

INFORMATION TECHNOLOGY COMMITTEE - BACKGROUND MEMORANDUM

North Dakota Century Code (NDCC) Section 54-35-15.1 requires the Legislative Council, during each biennium, to appoint an Information Technology Committee in the same manner as the Council appoints other interim committees. The committee is to consist of six members of the House of Representatives and five members of the Senate. The Chief Information Officer of the state serves as an ex officio nonvoting member of the committee.

COMMITTEE STATUTORY AND ASSIGNED RESPONSIBILITIES

North Dakota Century Code Section 54-35-15.2 requires the committee to:

1. Meet at least once each calendar quarter.
2. Receive a report from the Chief Information Officer of the state at each meeting.
3. Review the business plan of the Information Technology Department.
4. Address macro-level questions relating to the Information Technology Department.
5. Review the activities of the Information Technology Department.
6. Review statewide information technology standards.
7. Review the statewide information technology plan.
8. Conduct studies of information technology efficiency and security.
9. Make recommendations regarding established or proposed information technology programs and information technology acquisitions by the executive and judicial branches.
10. Review the cost-benefit analysis of any major information technology project of an executive or judicial branch agency. A major project is a project with a cost of \$250,000 or more in one biennium or a total cost of \$500,000 or more.
11. Review the cost-benefit analysis of any major information technology project of the State Board of Higher Education or any institution under the control of the State Board of Higher Education if the project significantly impacts the statewide wide area network, the statewide library system, or is an administrative project.
12. Perform periodic reviews to ensure that a major information technology project is on its projected schedule and within its cost projects.

North Dakota Century Code Section 54-35-15.3 authorizes the Information Technology Committee to

review any information technology project or information technology plan. The section provides that if the committee determines that a project or plan is at risk of failing to achieve its intended results, the committee may recommend to the Office of Management and Budget the suspension of the expenditure of money appropriated for a project or plan. The Office of Management and Budget may suspend the expenditure authority if the office agrees with the recommendation of the committee.

North Dakota Century Code Section 54-35-15.4 authorizes the Information Technology Committee to request the State Auditor to conduct an information technology compliance review. The review may consist of an audit of an agency's information technology management, information technology planning, compliance with information technology plans, and compliance with information technology standards and policies or an audit of statewide compliance with specific information technology standards and policies. (In a letter dated July 1, 2003, the State Auditor indicated information technology compliance reviews would be performed only at the request of the Information Technology Committee, and any requests for compliance reviews by the Information Technology Committee would divert audit resources away from current duties of information technology auditors. A copy of the letter is attached as Appendix A.)

The committee has the responsibility for reviewing the activities of the Information Technology Department, the business plan of the department, statewide information technology standards, the statewide information technology plan, and major information technology projects as provided in NDCC Section 54-35-15.2, and discussed earlier; for determining information technology compliance review to be conducted by the State Auditor as provided in Section 54-35-15.4; and for receiving:

- A report from the Chief Information Officer regarding the recommendations of the department's advisory committee regarding major software projects for consideration (Section 54-59-02.1).
- A report from the Chief Information Officer regarding the coordination of services with political subdivisions and a report from the Chief Information Officer and the commissioner of the State Board of Higher Education regarding coordination of information technology between the Information Technology Department and higher education (Section 59-59-12).

- A report from the Information Technology Department regarding any executive branch agency or institution that does not agree to conform to its information technology plan or comply with statewide policies and standards (Section 54-59-13).
- The annual report from the Information Technology Department (Section 54-59-19).

PREVIOUS LEGISLATIVE INFORMATION TECHNOLOGY STUDIES

The Information Technology Committee during the 2003-04 interim was assigned the information technology organizational and information technology management studies as provided for in Section 13 of House Bill No. 1505 (2003).

