NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Thursday, September 9, 2010
Education Center, SRT Communications, Inc.
Minot, North Dakota

Senator Larry J. Robinson, Chairman, called the meeting to order at 9:00 a.m. at the Education Center, SRT Communications, Inc., Minot.

Members present: Senators Larry J. Robinson, Randel Christmann, Tom Seymour, Rich Wardner; Representatives Corey Mock, Bob Skarphol, Robin Weisz, Lonny Winrich; Chief Information Officer Lisa Feldner

Members absent: Senator Joe Miller; Representatives Craig Headland, Gary R. Sukut

Others present: Jim W. Smith, Legislative Council, Bismarck

Robert M. Horne, State Senator, Minot

Matthew M. Klein, State Representative, Minot

Senator David O'Connell and Representative Lisa Wolf, members of the Legislative Management, were also in attendance.

See [Appendix A](#) for additional persons present.

It was moved by Representative Skarphol, seconded by Senator Wardner, and carried on a voice vote that the minutes of the June 29, 2010, meeting be approved as distributed.

OTHER BUSINESS

Dr. John Girard, Associate Professor, Minot State University, Minot, provided information ([Appendix B](#)) regarding social technology. He said social technology is a social trend in which people use technologies to get the information they seek from each other rather than from traditional methods. He said three themes regarding social media are:

1. Know your environment.
2. Understand the *Groundswell*.
3. Listen, learn, and lead.

In response to a question from Senator Robinson, Dr. Girard said there are tools available for managing social media applications.

In response to a question from Representative Skarphol, Dr. Girard said public and private sector organizations determine whether they allow employees the ability to access social media applications during business hours.

Mr. Steven Lysne, General Manager and Chief Executive Officer, SRT Communications, Inc., Minot, provided information ([Appendix C](#)) regarding the company's organization. He said SRT Communications, Inc., is a locally owned cooperative that is headquartered in Minot. He said the cooperative employs 215 individuals and serves

Minot, the Minot Air Force Base, and the surrounding area and rural communities. He said the cooperative's customer base includes:

- 34,000 access lines.
- 15,500 Internet subscribers, of which 14,500 are broadband DSL subscribers.
- 18,000 long-distance customers.
- 13,000 wireless customers.
- 1,800 cable television customers.

The committee toured the SRT Communications, Inc., facility and viewed a demonstration of Internet Protocol television.

In response to a question from Senator Robinson, Mr. Shawn Grosz, Director of Network Technology, SRT Communications, Inc., Minot, said Internet Protocol television is one of the cooperative's newest technology initiatives.

Mr. Grosz provided information ([Appendix D](#)) regarding wireless technology. He said SRT Communications, Inc., offers commercial and residential broadband services. He said the cooperative delivers up to 40 Mbps over DSL and 100 Mbps over fiber. He said the cooperative has experienced increases in bandwidth needs from 2004 to 2010 ranging from 216 percent to 2,627 percent. He said a recent report published by CISCO Systems has indicated that:

- Global Internet Protocol traffic will quadruple from 2009 to 2014.
- In 2014 the Internet will be four times larger than it was in 2009.
- Globally, mobile data traffic will double every year through 2014, increasing 39 times between 2009 and 2014.
- Almost 66 percent of the world's mobile data traffic will be video by 2014.

In response to a question from Senator Robinson, Mr. Grosz said the cooperative owns 69 cellular phone towers. He said the average cost to construct a cellular phone tower is $350,000.

The committee recessed for lunch at 11:45 a.m. and reconvened at 12:30 p.m.

Ms. Cathy Horvath, Director of Information Technology, Minot State University, Minot, provided an information technology update ([Appendix E](#)). She said the university recently replaced its aging analog telephone infrastructure with a new unified messaging and Voice over Internet Protocol system. As a result, she said, the university has experienced a significant

reduction in communications costs, implemented a single login for all communications, reduced response times, and eliminated device dependencies.

In response to a question from Senator Wardner, Ms. Horvath said the ConnectND system is functioning well. She said the next initiative involving the system will be creating an application that will allow students to access the system through mobile devices.

