

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INFORMATION TECHNOLOGY COMMITTEE

Wednesday, March 17, 2004
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Larry Robinson, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Larry Robinson, Randel Christmann, Randy A. Schobinger, Tom Seymour, Rich Wardner; Representatives Eliot Glassheim, Bob Skarphol, Ken Svedjan, Robin Weisz, Lonny Winrich; Chief Information Officer Curtis L. Wolfe

Member absent: Representative Keith Kempenich

Others present: See attached appendix

It was moved by Senator Wardner, seconded by Representative Skarphol, and carried on a voice vote that the minutes of the January 13, 2004, meeting be approved as distributed.

Chairman Robinson welcomed Senator Ray Holmberg, Legislative Council member, to the meeting.

REPORT FROM THE CHIEF INFORMATION OFFICER

Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, commented on information technology issues, including the recommendations included in the Pacific Technologies, Inc., final report for the information technology organizational and management studies and the department's response to state agency comments and concerns regarding the recommendations for the information technology organizational and management studies. A copy of his comments is on file in the Legislative Council office.

Mr. Wolfe said he agrees with the recommendations included in the final report for the information technology organizational and management studies. He said in regard to state agency concerns with the recommendations included in the final report, the department has responded in writing to each of the agencies and the Enterprise Architecture Review Board analysis of the recommendations will address agency concerns relating to workstation replacement costs, specialized workstations, and workstation support.

In response to a question from Senator Christmann regarding concerns expressed by the Public Service Commission and the Oil and Gas Division, Mr. Wolfe said the department is working

with both of the agencies to ensure agency business operations are not adversely affected by the information technology consolidation required by House Bill No. 1505.

Mr. Wolfe said the department's legislative appropriation for the 2003-05 biennium included a \$1 million general fund budget reduction. To address the budget adjustment, the department proposed implementing a one-time miscellaneous billing adjustment for telephone and data processing services to recover \$500,000 and \$250,000, respectively, and reducing funding for the statewide wide area network by \$250,000. Agency information technology budgets in total were not to be affected by the one-time adjustment because the Information Technology Department lowered telephone and data processing rates for the remainder of the 2003-05 biennium. He said in January 2003 the Attorney General's office issued an opinion stating the department does not have the authority to assess a one-time miscellaneous charge.

Mr. Wolfe said the department's legislative appropriation for the 2003-05 biennium also included \$862,059 of special funds from various state agencies. He said the Office of Management and Budget in consultation with the Attorney General's office has determined \$70,142 of the \$862,059 in special funds may not be transferred to the department because of restrictions on the use of those funds.

Mr. Wolfe said the department will be requesting a deficiency appropriation of the 2005 Legislative Assembly in the amount of \$1 million to address the general fund budget adjustment and the shortfall of special funds. He said if a deficiency appropriation is not provided, the department would be forced to make reductions to department full-time equivalent (FTE) positions funded from the general fund, the geographic information system (GIS) initiative, the statewide wide area network for kindergarten through grade 12, the Division of Independent Study, the Educational Technology Council, EduTech, and Prairie Public Broadcasting.

In response to a question from Representative Glassheim regarding the potential deficiency appropriation, Mr. Mike Ressler, Deputy Chief Information Officer, Information Technology Department, said due to federal regulations that do not allow the department

to generate a "profit," the department could not lower its levels of service by reducing non-general fund expenses and charge agencies the current rate to recoup the general fund deficiency.

Mr. Wolfe said in regard to other information technology issues, the state's e-rate reimbursement funding for fiscal year 2005 has been approved at 64 percent, compared to 63 percent for fiscal year 2004. He said the department is preparing a plan for upgrading the statewide public safety communications system from an analog system to a digital system. He said the state's share of estimated one-time costs for the upgrade is \$15.1 million. He said the department has secured \$2.8 million of federal funding and plans to request approximately \$6 million from the general fund over two bienniums leaving a balance of \$6.3 million to be funded from other sources for the upgrade.