The information technology organizational study was to include a review and identification of:

1. The cost and benefits of a centralized and decentralized information technology structure.
2. The cost of providing electronic mail administration, file and print server administration, seat management and desktop personal computer support, main-frame and distributed computing hosting services, consolidated storage management and disaster recovery, and software development.
3. The roles and responsibilities of agency personnel providing information technology services under a centralized and decentralized information technology structure.
4. The employee positions and competencies needed by the Information Technology Department to provide the information technology services on a centralized basis, including the organizational changes required within the department to provide the centralized services.
5. The human resource management issues, including change management, training, and employee compensation, to be addressed for a successful centralization.
6. The adequacy and quality of the services as currently provided and proper performance measures.
7. The comparison of current costs to industry and other states' data.
8. Information technology services appropriate to be performed by individual agencies.
9. A plan to either centralize or decentralize the services identified, including the reorganization tasks, personnel transfers, and the changes required for information technology budgeting and cost allocation processes.

The information technology management study was to include a review of:

1. The technology management processes of other states and private industry with respect

to prioritizing state agency information technology budget requests, establishing information technology standards and policies, and overseeing information technology expenditures.

2. The role of other states in providing information technology services to nonstate government entities.
3. The level of information technology outsourcing in other state governments and the private sector and the applicability to the state of North Dakota.
4. The trends that will impact technology deployment and spending in the next 5 to 10 years.
5. The level of coordination in the management of enterprise initiatives, such as the statewide information technology network, the enterprise resource planning system initiative, the geographic information system (GIS) initiative, and the criminal justice information sharing initiative, compared to other states, including a recommendation regarding the appropriate governance structure to provide the maximum benefits to the state.
6. The potential changes to the organizational structure of the Information Technology Department and other state government entities as related to information technology.

The committee selected and contracted with Pacific Technologies, Inc., a consulting company based in Bellevue, Washington, to conduct the information technology organizational and information technology studies. Pacific Technologies, Inc., presented the following major recommendations and corresponding primary benefits:

Major Recommendations	Primary Benefits
<p>Workstation support and help desk services consolidation - Consolidate all workstation support and help desk services within the Information Technology Department, including:</p> <ul style="list-style-type: none"> • Initial problem reporting and resolution • Workstation environment maintenance and support • Adds, moves, and changes • Hardware replacement management • Associated performance measurement and management 	<p>Positions the state's information technology environment for the long term</p> <p>Allows state agencies to focus on core business needs rather than technical infrastructure</p> <p>Leads to long-term labor cost-savings</p>
<p>Workstation standardization - Move to a highly standardized workstation environment on a statewide basis with the Information Technology Department managing a workstation replacement program</p>	<p>Improves the state's purchasing power and license management</p> <p>Enhances information sharing and staff productivity through common and current workstation tools</p> <p>Promotes the provisioning of basic information technology services as a "utility"</p>
<p>Server consolidation - Continue to consolidate all agency-managed servers into the Information Technology Department</p>	<p>Allows state agencies to focus on core business needs rather than technical infrastructure</p>

Major Recommendations	Primary Benefits
<p>Information technology governance - Improve the existing information technology governance processes by:</p> <ul style="list-style-type: none"> • Improving the processes and tools for information technology project evaluation • Improving mechanisms to support cost-containment • Developing meaningful statewide management and reporting views of information technology initiatives • Implementing information technology performance measures • Establishing an information technology innovation fund 	<p>Promotes the provisioning of basic information technology services as a "utility"</p> <p>Leads to long-term labor and hardware cost-savings</p> <p>Leads to better-informed decisionmaking</p> <p>Provides a more equitable, business-based, and consistent evaluation of information technology initiatives</p> <p>Provides the best opportunity to manage application portfolio costs</p>

