NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Wednesday, April 29, 1998
Harvest Room, State Capitol
Bismarck, North Dakota

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

Members present: Senators Larry J. Robinson, Karen K. Krebsbach, Carolyn Nelson, Ken Solberg; Representatives Rex R. Byerly, Ken Svedjan, Rich Wardner

Members absent: Senator Rod St. Aubyn; Representatives Eliot Glassheim, Robin Weisz

Others present: See attached appendix

MINUTES

It was moved by Senator Nelson, seconded by Representative Svedjan, and carried on a voice vote that the minutes of the October 6, 1997, and March 5, 1998, meetings be approved as distributed.

INFORMATION TECHNOLOGY STRATEGIC PLANS

Mr. Jim Heck, Director, Information Services Division, and Chief Information Officer, Governor's office, reviewed the status of state agency information technology plans, the results of a survey of state agencies regarding information technology plan development issues, status of the statewide information technology plan, development of information technology standards, and the results of a survey of state agency year 2000 issues. A copy of his presentation is on file in the Legislative Council office. Mr. Heck said the auditor position authorized by the 1997 Legislative Assembly has been classified as an auditor IV position and applications have been solicited with a May 5, 1998, closing date. He said the intent is to assign the auditor the responsibility for shepherding the year 2000 issue followup.

Status of State Agency Information Technology Plans

Mr. Heck said 68 state agency information technology plans have been approved, seven are undergoing followup with the agency involved, and five are yet to be submitted--Securities Commissioner, Mill and Elevator, Potato Council, Corn Utilization Council, and Information Services Division. He said two plans should be submitted by the end of the week, the plan of the Information Services Division is on hold until all other agency plans have been reviewed, and little pressure is being put on the Potato and Corn Utilization Councils.

Mr. Heck reviewed a list of projects identified in state agency information technology plans. He said the list identifies 152 projects, categorized as continuing, new, or major change projects, and is sorted in descending order by the project's total dollar value through the 2001-03 biennium. He said the total of listed projects is $25,991,127 for the 1997-99 biennium, $40,629,727 for the 1999-2001 biennium, and $29,447,900 for the 2001-03 biennium. He said the division has evaluated the projects and has assigned a priority of 1-45 to each project.

Mr. Heck reviewed the criteria used to evaluate the projects and said use of these criteria has resulted in questions about the evaluation process, e.g., in applying the evaluation criteria, they have discovered that some criteria need to be revised, the different evaluators need to be consistent in applying the criteria, and the plans need to address the information needed to properly apply the criteria.

Mr. Heck said agencies with major projects should establish formal project management that includes the tools and benchmarks necessary to aid in reviewing project development. He said the funding for a feasibility study should be included with the funding for a project. He said there also should be some type of discussion after the feasibility study is completed to determine whether a project should be initiated or continued.

In response to a question from Senator Robinson, Mr. Heck said there has not been enough time to fully analyze the information to see if proposed projects of the various agencies are duplicative of one another or whether there could be economies of scale by consolidating projects.

Representative Byerly asked Mr. Heck to provide information at a future committee meeting as to these projects, arranged by agency so as to allow Appropriations Committee members to get a better grasp on what projects are being proposed on an agency-by-agency basis.

During the committee's luncheon recess, Mr. Syver Vinje, Securities Commissioner, distributed a letter to committee members describing why the commissioner's information technology plan has not been completed. In his letter, he noted that he had been appointed commissioner January 1, and although the plan was due January 15, it had been prepared by an outside consultant and did not adequately reflect the massive changes being experienced in securities regulation and a proposed upgrade to the commissioner's information technology requirements. A copy of the letter is on file in the Legislative Council office.

