



INFORMATION TECHNOLOGY COMMITTEE

Wednesday, September 2, 2020
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Corey Mock, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Corey Mock, Glenn Bosch, Shannon Roers Jones, Nathan Toman, Don Vigesaa; Senators Kyle Davison, Merrill Piepkorn, Larry J. Robinson, Shawn Vedaa; Citizen Member Shawn Riley

Members absent: Representative Robin Weisz; Senator Terry M. Wanzek

Others present: Representative Karen M. Rohr, Mandan, member of the Legislative Management
Allen H. Knudson, Legislative Council, Bismarck
See [Appendix A](#) for additional persons present.

It was moved by Senator Robinson, seconded by Representative Vigesaa, and carried on a voice vote that the minutes of the July 1, 2020, meeting be approved as distributed.

STUDY OF INFORMATION TECHNOLOGY UNIFICATION

Mr. Levi Kinnischtzke, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Information Technology Unification Initiative Pilot Project Cost Analysis](#). He said the 2019 Legislative Assembly authorized an information technology (IT) unification initiative, including a transfer of 96 full-time equivalent (FTE) positions from five agencies to the Information Technology Department (ITD), as a pilot project to consolidate IT resources in state government. He said in Section 8 of House Bill No. 1021 (2019), the Legislative Assembly provided legislative intent that ITD provide direction to the executive branch agencies in the governor's cabinet not included in the IT unification initiative pilot project regarding IT strategic planning and operations.

Mr. Kinnischtzke said in August 2020, the Legislative Council surveyed the five agencies selected for the 2019-21 biennium IT unification initiative pilot project. He said the information does not include federal funding received as a result of the Coronavirus (COVID-19) pandemic or other IT costs, such as expenditures paid to third-party vendors or other IT expenditures indirectly related to IT unification. He said the agencies reported:

	2017-19 Biennium Actual IT Expenses	2019-21 Biennium Estimated IT Expenses Without Unification	Fiscal Year 2020 Actual IT Expenses	Fiscal Year 2021 Estimated IT Expenses	Total 2019-21 Biennium Estimated IT Expenses With Unification	Difference - 2019-21 Biennium Estimates - With and Without Unification	2021-23 Biennium Estimated IT Expenses
Total Increase Percent increase	\$65,642,746	\$85,613,538 \$19,970,792 30.4%	\$40,315,840	\$46,271,297	\$86,587,137 \$20,944,391 31.9%	\$973,599	\$107,598,258 \$21,011,121 24.3%

In response to a question from Mr. Shawn Riley, Chief Information Officer, Information Technology Department, Mr. Kinnischtzke said the data does not include funding for major IT projects or one-time funding for IT initiatives.

Department of Human Services

Mr. Christopher D. Jones, Executive Director, Department of Human Services, presented information regarding benefits, issues, and concerns of IT unification, as well as any cost-savings realized from IT unification. He said the Department of Human Services (DHS) is the state agency that accounts for the largest portion of ITD's revenue. He said DHS has welcomed IT unification because instead of having three IT budgets--for department staff, ITD, and

third-party vendors—the department now only has two IT budgets for ITD and third-party vendors. He said while there have been challenges with IT unification, the challenges were expected and DHS and ITD have responded to the challenges appropriately.

In response to a question from Chairman Mock, Mr. Jones said DHS IT staff transferred to ITD are available to work on DHS systems when needed but also are available to work in other areas as directed by ITD. He said desktop support services have increased in quality since unifying with ITD.

In response to a question from Representative Vigesaa, Mr. Riley said each IT-related employee considered for the 2019-21 biennium IT unification initiative completed a workforce transition evaluation that considered the duties of the employee in the original agency and how the individual's skills would fit in ITD. He said the evaluation generally takes 90 to 120 days to complete. He said if an individual performed some IT duties and some agency specific duties, those duties were evaluated when considering whether the position should be included in IT unification.

In response to a question from Chairman Mock, Mr. Jones said DHS may request certain IT staff be returned to DHS but the department would not support significant changes to the 2019-21 biennium IT unification plan. He said IT unification was necessary to determine how IT staff can best be utilized.

Department of Trust Lands

Ms. Jodi Smith, Commissioner, Department of Trust Lands, presented information ([Appendix B](#)) regarding benefits, issues, and concerns of IT unification, as well as any cost-savings realized from IT unification. She said the Department of Trust Lands (DTL) volunteered for the 2019-21 biennium IT unification pilot project, which included the transfer of 2 FTE programmer analyst positions to ITD. She said 1 FTE computer network specialist still is employed by DTL. She said the benefits of IT unification include strengthening relations with ITD and having a better understanding of the programs offered by ITD.

