NORTH Dakota | Information Technology
Be Legendary.™

House Appropriations Committee

February 14th, 2025

Roughrider Room

Internal Service Fund (ISF)

- **Definition:** ISFs are self-sustaining financial models used by government entities to deliver services to other agencies, with costs recovered through chargeback.

Pros

Creates a clear funding stream for maintaining and upgrading IT infrastructure.

Encourages efficiency in service delivery and resource allocation.

Promotes accountability by requiring agencies to pay for the services they use.
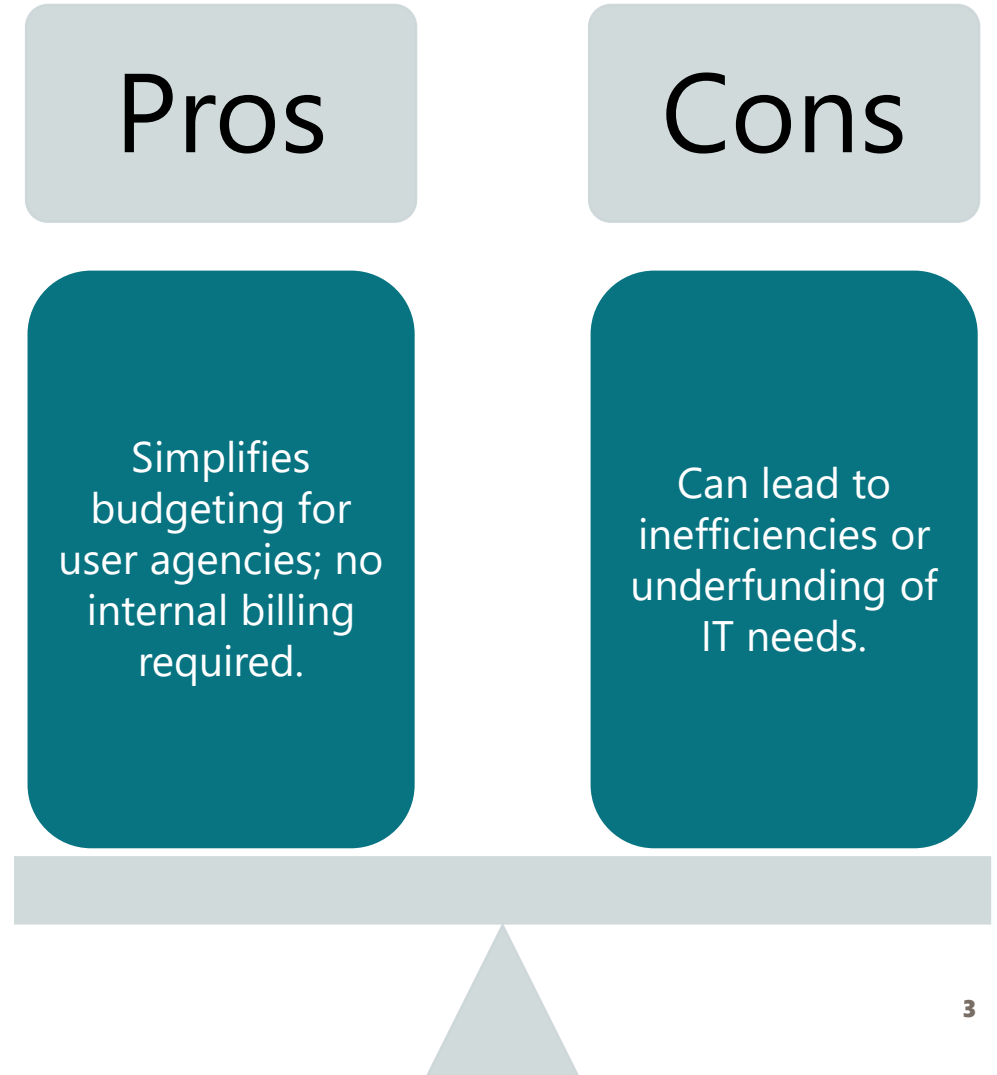
Cons