Results of Information Technology Planning Survey

Mr. Heck said the 68 agencies whose information technology plans have been approved were sent a survey, that asked 16 questions ranging from a question concerning an estimate of the number of hours spent completing the plan to one that ranked concerns about the planning process. He said 49 agencies responded, and these are the overall results:

1. Total number of hours taken to complete the plans - 9,727; maximum number for a plan - 1,537; minimum - 1; average - 203.
2. Total cost of agency staff time to complete the plans - $203,646; maximum for a plan - $36,100; minimum - $8; average - $4,333.
3. Nine agencies hired consultants to assist in developing the respective plans, at a total dollar value of $165,193.
4. Twenty-six agencies had an overhaul strategic business plan and 16 agencies had an information technology plan before House Bill No. 1034 required such a plan.
5. The highest ranked benefits of the current planning process were it allows a more proactive approach to implementing technology, it provides better information going into the budget process, and it forces the agency to gather information and analyze technology expenditures.
6. Seventeen agencies recommended continuing the current timeline of submitting the plan six months before submitting the agency budget, nine recommended submitting the plan three months before the agency budget, 12 recommended the same time as the agency budget, and eight recommended one month after the agency budget.
7. Ten rated the level of detail required in the information technology plan as too much and 35 rated the level as about right.
8. The top three concerns expressed about the current planning process were the learning curve required for the first effort, the project detail cost information required prior to completion of the requirements analysis, and the difficulty in breaking out information technology expenditures from other business requirements.

Status of Statewide Information Technology Plan

Mr. Heck reviewed a proposed table of contents for the statewide information technology plan. He also reviewed an example of how the statewide plan would include information of an agency (for purposes of the demonstration the agency was the Supreme Court). Examples included a description of projects of the agency, a description of system and functions, goals, and objectives of the system. He said the total for all agencies would approximate 150 sheets, double-sided with text.

In response to a question from Representative Svedjan, Mr. Heck said the Information Services Division has done preliminary work comparing hardware costs to full-time equivalent positions but is not ready to make definitive statements as to the effect hardware acquisition has on personnel costs.

In response to a question from Senator Solberg, Mr. Heck said the results of the information technology planning process has been that the Information Services Division is being informed of projects in advance. With the detail provided by the plans, he said, the division can see the complete projects and also can see plans for future requests for services. Until now, he said, the division has been primarily a service bureau--providing support and services--and may or may not have been informed or aware of major projects in the planning stages.

Representative Byerly commented that it appears that the information technology plans developed by agencies are focused toward making the agencies work more efficiently but do not appear to focus on whether the taxpayers or the

customer base of the agency receives services more efficiently, e.g., the multiple form requirements of the Workers Compensation Bureau, Job Service North Dakota, and the Tax Commissioner.

Senator Robinson said he sees the state positioned better than ever before. He pointed out that the survey results indicated 32 agencies did not have an information technology plan before House Bill No. 1034 required such planning.

Development of Information Technology Standards

Mr. Heck said the Information Services Division has approved six standards relating to operating systems, application development, network services, data management, security, and office automation. He said five are in the draft state--document imaging, video conferencing, electronic data interchange, geographic information systems, and multimedia.

YEAR 2000 COMPLIANCE

Year 2000 Impact Survey

Mr. Heck reported that the Information Services Division is 60 percent complete with its Year 2000 Compliance Project and is proceeding at approximately eight percent per month, but that figure will slow down because of the reduction in the amount of overtime used for the project. He said the division sent a year 2000 impact survey to 110 state agencies or entities on Monday, March 23. He said the primary purpose of the survey was to increase agency awareness of the potential for year 2000 problems in agency computer systems. As of April 16, he said, 59 entities had responded. He reviewed their responses with the committee. He said the division is cross-checking survey responses against agency information technology plans. Of the agencies that responded, he said, 22 have a year 2000 project. Of the others, he said, they may be agencies with mostly mainframe systems and thus are relying entirely on the Information Services Division's project for mainframe systems.

In response to a question from Representative Byerly, Mr. Heck said if an agency calls the Information Services Division with a question, that agency is referred to help sites at which shareware or freeware is available for that agency to check its computers. Representative Byerly said the division should take a proactive approach and provide agencies with shareware or freeware to check their hardware to determine if it is year 2000 compliant.

