

MEMORANDUM

To: State Agencies
From: Greg Hoffman, Director – Administrative Services
North Dakota Information Technology
Date: Tuesday, April 14, 2020
Subject: **BUDGET GUIDELINES FOR 2021-2023 BIENNIUM**

North Dakota Information Technology (NDIT) has projected service rates for the 2021-2023 biennium. The rate schedules and a brief description of the services for Data Processing and Telecom may be found on the NDIT website at <https://www.nd.gov/itd/support/billing>. Rates that are highlighted in **bold** are the rates that changed from the 2019-2021 budget instructions.

Each biennium NDIT looks at the need to adjust the rates for the services provided. Because it is difficult for agencies to adjust their funding once the budget has been approved, every attempt is made to keep NDIT rates from increasing during the biennium. The following is an overview of the rate changes for the upcoming biennium.

The service rates for professional staff will consolidate into single rates per category. NDIT will continue to include the costs of software development toolset upgrades within the application hosting fees. These fees will see an increase to align with this change. NDIT will continue exploring cloud computing solutions, fitting those costs within the current general hosting rates which will be decreasing for servers and disk. Agencies who utilize the mainframe platform will need to budget for the effect of fewer agencies sharing the costs for these computing platforms as some agencies migrate to other solutions. The technology fee for state agencies will increase. NDIT will consolidate the phone and voicemail service rates with minimal changes. Other Telecom rates will remain steady. Agencies utilizing Software as a Service (SaaS) applications are required to obtain a signed waiver from NDIT and will see rates associated with NDIT's ongoing role in brokering cloud services.

During the 66th Legislative Assembly, six agency's IT staff were unified with NDIT to provide technology solutions and support in a centralized, shared service model. The chargeback model for these services in the 2021-23 biennium will be reflected in maintenance and operations agreements based on the business need for support. NDIT staff will be working with agency staff to create these agreements prior to agency budget deadlines.

Enterprise Project Management Office

Agencies with large projects will be billed a fee to cover the costs associated with the Enterprise Project Management Office and large project reporting requested by the Legislature. The fee will be \$2,500 per every \$500,000 of project costs. This fee will be capped at \$25,000 per project per fiscal year.

Software Development and Toolset Upgrades

NDIT Software Development is undergoing an Agile Transformation in the approach to developing applications. This shift creates scrum teams that work in shorter "sprints" within an overall project. As a result, NDIT has taken a more consolidated approach to hour chargeback for these teams. Development will be billed at \$102 per hour, Business Analysts will be billed at \$125 per hour, Project Management will be billed at \$130 per hour, and a new category for Business Process Improvement will be billed at \$130 per hour.

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The NDIT Software Development Division supports many software development tools and languages. As part of our cybersecurity posture NDIT upgrades versions of our tools and languages on a regular basis. NDIT will continue to include the development cost to upgrading the Java/Websphere applications in the hosting fees for these applications. NDIT will expand this to toolsets for all Oracle, SQL, MySQL and .Net applications. Agencies will not need to budget for software development hours to complete the upgrade as in past biennium.

Microsoft Productivity Suite

The current contract rate of \$31.41 for Microsoft Productivity Suite will be changing for the 2021-23 Biennium, however, this rate has not been finalized with Microsoft yet. Not all users will require this “full bundle” license. It is possible that some users will need only an Exchange Online license, or an Azure AD license, depending on their access requirements. All of these are per license fees that will apply to any accounts that require a Microsoft user license including service accounts, privileged accounts, or information accounts as needed. This change is being implemented to more closely align our billing to the Microsoft license requirements for the per user subscription model. As a result, this license cost will be removed from the Desktop Support Device fee.

Network Rates (WAN connections)

Endpoint network rates for fiber locations will remain the same as the 2019-21 biennium. Base connectivity for state agencies with non-fiber endpoints on STAGEnet is currently 10 Mbps and agencies should budget for this minimum bandwidth at all endpoint locations. There are additional bandwidth options available for additional cost.

Agencies that have any broadband connectivity (DSL, cable, wireless, satellite, cellular) are reminded that all connectivity should be purchased through NDIT and there is an associated broadband add-on charge in addition to vendor cost of the broadband connection. The add-on rates will remain the same for the 2021-2023 biennium. The premium add-on rate applies to locations that require network to network connectivity and comes with extended support hours. The basic add-on applies to locations that have six or less connections and do not require the network to network connectivity or extended support hours. The residential add-on applies to single person locations that do not need network to network connectivity or extended support. The broadband connection provided by the local telecommunication company is a direct bill back to each agency and is subject to rate changes throughout the biennium based on provider.

Security and Technology Fee

Cost recovery for the operations of NDIT security has long been a percentage of all other rates as well as a portion of the technology fee and the ConnectND fee. As in the 2019-21 biennium, NDIT will look to make great strides in security toolsets, staffing and overall coverage across the state. As a result, NDIT will look to move this funding out of the service fees. This will allow us to either reduce rates to agencies or repurpose this revenue to provide additional value to our customers at minimal rate increases.