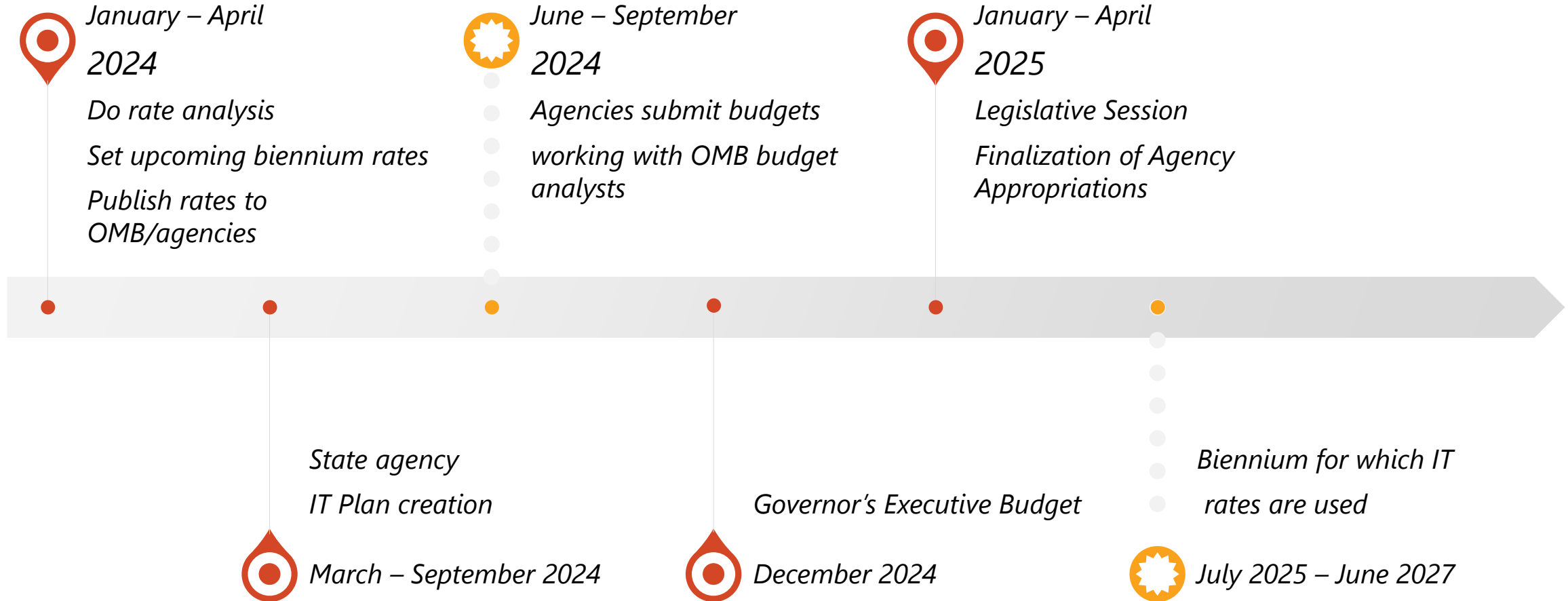Requires robust billing and cost-tracking mechanisms.

