MINUTES

MONTANA HOUSE OF REPRESENTATIVES
57th LEGISLATURE - REGULAR SESSION
JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Call to Order: By **CHAIRMAN TOM ZOOK**, on January 22, 2001 at 5:00 P.M., in Room 102 Capitol.

ROLL CALL

Members Present:
    Sen. Tom Zook, Chairman (R)
    Rep. Matt McCann, Vice Chairman (D)
    Rep. John Brueggeman (R)
    Sen. John Cobb (R)
    Rep. Stanley Fisher (R)
    Rep. Dick Haines (R)
    Sen. Greg Jergeson (D)
    Sen. Royal Johnson (R)
    Rep. Dave Lewis (R)
    Rep. Monica Lindeen (D)
    Sen. Linda Nelson (D)
    Sen. Jon Tester (D)

Members Excused: None.

Members Absent: None.

Staff Present: Greg DeWitt, Legislative Branch
                Prudence Gildroy, Committee Secretary
                Mary Beth Linder, OBPP
                Christi Tyson, OBPP

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
    Hearing(s) & Date(s) Posted: INFORMATIONAL MEETING ON INFORMATION TECHNOLOGY, 1/19/2001
                Executive Action: ISD Budget

{Tape : 1; Side : A}

CHAIRMAN TOM ZOOK presented a draft of a committee bill, the result of the last meeting of the committee.

SEN. GREG JERGESON, explained that the bill was the result of the last meeting. Towards the end of that meeting, the committee discussed involving the legislature in decisions about IT. **Tony Herbert, Department of Administration,** made his presentation at that meeting about e-government and the concept of convenience fees. Legislators had questions about the specific authority for those ideas. **CHAIRMAN ZOOK** asked **SEN. JERGESON** to work with **Tony Herbert** on drafting a bill. **SEN. JERGESON** worked with **Greg DeWitt, Legislative Fiscal Division**, and involved other committee members including **REP. MONICA LINDEEN**, and **REP. DAVE LEWIS** on the draft. The proposed bill deals with the issue of e-government and the contract that has been awarded to a private firm (NCI). The bill includes definitions and outlines the responsibilities of the department for e-government. The subcommittee was concerned that the private contractor should not be able to use any information generated in the process for any purpose other than exactly carrying out the terms of the contract. The bill provides for an e-government advisory council, which will include a member of the house and a member of the Senate, and describes the responsibilities of that group.
EXHIBIT(jih17a01)
SEN. JERGESON said that the bill is not the end-all of legislative oversight of this process. Other bills may be heard in the legislature related to government and IT including oversight by the Legislative Finance Committee. There is a need to keep in mind how the legislature will exercise its functions related to IT in future sessions.

SEN. JERGESON moved **TO REQUEST THE DRAFTING AND INTRODUCTION OF THE BILL TO THE COMMITTEE.**

Questions from Committee Members and Responses:

REP. ROYAL JOHNSON asked about funding. **Mr. Herbert** replied that e-government services would be funded through convenience fees. **SEN. JOHNSON** asked about funding for the advisory council. Mr. Herbert said that there may be minimal travel costs involved that would be funded through convenience fees or the proprietary program of ISD. **SEN. JOHNSON** asked if there were other councils to be funded. **Mr. Herbert** stated that there were seven councils that work on a variety of issues. The majority of people on the councils are in Helena and new costs are not incurred. With legislative committees, there will be a minimal amount of expense, including some travel. **SEN. JOHNSON** asked if the bill would come back to the committee for discussion after it is drafted. **CHAIRMAN ZOOK** suggested that a sponsor would be appointed and the bill would go through the regular process once it was adopted. He recommended the Senate Finance Committee.

SEN. JERGESON, having made the motion to ask for the drafting of the bill, said it would become a committee bill and that he would volunteer to carry it as a Senate Bill, which would appropriately go to the Senate Finance Committee. As it goes through the process, once it reaches the House, it would go to Appropriations. **CHAIRMAN ZOOK** agreed. **SEN. JOHNSON** asked if the bill would be by request of the House Appropriations Committee. **CHAIRMAN ZOOK** stated that the request for drafting would be by the Select Joint Committee on IT.