Workstation support and help desk services consolidation - Pacific Technologies, Inc., recommended the Information Technology Department target a future staffing ratio of 200 workstations per support full-time equivalent (FTE) position, an increase from the current ratio of 149 workstations per support FTE position. Maintaining service quality at the elevated support ratio depends on gaining efficiencies through the use of specialized staff and successful implementation of a standardized workstation environment and associated support tools. If fully implemented, the consolidation of workstation support and help desk services offers potential labor savings of approximately \$519,000 per year in total funds; however, the capturing of all the savings would require the elimination of partial FTE positions at the agency level. Pacific Technologies, Inc., recognizes the elimination of partial FTE positions would be difficult due in part to other responsibilities of these employees. A portion of the savings would be offset by annual maintenance costs ranging from \$60,000 to \$260,000 of total funds and one-time costs for software, hardware, and telephone system upgrades ranging from \$160,000 to \$1,010,000 of total funds.

Workstation standardization - Pacific Technologies, Inc., recommended the state limit workstations to two or three models (low-end, mid-level, and high-end), tightly control the associated configurations, and allow agencies the option of selecting between a three- to four-year replacement cycle. The Information Technology Department would manage the replacement cycle, including collecting necessary funds from agencies through workstation charges, procuring, configuring, and installing the workstations. The implementation of the standardized workstation environment is critical for the success of the consolidation of workstation support and help desk services. The resulting annual workstation costs would be approximately \$2.9 million to \$3.7 million in total funds or \$30 to \$36 per month per workstation, depending

on the mix of workstations and the replacement cycles.

The Information Technology Department did release a request for proposal for acquisition of a single brand of workstations for all state agencies and has awarded a contract for desktop and laptop acquisition to Hewlett Packard. Under the contract, agencies will be allowed to purchase workstations directly from the vendor.

Server consolidation - Pacific Technologies, Inc., recommended the Information Technology Department assume the administration of existing agency-managed servers as the servers are replaced and reduce over 150 servers from the state's inventory. As the number of servers are reduced, the Information Technology Department should maintain a 29-to-1 server to support FTE position ratio. The continued server consolidation has the potential annual labor-savings of approximately \$162,000 in total funds in addition to significant long-term savings in hardware costs.

Information technology governance - Pacific Technologies, Inc., recommended an information technology project investment review process relating to the evaluation and prioritization of information technology initiatives and an evaluation criteria development process relating to the development of evaluation criteria. The state should develop a set of supporting tools, including business case templates, business plan templates, and an information technology report card, and the state should significantly increase its performance measurement efforts to improve insight into information technology operations and expenditures by implementing performance measurements in the areas of customer satisfaction, financial and management performance, project performance, and consolidation transition performance. Pacific Technologies, Inc., noted the prioritization of proposed major computer software projects by the State Information Technology Advisory Committee is a positive step toward implementing the information technology governance recommendation.

Summary of estimated savings and costs - The following is a summary of the estimated savings and costs of the Pacific Technologies, Inc., recommendations:

Recommendations	Potential Annual Savings (Total Funds)	Recurring Annual Expenditures (Total Funds)	One-Time Costs (Total Funds)
Workstation support and help desk services consolidation	\$519,000	\$60,000 to \$260,000	\$160,000 to \$1,010,000
Workstation standardization	Unknown	\$2,950,000 to \$3,680,000	\$20,000 to \$430,000
Server consolidation	\$162,000		\$0 to \$20,000
Information technology governance	Unknown	\$200,000 to \$340,000	\$480,000 to \$1,010,000
Total	\$681,000	\$3,210,000 to \$4,280,000	\$660,000 to \$2,470,000

PREVIOUS COMMITTEE RECOMMENDATIONS

The 2003-04 Information Technology Committee recommended two bills for consideration by the 2005 Legislative Assembly:

1. Senate Bill No. 2037 (2005), which failed to pass, would have:
 - a. Provided that the State Board of Higher Education is responsible for managing and regulating information technology planning and services for institutions under its control; collaborating with the Information Technology Department to coordinate higher education information technology planning with statewide information technology planning; providing advice to the Information Technology Department regarding the development of policies, standards, and guidelines relating to access to or use of wide area network services; and presenting information regarding higher education information technology planning, services, and major projects to the Information Technology Committee.
 - b. Provided that a policy, standard, and guideline adopted by the Information Technology Department under NDCC Chapter 54-59 primarily intended to affect state agencies and with respect to access to or use of wide area network services, institutions under the control of the State Board of Higher Education, counties, cities, and school districts if the policy, standard, or guideline has been reviewed by the State Information Technology Advisory Committee, is not considered a rule under the Administrative Agencies Practice Act.
 - c. Revised the powers and duties of the Information Technology Committee and the Information Technology Department, including requiring the Information Technology Committee to receive and review information relating to major information technology projects of the legislative branch in addition to major information technology projects of the executive and judicial branches.
 - d. Provided that the State Information Technology Advisory Committee is to review policies, standards, and guidelines developed by the Information Technology Department and prioritize proposed major information technology projects for executive branch state agencies, departments, and institutions, excluding institutions under the control of the State Board

- e. Eliminated the role of the Office of Management and Budget in the development of information technology policies, standards, and guidelines; provided that the Information Technology Department is to develop policies, standards, and guidelines using a process involving advice from state agencies and institutions; and excluded institutions under control of the State Board of Higher Education from having to comply with policies, standards, and guidelines developed by the Information Technology Department.
- f. Revised the contents of the statewide information technology plan and the Information Technology Department annual report.

2. Senate Bill No. 2038, which failed to pass, would have established a statewide information technology improvements revolving fund for information technology projects providing improvements in the efficiency of state government services or information technology projects involving multiple state agencies or institutions. The bill included a \$1 million general fund appropriation to the Information Technology Department for the purpose of establishing the fund.

2005 LEGISLATIVE ASSEMBLY - RELATED LEGISLATION

Senate Bill No. 2021 - Financing Arrangements

Section 8 allows the Information Technology Department to enter into an agreement to finance the purchase of software, equipment, or implementation services for a period not to exceed five years and allows the department to receive financing approval from those arrangements in excess of \$1 million from either the Budget Section or the Legislative Assembly.

House Bill No. 1275 - Information Technology Projects

The bill provides that an executive, legislative, or judicial branch agency, except for institutions under the control of the State Board of Higher Education, shall report to the State Information Technology Advisory Committee regarding the plan for and status of any information technology project that is estimated to cost more than \$250,000. Agencies shall notify the State Information Technology Advisory Committee if:

- At a project milestone, the amount expended on the project exceeds the planned budget by 20 percent or more or the project schedule extends beyond the planned schedule by 20 percent or more. This report must specify corrective measures being undertaken to

address any cost or time completion issue. If the agency has not taken adequate corrective measures within 90 days after the report, the agency shall submit a report to the Information Technology Committee regarding the project.

- Upon completion of the project, the budget for the project exceeded the original budget by 20 percent or more or the final project completion date extended beyond the original project scheduled completion date by 20 percent or more.

The following is a summary of the Information Technology Department's 2005-07 appropriation:

OTHER RELATED BACKGROUND INFORMATION

Information Technology Department

The Information Technology Department was established by the 1999 Legislative Assembly to assume the responsibilities of the Information Services Division of the Office of Management and Budget. The department is responsible for all wide area network services, planning, selection, and implementation for all state agencies, including institutions under the control of the State Board of Higher Education, counties, cities, and school districts in the state. The department is also responsible for computer support services, host software development, state-wide communications services, standards for providing information to other state agencies and the public through the Internet, technology planning, process redesign, and quality assurance. The department is headed by the Chief Information Officer of the state who serves at the pleasure of the Governor and is to be appointed on the basis of education, experience, and other qualifications in information technology and administration.

