

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Monday, November 17, 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

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.

Chairman Robinson welcomed Senator Bob Stenehjem, Senate Majority Leader and Legislative Council Chairman, to the meeting.

INFORMATION TECHNOLOGY ORGANIZATIONAL AND MANAGEMENT STUDIES

Mr. Scott Kost, Techwise Solutions LLC, reported on the status of the information technology organizational and management studies. He said Pacific Technologies, Inc., has completed a draft final report for the information technology organizational and management studies and that report was made available on November 12, 2003. He said he will compile committee comments regarding the draft final report and provide the comments to Pacific Technologies, Inc., by December 1, 2003, and the final version of the report will be made available by December 19, 2003. He said Pacific Technologies, Inc., will be available to present the final version of the report to the committee in January 2004.

Mr. Mike Silverman and Mr. Dan Borgen, Pacific Technologies, Inc., commented on the draft final report for the information technology organizational and management studies. A copy of the summary information presented and a copy of the draft final report are on file in the Legislative Council office.

Mr. Borgen reviewed the following key information technology organizational and management findings:

- The state has a highly fragmented approach to workstation support and help desk services.

- There are inconsistent standards and policies surrounding workstation platforms, configurations, and replacement.
The state can achieve additional savings and improve alignment with long-term goals through continued server consolidation efforts.
The state lacks consistent methods, tools, and performance measures to assess information technology impacts on business operations, to prioritize requests for major information technology projects, and to evaluate information technology projects.

Mr. Borgen said the four underlying assumptions that frame Pacific Technologies, Inc.'s recommendations are:

- The state desires to move toward provisioning basic information technology services as a "utility."
The state wants information technology to be performance-managed at both the agency and enterprise levels.
The state should adopt best practices where practical.
The state should favor long-term improvement over short-term considerations.

Mr. Borgen presented the following major recommendations and corresponding primary benefits:

Table with 2 columns: Major Recommendations and Primary Benefits. It lists two recommendations: 'Workstation support and help desk services' and 'Workstation standardization', each with a detailed description of the recommendation and its corresponding primary benefits.

Major Recommendations	Primary Benefits
<p>Server consolidation - Continue to consolidate all agency-managed servers into the Information Technology Department.</p> <p>Information technology governance - Improve the existing information technology governance processes by:</p> <ul style="list-style-type: none"> • Improving the processes and tools for information technology project evaluation. • Improving mechanisms to support cost containment. • Developing meaningful state-wide management and reporting views of information technology initiatives. • Implementing information technology performance measures. 	<p>Promotes the provisioning of basic information technology services as a "utility."</p> <p>Allows state agencies to focus on core business needs rather than technical infrastructure.</p> <p>Promotes the provisioning of basic information technology services as a "utility."</p> <p>Leads to long-term labor and hardware cost-savings.</p> <p>Leads to better-informed decisionmaking.</p> <p>Provides a more equitable, business-based, and consistent evaluation of information technology initiatives.</p> <p>Provides the best opportunity to manage application portfolio costs.</p>

Workstation Support and Help Desk Services

Mr. Silverman said in regard to the consolidation of workstation support and help desk services, the Information Technology Department should target a future staffing level of 200 workstations per support full-time equivalent (FTE) position, an increase from the current ratio of 131 workstations per support FTE position. He said maintaining service quality at the elevated support ratio depends on gaining efficiencies through the use of specialized staff and successful implementation of a standardized workstation environment and associated support tools. He said if fully implemented, the consolidation of workstation support and help desk services offers potential labor savings of over \$500,000 per year; however, the capturing of all the savings would require the elimination of partial FTE positions. He said a portion of the savings would be offset by one-time startup costs and additional annual maintenance costs ranging from \$400,000 to \$1,620,000. He said establishing Information Technology Department service credibility would be critical to the success of the consolidation.

In response to a question from Senator Christmann, Mr. Silverman said at the present time there are approximately 55 FTE positions providing workstation support within state agencies. He said implementing a support ratio of 200 workstations per support FTE position would require 36 FTE positions resulting in a reduction of approximately 19 FTE positions.

