

# NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

## INFORMATION TECHNOLOGY COMMITTEE

Tuesday, June 17, 2003  
Roughrider Room, State Capitol  
Bismarck, North Dakota

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

**Members present:** Senators Larry Robinson, Randel Christmann, Randy A. Schobinger, Tom Seymour, Rich Wardner; Representatives Keith Kempenich, Bob Skarphol, Ken Svedjan, Lonny Winrich; Chief Information Officer Curtis L. Wolfe

**Members absent:** Representatives Eliot Glassheim, Robin Weisz

**Others present:** See attached appendix

Chairman Robinson welcomed Senator Ray Holmberg, Legislative Council member, to the meeting.

Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, reviewed the *Supplementary Rules of Operation and Procedure of the North Dakota Legislative Council*.

Chairman Robinson said the committee has been assigned the information technology organizational and information technology management studies required by Section 13 of House Bill No. 1505 along with several statutory responsibilities. He said one of the committee's priorities will be to assist with the establishment of an efficient and effective information technology system for the state of North Dakota, and it will be important for all committee members to be active participants in the studies. He said it is important for executive branch agencies to be involved and take ownership in the studies. He said the committee may want to tour Dakota Carrier Network during the interim.

### LARGE PROJECT REPORTS

#### E-Commerce Project - Bank of North Dakota

Mr. Eric Hardmeyer, President, Bank of North Dakota, presented information regarding the status of the Bank's e-commerce project. He said the Bank's e-commerce project consists of the replacement of the student loans of North Dakota guarantor and lender information technology systems. He said the guarantor portion of the project, which was originally scheduled for completion in December 2002, has suffered numerous project delays. He said due to recent notification of the project vendor's financial position, the Bank of North Dakota has assumed total responsibility for the project. He said the Bank will use in-house software developers and assistance from the project vendor to complete the development

of the new guarantor and lender information technology systems.

In response to a question from Representative Svedjan, Mr. Hardmeyer said the Bank of North Dakota has spent approximately \$3.2 million to date on the project, and the total estimated cost for the project is \$4.2 million.

In response to a question from Representative Winrich, Mr. Hardmeyer said the estimated completion date for the project is February 2004.

In response to a question from Representative Skarphol, Mr. Hardmeyer said originally the Bank of North Dakota entered into a revenue sharing agreement with the project vendor under which the Bank would receive 5 percent of all profits generated from any royalties related to the guarantor software system. He said the revenue sharing agreement has since been modified to require the project vendor to sell the guarantor software system at a minimum price of \$1.85 million and to provide that profits generated by the sale of the system are to be distributed 50 percent to the Bank and 50 percent to the project vendor.

Representative Skarphol requested a representative of the Bank of North Dakota present written testimony at a future meeting of the committee regarding the status of the Bank's e-commerce project, including information on history of the project, original and current project timelines, project costs incurred to date, and total estimated project costs. He said the costs should include in-house costs incurred by the Bank.

### INFORMATION TECHNOLOGY ORGANIZATIONAL AND MANAGEMENT STUDIES

The Legislative Council staff presented a background memorandum entitled *Information Technology Organizational and Management Studies - Background Memorandum* relating to the committee's assigned responsibilities to conduct information technology organizational and management studies, including information on previous information technology studies, related 2003 legislation, and potential consultants to conduct the information technology organizational and management studies.

The Legislative Council has assigned the committee the responsibility to conduct information technology organizational and management studies as provided for in Section 13 of 2003 House Bill No. 1505.

The information technology organizational study must include a review and identification of:

1. The cost and benefits of a centralized and decentralized information technology structure.
2. The cost of providing electronic mail administration, file and print server administration, seat management and desktop personal computer support, mainframe and distributed computing hosting services, consolidated storage management and disaster recovery, and software development.
3. The roles and responsibilities of agency personnel providing information technology services under a centralized and decentralized information technology structure.
4. The employee positions and competencies needed by the Information Technology Department to provide the information technology services on a centralized basis, including the organizational changes required within the department to provide the centralized services.
5. The human resource management issues, including change management, training, and employee compensation, to be addressed for a successful centralization.
6. The adequacy and quality of the services as currently provided and proper performance measures.
7. The comparison of current costs to industry and other states' data.
8. Information technology services appropriate to be performed by individual agencies.
9. A plan to either centralize or decentralize the services identified, including the reorganization tasks, personnel transfers, and the changes required for information technology budgeting and cost allocation processes.