As a result, NDIT will be able to provide statewide Digital Services for all agencies. Statewide Digital Services will provide you a state hosted website, content management guidance and training, and a suite of digital tools to support the development, implementation, and maintenance of citizen-centered, welcoming, highly useful, and cost-effective web technology solutions. To build digital experiences around the needs of our constituents, we aim to unify the

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State's disparate websites into an enterprise web content management system with a focus on intentional design and continuous improvement. Our Digital Services Team is driven by accessibility, transparency, and innovation.

The Technology Fee will increase from \$66.25 to \$68.25. This will allow for datacenter and backbone switching hardware to be replaced in the upcoming biennium. The usage metric is based on the number of legislatively authorized FTE identified in the 2019-2021 Legislative Appropriations book. A small number of agencies will see an upward adjustment if they have their own server farms or have significantly more computers than FTE counts. A few agencies run large 24x7 operations and these agencies will see a downward adjustment to reflect this type of shift work. NDIR will notify affected agencies and finalize the Technology Fee metric for those agencies by the end of June 2020.

ConnectND

NDIT bills each agency for the cost of ConnectND (the PeopleSoft financials and human resource applications). Each agency has a ConnectND fee on their data processing bill each month. As mentioned above, this fee has seen an overall reduction of cost that is reflected in the rates below. The amount each agency needs to budget is as follows:

- \$11.88 per month for each legislatively authorized FTE identified in the 2019-2021 Legislative Appropriations book.
- \$8.66 per month for every \$1 million appropriated to the agency as identified in the 2019-2021 Legislative Appropriations book.

Storage Rates

NDIT storage rates are expected to decrease from the 2019-2021 budget rates. Premium storage and basic storage will decrease for both on-demand and dedicated disk. TSM backup storage will remain the same. Agencies that have significant storage growth projections should meet separately with NDIR to determine if other storage pricing tiers will help to mitigate the cost impact of their storage growth. NDIR continues to explore storage options available from cloud providers.

Application Broker Fees

Agencies utilizing Software as a Service (SaaS) applications require a signed waiver from NDIR. If the waiver is approved NDIR will partner with agencies to broker the initial contract and ongoing vendor relationship. This may include periodic security reviews, architecture reviews or annual meetings to discuss product roadmaps. The rates associated with this service will be a surcharge of 3.5% of the annual amount paid to the vendor providing the solution. The fees will be billed monthly with a minimum of \$10 per month and a maximum of \$1,000 per month. Legacy SaaS applications will incur these charges as well. NDIR will work with the agencies in regards to these fees.

General Hosting Rates

NDIT will continue exploring cloud computing options, doing so within the current rate structure for server, disk and application hosting. Server fees will be reduced for the 2021-23 biennium. Application hosting will increase 10% and will account for the toolset upgrades for Oracle, SQL, MySQL, and .Net applications. Agencies should review their current usage levels and anticipate any areas of growth to determine increases for specific hosting services.

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NDIT will host Dynamics platforms and environments for Robotic Process Automation which will incur hosting fees on a deployment by deployment basis.

Website Hosting

NDIT deployed a State Website platform during the 2017-19 biennium. The ongoing cost of these sites will be covered in the Technology Fee as stated above.

For agencies not utilizing the State Website platform, the tiered costs are still in place. Agencies will have to budget for toolset upgrades for their sites in the 2019-21 biennium.

Legacy Application Surcharges

Several agencies are running older versions of SQL, Oracle or Websphere applications that have not been upgraded to a currently supported version. These agencies will need to upgrade those applications to current supported versions of these software products. Agencies who run on older versions should budget for a minimum surcharge of 25% to cover the operating costs of the legacy hosting environments. Agencies running SQL Server 2012 can incur an increased fee as of January 2022. Agencies with applications using Oracle 11g and 12c should plan to have upgrades completed by the start of the 2021-2023 biennium as support ends December 2020. Legacy surcharges may take effect after support has ended for applications running versions older than SQL 2014, Oracle 12c, and/or Websphere 9.0.

Mainframe

During the 2021-23 biennium there will be a continued effort by agencies to rewrite applications and migrate away from mainframe based applications. Due to the continued hardware, software and staff requirements of these systems, remaining agencies will see cost increases as usage is migrated off.

Basic Phone Service and Professional Display Phone

In an effort to simplify our rates, NDIT will be combining the Basic Phone Service and the voicemail charges for the 2021-23 Biennium. The Basic Phone service will increase to \$24/month and the \$5/month voicemail charge will be retired. Basic phone service includes a state specific phone number and a basic phone device. This service also allows the state phone number to be configured to deliver phone calls to an employee's cellular phone in addition to the employee's office phone. Rightfax services are included in the basic phone rate charged for that fax number. Some agencies have applications that generate a significant amount of incoming and outgoing fax traffic. These accounts will be reviewed and charged a tiered monthly application fee if their usage or high availability requirements necessitates any significant infrastructure upgrades or investments.

Micrographics Rates

NDIT will continue to coordinate micrographics services in state government but has outsourced the actual processing of microfilm due to equipment costs coupled with the declining use of microfilm in state government. Agencies using Micrographic services should contact NDIT to determine what rates to budget for the 2021-23 biennium.

These are the major changes NDIT will implement for the next biennium. Please review the detailed rate schedules for specific rate increases. If you have any questions, please feel free to give me a call at 328-4006.