

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Friday, September 26, 2003
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, Randy A. Schobinger, Tom Seymour, Rich Wardner; Representatives Eliot Glassheim, Keith Kempenich, Bob Skarphol, Ken Svedjan, Robin Weisz, Lonny Winrich; Chief Information Officer Curtis L. Wolfe

Others present: See attached appendix

Senator Ray Holmberg, Legislative Council member, was also in attendance.

It was moved by Senator Wardner, seconded by Representative Winrich, 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 due to a delay with the gathering of external benchmark data, Pacific Technologies, Inc., plans to present recommendations at the committee's next scheduled meeting on October 22, 2003, and will issue the final report in November 2003.

In response to a question from Representative Glassheim regarding the timing of the issuance of the final report, Mr. Kost said the external benchmark data will be gathered by October 22, 2003; however, the final report will not be completed until November 2003.

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

Mr. Silverman said Pacific Technologies, Inc., has completed interviews, reviewed documentation, and is in the process of assessing information technology organization and labor cost information, reviewing the state's enterprise initiatives, and gathering external benchmarking information.

Mr. Borgen reviewed preliminary interview findings and labor analysis information. He said the interviews revealed some personal resentment of 2003 House

Bill No. 1505. He said state agencies feel the legislative and judicial branches should also be centralized and state agencies are concerned about service levels and service quality in a centralized environment. He said the preliminary labor analysis indicates there are approximately 438 full-time equivalent (FTE) positions involved in information technology functions, of which approximately 207 are located in the Information Technology Department and 231 are located in other state agencies.

In response to a question from Representative Skarphol, Mr. Borgen said a breakdown of the labor analysis information by state agency will be included in the final report.

In response to a question from Representative Skarphol, Mr. Borgen said the preliminary labor analysis information includes information technology consultants and individuals with secondary information technology responsibilities.

In response to a question from Senator Robinson, Mr. Borgen said the preliminary labor analysis information does not yet include information for the North Dakota University System and the Game and Fish Department.

Mr. Silverman said Pacific Technologies, Inc., expects to complete the gathering of external benchmarking information by October 10, 2003, and will deliver recommendations to the committee on October 22, 2003, with the final report presentation tentatively scheduled for the week of November 17, 2003.

Mr. Bill Goetz, Chief of Staff, Governor's office, commented on the information technology organizational and management studies. He said the Governor's office has been kept informed on the information technology functional consolidation process and is supportive of the process. He said the consolidation process has opened up communications between the Information Technology Department and state agencies and may lead to long-term benefits for the state.

Mr. Lynn Helms, Director, Oil and Gas Division, Industrial Commission, and Mr. Stan Belieu, Staff Petroleum Engineer, Nebraska Oil and Gas Conservation Commission, commented on the information technology organizational and management studies. A copy of the information is on file in the Legislative Council office. Mr. Helms said the Oil and Gas

Division has implemented a risk-based data management system owned by the Ground Water Protection Council. He said the system stores all of the state's oil and gas data and provides hourly data updates to field inspectors, other state agencies, and citizens. Mr. Belieu said the Ground Water Protection Council relies on decentralized information technology groups like the Oil and Gas Division to make valuable contributions to the system's management.

In response to a question from Representative Weisz, Mr. Helms said the current information technology environment will not affect the division's risk-based data management system; however, he cautions the committee on further consolidation.

Ms. Cheri Giesen, Job Service North Dakota, commented on the information technology organizational and management studies. A copy of the information is on file in the Legislative Council office. She said Job Service North Dakota believes it is beneficial to periodically review business needs and the information technology organizational structure to perform the necessary information technology services.

Mr. Pat Fricke, Executive Director, Housing Finance Agency, commented on the information technology organizational and management studies. A copy of the information is on file in the Legislative Council office. He said due to the Housing Finance Agency's uniqueness, the agency was granted a full exemption by the Office of Management and Budget in regard to the information technology functional consolidation directed by Section 16 of House Bill No. 1505. He said for that same reason the Housing Finance Agency believes it should be exempted from any future information technology centralization.

Mr. David A. Sprynczynatyk, Director, Department of Transportation, commented on the information technology organizational and management studies. A copy of the information is on file in the Legislative Council office. He said the department is cooperating with the information technology studies and believes the state should constantly look at ways of reducing costs and improving efficiencies and services. He said the study should clarify the relationship between the Information Technology Department and state agencies.