Mr. Joe Franklin, Account Manager, Cisco Systems, Fargo, and Mr. Dean Galanos, Product Sales Specialist, Cisco Systems, Madison, Wisconsin, provided information (Appendix F) regarding technology trends in the public sector. Mr. Franklin said major challenges for government include:

- Managing economic uncertainty and budget constraints.
- Enhancing collaboration and communications.
- Improving effectiveness of limited resources.
- Maintaining government operations at all times.
- Overcoming staffing challenges.
- Meeting citizen expectations.

Mr. Franklin said Cisco Systems offers several solutions, including mobile solutions, remote worker solutions, and unified communications solutions, to assist government entities provide efficient and effective services.

REPORT FROM THE CHIEF INFORMATION OFFICER
Information Technology Department
Annual Report

Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, distributed a copy of the department's 2009-10 annual report (Appendix G) regarding projects, services, plans, and benefits pursuant to North Dakota Century Code Section 54-59-19. He said the department's 2009-10 annual report includes an executive summary, information on the department's divisions, information on the department's performance, and rate comparisons. He said for fiscal year 2010, actual agency spending on information technology services from the Information Technology Department totaled approximately $49.6 million, of which approximately 8 percent was for telephone services, 14 percent for network services, 22 percent for software development services, 33 percent for computer hosting services, and 23 percent for other services.

During fiscal year 2010, Mr. Ressler said state agencies completed 12 large information technology projects. Of the 12 projects, he said, 8 projects were completed on or under budget. He said 5 of the 12 projects were completed on schedule, and 2 additional projects were completed within the acceptable 20 percent schedule variance.

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

Performance Measures	Baseline (Previous Years)	Current Status (June 2010)	Target
Acceptable level of total net assets (ratio of total net assets to average monthly expenditures)	2007 - 1.7 2008 - 1.4 2009 - 1.7	2.4	< or = to 2
Percentage of Information Technology Department rates reported in the annual report that are competitive	2007 - 100% 2008 - 100% 2009 - 100%	100%	100%
Total number of customer projects and service requests completed: • Service requests • Incidents	2009 33,243 55,421	 34,247 60,835	 N/A N/A
Customer satisfaction indexes (percentages satisfied or very satisfied) related to: • Value • Timeliness • Quality • Knowledge • Professionalism and courtesy	2008 - 2009 86.9% - 83.9% 86.9% - 92.2% 93% - 95.3% 97% - 96.8% 99% - 100%	 87.0% 91.6% 95.7% 95.8% 98.9%	 92% 97% 97% 98% 100%
Employee satisfaction index	2007-08 - 2.13 2008-09 - 2.14	2.21	2
Controllable employee turnover	2008 - 6.8% 2009 - 3.6%	5%	Below 6%
Percentage of service levels met	100%	100%	100%
Percentage of strategic business plan objectives completed or on schedule	2008 - 43% 2009 - 61%	47%	75%

Mr. Ressler said the department monitors the cost and revenue for each service to ensure that a 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 other entity's fees for similar services in an effort to maintain quality services at a fair price. The following is a summary of rate comparisons for the services that generate a majority of the department's total revenue:

Service	North Dakota Information Technology Department Rates	South Dakota Bureau of Information and Telecommunications Rates	Montana Information Technology Services Division Rates	Minnesota Office of Enterprise Technology Rates
Central computer central processing unit (CPU rates)	**Batch CPU** - $1.07 per second	**Batch CPU** - $1.59 per second	**Batch CPU** - $2.96 per second	**Batch CPU** - N/A
	CICS CPU - $1.07 per second	**CICS CPU** - $1.59 per second	**CICS CPU** - $.84 per second	**CICS CPU** - N/A
	ADABAS CPU - $1.17 per second	**ADABAS CPU** - $1.59 per second	**ADABAS CPU** - $1.73 per second	**ADABAS CPU** - N/A
	TSO CPU - $1.07 per second	**TSO CPU** - $1.59 per second	**TSO CPU** - $3.17 per second	**TSO CPU** - N/A
Network fees	**Device fee** - $43.50 per device per month	**Device fee** - $57 per device per month	**Device fee** - $117.63 per device per month	**Device fee** - $45.50 per device per month
	DSL service - Actual cost (ranges from $40 to $199)	**DSL service** - N/A	**DSL service** - $297.67 per month	**DSL service** - Cost plus 15 percent
	ETS-5 service - $890 per month	**ETS-5 service** - N/A	**ETS-5 service** - $1,989.25 per month	**ETS-5 service** - Cost plus $140 (access) $150/Mbps (bandwidth)
		Access fee - $53 per device per month		**Access fee** - $99 per device per month