Year 2000 Compliance Issues

Chairman Robinson recognized Mr. F. G. (Snyder) Gokey, an attorney with the Vogel Law Firm, Fargo, for a presentation regarding the need for a prompt assessment of and legal issues related to year 2000 issues. Mr. Gokey distributed a packet of materials that included a United States General Accounting Office report entitled *Year 2000 Computing Crisis: An Assessment Guide*, a report from the Basle Committee on Banking Supervision entitled *The Year 2000 A Challenge for Financial Institutions and Bank Supervisors*, a report from the Congressional Research Service entitled *The Year 2000 Computer Challenge*, and articles and reports from the Federal Financial Institutions Examination Council; the Senate Banking, Housing and Urban Affairs Committee; Business Week; Deutsche Morgan Grenfell; and Computer News Daily. A copy of this information is on file in the Legislative Council. Mr. Gokey introduced Mr. David Anderson, Basin Electric Power Cooperative, Bismarck, who distributed information on year 2000 sites on the Internet, a list of examples of embedded systems, and a list of what should be done about the year 2000 problem. A copy of this information is on file in the Legislative Council office.

Mr. Gokey said his presentation starts with the thesis that a statewide year 2000 assessment is vital. He said the year 2000 problem is three problems--software, hardware, and embedded chips. He played a March 4, 1998, video clip from ABC News which reviewed the year 2000 compliance problem and potential for major disruptions in computer operations. He also reviewed comments by representatives of IBM, Merrill Lynch, Norwest, First Chicago, the Defense Department, and the Government Accounting Office emphasizing the magnitude of the year 2000 problem.

Mr. Gokey said the primary concern is small business, 20 percent of which has not considered the year 2000 problem. He referred to the 1996 Federal Reserve statement urging member financial institutions to plan for the year 2000 and urging banks to place year 2000 compliance as a loan condition.

Mr. Gokey also reviewed concerns that have been expressed about the air traffic control system, Medicare and Veterans Administration records and disbursements, and the Defense Department's ability to continue operations due to failure to address year 2000 compliance issues. He emphasized that the Securities and Exchange Commission and the Government Accounting Office have been issuing several

reports but with little public awareness. He also referred to a statement from the president of Microsoft suggesting people use up-to-date shelfware, determine the priority of systems, and develop a contingency plan for failure.

Mr. Gokey said the process involves awareness, assessment, renovation, validation, and implementation. He said businesses should contact vendors of systems and schedule replacement where needed. He pointed out the problem may start before December 31, 1999, e.g., some credit cards have expiration dates beyond January 1, 2000, and hotel and travel arrangements are made in advance.

Mr. Gokey reviewed estimates of year 2000 compliance expenses by states--California $240 million to $1 billion, Colorado $37 million, and Minnesota $50 million. He said the Minnesota Year 2000 Compliance Project assessment is on the Minnesota Year 2000 Project web site *www.state.mn.us/ebranch/admin/ipo/2000/2000.html*.

Mr. Gokey said North Dakota has not completed an assessment of computer systems throughout the state. For example, he said, Fargo has no budgeted year 2000 project, has not assessed whether its new water treatment plant is year 2000 compliant, nor has it assessed systems in the Fargo Dome or at the airport. He said the Cass County tax system is not year 2000 compliant. He expressed concern over North Dakota's infrastructure, especially the public utilities. He said electric utility deregulation is a huge technology issue, but year 2000 compliance also affects gas, water, and railroad transportation.

Mr. Gokey recommended: (1) broadening the scope of the year 2000 compliance status project to include statewide assessment of agencies and schools, development of joint expertise and resources, establishment of milestones, and budgeting for these expenses; (2) monitoring and assisting on critical infrastructure needs--electric utilities, water, and rural hospitals; (3) providing public education and guidance; and (4) providing for contingency planning.

In response to a question from Senator Solberg, Mr. Gokey said although technology rolls over every three to four years, buying new hardware does not ensure year 2000 compliance. Mr. Anderson said although off-the-shelf software will probably be year 2000 compliant, most software and all embedded chips are not products of Microsoft.

Mr. Anderson said even if Basin Electric is year 2000 compliant, it must still rely on partners, who may not be compliant. He said you cannot assume a business partner or supplier will have done what is necessary to become year 2000 compliant. He referred to his materials, which outline a process to initiate a year 2000 assessment, e.g., get upper management's written approval, hire a strong project manager, assign the project a No. 1 corporate priority, and develop a management-approved project plan that includes an inventory of all computer-related hardware, software, embedded systems, and suppliers, an analysis of the inventory, an assessment of priorities and solution options, a fix to the problems, and testing. The materials also identified year 2000 sites on the Internet, including Peter de Jager's web page *www.year2000.com/*.

