NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Monday, October 10, 2005
Roughrider 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, Randel Christmann, Randy A. Schobinger, Tom Seymour, Rich Wardner; Representatives Eliot Glassheim, Bette B. Grande, David Monson, Bob Skarphol, Robin Weisz; Chief Information Officer Curtis L. Wolfe

Member absent: Representative Keith Kempenich

Others present: See attached appendix

It was moved by Representative Skarphol, seconded by Representative Grande, and carried on a voice vote that the minutes of the July 20, 2005, meeting be approved as distributed.

REPORT FROM THE CHIEF INFORMATION OFFICER

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, presented information regarding:

- Procurement status of the statewide information technology network, including information regarding the current postalized rates and the anticipated rate structure for the new network.
- Status of the mainframe migration project.
- Status of the migration of the State Radio Communications system from analog to digital.

A copy of the information is on file in the Legislative Council office.

In regard to the procurement status of the statewide information technology network, Mr. Wolfe said the state's contract with Dakota Carrier Network for the statewide information technology network expires in June 2006; therefore, the department has started a procurement process for a new statewide information technology network to meet the state's needs for the next 7 to 10 years. He said the department released three separate requests for proposals relating to equipment, transport, and wireless aspects of the new network.

Mr. Wolfe said the purpose of the equipment request for proposal was to elicit proposals for customer premises equipment, including network and video equipment. He said the department received proposals from nine companies--AVI, Corporate Technologies, CDW, Enventis Telecom, High Point Networks, Graybar, Network Center, Qwest, and Wire One. He said the proposals were evaluated in four areas, including information technology solution; product support and customer service; experience, qualifications, and financial strength; and cost. He said the evaluation committee determined that by selecting the three highest scoring companies--AVI, Corporate Technologies, and Qwest--all of the equipment requested would be covered by at least one company. He said Qwest provided the best cost to the state and Corporate Technologies and AVI provided the best product support and customer service to the state.

Mr. Wolfe said the transport request for proposal consisted of Internet, backbone, and local access components. He said the department received proposals from three companies--Dakota Carrier Network, Qwest, and Sprint--for the Internet component. He said the proposals were evaluated in four areas, including information technology solution; product support and customer service; company qualifications, experience, and financial strength; and cost. He said after the department received clarification from Qwest and Sprint regarding various issues, the evaluation committee recommended the department begin contract negotiations with Sprint for a new Internet services contract.

Mr. Wolfe said the department received one proposal from Dakota Carrier Network for the backbone and local access components of the transport request for proposal; therefore, the department has decided to begin contract negotiations with Dakota Carrier Network for the backbone and local access components. He said the transport request for proposal requested two-tier pricing because the department had received many complaints from state agencies about the high cost of ATM T-1 access in urban areas and service providers did not support a single postalized rate for the entire state. He said the current rate for ATM T-1 access is $499 per month. He said the new rates proposed by Dakota Carrier Network are $349 per month for urban areas, including Fargo, West Fargo, Grand Forks, Jamestown, Devils Lake, Bismarck, Minot, Dickinson, and Williston and $609 per month for rural areas.

Mr. Wolfe said responses to the wireless request for proposal are to be received by the department by October 21, 2005. He said access to state-owned radio towers has been included as an incentive in the wireless request for proposal.

In response to a question from Senator Robinson, Mr. Wolfe said a majority of the rural ATM T-1 connections to the statewide information technology network are connections to school districts and county seats. He said increased connection costs for school districts would be covered in part by federal e-rate reimbursement funding.

Senator Christmann said he is not sure if it is appropriate to have different rates for ATM T-1 access for urban and rural areas.

In response to a question from Representative Skarphol, Mr. Wolfe said the state will have approximately 240 rural ATM T-1 connections to the network.

In response to a question from Representative Glassheim, Mr. Wolfe said the North Dakota Century Code (NDCC) provides that the department may not provide wide area network service to any private, charitable, or nonprofit entity, except the department may continue to provide the wide area network service the department provided to the private, charitable, and nonprofit entities receiving services from the department on January 1, 2003. He said the department may also provide wide area network service for a period not to exceed four years to an occupant of a technology park associated with a higher education institution or to a business located in a business incubator associated with a higher education institution.

In response to a question from Senator Christmann, Mr. Wolfe said the department anticipates responses to the wireless request for proposal from Alltel, Verizon Wireless, and Nextel.

In response to a request from Senator Christmann, Mr. Wolfe provided the committee with a map showing the locations of the state-owned radio towers. A copy of the map is on file in the Legislative Council office.

Mr. Wolfe said he would provide information regarding the procurement status of the statewide information technology network at the committee's next meeting.

In regard to the status of the mainframe migration project, Mr. Wolfe said the 2005 Legislative Assembly provided the department a $6 million special funds appropriation for software acquisition costs and consulting services for the mainframe migration project. He said the department has been working with Software AG, Inc., to review options and scenarios for migrating systems from the mainframe environment. He said potential savings resulting from migrating systems from the mainframe environment vary depending on whether the systems are migrated in a two-year or four-year period. He said there are three systems currently operating on the mainframe for which migration may not be feasible. He said those systems are the Department of Human Services Medicaid management information system, Bank of North Dakota student loan system, and Legislative Assembly LAWS system. He said migrating all systems in a two-year period will cost approximately $8.2 million and have a 4.7-year payback schedule. He said migrating all systems except for the three systems identified at the Department of Human Services, Bank of North Dakota, and Legislative Assembly over a four-year period will cost approximately $5.7 million and have a 5.7-year payback schedule.

