

**Information Technology Department
Budget No. 112
Senate Bill Nos. 2021 and 2345; House Bill No. 1505**

	FTE Positions	General Fund	Other Funds	Total
2021-23 legislative appropriation	479.00	\$28,975,953	\$291,571,105	\$320,547,058
2019-21 legislative appropriation	402.00	28,565,311	382,900,560	411,465,871
2021-23 appropriation increase (decrease) to 2019-21 appropriation	77.00	\$410,642	(\$91,329,455)	(\$90,918,813)

Item Description

FTE position changes - The 2021 Legislative Assembly authorized the Information Technology Department (ITD) a total of 479 FTE positions, an increase of 77 FTE positions from the 2019-21 biennium, as follows:

	FTE Increase (Decrease)
Transferred 53 FTE positions from 10 agencies to ITD for the information technology (IT) shared services unification initiative	53.00
Added cybersecurity FTE positions	29.00
Removed undesignated FTE positions	(5.00)
Total	77.00

Status/Result

The FTE positions authorized as part of the IT shared services unification initiative have been transferred to ITD. See the **Shared services IT unification** section below.

Through March 2022, the department reported the 29 FTE cybersecurity positions were either hired or in the process of being hired. The 5 FTE undesignated positions have been removed.

One-time funding - The Legislative Assembly appropriated \$57.9 million of one-time funding to ITD for the 2021-23 biennium, of which \$45.4 million was appropriated during the November 2021 special legislative session, as follows:

Program	General Fund	Other Funds	Total Funds
Health information funding and transfer		\$6,000,000	\$6,000,000
Cybersecurity operating expenses ¹		6,500,000	6,500,000
Broadband infrastructure grants ²		45,000,000	45,000,000
North Dakota Stockmen's Association brand inspection program grant ³		401,000	401,000
Total	\$0	\$57,901,000	\$57,901,000

¹Funding for cybersecurity operating expenses is from the federal Coronavirus Relief Fund.

²Funding for broadband infrastructure grants is from the federal Coronavirus Capital Projects Fund.

³Funding for a grant to the North Dakota Stockmen's Association to convert a paper-based brand inspection program to an electronic system is from the federal State Fiscal Recovery Fund.

The following is a summary of the status of ITD's one-time funding items:

Health information funding and transfer	See the Health information funding and transfer section below.
Cybersecurity operating expenses	The department spent the entire \$6.5 million appropriation by December 2021. See the Federal COVID-19 funding - 2019-21 biennium section below for more information on cybersecurity spending.
Broadband infrastructure grants	The Office of Management and Budget and ITD submitted a broadband infrastructure grant plan to the United States Department of the Treasury in December 2021. Through March 2022, the state has not received federal funding for the Coronavirus Capital Projects Fund. The Information Technology Department has started the application process for potential recipients of grant funding. Due to the delay in receiving funding from the federal government, ITD anticipates requesting an exemption from the Legislative Assembly to continue this funding into the 2023-25 biennium.
North Dakota Stockmen's Association brand inspection program grant	Through March 2022, the North Dakota Stockmen's Association has not requested funding from ITD for costs of converting the brand inspection program to an electronic system.

Federal COVID-19 funding - 2019-21 biennium - In House Bill No. 1395 (2021), the Legislative Assembly appropriated \$61,868,226 from the Coronavirus Relief Fund to ITD for the 2019-21 biennium. The Legislative Assembly authorized the funding to be continued into the 2021-23 biennium. During the 2021 regular legislative session, ITD anticipated the funding would be spent as follows:

- \$29.6 million - Cybersecurity expenses to address an increase in security incidents related to the COVID-19 pandemic, including contractor support, additional software and licenses, staff training, and on-call third-party support for large-scale incidents;
- \$21.2 million - Telework expenses, including the upgrade to Microsoft Office 365 and purchasing equipment, such as laptops, headsets, and network and server hardware to meet additional capacity needed for state employees working remotely; and
- \$11.1 million - Digital government expenses to establish an enterprise-level call center, automate manual processes, and conduct an assessment of state employee remote work capabilities.

Line item transfers - Section 4 of Senate Bill No. 2021 authorizes the Office of Management and Budget to make transfers of funds between line items of ITD as may be requested by the Chief Information Officer as necessary for the development and implementation of IT projects.

Phone equipment - Section 11 of Senate Bill No. 2021 provides legislative intent that ITD supply at least one physical phone in each state agency, give state agencies the option of having a physical phone for each employee in the agency, and allow the head of each agency to determine the number of phones provided to the agency.

