

# NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

## INFORMATION TECHNOLOGY COMMITTEE

Tuesday, July 7, 1998  
Harvest Room, State Capitol  
Bismarck, North Dakota

Senator Larry J. Robinson, Chairman, called the meeting to order at 9:00 a.m. Senator Robinson acknowledged the presence of Senator Gary J. Nelson, Chairman of the Legislative Council.

**Members present:** Senators Larry J. Robinson, Carolyn Nelson, Ken Solberg, Rod St. Aubyn; Representatives Ken Svedjan, Rich Wardner, Robin Weisz

**Members absent:** Senator Karen K. Krebsbach; Representatives Rex R. Byerly, Eliot Glassheim

**Others present:** See attached appendix

### MINUTES

**It was moved by Representative Svedjan, seconded by Senator C. Nelson, and carried on a voice vote that the minutes of the April 29, 1998, meeting be approved as distributed.**

### OREGON INFORMATION TECHNOLOGY STRATEGIC PLANNING

At the request of Chairman Robinson, the director introduced Mr. Michael A. Zanon, Deputy Chief Information Officer, Oregon Information Resources Management Division, Department of Administrative Services. He said Mr. Zanon had been recommended during the search for a legislative information technology advisor. After discussions with Mr. Zanon, he said, Oregon appeared to be a state whose information technology planning efforts would be of interest to North Dakota legislators, and Mr. Zanon was invited to describe Oregon's efforts to the committee.

Mr. Zanon distributed a packet of materials to which he referred throughout his presentation. A copy of the packet is on file in the Legislative Council office.

Mr. Zanon said his responsibilities, in addition to his role as deputy chief information officer, include establishing statewide standards, policies, and procedures related to acquiring and using information systems and telecommunications; reviewing and approving acquisitions to ensure they optimize the state's investment in technology; working with agencies to develop agency and statewide strategic plans; promoting communications and coordination among governmental entities with similar information management needs and initiatives; and coordinating

Oregon's state government year 2000 compliance activities.

### Information Resources Management Organizational Structure

Mr. Zanon referred to an organizational chart depicting the relationship of the Information Resources Management Council, which is chaired by the chief information officer (the director of the Department of Administrative Services) and whose membership includes agency directors, local government administrators, and private sector executives; the Joint Legislative Committee on Information Management and Technology; and the Department of Administrative Services Information Resources Management Division, which is responsible for adopting policies and standards for managing the state's information resources, ensuring that information resources fit together in a statewide system, and exercising overview responsibility for ensuring agencies' planning and implementation activities support the statewide information resources management plan.

### Joint Legislative Committee on Information Management and Technology

Mr. Zanon said the Joint Legislative Committee on Information Management and Technology was created to review and establish statewide goals and policy regarding information systems and technology, conduct studies of information management and technology efficiency, and make recommendations regarding established or proposed information resource management programs and information technology acquisitions. He said the legislative fiscal office provides staff services to the committee.

Mr. Zanon said an agency is required to appear before the committee before asking for an expenditure increase from the Emergency Board to fund projects that have a substantial requirement for information technology, before initiating new information technology projects or major enhancements that materially affect service to the public or constituent agencies and organizations, or before initiating major information technology projects that affect staffing, facilities and space, or other information technology resources. With respect to approval of projects, he

said, an agency needs three analyses--one from the legislative fiscal office, one from the executive fiscal office, and one from the Information Resources Management Division.

In response to a question from Senator St. Aubyn, Mr. Zanon said \$500,000 is the traditional threshold for seeking approval of the committee. He said the Department of Administrative Services can request an agency to appear before the committee to describe new technology projects that do not necessarily exceed the \$500,000 threshold.

In response to a question from Representative Svedjan, Mr. Zanon said an agency must do a feasibility study and a cost benefit analysis for a project. He noted, however, that those types of analyses can be manipulated to arrive at the conclusion sought, e.g., to proceed with the project.

Mr. Jim Heck, Director, Information Services Division, inquired how Oregon handles federal grants that require certain technology uses. Mr. Zanon said Oregon requires an agency to get approval from the Emergency Board before applying for a federal grant and then the agency must come to the Joint Legislative Committee on Information Management and Technology to receive authority to spend the money. In response to a question from Senator C. Nelson, Mr. Zanon said he believes research grants are exempt from these requirements.

### **Strategic Planning**

Mr. Zanon described Oregon Revised Statutes Section 291.038, which designates information as a strategic asset of the state which must be managed as a valuable state resource. He said the statute was enacted in 1991 and required preparation of a strategic technology plan, which was developed in 1993 and is now undergoing revision. He said the strategic planning process is as valuable as the product produced. The reason, he said, is that people are engaged in discussion and communication. He said the factors of successful planning include starting early, obtaining executive support and involvement, linking the planning to business goals and objectives, and involving external information partners, e.g., political subdivisions, other agencies, and federal agencies.

Representative Svedjan inquired as to the effect strategic planning has on the sharing of resources of agencies. Mr. Zanon said an example in Oregon would be the Department of Human Resources, which consolidated its information technology functions into one division. He said the consolidation allows greater coordination between separate divisions. He said greater strides have been made in the telecommunications area where needs have been leveraged to gain favorable contracts.

Mr. Zanon reviewed the Oregon state government strategic information technology planning process flow chart for 1998. The flow chart shows the

agencies' information resources planning process beginning in April and concluding in November; the components of the planning process, which include business processes, network architecture, governance and management of standards, electronic commerce and Internet applications, and information technology work force development; and the final plan's components, which include schedules for migration and increments of technology, a budget capital improvement plan, and a management plan. The time horizon for these plans is three to five years.