Agencies may hesitate to use IT services if costs appear high compared to external options.
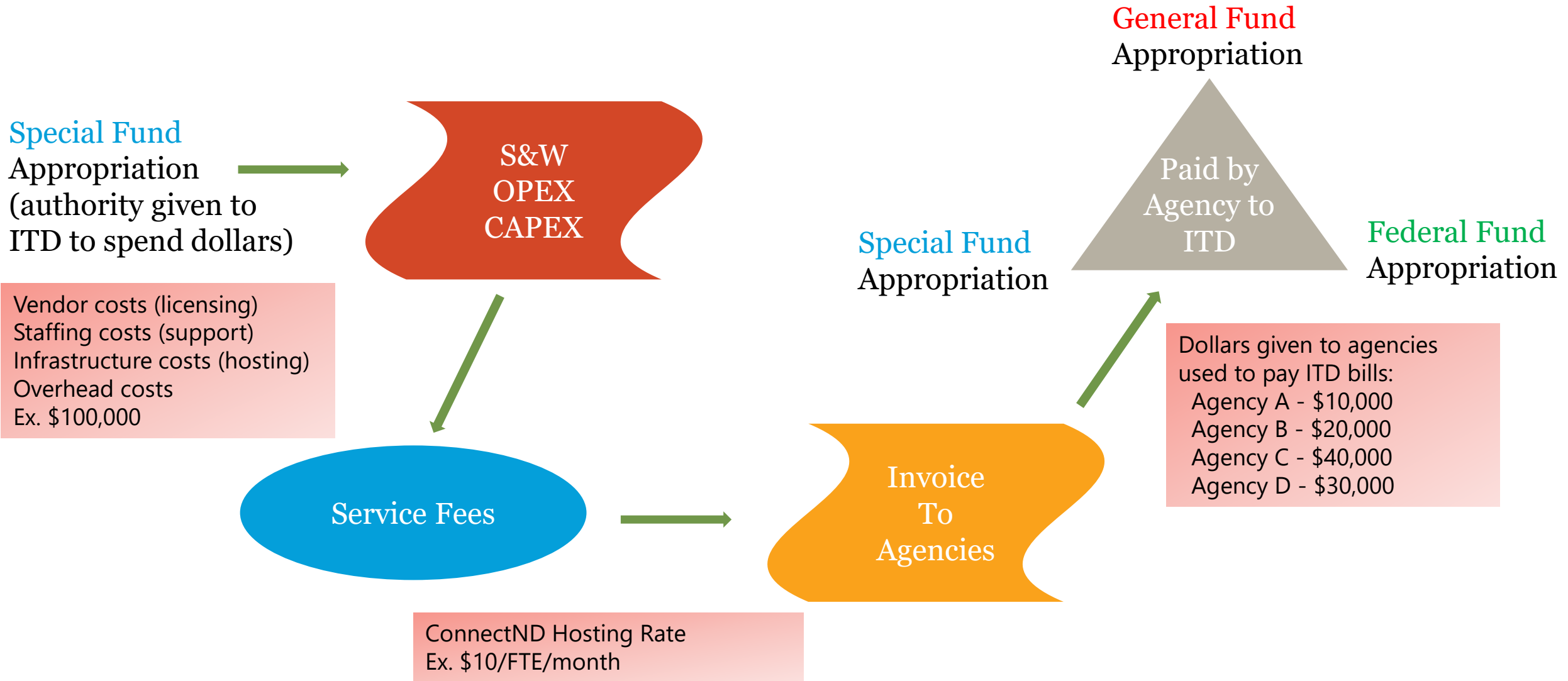
Alternative Models

- **General Fund Allocation:** IT services are funded through appropriations from the state's general fund, often making them appear "free" to the receiving agency.

- **Hybrid Models:** Some states use a combination of ISFs and direct appropriations, where certain core services are funded through the general fund and other services operate as ISFs.

Pros

Simplifies budgeting for user agencies; no internal billing required.

Cons

Can lead to inefficiencies or underfunding of IT needs.

Service Fee Timeline

Appropriation & Chargeback Example

Special Fund
Appropriation
(authority given to
ITD to spend dollars)

S&W
OPEX
CAPEX

Vendor costs (licensing)
Staffing costs (support)
Infrastructure costs (hosting)
Overhead costs
Ex. $100,000

Service Fees

ConnectND Hosting Rate
Ex. $10/FTE/month

Special Fund
Appropriation

Invoice
To
Agencies

General Fund
Appropriation

Paid by
Agency to
ITD

Federal Fund
Appropriation

Dollars given to agencies
used to pay ITD bills:
 Agency A - $10,000
 Agency B - $20,000
 Agency C - $40,000
 Agency D - $30,000

Service Fee Example – Legislative IT Committee

What would a service fee for this committee look like?

Staffing:
- Portion of salaries/benefits for nine committee members
- Travel costs for nine committee members
- Any direct training needed to serve on the committee

Operational:
- Portion of contractor cost (CIO Mock)
- Portion of end user license costs (M365, Adobe, LC applications)
- Portion of end user equipment
- Cost of Harvest Room (includes technology within room)

Overhead:
- Portion of salaries/benefits for chairman/vice chairman (leadership)
- Portion of salaries/benefits for support staff

Billing metric could be a flat rate per meeting.

What happens if you are directed to have 10 meetings?

What if it were an hourly rate per member?

Where does the cost of creating your Legislative Management report go?

