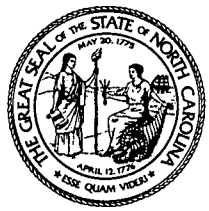
2001

JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

MINUTES



APPROPRIATIONS SUBCOMMITTEE

ON INFORMATION TECHNOLOGY (Joint)

2001-2002 Session

MEMBER	ASSISTANT	PHONE	OFFICE	SEAT
Reeves, Eric, Senate Chair	Becky Hedspeth	715-6400	1028 LB	14
Tolson, Joe House Chair	Gayle Christian	715-3024	402LOB	59
Tucker, Russell, House Chair	Surena Henderson	715-3015	417C LOB	29
Baker, Rep. Rex	Anne Misenheimer	733-5787	608 LOB	73
Foxx, Senator Virginia	Erin Grant	733-5743	1120LB	41
Hagan, Senator Kay	Vera Holshouser	733-5856	519LOB	47
Harrington, Rep. Michael	Joyce Langdon	733-5823	1305 LB	114
Hensley, Rep. Bob	Margie Penven	733-5780	610 LOB	79
Hilton, Rep. Mark	Esther Corbett	733-5609	1409 LB	115
Miller, Senator Brad	Cornelia McMillan	715-8363	300E LOB	13
Miller, Rep Paul	Eryn Gee	733-5872	640 LOB	27
Walend, Rep. Trudi	Ken Walend	715-3012	418A LOB	113

(over)

COMMITTEE STAFF

Dwayne Pinkney	Fiscal Research Division	
Peter Capriglione	Information Systems Division	
Phyllis Pickett	Bill Drafting Division	
Becky Hedspeth 919-715-6400	Senate Committee Assistant (Reeves)	reevesla@ncleg.net
Gayle Christian 919-715-3024	House Committee Assistant (Tolson)	tolsonla@ncleg.net
Surena Henderson 919-715-3015	House Committee Assistant (Tucker)	tuckerla@ncleg.net

HOUSE EX-OFFICIO MEMBERS

Representative Joe Hackney, Speaker Pro Tempore

Representative Philip Baddour, Majority Leader

Representative Andrew Dedmon, Majority Whip

Representative Beverly Earle, Majority Whip

Representative Pete Cunningham

ATTENDANCE

JOINT APPROPRIATIONS/Subcommittee on Information Technology

(Name of Committee)

DATES	1-23-01	3-15-01	4-3-01	4-12-01	5-1-01	6-6-01	6-14-01	6-19-01	6-22-01						
Senator Eric Reeves, CoChair	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Representative Joe Tolson, CoChair	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Representative Russell Tucker, CoChair	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Senator Virginia Foxx	✓	✓		✓		✓	✓	✓							
Senator Kay Hagan		✓		✓		✓	✓	✓	✓						
Senator Brad Miller		✓						✓							
Representative Michael Harrington	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Representative Bob Hensley															
Representative Mark Hilton	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Representative Paul Miller	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Representative Trudi Walend	✓	✓	✓		✓	✓	✓	✓							
House Ex-Officio:															
Representative Joe Hackney															
Representative Phil Baddour															
Representative Andy Dedmon															
Representative Beverly Earle															
Representative Pete Cunningham															
Staff:															
Dwaine Pinckney, Fiscal	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Peter Capriglione, ISD	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Phyllis Pickett		✓			✓	✓	✓	✓	✓						
Becky Hedspeth (Sen. Reeves)															
Gayle Christian (Rep. Tolson)	✓	✓	✓	✓	✓	✓	✓	✓	✓						
Surena Henderson (Rep. Tucker)															

ATTENDANCE

Committee: **JOINT APPROPRIATIONS SUBCOMMITTEE ON INFO. TECHNOLOGY**

DATES / NAMES	2/21	3/6	3/29	4/19	4/24											
Sen. Reeves	✓	✓	✓	✓	✓											
Rep. Tolson	✓	✓	✓	✓	✓											
Rep. Tucker	✓	✓	✓	✓	✓											
Sen. Foxx	✓	✓	✓	✓												
Sen. Hagan	✓	✓														
Sen. Miller	✓		✓													
Rep. Baker																
Rep. Harrington	✓	✓	✓	✓												
Rep. Hensley																
Rep. Hilton	✓	✓	✓	✓												
Rep. Miller	✓	✓	✓	✓	✓											
Rep. Walend		✓	✓	✓												
House Ex-Officio:																
Rep. Hackney																
Rep. Baddour																
Rep. Dedmon																
Rep. Earle																
Rep. Cunningham																

ATTENDANCE

Appropriations Subcommittee on Information Technology

(Name of Committee)

DATES	3-1-01	3-27-01	4-5-01	4-10-01	5-8-01										
Senator Eric Reeves	p	p	p	a	A										
Representative Joe Tolson	p	p	p	p	P										
Representative Russell Tucker	p	p	p	p	P										
Representative Rex Baker	a	a	a	a	A										
Senator Virginia Foxx	p	p	p	p	P										
Senator Kay Hagan	p	p	p	a	A										
Representative Michael Harrington	p	p	p	p	P										
Representative Bob Hensley	a	a	a	a	P										
Representative Mark Hilton	p	p	p	p	P										
Senator Brad Miller	a	p	a	a	A										
Representative Paul Miller	p	p	p	p	P										
Representative Trudi Walend	p	p	p	p	P										

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

S 3

SENATE BILL 1005
Appropriations/Base Budget Committee Substitute Adopted 5/28/01
Appropriations/Base Budget Committee Substitute No. 2 Adopted 5/29/01
Third Edition Engrossed 5/31/01

Short Title: The Appropriations Act of 2001. (Public)

Sponsors:

Referred to:

April 5, 2001

A BILL TO BE ENTITLED

AN ACT TO MAKE BASE BUDGET APPROPRIATIONS FOR CURRENT OPERATIONS OF STATE DEPARTMENTS, INSTITUTIONS, AND AGENCIES, AND FOR OTHER PURPOSES.

The General Assembly of North Carolina enacts:

Requested by: Senators Plyler, Odom, Lee

PART I. INTRODUCTION AND TITLE OF ACT

INTRODUCTION

SECTION 1.1. The appropriations made in this act are for maximum amounts necessary to provide the services and accomplish the purposes described in the budget. Savings shall be effected where the total amounts appropriated are not required to perform these services and accomplish these purposes and, except as allowed by the Executive Budget Act, or this act, the savings shall revert to the appropriate fund at the end of each fiscal year.

Requested by: Senators Plyler, Odom, Lee

TITLE OF ACT

SECTION 1.2. This act shall be known as the "Current Operations and Capital Improvements Appropriations Act of 2001."

Requested by: Senators Plyler, Odom, Lee

PART II. CURRENT OPERATIONS AND EXPANSION/GENERAL FUND

SECTION 2.1. Appropriations from the General Fund of the State for the maintenance of the State departments, institutions, and agencies, and for other purposes as enumerated are made for the biennium ending June 30, 2003, according to the following schedule:

Current Operations - General Fund	**2001-2002**	**2002-2003**
EDUCATION		
Community Colleges System Office	$643,560,167	$643,010,167
Department of Public Instruction	5,893,107,574	5,930,005,558
University of North Carolina - Board of Governors		
Appalachian State University	85,675,242	85,938,242

JOINT INFORMATION TECHNOLOGY APPROPRIATIONS SUBCOMMITTEE

MINUTES
February 21, 2001

The Joint Information Technology Appropriations Subcommittee met at 8:30 a.m. on Wednesday, February 21, 2001 in Room 1425 of the Legislative Building. Senate members present were: Senator Reeves, Chair; Senator Hagan, Vice-Chair; Senators Miller and Foxx. House members present were: Representative Tolson and Representative Tucker, Co-Chairs; Representatives Harrington, Hilton, Miller and Gene Wilson.

Senator Reeves, Chair of the Senate Subcommittee, welcomed the members to the first committee meeting and called on the Senate members to introduce themselves. Representative Tolson, CoChair of the House Subcommittee, added his words of welcome to members and introduced Representative Tucker, CoChair of the House Subcommittee. He then called on the House members to introduce themselves. Representative Tolson introduced his legislative assistant, Gayle Christian; Representative Tucker introduced his legislative assistant, Surena Henderson; and Senator Reeves introduced his legislative assistant, Becky Hedspeth. Senator Reeves noted that meetings of the Subcommittee would be held on Tuesdays and Thursdays from 8:30 – 10:00 a.m. and chairmanship would alternate. We have also been assigned the Wednesday time slot of 8:30 – 10:00 and will use that day if we need extra meetings.

Senator Reeves referenced a memorandum entitled "Guidelines for the Subcommittee" , which sets out the duties for our Subcommittee as assigned by the Budget Chairs of the House and Senate. This document is made a part of these minutes by reference. He said this Subcommittee will primarily be looking at the ITS budget (the Information Technology Division). The communications aspect of that will require a great deal of work in pulling together the telecommunications budgets throughout state government. A study was done during last session that indicated that telecommunication costs throughout the state over the last seven years has increased at a rate of 251 percent.

The Subcommittee will look at the Department of Revenue's automation efforts as a result of the State Auditor's Performance Audit. We will also look at the N.C. Information Highway, Public Schools utilization and e-rate dollars, with e-rate being a federal fund created several years ago designating a portion of phone charges going to Washington, and then our schools making application to use those e-rate dollars. We are looking at this issue because Georgia has about the same size school system as North Carolina, having 1.4 million students and North Carolina having 1.33 million students.

In the first two years of the e-rate program, Georgia was able to draw $167 million dollars, while North Carolina received $62 million for about the same time period.

The Subcommittee will look at 911 wireless funds. We will monitor the Rural Internet Access Authority, making sure that they are accomplishing what the General Assembly set out for them in legislation during last session. We will look at the Criminal Justice Information Network, created several years ago, and where there is a fair amount of fragmentation and effort. One of the Subcommittee's goals is to try to get the criminal justice community operating more as an enterprise.

The Subcommittee will look at the NC DOT where they are implementing a large accounting system; it is very important that this system go in on time and within budget since there is the feeling that this accounting system will probably become the accounting system for the rest of state government. We will look at the public school NC WISE project, which is how they manage student data. The Intellectual Property issue comes from a special provision in last year's budget which was supposed to be studied in the short session, but that did not occur. This special provision is a direct response to the MCNC spin-off of Cronos last year. This brings up a host of information of state-supported activities in the research and development arena and issues we need to look at in this regard.

The last item we will address, the aggregate 3rd party IT contracts and consultants, is probably the largest effort of the Subcommittee. The Subcommittee will review all agencies, including ITS, which has third-party contracts for services. Information will be collected from agencies on how they utilize third-party contracts, what the cost is, and then committee will be looking at how that relates to ITS. Sen. Reeves stated that staff has been attempting over the last 6 ½ months to get a fix on each agencies utilization of third-party contractors to no avail, except for DHHS, who provided the information in three days after requested.

Sen. Reeves stated that Subcommittee members may wish to add items for consideration.

Rep. Tolson stated for new members of the General Assembly who may not be familiar with the Rural Internet Access Authority, which was established during the short session, that they may request a briefing. He commented on the new e-procurement process announced last week, and stated that this is a big step forward for technology in the state with the potential for tremendous savings for the state.

Dwayne Pinkney, Fiscal staff to the Subcommittee, distributed to members information on "Joint Appropriations Subcommittees Modified Zero-Based Budgeting Approach". This is also made a part of these minutes by reference. He explained that the approach we should be looking at is the authorized budget as of December 31, 2000. Those programs reviewed by this Subcommittee will essentially have to come over and make their case from scratch to justify funding. Every item on the list will not necessarily be relevant for the things this committee will be looking at, but for the ITS budget, most of these will apply.

With there being no further business before the Subcommittee, Sen. Reeves adjourned the meeting at 9:30 a.m.