Representative Svedjan inquired as to the portion of the flow chart which shows the creation of a Private Sector Information Technology Advisory Council to advise the Information Resources Management Council and educate business executives on the vital role of information technology. Mr. Zanon said the council is proposed but has not been implemented. He said there is a private sector member on the Information Resources Management Council.

## **Information Resources Management Issues and Strategies**

### **Information Resources Management Staffing**

Mr. Zanon said issues in recruiting, retaining, and retraining personnel include compensation levels below the private sector, increased marketability of staff receiving training in contemporary technologies, competition for staff among agencies, skills growing stale, and forced reliance on contractors due to inability to recruit qualified staff. He said strategies to address these issues include a special compensation package in the Governor's budget, a statewide information management resources education coordinator, creative recruitment, and incentive-based contracts with employees assigned to critical projects.

### **Technology Procurement Reform**

Mr. Zanon said technology procurement involves lengthy reviews, numerous approvals for large projects, and sequential rather than parallel approvals. He said strategies to reform procurement procedures include master contracts for common goods and services, revised thresholds for formal procurement processes, and increased coordination among agencies.

### **Expanded Use of Contractors**

Mr. Zanon said issues arising from a substantial increase in the use of contractors include lack of experience writing defensible and measurable deliverables, federal employer/employee considerations, limited contract management expertise and lack of dedicated contract management responsibilities, and excessive use of contract amendments to keep a contractor on board. He said strategies to address these issues include contract development training; earlier involvement and coordinated participation with the Information Resources Management Division, the

Department of Administrative Services Purchasing Division, and the Department of Justice; and imposition of a 33 percent amendment cap on contracts.

### **Project Planning and Management**

Mr. Zanon said project planning and management involves inadequate planning, limited contract management expertise; e.g., good information technology managers do not necessarily make good project managers; and taking on too much too fast. He said strategies to address these issues include smaller projects of shorter durations, recommended Department of Administrative Services and Department of Justice involvement in the planning stages of agency projects, project manager roundtables, and improved project management training.

### **Governance Reform and Oversight**

Mr. Zanon said oversight concerns include not involving oversight entities early enough in the project, fragmented oversight, and too few looking at too much too late. He said strategies to address these issues include corporate quality assurance to attract large information technology projects, independent quality assurance for all projects greater than \$500,000, monthly Governor's roundtables with agency directors, added staff for planning and review, and required quality assurance to be hired by the Information Resources Management Division.

### **Year 2000**

Mr. Zanon said year 2000 (Y2K) compliance failure will result in service disruptions. He said the state has limited resources (in money and personnel), and there is intense competition for talent. He said the strategies to address this issue include establishment of a corporate Y2K office, monthly reporting by agencies, Y2K "road shows," an executive order, and \$10 million set aside in the Governor's recommended budget.

### **Year 2000**

Mr. Zanon said year 2000 is the greatest challenge facing government and business today. He said the "millennium bug" has the potential to crash computer systems, black out cities, snarl traffic, jeopardize public health, ground planes, and silence telephones and radios. He said a 1997 high-level statewide assessment of Oregon state agencies set the baseline for statewide readiness to achieve Y2K compliance. He said the original assessment identified 60 million lines of code at a cost estimate of \$102 million, and the current estimate is \$92 million.

Mr. Zanon said the Department of Administrative Services is implementing a Y2K communications strategy and a statewide plan. He said the Statewide Year 2000 Project Office maintains an Oregon Year 2000 web site

<http://www.state.or.us/IRMD/y2k/year2k.htm> for information sharing of state government Y2K activities.

Mr. Zanon said four critical issues need to be addressed--contingency planning for business continuity, data exchanges, noninformation technology systems, and compliance assurance and testing. He said the Department of Justice is working closely with the Statewide Year 2000 Project Office to minimize the state's risk. He said Y2K immunity legislation is being developed and nearly \$5 million is being budgeted for defense of Y2K litigation.

In response to a question from Senator Robinson, Mr. Zanon said Y2K planning in Oregon started in March 1996 when agencies were given instructions to identify Y2K planning efforts in the 1997-99 biennium. He said agencies did not identify any efforts and in the fall of 1996 the Information Resources Management Division started hiring people to contact agencies. For the last one and one-half years, he said, agencies have been inventorying their assets. He said agencies have been reporting monthly under a compliance assurance program, but the question is whether agencies have been accurate in their own assessments. He said the requirement is being developed that agencies must have business continuation plans to handle what happens if systems will not work.

### **Technology Projects - Perils and Pitfalls**

Mr. Zanon said his experience with strategic planning in Oregon has shown the need for the right questions to be asked when reviewing information technology projects. He said reasons projects fail include mistaking every half-baked idea for a viable project, dictating project delivery dates, assigning underskilled project managers to mission-critical complex projects, failing to have true business sponsorship, and failing to ask for a comprehensive plan. He said reasons projects succeed include user involvement, executive management support, skilled project managers, a clear statement of requirements, a sound development methodology, a comprehensive workplan, prototyping, and testing.