In regard to the status of the migration of the State Radio Communications system from analog to digital, Mr. Wolfe said the Department of Emergency Services has signed a contract with Motorola for approximately $7.1 million for the conversion of state-owned radio towers from analog to digital. At the present time, he said, the project is approximately 40 percent complete and the Department of Emergency Services anticipates the project to be completed by October 2006.

In response to a question from Representative Skarphol, Mr. Wolfe said radio tower facilities owned by local political subdivisions will not be converted under the Department of Emergency Services agreement with Motorola.

Representative Skarphol requested the representatives of the Department of Emergency Services and the Association of Counties be present at the committee's next meeting to provide information regarding the conversion of state-owned and political subdivision-owned radio towers and wireless 911 services.

HIGHER EDUCATION INFORMATION TECHNOLOGY INITIATIVES

Mr. Grant Crawford, Chief Information Officer, North Dakota University System, presented information regarding the status of higher education information technology initiatives. He said the North Dakota University System has completed work on the On-line Dakota Information Network (ODIN) library system software project and has canceled work on implementing a learning management system due to lack of funding. He said the North Dakota University System will be working with kindergarten through grade 12 on videoconferencing and audioconferencing scheduling issues and the University System anticipates shutting off the legacy system that has been replaced by the ConnectND system at the end of October 2005.

In response to a question from Representative Skarphol regarding the legacy system, Mr. Crawford said information not transferred from the legacy system to the ConnectND system will be available for retrieval through the software product ImageNow.

In response to a question from Representative Glassheim, Mr. Crawford said many of the ConnectND system issues associated with payroll are being handled by individuals at the campus level. He said if the issues cannot be addressed at the campus level, the issues are forwarded to individuals at the North Dakota University System level.

In response to a question from Representative Skarphol, Mr. Crawford said except for the grants and contracts module, the North Dakota University System was able to implement the PeopleSoft software with very few major changes. He said the cost

of installing and testing upgrades to the PeopleSoft software is not known at this time.

ELEMENTARY AND SECONDARY TECHNOLOGY INITIATIVES

Ms. Jody French, Director, EduTech, Fargo, provided information regarding the status of elementary and secondary information technology initiatives. A copy of the information is on file in the Legislative Council office. She said Educational Technology Council initiatives include:

- Video grants - Video grants will be available to 24 public high schools without video classrooms. The grants require a 60 percent local match and will be awarded in January 2006.
- Classroom transformation grants - Classroom transformation grants will be available to schools as startup grants for new and expanded uses of technology in the classroom. The grants require a 50 percent local match and will be awarded competitively by June 2006.
- Atomic learning - The council is utilizing funding of $175,000, of which $55,000 is from the 2005-07 general fund appropriation for the council and $120,000 is from federal funds, for implementing an atomic learning project. The project will enable students, educators, and parents to complete online professional development.
- Statewide e-rate reimbursement application - The council's 2005-06 statewide e-rate reimbursement application is currently in review by the Universal Service Administrative Company and the Schools and Libraries Division.

Ms. French said EduTech initiatives include:

- PowerSchool - EduTech assists school districts in implementing the PowerSchool application. At the present time, there are 74 school districts using the application with approximately 5 school districts to be added in 2006.
- Professional development - EduTech provides professional development to school districts in several areas, including atomic learning, e-rate, information technology security, and Internet safety.
- Core information technology services and help desk - EduTech distributed and supports anti-virus software for school districts.
- Videoconferencing and curriculum enrichment - EduTech collaborates with higher education on Internet2 projects.
- Data warehousing - EduTech provided support for up to 16 participating schools for the last two years for the Department of Public Instruction's TetraData project. She said participation in the project is low and many of the small schools feel they do not have the resources or the need to participate.

Ms. French said in regard to the Division of Independent Study, the 2005-06 enrollments and budget are consistent with projections and with the division's 2010 self-sufficiency plan. She said the division is working on a North Dakota civics education project and a North Dakota studies project.

In response to a question from Mr. Wolfe, Ms. French said EduTech did not renew its contract with the Department of Public Instruction to provide support for schools participating in the TetraData project due to low participation by school districts. At the present time, she said, the four largest school districts have begun a new process to identify data warehousing needs.

In response to a question from Representative Skarphol, Ms. French said PowerSchool is a web-based student information system that includes features such as student scheduling, student attendance, and student performance and TetraData is a student data analysis and reporting system to be used by school districts as a student information analysis tool.

In response to a question from Senator Christmann, Ms. French said she is not aware of any instances where a video classroom has resulted in the elimination of a teaching position. She said many school districts utilize video classrooms to compensate for hard-to-recruit teacher positions.

INFORMATION TECHNOLOGY DEPARTMENT - BUSINESS PLAN

Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, distributed a copy of the department's 2005-07 strategic business plan, a copy of which is on file in the Legislative Council office. Mr. Ressler said the department's 2005-07 strategic business plan includes seven goals the department must accomplish to effectively achieve its mission to provide leadership and knowledge to assist customers in achieving their mission through the innovate use of information technology. The following is a summary of the goals and objectives included in the plan:

Goal	Objectives
Be the preferred provider of strategic information technology services for government and education	Define and pursue opportunities for creating, expanding, or eliminating services
	Make it easy for customers to conduct business with the department
	Meet or exceed customer expectations for service
Manage revenue sources to recover costs and to ensure competitive and stable rates	Charge competitive rates for comparable services while maintaining the appropriate operating reserve
	Develop budget rates for each biennium and not exceed those rates for the biennium
Cost-effectively invest in technology	Reduce information technology operating cost where desirable