In response to a question from Senator Christmann regarding support of workstations located outside the city of Bismarck, Mr. Silverman said a majority of workstation problems could be handled

over the telephone by a highly functional help desk with remote software.

In response to a question from Senator Christmann regarding the potential savings associated with the consolidation of workstation support and help desk services, Mr. Silverman said the potential savings of over \$500,000 per year assumes fully realizing labor savings, including the elimination of partial FTE positions. He said a portion of the savings would be offset by one-time startup costs and additional annual maintenance costs for associated software ranging from \$400,000 to \$1,620,000.

Workstation Standardization

Mr. Silverman said in regard to the standardized workstation environment, the state should limit workstations to two or three models and tightly control the associated configurations. He said the implementation of the standardized workstation environment is critical for the success of the consolidation of workstation support and help desk services. He said the resulting annual workstation costs would be approximately \$2.2 million to \$2.8 million, or \$23 to \$30 per month per workstation, depending on the mix of workstations and the replacement cycles.

In response to a question from Senator Christmann regarding the number of low-end computers utilized by state agencies, Mr. Silverman said information on the number of low-end computers by state agencies and the current spending levels for workstations was not gathered by Pacific Technologies, Inc.

In response to a question from Representative Glasheim, Mr. Silverman said state employees should not be adversely affected by the limiting of workstation configurations, as exceptions for specialized agency needs could be provided.

Representative Winrich suggested that the final report for the information technology organizational and management studies address special technology needs of state agencies.

Server Consolidation

Mr. Silverman said in regard to the consolidation of agency-managed servers, Pacific Technologies, Inc., recommends the Information Technology Department assume the administration of existing agency-managed servers as the servers are replaced. He said as the number of servers are reduced, the Information Technology Department should maintain the existing 27-to-1 server to support FTE position ratio. He said the continued server consolidation has the potential annual labor savings of over \$350,000, in addition to significant long-term savings in hardware costs.

In response to a question from Senator Christmann regarding confidentiality concerns of state agencies, Mr. Silverman said the Information Technology Department should require background

checks for employees providing services to state agencies.

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, said the department does require background checks for employees who have unescorted physical access to the facilities or other security-sensitive areas of the department.

Representative Skarphol said the issue of background checks for employees of the Information Technology Department and other state agencies may need to be addressed.

Information Technology Governance

Mr. Silverman said in regard to improving information technology governance, Pacific Technologies, Inc., recommends an information technology project investment review process relating to the evaluation and prioritization of information technology initiatives and an evaluation criteria development process relating to the development of evaluation criteria. He said for the state to move toward a more consistently structured information technology decisionmaking process, the state should develop a set of supporting tools, including business case templates, business plan templates, and an information technology report card. He said Pacific Technologies, Inc., also recommends the state significantly increase its performance measurement efforts to improve insight into information technology operations and expenditures by implementing performance measurements in the areas of customer satisfaction, financial and management performance, project performance, and consolidation transition performance.

Transition Plans

Mr. Borgen reviewed the following transition plans for implementing each of the recommendations:

1. Workstation support and help desk services - Consolidate all workstation support and help desk services within the Information Technology Department.
 - a. Explore outsourcing as an option.
 - b. Fund the services on a cost-recovery basis.
 - c. Develop per workstation rates.
 - d. Determine agency budget impacts.
 - e. Define, monitor, and manage customer-based service levels.
 - f. Establish the help desk, including staffing and infrastructure.
 - g. Implement using a phased approach.
2. Workstation standardization - Move to a highly standardized workstation environment on a statewide basis with the Information Technology Department managing a workstation replacement program.
 - a. Inventory existing workstations and software.

