

**Information Technology Department
Budget 112
House Bill Nos. 1022, 1505**

	FTE Positions	General Fund	Other Funds	Total
2003-05 legislative appropriation	248.20	\$8,194,803	\$98,117,301	\$106,312,104
2001-03 legislative appropriation	<u>244.70</u>	<u>19,648,060</u>	<u>75,212,544</u>	<u>94,860,604</u>
2003-05 appropriation increase (decrease) to 2001-03 appropriation	3.50	(\$11,453,257)	\$22,904,757	\$11,451,500

Item Description

Budget adjustment - The Information Technology Department's legislative appropriation for the 2003-05 biennium included a \$1 million general fund budget reduction.

Estimated income - Section 2 of House Bill No. 1505 provides that \$862,059 of the estimated income provided for the Information Technology Department for the 2003-05 biennium is to be made available from the following state agencies resulting from information technology reductions.

State Department of Health	\$11,108
Aeronautics Commission	6,942
Veterans Home	6,046
Department of Financial Institutions	7,881
Highway Patrol	9,450
Department of Transportation	350,000
Industrial Commission	4,034
Bank of North Dakota	300,000
Housing Finance Agency	24,080
Mill and Elevator	23,230
Department of Corrections and Rehabilitation	24,567
Office of Administrative Hearings	4,311
Secretary of State	19,550
Attorney General	12,929
State Auditor	1,465
Department of Agriculture	1,329
Insurance Commissioner	37,368
North Dakota Vision Services - School for the Blind	2,725
Seed Department	10,050
Parks and Recreation Department	4,994
Total	\$862,059

Status/Result

To address the budget adjustment, the Information Technology Department proposed implementing a one-time 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. In January 2004, the Attorney General's office issued an opinion stating the Information Technology Department does not have the authority to assess one-time charges for this purpose. Therefore, 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.

The Office of Management and Budget, in consultation with the Attorney General's office, has determined \$791,917 of the \$862,059 may be transferred to the Information Technology Department. The Office of Management and Budget determined the remaining funds of \$70,142, including the funds from the Aeronautics Commission, Department of Financial Institutions, Highway Patrol, Office of Administrative Hearings, State Auditor's office, Insurance Commissioner, and North Dakota Vision Services - School for the Blind, may not be transferred to the Information Technology Department. The Information Technology Department will be requesting a deficiency appropriation of the 2005 Legislative Assembly in the amount of \$70,142 to address the shortfall of special funds.

Enterprise resource planning system initiative - The 2003 Legislative

The Office of Management and Budget issued bonds totaling \$20 million in

Assembly provided funding of \$20 million of bond proceeds for the remainder of the project implementation costs for the enterprise resource planning system initiative, known as the ConnectND project. The 2001 Legislative Assembly provided a \$7.5 million general fund appropriation for Phase 1 of the project.

The Legislative Assembly provided that debt service on the bonds issued for the ConnectND project must be available from charges made and collected by the Information Technology Department from users of the system with 29 percent of the debt service being the responsibility of state agencies and 71 percent of the debt service being the responsibility of higher education.

The ConnectND project is a multimodule software system that includes a relational data base and applications for managing financial activities, purchasing, budgeting, human resources, payroll, asset management, and student information functions for all of state government, including the University System.

Purchasing of information technology equipment and software - Section 7 of House Bill No. 1505 provides that the Information Technology Department shall establish information technology equipment and software product specifications. The Office of Management and Budget is to use the product specifications to establish policies and guidelines for the purchase of information technology equipment and software. All executive branch state agencies, departments, and institutions, excluding institutions under control of the State Board of Higher Education, shall comply with the policies and guidelines unless exempted by the Office of Management and Budget. The Office of Management and Budget, in conjunction with the Information Technology

September 2003 for the enterprise resource planning system initiative. The bonds were issued at an interest rate of 3.9 percent for a period of 10 years with annual debt service of approximately \$2.7 million. The following is a summary of the estimated debt service amounts:

Biennium	State Portion	Higher Education Portion
2005-07	\$1,563,727	\$3,828,436
2007-09	\$1,565,152	\$3,831,923
2009-11	\$1,564,822	\$3,831,116
2011-13	\$1,565,033	\$3,831,633
2013-15	\$778,257	\$1,905,387

The state's portion of the debt service and the estimated operational cost of the system for the 2005-07 biennium of approximately \$1.4 million will be recovered through a \$12.58 per month charge to agencies based on full-time equivalent positions and a \$6.68 per month charge to agencies per \$1 million appropriated.

