NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Thursday, August 28, 2003
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Larry Robinson, Chairman, called the meeting to order at 10:00 a.m.

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

Members absent: Senators Randy A. Schobinger, Tom Seymour; Representatives Keith Kempenich, Robin Weisz

Others present: Ray Holmberg, State Senator, Grand Forks

See attached appendix for additional persons present.

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

INFORMATION TECHNOLOGY ORGANIZATIONAL AND MANAGEMENT STUDIES

Mr. Scott Kost, Techwise Solutions LLC, reported on the status of the information technology organizational and management studies. Mr. Kost said the project is underway and proceeding on schedule.

Mr. Mike Silverman, coowner and project manager, Pacific Technologies, Inc., reported on the status of the information technology organizational and management studies. A copy of the report is on file in the Legislative Council office.

Mr. Silverman said Pacific Technologies, Inc., has completed approximately 35 interviews and is in the process of reviewing documentation, assessing the information technology organization, and gathering external benchmarking information. He said Pacific Technologies, Inc., plans to conduct two external surveys--a survey of all states regarding information technology organizational trends and a survey of the following states that provide a variety of centralized, decentralized, and federated information technology organizational structures: Connecticut, Kentucky, North Carolina, South Dakota, Delaware, Texas, Wyoming, Virginia, Missouri, Kansas, Illinois, and Washington.

Mr. Silverman reviewed the workplan of the consultant and said the draft report will be available for review by the committee at its October 22, 2003, meeting.

Mr. Silverman reviewed information technology organizational models, including centralized, decentralized, and federated, including the benefits and concerns of each model. He said under a centralized model, a single authority controls virtually all aspects of information technology, including hardware, software, administration, and budgets. Under a decentralized model, he said, the authority for virtually all aspects of information technology is distributed throughout individual agencies. Under the "federated" model, he said, the primary responsibility for statewide infrastructure and related service delivery and standards resides within a single authority. He said shared infrastructure may be the responsibility of the central authority, designated shared services are under a central control and provided to agencies, and designated agencies control their own applications and other services.

Mr. Silverman reviewed governance structures. He said to govern information technology, the state needs to determine the authority given to the Chief Information Officer and the Chief Information Officer's reporting relationships, the role of boards and committees, and the role of agencies and departments.

In response to a question from Representative Skarphol, Mr. Silverman said the report will address the specific types of information technology services that should be centralized or decentralized.

Mr. Silverman said the effectiveness of the management of whatever structure is chosen is more important than the actual structure. He said virtually all structures operating among the states are somewhat federated.

Chairman Robinson said the Secretary of State has informed the committee members that Pacific Technologies, Inc., has not yet registered as a foreign corporation to do business in this state.

Chairman Robinson called on Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, to explain the status of the issue. Mr. Smith said the contract with the consultant has not yet been finalized and will not be finalized nor will any payment be made to Pacific Technologies, Inc., until the company is registered with the Secretary of State to do business in North Dakota. He said Pacific Technologies, Inc., was

making a good-faith effort to register but experienced delays in receiving the necessary information from the state of Washington.

In response to a question from Representative Skarphol, Mr. Kost said he will identify areas that appear to require further study as a result of the information and recommendations developed from the information technology organization and management studies.

OTHER COMMITTEE RESPONSIBILITIES

Mr. Eric Hardmeyer, President, Bank of North Dakota, commented on the status of the Bank's information technology projects. Mr. Hardmeyer said the Bank hired a consultant, IBM Rational, to review the Bank's priority guarantee system computer project.

Mr. Jim Mangels, IBM Rational, Boulder, Colorado, commented on the priority guarantee system computer project. He reviewed the findings and recommendations resulting from the review. He said the scheduled delays and cost overruns experienced by the Bank of North Dakota on the priority guarantee system project were caused by:

1. Assignment of analysis responsibilities to people with no experience in analytical work.
2. No proactive risk management of the architecture and the infrastructure.
3. Introduction of complex application architecture.
4. Failures in the deployment process and infrastructure at critical points in the project.
5. Extremely long repair times for deployment and infrastructure failures.
6. No ability to automate functional tests.

Mr. Mangels said the system's architecture is sound and follows industry standards; however, he said the overall support for the infrastructure of the system is weak and a continuing source of risk. He said the high level of participation of the users of the system is a positive contributor to the project accomplishments. He said the Bank of North Dakota staff has progressed through an extensive learning curve and is positioned to complete the project.

Mr. Mangels said the recommendations resulting from the review include:

1. Reorganize the system's infrastructure support to mitigate remaining project risks.
2. Adjust project planning for the remainder of the project and for future projects to focus on proactive risk management.
3. Complete additional activities to ensure that the Bank of North Dakota's information technology staff becomes self-sufficient in the areas of architecture and design.
4. Adopt an internal product release approach that reduces the retesting workload on system users.
5. Investigate tools that can automate some or all of the retesting workload.

6. Capture lessons learned from the project and use them to adjust the Bank of North Dakota's development and management practices for the next web development project.

A copy of the report is on file in the Legislative Council office.

Representative Skarphol asked whether the Bank of North Dakota will be beginning any other major information technology project. Mr. Hardmeyer said the Bank will be developing a lender system project; however, this project will also involve other lenders. He said the project was approved as part of the Bank's 2003-05 appropriation.

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

Mr. Wolfe presented the final report regarding the transfer of state agency employee positions and the delivery of consolidated information technology services required by 2003 House Bill No. 1505. A copy of the report is on file in the Legislative Council office.