Ms. Smith said issues regarding IT unification include projected expenses for the 2019-21 biennium being approximately \$181,017 more than if DTL would not have unified with ITD. She said the 2 FTE programmer analyst positions transferred to ITD often are not available to work on DTL's land management system. She said DTL has experienced continuation of business concerns due to IT unification. She said a concern of IT unification is there is a lack of cross-training for ITD programmers who are knowledgeable about DTL systems and if the two programmers transferred to ITD are not available, DTL has no one to maintain and fix department systems. She said an IT unification concern is DTL IT-related incidents are not a priority for ITD.

In response to a question from Chairman Mock, Ms. Smith said DTL has experienced delays in ITD responses for department work requests. She said DTL staff have been frustrated by ITD's lack of urgency for DTL IT support.

In response to a question from Representative Bosch, Ms. Smith said the 2 FTE programmer analyst positions transferred to ITD are the only individuals who know how to maintain DTL systems due to the age of DTL's systems and the department's IT needs.

In response to a question from Representative Vigesaa, Ms. Smith said the 2 FTE programmer analyst positions transferred to ITD are no longer located in the DTL building.

In response to a question from Senator Davison, Ms. Smith said if given the option to change her decision, she would still choose DTL to participate in the 2019-21 biennium IT unification, but she would have transferred one programmer analyst in the 2019-21 biennium and one programmer analyst in the 2021-23 biennium to prevent delays in IT support and provide for a better IT unification transition.

In response to a question from Senator Davison, Ms. Smith said DTL does not anticipate IT savings as a result of IT unification until the 2023-25 biennium.

Attorney General

Mr. Troy Seibel, Chief Deputy Attorney General, Attorney General's office, presented information regarding benefits, issues, and concerns of IT unification, and the agency's interest in being included in future IT unification initiatives. He said the Attorney General does not support unifying Attorney General IT staff with ITD because the Attorney General's office, as a North Dakota law enforcement agency, must comply with criminal justice IT standards and regulations of federal agencies, such as the Federal Bureau of Investigation (FBI). He said the FBI requires the Attorney General to maintain the agency's data. He said the Attorney General supports continued collaboration with ITD, but it must retain ownership of agency IT staff and data due to federal requirements.

In response to a question from Chairman Mock, Mr. Seibel said the Attorney General's office has 19 FTE IT positions, all of which are located in Bismarck.

In response to a question from Senator Davison, Mr. Seibel submitted testimony ([Appendix C](#)) regarding the Attorney General's federal data requirements.

Public Service Commission

Mr. Brian Kroshus, Chairman, Public Service Commission, presented information regarding benefits, issues, and concerns of IT unification, and the agency's interest in being included in future IT unification initiatives. He said the Public Service Commission (PSC) does not support unifying its IT staff with ITD because IT unification is not in the best interest of PSC, the industries the agency represents, or North Dakota citizens. He said PSC supports continued collaboration with ITD, but believes it is important to maintain IT staff within PSC.

In response to a question from Representative Toman, Mr. Kroshus said PSC uses ITD for cybersecurity services.

In response to a question from Chairman Mock, Mr. Kroshus said PSC does not use ITD for desktop support services.

In response to a question from Senator Davison, Mr. Steven M. Kahl, Executive Secretary, Public Service Commission, submitted testimony ([Appendix D](#)) regarding the IT systems of PSC.

Department of Public Instruction

Mr. Ross Roemmich, Management Information Systems Director, Department of Public Instruction, presented information ([Appendix E](#)) regarding benefits, issues, and concerns of IT unification, and the agency's interest in being included in future IT unification initiatives. He said the Department of Public Instruction (DPI) has 7 FTE IT positions, including 3 FTE programmer analyst positions. He said DPI began a review of department IT personnel with ITD in November 2019 for possible IT unification.

Mr. Roemmich said benefits of unification include the potential for sharing methods, practices, and expertise with other state agencies, possible efficiencies, technology alignment, and possible cost-savings. He said DPI questions and concerns of IT unification include how IT staff would be used if DPI unified with ITD, what the response time would be for submitting IT work requests to ITD, cost and efficiency outcomes, and how services to North Dakota's 120,000 K-12 students would be affected.

In response to a question from Senator Davison, Mr. Roemmich said DPI uses multiple applications to interact with K-12 students, including the state automated reporting system, grants programs, student contract programs, and other software applications.

Mr. Roemmich said the COVID-19 pandemic halted the review process to evaluate whether to unify DPI IT staff with ITD. He said due to the uncertainty of IT unification and not being able to complete the review process, DPI does not support unification with ITD at this time.