Mr. Zanon reviewed principles and guidelines for information system projects. He said the guidelines include active involvement by senior management, project planning, opportunities for reengineering, focus on data management, providing public access, fitting with the statewide direction on open systems, fitting with the statewide information resources management plan, addressing interagency/intergovernmental needs, and project management. He said the Joint Legislative Committee on Information Management and Technology reviews questions listed under each guideline to determine which of several questions are asked about projects. He said the intent in providing a list of questions for committee members to ask is not to have every question be asked but to allow members to "pick and choose"

what seems appropriate. He referred to these example questions:

1. What is the extent to which your agency director and management team have been involved in shaping this project?
2. From the point of view of your customers, clients, and of those using the system--and in plain English--how is the system going to work if it is successful?
3. Can you demonstrate that this technology investment will simplify work, eliminate work steps, minimize handoffs, and integrate parallel activities?
4. What other agencies might have an interest in the data you will be collecting and using with this system? How have they been involved in the requirements definition of this system so that all parties are served?
5. If this project is going to be for collecting data from your clients, will you be employing any novel methods to make it easy for them to enter data or provide it to you?
6. If this project involves acquisition of hardware or software, do your requirements conform with the state's directions and standards on open systems?
7. Will your relationship with external groups be impeded or supported by this project?
8. What is the impact of this technology intervention on your agency's facilities, staffing, training needs, forms and other data gathering instruments, and on its existing computing environment?

## STATEWIDE TELECOMMUNICATIONS REPORT

Mr. James R. Stepp, Wolfe & Associates, Oklahoma City, Oklahoma, presented the draft of the final report of the statewide telecommunications study. He distributed copies of the draft, which was divided into 20 sections comprising 290 pages including maps, charts, and appendices. A copy of the draft is on file in the Legislative Council office.

Mr. Stepp described the original goal of the project as helping North Dakota deploy a statewide communication network that will meet the ever increasing need for high-speed communications of voice, data, and video among government entities while taking advantage of new, available technologies. He said it was envisioned that this work would lay the groundwork for any recommendations and improvements to the statewide network. He said continual improvement of the statewide network will allow government employees to communicate through internal wide area networks to accomplish their work easier and faster and can result in lowering postage and phone costs, transferring information more quickly and securely, providing information through the Internet (which will give users instant access without any

employee intervention and eliminate copying and mailing costs), and laying the groundwork for accomplishing work in the future much differently from today.

Mr. Stepp said the project focused on the pieces of the statewide network which would need to be considered if major changes are made to the ways that data and voice are transmitted from one location to another. He said the assumption was made that minimal changes will be made within local area networks. He said the information was gathered by personal interview, review of inventory reports, phone calls, and completion of questionnaires. He emphasized that the information should be viewed as a starting point for deploying new telecommunications capabilities within the state.

Mr. Stepp said the state needs to support technological improvements necessary to make the delivery of large amounts of secured information on a day-to-day occurrence. He said infrastructure issues need to be addressed in implementing a broad policy supporting public access to government information over the Internet. He said the infrastructure should provide citizen access and the free exchange of government information throughout the state. He said the infrastructure should be centrally and cost-effectively supported to reduce agency and citizen access costs. He said states interested in economic development are beginning to see the direct relationship between having an advanced telecommunications infrastructure and the ability to attract and retain desirable business. He said states with advanced infrastructures can support services such as telecommuting, distance learning, virtual universities, and telemedicine.

Mr. Stepp introduced Mr. Adam Kirst, Wolfe & Associates, who reviewed maps of networks within North Dakota. Mr. Kirst reviewed a map of the data network, a map of the voice network, and a map of the video network. Mr. Stepp then reviewed the portion of the report listing the inventory of data equipment.

In response to a question from Senator St. Aubyn, Mr. Stepp emphasized that this phase of the project was important to gain an inventory of resources. He said information on the capability of each network, e.g., whether the telephone system is over capacity or under capacity, is not included in this phase of the project. He said any modernized network needs to recognize new technologies, and he reviewed what selected other states are doing to improve their information technology infrastructure.

Mr. Stepp recommended the next phase be to develop a set of recommendations and a high-level strategic plan for upgrading North Dakota's telecommunications infrastructure. He said the project initially was conceived to include four phases--document the inventory, document the planned future needs, design the new network, and implement the network. He said time is of the essence in any technology

upgrade, and the new recommendation is for a "quick start" approach by defining specific activities and establishing timeframes and responsibilities for moving forward.

Mr. Stepp said the recommended phase should accomplish the following tasks:

1. Conduct detailed research of five other states that are implementing creative new approaches to upgrading telecommunications for the purpose of determining why they made the changes and the benefits they hoped to accrue; the policy, legislative, and organizational changes necessary; what they learned from the process; how they would do it differently now; and the benefits they are now accruing and the benefits they expect to see in the future.
2. Develop a detailed set of recommendations for North Dakota for implementing similar changes to get similar or superior results.
3. Develop a workplan defining the timeframe for implementing the recommendations and the party responsible for implementation.
4. Present the recommendations and workplan to the Information Technology Committee at its next meeting.

In response to a question from Senator St. Aubyn, Mr. Stepp said the recommendations will identify the party responsible for implementation, but more detail would be required for identifying each individual player and the responsibility for costs. He said this could be included in the recommendations as well as the cost of implementation.

In response to a question from Senator Robinson, Mr. Stepp estimated the cost of the recommended study at \$45,000 without the cost benefit analysis.