The information technology management study must include a review of:

1. The technology management processes of other states and private industry with respect to prioritizing state agency information technology budget requests, establishing information technology standards and policies, and overseeing information technology expenditures.
2. The role of other states in providing information technology services to nonstate government entities.
3. The level of information technology outsourcing in other state governments and

the private sector and the applicability to the state of North Dakota.

4. The trends that will impact technology deployment and spending in the next 5 to 10 years.
5. The level of coordination in the management of enterprise initiatives, such as the statewide wide area network, the enterprise resource planning system initiative, the geographic information system initiative, and the criminal justice information-sharing initiative, compared to other states, including a recommendation regarding the appropriate governance structure to provide the maximum benefits to the state.
6. The potential changes to the organizational structure of the Information Technology Department and other state government entities as related to information technology.

Section 13 of House Bill No. 1505 provides for a general fund appropriation of \$350,000 for the purpose of contracting with consultants to conduct the studies and to provide assistance with the preparation of the request for proposals and consultant oversight. The studies are to be completed by October 1, 2003; however, the Information Technology Committee may extend the October 1 deadline as it deems appropriate. Periodic reports on the status of the studies must be provided to the Information Technology Committee, and a final report must be presented to the Budget Section upon completion of the studies.

The Legislative Council staff presented the following proposed study plan for the committee's consideration relating to its study of information technology organizational structure and information technology management:

#### **June 2003 Organizational Meeting**

1. Review a draft of a request for proposals for the information technology organizational structure and the information technology management studies.
2. Consider authorizing a consultant manager to assist in the request for proposals process and for project oversight. If determined necessary, the committee could either select a consultant manager or authorize the committee chairman and vice chairman to work with the Legislative Council chairman to contract with a consultant manager for assistance in consultant selection and project oversight.
3. Review a list of potential consultants and determine which consultants should be sent the request for proposals.
4. Receive input from representatives of the Information Technology Department and other state agencies regarding the consultants' studies.

5. Direct the Legislative Council staff to issue the request for proposals.

### July 2003

1. Review consultant proposals for the information technology organizational structure study and an information technology management study.
2. Receive input from a consultant manager, if authorized, and select a consultant to conduct the study.
3. Authorize the committee chairman and vice chairman to work with the Legislative Council chairman to develop a contract with the selected consultant.

### August 2003

1. Receive a progress report on the status of the consultants' studies, including a report from the consultant manager, if authorized.
2. Receive testimony from representatives of the Information Technology Department and other state agencies regarding the consultants' studies.

### September 2003

1. Receive and review a preliminary report from the consultant and a report from the consultant manager, if authorized.
2. Receive testimony from representatives of the Information Technology Department and other state agencies regarding the consultants' studies.

### October 1, 2003

1. Receive the final report from the consultant and a report from the consultant manager, if authorized.
2. Receive testimony from representatives of the Information Technology Department and other state agencies regarding the consultants' studies.

### November through December 2003

1. Receive testimony from representatives of the Information Technology Department and other state agencies regarding the consultants' final report.
2. Review the final report and recommendations and prepare legislation necessary to implement the recommendations.

Representative Skarphol said the use of a consultant manager will be critical to monitoring the selected consultants' progress.

Representative Svedjan said it will be important for the studies to be conducted as objectively as possible.

In response to a question from Senator Christmann regarding the list of potential consultants for information technology organizational and information technology management studies, the legislative

budget analyst and auditor said the list is a starting point and the committee may want to add or delete potential consultants from the list as it deems appropriate.

The Legislative Council staff presented a draft request for proposal document for the information technology organizational and management studies, a copy of which is on file in the Legislative Council office.

In response to a question from Representative Svedjan, the legislative budget analyst and auditor said the request for proposal document would be sent to the consultants selected by the committee.

In response to a question from Representative Skarphol, the legislative budget analyst and auditor said the request for proposal was drafted assuming one consultant would be responsible for conducting both the information technology organizational study and the information technology management study. He said the request for proposal may be revised to provide flexibility for potential consultants to submit proposals for one or both of the information technology studies.

Mr. Bill Goetz, Chief of Staff, Governor's office, presented information regarding the information technology organizational and management studies. He said the Governor's office will be an active participant in the committee's information technology organizational and management studies, and it will be important for the studies to focus on what is best for the state of North Dakota.

