



Legislative
Research
Council

MINUTES

Bureau of Information and Telecommunications Agency Review Committee

First Meeting
2004 Interim
Tuesday, June 15, 2004

LCR 1&2
State Capitol Building
Pierre, South Dakota

The first meeting of the interim Bureau of Information and Telecommunications Agency Review Committee was called to order by Representative J.E. "Jim" Putnam, Chair, at 9:03 a.m. on Tuesday, June 15, 2004, in Legislative Conference Rooms 1 and 2 of the State Capitol Building in Pierre, South Dakota.

A quorum was established with the following members answering the roll call: Senators Jerry Apa, Dick Kelly, and John Koskan (Vice-Chair); and Representatives Mike Buckingham, Elizabeth Kraus, Gordon Pederson, J.E. "Jim" Putnam (Chair), Donna Schafer, and David Sigdestad. Representatives Tom Hackl and Paul Valandra were unable to attend the meeting.

Staff members present included Aaron Olson, Fiscal Analyst, and Kris Schneider, Legislative Secretary.

All material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). For the purpose of continuity, these minutes are not necessarily in chronological order.

Chair Remarks

Representative Putnam distributed a letter from the Executive Board of LRC that directs the committee to "undertake an analysis of the digitization of South Dakota Public Broadcasting" in addition to the sunset process (**Document #1**). At the next meeting he would like to concentrate more on the digitization of public broadcasting and not follow the typical study plan exactly.

Historical Perspective of the Sunset Process

Mr. Reuben Bezpaletz, Chief Analyst for Research and Legal Services, Legislative Research Council, reviewed an outline of a typical study plan for interim sunset committees (document was previously mailed to the committee).

Mr. Bezpaletz noted that the sunset process examines why a particular agency exists, what it does, and whether it should continue to do that job. The sunset process was originally legislation that repealed the existence of the state agency, and that agency then had one year to come in and prove to the Legislature that they were doing their job and should continue to exist. It was determined through this process that it was not so much the agency and its statutes that were the problem but the agency rules, so the statute was modified to examine

the agency rules and rule-making authority for those rules. It very quickly became difficult to get legislators to serve on these committees. As soon as the process was completed for all state agencies, the legislation was repealed, and authority given to the Rules Review Committee for review of agency rules. The sunset process now gives the Legislature an opportunity to ask detailed questions, get detailed information, and make determinations on how the department might better perform its duties. The sunset process has become more of an oversight function. Public testimony is included in the sunset process. Also, Mr. Bezpaletz indicated that staff will review the agency statutes to determine if there is a need for updates.

Bureau of Information and Telecommunications Presentation

Commissioner Otto Doll introduced key personnel and distributed a notebook that included information on the administration of the Bureau of Information and Telecommunications (BIT) **(Document #2)**.

The committee toured the State Radio Center and the Data Center.

Following the tour, Commissioner Doll stated that South Dakota is more advanced than other states because of being centralized. South Dakota has a backup emergency site in Colorado. The contract with Colorado is for three years and costs \$100,000 per year. The current contract expires in December 2004.

Commissioner Doll stated that BIT's strategic plan is: to reduce cost of information technology (IT); to reduce agency program costs through use of IT; to prioritize IT investments statewide; to measure IT and broadcasting value; to improve BIT customer service; and to facilitate state development through the use of IT and public broadcasting. He stated that BIT builds and maintains hardware and software and customer service is what they are all about. The bureau is organized into five divisions: administration, data center, development, public broadcasting, and telecommunications and has a FY05 budget of \$43.1 million with 358.3 full-time employees (FTE). BIT's mission is to standardize the state's use of information technology to leverage state funds and manpower while ensuring a secure, interoperable environment; maintaining the help desk; and security, both physical and application.

South Dakota Public Broadcasting (SDPB)

Ms. Julie Anderson, Public Broadcasting Director, gave a brief history of public broadcasting in South Dakota. The governance of SDPB was moved under BIT in 1994. SDPB also reports to Friends of SDPB Board of Directors and the Educational Telecommunications (ET) Board. She explained that the Friends of SDPB Board is a thirteen-member board that provides oversight of the network's 501(c)(3) and raises and manages private funds for the support of network programs and services. The ET Board is a nine-member board that provides license control and oversight and is responsible for programming and policy decisions. SDPB had three primary national partners: Corporation for Public Broadcasting (CPB), Public Broadcasting Service (PBS), and National Public Radio (NPR). Ms. Anderson stated that the state's network consists of 9 radio transmitters, 10 radio translators (repeaters), 9 television

transmitters, 10 television translators, and 1800 miles of microwave interconnection. Ninety percent of the state is currently covered with public television and radio signal. Currently there are three digital television stations up and running. SDPB is not proposing to change radio to digital; it will remain an analog network. SDPB has six divisions: public television, public radio, internet, education and outreach, marketing and development, and engineering and has an FY05 budget of \$8.2 million and 67.8 FTE.