Goal	Objectives
	Deploy statewide contracts to maximize state purchasing power with assistance from enterprise architecture, the State Procurement Office, and others
	Provide enterprise solutions to reduce duplication of systems
Communicate the value of information technology and promote Information Technology Department services to stakeholders	Provide current information in a variety of formats
	Communicate rate components and related value
	Communicate the results of the department's strategic initiatives
Continually improve effectiveness and efficiency	Consistently deliver services to meet customers' business needs
	Refine and improve the department's administrative processes
	Refine and improve the department's leadership practices
Provide vision and direction for information technology investments in North Dakota government	Develop, maintain, and follow short- and long-term technology plans with assistance from enterprise architecture and other agencies
Employ individuals with the knowledge, skills, and abilities to meet the department's current and future business needs	Provide a work environment that results in a high level of employee satisfaction
	Continue to support employee growth and development to support the department's business needs
	Attract and hire quality people

INFORMATION TECHNOLOGY DEPARTMENT - ANNUAL REPORT

Mr. Ressler distributed a copy of the department's annual report on information technology projects, services, plans, and benefits, pursuant to NDCC Section 54-59-19. A copy of the report is on file in the Legislative Council office. He said the annual report includes an executive summary, executive highlights, information on the department's strategic planning and performance, and information on the department's performance.

Mr. Ressler said for fiscal year 2005 actual agency spending on information technology services from the Information Technology Department totaled approximately $33 million, including approximately $3.1 million for telephone services, $5.5 million for network services, $7.2 million for mainframe services, and $7.1 million for software development analysis. He said the executive budget recommendation for the 2005-07 biennium included approximately $175.2 million for information technology spending by state agencies, which is approximately 3.5 percent of the overall budget.

In response to a question from Senator Robinson regarding other states' information technology spending, Mr. Ressler said information technology spending for the state of North Dakota of approximately 3.5 percent of the overall budget is similar to the percentage of information technology spending in other states.

In response to question from Representative Skarphol, Mr. Ressler said the department would provide the committee with an analysis of the department's revenue compared to the department's legislative appropriation.

Mr. Ressler said for fiscal year 2005, state agencies completed 14 large information technology projects. Of the 14 projects, he said, 12 projects were completed under budget for a total of $1,444,518. He said the remaining two projects were over budget for a total of $1,934,261, which was less than 20 percent of each total project budget.

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

Performance Measures	Baseline (Previous Years)	Current Status (June 2005)	Target
Acceptable level of total net assets	2002 - 1.4 2003 - 1.6 2004 - 1.4	2.0	< or = to 2.0
Percentage of Information Technology Department rates reported in annual report that are competitive	2004 - 100%	100%	100%
Total number of customer projects and service requests completed	2004		
Projects	20,826	22,114	Monitor
Service requests	21,742	30,828	Monitor
Customer satisfaction indexes (percentages satisfied or very satisfied) relating to:	2003-2004		
Value	86.1-88.1%	91.4%	92%
Timeliness	90.2-91.6%	95.3%	97%
Quality	94.2-92.3%	90.9%	97%
Knowledge	96.1-97.3%	96.8%	98%
Professionalism and courtesy	96.9-98.1%	96.4%	100%
Employee satisfaction index	2002 - 2.010 2003 - 1.983 2004 - 1.961	1.961	2
Controllable employee turnover	2002 - 2.4% 2003 - 1.9% 2004 - 3.2%	4.5%	Below 6.0%
Percentage of service levels met	100%	100%	100%
Percentage of strategic business plan objectives completed or on schedule	2002 - 50% 2003 - 65% 2003 - 72%	73%	75%

Mr. Ressler said the department tracks and monitors the cost and revenue for each service to ensure that service is not subsidizing another service. He said the federal government does not allow the department to charge rates that generate revenues in excess of costs; therefore, the department monitors its cash balances and adjusts rates accordingly. He said the department also monitors what other entities are charging for similar services in an effort to maintain quality services at a fair price. The following is a

summary of rate comparisons for the services that generate a majority of the department's total revenue:

Service	North Dakota Information Technology Department Rates	South Dakota Bureau of Information Technology Rates	Montana Information Technology Services Division Rates	Wisconsin Division of Enterprise Technology Rates
Central computer central processing unit (CPU) rates	**Batch CPU** - $.93 per second	**Batch CPU** - $1.28 per second	**Batch CPU** - $1.90 per second	**Batch CPU** - $.93 per second
	CICS CPU - $.93 per second	**CICS CPU** - $1.28 per second	**CICS CPU** - $.55 per second	**CICS CPU** - $1.23 per second
	ADABAS CPU - $.98 per second	**ADABAS CPU** - $1.28 per second	**ADABAS CPU** - $1.08 per second	**ADABAS CPU** - $1.23 per second
	TSO CPU - $.93 per second	**TSO CPU** - $1.28 per second	**TSO CPU** - $2.32 per second	**TSO CPU** - $1.23 per second
Network fees	**Device fee** - $29 per device per month	**Device fee** - $48 per device per month	**Device fee** - $72.60 per device per month	**Device fee** - $55 per device per month
	DSL service - Actual cost (ranges from $40 to $120)	**DSL service** - N/A	**DSL service** - $250 per month	**DSL service** - $665 per month
	ATM T-1 service - $840 per month	**ATM T-1 service** - N/A	**ATM T-1 service** - $650 per month	**ATM T-1 service** - $1,067 per month
		Access fee - $50 per device per month		

TELEPHONE FEES	
North Dakota Information Technology Department rates	Telephone line - $21 per device per month Speaker function - $2 per month Display function - $3 per month Voice mail (unlimited) - $3 per month
South Dakota Bureau of Information Technology rates	Telephone line - $10 per device per month* Speaker function - Actual cost Display function - Actual cost Voice mail (unlimited) - $6 per month
Montana Information Technology Services Division rates	Telephone line - $26 per device per month Speaker function - $7 per month Display function - $10 per month Voice mail (three-minute limit) - $5 per month Voice mail (six-minute limit) - $8 per month Voice mail (ten-minute limit) - $10 per month
Wisconsin Division of Enterprise Technology	Telephone line - N/A Speaker function - Actual cost Display function - Actual cost Voice mail (unlimited) - $6 per month

*The customers buy their own telephone device.