## **INFORMATION SERVICES DIVISION INFORMATION Comment on Statewide Telecommunications Report**

Chairman Robinson asked Mr. Heck to comment on the report presented by Wolfe & Associates. Mr. Heck said the Information Services Division is responsible for the statewide network, and the University System is responsible for its campuses. He said both parties cooperate with one another. He said 34 counties are tied to the statewide network. He said new technology is slow to come to North Dakota. He said the division does consolidate buying power with higher education and counties and cities can take advantage of the state contracts. He said the networks were not built with earmarked funds but were designed and built with moneys available through services provided by the division. He pointed out that in the states identified as being innovative, budget dollars were appropriated specifically to build the networks.

Mr. Heck distributed written information providing a response to requests made at the previous meeting, the final results of the technology survey, an update on the Y2K survey, an update on the statewide technology plan, and an update on current technology standards. A copy of this information is on file in the Legislative Council office.

### **Response to Requests Made at Previous Meeting**

Mr. Heck listed 23 agencies that indicated that they had no overall strategic business plan. He also provided a listing of major information technology projects identified by agencies in their information technology plans. The listing identifies each agency, describes the project type, identifies the priority assigned to the project by the Information Services Division, and identifies budget dollars for the 1997 through 2003 bienniums.

### **Updates**

#### **Final Results of Technology Survey**

Mr. Heck said agencies that submitted information technology plans were asked to respond to a survey concerning the planning process. He said 66 agencies responded as of July 1, 1998. He pointed out the top three responses concerning the benefits of the current planning process:

1. Allows more proactive approach to implementing technology.
2. Provides better information going into budget process.
3. Forces agency to gather information and analyze technology expenditures.

Mr. Heck also pointed out the top three concerns or problems expressed concerning the planning process:

1. Learning curve required for this first effort.
2. Project detail cost information required prior to completion of requirements analysis.
3. Difficult to break out information technology expenditures from other business requirements.

Mr. Heck said survey results from the five largest agencies in terms of information technology spending (the University System, Department of Human Services, Job Service North Dakota, Department of Transportation, and Bank of North Dakota) also were reviewed separately to determine if there were differences between these large agencies and the 66 agencies generally. He said the benefits identified by those five agencies were:

1. Allows more proactive approach to implementing technology.
2. More efficient use of resources through planning and coordination.
3. Provides information for development of statewide technology plan.

Mr. Heck said the five largest agencies indicated these top three concerns:

1. Project detail cost information required prior to completion of requirements analysis.
2. Timeline did not match agency budget submission timeline.
3. Learning curve required for this first effort.

#### **Update on Y2K Survey**

Mr. Heck said 10 agencies did not return the Y2K survey and those agencies would be contacted. He said the agencies that indicated they did not have any current Y2K project would be contacted to determine why they indicated they had no project.

In response to a question from Senator St. Aubyn, Mr. Heck said agencies that have not returned the Y2K survey had not been contacted because the focus of efforts of the Information Services Division personnel has been development of the statewide information technology plan.

Mr. Heck said the Information Services Division has not done anything in the area of business continuation planning for the Y2K compliance issue. He said the third position authorized under House Bill No. 1034 (1997) has been converted from an auditor position to a business analyst position in order to provide assistance on the Y2K project.

In response to a question from Senator G. Nelson, Mr. Heck said he is not comfortable with agencies relying solely on the Information Services Division's efforts for Y2K compliance because those agencies may not realize the impact of the Y2K issue on systems other than mainframe systems. He said some agencies are relying on purchasing new equipment and are requesting budget dollars for that method of Y2K compliance. Senator Nelson said he is not comfortable with agencies saying they are going to become Y2K compliant by buying new equipment or new software.

#### **Update on Statewide Technology Plan**

Mr. Heck said 61 agencies and 19 boards and commissions were required to prepare information technology plans. As of July 7, 1998, he said, 75 plans have been approved, two agencies are undergoing a followup process, and three plans are still incomplete. He said 50 agencies attended an information session on submitting revisions to their plans, two agencies submitted revisions by the June 30, 1998, deadline, and a number of agencies have requested extensions to the deadline. He said the schedule for the statewide plan is to complete entering agency plan revisions by September 15 and publish the plan in November.

#### **Update on Standards**

Mr. Heck listed the seven information technology standards approved to date (see page 3 of the minutes of the committee's April 29, 1998, meeting).

Since the April 29, 1998, committee meeting, he said, the document imaging standard has been approved.

### **Y2K COMPLIANCE ASSESSMENT PROJECT**

Mr. Robert J. Pope, Wolfe & Associates, Bismarck, reviewed the proposal by Wolfe & Associates to conduct a Y2K compliance survey of selected state agencies. He said the original proposal was to survey a number of state agencies, but the current proposal is to survey two large, two medium, and two small agencies to check their Y2K readiness. He said the project would concentrate on software, embedded chips, and contingency planning. He estimated the cost of this project at \$25,000. He said the information would be presented to the committee at its next meeting.

Senator G. Nelson said it is important to do a spot check of agencies, especially to find out if agencies have business continuation plans.

### **Y2K COMPLIANCE EFFORTS North Dakota League of Cities**

Ms. Connie Sprynczynatyk, Executive Director, North Dakota League of Cities, described activities of the cities with respect to Y2K compliance. She said the league represents 361 cities. She said cities are all over the map with respect to Y2K issues. She said the "luckiest" communities are those without much computerization. She said year 2000 will probably affect traffic control, utilities, and emergency response efforts. She said the league does have some concern over legal liabilities and also about the cost of compliance.

Ms. Sprynczynatyk said the National League of Cities, the National Association of Counties, and the International City/County Management Association sponsor Public Technology, Inc., a nonprofit technology research, development, and commercialization organization for all cities and counties in the United States. She said the Public Technology, Inc., web site <http://pti.nw.dc.us/> provides information to help local officials and their staffs inform the public and address technology problems that may occur in the year 2000. She said the North Dakota League of Cities will have a three-hour seminar on the Y2K issue this fall.