BIT Data Center

Mr. Jerry Gooding, Data Center Director, explained that the Development Division designs and builds information systems. The Data Center manages and operates these production systems once they are built. Telecommunications connects clients to the Data Center over LAN's and telephone lines. He discussed their mission statement--to promote a cost effective, reliable, survivable, and secure computing environment, while enhancing employee knowledge and opportunity. The Data Center has a budget of \$6.6 million and has 56.0 FTE. The Data Center deals with three levels or tiers of computer platforms: the mainframe computer, the mid-range systems, and the windows client server systems. The Data Center is funded by charge-back mechanisms: usage-based (mainframe), subscription (mid-range), and per user (client/server). He explained that the mainframe computer monitors itself and keeps track of how many seconds it spends calculating, how many records are read or written and that data can be used to produce a bill like the meter on a cab. Clients for whom they host mid-range computers pay a flat fee per month for the space and technical support, but pay all other charges directly themselves. PC and client/server charges are billed to an agency based on how many desktop PC users they have. There are three programs in the Data Center: operations, systems and integration, and database administration.

Division of Telecommunications

Mr. Jim Edman, Network Technologies Manager, stated that the division's goal is to provide an efficient and high level of customer service for voice, video, and data telecommunications. Telecommunications has a budget of \$17.5 million and 95.0 FTE. The division's responsibilities and services are engineering, network technologies, and local area network (LAN) services. All telecommunication services are charged to the client. The client base includes the executive, legislative, and judicial branches, the constitutional offices, K-12 schools, the board of regents, municipalities, counties, the federal government, and tribal schools. The Department of Education (DOE) pays for the K-12 participation in the Digital Dakota Network (DDN). He stated that in 2002, the new digital trunked radio system was put in place and has been averaging about 1.1 million calls per month. Telecommunications maintains the state infrastructure necessary to support PBS (9 television transmitter sites, 8 public radio sites, and a microwave interconnect network). Telecommunications also provides telephone services and DDN videoconferencing. Currently there are 321 sites connected to the DDN network; 96.5% of the use is by educational facilities, K-12, and higher education. Telecommunications provides wide area networking (WAN) services to its clients. The WAN service includes contract establishment, ordering services, procuring hardware, installation, and support and maintenance. Currently, schools make up fifty percent of their clients, the

other half consists of higher education, state, county and local governments. Telecommunications is also the state's internet service provider and is responsible for network security. The Board of Regents and K-12 schools are the two largest consumers of the internet service. The division is also responsible for comprehensive desktop support. In 2003, BIT Telecommunications had the lowest frame relay contract rates, according to a survey of fifty states compiled by the National Association of State Telecommunications Directors.

Development Division

Ms. Denise Luckhurst, Development Director, explained that Development writes the applications that run on the platforms and networks. Development has a budget of \$9.0 million and has 118.0 FTE. The steps involved once an agency makes a programming request are: determine the business application, design the application with the agency, code the application, testing, and making it available to the users. She stated that if in the initial planning it looks like the projected cost will be over \$50,000 the requesting agency must complete a request for proposal and submit it to the Senior IT Board. Development currently charges \$48 per hour for their services. In a survey two years ago amongst other states, South Dakota's per hour rate was on the low end, if not the lowest in the comparison. The four basic functions of the division are support, client service, enhancement, and new development. The time spent on the four functions is tracked on an hourly basis and varies over time depending on the mix of projects in progress. In FY04, time spent on support averaged 3%, compared to 5% in FY03; client services averaged 24% in FY04, compared to 24% in FY03; enhancements averaged 39% in FY04, compared to 34% in FY03; and new developments averaged 34% in FY04, compared to 37% in FY03. They also track time spent by the type of request, i.e., federal, state, or technical mandates or by agency request. She stated that the number of information systems supported has doubled since 1997.

Evolution of BIT - Why the Bureau Was Created/Efficiencies/Savings

Commissioner Doll stated that prior to 1994 the majority of IT was decentralized within the state agencies and the centralized IT management was located within the Bureau of Administration. In July 1994 the Bureau of Information and Telecommunications was created and in 1996 the Bureau was centralized. In April 1995 SDPB consolidated and in July 1999, State Radio was moved to BIT. In July 2002, Internet Crimes Against Children (ICAC) was created under BIT and then was moved in May 2003 to the Attorney General's office. State radio was moved from BIT to the Department of Public Safety in July 2003. He stated that the consolidation saved the state \$15.6 million and 209.0 FTE.