Information Technology Department Funding

The 2005 Legislative Assembly provided funding of \$108,907,227, of which \$9,972,837 is from the general fund and \$98,934,390 is from special funds, to the Information Technology Department for the 2005-07 biennium. The 2005-07 appropriation of \$108,907,227 represents an increase in funding of \$1,524,981 from the 2003-05 appropriation of \$107,382,246. The following is a summary of appropriations for the department for the 2003-05 and 2005-07 bienniums:

	General Fund	Other Funds	Total
2005-07 legislative appropriation	\$9,972,837	\$98,934,390	\$108,907,227
2003-05 legislative appropriation	9,264,945 ¹	98,117,301	107,382,246 ¹
Increase	\$707,892	\$817,089	\$1,524,981

¹This amount reflects the 2003-05 deficiency appropriation of \$1,070,142 from the general fund to the Information Technology Department for department operating costs to restore an undesignated general fund budget reduction made by the 2003 Legislative Assembly (\$1 million) and receiving less than anticipated revenues from special fund agency information technology reductions (\$70,142).

	General Fund	Special Funds	Total
Information Technology Department operations (salaries and wages, operating expenses, and capital assets)	\$818,977	\$79,651,722	\$80,470,699
Division of Independent Study	1,007,295	5,009,484	6,016,779
Educational Technology Council	886,597		886,597
EduTech	2,652,348		2,652,348
Wide area network	3,395,550	4,147,400	7,542,950
Geographic information system	686,980		686,980
Criminal justice information sharing	525,090	2,000,000	2,525,090
Medicaid management information system contingent appropriation		8,125,784	8,125,784
Total	\$9,972,837	\$98,934,390	\$108,907,227

The Legislative Assembly authorized a total of 265.2 full-time equivalent (FTE) positions for the 2005-07 biennium, 8.5 FTE positions more than the 2003-05 authorized level. The authorized level of 265.2 FTE positions includes 10 FTE positions authorized for the development and implementation of the Department of Human Services Medicaid management information system. The 10 FTE positions are only authorized until the development and implementation of the Medicaid management information system is completed.

Statewide Information Technology Funding

The 2005 Legislative Assembly provided funding of \$98,569,484, of which \$23,432,975 is from the general fund and \$75,136,509 is from special funds, for information technology projects for the 2005-07 biennium. A summary of the funding is attached as Appendix B.

PROPOSED STUDY PLAN

The following is a proposed study plan for the committee's consideration relating to its statutory responsibilities and assigned study responsibilities:

1. Review the activities of the Information Technology Department, the business plan of the department, statewide information technology standards, the statewide information technology plan, and major information technology projects (Section 54-35-15.2).
2. Determine information technology compliance reviews to be conducted by the State

Auditor and receive the results of those reviews (Section 54-35-15.4).

3. Receive reports from the Chief Information Officer of the state regarding the recommendations of the department's advisory committee regarding major software projects for consideration (Section 54-59-02.1).
4. Receive reports from the Chief Information Officer of the state regarding the coordination of services with political subdivisions and the Chief Information Officer and the commissioner of the State Board of Higher Education regarding coordination of information technology between the Information Technology Department and higher education (Section 54-59-12).
5. Receive the following from the Information Technology Department:
 - a. A report regarding any executive branch agency or institution that does not agree to conform to its information technology plan or comply with statewide policies and standards (Section 54-59-13).
 - b. An annual report regarding information technology projects, services, plans, and benefits (Section 54-59-19).
 - c. Information regarding the statewide information technology budget for the 2005-07 and 2007-09 bienniums.
6. Review current information technology-related statutory provisions.
7. Receive a report from the Information Technology Department regarding the status of implementing the recommendations included in the Pacific Technologies, Inc., report on information technology organization and information technology management.
8. Review the current status of agencies' personal computer replacement, including information on funding provided for the 2005-07 biennium.
9. Review information regarding the statewide information technology network, including information on the state's contract with Dakota Carrier Network and the future vision of the network.
10. Develop recommendations and any necessary legislation to implement the committee's recommendations.
11. Prepare a final report for submission to the Legislative Council.

ATTACH:2