Senator Eric Reeves, Senate Chair

Representative Joe Tolson
House Co-Chair

Representative Russell Tucker
House Co-Chair

Clerk

February 20, 2001

MEMORANDUM

TO: Members of Information Technology Appropriations Subcommittee

FROM: Sen. Eric Reeves, Rep. Joe Tolson, Rep. Russell Tucker

RE: Guidelines for the Subcommittee

Following a meeting with the Budget Chairs of the Senate and House, this subcommittee has been assigned the following duties:

General Guidelines:

1. The Full Appropriations Chairs request the Information Technology Subcommittee to address the following issues during the 2001 Long Session in the set priority order:

a. ITS budget (including overall networking costs)
   * Communications (including state telephone system, cell phone contracts, etc...)
b. Department of Revenue automation efforts
c. NC Information Highway
d. Public Schools – E-Rate
e. 911 Wireless Funds
f. Rural Internet Access Authority
g. Criminal Justice Information Network
h. Department of Transportation Accounting System
i. Public Schools – NC WISE
j. Intellectual Property
k. Aggregate 3rd party IT contracts and consultants.

2. If any appropriations subcommittee would like to refer an issue to the Information Technology Appropriations Subcommittee, the issue first must be presented to and approved by the Full Appropriations Chairs.

3. Recommendations made by the Information Technology Appropriations Subcommittee shall be presented to the full Appropriations Chairs prior to their formal adoption.

Joint Appropriations Subcommittees
Modified Zero-Based Budgeting Approach

The current year budget shortfall is anticipated to have a significant negative impact on availability in the upcoming fiscal biennium. Previous budget briefings have covered expected funding requirements in the areas of education, Medicaid, debt service, the State Health Plan, and other priorities. Given the magnitude of these items relative to projected revenues, the appropriations subcommittees are asked to implement a new approach to the routine continuation or base budget review.

The modified zero-based budget approach assumes the "zeroing out" of certain programs, line items and funds from the continuation/base budget to permit the subcommittees to hear information from state agencies and nonprofits justifying the continuation of expenditures for these purposes.

As a starting point, the following are subject to this modified zero-based budgeting approach for the 2001-03 biennium. Subcommittees should use the authorized budget as of December 31, 2000.

1. New programs or items added to the continuation budget since the 1996 session (including appropriations for the 1996-97 fiscal year)
2. Direct appropriations and grants to nonprofit organizations
3. Contracted personal services (expenditure account 531321)
4. Miscellaneous contractual services (expenditure account 532199)
5. Rental/lease of equipment (expenditure accounts 532521 to 532525)
6. Travel and other employee expense (expenditure accounts 5327xx)
7. Cellular phone services (expenditure accounts 532814)
8. Furniture and equipment replacement schedules (expenditure accounts 534500 to 534550)
9. Discretionary grants (expenditure accounts 5364AA)
10. Directed grants (expenditure accounts 5366AA)
11. Loans (expenditure accounts 5367AA)
12. Other aids and grants (expenditure accounts 5369AA)
13. Special fund cash balances (2xxxx budget codes)
14. Positions vacant for 6 months or more as of January 23, 2001, the date of Governor Easley's letter to department heads and fiscal officers regarding the current year budget deficit. (**Note**: *This excludes public school teachers and community college faculty, critical law enforcement and public safety positions, and positions responsible for the custody and care of persons for whom the state is responsible*).
15. Budget flexibility, UNC System
16. Performance budgeting program, Community College System
17. Any other programs and expenditures identified by the subcommittees as appropriate for review using a zero-based budget approach.

Subcommittees should also review:

1. The elements of various allocation formulas to determine if changes can be implemented to improve the method and achieve cost savings
2. Agency fees to determine if any increases are appropriate and can be used to off-set operating appropriations
3. Recommendations from GPAC and other audits available

VISITOR REGISTRATION SHEET

IT APPROPRIATIONS SUBCOMMITTEE — February 21, 2001

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ben McLawhorn	OSC
Jeff Van Dyke	BellSouth
Nic Heinke	NCEITA
Steven Hulsey	NCDOT
Marley Finch	House Intern
Gayle Christian	House Leg. Committee Asst.
Randy Barnes	DOR
Jim Newell	OSBPM
Mark Benson	Capitol Group
Tammy Lester	OSBPM
Don McConquodale	SAS

VISITOR REGISTRATION SHEET

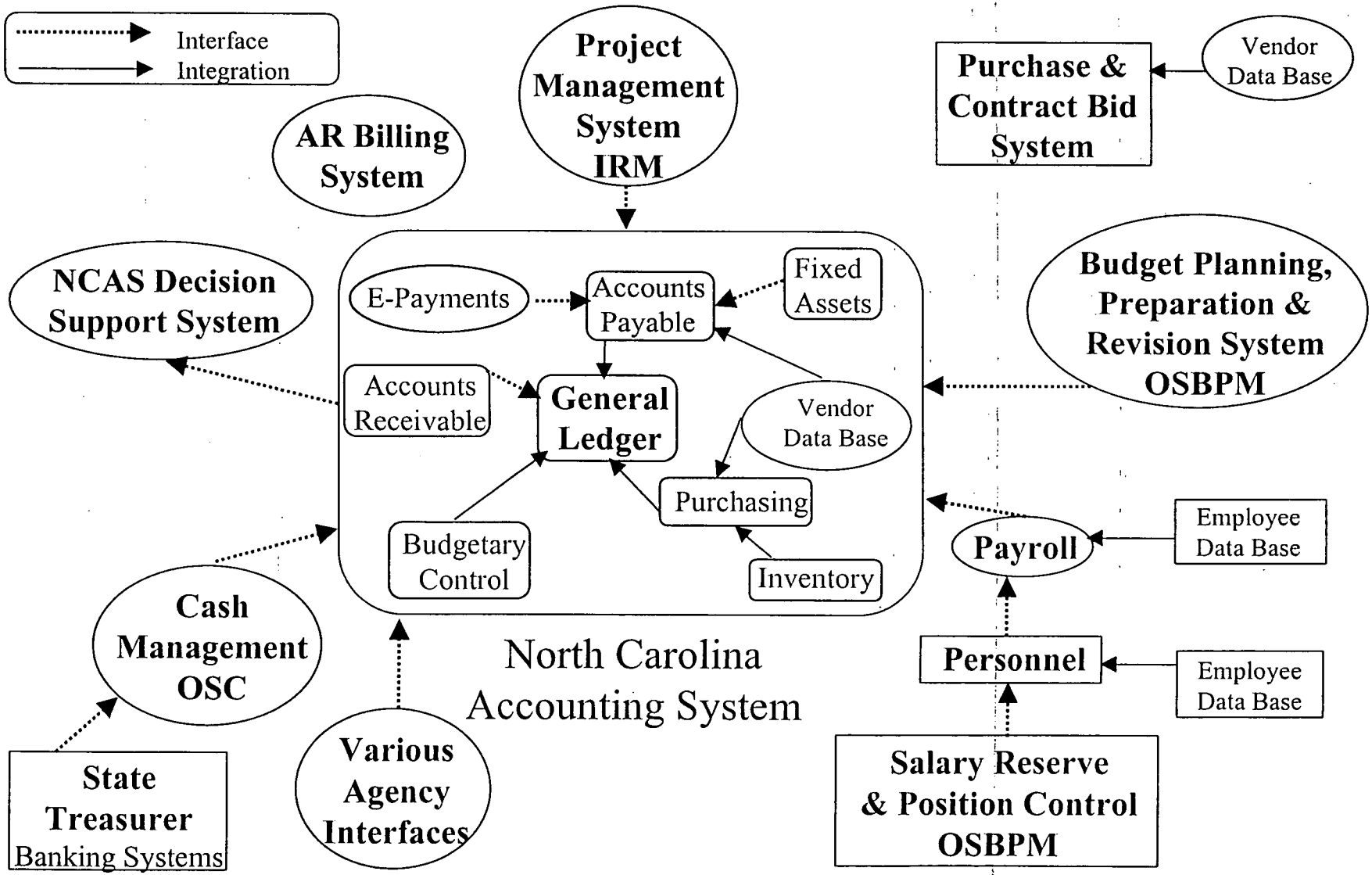
IT APPROPRIATIONS SUBCOMMITTEE — February 21, 2001

Name of Committee — **Date**

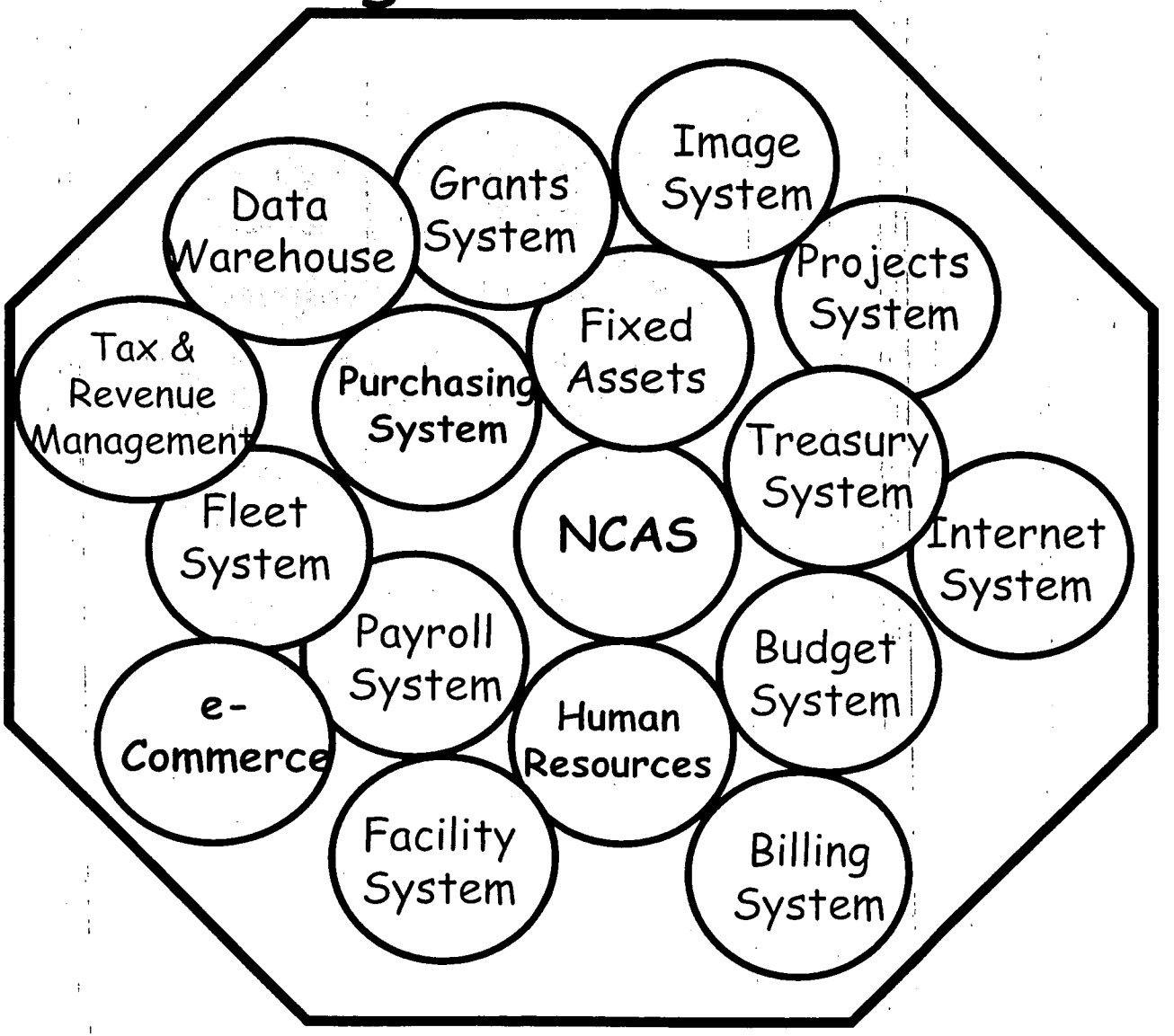
VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
BILL COX	DHHS
[signature]	SBE
Jurena Henderson	NCGA
Rob Hillman	OSA
Alfred M Mays	UNC-OP
Bill Scoggin	Kennedy Covington
[signature]	Parker, Poe, Adams + Bernstein LLP
Denny McGuire	ITS/IRM
LAURA DEVIVO	DENR

Current Business Environment



ERP Integrated Architecture



MINUTES

JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Thursday, March 1, 2001
8:30 a.m.
Room 1425, Legislative Building

The Joint Appropriations Subcommittee on Information Technology met on Thursday, March 1, 2001, at 8:300 a.m. in Room 1425, Legislative Building. Senator Eric Reeves, Representatives Joe Tolson, and Russell Tucker, Senators Virginia Foxx, Kay Hagan and Representatives Michael Harrington, Mark Hilton, Paul Miller and Trudi Walend attended.