Costs Absent From 2023-2025 Rates

- Current biennium rates do not include:
  - Equity Package
    - $5.2M, including the 6/4% legislative increase
      - Would increase current rates by 10.2%
  - Legislative Increase of 6/4%
    - Rates only included a 3/3% increase
      - Approx. $1M difference for the biennium
- Efforts to remediate critical security vulnerabilities
  - Unmanaged desktop apps
  - Apps unable to migrate to new hardware

- New technology proof of concepts
  - Artificial Intelligence
  - Robotic Process Automation
  - Low code/No Code platforms
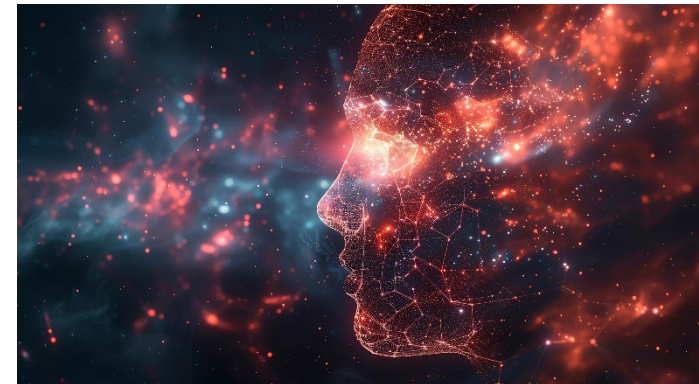
Legacy Technology

The cost of IT increases for all the similar, but different technologies in State government

- 7 versions of Microsoft SQL Database
- 13 versions of Windows or Linux operating systems (oldest is Windows 2003)
- Over 5000 applications across agency desktops
  - 50 pdf applications
  - 5 agencies using Dropbox instead of Teams
  - Every "free" utility downloaded onto a desktop has a back-office cost and risk
- Over 100 unique desktop builds across agencies

- 4D/MacOS (DWR)   Body Cams (HP, DOCR, GNF)

Application Support

Rate History:
2015-2017	$105/$115/$105
2017-2019	$114/$120/$114
2019-2021	$114/$120/$114
2021-2023	$102/$125/$130
2023-2025	$105/$131.50/$136.50

Consumer Price Index (CPI) – 16.9% increase in last three years

Includes:
- Staffing costs including projected increases
- Operational and administrative costs

Benefits:
- Human Centric Design with application modernization efforts
- Ability to support future technology solutions – AI, GenAI, Common Datasets
- Data strategy blueprint in preparation for doing insight-driven decision making
- Support for Business Gateway platform

- **2025-2027 Hourly Rates**
  - $120.75/hour – IT Analyst (was $105/hour)
  - $136.30/hour – Business Applications (formerly Development/Business App. Support)
  - $136.30/hour – Business Analysis (was $131.50/hour)
  - $145/hour – Project Management (was $136.50/hour)
  - $159/hour – Data & Insights (new)

Mainframe – zSeries & AS/400

- AS/400 Mainframe
  - Primarily used to access legacy data by _two_ agencies
  - Cost to maintain this legacy technology will be split evenly between remaining two agencies
  - Estimated cost to maintain is $15,500 per month
    - If new hardware is needed before retirement, estimates are about $200,000

- IBM zSeries Mainframe
  - Production applications for two agencies remain on this platform
    - Random reductions in CPU usage creates insufficient revenue to cover costs
  - High cost of licensing and third-party vendor support
  - Cost to maintain this legacy technology will be split proportionately between remaining two agencies
  - Estimated cost to maintain is $420,000 per month

Network Connectivity

Includes:
- Staffing costs including projected increases
- Hardware/software, including vendor support agreements
- Circuit to the DMARC point

Benefits:
- Supported internet connectivity

- **2025-2027 WAN Connection Rates**
  - Broadband Connection $ 210/connection (was $185/connection)
  - State Agency Fiber/nonFiber $ 975/connection (was $850/connection)
  - Political Sub. Fiber/nonFiber $1380/connection (was $1150/connection)
  - State Radio Circuit $1310/connection (was $1170/connection)
  - County Courthouse $ varies per connection
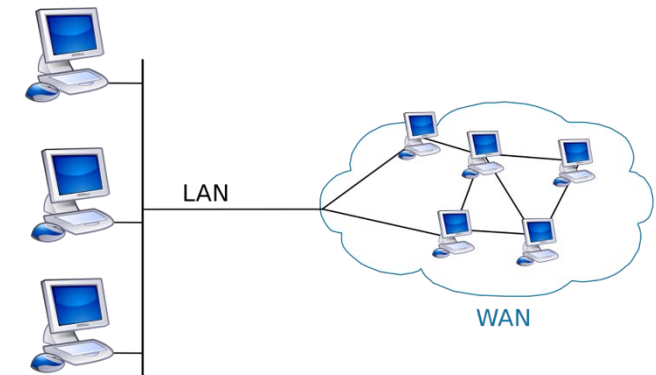
End User Licenses

