Dakota Health Information Network (NDHIN) expansion project, a project designed to provide for the secure exchange of health information to enable clinical users, such as providers, nurses, and clerical staff to easily and efficiently view information relating to a patient's electronic medical records. The project is intended to enhance the functionality of NDHIN by allowing Medicaid providers options to meet specific measures and objectives to achieve meaningful use and promote comprehensive interoperability between all providers throughout the state. The project will enhance the existing NDHIN infrastructure and allow for statewide repositories for analytics, care coordination, credentialing, advanced directives, and provide for necessary connections between providers.

Of the amount appropriated to ITD, \$40.5 million is from federal funds distributed by the federal Centers for Medicare and Medicaid Services to the Department of Human Services. Federal funds are available through a Medicaid advanced planning document and require a 10 percent or 15 percent match. The matching funds are to be generated from billings to providers, payers, and the state match from the electronic health information exchange fund. Funding will be available for the project through the anticipated completion date of September 2021.

In Section 5 of House Bill No. 1021, the 2019 Legislative Assembly authorized ITD to continue the funding appropriated for the NDHIN expansion and care coordination project for the 2017-19 biennium into the 2019-21 biennium.

Health information funding and transfer - As a result of changes made by the federal government, it is anticipated federal funding for NDHIN will be limited starting in the 2021-23 biennium, as the Centers for Medicare and Medicaid Services will only match up to 15 percent of funding spent for state health information networks, rather than 85 percent to 90 percent. The 2021 Legislative Assembly added \$5.5 million of federal funds, resulting in a total of \$6 million of federal funds spending authority available to ITD for the 2021-23 biennium.

In Section 3 of Senate Bill No. 2021, the Legislative Assembly identified an additional \$6 million of one-time funding is included in Section 1 from the health information technology planning loan fund, which the Bank of North Dakota is required to transfer, at the request of the Chief Information Officer, to the electronic health information exchange fund for the purpose of defraying the expenses of the Health Information Technology Office and NDHIN during the 2021-23 biennium. Legislative intent is provided that the funding from the information technology planning loan fund be transferred only to the extent federal funding is not available to defray the expenses of the Health Information Technology Office and NDHIN during the 2021-23 biennium. Please refer to the **TRUST FUND ANALYSES** section of this report for analyses of the health information technology planning loan fund and electronic health information exchange fund.

Funding for the Health Information Technology Office and NDHIN for the 2021-23 biennium is as follows:

Federal Funds	Health Information Technology Planning Loan Fund ¹	Electronic Health Information Exchange Fund ¹	Total
\$6,000,000	\$6,000,000	\$2,725,871	\$14,725,871

¹Funding in the electronic health information exchange fund consists primarily of payments made by providers for participation in the health information network.

Other Sections in Senate Bill No. 2021

Transfers - Section 4 authorizes the Office of Management and Budget to make transfers of funds between line items of ITD as may be requested by the Chief Information Officer as necessary for the development and implementation of IT projects.

Veterans' Home IT - Section 6 of Senate Bill No. 2021 further amended North Dakota Century Code Section 54-59-05 to remove a requirement established in Section 5 of Senate Bill No. 2007 (2021) to require ITD to consult with the Veterans' Home regarding cybersecurity strategy.

State Information Technology Advisory Committee - Section 7 amended Section 54-59-07 to require of the two legislative members of the State Information Technology Advisory Committee, commonly known as SITAC, one member must be the Chairman of the Information Technology Committee who must serve as co-chairman with the Chief Information Officer.

Exemption - SIRM - Section 9 provides an exemption to allow ITD to continue \$20 million appropriated from the strategic investment and improvements fund for SIRM for the 2019-21 biennium into the 2021-23 biennium.

Legislative intent - Phone equipment - Section 11 provides legislative intent that ITD:

- Supply at least one physical phone in each state agency;
- Give state agencies the option of having a physical phone for each employee in the agency; and
- Allow the head of each agency to determine the number of phones provided to the agency.

Legislative intent - Legislative Management study - IT direction - Section 12 provides legislative intent that ITD provide direction to executive branch agencies regarding IT strategic planning and operations during the 2021-23 biennium and provides for a Legislative Management study regarding the feasibility and desirability of the legislative branch and judicial branch receiving strategic planning and operational IT direction from ITD beginning in the 2023-25 biennium.

Legislative Management study - State government IT budgeting and appropriation process - Section 13 provides for a Legislative Management study of the state government IT budgeting and appropriation process. The study must include a review of the current process and the feasibility and desirability of providing a general fund appropriation to ITD rather than providing general fund appropriations to state agencies to pay ITD for IT services, including any cost or cost-savings that may be obtained and any transparency benefits of the potential budgeting and appropriation changes.

Legislative Management study - IT unification - Section 14 provides for a Legislative Management study of the effectiveness, efficiency, cost, and any cost-savings of the 2019-21 biennium and 2021-23 biennium IT unification initiatives and the feasibility and desirability of continuing these initiatives.

Legislative Management study - Cybersecurity - Section 15 provides for a Legislative Management study of the cost to deliver core technology services and cybersecurity to state agencies and political subdivisions, including the feasibility and desirability of political subdivisions paying for the local cost of these services.

Legislative Management study - Impact of large technology companies - Section 16 provides for a Legislative Management study of competitive fairness, economic development implications, and other economic and societal impacts of large technology companies conducting business in North Dakota.

Legislative Management study - Virtual currency business activity - Section 17 provides for a Legislative Management study of the feasibility and desirability of regulating special purpose depository institutions and regulating other entities engaged in virtual currency business activities.

Memorandums of understanding - Section 18 declares House Bill No. 1417, related to the powers and duties of ITD and the ability to enter a memorandum of understanding with other state, local, tribal, or territorial governments for cybersecurity purposes, to be an emergency measure.

Related Legislation

House Bill No. 1047 - Juvenile court files and records - This bill allows ITD to inspect juvenile court files and records to the extent authorized by the Supreme Court for use in the statewide longitudinal data system.

House Bill No. 1146 - SIRM radio cost-share - This bill allows nongovernmental emergency service providers, such as volunteer fire departments, to be eligible for the state cost-share program for SIRM radios.

House Bill No. 1314 - Cybersecurity incidents - This bill provides requirements for executive branch state agencies and political subdivisions to disclose cybersecurity incidents to ITD.

House Bill No. 1395 - COVID-19 funding - This bill provides funding to ITD from the federal Coronavirus Relief Fund for costs related to cybersecurity, telework, and digital government initiatives in response to the COVID-19 pandemic.

House Bill No. 1417 - Memorandums of understanding - This bill allows ITD to enter a memorandum of understanding with state and local government entities for the purposes of ensuring the confidentiality, availability, and integrity of state information systems and data, including consulting, developing cybersecurity strategy, prevention of cybersecurity incidents, and response strategies to cybersecurity incidents. The bill allows ITD to charge an amount equal to the cost of the services rendered by ITD to agencies that receive federal or special funds. Section 18 of Senate Bill No. 2021 declared House Bill No. 1417 an emergency measure.

Senate Bill No. 2007 - Veterans' Home IT - Section 5 of this bill amended Section 54-59-05 to exclude IT of the Veterans' Home from being required to be provided by, supervised by, and regulated by ITD. Section 6 of the bill amended Section 54-59-22 to exclude email, file and print administration, database administration, application server, and hosting services of the Veterans' Home from being required to be provided by ITD.