Representative Tucker presided at the meeting. The Chair recognized Pages assigned to the meeting, Trey Williams of Halifax County and Randy Davis of Raleigh. Dusty Rhodes, House Sergeant at Arms, Ron Spann and Ernie Sherrell, Senate Sergeant at Arms assigned to the meeting were recognized.

The chair recognized Randy Barnes, Assistant Secretary of Planning, Development and Technology, Department of Revenue, for a presentation. Her **talking points are attached hereto** and made a part of these minutes by reference. Ms. Barnes referenced a recent Performance Audit that showed the department has opportunities for improving operations by improving technical capabilities in areas.

She covered critical areas that the department is working on and presented an update on the Data Capture project. Ms. Barnes reviewed **Attachment D which is attached hereto and made a part of these minutes by reference,** stating that despite success this year in processing refunds, the department is implementing the processing of corporate returns on large page scanners and will move forward with additional tax types over time.

The department's continuation budget for this year asks for the remainder of funding for data capture. Ms. Barnes reviewed **Attachment A, which is attached hereto and made a part of these minutes by reference**. Attachment B, **which is attached hereto and made a part of these minutes by reference**, shows expansion budget requests that result from the Performance Audit recommended improvements to the Integrated Tax Administration System and an internal Revenue Generation project.

The visitors present are reflected on the **Visitor Information** sheet, which is attached hereto and made a part of these minutes by reference.

The subcommittee meeting adjourned at 9:10 AM.

Representative Russell Tucker, Co-Chair

Joint IT Appropriations Committee Meeting
Department of Revenue
March 1, 2001

I am Randy Barnes, Assistant Secretary of Planning, Development and Technology at the Department of Revenue. Thank you for the opportunity to speak with you today regarding the Information Technology opportunities at DOR.

As I'm sure you are aware, DOR had a Performance Audit review last year. This report clearly pointed out that DOR has opportunities for improving its operations by improving technical capabilities in some areas.

Today I would like to cover some of the critical areas that the department is working on.

The audit referenced the success of the Data Capture project to date and its appropriate that I provide you with an update on that project. First, let me explain what functionality the Data Capture environment provides to DOR. There are two main components of the project. The first area addressed the replacement of our remittance processing equipment and the imaging and capturing of data from our coupon size returns. The implementation was accomplished as part of the department's YR2K efforts. The new remittance system went into production in November of 1999 and has been fully operational since December of that year. As mandated by the Cash Management Plan, receipts are deposited within 24 hours of receipt, with the exception of the peak volume periods at the end of each April. Deposits are made to 7 different banks with which we have agreements to ensure funds availability on the day of the deposit. All checks that we receive which are drawn against these banks are deposited directly to them. A miscellaneous deposit, containing checks drawn against all other banks, is deposited to a single bank which provides next day availability for those funds. The receipt data associated with the daily deposit is interfaced on the same day to our Revenue Collection and Allocation System (RCA) and the tax information extracted from the returns is processed into our integrated tax system on the same day, in most cases. Images of the returns are available throughout DOR at the same time the data is input into the tax systems.

The second area of the Data Capture project addressed the replacement of our heads-down data entry process for large documents and included scanning equipment and software which images and captures data from our full page returns. We began the implementation of this phase in late March, 2000 with Individual

presents it in a data format that is more conducive to management reporting and audit selection. This need was also recommended in the Performance Audit. As noted in Attachment B, the agency has requested in its Expansion Budget request the funds that would allow us to begin pursuing this capability.

We at DOR believe that the expansion of electronic filing of individual and business taxes is one of the significant opportunities facing us to improve revenue for two (2) reasons. First, if money can be deposited to the State accounts sooner, interest can be earned from the day that the taxpayer completes his return, by using ACH Debit or Credit Card payments. Second, the number of resources within the agency handling and processing paper tax returns can be reduced and redirected to other revenue generating business functions. I would like to refer you to Attachment C in your packet. This is a letter from the Office of the State Auditor which responded to a request from Fiscal Research on what the potential revenue gains from interest on float might be.

Because the Department recognized early last year that there are tremendous opportunities in the area of e-Commerce, an e-Strategy was completed in the summer of 2000. Also, a management team has been formed to oversee the implementation of that strategy that addresses the technical and security infrastructure requirements, the online filing processes and the taxpayer assistance components that must go along with online processes.

Our EFT (Electronic Funds Transfer) capability was implemented in 1994. Since it's inception through 6/30/00, $45.4 billion had been deposited through this capability. Last fiscal year we received $9.9 billion, over half of our gross collections. This program continues to expand. However, because of the current cost of our EFT contract, we have not expanded its use as we would like. We have included $25,000 in our Continuation Request (Attachment A) to cover current operating expenses. Our desire is to move toward the use of online ACH Debit. We are working closely with the Office of the State Controller to see that this capability is added to the Common Payment Services functionality. This will allow DOR to incorporate this capability in its online filing applications which we would like to pursue and, thereby, significantly reduce the costs that would be incurred under our current EFT contract.

We recently implemented an online Sales and Use filing capability for our semi-monthly taxpayers. This is an EDI capability – Electronic Data Interchange – which works well for this type of large corporation that utilizes software packages or large accounting systems. The taxpayers already pay their tax obligation

through our EFT program. The online capability now allows them the opportunity to file their return electronically.

DOR had an E-grant project approved by the E-Commerce Steering Committee which would have provided online filing capability for all other Sales and Use taxpayers. The project had a projected cost of $357,000 and has been stopped because of the need to cancel the E-grant funds.

The agency has several other online efforts that we would like to pursue that would provide a potential revenue increase due to reduced "float" and an increase in taxpayer service. Our constraint at this time is funding. Attachment E shows a list of these potential projects and the "stand-alone" costs to implement these. From a technical perspective, we believe there are economies of scale to be gained by undertaking these projects as a group, should sufficient funds be available. These projects are, in addition to the online Sales and Use filing, online payment of estimated taxes, online payment of withholding taxes, and online payment of individual income taxes.

The client server and e-commerce technical environment is vastly different from our historical experience with the mainframe environment. It expands our technical resource requirements in support of applications development, additional hardware platforms, operating system software, security and network infrastructure and necessitates a 24x7 support, as well. All of this has occurred while our support needs in the mainframe environment have not diminished. There are 3 positions requested in the Expansion Budget (Attachment B), in addition to those mentioned earlier as recommended by the Performance Audit, to assist in the support of this new and expanding environment.

An area of great interest in IT is the cost of contract services. DOR is clearly dependent on contractors to keep our IT operations going. The audit pointed out that approximately 20% of the IT functions are performed by contractors. This is a relatively low percentage compared to some other agencies. Even so, DOR will spend approximately $2.5 million on contractors this fiscal year, not including our Data Capture contract. Our annual contract services budget is only $1.1 million. We have had to severely constrain necessary expenditures in other areas to maintain the current level of applications support. For example, purchases of needed equipment may be deferred to provide funds for contractors. This constraint severely limits our ability to do many of the things that we feel would benefit the daily operations of the agency, such as improving the line speed on the

network between Raleigh and our local offices. If we want to expand the ability of IT to support the process improvements outlined in the audit report, the agency needs additional contract services funds to bring us more in line with our expenditure needs – or we need a more significant increase in staff positions than has already been mentioned. Our Continuation Budget request (Attachment A) included $600 thousand for this need. This does not solve the problem but it does provide some relief.

In the past 3 years, DOR has had a significant shift in the requirements for hardware in our desktop environment. In early 1998, there were approximately 200 PC deployed in the Revenue Building in Raleigh. However, there were also about 700 "dumb" terminals. These were CRT screens that provided no PC functionality. Today, these "dumb" terminals have effectively been eliminated. Instead, combining the Raleigh location and our 40+ field offices, we have approximately 780 desktop PCs, 390 laptop PCs, 288 printers, 100 switches and 60 file and print servers. All of these require recurring replacement, the first wave of which will need to occur next fiscal year. Our Expansion Budget (Attachment B) requested recurring funds to allow for a 3-4 year replacement cycle on this equipment, consistent with industry standard recommendations.

The last item that I would like to discuss is Direct Deposit of Individual Income Refunds, which the Performance Audit review recommended. Direct Deposit is a capability that the Department began analyzing in 1996 and again in 1998. There has been a funding consideration in the past. DOR is again assessing the possibility for the 2002 tax filing season. We are also discussing with the Office of the State Controller the feasibility of expanding the capability of the Common Payment Services functionality to provide the financial transaction processing. To help ensure that we are able to meet this objective, a funding request for Direct Deposit was included in our Expansion Budget request (Attachment B) once again this year.

I have provided a great deal of information this morning related to the current operations of IT at DOR, the areas in which we would like to implement improvements and those where the Performance Audit review outlined recommendations. I hope that this information has been beneficial and I welcome the opportunity to discuss any or all of these in more detail.

Thank you.

Income returns. During the tax season in 2000, the Data Capture processing supplemented our data entry capabilities and actually assisted us in completing the tax season sooner than had we not had the dual capacity. This phase, as with the remittance processing, extracts data from the returns and sends the data to our tax systems.

Beyond simply "reading" and extracting the data from the tax returns for input into our tax system, the imaging of the returns and the availability of the images to divisions throughout DOR has greatly reduced the time required to correct problem returns and to answer taxpayer questions. It is no longer necessary to find the paper copies amid the millions of returns we receive between January and April.

You know that DOR had a difficult time completing the processing of all the refund returns as soon as we would have liked last year. This was a result of many factors. However, I am happy to report that the situation this year is vastly different from last years'. As of yesterday, February 28, we have processed 1,069,309 Individual Income returns. This is 416,840 more than on the same date last year...a 64% increase. Of the returns filed this year, 715,009 were filed electronically through the Fed/State filing programs, compared with 569,871 for the same period last year. In addition, we have written 833,226 checks this year, compared to 551,926 on this date last year. So you can see that we are far ahead of where we were last year. These numbers are provided to you in Attachment D in your packet. The department processes approximately 2.5 million refund returns and approx. 800,000 paid returns each year. Most of our paid returns are not received until April. Our success to date this year is a result of having, 1) done comprehensive planning, 2) good weather, 3) the ability to hire necessary temporary employees, 4) full utilization of the Data Capture environment from the outset of tax season, and 5) a year of experience with the new Data Capture equipment and process. We fully anticipate a successful year by all standards.

However, despite this success, there is still work to be done. We are implementing the processing of corporate returns on our large page scanners this month. We will move forward with additional tax types over time.

In our Continuation Budget request this year, we had asked that the remainder of the funding for Data Capture, requested in the prior session, be appropriated. The indicated items on Attachment A show the balance of the funding requirements for ongoing operations of the Data Capture environment, which consists of 13 high speed scanners, two major software products, 50 automated processors, 15 special purpose servers and hundreds of desktop PCs, all of which must operate across a

complicated local area network throughout the building. The funding request consists of 3 additional positions to support the technical environment and the funds to cover the annual maintenance and support costs for the various hardware and software products. This funding request closes out all of our recurring needs for Data Capture.

The Performance Audit pointed to process improvements that needed to be made to our Integrated Tax Administration System (ITAS). The audit specifically mentioned that training and documentation were limited and needed to be improved. Everyone at DOR in the IT arena would concur with this need. Also, we have been working closely with the ITAS Planning Team, which is chartered with determining the needed change requests for ITAS, to prioritize the work efforts that provide the best cost/benefit payback to the State. This process of prioritization has improved over the past year, but the greatest impediment to implementing the many desired changes is resources. The audit recommended an increase of 9 positions in the IT area to improve the utilization of the capabilities that ITAS provides today and to more effectively move forward with desired improvements. These resources are to provide assistance (help desk), training, documentation, and business requirements development. DOR strongly supports this recommendation. Attachment B shows our Expansion Budget requests. These 9 positions are included in that request.