Telephone Fees	
North Dakota Information Technology Department rates	Telephone line - $24 per device per month (Voice over Internet Protocol) Speaker function - $3 per month Display function - $5 per month Voice mail (unlimited) - $5 per month
South Dakota Bureau of Information and Telecommunications rates	Telephone line - $13 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 - $55.93 per device per month (Voice over Internet Protocol) Speaker function - Included in fee Display function - Included in fee Voice mail (three-minute limit) - $7.04 per month Voice mail (additional minutes) - $8.87 per month
Minnesota Office of Enterprise Technology rates	Telephone line - $54 per device per month (Voice over Internet Protocol) Speaker function - Actual cost Display function - Actual cost Voice mail (unlimited) - $6 per month

Long Distance	
North Dakota Information Technology Department rates	In state - $.07 per minute Out of state - $.07 per minute 800 service - $.07 per minute
South Dakota Bureau of Information and Telecommunications rates	In state - $.09 per minute Out of state - $.10 per minute 800 service - $.10 per minute
Montana Information Technology Services Division rates	In state - $.06 per minute Out of state - $.06 per minute 800 service - $.08 per minute
Minnesota Department of Administration rates	In state - $.049 per minute Out of state - $.07 per minute 800 service - $.13 per minute

Software Development		
	Location	Billing Rate Per Hour of Service
Information Technology Department	Bismarck, North Dakota	$63 to $79
Applied Engineering, Inc.	Bismarck, North Dakota	$75 to $92
Eide Bailly LLP	Bismarck, North Dakota	$95 to $190
Enterprise Solutions, Inc.	Bismarck, North Dakota	$95 to $140
Nexus Innovations	Bismarck, North Dakota	$95 to $125
Vision Technology, Inc.	Bismarck, North Dakota	$70 to $75
Everest Consultants, Inc.	Beaverton, Oregon	$63 to $99
CIBER, Inc.	Vancouver, Washington	$55 to $180
Compuware	Plymouth, Minnesota	$80 to $151
Maximus	Rancho Cordova, California	$145 to $190

In response to a question from Senator Christmann, Mr. Ressler said the department's current long distance carrier is Qwest.

In response to a question from Senator Robinson, Mr. Ressler said the state of South Dakota's telephone rate is lower than North Dakota's because South Dakota charges separately for telephone hardware.

Representative Skarphol suggested the committee receive information comparing Information Technology Department rate increases and information technology cost increases for agencies exempt from Section 54-59-22. Chairman Robinson asked the Legislative Council staff to provide this information to the committee at its next meeting.

Information Technology Department Outsourcing Services

Mr. Ressler distributed a report (Appendix H) regarding the department's level of outsourcing information technology services, former employees who provide consulting services, and the department's efforts to assist in the creation of North Dakota technology-related companies pursuant to Section 9 of 2009 Senate Bill No. 2021. He said the department outsources approximately 60 percent of its operational 2009-11 budget. The following is a summary of the department's outsourcing for the department's operational budget for the 2009-11 biennium:

	Core Services[1]	Demand-Driven or Other Services[2]	Total
Internal expenditures[3]	$24,482,604	$23,931,273	$48,413,877
Vendor payments (outsource payments)[4]	55,138,262	310,065	55,448,327
Professional services (outsource payments)	12,489,395	3,812,869	16,302,264
Total	$92,110,261	$28,054,207	$120,164,468
Percentage of outsource payments	73%	15%	60%

[1]Services considered essential for the Information Technology Department to maintain security and cost-effectiveness.

[2]Services offered due to demand or other requirements.

[3]Salaries, professional development, rent, and other expenditures which the department considers not to be outsource payments.