In response to a question from Senator Christmann regarding the plan for upgrading the statewide public safety communications system, Mr. Jerry Fossum, Director of Telecommunications, Information Technology Department, said the system's base stations will be upgraded to a dual mode to allow for both analog and digital use.

In response to a question from Senator Robinson regarding the cost of upgrading the statewide public safety communications system, Mr. Wolfe said the estimated cost to local governments for upgrading the statewide public safety communications system is approximately \$22 million. He said local governments should be able to utilize homeland security funding for some of the costs.

In response to a question from Representative Svedjan regarding the upgrading of the statewide public safety communications system, Mr. Wolfe said the department plans to utilize federal homeland security funding as much as possible for the project.

OTHER COMMITTEE RESPONSIBILITIES

Ms. Cindy Kemmet, Customer Support Center Manager, Information Technology Department, provided information regarding the department's help desk management software. A copy of the information is on file in the Legislative Council office. She said in 1994 the department implemented the Help Desk Expert Automation Tool (HEAT) software to address the demand for support of information technology. She said the department has also worked with other state agencies to purchase and implement the HEAT software. She said all calls received at the department's help desk are assigned a priority of 1 to 4 with 1 being mission critical requiring immediate escalation and 4 being low priority. She said in February 2004 the department's help desk logged 1,848 calls of which 5 percent were classified Priority 1, 6 percent were Priority 2, 71 percent were Priority 3, and 18 percent were Priority 4. She said of the 1,848 calls, 58 percent were resolved by

individuals at the help desk and 42 percent were escalated to the department's technical support.

In response to a question from Representative Skarphol, Ms. Kemmet said the state agencies who have implemented the HEAT software have their own help desks and those agencies forward calls to the Information Technology Department help desk only as necessary.

Mr. Dirk Huggett, Information Technology Business Analyst, Information Technology Department, provided information regarding the department's help desk approach relating to the ConnectND system and the criminal justice information sharing initiative. A copy of the information is on file in the Legislative Council office. He said the department's focus regarding its help desk approach for the ConnectND system and the criminal justice information sharing initiative is to maintain high first-call resolution and efficiency while maintaining a high level of customer service. He said in regard to the ConnectND system, the department has suggested implementing automated assistance and e-mail support for self-service users and an automated call distribution for single point of contact routing for day-to-day users of the system. He said in regard to the criminal justice information sharing initiative, the department has suggested implementing an automated call distribution for routing of questions to the appropriate contact.

Mr. Roger Hertz, Director, Information Management Division, Department of Human Services, provided information regarding the Enterprise Architecture Review Board analysis of the recommendations included in the Pacific Technologies, Inc., final report for the information technology organizational and management studies. A copy of the information is on file in the Legislative Council office. He said a subcommittee of the Enterprise Architecture Review Board has reviewed the consolidation of workstation support and help desk services and the workstation standardization recommendations included in the final report for the information technology organizational and management studies.

Mr. Hertz said in regard to the workstation standardization recommendation, the subcommittee defined four classes of workstations--office automation, power user, high-end (custom configuration), and laptops. The subcommittee estimates approximately 65 percent of the state's workstations are office automation workstations, 15 percent are power user workstations, 5 percent are high-end workstations, and 15 percent are laptops. He said the subcommittee completed a request for information (RFI) to receive information on workstation hardware and services pricing. He said based on responses to the RFI, the subcommittee estimates a potential savings of \$1 million in total funds over four years if the state commits to purchase at least 5,000 workstations. He said the current average workstation cost is \$1,133, and the proposed typical cost is \$900. He said the

subcommittee's recommendations are to begin standardization of office automation workstations in the 2005-07 biennium through a consolidated workstation acquisition strategy, standardize the replacement cycle to four years for all state agencies, and continue to study how to best manage the replacement cycle process. He said to implement the consolidated workstation acquisition strategy, the state would prepare and execute a request for proposal to purchase a single brand of office automation workstations for all of state government. He said the subcommittee believes implementing the recommendation in the 2005-07 biennium will require approximately \$52,000 less in total funds. He said the request for proposal may include options to expand the procurement to other groups such as higher education, kindergarten through grade 12, political subdivisions, and employees.