LONG DISTANCE	
North Dakota Information Technology Department rates	In state - $.05 per minute Out of state - $.05 per minute 800 service - $.07 per minute
South Dakota Bureau of Information Technology rates	In state - $.09 per minute Out of state - $.10 per minute 800 service - $.10 per minute
Montana Information Technology Services Division rates	In state - $.105 per minute Out of state - $.105 per minute 800 service - $.10 per minute
Wisconsin Division of Enterprise Technology	In state - $.03 per minute Out of state - $.03 per minute 800 service - $.047 per minute
Minnesota Department of Administration	In state - $.059 per minute Out of state - $.047 per minute 800 service - $.047 per minute
Nebraska Division of Communications	In state - $.07 per minute Out of state - $.07 per minute 800 service - $.07 per minute
Oklahoma Office of State Finance	In state - $.09 per minute Out of state - $.09 per minute

LONG DISTANCE	
	800 service - $.11 per minute

SOFTWARE DEVELOPMENT		
	Location	Billing Rate Per Hour of Service
Information Technology Department	Bismarck, North Dakota	$54 - $58
CIBER	Vancouver, Washington	$40 - $100
Objects Worldwide	Fairfax, Virginia	$45 - $65
Moten Tate	Orlando, Florida	$50 - $95
Bpro, Inc.	Pierre, South Dakota	$55 - $85
Compuware Corporation	Plymouth, Minnesota	$55 - $125
Tier Technologies	Albuquerque, New Mexico	$60 - $120
Nexus Innovations	Bismarck, North Dakota	$65 - $130
Eide Bailly LLP	Bismarck, North Dakota	$65 - $140
Internet Design & Consulting	Bismarck, North Dakota	$70 - $75
Vision Technology	Bismarck, North Dakota	$70 - $75
Everest Consultants, Inc.	Beaverton, Oregon	$70 - $150
Strategic Business Engineering	Fargo, North Dakota	$75 - $95
Applied Engineering, Inc.	Bismarck, North Dakota	$75 - $100
StrataCom	Fargo, North Dakota	$75 - $125
Enterprise Solutions, Inc.	Bismarck, North Dakota	$75 - $140
Intertech Software	St. Paul, Minnesota	$105 - $150
Maximus	Rancho Cordova, California	$145 - $185

OTHER INFORMATION

Mr. Patrick Forster, Information Technology Department, provided information regarding the department's information technology vendor pool initiative. A copy of the information is on file in the Legislative Council office. He said due to an ongoing need for information technology contract professionals in a variety of skill-set categories, the department issued a request for proposal for the establishment of a pool of information technology vendors for each skill-set category in July 2005. He said the information technology skill-set categories are mainframe programmer/analyst, client-server programmer/analyst, Microsoft access programmer/analyst, J2EE programmer/analyst, Microsoft.Net programmer/analyst, PeopleSoft programmer/analyst, web designer, project manager, information technology business analyst, PeopleSoft analyst/integration specialist, and desktop support specialist. He said the department accepted 22 of the 26 proposals received for the vendor pool. The following is a summary of the accepted vendor pool proposals:

	Applications Developer - Programmer/Analyst					
Vendor	**Mainframe**	**Client-Server**	**MS Access**	**J2EE**	**.Net**	**PeopleSoft**
Applied Engineering, Inc.			X		X	X
Bpro, Inc.			X		X	
CIBER	X	X	X	X	X	X
Compuware Corporation	X		X	X	X	
Eide Bailly LLP	X	X	X	X	X	X
Enterprise Solutions, Inc.	X	X		X	X	
Everest Consultants, Inc.		X		X	X	X
Internet Design & Consulting		X	X		X	
Intertech Software		X		X	X	
Maximus						X
Moten Tate	X	X	X	X	X	X
Nexus Innovations		X			X	
Objects WorldWide		X		X	X	
Scientific Technologies				X		
StrataCom		X	X	X	X	
Strategic Business Engineering			X			
Tier Technologies	X	X		X	X	
Vision Technology		X	X		X	

Vendor	Web Design	Project Manager	Business Analyst	PeopleSoft Integrator	Desktop Support
Applied Engineering, Inc.	X	X	X		X
Bpro, Inc.	X				
CIBER	X	X	X	X	X
Compuware Corporation	X	X	X		
Eide Bailly LLP	X	X	X		X
Enterprise Solutions, Inc.		X	X		X
Everest Consultants, Inc.	X	X	X	X	
HURDIDIT	X				
iNet Technologies	X				
Internet Design & Consulting	X				X
Intertech Software	X	X	X		
Maximus		X		X	
Moten Tate	X	X	X	X	X
NDACo					X
NetWork Center	X				X
Nexus Innovations		X	X		
Scientific Technologies		X	X		
StrataCom	X		X		
Strategic Business Engineering		X			
Tier Technologies	X	X	X		
Vision Technology	X				

Mr. Forster said a state agency using the information technology contract pool will issue a work order to the applicable vendors, including a description of work, skill-sets required, and project schedule and deliverables. He said the vendors in the contract pool will respond with a project offer identifying staff and hourly rates.