The agency does an excellent job of processing and timely depositing funds received into the agency, as mentioned earlier regarding our new remittance processing system. The challenge is in the collecting of revenue from the delinquent and non-compliant taxpayers. If a taxpayer fails to meet his tax obligation, he is given due process through assessment notices and final bill notices from our ITAS system. The case is then referred to our Collections Division for further action. The Performance Audit recommended opportunities to improve our audit and case management efforts. Some of these recommendations were related to resource constraints within the business divisions in the agency and some are related to automation. There is existing legislation that is allowing the agency to pursue a benefits-based procurement for improved collection of delinquent taxes. The IT staff is working with the Collection Division on this procurement effort.

Another area of potential improvement is the automated identification of audit selection cases. We currently have an internal Revenue Generation project that is using criteria, as specified by the audit staff, to identify likely candidates for review. We feel this process could be enhanced by a true Data Warehouse project that extracts specific data from our comprehensive integrated tax database and

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING AGENDA
2001-2002 SESSION

Appropriations Subcommittee on Information Technology

Representative Russell Tucker presiding

Recognition of pages:

Name	Town or County
Trey Williams	Halifax County
Randy Davis	Raleigh

Recognition of Sergeant at Arms:

Dusty Rhodes, House
Ron Spann, Senate
Ernie Sherrell, Senate

Recognition of: Randy Barnes, Department of Revenue
Assistant Secretary for Planning, Development and Technology

Reporting on: Department of Revenue – Automation

Other notes:

Announce that C.A. can email these presentations – send email request to Tuckerla@ncleg.net

Next scheduled meeting: Tuesday, March 6, 2001

Attachment A

North Carolina Department of Revenue
IT (Information Technology) Continuation Budget Increases

		FY 2001-2002	FY 2002-2003
Center 1605 Planning, Development & Technology (PD&T)			
531211	SPA Regular Salaries - Appropriated	$176,000 •	$176,000 •
531411	Overtime Pay - Appropriated	8,209 •	8,209 •
531421	Holiday Prem Pay - Appropriated	1,663 •	1,663 •
531461	EPA & SPA Longevity Pay - Appropriated	12,159 •	12,159 •
531511	Social Security Contributions	15,150 •	15,150 •
531521	Retirement Contributions	15,863 •	15,863 •
531561	Medical Insurance Contributions	6,768 •	6,768 •
	Total Salaries and Benefits	**$235,812**	**$235,812**
532140	System Implementation/Integration Serv	$600,000	$600,000
532440	Maintenance Agreement - Data Proc Equipment	162,602 •	170,732 •
532441	Maintenance Agreement - Software	117,210 •	123,071 •
532700	Travel & Other Employee Expense	4,433 •	4,433 •
532800	Communication & Data Processing	2,000 •	2,000 •
533100	General Administration Supplies	3,000 •	3,000 •
	Total Operating Expenses	**$889,245**	**$903,236**
Center 1681 Administrative Services			
532821	Computer/Data Process Service Electronic Funds Transfer (EFT)	$25,000	$35,000
	Total IT Continuation Budget Increase	**$1,150,057**	**$1,174,048**
	Total Positions	**(3)**	**(3)**

• **Represents monies to complete the full funding of the Data Capture Project**

Financial Services Division
March 1, 2001

North Carolina Department of Revenue
Expansion Budget
for
Planning, Development & Technology (PD&T)

	FY 2001-2002	FY 2002-2003
Systems Support and Systems Utilization		
531211 SPA Regular Salaries	$530,617 ◆	$530,617 ◆
531511 Social Security Contributions	40,592 ◆	40,592 ◆
531521 Retirement Contributions	42,502 ◆	42,502 ◆
531561 Medical Insurance Contributions	27,072 ◆	27,072 ◆
532811 Telephone Service	4,200 ◆	4,200 ◆
533110 General Office Supplies	6,000 ◆	6,000 ◆
534511 Furn-Office (Workstation and Chair)	54,000 ◆	
534521 Office Equipment (Calculator)	1,200 ◆	
534522 Equipment - Computer (Laptop)	60,000 ◆	
Data Warehousing		
532140 System Implementation Integrated Services	225,000 ◆	225,000 ◆
532440 Maintenance Agreement - Data Proc Equip	10,000 ◆	10,000 ◆
532441 Maintenance Agreement - Software	20,000 ◆	20,000 ◆
532942 Other Employee Training Expenses	70,000 ◆	70,000 ◆
534522 Equipment - Computers	55,000 ◆	
534710 Computer Software	100,000 ◆	
Total	**$1,246,183**	**$975,983**
Positions	**(12)**	**(12)**
Replacement of Obsolete Computer Equipment		
534522 Equipment - Computers		
Desktops and Laptops	$858,000	$858,000
Printers	192,000	192,000
Switches	50,000	50,000
File/Print Servers	300,000	300,000
Total	**$1,400,000**	**$1,400,000**
Direct Deposit of Refunds		
532199 Miscellaneous Contractual Service	$143,245 ◆	
532440 Maintenance Agreement - DP Equipment	13,500 ◆	$13,500 ◆
532441 Maintenance Agreement - Software	5,400 ◆	5,400 ◆
534522 Equipment - Computers	103,500 ◆	
534710 Computer Software	26,400 ◆	
Total	**$292,045**	**$18,900**
Contractual Services		
532140 System Implementation Integrated Services	$200,000	$200,000
Total	**$200,000**	**$200,000**
Total Expansion Request	**$3,138,228**	**$2,594,883**
Positions	**(12)**	**(12)**

◆ **Office of the State Auditor Performance Audit recommendations. Of the 12 positions, 9 of the positions were recommended by the State Auditor.**

Financial Services Division
March 1, 2001

STATE OF NORTH CAROLINA
Office of the State Auditor

RALPH CAMPBELL, JR.
STATE AUDITOR

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet http://www.osa.state.nc.us

RECEIVED
SECRETARY OF REVENUE
FEB 0 8 2001
REFERRED _____

February 7, 2001

Attachment C

Ms. Michele Nelson
Fiscal Research
Legislative Office Building
Raleigh, NC 27603

Dear Ms. Nelson:

Enclosed is the detailed response to the question you asked our staff relative to projections of lost interest on delayed deposits of tax payments. As you will see, we are unable to give you a definitive dollar amount. However, we have given you a range of estimated lost interest amounts based on a number of assumptions as outlined in the attached documentation. These assumptions are computed on the FY1999-00 average daily collections received by the Department of Revenue through traditional methods of payment (i.e., **not** through electronic funds transfers). Department records show that this figure averages $21.07 million per day. We have used the average annual interest rate of 6%, as supplied by the State Treasurer. This computes to a daily interest rate of .0164%.

Based on information obtained during the audit, we believe the average float is between 4 and 6 days. Assuming that on average 70% of the daily deposit experiences a float of 4 to 6 days, as shown in the attached worksheet, the lost interest would be as follows:

Float in days	Estimated Lost Interest
4 days	$3.5 million
5 days	4.4 million
6 days	5.3 million

Please note that the average float could be significantly higher around April 15 due to limited resources available to process the volume of returns received at that time.

As we reviewed this issue, we became aware that to eliminate the float the State would need to implement both **statutory and procedural changes**. That is, taxpayers would have to be required to make payments through electronic funds transfers or by credit cards. Both these methods of deposit have costs associated with them. We do not have data available to estimate what these charges would be.

Please let us know if you have further questions or if you would like to discuss this information once you have a chance to review it.

Sincerely,

Ralph Campbell, Jr.
State Auditor

cc: Jim Johnson
Director, Fiscal Research

Attachments

OFFICE OF THE STATE AUDITOR
Response to Question from Fiscal Research
Performance Audit on Department of Revenue

Impact of Deposit Time on Interest Earned

Question:

- Is there a way to estimate the amount of additional interest the State could earn by decreasing the time between taxpayers' payment of taxes by check and when the State cashes the check, a delay referred to as the "float"?

Background and Assumptions:

- Department of Revenue records show that for fiscal year 1999-00 the State collected $17.6 billion in tax revenues. Records show that of this total $9.9 billion (56.3%) was remitted through electronic funds transfers from corporations. This means that these funds were immediately credited to the State's account upon completion of the transfer and the State began to earn interest.
- Using this information, we can determine that $7.6 billion (43.7%) of total collections were received through more traditional methods of payment, i.e., checks or cash. During the recent audit of the Department, we learned that the majority of these payments were made by check and mailed to the Department. Therefore, there is a period of time between the writing and mailing of the check and the Department's opening, processing, and depositing of that check, and the clearing of the check at the taxpayer's bank, the "float".
- Department records do not contain data at the level of detail to allow determination of the average length of the float. However, we can estimate the impact of the float on the interest earned by the State if we use the data available and assume
- Checks deposited on the same day may take different lengths of time to clear taxpayers' banks
- It takes between 1 and 10 days for checks to be processed and clear the taxpayer's bank
- The average annual interest earned by the State is 6% (per the State Treasurer's office)

Estimated Lost Interest:

- The attached worksheet shows the estimated interest lost by day on the average daily deposit of $21.07 million. We have also projected those estimates to annual amounts. Since we cannot determine exactly how long the float is for any given check, we have projected losses at different percentage levels.
- Based on information obtained during the audit, we believe the average float is between 4 and 6 days. Assuming that on average 70% of the daily deposit experiences a float of 4 to 6 days, the lost interest would be:
    - 4 days = $3.5 million
    - 5 days = $4.4 million
    - 6 days = $5.3 million.
- We are unable to give a precise range for the estimated loss since we do not have detailed deposit / float information available. The actual amount of lost interest is dependent upon the time it takes each check to clear.
- Our calculations do not specifically take into account the length of time it takes to open and process a tax return and payment received by the Department around April 15 (when the largest volume of individual payments come in). The average float could be greatly increased at this time due to limited resources available to process the returns.

Notes:

- The State would need to implement both **statutory and procedural** changes to allow the State to receive all tax payments more expeditiously.
- Taxpayers would most likely have to be required to make tax payments either through electronic funds transfers (EFT) or through credit cards.
- There would be costs associated with these changes: credit card and EFT fees, possibly some type of incentive for taxpayers.
- Increase in payments by EFT should allow the Department to reallocate those staff now involved with opening and processing mailed tax payments.

ESTIMATED LOST INTEREST

BASIS FOR CALCULATIONS:
Gross Collections =$17.6 billion
Funds received by mail = $7.6 Billion
Avg. Daily Collections = $21.07 million
Avg. Annual Interest Rate = .06
Daily interest rate = .000164

Percent Deposited	Estimated Lost Interest Per Days Delayed									
	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10
100%	$3,464	$6,928	$10,392	$13,855	$17,319	$20,783	$24,247	$27,711	$31,175	$34,639
90%	$3,117	$6,235	$9,352	$12,470	$15,587	$18,705	$21,822	$24,940	$28,057	$31,175
80%	$2,771	$5,542	$8,313	$11,084	$13,855	$16,627	$19,398	$22,169	$24,940	$27,711
70%	$2,425	$4,849	$7,274	$9,699	$12,123	$14,548	$16,973	$19,398	$21,822	$24,247
60%	$2,078	$4,157	$6,235	$8,313	$10,392	$12,470	$14,548	$16,627	$18,705	$20,783
50%	$1,732	$3,464	$5,196	$6,928	$8,660	$10,392	$12,123	$13,855	$15,587	$17,319
40%	$1,386	$2,771	$4,157	$5,542	$6,928	$8,313	$9,699	$11,084	$12,470	$13,855
30%	$1,039	$2,078	$3,117	$4,157	$5,196	$6,235	$7,274	$8,313	$9,352	$10,392
20%	$693	$1,386	$2,078	$2,771	$3,464	$4,157	$4,849	$5,542	$6,235	$6,928
10%	$346	$693	$1,039	$1,386	$1,732	$2,078	$2,425	$2,771	$3,117	$3,464