Mr. Wolfe said the bill requires 24 full-time equivalent (FTE) positions relating to information technology services to be reduced and transferred from 15 agencies to the Information Technology Department, unless exempted by the Chief Information Officer. He said the project executive committee recommends that nine FTE positions--seven full-time positions and four half-time positions--be transferred to the Information Technology Department on November 1. He said the remaining 15 FTE positions were exempted. As a result, no FTE positions will be eliminated with the consolidation. The analysis reflected that 11 of the 15 FTE positions were primarily performing duties that were not related to consolidation. Two of the fifteen FTE positions are required for the support of the Unisys mainframe at Job Service North Dakota and the remaining two FTE positions were exempted from consolidation because of unique agency requirements of the Bank of North Dakota, the State Water Commission, and the Department of Corrections and Rehabilitation.

Mr. Wolfe said the bill also requires the Office of Management and Budget to achieve efficiencies during the 2003-05 biennium relating to the required consolidation of information technology functions. He said the Information Technology Department is to achieve accumulated net savings of $1.4 million which is to be transferred to the general fund during the 2003-05 biennium.

Mr. Wolfe said that for the 15 agencies identified, preliminary analysis indicates that approximately $1 million of all funds may be saved during the biennium if agency equipment can be fully reused. He said in the 2005-07 biennium as equipment replacement cycles are implemented, savings of over $500,000 are expected. He said the savings estimates are based on 24 months. He said actual savings during the 2003-05 biennium will depend on

individual agency migration plans. In addition, because the savings include federal and special funds designated for specific purposes and programs, he said, the savings to the general fund will be substantially less.

Mr. Wolfe said the bill also requires certain agencies and institutions to obtain e-mail, file and print server administration, data base administration, storage, application server, and hosting services through a delivery system established by the Information Technology Department and the Office of Management and Budget. He said the project executive committee recommends exempting the Bank of North Dakota, the Housing Finance Agency, and the State Water Commission because of unique circumstances in those agencies. He said the project executive committee recommends that all services for the other 12 agencies, including 169 servers, be consolidated with the exception of 12 servers in four agencies. Of the 169 servers being migrated, he said, the Information Technology Department plans to eliminate approximately 74 servers during the 2003-05 biennium.

Mr. Wolfe said for the other 31 agencies, the project executive committee recommends exempting the State Fair and Mill and Elevator and not consolidating services for the North Dakota Vision Services - School for the Blind, School for the Deaf, Seed Department, and Adjutant General. He said approximately 30 servers will be consolidated in these agencies and the Information Technology Department anticipates 23 servers will be eliminated. In total, he said, the Information Technology Department anticipates saving approximately $1.2 million in total as a result of the consolidation, approximately $500,000 of which is from the general fund.

Representative Glassheim questioned how savings would be generated by consolidating servers which have already been purchased. Mr. Wolfe said agencies were appropriated funding for the 2003-05 biennium for replacing servers which will now not be needed because of the server consolidation.

Ms. Jennifer Kunz, Information Technology Department, commented on the department's information technology functional consolidation implementation plan. She said of the nine FTE positions being transferred to the Information Technology Department, six are now posted to be filled. She said the employees who filled those positions previously in the agencies will have an opportunity to be interviewed to fill a position if they meet the minimum qualifications for a position.

Ms. Kunz said the department has estimated the cost of the information technology functional consolidation project, including employee time and labor related to the project, at $203,400. A copy of the report is on file in the Legislative Council office.

Ms. Pam Sharp, Director, Office of Management and Budget, commented on the reporting of agency information technology costs during the 2003-05 biennium. She said the Office of Management and Budget plans to continue using the six information technology object codes which are:

1. Information technology data processing.
2. Information technology software.
3. Information technology telephone.
4. Information technology contractual services.
5. Information technology equipment under $5,000.
6. Information technology equipment $5,000 or more.

In addition, Ms. Sharp said, the Information Technology Department will enhance its billing procedures to agencies to identify the appropriate object code for the Information Technology Department charges.

Representative Skarphol said although information technology operating expenses and equipment costs will be identified, he stressed the importance of consistently reporting salaries and wages costs of information technology staff among the agencies.

Ms. Nancy Walz, Information Technology Department, said a working group organized by the Information Technology Department is studying how to adequately report all information technology expenditures statewide and will be making a recommendation later during the biennium.

Ms. Sharp reported on the status of the ConnectND project. She said the ConnectND project continues to progress according to schedule and within budget.

Ms. Sharp said the $20 million bond issue for the ConnectND project will close on September 8, 2003, with funds being available on September 20, 2003. She said in order to improve the bond's ratings, a $2 million letter of credit from the Bank of North Dakota was obtained which will cost an additional $15,000 per year for the life of the bond. She said the Industrial Commission anticipates the interest rate on the bonds to be slightly higher than was anticipated during the legislative session.

Senator Christmann asked for the increased interest costs on the ConnectND bonds because of the lower bond rating. Ms. Sharp said the increased cost because of the A+ rather than Triple A rating is approximately $30,000 per year.

Mr. Grant Crawford, Chief Information Officer, North Dakota University System, commented on the status of the ConnectND computer project. He said the system is being used by over 4,000 users at Mayville State and Valley City State Universities and is working well. He said employees of the University System have invested many hours in implementing the system.

Mr. Jerry Fossum, Information Technology Department, commented on the recent computer virus attack on the state computer system. He said the computer system virus first affected the elementary and secondary education portion of the network and secondly

the state government portion. He said because 80,000 desktop computers make up the network, addressing computer viruses could improve if system patching distribution to all desktop computers was automated.

Representative Skarphol suggested agencies be invited to comment to the committee at the next meeting on the information technology organizational and management study.

The next meeting is tentatively scheduled for Friday, September 26, 2003, beginning at 9:00 a.m. in the Roughrider Room, State Capitol, Bismarck.

The committee adjourned subject to the call of the chair at 2:50 p.m.

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Allen H. Knudson
Assistant Legislative Budget Analyst and Auditor

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Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1