- b. Identify current spending levels and replacement plans and requirements.
 - c. Establish standards and associated options for workstations and replacement schedules.
 - d. Increase agency budgets as required.
 - e. Develop and implement funding model.
3. Server consolidation - Continue to consolidate all agency-managed servers in the Information Technology Department.
 - a. Identify the replacement schedule for the remaining agency-managed servers.
 - b. Establish an associated consolidation schedule for each server based on the replacement schedule.
 - c. Identify plans to capture cost-savings on a case-by-case basis.
 - d. Work toward reducing the number of servers within the Information Technology Department and reduce staff accordingly.
 4. Information technology governance - Improve the existing information technology governance processes.
 - a. Finalize the formal evaluation approach for the State Information Technology Advisory Committee.
 - b. Create required tools, including business case templates, agency business plan templates, performance measures and associated targets, and meaningful management reports.
 - c. Gather baseline data on performance measures.
 - d. Establish an innovation fund.
 - e. Implement a portfolio management mechanism.

In response to a question from Representative Svedjan, Mr. Silverman said an analysis of the state's current workstation environment was not within the scope of the study; however, it is an area that may be reviewed.

In response to a question from Representative Winrich, Mr. Silverman said the maximum savings relating to workstation support and server consolidation will be achievable only through aggressive management and the reduction in costs associated with agency partial FTEs supporting the effort.

In response to a question from Representative Skarphol regarding tracking of information technology expenditures, Mr. Borgen said the implementation of accounting codes for tracking information technology expenditures could be accomplished by the Office of Management and Budget, with input from the State Information Technology Advisory Committee.

In response to a question from Representative Skarphol regarding agency information technology plans, Mr. Silverman said state agencies must see the

value in completing information technology plans for the plans to be valuable documents.

In response to a question from Representative Skarphol, Mr. Silverman said the total "executive information technology budget" reported for the state of North Dakota of approximately \$55 million is the state's annual information technology operating budget, not including the judicial and legislative branches, higher education, or the Bank of North Dakota. He said the amount does not include any funding for information technology capital expenses such as the enterprise resource planning system initiative or ConnectND.

In response to a question from Representative Skarphol regarding the PeopleSoft enterprise resource planning system product, Mr. Silverman said the product is a complex product that can be used by entities for several functions; however, the complexity of the product may cause implementation problems. Mr. Borgen said employee resistance to procedural changes oftentimes causes functionality issues.

In response to a question from Representative Skarphol regarding the consultant's review of the ConnectND project, Mr. Borgen said Pacific Technologies, Inc., recommends the state explore contracting with an objective third party to evaluate progress and identify specific areas of concern at key milestones of the project. He said the recommendation is based on experiences of other entities implementing large information technology projects and is not based on the current implementation status of the ConnectND project.

Mr. Bill Goetz, Chief of Staff, Governor's office, commented on the information technology organizational and management studies draft final report. He said the Governor's office has been kept informed on the information technology organizational and management studies and the information technology functional consolidation process. He said as recommendations are finalized and implemented, patience and open communications with state agencies will be critical. He said the recommendations have large policy issues and it will be important for the committee to consider long-term benefits for the state.

In response to a question from Representative Skarphol regarding the budget process, Mr. Goetz said an enterprisewide review of information technology could be presented to the 2005 Legislative Assembly Appropriations Committees.

Representative Skarphol said the information technology organizational and management studies do not address the area of information technology applications. He said that area does need to be addressed by both the legislative and executive branches of government to determine how to better serve state agencies and citizens of the state.

Mr. Roger Hertz, Director, Information Management Division, Department of Human Services, commented on the information technology

organizational and management studies draft final report. He said 75 percent of the department's information technology functions are performed outside the city of Bismarck, and therefore he is concerned with the consolidation of workstation support and help desk services within the Information Technology Department. He said he is concerned with the possibility that the state may use funding typically provided for application services for implementing the standardized workstation environment. He said equal funding should be provided for workstation services and application services.

Mr. Alvin A. Jaeger, Secretary of State, commented on the information technology organizational and management studies draft final report. A copy of his comments is on file in the Legislative Council office. He said he is concerned with the data included in the report pertaining to the Secretary of State's information technology staff.

Mr. Lynn Helms, Director, Oil and Gas Division, Industrial Commission, commented on the information technology organizational and management studies draft final report. He said he is concerned with the data included in the report pertaining to the workstation count for the Industrial Commission.