Shared services IT unification - During the 2017-18 interim, ITD began a shared services IT unification plan that includes consolidating IT services, such as desktop support, help desk services, and IT personnel in executive branch state agencies. The department intends to use the unification plan to improve IT productivity by establishing common systems and processes for communication and collaboration among executive branch agencies. The department reported the unification plan will focus on cost reduction and operational efficiencies and provide data hosting, storage, and archiving opportunities. The department believes the unification plan will reduce redundancies in executive branch agencies, decrease enterprise risk, improve IT investment success, and maximize cyber defense.

The 2019 Legislative Assembly authorized a shared services IT unification pilot project and transferred 96 FTE positions from five agencies to ITD.

The 2021 Legislative Assembly approved additional unification of state government IT resources and personnel, including the transfer of 53 FTE positions from 10 agencies to ITD. The following is a summary of FTE

Through December 2021, the department spent \$61,614,094 of the \$61,868,226 supplemental appropriation from the Coronavirus Relief Fund in House Bill No. 1395, of which \$60,281,145 was spent during the 2019-21 biennium and \$1,332,949 was spent during the 2021-23 biennium. The remaining \$254,132 was returned to the fund to be reallocated to other agencies prior to the end of calendar year 2021.

Actual spending from Coronavirus Relief Fund appropriations in House Bill No. 1395 is as follows:

Program	Coronavirus Relief Fund House Bill No. 1395 Actual Spending
Cybersecurity	\$28,388,702
Telework	25,396,388
Digital government	7,829,004
Total	\$61,614,094

Through March 2022 no transfers between line items have been made. The department does not anticipate any line item transfers will be necessary during the 2021-23 biennium.

The department reported physical phones are supplied to any state agency if requested. While not mandatory, ITD encourages the use of softphones due to lower costs compared to physical phones. The cost of physical phones is paid by the requesting state agency.

The 53 FTE positions have been transferred to ITD. The department reports as a result of unification, ITD has been able to provide additional IT resources for agencies that had limited resources prior to unification and that IT staff are offered additional opportunities for training and promotions compared to opportunities available with smaller IT staffs in their pre-unification agencies. The department noted while FTE positions and resources continue to be integrated, efficiencies are being realized by providing desktop support services, reducing hardware and procurement redundancies, and facilitating additional collaboration between agencies.

The Legislative Management has assigned the responsibility for the study provided for in Section 14 to the Information Technology Committee. The department will report any efficiencies gained and cost-savings realized as a result of the 2021-23 biennium IT unification initiative to the committee in the summer of 2022.

The department does not anticipate requesting the transfer of additional IT-related FTE positions to ITD for IT unification during the 2023 legislative session.

positions transferred to ITD as a result of the 2019-21 and 2021-23 biennium IT unification initiatives.

Agency	FTE Transferred		Total FTE Transferred
	2019-21 Biennium	2021-23 Biennium	
110 - Office of Management and Budget		4.00	4.00
190 - Retirement and Investment Office		2.00	2.00
226 - Department of Trust Lands	2.00		2.00
301 - State Department of Health		4.00	4.00
303 - Department of Environmental Quality		1.00	1.00
325 - Department of Human Services	48.00		48.00
380 - Job Service North Dakota		16.00	16.00
471 - Bank of North Dakota		16.00	16.00
504 - Highway Patrol		2.00	2.00
530 - Department of Corrections and Rehabilitation		6.00	6.00
540 - Adjutant General - Department of Emergency Services	4.00		4.00
601 - Department of Commerce		1.00	1.00
720 - Game and Fish Department		1.00	1.00
750 - Parks and Recreation Department	1.00		1.00
801 - Department of Transportation	41.00		41.00
Total	96.00	53.00	149.00

Section 10 of Senate Bill No. 2021 requires ITD to charge a state agency selected to participate in the 2021-23 biennium IT unification initiative a rate for the labor of any FTE position transferred to ITD during the 2021-23 biennium that may not exceed the salaries and wages and related operating expenses of the FTE positions for services the respective state agency was performing prior to the 2021-23 biennium. Legislative intent is provided that any FTE position transferred to ITD for the 2021-23 biennium IT unification initiative be transferred to the agency employing the position during the 2019-21 biennium, unless the 68th Legislative Assembly is presented with sufficient evidence of efficiencies gained and cost-savings realized by the state as a result of the 2021-23 biennium IT unification initiative. During the 2021-22 interim, ITD is required to report annually to the Legislative Management regarding any efficiencies gained and cost-savings realized as a result of the 2021-23 biennium IT unification initiative.