Percent Deposited	Estimated Annual Lost Interest Per Days Delayed									
	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10
100%	$1,264,307	$2,528,614	$3,792,921	$5,057,227	$6,321,534	$7,585,841	$8,850,148	$10,114,455	$11,378,762	$12,643,068
90%	$1,137,876	$2,275,752	$3,413,628	$4,551,505	$5,689,381	$6,827,257	$7,965,133	$9,103,009	$10,240,885	$11,378,762
80%	$1,011,445	$2,022,891	$3,034,336	$4,045,782	$5,057,227	$6,068,673	$7,080,118	$8,091,564	$9,103,009	$10,114,455
70%	$885,015	$1,770,030	$2,655,044	$3,540,059	$4,425,074	$5,310,089	$6,195,104	$7,080,118	$7,965,133	$8,850,148
60%	$758,584	$1,517,168	$2,275,752	$3,034,336	$3,792,921	$4,551,505	$5,310,089	$6,068,673	$6,827,257	$7,585,841
50%	$632,153	$1,264,307	$1,896,460	$2,528,614	$3,160,767	$3,792,921	$4,425,074	$5,057,227	$5,689,381	$6,321,534
40%	$505,723	$1,011,445	$1,517,168	$2,022,891	$2,528,614	$3,034,336	$3,540,059	$4,045,782	$4,551,505	$5,057,227
30%	$379,292	$758,584	$1,137,876	$1,517,168	$1,896,460	$2,275,752	$2,655,044	$3,034,336	$3,413,628	$3,792,921
20%	$252,861	$505,723	$758,584	$1,011,445	$1,264,307	$1,517,168	$1,770,030	$2,022,891	$2,275,752	$2,528,614
10%	$126,431	$252,861	$379,292	$505,723	$632,153	$758,584	$885,015	$1,011,445	$1,137,876	$1,264,307

North Carolina Department of Revenue
Individual Income Returns Processing Statistics
as of February 28, 2001

	2001	2000
Individual Income Returns Posted to ITAS:		
Electronic Filing	715,009	569,871
Data Capture	354,300	0
Tartan Data Entry	0	82,598
Total	1,069,309	652,469
Checks Written:	833,226	551,926

North Carolina Department of Revenue
e-Commerce Opportunities

	FY 2001-2002	FY 2002-2003
Online Sales and Use Filing	$357,000	$40,000
Online Estimated/Withholding Payment	$625,000	$60,000
Online Payment – Individual Income	$350,000	$75,000

Note: These are approximate costs and include hardware, software, network components, and contractual services.

VISITOR REGISTRATION SHEET

Appropriations Subcommittee on Information Technology 3-1-01

Name of Committee | Date

VISITORS PLEASE REGISTER AND RETURN TO COMMITTEE CLERK

Name	Title	Firm or Agency	Address	Email	Phone	Fax
Doris Weaver	Lobbyist	NC CWA Political Council	7004 Hickory Dr Rigb NC 27603-4803	doris.weaver@worldnet.att.net	919 662 7920	919 7794132
Marley Finch	Intern Rep. Tolson	House		finchk@meredith.edu	919-810-1669	
Lee Mandell	Dir of IT	NCLM	PO Box 3069 Raleigh 27602	lmandell@nclm.org	715-3933	733-9519
Muriel Offerman	Secretary	DOR				
Keith McCords	Financial officer	DOR				
Jack Cozort	Lobbyist	Parker Poe				

Name	Title	Firm or Agency	Address	Email	Phone	Fax
DAN MOORE	DIRECTOR, STATE & LOCAL PROGRAMS	CACI	RICHMOND, VA	KDMOORE@CACI.COM	804-364-2191	804-364-2192
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NIC HEINKE	COMMUNICATIONS/ GOV'T AFFAIRS DIRECTOR	NCEITA		NHEINKE@NCEITA.org		
Pam Wescott	Manager- Governmental Affairs	Sprint	Raleigh	pam.wescott@mail.sprint.com	554-9239	554-7669
Caroline Jackson	IRM Planner	DHHS-DIRM	695 Palmer DR Ral	Caroline.jackson@ncmail.net	715-1380	733-8871
Mary Musacchia	Director Gov. Relations & Public Policy	SAS	Cary	mary.musacchia@sas.com	531-2077	
Mark Benson		Capitol Group EDS				
Don McCorquodale		SAS	CARY	Don.mccorquodale@SAS.com	919 531-1212	

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JOHN GOODMAN	Assoc.	LINWOOD MERCER & Assoc.				

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CHUCK COOPER	NC BUSINESS MANAGER	ACCENTURE	TWO HANNOVER SQ - SUITE 1520	CHARLES.H.COOPER@ACCENTURE.COM	919.899.3917	
JOHN DAVIS	INFORMATION TECHNOLOGY MANAGER	OSBPM	ADMIN. BLDG	JOHN.DAVIS@RCMAIL.NET	733-7061	
MARK NELSON	MANAGER	YYSoftware	4825 Creekstone Drive, #200 Durham, NC 27703	MNELSON@YY.com	474-7172	919-474-7174
Gene Anderson	CTO	EDS	4905 Waters Edge Drive Raleigh	Gene.Anderson@Eds.com	233-6855	
Brent Ward	Bus. Mgr.	YY Software	4825 Creekstone Drive, #200 Durham, NC 27703	bward@yy.com	919-345-2336	208-247-3898

JOINT INFORMATION APPROPRIATIONS SUBCOMMITTEE

MINUTES
MARCH 6, 2001

The Joint Information Technology Appropriations Subcommittee met at 8:30 a.m. on Tuesday, March 6, 2001 in Room 1425 of the Legislative Building. Senate members present were: Senator Reeves, Chair; Senator Hagan, Vice-Chair; and Senator Foxx. House members present were: Representative Tolson and Representative Tucker, Co-Chairs; Representatives Harrington, Hilton, Miller, and Walend.

Senator Reeves, Chair of the Senate Subcommittee, opened the meeting and called on Edward Renfrow, State Controller, to make a presentation on Enterprise Resources Management. Mr. Renfrow began his remarks by stating that an opportunity exists to build a business infrastructure for state government. He commended the technology committees in the House and the Senate for outstanding legislation already passed and for giving the directive to look at state government from an enterprise-wide perspective. Senator Reeves stated that as our Committee goes through each agency's IT budget over the next couple months, we will be looking at on-going efforts in each agency to see if they will apply to the entire enterprise. He said the challenge is how to balance competing demands of trying to do something for the entire system as opposed to each agency.

Mr. Renfrow stated there is a statewide accounting system master plan and a uniform statewide chart of accounts utilized from the enterprise-wide perspective. Now as projects go forward through the certification process of the IRMC, there are certain requirements that all these projects have to meet from the enterprise-wide perspective, determining how they will fit in and complement future system needs. He stated that we are gradually making this change. There has been money appropriated for a core banking system in the Treasurers' Office. The State is in the process of undertaking e-procurement, a major initiative in government, that will have an enterprise-wide effect on how state government operates. He went on to say the cash management system in government is an old legacy system, manually driven. A lot of the information in that system has to be captured from manual journal entries. We have an old payroll system, an old HR system in the Office of State Personnel, and he reported that the Budget Office has been doing a study and looking at what they need or would like to do. As for the old accounting system, the IRMC has already mandated that most of the systems presently used to operate state government are no longer in compliance with the statewide architecture plan. As the State moves toward that plan, we are getting to a critical point, and he advocates a new human resource system that would be all encompassing for personnel and central payroll processes and an accounting system that would be unique to

Senator Eric Reeves, Chairman

Representative Joe Tolson, Chairman

Representative Russell Tucker, Chairman

Becky Hedspeth, Committee Assistant

VISITOR REGISTRATION SHEET

Appropriations Subcommittee on Information Technology 3-6-00

Name of Committee | Date

VISITORS PLEASE REGISTER AND RETURN TO COMMITTEE CLERK

Name	Title	Firm or Agency	Address	Email	Phone	Fax
BILL WADE	Vice President	OAO	2222 E NC Hwy 54 Durham NC	BWADE@OAO.com	919 544 2737 x401	919 544 1957
ROBYN RENDER	INTERIM VP & CIO	UNC-OP	910 Raleigh Rd CHAPEL HILL	RRR@GA.UNC.EDU	919-962-4908	919-962-4734
NIC HEINKE	COMMUNICATIONS/ GOV'T AFFAIRS	NCEITA		NHEINKE@NCEITA.ORG		
Jan Boyer	Dir of Sales	EDS	4800 Six Forks Raleigh NC 27609	jan.boyer@eds.com (919) 784-8340	(919) 783-1000	
Bob Bellamy	CTO	DPI	301 N Wilmington St Raleigh	bbellamy@dpi.state.nc.us	919-807-3201	
Benny Hendrix	Director	DPI	"	bhendrix@dpi.state.nc.us	919-807-3415	807-3421

Name	Title	Firm or Agency	Address	Email	Phone	Fax
John Davis	IT Manager	State Budget	Admin Bldg.	John.Davis@ncmail.net	3-7061	
Ron Hawley	CIO	ITS	3700 WAKE FOREST Rd	rhawley@ncmail.net	981-2680	
Marley Finch	Intern	Rep. Tolson		finchk@meredith.edu	810-1669	
Tammy Lester	Planning Analyst	OSBPM	Rm 5050 Admin Bldg	tammy.lester@ncmail.net	733-6412	
Caroline Jackson	IRM planner	DHHS-DIRM	695 Palmer DR Raleigh NC	Caroline.jackson@ncmail.net	715-1380	
Lee Mandell	Dir. of IT	NCLM	PO Box 3069 Raleigh 27602	lmandell@nclm.org	715.3933	
Ben McLawhorn	Int. Audit Mgr.	OSC	3512 Bush St Raleigh 27609	bmclawho@mail.osc.state.nc.us	981-5405	
Gwen Canady	Chief Deputy State Controller	OSC	"	gcanady@mail.osc.state.nc.us	981-5405	

VISITOR REGISTRATION SHEET

Appropriations Subcommittee on Information Technology 3-6-00

Name of Committee — Date

VISITORS PLEASE REGISTER AND RETURN TO COMMITTEE CLERK

Name	Title	Firm or Agency	Address	Email	Phone	Fax
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JACK BEST		KPMG	1501 HAYESTEVILLE STREET MAIL SUITE 1200	JNBEST@KPMG.COM	664-7339	664-7251
Robert Wilson		Sec. of State			807-2000	

Joint APPROPRIATIONS/Subcommittee on Information Technology

Minutes
March 15, 2001

The Joint APPROPRIATIONS/Subcommittee on Information Technology met on Thursday, March 15, 2001, at 8:30 a.m. in Room 1425 in the Legislative Building. The following committee members were present: Senator Eric Reeves, Representatives Joe Tolson and Russell Tucker, cochairs; Senators Virginia Foxx, Kay Hagan and Brad Miller; Representatives Michael Harrington, Mark Hilton, Paul Miller and Trudi Walend. Staff present: Dwayne Pinckney, Fiscal Analysis; Peter Capriglione, IT Analysis; Phyllis Pickett, Counsel; and Gayle Christian, Committee Assistant.

Representative Joe Tolson, presiding chair, called the meeting to order and introduced the Sergeant of Arms: Donnell Leathers and Ernie Sherrell , Ronald Spann and Kevin Stuart and Pages: Rosa Hanks and Ashlee Bradshaw both sponsored by Senator Brad Miller.

This meeting was dedicated to a Legislative Briefing on the Rural Internet Access Authority (RIAA).

Billy Ray Hall, President of the NC Rural Center, made introductions and comments about the RIAA. Mr. Hall gave an overview with detailed information on the creation of the RIAA through to the current status. He pointed out that the entire board and committee are done on a volunteer basis. He further spoke on the rural initiatives, the goals and funding, the standard operating procedures for the authority committees and the chairs and membership of the board and committees. The Attachments I – VI. He further covered the importance to rural North Carolina of being connected to the MCNC agreement.

Mr. Hall recognized the following board members who are chairing committees. These chairmen then gave a broad overview of what their committee is doing and how they fit into the overall make up of the Authority.

Technical Committee, chaired by Ron Hawley, Raleigh– Attachment VII
Telework/Telecenters, chaired by Patricia Ferguson, Colerain
Law, Legal and Regulatory, chaired by Ed Turlington, Raleigh– Attachment VIII
Outreach, chaired by Oppie Jordan, Rocky Mount – Attachment IX
Applications, Jon Hamm, Wake Forest
Communications, Wally Bowen, Asheville

Jane Smith Patterson, Executive Director, spoke on RIAA Operations and "Digital Economy". (Attachment X She complimented the Board members and their committees on the outstanding job performance and the endless hours of volunteer time. However, she put in a plea for additional volunteers to push forward the project.