Chairman Robinson called on Mr. Scott Kost, Techwise Solutions LLC, Fargo, who provided comments on assistance Techwise Solutions LLC could provide to the committee as a consultant manager. Mr. Kost said Techwise Solutions LLC would be interested in acting as the consultant manager for the committee and has experience in assisting with information technology issues with the Information Technology Department and the North Dakota University System.

Chairman Robinson called on Mr. Robert Pope, Nexus Innovations, Inc., Bismarck, who provided comments on assistance Nexus Innovations, Inc., could provide to the committee as a consultant manager and distributed information on prior experiences and references. A copy of the information distributed is on file in the Legislative Council office. Mr. Pope said Nexus Innovations, Inc., is a Bismarck-based consulting firm that is interested in being the consultant manager for the committee and has experience in providing strategic and technical information technology solutions to the private and public sector.

Chairman Robinson called on Mr. Jim Gienger, Enterprise Solutions, Inc., Bismarck, who provided comments on assistance Enterprise Solutions, Inc., could provide to the committee as a consultant manager and distributed information on prior experiences and references. A copy of the information

distributed is on file in the Legislative Council office. Mr. Gienger said he has 19 years of experience in assisting with information technology issues with the state of North Dakota, and he would be interested in acting as the consultant manager for the committee.

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, presented information prepared by members of the State Government Information Technology Architecture Review Board regarding the information technology organizational and management studies. A copy of the information is on file in the Legislative Council office. He said the State Government Information Technology Architecture Review Board consists of representatives from various agencies, departments, and institutions of the executive and judicial branches, and the board is involved with the implementation of the enterprise architecture process for the state. He said the board would like to be involved in the preparation of the request for proposal and the evaluation and selection of consultants for the information technology organizational and management studies.

Ms. Cheri Giesen, Job Service North Dakota, provided comments regarding the information technology organizational and management studies. She said it will be important for information technology representatives of agencies, departments, and institutions to be active participants in the information technology studies.

### **OTHER COMMITTEE RESPONSIBILITIES**

The Legislative Council staff presented a background memorandum regarding other committee responsibilities entitled *Information Technology Committee - Other Responsibilities - Background Memorandum*, including the following proposed study plan for the committee's consideration:

1. Review the activities of the Information Technology Department, the business plan of the department, statewide information technology standards, the statewide information technology plan, and major information technology projects (North Dakota Century Code (NDCC) Section 54-35-15.2).
2. Receive reports from the Chief Information Officer of the state regarding the recommendations of the department's advisory committee regarding major software projects for consideration (NDCC Section 54-59-02.1).
3. Receive reports from the Chief Information Officer of the state regarding the coordination of services with political subdivisions, and the Chief Information Officer and the commissioner of the State Board of Higher Education regarding coordination of information technology between the Information Technology Department and higher education (NDCC Section 54-59-12).

4. Receive periodic reports from the Information Technology Department and affected state agencies regarding the transfer of state agency information technology employees required by Section 10 of House Bill No. 1505.
5. Receive the following from the Information Technology Department:
  - a. A report regarding any executive branch agency or institution that does not agree to conform to its information technology plan or comply with statewide policies and standards (NDCC Section 54-59-13).
  - b. An annual report regarding information technology projects, services, plans, and benefits (NDCC Section 54-59-19).
  - c. Information regarding budgeted and actual information technology equipment and software purchases and estimated savings by funding source (Section 7 of House Bill No. 1505).
  - d. Information relating to the delivery of consolidated services to agencies and the status of accumulated savings (Section 12 of House Bill No. 1505).
6. Receive information from the Information Technology Department regarding the statewide information technology budget for the 2005-07 biennium.
7. Develop recommendations and any necessary legislation to implement the committee's recommendations.
8. Prepare a final report for submission to the Legislative Council.