Section 14 of Senate Bill No. 2021 provides for a Legislative Management study of the effectiveness, efficiency, cost, and any cost-savings of the 2019-21 biennium and 2021-23 biennium IT unification initiatives and the feasibility and desirability of continuing these initiatives. The study must include a review of changes in fees, services, operations, processes, and systems.

Health information network expansion - In Section 1 of Senate Bill No. 2021 (2017), the Legislative Assembly appropriated \$43.6 million for the North Dakota Health Information Network (NDHIN) expansion project, a project designed to provide for the secure exchange of health information to enable clinical users such as providers, nurses, and clerical staff to easily and efficiently view information relating to a patient's electronic medical records.

Of the amount appropriated to ITD, \$40.5 million is from federal Health Information Technology for Economic and Clinical Health (HITECH) funds distributed by the federal Centers for Medicare and Medicaid Services (CMS) to the Department of Human Services. Federal funds were available through a Medicaid advanced planning document and require a 10 or 15 percent match. The matching funds were generated from billings to providers, payers, and from the electronic health information exchange fund.

Funding was projected to be available for the project through the 2021-23 biennium with an anticipated completion date of September 2021; however, due to funding changes made by the federal government, the Department of Human Services and ITD do not anticipate receiving the entire amount for the project.

Health information funding and transfer - As a result of changes made by the federal government, it is anticipated federal funding for NDHIN will be limited starting in the 2021-23 biennium, as CMS will only match up to 15 percent of funding spent for state health information networks, rather than 85 to 90 percent.

The 2021 Legislative Assembly added \$5.5 million of federal funds, resulting in a total of \$6 million of federal funds spending authority available to ITD for the Health Information Technology Office for the 2021-23 biennium.

In Section 3 of Senate Bill No. 2021, the Legislative Assembly identified an additional \$6 million of one-time funding is included in Section 1 of the bill from the health information technology planning loan fund, which the Bank of North Dakota is required to transfer, at the request of the Chief Information Officer, to the electronic health information exchange fund for the purpose of defraying the expenses of the Health Information Technology Office and NDHIN during the 2021-23 biennium.

Legislative intent is provided that the funding from the information technology planning loan fund be transferred only to the extent federal funding is not available to defray the expenses of the Health Information Technology Office and NDHIN during the 2021-23 biennium.

Funding for the Health Information Technology Office and NDHIN for the 2021-23 biennium is as follows:

Federal Funds	Health Information Technology Planning Loan Fund ¹	Electronic Health Information Exchange Fund ¹	Total
\$6,000,000	\$6,000,000	\$2,725,871	\$14,725,871

¹Funding in the electronic health information exchange fund consists primarily of payments made by providers participating in the health information network.

The Information Technology Department anticipates \$1 million of HITECH funds will be available during the 2021-23 biennium, resulting in a total of \$22 million received for the project since the 2017-19 biennium.

The Centers for Medicare and Medicaid Services certified NDHIN as a Medicaid management information system in February 2022, which may allow ITD to request up to 75 percent federal reimbursement for eligible network expenditures; however, the department continues to work with CMS regarding which network costs are considered eligible for reimbursement and the appropriate cost allocation formula for expenditure reimbursements. When a cost allocation formula is approved by CMS, the department will be able to submit expenditure reimbursement requests for costs incurred since October 2021 which were not reimbursable with HITECH funding.

The Information Technology Department anticipates \$1,880,401 of federal funding from CMS may be available during the 2021-23 biennium. It is unknown how much funding will be available from the federal government for the NDHIN project during the 2023-25 biennium.

Through March 2022, ITD has requested \$3 million be transferred from the health information technology planning loan fund to the electronic health information exchange fund and anticipates an additional \$500,000 will be requested, resulting in \$3.5 million transferred during the 2021-23 biennium.

The department anticipates receiving \$1 million of HITECH funds and \$1.9 million from CMS, resulting in \$2.9 million of federal funding available for the Health Information Technology Office during the 2021-23 biennium.

The department anticipates collecting \$1.2 million of payments from providers participating in NDHIN for deposit in the electronic health information exchange fund, the same amount collected during the 2019-21 biennium.

Statewide interoperable radio network (SIRN) - In Section 1 of House Bill No. 1178 (2017), the Legislative Assembly established a SIRN fund for the development and maintenance costs related to SIRN.

Section 4 of the bill amended North Dakota Century Code Section 57-40.6-02 to require political subdivisions to add a fee of \$0.50 to the fee imposed on assessed communication services. The additional \$0.50 per communication connection must be remitted to the State Treasurer for deposit in the SIRN fund.