Other handouts included Rural Internet Access Authority – Share Point Intranet Site by Beth Murphy Rural Center (Attachment XI) and Rural Internet Access Authority Overview, by Peter Capriglione, Legislative Technologist (Attachment XII). All handouts and attachments become a part of these minutes by reference.

Mr. Hall gave concluding remarks and asked for questions.

The meeting was adjourned at 9:30 a.m.

Respectfully submitted,

Gayle W Christian, Committee Assistant

Representative Joe Tolson, Presiding Chair

RURAL INITIATIVES
NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, INC.

RURAL INTERNET ACCESS AUTHORITY

Background

The digital revolution is driving today's economy. Information technology accounts for a sixth of the total U.S. economy and is creating jobs five times faster than the rest of the economy.

As a state with major research institutions and cutting edge companies, North Carolina has emerged as a national leader in high-tech enterprises. By 2005, projections show, computer scientists, computer engineers and systems analysts will account for three of four of the fastest growing occupations in the state.

Rural North Carolina stands to gain immensely from this digital revolution. Information technology offers increased economic opportunities, higher living standards, more individual choices, and wider and more meaningful participation in government and public life. Information technology can make distance far less important than it used to be. Entrepreneurs can choose to live in small towns and rural communities and still engage in the global data-transmission marketplace.

Yet, that dream is far from realized. The recent U.S. Commerce Department study, "Falling Through the Net," reports that North Carolina ranks 45th among the states in households with computers and 46th in the percentage of households using the Internet. The computer "have-nots" are often rural, minority, undereducated and poor.

The kind of infrastructure necessary for widespread growth and development is severely lacking in rural areas. As with other utilities and services, rural areas are often the last to be served because of the higher price of doing business. Rural subscribers in North Carolina pay roughly $230 per month for a 128K Internet connection compared to $50 per month in the state's urban areas, according to a study by the state Department of Commerce's Office of Information Technology Services.

Understanding that advanced information technology is vital if rural people are to survive and prosper in the global economy. The Governor's Rural Prosperity Task Force and the Vision 2030 project recommended the creation of an organization that would address information and communication technology issues in rural areas.

Project Plan

The North Carolina General Assembly in its 2000 session approved the creation of a new organization, the Rural Internet Access Authority, to oversee efforts to provide rural areas with high-speed broadband Internet access.

The authority's main goals are ambitious: to provide local dial-up Internet access from every telephone exchange in North Carolina within one year; and to provide high-speed Internet access at competitive prices (at least 128K for residential customers and at least 256K for business customers) to all North Carolinians within three years.

The authority is established within the state Department of Commerce, with the Rural Center providing administrative and professional staff support. The authority is governed by a 21-member commission, which includes members of state government, business and education leaders, members of the Microelectronics Center of North Carolina (MCNC) and representatives from the state's telecommunications companies, including Internet service providers, rural telephone cooperatives, local telephone exchange and independent telephone companies, commercial wireless communications carriers, and the cable industry.

Other goals of the Rural Internet Access Authority include:

- Increasing the ownership of computers, related Web devices, and Internet subscriptions throughout the state.
- Providing two model Telework Centers to be established by January 2002 (Only one-fourth of

4021 Carya Drive, Raleigh, NC 27610 919·250·4314 Fax: 919·250·4325 Email: info@ncruralcenter.org

the state's telephone central offices are located in the most economically distressed areas.)

- Providing accurate and current information via the Internet to state residents concerning the availability of telecommunications and Internet services. Also providing updates on future telecommunications and Internet services.
- Developing Internet applications for government agencies that will make receiving services easier and more convenient. These applications can also facilitate the delivery of more comprehensive government programs, including training, education, and health care.
- Employing open-technology approaches that encourage all potential providers to participate in the implementation of high-speed Internet access.
- Coordinating activities, conducting and sponsoring research, and recommending and advocating actions, including regulatory and legislative actions, to achieve the authority's goals and objectives.

Funding

Funding for the Rural Internet Access Authority will come from a variety of different sources.

Next Steps

The 21-member Internet Access Commission was named in early December 2000. Because of the 36-month time frame for the authority's main initiatives, the group will meet frequently to work toward these goals.

One of the commission's first tasks is the inventory of Internet providers and equipment in the state's rural areas, to be conducted during the fall/winter of 2000-2001.

Members

Dr. Jim Leutze, Chairman, Wilmington
Bill Kress, Research Triangle Park
Bo McNeil, Lake Waccamaw
Cecil L. Groves, Sylva
Curtis Wynn, Ahoskie
Don Altieri, Polkton
Don Hathcock, Charlotte
Ed Turlington, Raleigh
Edwin F. McDaries, Jr., Fayetteville
Joe W. Foster, Durham
John Carringer, Murphy
John R. Hamm, Wake Forest
Kelly S. King, Winston-Salem
L.S. Guy, Jr., Faison
Oppie Jordan, Rocky Mount
Patricia Ferguson, Colerain
Paul Ridgeway, Raleigh
Rick Carlisle, Raleigh
Robert O. Wells, Raleigh
Ron Hawley, Raleigh
Wally Bowen, Asheville

Rural Center Contact:

Jane S. Patterson, Executive Director
Rural Internet Access Authority
N.C. Rural Economic Development Center
4021 Carya Drive
Raleigh, NC 27610
Telephone: 919-250-4314
Fax: 919-250-4325
E-Mail: jane@ncruralcenter.org

Rural Internet Access AUTHORITY *Goals*

1. Local dial-up Internet access provided from every telephone exchange within one year.

2. High-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina.

3. Two model Telework Centers in either enterprise tier one or enterprise tier two area established by January 1, 2002. To the extent practicable, the centers should be established in existing facilities.

4. Significant increases in ownership of computers, related web devices, and Internet subscriptions promoted throughout North Carolina.

5. Accurate, current, and complete information provided through the Internet to citizens about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet services.

6. Development of government Internet applications promoted to make citizen interactions with government agencies and services easier and more convenient and to facilitate the delivery of more comprehensive programs, including training, education, and health care.

7. Open technology approaches employed to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias.

8. To coordinate activities, conduct and sponsor research, and recommend and advocate actions, including regulatory and legislative actions to achieve its goals and objectives.

The Rural Center

— Excerpted from Senate Bill 1343 —

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 2000-149
SENATE BILL 1343

AN ACT TO CREATE THE NORTH CAROLINA RURAL INTERNET ACCESS AUTHORITY AND TO DIRECT THE REGIONAL PARTNERSHIPS, WITH THE ASSISTANCE OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, TO STUDY AND REPORT ON THE INFORMATION TECHNOLOGY INFRASTRUCTURE AND INFORMATION TECHNOLOGY NEEDS OF THE STATE.

The General Assembly of North Carolina enacts:

Section 1. Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 2E. North Carolina Rural Internet Access Authority.

"**§ 143B-437.40. Short title and intent.**

This Part is the `North Carolina Rural Internet Access Authority Act.' The General Assembly finds as follows:

(1) Access to computers and the Internet, along with the ability to effectively use these technologies, are becoming increasingly important for full participation in America's economic, political, and social life.

(2) Affordable, high-speed Internet access is a key competitive factor for economic development and quality of life in the New Economy of the global marketplace.

(3) In the digital age, universal connectivity at affordable prices is a necessity for business transactions, education and training, health care, government services, and the democratic process.

(4) Unequal access to computer technology and Internet connectivity by income, educational level and/or geography could deepen and reinforce the divisions that exist in our society.

(5) The intent of the Rural Internet Access Authority is to close this digital divide for the citizens of North Carolina.

"**§ 143B-437.41. Definitions.**

The following definitions apply in this Part:

(1) Authority. -- The North Carolina Rural Internet Access Authority.

(2) Commission. -- The governing body of the Authority.

(3) High-speed broadband Internet access. -- Internet access with transmission speeds of at least 128 kilobits per second for residential customers and at least 256 kilobits per second for business customers.

(4) Regional partnership. -- Defined in G.S. 143B-437.21.

(5) Rural county. -- A county with a density of fewer than 200 people per square mile based on

the 1990 United States decennial census.

"§ 143B-437.42. Creation of Authority and Commission.

(a) Creation. -- The North Carolina Rural Internet Access Authority is created within the Department of Commerce and, notwithstanding any other provision of law, is subject to the direction and supervision of the Secretary of Commerce only with respect to the management functions of coordinating and reporting. These functions of the Secretary of Commerce are ministerial and shall be performed only pursuant to the direction and policy of the Commission.

The purpose of the Authority is to manage, oversee, and monitor efforts to provide rural counties with high-speed broadband Internet access. The Authority shall also serve as the central rural Internet access policy planning body of the State and shall communicate and coordinate with State, regional, and local agencies and private entities in order to implement a coordinated rural Internet access policy.

(b) Commission. -- The Authority is governed by a Commission that consists of 21 members, six members appointed by the Governor, six members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, six members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and the following three ex officio, voting members: the State's Chief Information Officer, the chair of the North Carolina Rural Economic Development Center, and the Secretary of Commerce.

It is the intent of the General Assembly that the appointing authorities, in making appointments, shall appoint members who represent the geographic, gender, and racial diversity of the State, members who represent rural counties, members who represent regional partnerships, and members who represent the communications industry, which may include local telephone exchange companies, rural telephone cooperatives, Internet service providers, commercial wireless communications carriers, and other communications businesses.

(c) Oath. -- As the holder of an office, each member of the Commission must take the oath required by Section 7 of Article VI of the North Carolina Constitution before assuming the duties of a Commission member.

(d) Terms; Commencement; Staggering. -- Except as provided in subsection (f) of this section, all terms of office shall commence on August 1 of the year the appointment is made. The appointing officers shall designate one-half of their appointees to serve one-year terms; members may serve up to four consecutive one-year terms. The appointing officers shall designate their remaining appointees to serve three-year terms; members may serve up to two consecutive three-year terms.

(e) Chair. -- The Governor shall designate one of the members appointed by the Governor as the Chair of the Commission. The Governor shall convene the first meeting of the Commission.

(f) Vacancies. -- All members of the Commission shall remain in office until their successors are appointed and qualify. A vacancy in an appointment made by the Governor shall be filled by the Governor for the remainder of the unexpired

term. A vacancy in an appointment made by the General Assembly shall be filled in accordance with G.S. 120-122. A person appointed to fill a vacancy must qualify in the same manner as a person appointed for a full term.

(g) Removal of Commission Members. -- The Governor may remove any member of the Commission for misfeasance, malfeasance, or nonfeasance in accordance with G.S. 143B-13(d). The Governor or the person who appointed a member may remove the member for using improper influence in accordance with G.S. 143B-13(c).

(h) Compensation of the Commission. -- No part of the revenues or assets of the Authority shall inure to the benefit of or be distributable to the members of the Commission or officers or other private persons. The members of the Commission shall receive no salary for their services but may receive per diem and allowances in accordance with G.S. 138-5.

(i) Staff. -- The North Carolina Rural Economic Development Center, Inc., shall provide administrative and professional staff support for the Authority under contract.

(j) Conflicts of Interest. -- Members of the Authority shall comply with the provisions of G.S. 14-234 prohibiting conflicts of interest. In addition, if any member, officer, or employee of the Authority is interested either directly or indirectly, or is an officer or employee of or has an ownership interest in any firm or corporation, not including units of local government, interested directly or indirectly, in any contract with the Authority, the member, officer, or employee must disclose the interest to the Commission, which must set forth the disclosure in the minutes of the Commission. The member, officer, or employee having an interest may not participate on behalf of the Authority in the authorization of any contract.

"§ 143B-437.43. Powers, duties, and goals of the Authority.

(a) Powers. -- The Authority shall have the following powers:

(1) To employ, contract with, direct, and supervise all personnel and consultants.

(2) To apply for, accept, and utilize grants, contributions, and appropriations in order to carry out its duties and goals as defined in this Part.