Mr. Tony Clark, Commissioner, Public Service Commission, commented on the information technology organizational and management studies. A copy of the information is on file in the Legislative Council office. He said the Public Service Commission is concerned with the direction of information technology consolidation in the state of North Dakota. He said the commission foresees many unacceptable consequences from information technology consolidation. He said the commission will be unable to quickly and economically acquire new information technology products needed to interface with business partners, will lose flexibility in daily operations, and will lose the ability to efficiently customize its information

technology infrastructure. He said Information Technology Department restrictions on the size of e-mail documents allowed to be transferred and on the size of the e-mail storage are concerns of the commission.

LARGE PROJECT REPORTS

Ms. Nancy Walz, Director, Policy and Planning Division, Information Technology Department, provided information regarding developing an information technology project business case. A copy of the information is on file in the Legislative Council office. She said information technology standard STD009-98 requires executive branch state agencies to submit a business case for large information technology projects to the department following management approval and prior to the startup of the project. She said a business case should include three sections--business requirements, cost/benefit analysis, and risk analysis.

In response to a question from Representative Glassheim, Ms. Walz said state agencies develop business cases for those projects funded by the Legislative Assembly.

In response to a question from Senator Robinson, Ms. Walz said it is the responsibility of the Information Technology Committee to review business cases.

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

Mr. John Graham, Job Service North Dakota, presented information regarding 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 it was reported to the committee in August 2003 that the project was not proceeding smoothly. Since that time, Job Service North Dakota has developed a comprehensive project plan, timetable, and budget and has hired an overall project manager to oversee the three participating entities--Job Service North Dakota, the Information Technology Department, and the contractor, Bearing Point. He said at the present time the project is adhering to the new project schedule.

In response to a question from Senator Christmann, the project manager is an employee of the Information Technology Department.

Ms. Jo Zschomler, Director, Risk Management Division, Office of Management and Budget, presented information regarding the agency's living disaster recovery planning system. A copy of the information is on file in the Legislative Council office. She said the living disaster recovery planning system information technology project was established as a result of Governor Hoeven's directive that all state agencies develop a continuity of operations plan. She said the goal of the project is to provide customized software that will result in consistent information

within state agencies and will develop criteria for prioritization of recovery of the state's information technology systems.

In response to questions from Representative Kempenich and Senator Christmann, Ms. Zschomler said an employee of the North Dakota Emergency Management has been selected as a full-time project manager for the project.

Representative Skarphol asked that the committee receive a copy of the project's business case and project charter.

Mr. Vern Welder, Director, Software Development Division, Information Technology Department, presented information regarding the department's work request system. He said the department is in the process of implementing a new work request system that will serve as a one-stop center for department customers to request any information technology service. He said the estimated project cost is \$381,000, of which \$80,000 is to be provided from the Department of Human Services and the Department of Transportation, and the project is to be implemented by May 2004.

REPORT FROM THE CHIEF INFORMATION OFFICER

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, presented information regarding various information technology items. He said the department has been notified that the state's e-rate reimbursement from the federal government for the first year of the 2003-05 biennium will fund approximately 63 percent of related costs, 1 percent or \$25,000 less than estimated during the 2003 Legislative Assembly. He said the ConnectND project return on investment document presented to the 2003 Legislative Assembly is being revised and will be presented to the committee at a future meeting. He distributed a list of external connections to the statewide wide area network, a copy of which is on file in the Legislative Council office.

Representative Skarphol requested the department update the listing to include information on the state agency associated with the necessary external connection.

Mr. Wolfe said the department is in the process of recruiting a business analyst who would be responsible for developing new procurement strategies and analyzing the use of master contracts. He said the department will be realizing savings as a result of new contracts negotiated in the areas of mainframe maintenance, telephone long distance, and Microsoft software.

CONSOLIDATED INFORMATION TECHNOLOGY SERVICES

Ms. Jennifer Kunz, Information Technology Department, distributed a copy of the department's status report on 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. She said overall the project is on schedule. She said the final project report has been approved by the project executive committee and the report has been distributed to all agencies.

Ms. Kunz said Section 10 of 2003 House Bill No. 1505 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. She said the project executive committee recommends that 8.5 FTE positions--seven full-time positions and half of five additional positions--be transferred to the Information Technology Department on November 1. She said the remaining 15.5 FTE positions were exempted. As a result, no FTE positions will be eliminated with the consolidation. The report reflected that 11 of the 15 FTE positions were primarily performing duties that were not related to consolidation. Two of the 15 FTE positions are required for the support of the Unisys mainframe at Job Service North Dakota and the remaining 2.5 FTE positions were exempted from consolidation because of unique agency requirements of the Bank of North Dakota, the State Water Commission, Workforce Safety and Insurance, and the Department of Corrections and Rehabilitation.