REP. MONICA LINDEEN expressed relief that her concerns regarding private information had been addressed. She suggested that on page 4 subsection h the language "internet initiatives" need not be included. If the language is included, it might tend to expand the authority of the advisory council.

REP. LEWIS stated that his previous concerns were at least partially addressed. The department is being specifically authorized to recover costs of providing electronic government services with a fee based on costs. He had a concern about language to assure the public that the traditional method of obtaining services was still available. **Mr. Herbert** suggested language such as "whereas this is not limiting any of the opportunities for citizens to get services in the normal traditional way." He also held that **REP. LINDEEN's** suggestion for a language change was acceptable.

REP. MATT McCANN wondered about fee setting decisions. **Mr. Herbert** said that the proposed fees are ones that worked in other states. Those fees will be reviewed by the Council. Each application has agency experience behind it. Fees may change over time. **REP. McCANN** questioned what would happen if the legislature or the division was unhappy with the private contractor. **Mr. Herbert** explained that if a transition was required, there was termination language in the contract. The state would become owners of the software rights, procure the hardware at market value, and take the management responsibility. **REP. McCANN** asked what would happen if the state decided not to go forward with the contract. **Mr. Herbert** assured him that there is non-appropriations language in the contract. The other way to have done (e-government) would have been to come to the legislature for an appropriation request, to build and manage the infrastructure, and have it be part of what is funded in the budget. He explained the estimated return on investment (ROI) of NIC.
EXHIBIT(jih17a02)

REP. DICK HAINES asked about page 4 item h and item 6 (in the draft bill). He wondered if there was any potential conflict or

duplication with the Natural Resource Information System (NRIS).
Mr. Herbert believed there was no conflict or duplication. Those
are separate councils created also under the advisory council
statutes for very different purposes than the particular function
of the council on IT.

REP. DAVE LEWIS asked for clarification regarding the handout on
Estimated ROI for NIC. **Mr. Herbert** confirmed the revenue
estimate for year five of $1 million.

SEN. JERGESON suggested that language in the bill should assure
that convenience fees are voluntary.

<u>Motion/Vote</u>: **SEN. JERGESON** moved **MOTION TO DRAFT. Motion carried
with McCann and Johnson voting no.**

<u>Motion</u>: **SEN. JERGESON moved TO STRIKE THE LANGUAGE ON P. 4 "AND
INTERNET INITIATIVES".**

He also volunteered to amend the bill with language to assure the
public that traditional services are still available.

<u>Vote</u>: Motion **carried unanimously.**

Greg DeWitt handed out copies of the budget, supplemental tables
to replace the program table and the present law table. These
included **Governor Martz'** changes to the budget. Also included
were a list of Standard Motions for Executive Action on Program
Budgets.
EXHIBIT(jih17a03)
EXHIBIT(jih17a04)
EXHIBIT(jih17a05)
EXHIBIT(jih17a06)
Mr. Herbert presented the Information Services Division (ISD)
Budget for the 2003 Biennium. He gave an overview of the
Division, the accomplishments of the Division, the rates charged,
and the Decision Packages by Bureau.
EXHIBIT(jih17a07)
Mary Beth Linder pointed out that there may be slight variances
in the presentation and the handouts due to the changes in the
Martz budget.

Mr. Herbert stated that accomplishments of the Division included
reorganization, expanded services and reduced staff.

{Tape : 1; Side : B}

SEN. JOHN COBB asked if people were actually cut or were FTE just not requested. **Mr. Herbert** answered that some people were cut, some positions that were authorized were not filled, and there was a hiring freeze put on going into the reorganization. The result was that 11 FTE were not needed or requested. He reviewed the reorganization and introduced the Bureau heads. He recounted accomplishments in SABHRS, SUMMITNET, and in IT Competency Based HR System. He charted growth in data network use, mainframe use, telephone sets (included universities), long distance minutes, and the use of METNET. He presented rate information and requests. There was a request that a 60-day working capital concept be established. The request for the Desktop Services rate was an increase from $64.50 to $73.50. The rates charged are built into the agencies' budgets. The budget is based upon what those estimates are. If rates are changed, agencies' budgets need to be changed. **SEN. COBB** asked if payment was received on a monthly basis. **Mr. Herbert** replied that agencies are invoiced monthly based upon services used. **SEN. COBB** asked how fast payment was received. **Mr. Herbert** explained that a 30-45 day range was typical.