Mr. Hertz said the subcommittee recommends further study of the consolidation of workstation support and help desk services recommendation. He said the further study will allow the state to define a labor model that addresses state needs in an efficient and effective manner.

In response to a question from Senator Christmann, Mr. Hertz said the contract for the purchase of a single brand of office automation workstations would include appropriate service levels to ensure the selected vendor remains competitive.

In response to a question from Representative Skarphol, Mr. Hertz said the Information Technology Department would be responsible for the execution of the request for proposal and the award of the contract and the enterprise architecture process would manage the contract.

Representative Skarphol said he is concerned with the potential impact on local vendors if kindergarten through grade 12, political subdivisions, and employees are included in the contract.

In response to a question from Senator Seymour, Mr. Hertz said the request for proposal would be available to all vendors.

In response to a question from Senator Christmann, Mr. Hertz said the Enterprise Architecture Review Board recommendation is that funding be included in each agency's budget for the purchase of workstations.

Mr. Dan Fisher, Community First Bankshares, Fargo, presented information regarding information technology consolidation experiences. A copy of the information is on file in the Legislative Council office. He said Community First Bankshares has 137 bank offices, 173 data circuits, 252 departments, and 2,400 users across 12 states, including Arizona, California, Colorado, Iowa, Minnesota, Nebraska, New Mexico, North Dakota, South Dakota, Utah, Wisconsin, and Wyoming. He said the company has implemented several information technology standards, including workstation and server standards, a purchasing methodology standard, and remote

access standards. He said the company's information technology consolidation has resulted in reduced information technology staffing levels, price reductions on purchases, increased redundancy, backup, and replacement capabilities, and increased security controls.

In response to a question from Representative Skarphol, Mr. Fisher said the redundancy, backup, and replacement capabilities comprise approximately one-third of the cost of an information technology function.

In response to a question from Senator Robinson, Mr. Fisher said Community First Bankshares has reduced information technology staff turnover from approximately 125 percent to 10 percent in the past few years.

Mr. Jay E. Buringrud, Assistant Director, Legislative Council, commented on information technology issues being considered by the interim Legislative Management Committee. He said the interim Legislative Management Committee is reviewing Internet connection speed for legislators to receive e-mail and Lotus Notes e-mail and Lotus Notes migration issues.

Mr. Buringrud said in 1995 toll-free, dial-up access at a cost of 10 cents per minute was determined to provide the best service to legislators in their homes, their offices, and while traveling out of state. He said the toll-free, dial-up access is primarily used by legislators in rural areas because legislators in Dickinson, Bismarck, Jamestown, Fargo, Grand Forks, and Minot have local dial-up access to the statewide wide area network. He said the average monthly total cost of the toll-free, dial-up access is approximately \$3,000, and at the present time the access is at varying connection speeds from 5 to 28.8 megabytes per second. He said the committee is reviewing options, including the use of credit cards to pay long-distance charges for dialing into Bismarck and the use of local Internet service providers.

Mr. Buringrud said in 1995 Lotus Notes was selected as the legislative branch e-mail software because the software had excellent security features, was able to replicate documents, and had application development options. He said the legislative branch has invested approximately \$640,000 over eight years to integrate fiscal notes, telephone messaging, conference committee assignment, meeting materials, expense voucher, and payroll import systems with Lotus Notes e-mail. He said the committee is considering replacing Lotus Notes e-mail with Microsoft Outlook e-mail. The estimated cost for converting legislators to Microsoft Outlook is approximately \$16,504, including \$13,765 of initial licenses and \$2,752 in annual license renewals. He said the Information Technology Department is in the process of preparing estimates for replacing the applications integrated with Lotus Notes e-mail.