In response to a question from Chairman Mock, Mr. Roemmich said DPI uses ITD for desktop support services and cybersecurity services.

State Water Commission

Mr. Christopher Bader, Information Technology Administrator II, State Water Commission, presented information ([Appendix F](#)) regarding benefits, issues, and concerns of IT unification, and the agency's interest in being included in future IT unification initiatives. He said the State Water Commission (SWC) does not support unifying its IT staff positions with ITD.

Mr. Bader said SWC has developed its agency IT infrastructure for 25 years, including data initiatives to support water resource management and engineering and scientific analysis requirements. He said the agency's IT infrastructure is designed using engineering and scientific requirements related to water resource management and is not built using traditional business tools. He said SWC does not utilize commercial software for water resource management often. He said most software tools utilized by the agency are available through open-source software which require significant customization. He said experience with SWC practices and water resource management requirements are necessary to meet the agency's IT needs.

Mr. Bader said if SWC unified its IT staff with ITD, either ITD would have to expand its services to meet the needs of SWC or SWC would have to retool the department's infrastructure to move data to ITD systems. He said

neither option is cost-effective or desirable for SWC. He said IT unification would require SWC to alter the agency's business model to fit technology solutions offered by ITD, which would be challenging given the scientific and engineering nature of SWC technology solutions.

Mr. Bader said the biennial cost of unifying SWC IT staff with ITD is approximately \$6.8 million compared to the current biennial SWC IT budget of \$909,000. He said the \$6.8 million estimate does not include any estimates of rewriting SWC software code. He said if SWC were required to redevelop or rewrite agency infrastructure to unify with ITD, the estimated costs would increase significantly. He said the biennial maintenance costs after unifying with ITD are approximately \$3.2 million more than if SWC does not unify IT staff with ITD.

Mr. Bader said despite SWC not supporting IT unification with ITD, the two agencies continue to collaborate, as SWC relies on ITD for network infrastructure, services, and security. He said SWC uses ITD for cybersecurity services.

In response to a question from Senator Davison, Mr. Bader said SWC has 2 FTE programmer analyst positions.

In response to a question from Representative Toman, Mr. Bader said SWC does not use ITD for desktop support services because SWC uses Macintosh brand devices instead of personal computer devices.

In response to a question from Senator Davison, Mr. Bader said SWC stores agency data on an agency-owned server.

In response to a question from Senator Davison, Mr. Bader said SWC uses Fortran programming because the systems developed by the United States Geological Survey that SWC utilize were written using Fortran programming. He said the programs used by SWC are considered the industry standard for water management-related work.

In response to a question from Representative Roers Jones, Mr. Riley said if ITD were asked to perform software solutions for SWC, ITD would evaluate current SWC software and its expected useful life to develop a long-term plan for the agency. He said there may be inexpensive low code software options available to replace the Fortran programmed software used by SWC.

Bank of North Dakota

Mr. Eric Hardmeyer, President, Bank of North Dakota, presented information ([Appendix G](#)) regarding benefits, issues, and concerns of IT unification, and the agency's interest in being included in future IT unification initiatives. He said several Bank of North Dakota IT staff had recently sought employment opportunities with ITD, resulting in the Bank volunteering for any future IT unification initiative to work with rather than compete with ITD. He said the Bank has 16 FTE IT positions that could be transferred to ITD. He said ITD started the start-stop-continue review process for these IT positions in December 2019. He said the Bank signed a memorandum of understanding with ITD in January 2020 to document the two agency's commitment to working together.

Mr. Hardmeyer said benefits of unifying IT staff with ITD include allowing Bank of North Dakota IT staff more career opportunities, and having access to better software tools and more cybersecurity resources. He said IT unification will not result in any additional costs to the Bank in the foreseeable future but IT expenditures are expected to decrease several years after unifying with ITD. He said the agencies have focused on aligning information security, technology services, application support, data management, and project management. He said the Bank's IT unification concerns include the maturity of ITD data management services, resourcing of project management, and whether costs will be cost neutral.

In response to a question from Representative Rohr, Mr. Hardmeyer said transferring staff to another agency is a challenge, but does not affect individual salaries. He said a challenge of transferring staff to ITD is that Bank of North Dakota staff are unclassified employees while ITD staff are classified employees. He said reconciliation of similar challenges is expected during the IT unification process.

In response to a question from Representative Rohr, Mr. Riley said nearly all 96 new ITD employees retained their job descriptions after transferring from other agencies to ITD at the beginning of the 2019-21 biennium.

In response to a question from Chairman Mock, Mr. Hardmeyer said if the Bank of North Dakota transferred 16 FTE IT positions to ITD, the Bank would no longer have any IT positions.