- Microsoft Products
- Adobe Acrobat Pro
- Agencies charged based on group membership in active directory
- Annual renewals at fixed time, fixed number of licenses
- Requires an inventory of available licenses for responsiveness
- Contract renewal for July 2026

- **2025-2027 License Rates (not all licenses represented)**
  - Microsoft 365 Premium $47.60 (Was $43.25)
  - Microsoft 365 Basic $34.85 (Was $22.40)
  - Microsoft Dynamics CM $37.90 (Was $24.10)
  - Microsoft Dynamics CS $92.75 (Was $73.52)
  - Adobe Acrobat Pro $ 6.60 (Was $6.25)

Technology Fee

Includes:
- Staffing costs including projected increases
- Support of Microsoft M365 and Co-Pilot (infrastructure)
- Datacenter connectivity
  - Hardware/software, including vendor support agreements
- VPN and multi-factor authentication services

Benefits:
- Identity and access management across the Business Gateway
- Solution architecture efforts during application modernization

- Enterprise Architecture (Possibly general funded, would reduce by $8)

- ## 2025-2027 Service Rate
  - Technology Fee $75.50/user (was $63.00)

End User Compute

Includes:
- Staffing costs including projected increases
- Support of devices, including all mobile devices
- Toolsets & licenses needed for real-time support
- 48/60 month replacement cycles

Benefits:
- Simplified end user experience for print services
- Vulnerability management for devices
- Singular experience with mobile device or desktop device

- **2025-2027 Service Rates**
  - Standard PC $92.00/user (was $83.00)
  - Standard Laptop $112.50/user (was $99.75)

Application Hosting, Servers, & Storage

Rate History:
2015-2017	$360/$.50/$.35/$.20
2017-2019	$360/$.40/$.30/$.20
2019-2021	$335/$.22/$.18/$.10
2021-2023	$300/$.18/$.12/$.10
2023-2025	$300/$.15/$.12/$.11

Consumer Price Index (CPI) – 16.9% increase in last three years

Includes:
- Staffing costs including projected increases
- Hardware/software, including vendor support agreements
- Responsible for new builds and maintaining existing deployments

Benefits:
- Strategic road mapping for cloud computing
- Strategic road mapping of AI cloud services
- Vulnerability management for servers
- Support of the application modernization efforts

- ## 2025-2027 Hosting Rates
  - Standard Server $360/base server (was $300/base server)
  - Storage (Premium) $.15/gb (No increase)
  - Storage (Basic) $.12/gb (No increase)
  - Storage (File Share) $.11/gb (No increase)

PeopleSoft ERP (ConnectND)

Includes:
- Staffing costs including projected increases
- Hardware/software, including vendor support agreements
- Responsible for new builds and maintaining existing deployments
- Finance and HR tools in addition to PeopleSoft
- Billing metric based on authorized FTE, historically appropriated budgets also impacted this rate

Benefits:
- Support of enterprise financial and human resource system
- Lease administration software
- Oracle Guided Learning

- **2025-2027 Hosting Rates**
  - Cost per FTE (2021-2023 Approp. Book) $27.31/FTE

Telecommunications

Includes:
- Staffing costs including projected increases
- Teams Voice and legacy Avaya
- Cell phone administration and charge back
- Call Center
- IVR

Benefits:
- Self-service 911 location
- Ability to integrate note taking capabilities with Co-Pilot
- Improved, consistent experience with call center
- Enabling insights for data driven decision making for call center

- **2025-2027 Hosting Rates**
  - Basic Phone $30.00/number (was $25/number)
  - Basic Phone – Legacy Avaya $37.50/number (was $25/number)
  - Call Center Agent $130/agent (was $30/agent)