Representative Svedjan inquired what this issue has to do with the committee's work and whether state agency information technology plans should be required to address year 2000 compliance. The director said the Legislative Assembly had only one opportunity to address any legislative response to this issue prior to the year 2000. He said if there are serious problems in delivering basic services as a result of year 2000 computer problems, the public may expect action from their government even if the problems are unrelated to government services.

Representative Byerly said the Legislative Assembly will be asked to provide the funds for state agency year 2000 compliance. He said the Information Services Division is responsible for identifying the scope of the problem, but the Legislative Assembly needs to be informed as to whether legislative appropriations or other issues need to be addressed.

State Liability Issues

Ms. Jo Zschomler, Director, Risk Management Division, Office of Management and Budget, delivered a presentation on the state's liability exposure for year 2000 claims and lawsuits. She distributed a written presentation, a copy of which is on file in the Legislative Council office.

Ms. Zschomler said North Dakota Century Code Chapter 32-12.2 governs tort liability claims filed against the state and most claims resulting from a year 2000 issue would be a tort liability claim, which would be administered by the Risk Management Division and paid from the risk management fund. She said other states have addressed liability issues through a variety of methods. She said Georgia, Nevada, and Virginia have passed legislation immunizing state and political subdivisions from liability based on an error caused by a government computer; Florida, Hawaii, New Hampshire, Oregon, Pennsylvania, and South Carolina are considering immunity legislation; California, Illinois, Indiana, and

Washington have failed to pass this type of legislation; and West Virginia failed to pass legislation requiring warranties from providers.

Ms. Zschomler said some states have relied on the public duty doctrine, which is based on the principle that a public official's obligations are owed to the public rather than to an individual member of the public and liability only attaches if the claimant proves that the defendant had a duty to protect the individual claimant rather than just the general public. She said the risk management fund would argue that the doctrine is applicable in North Dakota, even though the North Dakota Supreme Court has not ruled on whether the public duty doctrine applies in North Dakota.

ELECTRONIC MAIL AND RECORDS MANAGEMENT POLICY

At the request of Chairman Robinson, the assistant director reviewed a memorandum presented to the committee on July 22, 1997, entitled *Development of Electronic Mail and Records Management Policy for Governmental Entities - Background Memorandum*.

Electronic Records Management Guidelines

Chairman Robinson called on Mr. Heck, who introduced Ms. Becky Lingle, Records Administrator, Information Services Division, for a presentation on proposed electronic records management guidelines for state agencies. Ms. Lingle distributed a prepared statement and a draft of proposed electronic records management guidelines. A copy of her presentation and the guidelines are on file in the Legislative Council office.

Ms. Lingle said the Information Services Division formed an ad hoc committee in March 1997 to address the issues related to the management of electronic records. She said the committee consists of representatives from 34 state agencies and the guidelines are the collective outcome from many other organizations' products, including the National Archives and records administration entities in Wisconsin, Delaware, Florida, Utah, and Tasmania.

Ms. Lingle said electronic records create many new concerns with respect to management because records in electronic format are hardware and software dependent, and with a move from mainframe applications to individual and network personal computers the risk of data loss increases, and most electronic information systems used to create, receive, and store records do not provide full records management functionality.

Ms. Lingle said the hope is that the guidelines will assist agencies in handling their own electronic records. She said when the Information Services Division audits agency records management practices, they will review whether agencies have incorporated electronic records in regular record retention schedules.

In response to a question from Representative Svedjan, Ms. Lingle said the guidelines do not address confidentiality or open records requirements.

Representative Byerly asked that if a recommendation is to be made for statutory change, Ms. Lingle inform the committee of the recommendation in time to allow the committee to review that recommendation before the legislative session in 1999.

Electronic Mail

Mr. Dan Sipes, Associate Director, Information Services Division, described the various types of state government e-mail systems currently in place. He said the state has five types of e-mail systems--Internet mail, Microsoft Exchange, Lotus Notes, OfficeVision, and cc:Mail. He said future plans are to consolidate the systems into three systems--Internet mail, Microsoft Exchange, and Lotus Notes.