Ms. Pam Sharp, Director, Office of Management and Budget, provided information regarding future activities relating to the ConnectND system. A copy of the information is on file in the Legislative Council office. She said the 2005 Legislative Assembly provided the Office of Management and Budget funding of $600,000 from the general fund for future enhancements to the ConnectND system. She said the following is a summary of the priorities established by the State Executive Oversight Committee:

Priority	Project Name	Project Type	Timeframe	Estimated Cost	Funding Source	Status
1	Production support	Ongoing initiative	July 2005-June 2007	$1,500,000	Maintenance funds	Ongoing
2	HRMS 8.9	Ongoing initiative	October 2005-March 2006	Not available	Maintenance funds	Planning phase
3	eApps	Ongoing initiative	July 2005-February 2006	Not available	Maintenance funds	Implementing
4	Reporting tools and data warehouse	New initiative	August 2005-February 2006	$250,000-$400,000	Enhancement funds and funds to be determined	Researching and implementing
5	Time and labor	New initiative	July 2005-January 2007	$200,000-$400,000	Enhancement funds and funds to be determined	Implementing
6	Benefit open enrollment	Enhancement	January-October 2006	$25,000	Enhancement funds	Planning
7	User productivity kit	New initiative	July-December 2005	$100,000-$1,500,000	Enhancement funds	Researching costs
N/A	Customer relationship management (CRM) module	New initiative	To be determined	$100,000-$350,000	Information Technology Department and funds to be determined	Evaluation

In response to a question from Senator Robinson, Ms. Sharp said the Office of Management and Budget will complete as many of the projects as possible with the funding available.

Mr. Tim Atkinson, Senior Vice President for Internal Services, Bank of North Dakota, provided information regarding the status of implementation of recommendations resulting from the analysis of the information technology relationship between the Bank of North Dakota and the Information Technology Department. In early 2005, he said, Cornerstone Advisors, Inc., completed an analysis of the information technology relationship between the Bank of North Dakota and the Information Technology Department. He said Cornerstone Advisors, Inc., identified several issues and recommendations, including the establishment of service level agreements between the Bank and the Information Technology Department and the obtainment of an SAS 70 audit of the Information Technology Department. He said the Bank is in the process of finalizing service level agreements with the Information Technology Department and the State Auditor's office is preparing to complete an SAS 70 audit of the Information Technology Department. He said the relationship between the Bank and the Information Technology Department has been improved.

In response to a question from Representative Skarphol, Mr. Atkinson said SAS 70 is an auditing standard designed to enable an independent auditor to evaluate and issue an opinion on a service organization's controls. He said the audit report contains the auditor's opinion, a description of the controls placed in operation, and a description of the auditor's tests of operating effectiveness.

In response to a question from Representative Skarphol, Mr. Donald LaFleur, Information Systems Audit Manager, State Auditor's office, said the SAS 70 audit completed for the Information Technology Department will be presented to the Legislative Audit and Fiscal Review Committee.

Ms. Maren Daley, Executive Director, Job Service North Dakota, provided information regarding the increase in the number of jobs available in North Dakota due to advances in information technology. A copy of the information is on file in the Legislative Council office. She said information technology jobs exist in all areas of the state's economy. She said the computer and mathematical occupational group most closely matches the information technology jobs concept and according to *Wages For North Dakota Jobs* (2005 edition) there are an estimated 4,460 jobs in the computer and mathematical occupational group. She said information technology-related occupations are projected to grow by an additional 1,910 by the year 2012 and economic impact analysis shows the estimated 4,460 information technology jobs create an estimated 3,322 additional jobs in the state's economy.

WORKFORCE SAFETY AND INSURANCE CLAIMS MANAGEMENT SYSTEM

Mr. Charles Blunt, Executive Director and CEO, Workforce Safety and Insurance, provided information regarding the status of the agency's claims management system and associated dependent and subsidiary systems. A copy of the information is on file in the Legislative Council office. He said in April 2005 Workforce Safety and Insurance hired The Gartner Group to evaluate the agency's information technology platforms due to operational issues with the agency's core computer systems. He said The Gartner Group concluded that the agency's core technology systems are degrading and the agency should replace the claims management system as well as dependent and subsidiary systems as soon as possible. He said the agency's expectation was to request the necessary funding for the systems replacement in the 2007-09 biennium but the Workforce Safety and Insurance Board of Directors has approved the replacement of the systems as soon as possible.

Mr. Brett Rugroden, Vice President, The Gartner Group, Sacramento, California, provided information regarding recommendations made relating to Workforce Safety and Insurance information technology platforms. A copy of the information is on file in the Legislative Council office. He said the Workforce Safety and Insurance claims management system provides reasonable core business value but the system is not positioned to provide future capabilities for the agency. He said enhancements to the current system would be complex and costly due to the current application architecture and technology platform. He said The Gartner Group recommends Workforce Safety and Insurance initiate a replacement of the claims management system as soon as possible. He said Workforce Safety and Insurance should be prepared to invest approximately $5 million to $10 million for the replacement project.

In response to a question from Representative Skarphol, Mr. Rugroden said the Workforce Safety and Insurance claims management system is 7 to 10 years old. He said the technology and application architecture upon which the claims management system is built limits the ability to maintain and enhance the system.