Mr. Wolfe presented information regarding 2003 Legislative Assembly related legislation and information technology initiatives, including a status report on the enterprise resource planning system initiative. A copy of the information is on file in the Legislative Council office. He said the Information Technology Department will be focusing on the following issues during the 2003-04 interim to assist with the managing of the state's information technology investment:

- Policy oversight - The department will work with the Office of Management and Budget to track actual information technology expenditures.
- Business plans - There should be a relationship between an agency's business plan and information technology plan.
- Portfolio management - The state Information Technology Advisory Committee will prioritize major information technology software projects and submit recommendations to the Information Technology Committee.
- Asset management - The department will utilize the state's enterprise architecture process to develop information technology

equipment and software product specifications and will provide the product specifications to the Office of Management and Budget to be used for procuring equipment and software. The department will establish a purchasing staff position and will work with the Office of Management and Budget to establish policies and guidelines for the purpose of purchasing information technology equipment and software.

- Contract and project management - The department will review large project planning, including the possibility of requiring a certified project manager for every large project.
- Full-time equivalent (FTE) savings - The department will comply with Sections 10, 11, 12, and 16 of House Bill No. 1505 relating to the transfer of information technology positions and the consolidation of select information technology functions.
- Performance measurements - The department will provide an annual report regarding information technology projects, services, plans, and benefits as required by NDCC Section 54-59-19 and will use the state Information Technology Advisory Committee and the enterprise architecture process to refine performance measurements.
- Derived efficiencies - The department will utilize postproject reviews to assess whether the project accomplished business objectives.

Mr. Wolfe said 2003 House Bill No. 1043 changed the membership of the state Information Technology Advisory Committee. He said the committee will be responsible for advising the Information Technology Department regarding statewide information technology planning, budgeting, and services and statewide information technology initiatives and policy.

Mr. Wolfe said information technology initiatives include the PowerSchool application, the criminal justice information-sharing initiative, the geographic information system initiative, and the enterprise resource planning system initiative (ConnectND). He said the ConnectND project is on schedule and on budget. He said the 2003 Legislative Assembly authorized revenue bonds to be sold for financing the continuation of the ConnectND project, and the bonds' proceeds should be available by August 4, 2003.

In response to a question from Representative Skarphol regarding the ConnectND project, Mr. Wolfe said the Information Technology Department does have payments relating to the ConnectND project due in July 2003, so the department will work with the vendors to see if payment may be delayed until August 2003.

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

Ms. Jennifer Kunz, Information Technology Department, presented information and distributed a project charter relating to the transfer of state agency information technology employee positions and the delivery of consolidated information technology services required by 2003 House Bill No. 1505. A copy of the project charter is on file in the Legislative Council office. She said the project charter provides a summary of the functional consolidation required by 2003 House Bill No. 1505. She said the department has organized the functional consolidation into two phases, and the goals for the two phases are:

#### Phase 1

1. Assess the impact of consolidation on the Information Technology Department and the 15 state agencies named in House Bill No. 1505 and deliver an implementation plan for the consolidation by June 30, 2003.
2. Assess the impact of consolidating services for all remaining agencies and further detail the implementation plan by August 1, 2003.
3. Develop a projected savings report that estimates efficiencies, cost-savings, and improved services by September 1, 2003.
4. Develop a systems and services migration plan for the consolidation by September 1, 2003.
5. Identify and transfer necessary FTE positions no later than November 1, 2003.

#### Phase 2

1. Migrate all required agencies to obtain consolidated services from the Information Technology Department by June 30, 2004.
2. Deliver cost-savings no later than June 30, 2005.

Mr. Wolfe said the Governor's office will be reviewing the implementation plan by June 30, 2003, and afterwards the department anticipates notifying agencies regarding the positions to be transferred to the Information Technology Department.

## LARGE PROJECT REPORTS

Ms. Nancy Walz, Information Technology Department, presented information regarding major information technology reporting. A copy of the information is on file in the Legislative Council office. She said major information technology projects are defined in statute to be an executive or judicial branch agency project with a cost of \$250,000 or more in one biennium or a total cost of \$500,000 or more or a higher education project which impacts the statewide wide area network, impacts the statewide library system, or is an administrative project. She said major information technology reporting consists of the following five general steps:

1. Development of a business case that details the objectives of the proposed project, a project cost-benefit analysis, and a project risk analysis.

2. Development of a project plan that includes information on the project scope, work activities, and schedule.
3. Completion and review of quarterly status reports that include information on the project scope, schedule, and budgeted and actual expenditures.
4. Completion of a summary status report of all major information technology projects.
5. Completion of a postproject analysis that includes an assessment of whether the project accomplished business objectives.