Mr. Sipes said backup and retention are separate issues. He said backup refers to the process for preserving records in case the server crashes. He said retention is left to each agency to determine. He noted that although the Information Services Division has data from agencies, whenever a third party makes a request to the division for access to an agency's records, that request is referred to the agency.

STATEWIDE NETWORK STUDY STATUS REPORT

Mr. James R. Stepp, Wolfe & Associates, presented a status report on the statewide network study under contract with the Legislative Council. He distributed a bar chart illustrating timelines for various portions of the study and a glossary of terms that is to be included in the study report. A copy of this information is on file in the Legislative Council office.

Mr. Stepp said the goal of the statewide network study is to help North Dakota deploy its statewide network to meet current needs and anticipate future needs. He said the current study under contract with the committee is actually Phase I of the proposal for a complete study. He said Phase I is to document the current environment, Phase II would be to document anticipated

demand, Phase III would be to design the network, and Phase IV would be to implement the network.

Mr. Stepp reviewed the proposed table of contents of the final report, which under the timelines would be completed in mid-June. He said the report would include maps of the data, voice, and video networks and an inventory of data, voice, and video network resources.

In response to a question from Representative Byerly, Mr. Stepp said the point to remember with respect to the study is that the report will be a snapshot, taken at a point in time, and network resources will constantly change. He said progressing to the future stages of the complete proposal would require returning to the inventory to ensure that the inventory remains current.

In response to a question from Representative Svedjan, Mr. Stepp said agency information technology plans focused on agency resources, while the statewide network study looks at links outside the agencies with the view toward developing a complete statewide network.

Mr. Stepp said the impetus for change is coming from increased Internet usage, electronic interface with citizens, more remote offices using systems, a greater demand for efficiency, new technology, quality of service issues, and use of multimedia. He said issues related to designing a network include determining whether and to what extent the state should own the network versus private ownership. Most states, he said, own part of the network.

STATE AGENCY INFORMATION TECHNOLOGY PLANNING PROCESS

University System

Mr. Charles Folkner, Interim Higher Education Computer Network Coordinator, North Dakota University System, distributed a prepared statement describing information technology planning by the University System and state agency information technology plan development issues. A copy of his presentation is on file in the Legislative Council office.

Mr. Folkner said the University System has been doing strategic planning for the system, for institutions, and for information technology for many years. He said he was hired as a consultant to develop a strategic plan for the Higher Education Computer Network in 1995 and the plan was developed as of March 27, 1996. He said that plan addresses vision, functional needs, requirements, and the budgets to meet those requirements. He said the University System has a long history of planning and collaborating with other state agencies in the use of information technology, especially in the development of statewide telecommunications networks. He noted that like many state agencies, the University System's information technology choices are influenced by external factors such as accreditation requirements, needs of potential employers, business requirements, collaborators, and educational materials used. He said the University System is required to develop a strategic plan every six years and the 1998-2004 plan was being developed at the same time the information technology plans were being developed so it was difficult to reflect on the implications of the "business plan" on the information technology plan. He said most campuses and entities developed individual information technology plans using existing plans as a guide. He said this resulted in a document containing 14 plans and an overall clarifying description.

Mr. Folkner said a major recommendation is to move toward more of a strategic planning process, with vision, objectives, and goals, rather than maintain a process that primarily emphasizes budgeting. He said specific suggestions from those involved in preparing plans were to merge the information technology planning process into other planning and budgeting processes, provide full-time or dedicated planning staff to continue the process, allow the process to react quickly to changes in technology, and reduce the detailed budget requirements because realistic detailed budgets are not usually available for more than a year or two in advance.

In response to a question from Senator Solberg, Mr. Folkner said the 1996 strategic plan could not be used as the information technology plan because funding did not materialize for that plan, personnel were not hired to implement that plan, and there were different requirements under House Bill No. 1034.

Aeronautics Commission

Mr. Mark J. Holzer, Aviation Planner, Aeronautics Commission, distributed a prepared statement describing the commission's information technology planning process and future issues or recommendations. A copy of his presentation is on file in the Legislative Council office.