ENTERPRISE RESOURCE PLANNING INITIATIVE - CONNECTND SYSTEM

Ms. Pam Sharp, Director, Office of Management and Budget, reported on the status of the implementation of the ConnectND system. She said in January 2004 the Governor directed the ConnectND system to be implemented without a timelag for payroll processing. She said the PeopleSoft enterprise resource planning system software requires a timelag for payroll processing; therefore, modifications to the financial component of the system are necessary. She said the modifications will result in a delay in the rollout of the financial component to state agencies from July 1, 2004, to September 1, 2004. She said the contract with Maximus for project implementation services has been amended to extend their services through September 2004. She said due to the extended project timeline, the state has decided to implement the employee expense module. She said the estimated cost for the financial component modifications relating to payroll processing and the implementation of the employee expense module is approximately \$450,000. She said expenses will be paid from Office of Management and Budget carryover funds. She said the Office of Management and Budget has hired two new FTE positions in the payroll area and will be assessing the need for additional FTE positions in the financial area.

In response to a question from Senator Robinson regarding the new FTE positions, Ms. Sharp said the two new FTE positions were added through internal reorganization of the agency.

In response to a question from Senator Christmann, Ms. Sharp said the PeopleSoft enterprise resource planning system software requires a timelag for payroll for proper accounting of employees' time.

In response to a question from Representative Skarphol, Ms. Sharp said the Office of Management and Budget will provide the committee with information regarding the percentage of full-time salaried employees who receive a subsequent supplemental payment and the number of full-time salaried employees who need to have their time reevaluated each month to properly account for their payroll.

Mr. Grant Crawford, Chief Information Officer, North Dakota University System, reported on the status of the implementation of the ConnectND project. Subsequent to the meeting, Mr. Crawford provided written testimony, a copy of which is on file in the Legislative Council office. He said the overall project status remains on schedule. He said the rollout of the system to the nonpilot higher education institutions is scheduled to begin on July 1, 2004. He said the University System is concerned about performance issues at the student data center and as a result are in the process of implementing configuration changes recommended by PeopleSoft to improve both reliability and load-handling. He said in regard to software system readiness, the grants and contracts

module will not provide as much functionality as the current system, which will be a hardship for the larger institutions. He said the three largest institutions have committed additional staff to assist with student system configuration. He said higher education employees are concerned with training and training lessons are being developed to be accessed via the Internet.

The committee recessed for lunch at 12:15 p.m. and reconvened at 1:15 p.m.

Mr. Steve Ferguson, Maximus, presented information on the return on investment analysis for the ConnectND system. A copy of the information presented and the updated return on investment report is on file in the Legislative Council office. He said between November 2002 and January 2003, the State of North Dakota and the North Dakota University System conducted a detailed analysis of the estimated costs and benefits of the ConnectND system and produced a return on investment analysis entitled *The Value of ConnectND* in January 2003. He said beginning in November 2003, the state and the North Dakota University System conducted a followup review of the earlier report to update cost information for legacy systems and the ConnectND system based upon changes that have occurred over the past year, review project benefits with pilot agencies and higher education institutions, and identify opportunities to measure benefits over the life of the project.

Mr. Ferguson said based on an estimated 10-year cost of implementing and operating the ConnectND system of approximately \$123 million, the state will realize an overall return on investment for the ConnectND system of 14.28 percent and a project payback of seven years. He said it is highly likely that the useful life of the system will exceed the 10-year period used in the analysis and each year that the system delivers value to the state beyond the 10 years multiplies the return on investment significantly. He said in addition to the return, the state will potentially avoid between \$58 million and \$64 million of costs for software replacement and upgrades that have been deferred by state agencies and higher education in anticipation of the new functionality of the ConnectND system.

In response to a question from Representative Skarphol regarding employee productivity, Mr. Ferguson said decreased employee productivity is typical during the first stages of the implementation of a large information technology project.