### **North Dakota Association of Counties**

Mr. Mark Johnson, Executive Director, North Dakota Association of Counties, distributed a prepared statement describing efforts of the association regarding the Y2K issue. A copy of the statement is on file in the Legislative Council office.

Mr. Johnson said counties have been receiving preliminary information regarding Y2K through the association's bimonthly publication *County News*. He said the next phase of the education process is a mailing of a taped session from the National Association of Counties conference about the "millennium

bug" and its effect on county systems and the world. He said a survey was mailed to all county offices asking for information regarding Y2K assessments and any confirmations received from vendors. He said 14 of 21 counties that responded said they have not completed a Y2K assessment in the county. He said only four counties have begun a Y2K assessment or system testing phase. As a result of this survey, he said, the association is beginning to market contractual services for Y2K compliance to counties and is asking each county to appoint a Y2K contact person.

Mr. Johnson said the year 2000 will have serious impacts on counties. He said resources are limited and most likely will be inadequate to meet all county needs before January 2000. He said the association is concerned about the unevenness between counties on this problem--some have made great efforts to address the problem while others have not. For example, he said, many counties have not considered Y2K impact on emergency 911 systems.

In response to a question from Senator St. Aubyn, Mr. Johnson said the association has provided information from the National Association of Counties, but smaller counties may be so overwhelmed they do not know where to start. He said the National Association of Counties web site <http://www.naco.org/> provides nontechnical information about the Y2K "millennium bug" and why a county must start addressing it today.

In response to a question from Representative Svedjan, Mr. Johnson said human service agencies are tied to the Department of Human Services as are health services tied to the State Department of Health. He said state agencies should provide help where they have relations with county agencies.

### **Public Service Commission**

Mr. Steven M. Kahl, Data Processing Administrator, Public Service Commission, distributed a prepared statement on the commission's assessment of the seriousness of the Y2K problem and the potential for problems in delivering essential utility services. A copy of the statement is on file in the Legislative Council office.

Mr. Kahl said the Public Service Commission sent a survey in April 1998 to the 75 North Dakota electric, gas, and telephone service providers requesting information concerning their efforts to deal with the Y2K computer problem. He said five smaller telephone utilities, two electric cooperatives, and four electric municipals failed to respond. He said the results of the survey indicate all electric utilities operating generation and transmission facilities and most of the distribution cooperatives and the municipals that responded appear to have a Y2K program in place and are taking the problem seriously.

Mr. Kahl said the Y2K problem is a significant threat to the ability of North Dakota utilities to provide uninterrupted service in the early hours of the

year 2000 if mitigating measures are not taken immediately. He said the commission's major concern is with embedded controls, which are in widespread use and may be difficult to detect and verify. He said the commission is most concerned about electric service where embedded controls are most prevalent. Another concern, he said, is with electric service providers that generate and transmit electricity due to the possibility that maintenance programs might interpret incorrect dates to mean critical maintenance is long overdue and thus critical systems are shut down to protect the equipment. Also, he said, the transmission grid may fail due to cascading outages caused by a few major failures. Because of the tight integration, he said, even if most utilities do a very good job of mitigating Y2K problems, those that do not effectively prepare may endanger an entire region. He said there are many organizations working on specific portions of the Y2K problem in order to protect highly integrated regional electric supply systems. He said these organizations include the North American Electric Reliability Council, the Mid-Continent Area Power Pool, and the Electric Power Research Institute.

Mr. Kahl said the next most significant concern is the telecommunications industry due to the critical importance of communications to the economy and in security. Based on the survey results, he said, it appears that telecommunications providers in the state are generally a little further in their Y2K programs. He suggested that this may be because they have a more centralized switching process, better vendor support, and fewer pieces of equipment to verify.

Mr. Kahl said the Y2K problem for natural gas local distribution utilities appears to be with embedded controls in metering applications. In these instances, he said, failures will not disrupt service, but utilities will have to worry about billing and other administrative computer systems.

In response to a question from Senator St. Aubyn, Mr. Kahl said the Public Service Commission is not planning on reviewing Y2K compliance efforts by utilities but is monitoring the progress of utilities and will provide assistance where possible.

### **North Dakota Association of Rural Electric Cooperatives**

Mr. Harlan Fuglesten, Communications and Government Relations Director, North Dakota Association of Rural Electric Cooperatives, distributed a prepared statement describing the association's role in building awareness of the Y2K problem among its members and others. A copy of the statement is on file in the Legislative Council office.

Mr. Fuglesten said the association represents 19 electric distribution cooperatives and six generation and transmission cooperatives. He said a number of members have been working on Y2K issues for some time, e.g., Basin Electric has had a

Y2K remediation effort ongoing for over two years. He said each of the Basin Electric and Minnkota Power generation plants has a Y2K coordinator and most of the distribution cooperatives in the state have appointed Y2K coordinators. He said all the member cooperatives are knowledgeable about Y2K issues and are working to ensure their systems will be ready for the year 2000.

Mr. Fuglesten said the North Dakota Association of Rural Electric Cooperatives has taken an active role in building awareness of the Y2K problem among association members and others. At the 1997 annual meeting, he said, members passed a resolution urging all member cooperatives to take aggressive steps to ensure that any Y2K problems are identified and corrected. He said this resolution was also promoted by North Dakota members at the regional annual meeting of the National Rural Electric Cooperative Association.