In response to a question from Senator Robinson, Mr. Jim W. Smith, Legislative Budget Analyst and Auditor, said state agencies could provide comments regarding the factual data contained in the information technology organizational and management studies draft final report to Techwise Solutions LLC, the consultant manager, and Techwise Solutions LLC could forward the comments to Pacific Technologies, Inc.

Chairman Robinson suggested committee members and state agencies review the draft final report for the information technology organizational and management studies in terms of the factual data presented and provide comments to Techwise Solutions LLC, the consultant manager, and Techwise Solutions LLC forward the comments to Pacific Technologies, Inc.

It was moved by Senator Wardner, seconded by Representative Winrich, and carried on a roll call vote that Techwise Solutions LLC, the consultant manager, provide committee and state agency comments regarding the draft final report to Pacific Technologies, Inc., by December 8, 2003. Senators Robinson, Christmann, Schobinger, Seymour, and Wardner and Representatives Glassheim, Kempenich, Skarphol, Svedjan, Weisz, and Winrich voted "aye." No negative votes were cast.

It was moved by Representative Skarphol, seconded by Senator Wardner, and carried on a roll call vote that Pacific Technologies, Inc., make available the final report by January 6, 2004, instead of December 19, 2003. Senators Robinson, Christmann, Schobinger, Seymour, and Wardner and

Representatives Glassheim, Kempenich, Skarphol, Svedjan, Weisz, and Winrich voted "aye." No negative votes were cast.

The committee recessed for lunch at 12:05 p.m. and reconvened at 1:00 p.m.

Mr. Wolfe commented on the information technology organizational and management studies. He said in regard to Pacific Technologies, Inc.'s recommendation relating to the ConnectND project, the state has not brought in an objective third party to perform oversight responsibilities due to budget concerns and the state's extensive project implementation partnership with Maximus.

OTHER COMMITTEE RESPONSIBILITIES

Mr. Jerry Fossum, Director, Telecommunications Division, Information Technology Department, presented information on the future vision of the statewide wide area network. A copy of the information is on file in the Legislative Council office. He said the Information Technology Department has implemented a statewide information technology network that connects approximately 194 cities and 500 physical locations across the state. He said the state's contract with Dakota Carrier Network expires in June 2006. He said it will take approximately two and one-half years to plan, bid, and implement a network upgrade that will meet information technology requirements through the year 2013 and beyond. He said the future network technology will include optical networking, wireless access, virtual private networking, and legacy broadband. He said the department anticipates issuing a request for proposals relating to the network upgrade in summer 2005 and beginning implementation of the network upgrade in spring 2006.

In response to a question from Representative Skarphol, Mr. Fossum said higher education does have access to Internet 2; however, that is not considered part of the statewide wide area network.

In response to a question from Representative Svedjan, Mr. Fossum said the department does not yet have any estimates as to the potential cost of the statewide wide area network upgrade.

Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, presented information on the Information Technology Department's 2003-05 biennium budget. A copy of the information is on file in the Legislative Council office. He said the Information Technology Department's legislative appropriation for the 2003-05 biennium reflected a \$1 million general fund budget reduction. He said to recover the budget reduction the department reduced funding for the statewide wide area network by \$250,000 and implemented a one-time billing adjustment for telephone and data processing services to recover \$500,000 and \$250,000, respectively. He said state agencies'

information technology budgets should not be affected by the one-time charges because the department will be lowering telephone and data processing billing rates for the remainder of the 2003-05 biennium.

Ms. Pam Sharp, Director, Office of Management and Budget, reported on the status of the implementation of the ConnectND project. She said the project continues to progress according to schedule and within budget. She said one of the largest challenges for state government's implementation is the payroll cycle. She said at the present time the state's payroll cycle is paid monthly on the first workday with no timelag; however, the PeopleSoft enterprise resource planning system product requires a timelag for payroll. She said project teams are developing pay period options including a monthly payroll with a timelag and semimonthly payrolls with an eight-day or two-week timelag. She said project teams will be meeting with representatives of state agencies to discuss pay period options during the first week in December 2003 and the project executive team will make a decision regarding the payroll cycle by December 31, 2003. She said the Office of Management and Budget is in the process of updating the ConnectND project return on investment document and the update will be available in January 2004.