In response to a question from Senator Christmann regarding employee benefits, Mr. Ferguson said employee benefits may not directly relate to personnel cost-savings. He said in some cases the benefits allow employees to complete additional tasks.

Representative Glassheim suggested that similar reports completed in the future include information regarding projected cost-savings.

OTHER COMMITTEE RESPONSIBILITIES

Ms. Lori Laschkewitsch, Assistant Executive Budget Analyst, Office of Management and Budget, provided information regarding information technology accounting codes and budget forms to be used for the 2005-07 budget process. A copy of the information is on file in the Legislative Council office. She said the budget analysis and reporting system (BARS) being implemented for the 2005-07 budget process will include a subsystem for capturing information technology data, including number of workstations, information technology project costs, and information technology expenses.

Mr. Jeff Swank, Information Technology Business Analyst, Information Technology Department, provided information regarding the state's information technology planning process. A copy of the information is on file in the Legislative Council office. He said in July of odd-numbered years the enterprise architecture process refines the state's future vision of information technology. State agencies use the vision to complete agency information technology plans which are due July 15 of each even-numbered year. He said the agency information technology plans are used to develop the statewide information technology plan which is presented to the Legislative Assembly.

In response to a question from Representative Skarphol, Mr. Swank said at the present time there is no postanalysis of agency information technology plans.

In response to a question from Senator Robinson, Mr. Wolfe said information technology plans may need to be revised after an agency's budget is determined by the Legislative Assembly.

Mr. Donald LaFleur, Information Technology Audit Manager, State Auditor's office, presented information regarding state agency compliance with the Information Technology Department's accessible web development policy. A copy of the information is on file in the Legislative Council office. He said beginning in January 2004 the State Auditor assumed the responsibility for monitoring compliance with the department's accessible web development policy. He said each calendar quarter the Information Technology Department submits a compliance report to the State Auditor. The State Auditor follows up on web sites not in compliance to ensure they are brought into compliance. He said for the quarter ending December 2003, the compliance report included 95 total web sites of which 31 were not compliant and seven were untestable. He said of the 38 web sites identified, the State Auditor has determined two are exempt from complying with Information Technology Department standards, one is not a state government web site, 18 web sites were compliant or became compliant shortly after the report was generated, and the remaining 17 sites have compliance plans in place. He said compliance is an ongoing effort because changes are constantly being made to web sites and

the changes can cause sites to be compliant or noncompliant.

Mr. Ressler provided information regarding the Information Technology Department's billing rates. A copy of the information is on file in the Legislative Council office. He said at the present time the department provides 72 services with individual billing rates. He said each service is assigned to a cost center and the department tracks both revenue and expenses for each service monthly. He said the department must comply with the federal government's Circular A-87 relating to cost principles for state government and is allowed to accumulate only two times the monthly expenditures in reserve for each service. He said services rates are established in April of each even-numbered year for the following biennium. He said services rates are reviewed with the agencies at quarterly information technology coordinator meetings and in the enterprise architecture process.

In response to a question from Representative Skarphol, Mr. Ressler said the department is annually audited by the federal government.

Mr. Fossum provided information regarding information technology wiring in the State Capitol. A copy of the information is on file in the Legislative Council office. He said the State Capitol tower was last wired in 1990 with Category 3 wiring at a cost of approximately \$250,000. He said the department's current strategy regarding information technology wiring replacement is to replace wiring with Category 5 wiring as needed. He said the total estimated cost to rewire the entire State Capitol tower with Category 5 wiring is approximately \$375,000.

In response to a question from Senator Seymour, Mr. Fossum said the State Capitol does have wireless access; however, the access is outside the state's firewall.