History of BIT Budget

Commissioner Doll reviewed the FTE and budget history highlighting what caused the fluctuations. The total amount of data managed has grown at a compounded rate of over 30% since FY95. This drives costs up because the computing platforms have to be able to handle it. He stated that if you look at the FY05 budget, development has the most staff and

telecommunications uses the most money. If you look at the ratios--budgeted dollars to FTE--these are the measures used by the private sector to gauge IT spending trends.

Description of Bureau's Physical Facilities and Buildings

Commissioner Doll provided a map in the handout showing the location of all of BIT's facilities--State Radio and Public Broadcasting tower sites, computer rooms, network rooms, LAN support, engineering, and SDPB. A few of the locations are leased spots; however, they are mainly located within state agency buildings.

State and Federal Statutes and Rules Required of the Central Service Agency

Commissioner Doll stated that the creation of BIT and structure is defined in SDCL 1-33-37 to 1-33-42, inclusive. BIT's duties, functions, internal service fund, equipment purchases and leases, and contracts for service and maintenance are all in statute in Chapter 1-33. BIT is subject to all or portions of the Code of Federal Regulations - Title 47 and must adhere to FCC regulations and to the PBS National Program Funding Standards and Practices. A complete listing of the state and federal statutes is in the handout under "Additional Information."

IT Decision Making

Commissioner Doll stated that in August 2003, a Senior IT Board was created that reviews all IT investments greater than \$50,000 (initial investment plus the first three years of the program). Members of the IT Board are: Rodger Leonard, Comptroller; Paul Kinsman, Commissioner of Bureau of Administration; Jason Dilges, Commissioner of Bureau of Finance and Management; Rob Skjonsberg, Chief of Staff; Pam Roberts, Secretary of the Department of Labor; Jim Ellenbecker, Secretary of the Department of Social Services, John Cooper, Secretary of the Department of Game, Fish and Parks; and himself. The board meets weekly to review the proposed projects and they ultimately make the decision to move forward with a project. Since August, fifty agency projects and twenty-five BIT projects have been reviewed. The IT Board also approves BIT polices and instituted a new IT professional services contracting process.

As to the state contract purchasing cycle, BIT sets the standards and provides the Bureau of Administration's Office of Procurement Management (OPM) with the necessary material and product quotes. OPM establishes a contract, compiles requisitions and orders the requested technologies. Once the product is delivered to the agency, the agency submits a work order to BIT for installation. For non-standard IT products, an agency submits a request to the moratorium review group for their approval. Agencies have been instructed not to order monitors and extra Ram with their PC requisitions.

Beginning January 1, 2004, the State began distributing solicitations for IT services through the SimpleSell™ vendor response system. Vendors pay \$50 per year to participate. Commissioner Doll commented that it seems to be working well.

Commissioner Doll stated that BIT hopes that its clients value them in technology. It is agencies that have the services, BIT wants to make sure that the IT component is justified and brings the maximum value it can.

Committee Discussion

Representative Putnam requested that a copy of the rules and criteria used by the Senior IT Board be provided to the committee.

He would also like a copy of the rules regarding discarding old and out-dated equipment.

Mr. Edman stated that Telecommunications had recovered over \$1 million since 1999 from vendors from the accountability clause in their contracts. Representative Putnam requested a report that lists what the credit was for, the year of the credit, the amount, and how it was credited.

In response to Representative Putnam's questions about special purchasing by the School of Mines, Commissioner Doll stated that within the last two months, the purchasing has been loosened just for the Board of Regents. The Board of Regents has the authority to spend up to \$20,000 on special purchases. For all other state agencies, typically only 4-7% of all IT purchases are non-standard.

Senator Koskan asked about a comparison to other states in regards to IT spending.

He also asked for additional information on the requests that the Senior IT Board reviews. He asked that a copy of approved, rejected, and denied requests be provided to the committee.

Representative Buckingham commented that so much of what BIT does is education related. He would like to have additional information on the revenue that BIT receives through DOE, the services that BIT provides to DOE (both reimbursed and not), and the services it provides to education (K-12 and higher education).

Senator Apa stated that the Joint Appropriations Committee would like to have additional information from BIT and SDPB on the specific breakdown of the funding sources required for the conversion to digital television. The Executive Board has directed this committee to do an analysis. The end goal is to draft proposed legislation to finish up the process.

The next meeting was set for Monday, August 16, 2004, at 9 a.m. in Pierre.

REPRESENTATIVE PEDERSON MOVED, SECONDED BY SENATOR KOSKAN, THAT THE MEETING ADJOURN. MOTION CARRIED UNANIMOUSLY ON A VOICE VOTE.

The meeting adjourned at 5:36 p.m.



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