Ms. Kunz said Section 11 of 2003 House Bill No. 1505 requires the Office of Management and Budget to achieve efficiencies during the 2003-05 biennium relating to the required consolidation of information technology functions. She 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.

Ms. Kunz said for the 15 agencies identified, preliminary analysis indicates that approximately \$1 million may be saved during the biennium if agency equipment can be fully reused. She said in the 2005-07 biennium as equipment replacement cycles are implemented, savings of over \$500,000 are expected. She said for the other 31 agencies impacted by 2003 House Bill No. 1505, an additional \$150,000 may be saved in the 2003-05 biennium if agency equipment can be fully reused and savings of \$103,000 are expected for the 2005-07 biennium. She said the savings estimates are based on 24 months. The 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, the savings to the general fund will be substantially less.

Ms. Kunz said Section 16 of 2003 House Bill No. 1505 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. She said for the 15 agencies identified, the project executive committee recommends exempting the Bank of North Dakota, Housing Finance Agency, and the State Water Commission because of unique circumstances in those agencies. She said the project executive committee recommends that all services for the other 12 agencies, including 152 servers, be consolidated with the exception of 29 servers in five agencies. Of the 152 servers being migrated, the Information Technology Department plans to eliminate approximately 68 servers in the 2003-05 biennium. She said that for the other 31 agencies, the project executive committee recommends exempting the State Fair and the Mill and Elevator and not consolidating services for North Dakota Vision Services - School for the Blind, School for the Deaf, Seed Department, and the Adjutant General. She said approximately 24 servers will be consolidated in these agencies and the Information Technology Department anticipates 23 servers will be eliminated.

INFORMATION TECHNOLOGY DEPARTMENT - ANNUAL REPORT

Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, presented information regarding costs associated with the ConnectND project. A copy of the information is on file in the Legislative Council office. He said the 2003 Legislative Assembly provided that debt service on the bonds issued for the ConnectND project must be available from charges made and collected by the Information Technology Department from users of the system with 29 percent of the debt service being the responsibility of state agencies and 71 percent of the debt service being the responsibility of higher education. He said the state's portion of the debt service, which will be recovered through a \$8.65 charge to agencies based on a per FTE employee per month, is:

2005-07	\$1,563,727
2007-09	\$1,565,152
2009-11	\$1,564,822
2011-13	\$1,565,033
2013-15	\$778,257

Mr. Ressler said the estimated operational cost for the ConnectND project for the 2005-07 biennium is \$1,327,488. The operational cost portion associated with the human resources component of the system will be recovered through a \$3.67 charge to agencies based on a per FTE employee per month, and the operational cost portion associated with the financial component will be recovered through a \$6.24 charge per \$1 million appropriated per month.

Mr. Ressler distributed a copy of the department's annual report on information technology projects, services, plans, and benefits pursuant to North Dakota Century Code (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 and a summary of other small information technology projects completed in the same period.
- Section 3 - Information on the department's performance, including a rate comparison and an update on the department's performance measures.
- Section 4 - 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 16 services that generate approximately 93 percent 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	\$48.00 per hour	*
Montana Information Technology Services Division rates	Local providers	*
Priority Technologies, Inc.	\$86.25 per hour	*
Maximus	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	\$60 per hour	*

	Systems Analysis	Programming
Route 94	Ranges from \$60 to \$85 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 (eight-minute limit) - \$10 per month
Qwest	\$40.34 per month*
Polar Communications	\$27.28 per month*
SRT	\$28.88 per month*
Consolidated Telcom	\$34.63 per month*
*The customers buy their own telephone device.	

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 - \$.69 per second CICS CPU - \$.69 per second ADABAS CPU - \$.74 per second TSO CPU - \$.69 per second	Batch CPU - \$.16 per second CICS CPU - \$.16 per second ADABAS CPU - \$.16 per second TSO CPU - \$.16 per second	Batch CPU - \$1.24 per second CICS CPU - \$.25 per second ADABAS CPU - \$.88 per second TSO CPU - \$1.52 per second
Network fees	Device fee - \$29.00 per device per month DSL service - Actual cost (ranges from \$40 to \$120) ATM T-1 service - \$840 per month	Device fee - \$70 per device per month DSL service - \$125 per month ATM T-1 service - \$495 per month Access fee - \$20 per device per month	Device fee - \$72.60 per device per month DSL service - \$250 per month ATM T-1 service - \$650 per month
Long distance	In state - \$.06 per minute Out of state - \$.06 per minute 800 service - \$.10 per minute	In state - \$.08 per minute Out of state - \$.09 per minute 800 service - \$.14 per minute	In state - \$.105 per minute Out of state - \$.105 per minute 800 service - \$.10 per minute