Mr. Bob Nutsch, Geographic Information System Coordinator, Information Technology Department, presented information regarding the department's GIS initiative. A copy of the information is on file in the Legislative Council office. He said the department received a \$750,000 general fund appropriation for the 2001-03 biennium and a \$678,343 general fund appropriation for the 2003-05 biennium for a GIS coordinator position and for creation of a GIS centralized data hub. He said the GIS centralized data hub is a data base and web infrastructure hosted by the department for storing and sharing state agency GIS data. He said GIS data on the hub includes communications, emergency services, geology, political boundaries, state and federal lands, transportation, water resources, and aerial photography. He said 15 state agencies are set up for access to the hub, including over 230 user ids. He said current GIS initiatives include investigating and adding new aerial photographs, adding new soils data, and working with the Division of Emergency Management on a state-wide, high-accuracy road centerlines map. He said

GIS future plans include continued outreach with counties and cities, new applications, partnering with other levels of government to acquire new data, and adding additional functionality, including enhanced data download capabilities.

In response to a question from Representative Skarphol, Mr. Nutsch said the GIS Technical Committee is aware of homeland security issues relating to the data and some data sets have restricted access. He said it is left up to the entity offering the data as to whether there should be general access to the data.

Ms. Jennifer Kunz, Information Technology Business Analyst, Information Technology Department, provided information regarding the department's enterprise project management initiative. A copy of the information is on file in the Legislative Council office. She said state agencies and higher education institutions are seeking project management guidance and training and coordination and sharing of project information and lessons learned. As a result, the department has initiated an enterprise project management initiative that coordinates projects and the development and sharing of project management best practices. She said enterprise project management goals include:

1. Developing a common project management methodology for state government and higher education.
2. Establishing a project management training, mentoring, and certification program.
3. Establishing a process for sharing and leveraging the lessons learned from past projects.
4. Establishing a process for coordinating projects across agencies to increase collaboration of efforts.
5. Improving the large project oversight process.

In response to questions from Representative Skarphol, Ms. Kunz said she is a certified project manager. She said there are no degree programs in project management offered in the state; however, there are some project management courses available.

LARGE INFORMATION TECHNOLOGY PROJECTS

Ms. Kunz distributed a copy of the department's large project summary for the quarter ending December 31, 2003. A copy of the summary is on file in the Legislative Council office. She said almost all of the 21 large information technology projects were on schedule and on budget as of the date of the report.

Mr. Eric Hardmeyer, President, Bank of North Dakota, provided a status report on the Bank's e-business project. A copy of the information is on file in the Legislative Council office. He said the Bank implemented Release 2.0 of the system on March 12, 2004, and has begun work on Release 3.0,

which represents the replacement of the existing guarantor system business processes. He said Release 3.0 consists of three iterations, with the final testing and implementation of the release scheduled for June 2004. He said the Bank is anticipating taking the existing guarantor system offline in July 2004.

In response to a question from Senator Seymour, Mr. Hardmeyer said the total estimated cost of the e-business project is \$8.5 million.

Mr. Jim Mangels, IBM Rational, Boulder, Colorado, commented on the Bank's e-business project. He said in fall 2003 the Bank entered into a contract with IBM Rational in the amount of \$75,000 for an independent assessment of the Bank's e-business project. He said the Bank has implemented those recommendations that would not delay the delivery of the project. He said the Bank should consider the following recommendations as the project approaches completion:

1. Continue to focus on change management improvements.
2. Remove remaining dependencies on the project vendor Priority Technologies, Inc.
3. Collaborate with the Information Technology Department on future information technology efforts, including selection of automated testing tools, harvesting of project management lessons learned, and charting of the Bank's future information technology infrastructure.

In response to questions from Senator Robinson and Representative Skarphol, Mr. Mangels said at the present time the source code for the e-business project is located on hardware operated by Priority Technologies, Inc., in Omaha, Nebraska. He said the Bank owns the source code and does have a working copy of the software.

In response to a question from Representative Skarphol, Mr. Mangels said at the present time, the Bank's e-business project is approximately 75 percent functional.

In response to a question from Representative Skarphol, Mr. Mangels said private vendors should be able to complete an analysis of "project management lessons learned" from the project. He said he estimates such an analysis would cost approximately \$10,000 to \$40,000.