REP. STANLEY FISHER inquired about long distance rates. He thought the rate was substantially higher than what could be bought on the local market. **Mr. Herbert** contended that those rates typically are not offered to businesses and that those programs all have exclusionary language attached.

Mr. Herbert presented the decision packages. The first was the GIS Cadastral Database item on page 59 of the budget. Cadastral describes land ownership parcels. The project is to modernize land ownership record keeping systems through computerization. It is a standardized digital representation of property ownership. The project will be completed for under $3 million (the original estimate was for over $4 million). Some federal funds came from the BLM. A request was recently approved for $800,000 in federal money to help conclude the project. The current request will complete the development phase and begin the maintenance and enhancement phase. **REP. LINDEEN** stated that the DOR also had a request in their budget for the Cadastral Project. She wondered what that DOR request pays for versus DOA's request and what the DOA would ask for in two years for maintenance and enhancement. **Mr. Herbert** stated that the DOR was a key supporter of the project. The money DOR requested would pay for the operational maintenance portions of the project and would redirect some portion for cartographers. The relationship with the DOR is for support and maintenance. The cost for maintenance, by GIS experts, by will be $125,000. There will be additional federal money available for enhancement. **Ms. Linder** stated that much of the decision package of the DOR is to

contract with counties to keep the maintenance up and running so that when there are changes in a parcel of land, it gets online. DOR staff is used as in kind help to keep things current with the electronic environment at DOA.

SEN. COBB asked for clarification about yearly requests for maintenance. **Mr. Herbert** assured him that the estimate was for $125,000 for two GIS programmers for maintenance. Enhancements would include improving accuracy. **Mr. Herbert** then presented a breakdown of Cadastral Project funding.

{Tape : 2; Side : A}

The other HB 2 Programs presented for review included the 9-1-1 Program and the Public Safety Communication Program. There is a proposal to convert 1.0 FTE for the Public Safety Communication Program, funded from the proprietary account, to 0.5 FTE in the general fund. **REP. FISHER** asked if that was a new program. **Mr. Herbert** stated that there has been 1.0 FTE in that position and in the Martz budget that has been cut in half.

Mr. Herbert then presented a budget request in the area of telecommunications, the wide area network and internet growth. The proposal would provide necessary hardware and bandwidth to support growing applications and expand access to internet-based services. This will improve response times at remote offices, improve network reliability, and provide better opportunity to connect with local governments. Within the Desktop Services rate, there is a proprietary request for $246,537 for each year of the biennium to purchase additional circuits from the telephone companies and to increase the capacity of the existing circuits. **SEN. COBB** asked if that was in DP2 and if the charge was $1.92 per connected terminal. **Mr. Herbert** had stated that a growing number of local governments, libraries and schools will be using the internet. **SEN. COBB** asked if there will be a fee for these services. **Mr. Herbert** stated that in some cases, schools and local governments do pay a separate fee from the per desktop fee. They pay on a single connection basis. For a single connection to SUMMITNET the fee is $2.50 per month. All the costs are blended in. The estimate is approximately $3 per state terminal averaged across the biennium. **SEN. COBB** asked if the other agencies get any benefit. **Mr. Herbert** affirmed that the agencies get benefit.

Mr. Herbert described the Computing Technology Services Bureau and the Oracle Enterprise License Agreement. Oracle is the key strategic standard that all agencies use for relational databases. Oracle is an industry leader. Having a standard is valuable for cross-training, sharing information, and signing up

for enterprise license agreements instead of having different license agreements that cost more. **REP. LINDEEN** asked about the increase in cost for the license agreement. **Mr. Herbert** replied that the enterprise license agreement provides 13,500 licenses, with 11,000 devices currently on the system. This allows for adding users at no additional cost. The previous contract with Oracle, which terminated in the summer of 1999, was an individual license contract with a fee schedule. With the current and predicted growth, an enterprise license agreement was ultimately cheaper over time than remaining with individual license agreements. This amounts to a $720,000 increase (about $5.60 per month per terminal) to have the enterprise agreement in place.