In response to a question from Senator Christmann, Mr. Rugroden said it is unlikely Workforce Safety and Insurance would have a disaster with the current claims management system if replacement is delayed until the 2007-09 biennium; however, the current system does not meet the business needs of the agency.

In response to a question from Senator Robinson, Mr. Rugroden said The Gartner Group estimates the claims management system replacement project would cost approximately $5 million to $10 million.

Senator Robinson expressed concern that Workforce Safety and Insurance did not inform the 2005 Legislative Assembly of potential issues with its claims management system.

At the present time, Representative Skarphol said he is not supportive of the project.

The committee recessed for lunch at 12:17 p.m. and reconvened at 1:00 p.m.

DEPARTMENT OF HUMAN SERVICES - MEDICAID MANAGEMENT INFORMATION SYSTEM PROJECT

Ms. Maggie Anderson, Director, Medical Services Division, Department of Human Services, provided information regarding the status of the Medicaid management information system rewrite project Phase II. A copy of the information is on file in the Legislative Council office. She said the 2005 Legislative Assembly provided the department a $29.2 million appropriation, of which $3.7 million was from the general fund, to design, develop, and implement a new Medicaid management information system, pharmacy point of sale system, and decision support system and to move Medicaid eligibility determination from TECS to Vision. She said the department released a request for proposal for the project on June 1, 2005, and proposals were due September 1, 2005. She said the department received proposals for all three components of the project and staff members from the Department of Human Services and the Information Technology Department have been involved in reviewing the proposals. She said each viable vendor will be invited to provide an oral presentation at the end of October or the beginning of November. She said the department anticipates having a contract in place by the end of December 2005; beginning the design, development, and implementation phase of the project in January 2006; and having a rollout date in spring 2008.

In response to a question from Senator Christmann, Ms. Anderson said the department is pleased with the number of proposals received for the project.

In response to a question from Representative Weisz, Ms. Anderson said the department is not able to review the cost proposals until after the vendors have provided their oral presentations.

TAX DEPARTMENT - INTEGRATED TAX SYSTEM

Ms. Cathie Forsch, Director of Operations, Tax Department, provided information regarding the status of the integrated tax system project. A copy of the information is on file in the Legislative Council office. She said the 2005 Legislative Assembly authorized the Tax Commissioner to purchase, finance the purchase, or lease equipment, software, and services to establish an integrated tax processing system. She said the principal amount of any financing agreement entered into by the Tax Commissioner may not exceed $14 million. She said the repayment of any financing agreement entered into by the Tax Commissioner is to begin during the 2007-09 biennium and repayment amounts, including principal and interest, are to be incorporated in the Tax Commissioner's biennial budget requests to the Legislative Assembly.

Ms. Forsch said the Tax Department has decided to implement a commercial off-the-shelf integrated tax system named GenTax developed by FAST Enterprises and has arranged for financing for the project through Banc of America. She said the interest rate for the financing arrangement is 3.17 percent and total interest to be paid under the arrangement is $2,070,104. She said implementation of the system, which has been named Tax Revenue Excellence for North Dakota (TREND), will move the processing of 10 tax types administered by the department from existing legacy tax systems designed over 40 years ago to a modern integrated tax system capable of quickly adapting to changes in the state's tax laws and regulations.

LARGE INFORMATION TECHNOLOGY PROJECTS

Mr. Mark A. Molesworth, Information Technology Department, provided information regarding the department's quarterly summary status report on large information technology projects and information on information technology reporting requirements. A copy of the information is on file in the Legislative Council office. He said for the period ending June 30, 2005, the following five projects reported budget or schedule variances--North Dakota University System ODIN, housing management, and parking management; State Department of Health women, infant, and children; and Retirement and Investment Office Teachers' Fund for Retirement pension system replacement.

Mr. Molesworth said reporting requirements for large information technology projects consist of the completion of a business case, project charter, project plan, quarterly status reports, and a postimplementation review. He said:

- A business case should be developed to justify the business need for a project and to identify the proposed solution and should include information on project description, project objectives, business need or problem, cost-benefit analysis, and project risks.
- A project charter should be developed and executed to initiate the project and should include information on project background, project scope, required resources, constraints, assumptions, and project authority.
- A project plan should be developed as the primary planning document for the project and should identify specific milestones throughout the project and their associated cost, schedule, and deliverables.
- Quarterly status reports, including information on budget, schedule, issues, risks, project accomplishments, and upcoming activities, should be submitted by agencies to the department.
- A postimplementation review should be performed at the conclusion of the project in order to assess the success of the project and to capture historical information.

Mr. Molesworth said in the past the Information Technology Department has forwarded business cases and postimplementation reviews for large information technology projects to the Information Technology Committee for review by the committee. He said the department suggests the reporting process be modified to provide that state agencies present to the committee project startup reports after completion of the project charter and project closeout reports after the completion of the postimplementation reviews. A copy of templates for the project startup report and project closeout report are on file in the Legislative Council.

Job Service North Dakota - Project Herakles

Mr. Larry Anderson, Director, Unemployment Insurance, Job Service North Dakota, provided a project startup report regarding the agency's Project Herakles. A copy of the information is on file in the Legislative Council office. He said Project Herakles is the procurement planning phase of the agency's unemployment insurance system modernization project. He said project objectives include:

- Development of use cases and system business requirements.
- Identification of the project scope.
- Identification and development of the system architecture.
- Development of a project budget.

Mr. Anderson said the budget for Project Herakles is $1.2 million, including $525,000 of federal Reed Act distributions appropriated by the 2005 Legislative Assembly for the project and $675,000 of existing agency resources.