In response to a question from Representative Skarphol regarding the Bank's relationship with Priority Technologies, Inc., Mr. Mangels said the Bank must remove remaining dependencies on Priority Technologies, Inc., including taking over physical control of the project's source code.

Chairman Robinson said during this time when information technology is being highly scrutinized by the Legislative Assembly, it is extremely important for information technology projects to be closely monitored.

In response to a question from Representative Skarphol, Ms. Julie Kubisiak, Director, Student Loans

of North Dakota, said she is comfortable with the functionality of the e-business system. She said the Bank will be able to compete with its competition and she does not believe the Bank will lose any clients.

Representative Skarphol suggested the Bank complete the following items in regard to the e-business project:

1. Take over physical control of the project's source code by moving the source code from Priority Technologies, Inc., to the Bank, as suggested by the independent assessment conducted by IBM Rational.
2. Complete an analysis of project management lessons learned related to the project.
3. Provide the Information Technology Committee with an assessment of the viability of Priority Technologies, Inc., including an analysis of the company's financial status.

Mr. Hardmeyer said the Bank will complete the suggested items.

In response to a question from Representative Skarphol, Mr. Scott Kost, Techwise Solutions LLC, said Techwise Solutions LLC would be able to assist the Bank with the selection of a vendor to complete the analysis of "project management lessons learned" from the e-business project.

Ms. Maggie Anderson, Assistant Director, Medical Services, Department of Human Services, provided information regarding the Medicaid management information system (MMIS) project business case and the implementation of the Health Insurance Portability and Accountability Act (HIPAA). A copy of the information is on file in the Legislative Council office. She said the department's 2003-05 budget includes funding to complete the planning phase of the MMIS replacement. She said the department is seeking a solution that will meet the criteria for Centers for Medicare and Medicaid Services federal certification and will be fully HIPAA compliant. She said the department has selected Fox Systems, Inc., as the vendor for completing the business analysis and system requirements planning for the project. She said major deliverables for the vendor to complete by December 31, 2004, include:

1. Determining the cost of the MMIS replacement.
2. Producing a cost-benefit analysis of all replacement options.
3. Documenting all current and future business needs.
4. Preparing the request for proposal for the replacement.

Ms. Anderson said modification of the department's existing MMIS to accept and transmit transactions as required by HIPAA is complete. She said to date, approximately 75, or 17 percent, of the 454 providers who file transactions electronically are submitting HIPAA-compliant transactions. She said the department has two full-time staff members working with providers to assist them with testing

efforts, but many providers are still not ready to test. She said on May 11, 2004, providers who file electronically who cannot submit a HIPAA-compliant transaction will be required to submit a paper claim.

In response to a question from Senator Seymour, Ms. Anderson said Fox Systems, Inc., is an Arizona-based consulting firm nationally recognized for assisting states with MMIS planning.

In response to a question from Representative Skarphol, Ms. Anderson said the State Auditor's office will be involved in the selection of a new MMIS.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

Mr. Wolfe presented the following suggestions for information to be presented to the committee at future meetings:

- A report on kindergarten through grade 12 information technology issues.
- A status report on information technology consolidation required by House Bill No. 1505.
- A status report on the Enterprise Architecture Review Board analysis of the recommendations included in the Pacific Technologies, Inc., final report.
- Information on the department's plan for upgrading the statewide public safety communications system from an analog to a digital system.
- A report on the status of the implementation of the ConnectND system.
- A report from the Department of Transportation and the Game and Fish Department regarding e-government initiatives.

Chairman Robinson said the committee's next meeting is tentatively scheduled for Thursday, May 13, 2004, in Fargo.

Representative Skarphol suggested the committee receive a demonstration of Internet 2 at the committee's next meeting.

Representative Skarphol said the committee may want to consider recommending legislation encouraging state agencies to use project management.

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

Roxanne Woeste
Senior Fiscal Analyst

Jim W. Smith
Legislative Budget Analyst and Auditor

ATTACH:1