(3) To enter into contracts and to provide support and assistance to local governments, nonprofit entities, and regional partnerships, in carrying out its duties and goals under this Part.

(4) To review and recommend changes in all laws, rules, programs, and policies of this State or any agency or subdivision thereof to further the goals of rural Internet access.

(b) Duties. -- The Authority shall have the following duties:

(1) To develop and recommend to the Governor, the General Assembly, and the North Carolina Rural Redevelopment Authority a plan to provide rural counties with high-speed broadband Internet access.

(2) To propose funding that may be needed from the North Carolina Rural Redevelopment Authority established in Part 2D of this Article and from other appropriate sources for incentives for the private sector to

make necessary investments to achieve the Authority's goals and objectives.

(3) To set specific targets and milestones to achieve the goals and objectives set out in subsection (c) of this section.

(c) Goals. -- The goals and objectives of the Authority are:

(1) Local dial-up Internet access provided from every telephone exchange within one year.

(2) High-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina.

(3) Two model Telework Centers in either enterprise tier one or enterprise tier two area established by January 1, 2002. To the extent practicable, the Centers should be established in existing facilities.

(4) Significant increases in ownership of computers, related web devices, and Internet subscriptions promoted throughout North Carolina.

(5) Accurate, current, and complete information provided through the Internet to citizens about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet services.

(6) Development of government Internet applications promoted to make citizen interactions with government agencies and services easier and more convenient and to facilitate the delivery of more comprehensive programs, including training, education, and health care.

(7) Open technology approaches employed to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias.

(8) To coordinate activities, conduct and sponsor research, and recommend and advocate actions, including regulatory and legislative actions to achieve its goals and objectives.

(d) Limitations. -- The Authority does not have the power of eminent domain or the power to levy any tax.

(e) Reports. -- The Authority must submit quarterly reports to the Governor, the Joint Select Committee on Information Technology, and the Joint Legislative Commission on Governmental Operations. The reports must summarize the Authority's activities during the quarter and contain any information about the Authority's activities that is requested by the Governor, the Committee, or the Commission."

Section 2. G.S. 120-123 is amended by adding a new subdivision to read:

"(71) The North Carolina Rural Internet Access Authority created in Part 2E of Article 10 of Chapter 143B of the General Statutes."

Section 3. Each regional partnership, as defined in G.S. 143B-437.21, shall, with the assistance of the North Carolina Rural Economic Development Center, study the information technology infrastructure and information technology needs of

each county within its particular region. Each study shall include an inventory of existing information technology infrastructure, an inventory of information technology needs, an analysis of how the information technology needs affect industrial and business recruitment, and recommendations that address the information technology needs of each region. In conducting the studies required by this section, the regional partnerships shall consider the findings of the Connect NC study. The regional partnerships may contract with the North Carolina Rural Economic Development Center as needed to undertake these studies. No later than November 1, 2001, each regional partnership shall report the results of its study, including any legislative proposals, to the Joint Select Committee on Information Technology.

Section 4. This act does not obligate the General Assembly to appropriate funds.

Section 5. This act is effective when it becomes law. The North Carolina Rural Internet Access Authority created in this act is dissolved effective December 31, 2003. This act is repealed effective December 31, 2003. Part 2E of Article 10 of Chapter 143B of the General Statutes and G.S. 120-123(71), as enacted by this act, are repealed effective December 1, 2003.

In the General Assembly read three times and ratified this the 10th day of July, 2000.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 9:24 a.m. this 2nd day of August, 2000

Standard Operating Procedures for Authority Committees

1. Committee meetings will be held 1-2 weeks prior to monthly board meeting.

2. Authority staff will be responsible for committee meeting logistics. Meeting logistics will include scheduling, setting up teleconference/videoconferences, communication of logistics to committee members, distribution of agenda and other meeting materials to committee members, recording and distribution of minutes.

3. Staff will take names of people interested in serving on committees. Names will be given to Chair/Vice-Chair and committee for approval. Staff will be responsible for maintaining list of committee members and contact information.

4. Chair and Vice-Chair will be responsible for setting the agenda and dictating any necessary materials to be provided at meetings. The staff of the Authority will work with the Chair and Vice-Chair to complete this task.

5. Chair and Vice-Chair or their designee from the Committee Authority members will be responsible for reporting to the Board.

6. Volunteer committee members are those individuals not serving on the Commission of the Rural Internet Access Authority. Volunteer committee members may not participate in official votes of the Committee.

7. Input from all committee members will be encouraged. Committees will recognize that the thoughts and concerns of all members are valid and welcome. The majority of consensus opinion on an issue will be reported to the Board as such. If there is a significant minority (20% of the Committee in disagreement) that will be reported from the Committee also.

8. Volunteer committee members cannot miss two consecutive committee meetings without an excuse. These members must attend 70% of committee meetings on an annual basis.

9. Teleconferences will be held for committee members over NCIH sites whenever possible. Audio conferencing will be made to all other committee members.

10. Reimbursement for Committee Authority members for any reasonable costs incurred for attendance virtually at meetings will be the standard. Attempts will be made to use NCIH video sites to reduce travel and distance time to meetings. If Authority members attend committee meetings in person, they will be reimbursed for the normal "state" rates for travel.

11. All communications will be over e-mail when possible. Individuals receiving e-mail should acknowledge receipt of e-mail when requested by sender.

Rural Internet Access Authority - DRAFT

Board Members	Committee Members - (List in Progress)											
	LLR		Outreach		Technical		Telework		App.		Comm.	
Don Altieri	Ed Turlington	*A	Oppie Jordan	*A	Ron Hawley	*A	Patricia Ferguson	*A	Cecil Groves	*A	Kelly King	*A
Wally Bowen	Robert Wells	**A	Don Altieri	**A	Don Hathcock	**A	Curtis Wynn	**A	L.S. Guy	**A	Ed McDaries	**A
John Carringer	Bo McNeill	A	Barbara Boyce	#	Andy Billingsley	#	Barbara Weaver	#	John Carringer	**A	Arlen Holt	#
Patricia Ferguson	Dave Holec	#	Betty Mangum	#	Benny Hendrix	#	Billy Ray Hall	A	Arnold Kennedy	#	Billy Ray Hall	#
Joe Foster	David Hutto	#	Bill Kress	A	Bill Kress	A	Bob Sams	#	Bob Blackmun	#	Brenda Dougherty	#
Cecil Groves	Don Altieri	A	Bonnie Moore	#	Bo McNeill	A	David Short	#	Carl Classen	#	Dan McAuley	#
L.S. Guy	Don Hathcock	A	Brenda Williamson	#	Charlie Clark	#	Ed Shearin	#	Carol Stern	#	Ed Turlington	A
Jon Hamm	Eugene Russell	#	Cecil Groves	A	Curtis Wynn	A	Henry Morton	#	Carolyn Argentati	#	Elaine Mathews	#
Don Hathcock	Jerry Weikle	#	David Meacham	#	David Hutto	#	John Whitehurst	#	Chris Wease	#	Kathrine Joyce	#
Ron Hawley	Joe Foster	A	Doris Brown	#	Dick Taylor	#	Kathryn Lawrence	#	David Edwards	#	Margot Christensen	#
Oppie Jordan	Karen Long	#	Gayle Harvey	#	Don Altieri	A	L.S. Guy	A	David Short	#	Mari Trosclair	#
Kelly King	Lee Mandell	#	Greg Griggs	#	Gary Steeley	#	Mary Sue Brown	#	Don Adams	#	Stuart George	#
William Kress	Linda DeGrand	#	Herb Crenshaw	#	Jim Northrup	#	Peggy Manring	#	Dwayne Campbell	#	Susan Moran	#
James Leutze	Mary Ann Hinshaw	#	Hunter Thompson	#	John Isenhour	#	Rebecca Troutman	#	Emmett Patterson	#		
Ed McDaries	Oppie Jordan	A	James Andrews	#	Jon Hamm	A	Scott Ralls	#	Gail Findlay	#		
Bo McNeill	Patricia Ferguson	A	Joe Freddoso	#	Mary Sue Brown	#	Sharon Craig	#	Gary Steppe	#		
Paul Ridgeway	Paul Ridgeway	A	John Carringer	A	Michael Taylor	#	Tim Rhodes	#	Geoff Honaker	#		
Ed Turlington	Rebecca Troutman	#	John Herrara	#	Richard Kelly	#	Timmy Baynes	#	Holt Anderson	#		
Robert Wells	Rick Happ	#	Joyce Eliot	#	Steve Lane	#	Wally Bowen	A	Hunter Thompson	#		
Curtis Wynn	Ron Hawley	#	June Atkinson	#	Steve Wagner	#	Will Johnson	#	Jeff Spade	#		
	Steve Parrott	#	June Brotherton	#	Thomas Parrish	#			Jesse Mayo	#		
	Wally Bowen	A	Karin Pettit	#	Tom Foss	#			John Killebrew	#		
	Wendy Kuhn	#	Kathy Garner	#	Tom Gray	#			Jon Hamm	A		
			Kelly King	A	Tom Mims	#			Katherine Joyce	#		
			Kim McGuire	#	Vickie Lonker	#			Keith Cochran	#		
			Les Twible	#	Wally Bowen	A			Kevin Fitzgerald	#		
			Mari Trosclair	#	Wendy Kuhn	#			Lee Mandell	#		
			Marion Altman	#					Les Twible	#		
			Mary Holmes	#					Linda DeGrand	#		
			Mary Siedow	#					Mary Sizemore	#		
			Melanie Collins	#					Mary Sue Brown	#		
			Nolo Martinez	#					Sandy Babb	#		
			Parks Todd	#					Scott Cline	#		
			Paula Stewart	#					Scott Ralls	#		
			Peggy Graham	#					Sherry McCuller	#		
			Peter Tavernise	#					Stacy J. Guffey	#		
			Robert Burgin	#					Terry Grunwald	#		
			Ronnie Harrell	#					Thomas Parrish	#		
			Sharon Greig	#					Tim Rhodes	#		
			Shirley Dove	#					Timothy Trull	#		
Legend			Stephanie Deese	#					Tom Foss	#		
			Susan Markam	#					Tom Gray	#		
* - Committee Chair			Tammy Childers	#					Wallace McLendon	#		
** - Committee Vice Chair			Terry Grunwald	#					Wally Bowen	A		
# - Non-Authority Committee Member			Terry Shank	#					Will Johnson	#		
A - Authority Member			Tom Fife	#								
			Kevin Fitzgerald									
Staff Contact	**Angie Bailey**		**Sandy Babb (and Beth Murphy)**		**Dan McAuley**		**Sandy Babb (and Angie Bailey)**		**Beth Murphy**		**Beth Murphy**	