Ms. Walz distributed a copy of the department's large project summary for the quarter ending March 31, 2003. A copy of the summary is on file in the Legislative Council office. She reviewed the projects and said the department is reviewing projects that may be added to the summary during the 2003-05 biennium.

### **Health Insurance Portability and Accountability Act Project - Department of Human Services**

Mr. Roger Hertz, Department of Human Services, presented information on the status of the department's Health Insurance Portability and Accountability Act (HIPAA) project. A copy of the information is on file in the Legislative Council office. He said at the present time, the department has completed approximately 96 percent of the HIPAA project. He said the department has implemented the privacy and security standards by the required deadlines. He said the department originally estimated to have the electronic transactions standards implemented by June 2003; however, additional federal changes released in February 2003 have added additional time and cost to the project. He said the total estimated project cost is \$6.65 million, approximately \$1.4 million under the budget of \$8.05 million.

In response to a question from Representative Svedjan, Mr. Hertz said the original budget for the HIPAA project of approximately \$8.05 million consisted of approximately \$5.05 million of federal funds and \$3 million from the health care trust fund.

### **Imaging and Workflow Project - Job Service North Dakota**

Mr. John Graham, Job Service North Dakota, presented information on the status of the agency's imaging and workflow project. A copy of the information is on file in the Legislative Council office. He said the agency's imaging and workflow project consists of scanning and storing document images in an electronic repository and establishing electronic workflow assignments. He said the agency has contracted with Bearing Point to develop 24 simple and 4 complex electronic workflows. He said at the present time, the project is not proceeding smoothly. He said it appears as though more coordination is necessary

between Job Service North Dakota, the Information Technology Department, and the contractor. He said the project's executive steering committee has met and decided to reevaluate the project, including the establishment of a new business case and project schedule. The executive steering committee will also be designating an overall project manager to assist all parties to adhere to the new project schedule.

In response to a question from Representative Skarphol, Mr. Graham said the agency's imaging and workflow project is more similar to systems established at the Department of Transportation than the systems at Workforce Safety and Insurance.

Representative Skarphol said he would like information regarding a previous legislative mandate relating to electronic reporting of information to Job Service North Dakota and Workforce Safety and Insurance provided to the committee.

## **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

**It was moved by Representative Skarphol, seconded by Representative Svedjan, and carried on a roll call vote that the Information Technology Committee invite the three prospective consultants, Techwise Solutions LLC, Nexus Innovations, Inc., and Enterprise Solutions, Inc., to the committee on Tuesday, June 24, 2003, beginning at 9:45 a.m. to present formal proposals based on hourly charges, not to exceed a total of \$30,000, for providing assistance to the committee in the preparation of the request for proposals, consultant selection, and consultant monitoring for the information technology organizational and management studies.** Senators Robinson, Christmann, Seymour, and Wardner and Representatives Kempenich, Skarphol, Svedjan, and Winrich voted "aye." No negative votes were cast.

In response to a question from Senator Christmann, the legislative budget analyst and auditor said on June 24, 2003, the committee will review the proposals for the consultant manager position, select a consultant manager, and ask the Legislative Council chairman and staff to develop a contract with the selected consultant manager for consultant manager responsibilities.

In response to a question from Senator Christmann, Chairman Robinson said any other consultants that express an interest in the consultant manager position are welcome to attend and participate in the committee's June 24, 2003, meeting.

Chairman Robinson said the committee's next scheduled meeting after Tuesday, June 24, 2003, will be on Tuesday, August 5, 2003.

**It was moved by Representative Svedjan, seconded by Representative Skarphol, and carried on a roll call vote that the Information Technology Committee approve the proposed study plan regarding the information technology**

**organizational and management studies, reflecting the potential use of a consultant manager, and revised timeframes, and the proposed study plan regarding other committee responsibilities.** Senators Robinson, Christmann, Seymour, and Wardner and Representatives Kempenich, Skarphol, Svedjan, and Winrich voted "aye." No negative votes were cast.

Chairman Robinson said a representative of the Bank of North Dakota will provide an update on the Bank's e-commerce project at the committee's August meeting and a representative of Job Service North Dakota will provide an update on the agency's imaging and workflow project at the committee's September meeting.

The committee adjourned subject to the call of the chair at 2:55 p.m.

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Roxanne Woeste  
Fiscal Analyst

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Jim W. Smith  
Legislative Budget Analyst and Auditor

ATTACH:1