Desktop Support Examples

- ## South Dakota
  - January 2025 User Fee
  - $125.00 User/Month

  User Fee: The user fee is assessed based on each domain account or user name used to sign on to a computer. This fee covers services provided by BIT including statewide technical support for hardware and software on workstations and networks, installation of hardware and software, operating system research and development, cloning or developing a standard workstation set-up, Parts Center services (including warranty repair), application deployment, hardware and software inventory, printer support, and file restores.
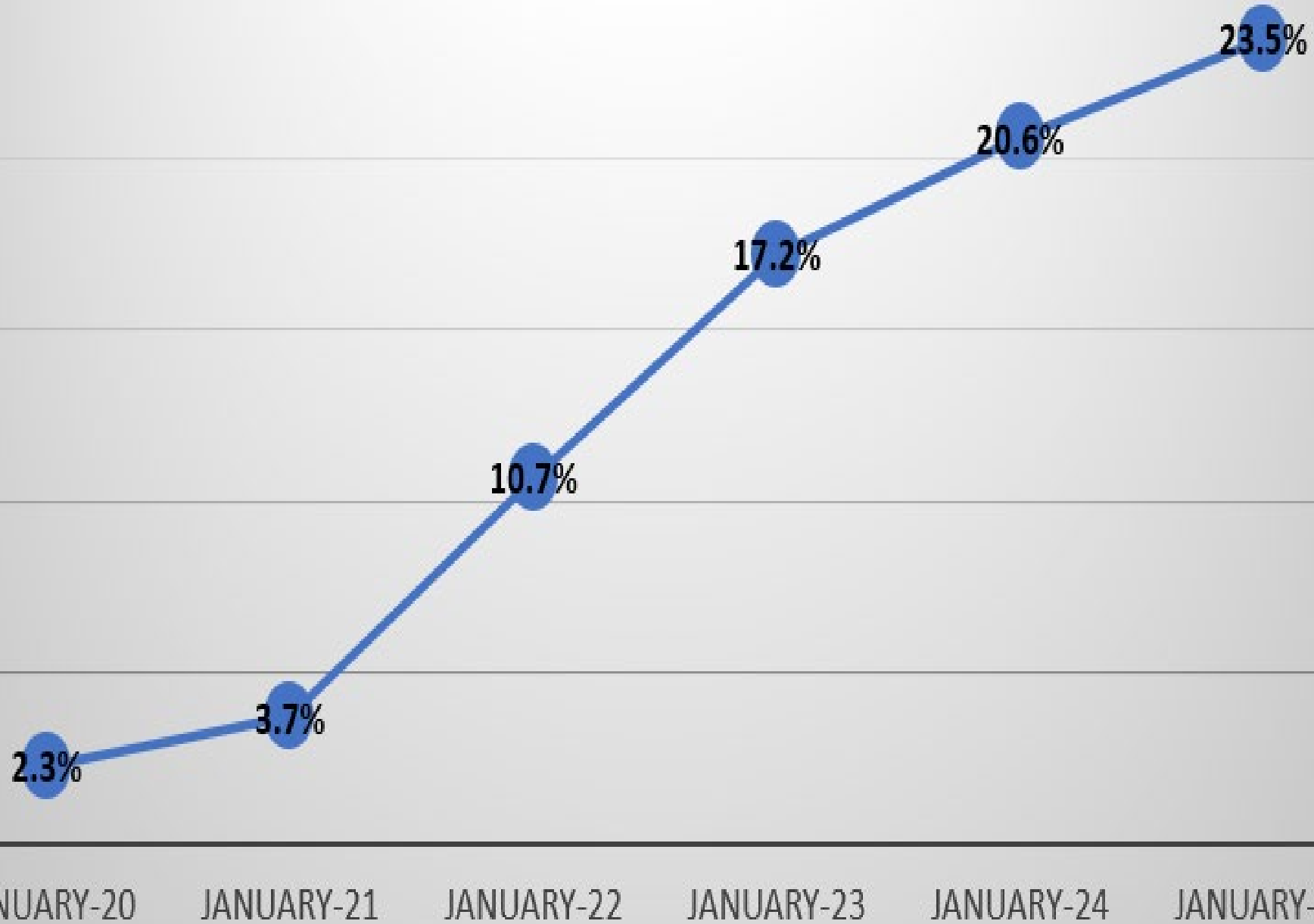
- ## ND Legislative Council (estimate)
  - 3 Information Tech Specialists
  - $5,275 monthly salary (assumes mid-range)
  - 141 Devices – Legislative Assembly
  - 48 Devices – Legislative Council