Mr. Holzer said the Aeronautics Commission uses the aviation information management system, which consists of an airport master, a state master, and office management software. In 1996, he said, the Information Services Division contracted with Wolfe & Associates to prepare an information technology plan for the commission

as a "small" agency pilot project. He said that plan was modified into the format required under House Bill No. 1034, and this modification took approximately 112 staff hours at a cost of $2,240.

Mr. Holzer made these recommendations and comments: the information technology plan timeframe should coincide with the state's fiscal year for budgeting reasons; the information technology plan cost forecasts are merely educated guesses; and the degree of Information Services Division support for assisting agencies in complying with information technology plans and addressing future Internet needs should be increased.

State Board for Vocational and Technical Education

Ms. Tanna Kincaid, Educational Technology Specialist, State Board for Vocational and Technical Education, gave a presentation regarding information technology planning by the board, information technology plan development issues, and statewide information technology standards. She said the board already had a plan in place and to reflect the needs of House Bill No. 1034 added the goals of staying current on hardware and software, providing continuous staff development, and supporting school efforts to integrate technology.

Ms. Kincaid said there was a problem with communication in that they were never able to get a good grasp on how individual agency information technology plans were to be used and integrated with other agency plans for a statewide plan. She said the process, in general, was good, but the main difficulty was the budget forms. She said the budget requirements do not link to the present financial management system used by the board.

In response to a question from Senator Solberg, Ms. Kincaid said items are tracked one way for the agency and another for the information technology plan.

Ms. Kincaid said she would like to see a web-based environment for making on-line changes to an agency's information technology plan.

Ms. Kincaid commented on the development of statewide information technology standards. She said she is unsure as to the long-term vision for such standards. She questioned whether the purpose of the standards is to take advantage of efficiencies of volume buying. She also questioned what "supported" means with respect to the Information Services Division supporting software complying with the standards. Finally, she questioned, where an agency will obtain the money required to meet and maintain compliance with the standards.

State Water Commission

Mr. Chris Bader, Information Technology Coordinator, State Water Commission, distributed prepared testimony regarding information technology planning by the commission and state agency information technology plan development issues. A copy of this testimony is on file in the Legislative Council office.

Mr. Bader said the State Engineer established a computer systems technical committee in 1989 for the purpose of developing, planning, and coordinating the implementation of information technology. He said the committee was reorganized and charged with responsibility for completing the information technology plan required by House Bill No. 1034. He said eight staff members were directly involved in completing the plan, and a total of 669 hours were consumed at an approximate cost of agency staff time of $15,233. As a result of the more formalized planning effort due to the detailed documentation required, he said, it will be easier for the commission to accommodate staff turnover in many of the critical areas related to information technology.

Mr. Bader said these factors should be considered in the planning process:

1. Budget guidelines. House Bill No. 1034 closely ties the strategic planning process to the development of costs and budget requirements, but the plan is not completed as part of budget preparation efforts. Consideration should be given to submitting the information technology plan either at the same time as the budget or after the budget guidelines are made available.
2. Planning cycle. Information technology plans are required to be projected through three bienniums, but technology is advancing at a fast pace and estimates of the average life cycle for computer systems is 12 months. Thus, it is difficult to project where technology will be in six years.
3. Planning costs. The costs of the planning process need to be considered. Ongoing support for the planning process may represent a significant increase in overhead for information technology functions within an agency.
4. Standards. The underlying purpose for developing standards has been one of building more uniformity for information

technology in state government. If the goal is to provide communication and information transfer, current technology provides an effective solution that has evolved based upon open standards. If the goal is to provide cost savings, adherence to a strict set of standards may not necessarily result in savings in all agencies. Adherence to strict standards may produce an increase in spending to replace existing hardware and software to meet standards and there may be significant losses in productivity as systems are replaced to comply with required standards. If the goal is to standardize hardware and software, the assumption is that technology requirements are the same throughout state government, but there is considerable diversity among agencies. Technology needs of an agency are dictated by the functions that agency performs. For example, the technology needs of the State Water Commission extend beyond applications targeted by standards that primarily focus on office automation and records management.

State Land Department

Mr. Jim Luptak, Director, Energy Development Impact Office, and Computer Systems Administrator, State Land Department, distributed prepared testimony on the information technology planning process and on information technology plans in general. A copy of his testimony is on file in the Legislative Council office.