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

Business Driver - Performance Measures	Baseline (Previous Years)	Current Status (June 2003)	Target
Provide value to our customers			
Percentage of strategic initiatives completed successfully	2000 - 35% 2001 - 50%	65% (as of August 31, 2002)	75%
Percentage of system availability	2001 - 98.82% 2002 - 98.89%	98.97%	98.90%
Percentage of Information Technology Department projects completed on schedule within scope and budget	76% on time 83% on budget	86% on time 89% on budget	81% on time 87% on budget
Statewide direction and leadership			
Number of coordinated statewide initiatives	2001 - 6 2002 - 8	8	Monitor
Information Technology Department's compliance with North Dakota Century Code	100%	100%	100%

Business Driver - Performance Measures	Baseline (Previous Years)	Current Status (June 2003)	Target
Information technology spending as a percentage of overall state budget	4.64%	3.61%	Monitor
Percentage of large information technology projects completed successfully	100%	100%	100%
Number of web-enabled applications available to citizens	2001 - 19 2002 - 33	51	Increase
Customer relationships and satisfaction			
Percentage of reported problems resolved within support center (unassigned)	2001 - 72% 2002 - 66%	65.5%	75%
Percentage of reported and assigned problems responded to within one hour	2001 - 74% 2002 - 87%	92.7%	90%
Median time working hours required to resolve reported and assigned problems	2001 - 2.53 2002 - 1.98	1.93	2.25
Percentage of statewide information technology budgets directed to the Information Technology Department	1999-2001 biennium - 25% 2001-03 biennium - 31%	37%	Monitor
Customer satisfaction indexes (percentages satisfied or very satisfied) relating to:			
Value	2001 -- 2002 90% -- 85.3%	86.1%	92%
Timeliness	96.3% -- 94.9%	90.2%	97%
Quality	96.5% -- 94.6%	94.2%	97%
Knowledge	97.6% -- 95.9%	96.1%	98%
Professionalism and courtesy	100% -- 98.6%	96.9%	100%
Learning and growth			
Voluntary employee turnover rate	2001 - 4% 2002 - 2.4%	1.9%	Remain below 4% to 6%
Average training hours and dollars spent per employee	\$2,700 per FTE	\$3,100 per FTE	\$2,500 per FTE
Employee satisfaction index	2001 - 1.985 2002 - 1.976	1.983	2
Percentage of service level objectives met	N/A	N/A	100%

INFORMATION TECHNOLOGY POLICIES, STANDARDS, AND GUIDELINES

Ms. Jenny Witham, Information Technology Department, presented information regarding information technology policies, standards, and guidelines. A copy of the information is on file in the Legislative Council office. She said pursuant to NDCC Section 54-59-09 information technology policies, standards, and guidelines must be reviewed by the State Information Technology Advisory Committee. She said information technology policy DP005-01 provides accessibility requirements by which state entities shall ensure that all individuals enjoy the same rights, privileges, advantages, or opportunities when accessing electronically available state information, benefit, or service. She said all new state web sites developed after September 2001 were to meet the designated level of compliance and all existing state web sites were to become compliant by June 30, 2003. She said as of August 2003, 60 of 94 web sites are within a reasonable threshold of compliance and 18 of the remaining 34 sites have filed a compliance plan.

In response to a question from Representative Glassheim, Ms. Witham said pursuant to NDCC Section 54-59-07, the State Information Technology Advisory Committee consists of the Chief Information

Officer, the chancellor of the North Dakota University System, the Attorney General, the Secretary of State, the Tax Commissioner, the Chief Justice of the Supreme Court, two members of the Legislative Assembly, a minimum of eight members representing state agencies, and two members with technology management expertise representing private industry.

Mr. Paul Welk, State Auditor's office, presented the audit report for the Information Technology Department for the years ended June 30, 2002 and 2001. He said the report contains one reportable internal control weakness relating to computer access controls. He said the report contains two findings of noncompliance with legislative intent and two recommendations for operational improvement. He said two prior audit recommendations were not implemented.

Chairman Robinson said the committee's next two meetings are tentatively scheduled for Wednesday, October 22, 2003, and Monday, November 17, 2003.

The committee adjourned subject to the call of the chair at 3:45 p.m.

Roxanne Woeste
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1