Mr. Fuglesten said the North Dakota Association of Rural Electric Cooperatives sponsored a one-day Y2K conference in April 1997 for all electric cooperative general managers and key operations personnel, and the association has been requested to hold a second conference later this summer for Y2K coordinators and operations personnel from member cooperatives. In addition, he said, the August issue of *The REC/RTC Magazine*, which reaches more than 80,000 North Dakota families, will include a feature article on the Y2K computer problem, and the next issue of *The Co-op Communicator*, a statewide publication distributed to over 2,000 rural electric cooperative employees in the state, will focus on the Y2K issue.

### **North Central Data Cooperative**

Mr. Duaine A. Ternes, Telephone Systems Manager, North Central Data Cooperative, described activities of independent telephone companies with respect to Y2K compliance. He provided a copy of information concerning the North Central Data Cooperative, which is on file in the Legislative Council office.

Mr. Ternes said North Central Data Cooperative provides business/customer information systems that handle accounting and billing systems for member cooperatives. Five years ago, he said, North Central Data Cooperative started writing software that was Y2K compliant. He said North Central Data Cooperative has established a Y2K task force to review operations of each department. He said North Central Data Cooperative's web site <http://www.ncdc.com/pub/index.htm> includes information on Y2K compliance.

### **North Dakota Bankers Association**

Mr. James D. Schlosser, Executive Vice President, North Dakota Bankers Association, described activities of North Dakota banks with respect to Y2K compliance. He said the association represents

280 facilities of member banks and thrifts. He said the magnitude of Y2K compliance varies with the size of the facility. He said banks and thrifts are putting great emphasis on Y2K compliance, and he pointed out federal regulators have been instrumental in bringing awareness of this issue to banks for nearly two years. He described the five-point procedure for addressing Y2K issues: (1) awareness; (2) assessment; (3) renovation (with necessary prioritization of systems); (4) validation (testing); and (5) implementation (which must be completed by January 1, 1999). He said banks must certify compliance with the requirements. He said regulators are also requiring business contingency planning. He said the American Bankers Association provides substantial information concerning year 2000 at its web site [http://www.aba.com/abatool/showme\\_rel.html?location=homepage](http://www.aba.com/abatool/showme_rel.html?location=homepage).

Mr. Schlosser said the North Dakota Bankers Association has had a number of seminars and will have a monthly flier in its bulletin to member banks. He said the association also is considering draft legislation to limit liability for Y2K problems caused by other parties.

### **Independent Community Banks of North Dakota**

Mr. Joel Gilbertson, Executive Vice President and General Counsel, Independent Community Banks of North Dakota, distributed a prepared statement about the year 2000 and banking. A copy of the statement is on file in the Legislative Council office.

Mr. Gilbertson said the Independent Community Banks of North Dakota is a statewide association of 95 independent community banks located throughout the state. He said it is estimated that 90 percent of all bank assets are electronic entries and virtually all banking transactions involve electronic processing. He said banks face vulnerability to the Y2K problem in a number of areas. He said data processing systems may be unable to record and process financial information accurately and equipment that relies on embedded chips, e.g., automated teller machines, telephone switchboards, vault locks, security systems, elevators, heating, ventilation, and air-conditioning systems, may malfunction.

Mr. Gilbertson said the Federal Deposit Insurance Corporation, a regulatory agency that is responsible for insuring deposits and supervising state-chartered banks that are not members of the federal reserve system, has been very active in the Y2K compliance area. In North Dakota, he said, the Department of Banking has worked very closely with the Federal Deposit Insurance Corporation and every state-chartered bank has been examined by the department or the corporation. He said the Federal Deposit Insurance Corporation, in coordination with the Department of Banking, will contact all financial institutions at least twice per year and banks will be notified if their systems are not compliant and if certain

third-party servicers have not taken sufficient action to achieve Y2K compliance. He said a financial institution's failure to appropriately address Y2K readiness problems may result in denials of applications and civil monetary penalties.

Mr. Gilbertson said a national group of federal regulators has dealt in great detail with Y2K readiness. He said the Federal Financial Examination Council is composed of representatives from the Board of Governors of the federal reserve system, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the National Credit Union Administration. He said the council has established a number of deadlines to be followed by the various banks they supervise ranging from June 30, 1998, when institutions should complete the development of their own written testing strategies and plans to June 30, 1999, when testing of mission-critical systems should be completed and implementation should be substantially complete.

#### **North Dakota Credit Union League**

Mr. Keith Mantz, Vice President/LSC, North Dakota Credit Union League, distributed prepared testimony concerning activities of North Dakota credit unions with respect to Y2K compliance. A copy of the testimony is on file in the Legislative Council office.

Mr. Mantz said the North Dakota Credit Union League is an association of 66 credit unions--21 federally chartered and 45 state-chartered. He said the National Credit Union Administrator requires all federally insured credit unions to report quarterly and has authority to examine vendors for Y2K compliance. He said the top 10 information system vendors have been examined on a voluntary basis and have demonstrated progress toward Y2K compliance.

Mr. Mantz said the Y2K compliance plan requires an assessment phase to identify all applications and systems by September 27, 1997; a renovation phase to convert any systems identified as noncompliant and to develop a contingency plan by December 31, 1998; a validation/testing phase to begin testing by July 31, 1998; and an implementation phase to be completed by September 30, 1999.