In response to a question from Representative Skarphol, Mr. Anderson said the agency is planning to purchase a base product that can be customized for the state of North Dakota.

Information Technology Department - Second Data Center

Mr. Dean Glatt, Information Technology Department, provided information regarding the department's second data center initiative. A copy of the information is on file in the Legislative Council office. He said the department is in the process of establishing a second data center in Mandan. He said the data center will be used as a "hotsite" computer center for disaster recovery. He said the department will cancel its contract with IBM for a disaster recovery "hotsite" in Boulder, Colorado, after the Mandan data center has been established.

In response to a question from Representative Skarphol, Mr. Glatt said the department will share the facility in Mandan with Montana-Dakota Utilities.

Information Technology Department - Network Traffic Analysis System Project

Mr. Jerry Fossum, Information Technology Department, provided a project startup report and project closeout report regarding the department's network traffic analysis system project. A copy of the information is on file in the Legislative Council office. He said the purpose of the project was to implement the Compuware suite of tools to allow the department to have the ability to provide a detailed view of who, what, when, and how much traffic is consuming a particular network resource and to allow the department to troubleshoot network issues in a proactive manner. He said the anticipated project schedule was March to August 2005 and the estimated project cost was $400,000. He said the actual project

completion date was moved two weeks to September 2005 to coincide with the start of the school year, allowing the Compuware consultants to better customize the system to network traffic requirements and needs. He said the actual cost of the project was $407,000 which is within a 10 percent variance of the estimated cost.

Highway Patrol - Case Management and Field Reporting System

Colonel Bryan Klipfel, Superintendent, Highway Patrol, provided information regarding the agency's case management and field reporting system. A copy of the information is on file in the Legislative Council office. He said Highway Patrol current records management is several years old and costly to maintain and update; therefore, the agency has decided to move to a commercial off-the-shelf records management system designed for law enforcement which is the same records management system used by the Criminal Justice Information Sharing Initiative. He said the new system will provide the agency additional functionality, such as offline reporting, automatic data transfer, and automatic generation of data for state crime analysis and Federal Bureau of Investigation uniform crime reporting requirements. He said the agency used $212,750 of savings from the 2003-05 biennium to purchase licenses for the new system, including $112,125 for NetRMS/NetGeo records management system licenses and $100,625 for Cruiser integrated wireless field reporting component licenses. He said the new system will need to be customized to track activities by funding sources, including federal grants, and to incorporate data elements and formatting for the state's uniform traffic citation.

In response to a question from Mr. Wolfe, Colonel Klipfel said the Highway Patrol purchased the same records management system used by the Criminal Justice Information Sharing Initiative but the agency will be making some modifications to the system to benefit the agency.

In response to a question from Representative Skarphol, Colonel Klipfel said information entered into the Highway Patrol new records management system will be available to other law enforcement officials through the criminal justice information sharing hub.

Representative Skarphol requested the Highway Patrol provide the committee with a written analysis of the functionality provided by the new records management system compared to the functionality provided by the Criminal Justice Information Sharing Initiative records management system.

OTHER INFORMATION

Mr. David A. Sprynczynatyk, Director, Department of Transportation, provided information regarding wireless Internet access being provided at visitor centers and rest areas in North Dakota, including information on the cost and utilization of the access. A copy of the information is on file in the Legislative Council office. He said the department has expanded the free Internet access provided through computer kiosks at visitor centers and rest areas to include free wireless Internet access for travelers in visitor center and rest area lobbies as well as in the car and truck parking areas. He said the wireless Internet access is currently available at nine rest areas along Interstates 29 and 94. He said because Internet access is in place at each of the locations, there are no additional access costs for wireless Internet access; however, there was a one-time cost of approximately $1,000 per location for the purchase of equipment for the wireless access. He said data collection began at two of the sites on September 30 and in the first week of the data collection there were 33 online sessions that averaged 21 minutes per connection. He said the department will be adding data collection capabilities at all wireless Internet access locations.

In response to a question from Mr. Wolfe, Mr. Sprynczynatyk said the access is provided by local Internet service providers.

LARGE INFORMATION TECHNOLOGY PROJECTS

Information Technology Department - Criminal Justice Information Sharing Hub - Phase II

Mr. Mark Hawks, Director, Criminal Justice Information Sharing, Information Technology Department, provided a project startup report and project closeout report regarding the criminal justice information sharing hub Phase II project. A copy of the information is on file in the Legislative Council office. He said the purpose for the project was to move the criminal justice information sharing hub proof of concept to production. He said the hub allows authorized criminal justice officers to search driver's license photos, motor vehicle information, offender registration, concealed weapons, criminal history, and RAP sheets data bases. He said the project was completed within the scheduled project date of April 2005 and was under budget with actual expenditures totaling $320,962 compared to the budget of $500,000.

Office of Management and Budget - Continuity of Operations Planning System

Ms. Janell Quinlan, Manager, North Dakota Continuity of Government and Continuity of Operations Plan Project, Department of Emergency Services, provided a project closeout report regarding the continuity of operations planning system. A copy of the information is on file in the Legislative Council office. She said the continuity of operations planning system enables state agencies to develop comprehensive

continuity of operations plans using an integrated software application. She said the system has been interfaced with the ConnectND system to import employee, vendor, and asset information into the system to eliminate repetitious data entry. She said the project was completed in June 2005, approximately nine months later than the scheduled completion date of September 2004, in order to properly develop the interfaces between the continuity of operations planning system and the ConnectND system. She said the project was on budget with actual expenditures of approximately $470,675, compared to the budget of $470,688.