SEN. COBB asked if the $5.69 was in addition to the $73.50 that would be asked for (per terminal). **Mr. Herbert** said it was part of the $9 increase. The contract is a 5 year agreement running through the biennium and the next biennium, covering all of the state use for Oracle in that time frame. The automated time entry capability in the SABHRS program would be more costly without this license agreement in place.

Mr. Herbert stated that in the IT service area, 1.0 FTE is being requested to help manage e-government services. The IT group is 7 people managing "DiscoveringMontana.com", building a intranet, supporting all of the agencies and working with NIC to do that. The three items that are increasing the desktop rate are the wide-area network (about $3), the Oracle licensing agreement ($5.60), and about 50 cents per terminal for the FTE. This $9 increase is the increase of the desktop rate to $73.50. The SABHRS program has several Decision Packages for review. These are separate from traditional rate-based services and are specific to the support for SABHRS. He outlined the major events, benefits and challenges for SABHRS. **REP. LINDEEN** asked if there is an accounts receivable module in SABHRS and if SABHRS could have been used for the same thing that DOR is doing with the POINTS software. **Mr. Herbert** answered that the SABHRS module would not meet all the requirements of DOR. **REP. LINDEEN** asked if SABHRS could have been upgraded or programmed to fit the needs of DOR. **Mr. Herbert** conveyed that would not have been as cost effective an approach or very do-able. He then explained the annual license fee with PeopleSoft. The decision package shifts funding for the PeopleSoft support fee from the general fund to the proprietary fund. It provides funding for a fee increase due to growth. An upgrade was necessary and hiring staff was necessary to accomplish that and future upgrades (every other release). The request was for 7 FTE, in order to maintain the viability of the program. Two additional FTE were requested to focus on the daily upkeep of the system. The decision package requested a biennial appropriation that funds the development and

implementation of a SABHRS data archiving and retrieval solution. As years are closed, data needs to be available for queries and searches. The original investments did not account for those needs. This type of investment will help with answers needed by the legislature. The decision package also requests additional funding to support anticipated increases in consulting service rates and the bureau's need to procure additional services.

Questions from the Committee:

SEN. JOHNSON asked where the whole budget can be found. **Ms. Linder** said that could be found on Page 161, with the exception of some HB 2 environments that are on page A-158 & A-159. The main operation is a proprietary business run operation offering services and getting customers. **SEN. JOHNSON** asked if the bureau is competing in this business with the private sector throughout the state. **Mr. Herbert** stated that some services are offered that private companies offer. These services are mandated by statute and private companies are part of the picture. The state pays 72% of IT funds to the private sector. The state could turn the whole operation over to AT&T, which would cost the state more money. **SEN. JOHNSON** questioned the 12-cent rate for the volume of business being done. **Mr. Herbert** held that the state provided very good services at very equitable prices.

REP. MATT McCANN asked about connections. **Mr. Herbert** referred to the network maps showing connections between major sites that include telephone equipment as well as the networking ability to interconnect through those. Between Bozeman and Helena, the LATA line is crossed by a specific circuit leased from Touch America. The investments that have been made in telephone equipment and networking services are needed. If those services were bid, there would be other costs different from home phone services because of volume and traffic.

Motion/Vote: SEN. JERGESON moved that **BASE BUDGET AND PRESENT LAW ADJUSTMENTS, INCLUDING DECISION PACKAGE 699 AND 698 BE ADOPTED. Motion carried 10-2 with Sen. Cobb and Rep. McCann voting no.**

Motion/Vote: SEN. COBB moved **PRESENT LAW DP3 BE ADOPTED. Motion carried 11-1 with Rep. McCann voting no.**

Motion/Vote: SEN. COBB moved that **PRESENT LAW DP16 BE ADOPTED. Motion carried 11-1 with McCann voting no.**

Motion/Vote: SEN. COBB moved that **PRESENT LAW DP17 BE ADOPTED. Motion carried 11-1 with McCann voting no.**