In response to a question from Senator Piepkorn, Mr. Riley said there is no cost of IT unification when IT staff of other agencies are transferred to ITD.

In response to a question from Chairman Mock, Mr. Charles Tweet, Innovation Implementation Manager, Information Technology Relations, Bank of North Dakota, said Bank of North Dakota's IT staff perform all Bank-related desktop support services, but ITD will be responsible for desktop support services if the Bank and ITD unify IT staff.

In response to a question from Chairman Mock, Mr. Riley said Section 8 of House Bill No. 1021 provided legislative intent that ITD provide strategic direction to the executive branch agencies in the governor's cabinet not included in the IT unification initiative pilot project for the 2019-21 biennium. He said this section did not apply to the Bank of North Dakota. He said the memorandum of understanding signed by the Bank and ITD in January 2020 provides for the work agreement between the agencies until the 2021 Legislative Assembly decides whether to unify the Bank and ITD IT staff.

Information Technology Department

Information Technology Department Service Rates

Mr. Greg Hoffman, Director, Administrative Services Division, Information Technology Department, presented information ([Appendix H](#)) regarding the results of ITD's review of service rates charged to state agencies, including rate structure and agency billing pursuant to Section 9 of House Bill No. 1021.

Mr. Hoffman said ITD's fiscal year 2019 state agency billings totaled \$64.9 million. He said agencies billed the most for services provided include DHS (41 percent), DPI (9 percent), Department of Transportation (DOT) (7 percent), and Workforce Safety and Insurance (4 percent). He said ITD services billed are computer hosting services (39 percent), software development (27 percent), network services (17 percent), direct bill back services (11 percent), telephone services (5 percent), and other services (1 percent).

In response to a question from Representative Rohr, Mr. Hoffman said other services provided by ITD include desktop support services, Microsoft Office suite fees, and other miscellaneous IT services. He said equipment costs are included in the rates charged to agencies for services provided so agencies do not have to pay for a significant amount of unplanned equipment at one time.

Mr. Hoffman said ITD sets rates for services provided to state agencies in April of each even-numbered year for the subsequent biennium. He said the rates are effective July 1 of the following year.

Mr. Hoffman said ITD is considered an internal service fund agency, which means ITD is appropriated special funds spending authority and charges state agencies for IT services provided. He said the revenue received from state agencies for services provided has historically originated equally from the agencies' general, federal, and special fund appropriations. He said because ITD is an internal service fund agency, federal regulations require ITD to have no more than 60 days equivalent of operating funding available to the department at the end of each fiscal year. He said ITD is audited annually by the federal government for compliance with this requirement.

In response to a question from Senator Davison, Mr. Hoffman said while the allowable amount of reserve funds ITD can possess at the end of each fiscal year can fluctuate depending on operating activity of the department, the current allowable amount is approximately \$8 million for 60 days of operating activity. He said ITD is not required to maintain a reserve fund, but the reserve fund is needed for daily cashflow of the department, including payroll expenditures. He said ITD budgets for the maximum amount allowable in the reserve fund.

In response to a question from Senator Davison, Mr. Hoffman said ITD charges an overhead rate of 4.9 percent for services provided to state agencies.

Mr. Hoffman said ITD rate changes for the 2021-23 biennium will result in an overall reduction of expected state agency billings of approximately \$825,000. He said costs related to staffing and maintaining the mainframe will increase approximately \$600,000. He said a technology fee change will result in network rates increasing state agency billings by approximately \$350,000. He said 2021-23 biennium rates will decrease expected state agency billings for general disk and server hosting services (\$1.2 million), ConnectND hosting (\$250,000), and telephone services (\$450,000).

In response to a question from Chairman Mock, Mr. Hoffman said costs related to the mainframe are billed to agencies based on usage. He said DHS and DOT have the largest applications on the mainframe and as a result, pay the most for the mainframe.

In response to a question from Senator Robinson, Mr. Hoffman said ITD has established a goal of removing all agency applications from the mainframe in 2 to 3 years. He said IT unification may help expedite this process.

2019-21 Biennium Information Technology Unification

Mr. Hoffman presented information ([Appendix I](#)) regarding the effect of the IT unification initiative approved for the 2019-21 biennium on fees, services, operations, processes, and systems. He said the 2019 Legislative Assembly approved IT unification for five agencies, including DTL, DHS, Parks and Recreation Department, DOT, and the Department of Emergency Services for the 2019-21 biennium.