Mr. Mantz said Y2K information is available at the National Credit Union Administration web site <http://www.ncua.gov>, which provides reference material and identifies Y2K sites to assist credit unions with Y2K issues. He also referred to the credit union year 2000 web site <http://www.cuy2k.com/> that provides information on Y2K compliance, including a management plan, items to fix, credit union sources, regulations, and vendors.

#### **Greater North Dakota Association**

Mr. Jess Cooper, Vice President, Government Affairs, Greater North Dakota Association, distributed

a prepared statement describing efforts to make North Dakota businesses aware of Y2K computer compliance problems. A copy of the statement is on file in the Legislative Council office.

Mr. Cooper said a growing issue for business is that of protecting itself from litigation over this issue. He referred to a *Wall Street Journal* article on June 29 reporting that consulting arms for several big accounting firms are refusing to fix Y2K computer problems for clients or are offering to do so only for certain clients due to fear of lawsuits.

Mr. Cooper said the Greater North Dakota Association hosted a meeting of various business and governmental associations to discuss what the various associations were doing to inform and assist their members. He said some local chambers of commerce are providing information and holding seminars on this issue in their communities. He described efforts of the Bismarck-Mandan Chamber of Commerce to hold a half-day seminar with representatives of more than 70 Bismarck-Mandan businesses, to distribute a list of businesses offering support services, and to include Y2K articles in its newsletter. He said the Greater North Dakota Association has a quarterly business publication, the *GND Business Report*, which goes to 7,000 businesses that employ 10 or more people in the state. He said the front page lead story of the July issue discusses Y2K compliance, describes specific problems, and identifies what a business must do to address these problems.

#### **North Dakota Long Term Care Association**

The assistant director distributed a letter from Ms. Shelly E. Peterson, President, North Dakota Long Term Care Association, describing efforts by the association to notify its members of Y2K compliance problems. In her testimony, Ms. Peterson included a memorandum describing Y2K problems and outlining elements necessary to assess and resolve potential problems that may be experienced by health care providers.

#### **General Comments**

Chairman Robinson asked for any comments from those attending the meeting. Mr. David Anderson, Basin Electric Cooperative, Bismarck, said the presentations covered many items. He emphasized that the state and businesses need to address vendors of critical supplies or services. Also, he said, an issue is insurance for officers and directors. He said some insurance companies are specifically excluding directors and officers coverage for Y2K issues. He said any entity should consider an ongoing communication initiative to notify its customers about Y2K compliance efforts.

## COMMITTEE DISCUSSION

Chairman Robinson invited Mr. Zanon to present any observations he had as a result of attending the meeting. These observations are described under the relevant subject matter subheadings.

### Statewide Telecommunications Network

Senator Solberg inquired as to the value of a survey of five states that have implemented innovative approaches to statewide telecommunications. Mr. Stepp said information from the survey would be used to put together a high-level strategic telecommunications plan for North Dakota. He emphasized that it is not the intent to criticize the current network. He said the purpose is to look at what can be done for the future, how it can be used, and how it can be implemented.

Mr. Zanon said the inventory prepared by Wolfe & Associates leads to the challenge of what to do next. He suggested the state look at its strengths, its weaknesses, opportunities, and then do an analysis.

Senator St. Aubyn said the statewide plan being developed by the Information Services Division would appear to be the vehicle for addressing Senator Solberg's concerns. He said the proposal by Wolfe & Associates should incorporate the approximate cost of implementing any recommendation. Senator Solberg said there needs to be a cost benefit analysis of any proposal for a future network.

In response to a question from Representative Svedjan, Senator Robinson said House Bill No. 1034 came about because of burgeoning expenditures for technology and questions of how the state can better move into the technological world.

**It was moved by Senator St. Aubyn and seconded by Senator Solberg that the committee recommend that the Legislative Council staff and the chairman of the Legislative Council contract with Wolfe & Associates to (1) conduct detailed research of five other states that are implementing creative new approaches to upgrading telecommunications, (2) develop a set of recommendations for North Dakota for implementing similar changes to get similar or superior results in North Dakota, (3) develop a workplan defining the time-frame for implementing the recommendations and designating the party responsible for implementation, and (4) provide a cost benefit analysis of the recommendations.**

Representative Svedjan inquired how the work by the Information Services Division correlates with the inventory by Wolfe & Associates. Representative Wardner said it is his perception that Wolfe & Associates is enhancing the Information Services Division due to lack of resources in the division. He said this proposal is for a quick followup by looking at states that have implemented innovative approaches, looking at the mistakes they have made, looking at

what we have, and determining how we can make it better.

In response to a question from Senator C. Nelson, Mr. Stepp said Wolfe & Associates would be visiting each state and the telecommunications people involved and would be using its expertise to put the information together and to make recommendations. He said the five states would probably be states similar to North Dakota. Mr. Heck said the statewide plan will identify how agencies are using their technology, including how they get information into their systems. He said the network piece would be handled at a much higher level under the Wolfe proposal.

After this discussion, **the motion carried on a roll call vote.** Senators Robinson, C. Nelson, Solberg, and St. Aubyn and Representatives Svedjan, Wardner, and Weisz voted "aye." No negative votes were cast.

### Y2K Compliance Survey

Senator Robinson said the purpose of the proposal by Wolfe & Associates for a survey of selected state agencies concerning Y2K compliance is to obtain a snapshot view on whether agencies are prepared for the year 2000.