REP. McCANN said the committee was set up specifically to learn and understand the information and make good decisions. He said that **Mr. Herbert** was responsible for that information and education. **REP. McCANN** professed that he would vote against all the packages and the base budget and felt frustrated that he did not feel more informed. **CHAIRMAN ZOOK** replied that much of the frustration felt by some could have been from the need to rush through the information. The Subcommittee was given the task by the Senate Finance and Claims Committee. There was difficulty during the last session with the same issues. He felt that the recent presentations had been productive. **REP. DICK HAINES** expressed agreement with **REP. McCANN**. **REP. LEWIS** reported struggling with the same issues when he served as Budget Director. He was always uncomfortable setting the rates and making the decisions. There is no real, solid way to know if the prices are right and no market in which to test the prices. DOA staff are competent to run the enterprise and need to be trusted. **CHAIRMAN ZOOK** agreed and said that nobody on the committee probably understood the material 100% but that maybe over the years, the younger members would have a better grasp of it. **Mr. Herbert** presented information on comparing IDS rates against the consumer price index.
EXHIBIT(jih17a08)
REP. FISHER asked if all the information was needed by the average person working (for the state). **Mr. Herbert** asserted that the state's investments in technology are not out of line given the nature of the work that is requested of the state workers. The IT portion of the budget is 3.2%. State governments on average spend 5.5%. He stated that there is a good deal of investment that must be maintained.

CHAIRMAN ZOOK pointed out the new proposal on the bottom of page A-59. Under the Martz budget this would be for ½ FTE.

Motion/Vote: **SEN. COBB** moved that **NEW PROPOSAL DP1 UNDER THE MARTZ BUDGET BE ADOPTED. Motion failed 6-6 with Rep. Brueggeman, Rep. Fisher, Rep. Haines, Sen. Johnson, Rep. Lindeen, and Rep. McCann voting no.**

CHAIRMAN ZOOK explained the proprietary environment with the rate of $73.50 per connected terminal.

Motion: **SEN. JOHNSON** moved that **TO APPROVE THE RATE OF $66.15 PER CONNECTED TERMINAL BE ADOPTED.**

SEN. JERGESON expressed concern that a number of Decision Packages cumulatively result in the $73.50 (per terminal) rate. He thought it was better to go through in building blocks and

determine which portion to approve and not approve. **CHAIRMAN ZOOK** asked if the committee wanted to keep going with the decision packages. **SEN. COBB** said that the motion regarding total rate would come back to haunt them even if they passed some of the other packages. **SEN. JOHNSON** said there were 3 packages involved in the $73.50. He took 10% off of the $73.50. **REP. LINDEEN** asked if the rate was being decreased by 10%, what effect that would have on the rates statewide. **CHAIRMAN ZOOK** said that it was 10% less than the request. This is an increase of about $1 from the past desktop rate.

<u>Vote</u>: Motion that **TO APPROVE THE RATE OF $66.15 PER CONNECTED TERMINAL BE ADOPTED carried 10-2 with Sen. Jergeson and Sen. Zook voting no.**

CHAIRMAN ZOOK then asked that the 60-day working rate of capital be dealt with. **REP. LEWIS** asked about the SABHRS cost LFD issue of changing the allocation method and reducing the general fund cost. He asked if the alternate allocation method was examined, what the reduction in general fund impact would be. **Mr. DeWitt** stated that it would not reduce the general fund, but would cap growth if there was an additional cost to the amount allocated out to the agencies. This is similar to what was done in the last biennium. For the SABHRS costs, the charge to the agencies would be limited. **Mr. Herbert** said it depended upon which allocation method is used. The approved amount is built into the budgets for those supporting the SABHRS program. The budget office chose the FTE method. **Mr. DeWitt** said they allocated based on FTE. The numbers that show up are what were allocated to agencies in the budgets. What this simply would do is pull the SABHRS costs out of the 60-day working capital. **REP. FISHER** asked for an explanation of the 60-day rates. **Mr. Herbert** explained that the 60-day level is a standard that has been used in the state and federal level for programs like IT's operating inside of government to charge the rates that need to be charged without accruing working capital above a 60-day balance. Working capital is cash, liquid receivables minus liquid liabilities. The fifth part of his presentation, that he did not get to present, had a schedule that showed working capital balances over the years. The average now is about 22 days working capital. It is predicted that through the biennium 30 days working capital might be achieved. Large amounts of cash are not accrued, and it is a good way to manage a business program. **SEN. JOHNSON** stated that it might be a good way of doing it, but the committee just voted to cut rates by $7.35. He asked if that would impair financial stability or would it still be within the 60-day level. **Mr. Herbert** stated that the motion just passed would impair the ability to handle the ORACLE issue and to grow the data network