Mr. Hoffman said the 15 agencies taking operational and strategic IT direction from ITD during the 2019-21 biennium are the governor's office, Office of Management and Budget, State Department of Health, Department of Environmental Quality, Indian Affairs Commission, Job Service North Dakota, Department of Labor and Human Rights, Bank of North Dakota, Department of Financial Institutions, Department of Securities, Workforce Safety and Insurance, Highway Patrol, Department of Corrections and Rehabilitation, Department of Commerce, and Game and Fish Department.

Mr. Hoffman said IT unification has allowed ITD to decrease the unit cost of IT hardware and devices, such as laptops and monitors. He said the volume of ITD Help Desk work requests has increased from 36,748 in fiscal year 2017 to 52,231 in fiscal year 2019. He said ITD estimates fiscal year 2022 Help Desk work requests will total 80,926. He said the cost to agencies for each work request was \$25.22, \$25.35, and \$25.20 in fiscal years 2017, 2018, and 2019. He said the estimated fiscal year 2021 cost of each work request is \$22.60 and the estimated fiscal year 2022 cost is \$19.90 for each work request. He said the reduced work request costs are possible due to IT unification.

2021-23 Biennium Information Technology Unification

Mr. Riley presented information ([Appendix J](#)) regarding ITD's plan for IT unification for the 2021-23 biennium and future bienniums, including the plan's effect on fees, services, operations, processes, and systems. He said ITD likely will propose the unification of all governor's cabinet agencies and the Bank of North Dakota during the 2021 legislative session. He said of the 15 agencies taking operational and strategic IT direction from ITD, 10 agencies have a total of 75.5 FTE IT staff that could be transferred to ITD.

Mr. Riley said other agencies ITD may request to be unified include DPI, Secretary of State, Retirement and Investment Office, Public Employees Retirement System, State Historical Society, Insurance Commissioner's office, Industrial Commission, PSC, and SWC. He said ITD also may request DTL unify the department's remaining FTE IT position. He said these 10 agencies have a combined 25 FTE IT positions that could be transferred to ITD.

Mr. Riley said ITD has not engaged other agencies with IT staff regarding potential 2021-23 biennium IT unification. He said these agencies include the Attorney General, Housing Finance Agency, Department of Career and Technical Education, School for the Blind, School for the Deaf, State Library, and Tax Department, which have a combined 36 FTE IT positions. He said the total IT staff in executive branch agencies, excluding higher education institutions, is 538.5 FTE positions, of which 402 FTE positions are authorized for ITD in the 2019-21 biennium.

Mr. Riley said IT unification could save the state \$640 million per biennium in salaries and benefits due to automation and process redesign being performed by IT instead of staff. He said these initiatives could lead to FTE positions being reprioritized for other work needed by agencies or potentially being eliminated.

In response to a question from Senator Piepkorn, Mr. Riley said to realize the estimated \$640 million per biennium salaries and benefits savings, ITD would need approximately \$230 million, of which \$120 million would be to replace old technology, \$65 million would be for process automation of manual tasks, and \$45 million would be for business analysts to update state agency processes.

In response to a question from Representative Vigesaa, Mr. Riley said other states have explored IT unification with various approaches and levels of success. He said Minnesota began IT unification in 2011 but has not completed the process. He said Texas has decentralized IT, as it has 187 individuals with a chief information officer equivalent title. He said South Dakota, Michigan, Nevada, and Florida are more unified than North Dakota for hardware and applications but North Dakota is the leader in attempting to unify all IT in one organization.

In response to a question from Representative Vigesaa, Mr. Riley said certain national rankings have placed North Dakota state government IT in the top five to top eight of all state governments. He said certain national rankings have given ITD a grade of "A" for IT services provided. He said rankings comparing North Dakota state government IT to private industry have scored as low as 14 on a scale of 100. He said IT unification helps ITD evaluate new technologies available to increase IT capabilities of state government rather than comparing each state government's current IT abilities.

Information Technology Department Proposed Legislation

Mr. Riley presented information ([Appendix K](#)) regarding legislation ITD may propose to the 2021 Legislative Assembly. He said the proposed legislation would require each state agency that uses the statewide technology access for government and education network (STAGEnet) to report cybersecurity incidents to ITD upon discovery of the incident. He said the purpose of the proposed legislation is for ITD to establish timely controls to protect other organizations on STAGEnet.

VENDOR LIABILITY

Mr. Kinnischke presented a bill draft [[21.0174.01000](#)] related to vendor liability. He said the primary change to the bill draft considered at the July 1, 2020, meeting is requiring direct liability to the state be set to twice the value of the contract unless all parties to the contract agree to an alternative amount. He said any agreed upon amount less than twice the value of the contract must be approved by the director of the Office of Management and Budget.