Mr. Luptak said the State Land Department used its agency strategic plan as a basis for its information technology plan. He said the department contracted with Eide Helmeke to do the information technology plan at a cost of $2,500. He said the department used about 20 hours of staff time preparing the information for Eide Helmeke to use. He said the information technology plan did not result in anything substantially new to add to the department's performance budget plan already in place.

Mr. Luptak said a major problem is projecting costs through the 2001-03 biennium due to rapid changes in technology. He said it appears that the plan is very focused on the question of how much rather than on what is accomplished. He emphasized that the first problem with the numbers for hardware and software is that the numbers reflect purchase value, which overstates the true value of inventories that agencies carry. He recommended that a column be included for depreciated value in any cost statement requirements. Also, he said, the numbers do not answer the question of what the technology dollars have purchased. For example, knowing that a desktop personal computer was purchased at a cost of $2,500 does not indicate whether the description is of a six-year-old 386 model or a new Pentium II personal computer. He suggested that it would make sense for agencies to categorize equipment by type of machine and by operating system in use. For example, many agencies still use Microsoft Windows 3.1 which has not been supported for a couple of years and those agencies will have a big upgrade waiting for them in the near future. He recommended that the Information Services Division include a summary survey of computer counts by computer type and by primary operating systems in use on the computers. Finally, he said, the numbers do not answer the question of what the technology dollars have accomplished. He said the Land Department expects computers to do much of the clerical work and expects its employees to analyze, interpret, and use that clerical information to the advantage of the department's customers.

As a result of technology, Mr. Luptak said, six years ago the department had 21 full-time equivalent positions and currently the department is one position below its authorized limit of 19. He said the surface lease option is more automated and saves approximately $15,000 per year in administrative costs over the previous methods of conducting auctions. Also, he said, the board's Internet site gives customers access to information without a corresponding effort by the department's employees and the department's intranet gives employees access to documents without involving support staff. He pointed out that the information technology plan does not collect or compile this type of information.

Information Services Division Response

Chairman Robinson requested Mr. Heck to respond to the presentations. Mr. Heck said the Information Services Division recognizes that the budget process does not match the information technology process. For example, he said, telephone service is an Information Services Division service, and Information Services Division services are not line items. He said SAMIS does not fit with tracking projects or the people allocated to technology support.

Mr. Heck said with respect to statewide standards, the division recognizes that there are a number of different software packages that are used by agencies.

DEPARTMENT OF TRANSPORTATION PROJECT STATUS REPORT

Chairman Robinson requested Mr. Marshall W. Moore, Director, Department of Transportation, to provide the department's response to questions raised at the last meeting concerning the status of the Motor Vehicle Division and Drivers License and Traffic Safety Division computerization projects. Mr. Moore distributed a written response, a copy of which is on file in the Legislative Council office. Specifically, he answered these questions:

1. At this point, how much has the state invested in the new motor vehicle registration computer system? $1,520,000.
2. How much of the Unisys contract has been fulfilled? About 89 percent of the hardware contract ($1,110,788) and 51 percent of the software contract ($827,819) have been fulfilled.
3. How much of the Unisys contract is left to be done? About 11 percent of the hardware ($141,374) and 49 percent of the software ($787,438).
4. How much has the state paid to remodel local motor vehicle registration offices? How much have local motor vehicle registration offices spent for remodeling required by the state? The state has paid nothing to remodel local motor vehicle offices as a result of this new system. The system does not require that offices be remodeled. A few branch offices have done some unrelated remodeling to provide better customer service.
5. How much has the state committed for hardware for this project? Will any hardware already purchased need upgrading or replacement because of delays in the project? How much additional cost will incur as a result? The state has invested $1,110,778 for hardware. We do not believe the hardware in place will need upgrading or replacement as a result of the delay. However, that decision will be based on performance standards that must be met. If they are not met, Unisys will be responsible for the upgrades at no cost to the state.
6. What impact have delays in the project had on local motor vehicle registration offices? We are not aware of any fiscal or customer service impact to branch offices.