**It was moved by Senator St. Aubyn and seconded by Senator Solberg that the committee recommend that the Legislative Council staff and the chairman of the Legislative Council contract with Wolfe & Associates to survey up to four agencies or entities, in addition to the State Hospital and State Radio Communications, and assess the extent those agencies or entities are year 2000 compliant; and negotiate with the North Dakota Association of Counties for a sharing of the cost to include a survey and assessment of one or more counties.** It was suggested that the State Hospital be included because of health care concerns and State Radio Communications be included because of its involvement with 911 emergency response services. Representative Weisz said he is concerned over the lackadaisical attitude of agencies that have not responded to the survey by the Information Services Division and counties that apparently are not responding to contacts from the North Dakota Association of Counties. Representative Svedjan recommended that agencies be selected that protect the health, safety, and welfare of the people or that leave us most vulnerable.

After this discussion, **the motion carried on a roll call vote.** Senators Robinson, C. Nelson, Solberg, and St. Aubyn and Representatives Svedjan, Wardner, and Weisz voted "aye." No negative votes were cast.

Mr. Zanon said the efforts of the committee to bring this issue to the attention of people in the private sector and to state organizations should be applauded. He said risk management issues should

be addressed, and he recommended inviting state risk management personnel and the Attorney General to describe their Y2K risk management planning efforts. He said financial institutions need to work to give consumers confidence. He noted that costs to fix Y2K problems are eligible for immediate writeoff and this may affect tax receipts, and he suggested that the Tax Commissioner be invited to estimate any impact on tax revenues.

The assistant director distributed a memorandum entitled *Authority of the Legislative Assembly to Grant Immunity to Political Subdivisions and the State for Year 2000 Computer Liability*. The memorandum reviews the rationale the North Dakota Supreme Court used in striking down the doctrines of governmental immunity and sovereign immunity, describes the claims the Legislative Assembly has excepted from liability, and concludes the state and political subdivisions are immune from liability for discretionary acts.

**It was moved by Senator St. Aubyn, seconded by Representative Wardner, and carried on a voice vote that the Legislative Council staff be requested to prepare a bill draft to provide immunity for the state and state employees and political subdivisions and political subdivision employees from claims arising from failure of computer hardware, computer software, telecommunications networks, or any device containing a computer processor to interpret, produce, calculate, generate, or account for a date that is compatible with the year 2000 date change if the public entity made a good faith effort to become year 2000 compliant.**

Senator Solberg requested that the Legislative Council staff invite Ms. Jo Zschomler, Director, Risk Management Division, Office of Management and Budget, to update the committee as to the state's liability exposure for Y2K claims and lawsuits and plans to manage this exposure.

The director suggested that the Attorney General be invited to describe any efforts to plan for lawsuits concerning Y2K compliance and a representative of the State Investment Board be invited to describe its efforts to protect state investments from Y2K problems.

Representative Svedjan suggested that the Tax Commissioner be invited to describe potential impact of Y2K compliance efforts on state tax revenues.

Senator C. Nelson suggested that the Securities Commissioner be invited to describe efforts in the securities industry and by securities regulators concerning Y2K compliance.

Senator Robinson suggested that the director of the Office of Management and Budget be invited to describe how agency information technology plans are being recognized in the 1999-2001 executive budget recommendation.

**It was moved by Representative Wardner and seconded by Representative Svedjan that the Legislative Council chairman be requested to encourage the Governor to issue an executive order directing state agencies to develop business continuation plans to take effect upon failure of the agency to become year 2000 compliant and urging all political subdivisions to make similar planning efforts.** Representative Svedjan said this motion should not be construed as any criticism of the effort of the Information Services Division but in fact is to provide additional support to the division's efforts to make agencies aware of potential Y2K problems. Hopefully, he said, the Governor would take appropriate action to inform political subdivisions of the seriousness of not becoming Y2K compliant. In response to a question from Representative Svedjan, Mr. Heck said when mainframe software is being renovated for Y2K compliance, more dates than just January 1, 2000, are being reviewed, e.g., February 29, 2000.

Representative Svedjan said there should be some type of centralized communication effort to promote confidence in agency abilities to resolve Y2K issues.

Senator St. Aubyn said the Governor could do a lot to instill confidence by issuing the executive order requested by the committee. He said this effort would show government is engaged in Y2K compliance planning and in contingency planning in case its efforts are not successful.

After this discussion, **the motion carried on a voice vote.**

### **Information Technology Planning**

Mr. Zanon said House Bill No. 1034 (1997) was an excellent first step initiative for statewide information technology planning. Basically, he said, that first step resulted in an inventory of what assets are in place. He suggested that legislators may want to put into place an entity that can articulate directions for the state, similar to the Oregon Information Resources Management Council, which includes representatives from the legislative, executive, and judicial branches of government, private industry, and political subdivisions.

**It was moved by Senator Solberg, seconded by Representative Wardner, and carried on a voice vote that the Legislative Council staff be requested to prepare a bill draft to establish a Legislative Council Information Management and Technology Committee with authority similar to Oregon's Joint Legislative Committee on Information Management and Technology.**

**It was moved by Representative Svedjan, seconded by Senator St. Aubyn, and carried on a voice vote that the Legislative Council staff be requested to prepare a bill draft, after consulting with appropriate personnel from the Information Services Division, to revise the relevant**

**provisions of House Bill No. 1034 (1997) in light of suggestions made to improve the information technology planning process.**

No further business appearing, Chairman Robinson adjourned the meeting at 4:50 p.m.

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Jay E. Buringrud  
Assistant Director

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John D. Olsrud  
Director

ATTACH:1