Mr. Tag Anderson, Director, Risk Management Division, Office of Management and Budget, testified in support of the bill draft.

Mr. Rod Backman, Deloitte Consulting, LLP, testified in support of the bill draft. He said the bill draft may provide savings for taxpayers by encouraging more vendors to bid on state request for proposals.

Mr. Liam Crawford, Senior Manager, Public Sector, CompTIA, submitted testimony ([Appendix L](#)) in support of the bill draft.

It was moved by Senator Davison, seconded by Representative Bosch, and carried on a roll call vote that the 2021 Legislative Assembly favorably consider legislation that may be introduced related to contracts limiting liability to the state. Representatives Mock, Bosch, Roers Jones, Toman, and Vigesaa and Senators Davison, Piepkorn, Robinson, and Vedaa voted "aye." No negative votes were cast.

INFORMATION TECHNOLOGY SECURITY AUDITS

Mr. Joshua C. Gallion, State Auditor, presented information regarding an update of IT security audits of ITD and the North Dakota University System. He said Senate Bill No. 2004 (2019) included funding of \$450,000 for the State Auditor's office to contract with consultants to test IT system security of ITD and the University System. He said the State Auditor's office planned to contract with ManTech International Corporation to conduct the audits of ITD and University System IT systems but due to the COVID-19 pandemic, ManTech was not able to conduct the audits. He said in August 2020, the State Auditor's office entered a contract with one of ManTech's subcontractors to conduct the audits. He said the audit reports should be completed by the end of January 2021. He said a public report and a confidential report will be produced.

EDUCATION-RELATED INFORMATION TECHNOLOGY UPDATES**K-12 Education**

Ms. Rosi Kloberdanz, Director, EduTech, Information Technology Department, presented information ([Appendix M](#)) regarding the status of elementary and secondary education IT activities. She said the COVID-19 pandemic has accelerated the transition of education to digital resources. She said EduTech is helping schools reopen successfully by working with Internet providers to ensure connectivity, providing the state-supported Microsoft Teams platform at no cost to K-12 schools, and responding to educator requests by providing virtual training and access to tools and resources. She said EduTech identified approximately 2,000 homes in rural areas of the state with school-aged children which did not have adequate Internet access. She said EduTech worked with Internet providers to connect these homes at no charge to the families to ensure students could complete online courses. She said in August 2020, the Emergency Commission and Budget Section authorized ITD to use \$500,000 from the state's allocation from the federal Coronavirus Relief Fund for broadband grants to school districts based on broadband connectivity needs for underprivileged households with school-aged children. She said the grants will be awarded in consultation with DPI.

Ms. Kloberdanz said EduTech is partnering with school districts, state agencies, regional education associations, and private sector partners to encourage innovation in North Dakota K-12 education. She said ITD Help Desk and EduTech Help Desk have combined to provide one IT Help Desk system for state government and K-12 education. She said EduTech has partnered with Microsoft TechSpark, Gateway to Science, and the State Department of Health to produce and distribute approximately 6,800 face shields to K-12 students.

Higher Education

Large Project Reporting

Mr. Darin King, Vice Chancellor for IT/Chief Information Officer, North Dakota University System, presented information ([Appendix N](#)) regarding the 2020 1st quarter summary status report ([Appendix O](#)) and the 2020 2nd quarter summary status report ([Appendix P](#)) on large IT projects. He said the Novelution electronics grant management project was in green status during quarters one and two of 2020. He said module 1 of the project is complete and module 2 is in the discovery phase. He said the project is under budget by 31.1 percent and behind schedule by 0.4 percent compared to the revised project baseline.

Mr. King said the online library management system was in green status during quarters one and two of 2020. He said the project is under budget by 16.9 percent and ahead of schedule by 1.2 percent compared to the revised project baseline.

Information Technology-Related Courses

Mr. Doug Darling, President, Lake Region State College, presented information ([Appendix Q](#)) regarding efforts by the University System to provide IT- and cybersecurity-related courses to prepare students to meet North Dakota's workforce needs. He said enrollment in North Dakota K-12 IT courses has decreased 36 percent since 2008. He said enrollment in North Dakota postsecondary IT programs has decreased 33 percent since 2008 despite the number of IT and cybersecurity jobs increasing.

Mr. Darling said Lake Region State College (LRSC), Williston State College, Dakota College at Bottineau, and Turtle Mountain Community College formed a Northern Information Technology Consortium to facilitate IT courses and encourage students to pursue IT-related careers. He said LRSC has established an IT apprenticeship program to help address North Dakota's IT and cybersecurity workforce needs. He said the apprenticeship program provides the students with an associate of applied science degree. He said LRSC works with Bismarck State College (BSC) to offer a cybersecurity certificate to interested students.