In House Bill No. 1021 (2019), the Legislative Assembly appropriated \$12.33 million from the SIRN fund to ITD for the SIRN project for the 2019-21 biennium.

In Section 3 of House Bill No. 1435 (2019), the Legislative Assembly amended Section 37-17.3-03 to require the Chief Information Officer to establish a process to register and audit users of SIRN and to allow ITD to provide a state cost-share for each SIRN radio. The state cost-share for each radio is \$1,500, unless the cost of the radio is less than \$1,500, in which case the state cost-share is the cost of the radio.

Section 8 of House Bill No. 1435 appropriated one-time funding of \$120 million to ITD for SIRN, of which \$20 million is from the strategic investment and improvements fund, \$80 million is from a Bank of North Dakota line of credit, and \$20 million is from Bank profits. The department is required to repay the line of credit from funds available in the SIRN fund or other funds over a period not to exceed 20 years from the date of issuance of the line of credit, as appropriated by the Legislative Assembly. The Bank may not transfer any profits until ITD uses \$25 million of the line of credit.

In Senate Bill No. 2021 (2021), the Legislative Assembly appropriated \$14.19 million to ITD for the SIRN project during the 2021-23 biennium, of which \$12.33 million is from the SIRN fund and \$1.86 million was transferred from the general fund from the Department of Emergency Services Division of State Radio for SIRN tower maintenance operating expenses.

Section 9 of Senate Bill No. 2021 (2021) provides an exemption to allow ITD to continue the \$20 million appropriated from the strategic investment and improvements fund for SIRN for the 2019-21 biennium into the 2021-23 biennium.

Memorandums of understanding - House Bill No. 1417 (2021) allowed ITD to enter a memorandum of understanding with state and local government entities for the purposes of ensuring the confidentiality, availability, and integrity of state information systems and data, including consulting, developing cybersecurity strategy, prevention of cybersecurity incidents, and response strategies to cybersecurity incidents. The bill allows ITD to charge an amount equal to the cost of the services rendered by ITD to agencies that receive federal or special funds.

In January 2019, ITD awarded the SIRN contract to Motorola to provide a single, statewide solution for North Dakota public safety systems. The department negotiated a 10-year contract with Motorola for the maintenance of the SIRN system, including software support and upgrades. Infrastructure, devices, and equipment upgrades are not included in the maintenance agreement, although ITD has negotiated pricing for these items.

During the 2019 legislative session, the total estimated cost of the SIRN project was \$207.1 million, of which \$206 million has been contracted with Motorola for SIRN core infrastructure and public safety answering points (PSAPs) (\$9 million), the SIRN network (\$97 million), and subscriber devices (\$100 million). Network construction costs not contracted with Motorola are expected to total \$1.1 million. The estimated annual operating expenditures of SIRN were \$5 million to \$10 million.

The SIRN project was estimated to be a 5-year project; however, due to the COVID-19 pandemic and supply chain issues, ITD anticipates the SIRN project will be delayed and over budget.

In December 2019, \$20 million was transferred from the strategic investment and improvements fund to the SIRN fund. The department spent the entire amount during the 2019-21 biennium.

Through February 2022, 4,529 of an estimated 20,000 radios have been purchased by local public safety agencies and \$6.5 million of an estimated \$30 million of reimbursement requests have been submitted by these agencies for the state's \$1,500 cost-share responsibility for each radio. The department anticipates most local public safety agencies will purchase radios in 2023 and 2024.

In March 2022, ITD reported to the Information Technology Committee that the majority of PSAPs have converted to new Motorola consoles compatible with SIRN, with the remaining individual and multicounty PSAPs scheduled to convert in 2022 and the State Radio PSAP scheduled to convert in 2024.

During the 2019-21 biennium, ITD did not access funding from the \$80 million line of credit, resulting in the \$20 million of Bank of North Dakota profits not being transferred during the biennium. Through March 2022, ITD has accessed \$20 million of the line of credit.

The department anticipates requesting additional funding from the 2023 Legislative Assembly, including funding to replace the \$20 million of Bank of North Dakota profits appropriated to ITD for the 2019-21 biennium that were not used. The department has indicated ongoing funding for maintenance of SIRN will need to be considered.

The department has entered into memorandums of understanding with participating states for a multi-state joint cyber security operations center. The purpose of the memorandums of understanding is for the parties to securely share potential cybersecurity compromises, emerging threats, and attack patterns being used by cybercriminals and organizations for purposes of maintaining and enhancing the cybersecurity strategy of each party. Through March 2022, states participating in the joint cyber security operations center are North Dakota, South Dakota, Kansas, Montana, and New Jersey.