Department of Public Instruction - TetraData Project

Mr. Greg Gallagher, Director, Standards and Achievement, Department of Public Instruction, provided information regarding the department's TetraData project. A copy of the information is on file in the Legislative Council office. He said in October 2002 the department entered into a contract with TetraData Corporation to develop and implement a statewide data analysis clearinghouse for all public schools and school districts within the state. He said the department also entered into a contract with EduTech to provide technical assistance for the project. He said EduTech provided direct contacts to schools and school districts to discern project setup and training needs and acted as a liaison with TetraData Corporation regarding technical issues. He said 13 data warehouses were established to accommodate the needs of the state's largest school districts and their unique data needs, a single warehouse for the larger number of smaller school districts and their more uniform needs, and the state in the aggregate. He said the TetraData Corporation provided numerous onsite consultations with school districts regarding the structure and implementation of their respective data warehouses.

In response to a question from Mr. Wolfe, Mr. Gallagher said the department has spent approximately $2 million for the TetraData project. He said the department is in the process of negotiating a three-year contract extension with the TetraData Corporation at a cost of approximately $1.6 million.

In response to a question from Senator Robinson, Mr. Gallagher said overall usage of the TetraData system is low.

Mr. Craig Nansen, District Technology Coordinator, Minot Public Schools, provided information regarding the Department of Public Instruction TetraData project. A copy of the information is on file in the Legislative Council office. He said Minot, Bismarck, Grand Forks, and Fargo School Districts have agreed to hire a consultant to research data warehouses that meet the needs of the school districts, create a request for information, and screen the number of solutions. He said even though a data warehouse has been provided to the schools at no annual cost, the school districts have entered into the agreement because the schools feel they need a product that meets their needs better than the TetraData system. He said the anticipated cost of the study is approximately $25,000.

Senator Robinson said he is concerned with the low participation in the project and the department's interest in extending the contract with the TetraData Corporation.

Mr. Wolfe suggested the Department of Public Instruction work with the Minot, Bismarck, Grand Forks, and Fargo School Districts to determine which statewide data warehouse meets the needs of school districts in the state.

Representative Skarphol requested the Department of Public Instruction provide the Information Technology Committee with a listing of school districts using the TetraData system, including a contact name and telephone number for each district.

In response to a question from Senator Robinson, Mr. Gallagher said the department has been in contact with the four school districts reviewing other options for a statewide data warehouse and the department will consult with those districts before proceeding forward with a contract with the TetraData Corporation.

In response to a question from Representative Skarphol, the legislative budget analyst and auditor said pursuant to NDCC Section 54-35-15.3 if the Information Technology Committee determines that a project or plan is at risk of failing to achieve its intended results, the committee may recommend to the Office of Management and Budget the suspension of the expenditure of money appropriated for a project or plan. He said the Office of Management and Budget may suspend the expenditure authority if the office agrees with the recommendation of the committee.

In response to a question from Senator Robinson, Mr. Gallagher said the department is working under an interim agreement with the TetraData Corporation for continued use of the system while the department is negotiating the contract extension. He said the department would like to reach agreement on a contract by October 31, 2005.

Representative Monson said he attended training for the TetraData system. He said he found the training confusing and the system difficult to work with.

It was moved by Representative Skarphol, seconded by Representative Glassheim, and carried on a roll call vote that the Information Technology Committee recommend to the Office of Management and Budget the suspension of the expenditure of money for the Department of Public Instruction TetraData system in December 2005 unless the department provides the committee a plan for proceeding with the system

with cooperation from school districts. Senators Robinson, Seymour, and Wardner and Representatives Glassheim, Grande, Monson, Skarphol, and Weisz voted "aye." Senator Christmann voted "nay."

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Mr. Wolfe said the committee should consider requesting a bill draft to provide for reporting of information relating to information technology projects with a total cost of $100,000 to $250,000.

The legislative budget analyst and auditor said such a bill draft(s) could also include the provisions included in 2005 Senate Bill No. 2037, which failed to pass.

Chairman Robinson requested the Legislative Council staff to prepare a bill draft to provide for reporting of information relating to information technology projects with a total cost of $100,000 to $250,000 and to incorporate appropriate provisions included in 2005 Senate Bill No. 2037.

It was moved by Representative Skarphol, seconded by Representative Glassheim, and carried on a roll call vote that the Information Technology Committee ask the chairman of the Legislative Council to send a letter encouraging Workforce Safety and Insurance to report to the Information Technology Department and the State Information Technology Advisory Committee regarding plans for the claims management system, including the development of a business case and project plan and to present the project for prioritization in accordance with North Dakota Century Code Section 54-59-02.1 for consideration by the 2007 Legislative Assembly. Senators Robinson, Christmann, Seymour, and Wardner and Representatives Glassheim, Grande, Monson, Skarphol, and Weisz 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 the Information Technology Committee ask the Legislative Management Committee to investigate the costs necessary to enhance the technological aspects of the Roughrider Room. Senators Robinson, Christmann, Seymour, and Wardner and Representatives Glassheim, Grande, Monson, Skarphol, and Weisz voted "aye." No negative votes were cast.

Senator Christmann said the committee could consider using the Brynhild Haugland Room for committee meetings.

Representative Skarphol requested the committee receive information from the Highway Patrol regarding costs associated with the agency's implementation of the records management system.

Chairman Robinson said the committee's next scheduled meeting will be Wednesday, December 14, 2005.

The meeting was adjourned subject to the call of the chair at 4:36 p.m.

Roxanne Woeste
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1