Mr. Darling said LRSC has worked with EduTech and the Department of Career and Technical Education to encourage high school students to enroll in IT courses to create interest in IT-related careers prior to seeking postsecondary education.

In response to a question from Representative Rohr, Mr. Darling said students enrolled in the IT apprenticeship program are paid and trained by the employer. He said the IT apprenticeship program is similar to traditional apprenticeship programs, such as electricians or plumbers. He said the program allows students to obtain the skills necessary to obtain an entry-level job in an IT field upon completion of the program. He said many students enrolled in the program are hired by the apprenticeship employer after completing the program.

Mr. Matthew Frohlich, Associate Professor of Cybersecurity, Bismarck State College, presented information ([Appendix R](#)) regarding efforts by the University System to provide IT- and cybersecurity-related courses to prepare students to meet North Dakota's workforce needs. He said BSC offers an associate of applied science degree in cybersecurity and computer networks and a cybersecurity and IT bachelor of science degree. He said the associate of applied science degree prepares students to install operating systems, configure networks, manage servers, and maintain fundamental security practices. He said enrollment in the program has increased from 49 students in 2013 to 145 students in 2020.

Mr. Frohlich said the bachelor of science in cybersecurity and IT degree provides students experience securing network communications, configuring virtualization, managing cloud-based resources, and performing other common security-related tasks while implementing IT. He said the program was started in 2019. He said enrollment in the program was 18 in 2019 and 27 in 2020. He said BSC also offers classes for industry certifications related to Palo Alto Network firewalls and Cisco Systems.

Dr. Simone Ludwig, Interim Chairperson, Computer Science Department, North Dakota State University, presented information ([Appendix S](#)) regarding efforts by the University System to provide IT- and cybersecurity-related courses to prepare students to meet North Dakota's workforce needs. She said North Dakota State University (NDSU) offers degrees of bachelor of arts in computer science, bachelor of science in computer science, master in computer science, master in software engineering, doctorate in computer science, and doctorate in software engineering. She said NDSU also offers a software engineering certificate and a cybersecurity certificate. She said of the 354 students pursuing IT-related bachelor degrees, 90 percent are male and 10 percent are female. She said of the 89 students pursuing IT-related graduate degrees, 78 percent are male and 22 percent are female.

In response to a question from Representative Rohr, Dr. Ludwig said of the 89 students pursuing an IT-related graduate degree at NDSU, 14 students are pursuing a doctorate degree and 75 students are pursuing a master's degree.

Dr. Ludwig said of the 72 students that graduated with an IT-related degree from NDSU in 2019, 89 percent were employed after graduation. She said the beginning salaries of the graduating students were between \$55,000 to \$70,000 annually. She said common job titles of graduating students include application or software developer, programmer, software engineer, and development analyst. She said NDSU intends to start a bachelor of science in data science program, a bachelor of science in cybersecurity program, and a bachelor of science in software engineering program.

In response to a question from Chairman Mock, Dr. Ludwig said it is possible for a student who obtains an associate degree at BSC to enroll in an NDSU IT program to obtain a bachelor degree using credits completed while obtaining the associate degree.

REPORT FROM THE CHIEF INFORMATION OFFICER

Higher Education Local Area Network Services

Mr. Duane Schell, Chief Technology Officer, Information Technology Department, presented information ([Appendix T](#)) regarding a report of local area network services provided in student housing facilities on higher education campuses and any contracts entered pursuant to Section 1 of Senate Bill No. 2318 (2019). He said a contract was executed in November 2019 with Dakota Carrier Network to provide local area network services on higher education campuses. He said through August 2020, higher education institutions have not utilized the contract.

State Employee Bonuses

Mr. Kinnischtzke presented a memorandum entitled [Statutory Authority for State Employee Bonuses](#). He said North Dakota Century Code Section 54-06-30 allows state agencies to pay performance bonuses of up to \$1,500 each fiscal year to an employee. He said Section 54-06-31 allows state agencies to develop programs to provide bonuses to recruit or retain employees in hard-to-fill occupations. He said funding for bonuses must be provided from within each agency's salaries and wages budget. He said North Dakota Administrative Code Section 4-07-02-20 provides a retention bonus may be given as an incentive to retain an employee in state government unless the employee is leaving to work for another state agency.

In response to a question from Chairman Mock, Mr. Kinnischtzke said there are no statutory limitations on the amount of retention or recruitment bonuses a state employee could receive.