In response to a question from Representative Svedjan, Ms. Sharp said the state's current payroll cycle is monthly paid on the first of the month with no lag with a supplemental payroll paid on the eighth of the month for hourly employees and overtime payments.

Mr. Grant Crawford, Chief Information Officer, University System, reported on the status of the implementation of the ConnectND project. A copy of the information is on file in the Legislative Council office. He said the University System office, Mayville State University, and Valley City State University are utilizing several ConnectND modules, including accounts payable, general ledger, purchasing, core human resources, base benefits, payroll, recruiting and admission, financial aid, student records, student finance, and the portal. He said several additional modules will be implemented at these sites over the next year. He said the remaining nine campuses will implement the admissions, recruitment, financial aid, and student records modules in May and June 2004 and will implement the remaining student, financial, and human resource modules in July 2004. He said the overall project status remains on schedule.

Ms. Amy Richter, student, North Dakota State University, provided a computer demonstration of the ConnectND system.

In response to a question from Representative Svedjan, Ms. Richter said students are allowed to pay tuition bills on-line through the use of a checking or savings account automated clearinghouse withdrawal or a credit card payment.

Mr. Dan Pullen, Director, Educational Technology Council, Fargo, presented information regarding primary and secondary education information technology issues. A copy of the information is on file in the Legislative Council office. He said the Educational Technology Council has established a School Data Collection Committee to study current data collection requirements and processes and to determine ways to streamline processes to better serve kindergarten through grade 12 schools. He said the committee developed a set of guiding principles that should be useful in informing the development of new data collection processes and the coordination of existing systems and processes, worked to identify specific cases of duplicate data reporting, began coordinating reporting requirements and processes among data collection systems, and investigated state and federal initiatives that may impact data collection in kindergarten through grade 12 schools.

In response to a question from Representative Kempenich, Mr. Pullen said in the long term, the state will need to develop a statewide integrated school data system for local, state, and federal reporting.

LARGE PROJECT REPORTS

Ms. Nancy Walz, Director, Policy and Planning Division, Information Technology Department, distributed a copy of the department's large project summary for the quarter ending September 30, 2003. A copy of the summary is on file in the Legislative Council office. She said at the present time, there are 15 projects either on or ahead of schedule and on or under budget. She said there is one new project being reported this period, the Department of Human Services Medicaid working disabled project. She said the department is closely monitoring the following three projects:

1. The Bank of North Dakota guarantor project.
2. The State Department of Health health alert network project.
3. The State Department of Health disease-reporting epidemiological assessment and monitoring system.

Mr. Steve Cochrane, Executive Director, Retirement and Investment Office, presented information regarding the agency's pension administration system. A copy of the information is on file in the

Legislative Council office. He said the Retirement and Investment Office utilizes a 20-year-old custom-built mainframe system to help automate its pension administration services. The office has experienced a growing number of problems and difficulties with the system, and therefore the office hired MSI System Integrators to perform a study to help determine the best solution for addressing the needs of the office. MSI System Integrators recommended the agency purchase a leading package software solution and develop and distribute a request for proposal to possible vendors. He said the agency developed and distributed a request for proposal document and has received three responses. Of the three responses, one was eliminated due to a poor functionality evaluation. He said the agency has completed an on-site client visit and the other is scheduled in the next few weeks. He said the agency anticipates awarding a contract for the project in January 2004 and completing the project by September 2005.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Chairman Robinson said a representative of the Bank of North Dakota will provide an update on the Bank's guarantor project at the committee's next meeting.

Chairman Robinson said the committee's next meeting is tentatively scheduled for Tuesday, January 13, 2004, beginning at 9:00 a.m. in the Roughrider Room, State Capitol, Bismarck.

The committee adjourned subject to the call of the chair at 3:15 p.m.

Roxanne Woeste
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1