[4]Software, hardware, and other supplies expenditures. The department considers these expenditures to be outsource expenditures.

Mr. Ressler said from January 1, 2004, to June 30, 2010, three employees have resigned from the department to provide information technology consulting services in the private sector. Of the three, he said, two have been rehired by the department.

Mr. Ressler said the department has been involved in a number of initiatives to assist North Dakota technology companies, including:

- Establishment of an information technology vendor pool which makes it easier for vendors to do information technology business in the state.
- Establishment of information technology standards that allow all vendors to compete on an equal basis.
- Membership in the Information Technology Council of North Dakota.
- Attendance at meetings with potential companies considering locating in North Dakota.

LARGE INFORMATION TECHNOLOGY PROJECT REPORTING
Quarterly Summary Status Report

Ms. Lisa Feldner, Chief Information Officer, Information Technology Department, distributed a quarterly summary status report (Appendix I) on large information technology projects for the quarter ending June 30, 2010.

Ms. Feldner said the following five projects were reported complete:

Agency	Project	Budget Variance	Scheduled Variance
Department of Emergency Services	Computer-aided dispatch system project	Under budget	On schedule
Bank of North Dakota	Cash management project	Under budget	Behind schedule
Department of Transportation	Facial recognition	On budget	On schedule
Office of Management and Budget	ConnectND system - Business intelligence project	Under budget	On schedule
Office of Management and Budget	Enterprise learning management project	Under budget	On schedule

Ms. Feldner said the following three projects have reported budget or schedule variances and are being monitored:

Agency	Project	Budget or Schedule Variance
State Department of Health	Electronic disease surveillance and management system	The project is behind schedule due to mapping, extracting, and data conversions milestones taking longer than anticipated.
Secretary of State	Data processing system	The project is behind schedule. Due to financial constraints, the software vendor has had to furlough staff and is operating with minimal staff. The delivery timelines for the project are uncertain.
Department of Public Instruction	Teacher licensure application rewrite project	The project is behind schedule. The implementation date for the project has been extended to October 2010.

HEALTH INFORMATION TECHNOLOGY

Ms. Feldner provided information (Appendix J) regarding the timeline for establishment of the health information exchange. She said the infrastructure for the health information exchange needs to be in place by the end of 2011.

Ms. Feldner said the representatives of the Information Technology Department have met with representatives of telecommunications providers regarding the proposed bill draft relating to the exchange of information with the health information exchange. She said the meeting resulted in suggested revisions to the proposed bill draft. In addition, she said, the department has suggested statutory changes relating to the powers and duties of the Health Information Technology Advisory Committee.

Chairman Robinson asked the Legislative Council staff to revise the proposed bill draft relating to the health information exchange as suggested by the Information Technology Department, prepare a bill draft relating to the powers and duties of the Health Information Technology Advisory Committee as suggested by the Information Technology Department, and forward copies of bill drafts and bill summaries to committee members prior to the committee's next meeting.

LARGE INFORMATION TECHNOLOGY PROJECT REPORTING
Workforce Safety and Insurance - Information Technology Transformation Project

Mr. Bryan Klipfel, Executive Director and CEO, Workforce Safety and Insurance, provided information (Appendix K) regarding the status of the agency's information technology transformation project. He said the agency continues to make changes and adjustments since its last report to the committee to increase the likelihood of success with this project. He said the project is improving. He said the quality of the latest software release, which was received in July 2010, was comparable to the previous release. He said the production implementation dates have been revised to January 2012 for claims and September 2012 for policy. Previously, he said, production implementation dates were June 2011 for claims and November 2011 for policy.

Other Projects

The Legislative Council staff distributed written testimony regarding the following large information technology projects:

- Secretary of State - Data processing project (Appendix L).
- State Department of Health - Electronic disease reporting system (Appendix M).
- Department of Human Services - Medicaid management information system replacement project (Appendix N).

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Robinson said the committee's next meeting will be on October 14, 2010, in Bismarck.

The committee adjourned subject to the call of the chair at 2:45 p.m.

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Roxanne Woeste
Assistant Legislative Budget Analyst and Auditor

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Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:14