  - $83.73 per device for support
    - (3 * $5275) / (141 + 48)
    - Does not include benefits, operational costs, management costs
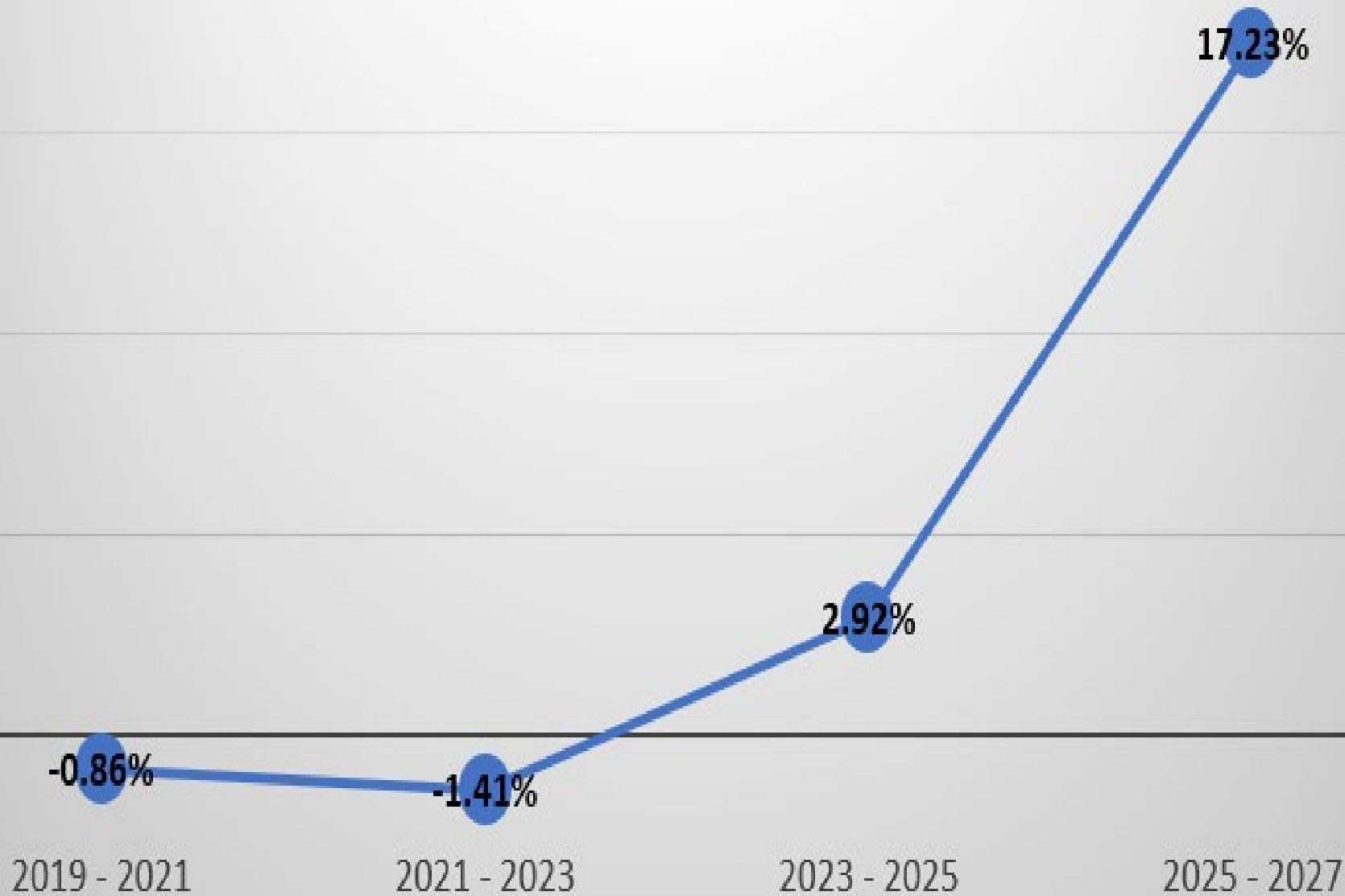
  - NDIT Support per Device - $62.00

Accumulative Change in CPI (year over year)

Source: Consumer Price Index Data from 1913 to 2025

Accumulative Change in NDIT rates

Rates set in April of 2018, 2020, 2022 and 2024 for next biennium services