The higher education portion of the debt service and the estimated operational cost of the system for the 2005-07 biennium of approximately \$3.5 million will be recovered through various funding sources, including student fees, internal reallocation, reallocation of technology fees, and funding from the 2003-05 operations pool.

State government began implementation of the system with a pilot of the payroll module of the human resource component by all state agencies. The module was implemented in April 2003. The remaining modules of the human resource component are scheduled to be operational in July 2004. The financial component is scheduled to be operational in September 2004. The Office of Management and Budget anticipates the system will be fully implemented by state agencies by December 2004.

The North Dakota University System began implementation of the system with a pilot of two selected higher education institutions--Mayville State University and Valley City State University--in October 2002 and the North Dakota University System office in April 2003. Use of the system by the remaining higher education institutions will begin in July 2004. The University System anticipates the system will be fully implemented by all higher education institutions by December 2004.

The Information Technology Department, in conjunction with the Office of Management and Budget, has completed an information technology procurement standard that has been reviewed and approved by the state Information Technology Advisory Committee, the Enterprise Architecture Review Board, and the department's management. The standard requires the Information Technology Department to review information technology procurements prior to the actual purchase to ensure compliance with information technology standards, consistency with enterprise architecture, conformance to agency information technology plans, and adherence to procurement best practices.

Department, shall aggregate information technology equipment and software purchases and administer contracts to achieve the most cost-effective results for the state.

Consolidation of information technology services - Transfer of state information technology employee positions - Section 10 of House Bill No. 1505 provides that on November 1, 2003, the following authorized FTE positions relating to information technology services, including electronic mail, file and print server administration, data base administration, storage, application server, and hosting services, must be reduced and transferred to the Information Technology Department.

Office of Management and Budget	1
Tax Department	1
Department of Public Instruction	1
State Department of Health	1
Department of Human Services	5
Job Service North Dakota	3
Industrial Commission	1
Bank of North Dakota	1
Housing Finance Agency	1
Workforce Safety and Insurance	2
Highway Patrol	1
Department of Corrections and Rehabilitation	2
Game and Fish Department	1
State Water Commission	1
Department of Transportation	2
Total	24

After consulting with the Information Technology Department, each affected agency shall identify the specific positions for reduction and transfer. Each affected agency shall establish an information technology services accounting code consisting of funding related to the salaries and wages for the identified employee positions and related funding for equipment, training, office rent, travel, contracted services, or other related costs. Each agency shall use the funding contained in the information technology services account to purchase information technology services from the Information Technology Department. Each agency is entitled to receive from the Information Technology Department the equivalent in services that would have been performed by the employees in the transferred positions at a cost not exceeding the amounts transferred to the agency's information technology services account.

Required information technology services - Section 16 of House Bill No. 1505, codified as North Dakota Century Code Section 54-59-22, provides that each state agency and institution, excluding the legislative and judicial branches, the institutions under the control of the State Board of Higher Education, the Public Employees Retirement System, the Retirement and Investment Office, the Attorney General's office, and any entity exempted by the Office of Management and Budget after advisement by the Information Technology Department, shall obtain electronic mail, file and print server administration, data

The Information Technology Department established a project executive committee consisting of Mr. Bill Goetz, Chief of Staff, Governor's office; Ms. Pam Sharp, Director, Office of Management and Budget, and Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, for implementing the consolidation of information technology services authorized in House Bill No. 1505.