Mr. Moore said there was an earlier question about whether there is a penalty clause in the Unisys contract. He said Unisys has agreed to pay all costs the department incurs as a result of the contract delay. He said Unisys has paid $50,013 in delay damage costs, and the department will be billing Unisys $117,986 for costs through March 1998. He said the projected reimbursement costs through October 31, 1998, will total $395,838. He said the current schedule is for the development to be completed by October 9, 1998, the central office to be live on the system October 24, 1998, and the final branch offices to implement this system during the week of November 16, 1998, with implementation complete by November 20, 1998.

In response to a question from Representative Byerly, Mr. Moore said the request for proposals laid out the conditions of what the department wanted. He said Unisys responded with a price lowest by far of any who responded. The department then met with Unisys and Unisys priced the contract and prepared the cost benefit analysis. He emphasized the department created the cost figures and Unisys used these figures in determining the cost benefit analysis. He said five full-time equivalent positions were eliminated as a result of the project and no additional people will be hired. He said the information technology people on staff will be operating the system with no new personnel. Representative Byerly questioned the appropriateness of Unisys determining the cost benefit analysis of the project.

Representative Byerly requested the Legislative Council staff to contact local motor vehicle registration offices and ask those offices about the costs incurred as a result of the new motor vehicle registration system.

In response to a question from Representative Byerly, Mr. Keith Kiser, Motor Vehicle Director, Department of Transportation, said the department will own the hardware and the software when the lease is completed and no royalties or license fees will be paid to Unisys.

In response to a question from Senator Nelson, Mr. Kiser said the new system will be year 2000 compliant.

It was moved by Representative Byerly and seconded by Senator Solberg that the committee request the Legislative Council chairman to request the State Auditor's office to review the cost benefit analysis of the motor vehicle registration system and report on its review to an appropriate committee of the Legislative Council. Mr. Moore pointed out the reason the system was developed was in response to an outside audit by Charles Bailley and Company. Representative Wardner inquired why there needs to be review of the cost benefit analysis.

Representative Byerly said he is not asking for an audit, just a review of the figures by someone in the auditor's office to see if those figures were valid. In response to a question from Representative Svedjan, Mr. Moore said the cost benefit analysis was a condition in the first phase of the contract. He questioned what is objectionable about the cost benefit analysis. Representative Byerly said the Legislative Assembly appropriated $435,000 for this project in 1995 and it has evolved to a $3.6 million project. After this discussion, **the motion failed on a roll call vote.** Senator Solberg and Representative Byerly voted "aye." Senators Robinson, Krebsbach, and Nelson and Representatives Svedjan and Wardner voted "nay."

DIGITAL SIGNATURES

Chairman Robinson recognized Mr. Bob Schaible, Deputy Secretary of State, who reviewed the progress of the Secretary of State in implementing legislation regarding recognition of digital signatures. Mr. Schaible said the 1997 Legislative Assembly required the Secretary of State to adopt rules recognizing digital signatures. He said the Secretary of State organized a task force of 26 members for purposes of discussing electronic commerce in North Dakota with a focus on recognizing digital signatures of people doing business with the state. He said two states have legislation, six have rules in place, and approximately 12 are using the task force approach in determining issues for recognizing digital signatures. He said rules on filing by facsimile should be in effect by October 1.

NEXT MEETING AGENDA ITEMS

Senator Robinson said it would be interesting to review what other states have done with respect to year 2000 compliance. He said the committee could provide a forum on year 2000 awareness and invite representatives of the Public Service Commission, League of Cities, Association of Counties, North Dakota Hospital Association, Long-Term Care Association, and Independent Community Banks of North Dakota. Mr. Heck noted that approximately two to three weeks ago the State Purchasing Division incorporated year 2000 compliance requirements in all purchases.

Senator Solberg requested a briefing on the open records law requirements regarding the committee's responsibility under the records management study resolution. Senator Krebsbach requested a review of what other states are doing with respect to e-mail retention.

In response to a question from Senator Solberg, the director reported that no offers have been made for the legislative information technology advisor position. He said the staff would report future developments to the committee.

No further business appearing, Chairman Robinson adjourned the meeting at 4:40 p.m.

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Jay E. Buringrud
Assistant Director

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John D. Olsrud
Director

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