the way they wished to. The committee just took $7 from $9 worth of requests. **SEN. JOHNSON** asked if there is not a 60-day fall back working capital, what will happen. **Mr. Herbert** said they were operating around 30 days working capital. That works pretty well for a program of their size to stay current and maintain their cash flow like a business with the fees that are paid to them and the expenses they have to pay. What the committee should consider is adopting the 60-day working capital for purposes of establishing the rates that they need to establish and not try to set specific rates. That allows latitude to raise rates and move forward given volumes. **REP. LEWIS** asked if a 30-day working capital was adopted, would rates have to be reduced. **Mr. Herbert** said it wouldn't change rates, but thirty days is just barely adequate. In particular rate areas with greater volumes than predicted, rates are lowered. Rates were lowered 10% in the mainframe area last November. That is how they are able to stay with a good track record against the consumer price index, by lowering rates when they have the right kind of volumes and cost equations. The 60-day level is a good level for the legislature to consider because it is a federally established level. **SEN. JOHNSON** stated that all the numbers are based on income and expenses. Maybe there will be more income and less expenses and they can still fall back and cover the 60-day period. **Mr. Herbert** said it was always a challenge to predict what rates will be through the next biennium. The motion that passed creates an area of concern as to what can be done with the data network fees to meet needs.

CHAIRMAN ZOOK said that **Mr. DeWitt** had pointed out that if the standard motions for executive action on program budgets were used that each decision package would not have to be taken separately.

Motion: **SEN. COBB** moved **TO APPROVE A RATE FOR SABHRS COSTS EQUIVALENT TO THE AMOUNT OF COSTS ALLOCATED TO AGENCIES – $4,168,460 IN FISCAL 2002 AND $4,211,734 IN FISCAL 2003.**

Mr. DeWitt said that the way proprietaries go, the decision packages are presented to give an indication of the impact of that decision package on the rate that is being requested. Decision packages are not approved because appropriations for them are not approved. An equivalent rate that allows them to provide the service is approved. The $66 was approved, but they can do anything they want anyway. **SEN. COBB** asked if the SABHRS covers everything that they're asking for in year 2. **CHAIRMAN ZOOK** asked if it covered the reductions that are here like in DP4. **SEN. COBB** asked if DP5 and DP6 are covered in the $4.1 million (in the budget) and **Mr. DeWitt** affirmed that was the case.

Motion/Vote: **REP. LEWIS** moved **TO FUND DP4. Motion carried unanimously.**

CHAIRMAN ZOOK asked members to consider the 60-day working capital issue. **REP. LINDEEN** asked about the remaining portions of ISD that would be funded under the 60-day working capital area. Mr. Herbert answered that everything within ISD is funded through the 60-day area, except the HB 2 items, the 9-1-1 program and Public Safety Radio and the federal money that comes through GIS. Everything else is proprietary in their program. The SABHRS allocation method is very specific. The agencies have an amount inside of their budget to pay for SABHRS. **REP. LINDEEN** stated that the network services rate would be capped at $66.15 because of the motion already voted on. The SABHRS cost would be allocated on the motion just approved, and the remaining portions of ISD would be funded through a 60-day working capital reserve and would exclude those other two things. **Mr. Herbert** said that they would go through the same proprietary account. Everything moves through there. **Mr. DeWitt** said there is a specific object of expenditure allocated to SABHRS costs, a specific rate for SABHRS.

Motion/Vote: **SEN. COBB** moved **ISD UNIT CAN HAVE 45-DAY WORKING CAPITAL RATE FOR ALL OTHER PROPRIETARY FUNCTIONS. Motion carried unanimously.**

CHAIRMAN ZOOK said no further action would need to be taken. Recommendations will go to the House Appropriations Committee. **SEN. JERGESON** said the rates are now incorporated into all subcommittees.

ADJOURNMENT

Adjournment: 7:04 P.M.

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SEN. TOM ZOOK, Chairman

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PRUDENCE GILDROY, Secretary

TZ/PG

EXHIBIT(jih17aad)