In regard to the **transfer of state information technology employee positions**, the project executive committee recommended the transfer of 8.5 FTE positions--7 full-time and .5 of five additional positions--to the Information Technology Department on November 1, 2003, and the exemption of the remaining 15.5 FTE positions. Of the 15.5 FTE positions exempted, 11 FTE positions were primarily performing duties not related to the services to be consolidated, 2 FTE positions were required for support of the Unisys mainframe at Job Service North Dakota, and 2.5 FTE positions were exempted due to unique agency requirements. The following is a summary of the project executive committee's recommendation relating to the transfer of state information technology employee positions:

	FTE Positions Identified in House Bill No. 1505	FTE Positions Recommended to Be Transferred	FTE Positions Exempted
Office of Management and Budget	1	0	1
Tax Department	1	0	1
Department of Public Instruction	1	.5	.5
State Department of Health	1	.5	.5
Department of Human Services	5	4	1
Job Service North Dakota	3	1	2
Industrial Commission	1	0	1
Bank of North Dakota	1	0	1
Housing Finance Agency	1	0	1
Workforce Safety and Insurance	2	1	1
Highway Patrol	1	0	1
Department of Corrections and Rehabilitation	2	0	2
Game and Fish Department	1	0	1
State Water Commission	1	0	1
Department of Transportation	2	1.5	.5
Total	24	8.5	15.5

base administration, storage, application server, and hosting services through a delivery system established by the Information Technology Department in conjunction with the Office of Management and Budget. The Office of Management and Budget, after receiving advice from the Information Technology Department, shall establish policies and guidelines for the delivery of services, including the transition from existing systems to functional consolidation, with consideration given to the creation of efficiencies, cost-savings, and improved quality of service.

Information technology functional consolidation accumulated savings - Section 11 of House Bill No. 1505 provides that the Office of Management and Budget and the Information Technology Department shall achieve efficiencies during the 2003-05 biennium relating to the required consolidation of information technology functions, including electronic mail, file and print server administration, data base administration, storage, application server, and hosting services, and related equipment. The director of the Office of Management and Budget shall transfer the savings accumulated as a result of these efficiencies in the amount of \$1.4 million to the general fund by June 30, 2005.

Information technology service - Section 12 of House Bill No. 1505 provides that the Information Technology Department shall document information relating to the delivery of the consolidated services to agencies, including service dependability, agency complaints, and Information Technology Department responsiveness, and shall report that information and the status of the accumulated savings to the Information Technology Committee and the Budget Section as requested.

Line item transfers - Section 9 of House Bill No. 1505 authorizes the director of the Office of Management and Budget to make transfers of funds between line items of the Information Technology Department as may be requested by the Chief Information Officer.

As of May 13, 2004, the Information Technology Department has filled 6 of the 8.5 FTE positions transferred from various state agencies. The department will fill the remaining 2.5 FTE positions as determined necessary.

In regard to the **required information technology services**, for the 15 agencies identified in Section 10 of House Bill No. 1505, the project executive committee recommended exemption of the Bank of North Dakota, Housing Finance Agency, and the State Water Commission due to unique circumstances in those agencies. The project executive committee recommended all services for the remaining 12 agencies, including 152 servers, be consolidated with the exception of 29 servers in five agencies. Of the 152 servers being migrated, the Information Technology Department plans to eliminate approximately 68 servers during the 2003-05 biennium.

For the remaining 31 agencies, the project executive committee recommended exemption of the State Fair, Mill and Elevator, North Dakota Vision Services - School for the Blind, School for the Deaf, Seed Department, and the Adjutant General. The project executive committee recommended all services for the remaining 25 agencies, including 23 servers be consolidated. The Information Technology Department plans to eliminate all 23 servers during the 2003-05 biennium.

The Information Technology Department anticipates completing consolidation by June 2004.

In regard to **information technology functional consolidation accumulated savings**, the Information Technology Department is estimating savings of approximately \$670,000 for the 2003-05 biennium, of which approximately \$583,000 relates to the 15 agencies identified in Section 10 of House Bill No. 1505 and approximately \$87,000 relates to the remaining 31 agencies. The estimated savings has been impacted by the timing of consolidation and equipment credits provided to agencies for equipment on lease. In addition, because the savings include federal and special funds designated for specific purposes and programs, the savings to the general fund will be substantially less.

In regard to **information technology service**, the Information Technology Department anticipates completing a final report regarding the consolidation of information technology after consolidation has been completed.

As of May 20, 2004, the Chief Information Officer has not requested any transfers of funds between line items; however, the Chief Information Officer may request transfer of funds between line items later in the 2003-05 biennium.