Mr. Riley presented information ([Appendix U](#)) regarding performance, retention, and recruitment bonuses provided to ITD employees in fiscal year 2020 and the methodology used to determine the bonuses provided. He said 15 employees were given a performance bonus during fiscal year 2020, totaling \$3,000, or an average of \$200 per employee. He said 75 employees were given a retention bonus during fiscal year 2020, totaling \$169,959, or an average of \$2,266 per employee. He said 6 employees were given a recruitment bonus during fiscal year 2020, totaling \$15,500, or an average of \$2,583 per employee.

Mr. Riley said the COVID-19 pandemic has caused ITD staff to work overtime to meet demand for telework and other IT services. He said from March 2020 through July 2020, ITD staff worked 16,849 hours of overtime. He said if overtime pay was provided for hours worked from March 2020 through July 2020, the cost would have been approximately \$1.2 million.

Mr. Riley said because IT staff are not eligible to be compensated for overtime worked, certain employees were given bonuses. He said bonuses were not provided to all staff. He said to be eligible for a bonus, an individual had to have worked a minimum of 20 hours of overtime related to the COVID-19 pandemic each month during March 2020 and April 2020. He said the bonuses provided to staff were paid based on a formula that considered the employee's hourly wage and 75 percent of overtime hours worked during March 2020 and April 2020.

In response to a question from Representative Bosch, Mr. Riley said ITD considered United States Department of Labor wage and hour requirements before providing bonuses to staff. He said overtime hours worked by ITD staff were monitored and considered before providing bonuses. He said it is unlikely ITD will issue retention bonuses using this same criteria in the future.

Mr. Riley said all bonuses provided to ITD staff in fiscal year 2020 were paid using special fund salaries and wages funding available due to vacant position savings.

In response to a question from Senator Davison, Mr. Hoffman said agencies are not allowed to pay for state employee bonuses using federal funding received as a result of the COVID-19 pandemic. He said if an agency has staff allowed to be compensated for overtime, the agency may be able to use federal funding received as a result of the COVID-19 pandemic to pay for overtime worked. He said none of the federal funding ITD was authorized to use as a result of the COVID-19 pandemic has been spent on staff salaries.

In response to a question from Senator Robinson, Mr. Riley said the bonuses have helped reduce the number of ITD staff vacancies.

State Employees Working Out of State

Mr. Kinnischtzke presented a memorandum entitled [North Dakota State Employees Working In Other States](#). He said information obtained from ITD and the Risk Management Division of the Office of Management and Budget revealed there are 17 state agencies, not including higher education institutions, with 88 permanent and temporary employees working in 22 states outside North Dakota as of August 2020. He said the estimated salaries and wages the employees will earn in other states during fiscal year 2021 is approximately \$5.9 million.

In response to a question from Representative Vigesaa, Mr. Kinnischtzke said of the 88 employees working outside of North Dakota, 37 employees working in other states due to the COVID-19 pandemic are expected to return to work in North Dakota after the pandemic has ended.

Mr. Riley presented information ([Appendix V](#)) regarding an update of the number of ITD employees working outside North Dakota, including the number of these employees in classified and nonclassified positions and the number in permanent and temporary positions. He said of ITD's 402 FTE positions, 17 FTE positions, or 4 percent, are working permanently out of state. He said it is difficult to recruit IT and cybersecurity employees in North Dakota due to low salaries offered at the state and North Dakota IT professionals lacking certain IT skills. He said providing the option to telework from other states allows ITD to attract IT and cybersecurity professionals. He said it is more cost-effective for ITD to allow certain employees to work outside North Dakota rather than contracting with a vendor to perform the work.

In response to a question from Chairman Mock, Mr. Riley said ITD used to require customer support employees to live in Bismarck but now allows those employees to be located in other North Dakota cities. He said other ITD employees do not have location requirements.

BLOCKCHAIN IN STATE GOVERNMENT

In response to a question from Representative Toman, Mr. Riley said no new legislation is needed for ITD to pursue blockchain-related technologies and projects for state agencies. He said ITD is using blockchain in existing agency projects.

In response to a question from Chairman Mock, Mr. Riley said ITD issued a request for proposal for a blockchain-related "Digital Citizen" project. He said ITD initially intended to award the contract on a noncompetitive basis but ultimately issued the request for proposal to solicit multiple bids.

Chairman Mock requested ITD provide an update on the Digital Citizen project and on contracts entered by the department.

Representative Bosch requested ITD provide information regarding the ongoing costs of ITD's cybersecurity, telework, and digital government initiatives and how much of the funding received from the state's allocation from the federal Coronavirus Relief Fund has been spent.

No further business appearing, Chairman Mock adjourned the meeting at 3:38 p.m.

Levi Kinnischtzke
Fiscal Analyst

ATTACH:22