Upcoming RIAA Board and Committee Meetings - 2001

	Group	Date	Time	Location	Dial-in #
January	**Board**	**16-Jan-01 Tuesday**	**10:00am-4:00pm**	**RC-Board Room**	**n/a**
	Telework	29-Jan-01 Monday	10:00am-12:00	RC-Board Room	919-733-2451
	LLR	30-Jan-01 Tuesday	4:00pm-6:00pm	RC-Exec Conf Rm	919-733-2451
	Outreach	30-Jan-01 Tuesday	1:00pm-3:00pm	RC-Exec Conf Rm	919-733-2429
February	Technical	1-Feb-01 Thursday	10:00am-12:00	RC-Board Room	919-733-2429
	Conflict of Interest	1-Feb-01 Thursday	3:30pm-5:00pm	RC-Board Room	919-715-1062
	Applications	8-Feb-01 Thursday	1:30pm-3:30pm	RC-Exec Conf Rm	919-733-2416
	Communications	8-Feb-01 Thursday	9:00am-11:00am	RC-Exec Conf Rm	919-733-2429
	Board	**15-Feb-01 Thursday**	**10:00am-1:00pm**	**RC-Board Room**	**n/a**
	Telework	19-Feb-01 Monday	3:00pm-5:00pm	RC-Board Room	919-733-2441
	LLR	28-Feb-01 Wednesday	4:00pm-5:00pm	RC-Board Room	
March	Communications	1-Mar-01 Thursday	8:00am-10:00am	RC-Exec Conf Rm	919-733-2439
	Technical	1-Mar-01 Thursday	3:00pm-5:00pm		
	Conflict of Interest	6-Mar-01 Tuesday	3:30pm-5:00pm		
	Applications	*7-Mar-01 Wednesday*	*1:30pm-3:00pm*	*RC-Board Room*	*919-733-2439*
	Outreach	12-Mar-01 Monday	3:00pm-5:00pm		
	Board	**16-Mar-01 Friday**	**10:00am-1:00pm**	**Wilmington**	
	Telework	26-Mar-01 Monday	3:00pm-5:00pm		
April	LLR	4-Apr-01 Wednesday	4:00pm-5:00pm		
	Communications	12-Apr-01 Thursday	8:00am-10:00am		
	Technical	12-Apr-01 Thursday	3:00pm-5:00pm		
	Telework	16-Apr-01 Monday	3:00pm-5:00pm	off site?	
	Applications	19-Apr-01 Thursday	3:00pm-5:00pm	GTP	
	Outreach	24-Apr-01 Tuesday	3:00pm-5:00pm		
	Board	**26-Apr-01 Thursday**	**10:00am-1:00pm**	**RC-Board Room**	
May	Communications	3-May-01 Thursday	8:00am-10:00am		
	Technical	3-May-01 Thursday	3:00pm-5:00pm		
	LLR	9-May-01 Wednesday	4:00pm-5:00pm		
	Applications	10-May-01 Thursday	3:00pm-5:00pm	in Alleghany	
	Outreach	*11-May-01 Friday*	*10:00pm-12:00pm*	*in Alleghany*	
	Board	**17-May-01 Thursday**	**10:00am-1:00pm**	**Sylva**	
	Telework	21-May-01 Monday	3:00pm-5:00pm	RC	
	Communications	31-May-01 Thursday	8:00am-10:00am		
	Technical	31-May-01 Thursday	3:00pm-5:00pm		
June	LLR	6-Jun-01 Wednesday	4:00pm-5:00pm		
	Applications	7-Jun-01 Thursday	9:00am-11:00am		
	Outreach	7-Jun-01 Thursday	3:00pm-5:00pm		
	Board	**14-Jun-01 Thursday**	**10:00am-1:00pm**	**RC-Board Room**	
	Telework	25-Jun-01 Monday	3:00pm-5:00pm	off site?	
July	LLR	18-Jul-01 Wednesday	4:00pm-5:00pm		
	Communications	12-Jul-01 Thursday	8:00am-10:00am		
	Technical	12-Jul-01 Thursday	3:00pm-5:00pm		
	Applications	19-Jul-01 Thursday	3:00pm-5:00pm		
	Outreach	23-Jul-01 Monday	3:00pm-5:00pm		
	Board	**27-Jul-01 Friday**	**10:00am-1:00pm**	**Ahoskie**	

*Dates in italics have been changed. Please make sure you have noted these changes.

State of North Carolina
Office of Information Technology Services

James B. Hunt, Jr., Governor

Ronald P. Hawley, State Chief Information Officer

November 17, 2000

Mr. Billie Ray Hall, President
N. C. Rural Economic Development Center
4021 Carya Drive
Raleigh, North Carolina 27610

RE: Rural Internet Access High-Speed Connectivity Agreement

Dear Mr. Hall:

Enclosed please find the original signed copies of the High-Speed Internet Connectivity Agreement which was negotiated last spring among the North Carolina Department of Commerce, BellSouth, GTE (now Verizon) and Sprint telecommunication companies. I believe that these agreements will be important to the work of the Rural Internet Access Authority.

By copy of this letter, I am supplying one copy of the agreement and copies of all the signature pages to the signing entities listed above, as well as to the Chair of the Governor's Rural Prosperity Task Force. As you know, the Rural Prosperity Task Force's recommendations started the dialogue which resulted in this agreement.

Please do not hesitate to call me if you have questions.

Sincerely,

Ronald P. Hawley

Enclosure

Cc: Mr. Erskine Bowles, N.C. Rural Prosperity Task Force
Secretary Rick Carlisle, N.C. Department of Commerce
Mr. Joe Foster, Verizon
Mr. Jon Hamm, Sprint
Ms. Krista Tillman, BellSouth

NC SCHOOLS FIRST IN AMERICA 2000

P.O. Box 17209 • Raleigh, North Carolina 27619-7209
Tel: 919.981.5555 • fax: 919.981.2548 • State Courier 51-01-11
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High-Speed Internet Connectivity Agreement

Preamble

Access to computers and the Internet, along with the ability to use these technologies effectively, are becoming increasingly important for full participation in America's economic, political and social life. Affordable, high-speed Internet access is a key competitive factor for economic development and quality of life in the New Economy of the global market place. In the digital age connectivity at affordable prices is a necessity for business transactions, education and training, health care, government services and the democratic process.

With this in mind, the undersigned agree that affordable, high-speed Internet access is instrumental to the economic growth of the State and important for citizens to be able to take full advantage of the Internet and the digital economy. We further agree that equal access to computer technology and Internet connectivity for all income and educational levels and geographic regions could reduce and help eliminate the divisions that exist in our society.

We agree that the definition of high-speed Internet connectivity in this document is a minimum, and we will strive to increase those speeds as technology and economics allow. We also agree that we will work to include all stakeholders in the Internet arena in the pursuit of the goals of this initiative.

Goals and Objectives

Following are the goals upon which the above-listed parties could agree:

1. Provide local dial-up Internet access from every telephone exchange within one year.

2. Make available affordable[1] high-speed[2] Internet access to every citizen of North Carolina within three years.

3. Establish two pilot Telework Centers in either Tier 1 or Tier 2 counties within the next 18 months.

4. Promote significant increases in ownership of computers, related web devices, and Internet subscriptions throughout North Carolina.

5. Provide through the Internet, accurate, current and complete information to citizens on the availability of present telecommunication and Internet services with periodic updates as new telecommunications and Internet services are deployed.

6. Promote the development of e-government Internet applications to make citizen interactions with government agencies and services easier, more convenient and facilitate the delivery of more comprehensive programs including training, education and health care.

7. Consider "open technology approaches" to encourage all potential providers to participate in the implementation of high speed Internet access with no technology bias.

---

[1] No significant difference in prices between rural and urban customers for similar technologies and classes of service.

[2] As a minimum, 128 kilobits per second for residential customers; 256 kilobits per second for business customers

Implementation Approach

To carry out these goals, the Governor would establish by Executive Order, or the General Assembly would create by legislation, a formal, on-going non-profit entity charged with overseeing efforts to accomplish these goals. The board of directors for the non-profit entity would contain representatives of each of the stakeholders from the provider community including representatives from state and local governments.

This board should be action oriented, results focused and non-bureaucratic, and its duties and responsibilities include:

- Develop organizational structures, action plans and performance measures for achieving the goals, including a system for periodic progress and accountability reporting to participants and governing oversight bodies.

- Explore and quantify the basis for incentives for private investments in high cost areas that would otherwise not be served.

- Develop and maintain a North Carolina Telecommunications and Internet Access Web site under the direction of the Office for Information Technology Services. The initial development and implementation will be funded by the service providers. Subsequent maintenance and update will be provided by ITS. This web site will provide accurate, current and complete information to citizens on the availability of present telecommunication and Internet services with periodic updates as new telecommunications and Internet services are deployed.

- Establish and manage regional Internet deployment teams, as needed, to implement Internet connectivity goals within regions of the state.

- Seek funding from public and private sources to develop programs to encourage the acquisition of personal computers and Internet related devices and access to the Internet access for low-income individuals.

- Promote pilot Telework Centers in economically distressed counties where residents could go to conduct business over high speed Internet connections at affordable rates. Telework Centers would also provide training and technical advice for e-commerce.

- Develop, with the assistance of the NC Progress Board, metrics and measurements to determine the success of any particular Internet access goal or objective.

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 16th day of November 2000.

Signature

Rick E. Carlisle
Printed Name

N.C. Dept. of Commerce
Company or Agency Name

301 N. Wilmington St
Street Address

Raleigh, NC 27601
City, State and Zip code

(919) 733-3449
Telephone number

EIN

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 7 day of November, 2000.

Krista S Tillman
Signature

Krista S. Tillman
Printed Name

BellSouth Telecommunications, Inc.
Company or Agency Name

300 S. Brevard Street, Suite 1522 BellSouth Plaza
Street Address

Charlotte, North Carolina 28202
City, State and Zip Code

704-417-8798
Telephone number

EIN

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 25th day of ~~June~~ August 2000.

Signature

Dwight W. Allen
Printed Name

Sprint
Company or Agency Name

14111 Capital Blvd.
Street Address

Wake Forest, NC 27587
City, State and Zip Code

(919) 554-7843
Telephone number

EIN

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 4th day of August 2000.

Woodrow W. Williams
Signature

Woodrow W. Williams
Printed Name

Verizon South Inc.
Company or Agency Name

4100 N. Roxboro Road
Street Address

Durham, NC 27704
City, State and Zip Code

919/317-7755
Telephone number

EIN

RIAA LEGAL, LEGISLATIVE AND REGULATORY COMMITTEE

Purpose and Composition

The Legal, Legislative and Regulatory Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all applications activities relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop a coordination plan for legislative and utilities commission activities for the Authority that is necessary to meet the goals of the Authority.
- Develop and make recommendations for a plan to provide network services for individuals who meet a certain criteria and cannot afford network services and to assist the Outreach Committee as it works to develop increases in ownership of computers, related web devices and internet subscriptions throughout North Carolina.
- Assist with managing the legislative activities that the Authority must initiate or assist with information that the Authority must deliver to the Legislature.
- Assist the Authority in the development of its Conflict of Interest policies.
- To assist the Authority as it reviews and recommends changes in any laws, rules, programs and policies of the State or any agency of subdivision thereof to further the goals of rural internet access.
- Develop specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA TECHNICAL COMMITTEE

Purpose and Composition

The Technical Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review all technical issues relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop recommendations for a technical plan that will make possible high-speed affordable Internet access to citizens and businesses of rural North Carolina by December 31, 2003.
- To develop technical plans that will encourage Local dial-up access to citizens and businesses of rural North Carolina by August of 2001.
- To recommend contracts, and work with the Applications Committee to provide support and assistance to local governments, nonprofit entities, and regional partnerships to carry out goals of the Authority.
- To assist the Telework Committee with technical specifications of the Telework Center.
- To provide guidance, structure and deliverance to the process of the inventory of network and subscriber infrastructure.
- To provide advice and guidance to the various committees of the Authority when requested.
- To develop research proposals that will assist the goals of the Authority and this specific committee.
- To assist the communications committee in its work to deploy web site information relating to the availability of present telecommunications and Internet services with updates on future deployment of telecommunications technologies and Internet services.
- Utilization of open technology approaches to encourage all potential providers to participate in the implementation of these goals with no technology bias.
- To establish appropriate technical standards when necessary.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority and the Chair of the Authority.

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chairman may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA TELEWORK COMMITTEE

Purpose and Composition

The Telework Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all activities relating to the establishment of Telework Centers. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop a process that will ensure that at least two model Telework Centers are established prior to January of 2002, in Tier One or Tier Two counties. Centers should be established in existing buildings.
- This will include development of the definition and design of sustainable Telework Centers.
- This will include development of a program of operation for the Telework Centers.
- Development of a grants process for the establishment of Telework Centers, which will include criteria for selection of the recipients of Telework Center grants.
- Development of a plan for monitoring the Centers and an interim evaluation report by August of 2002.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA OUTREACH COMMITTEE

Purpose and Composition

The Outreach Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all Outreach activities relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop recommendations for an Outreach plan that will make possible a greater knowledge about high-speed affordable internet access to citizens and businesses of North Carolina, with emphasis on rural counties. This plan may include:
    - Assisting the Communications Committee in the development of its work.
    - Assisting the Applications Committee in the process of its work.
- Work with the staff to develop the regional and state meetings that the Authority will hold.
- Define for other committees the appropriate strategies to be inclusive in the work of their committee's deliberations and recommendations.
- Work with the Technical, Communications and LLR Committees to develop a plan to provide access devices to citizens who cannot afford such internet devices.
- Develop and manage a training plan for Internet Literacy for all North Carolinians.
- Develop a plan for significant increases in ownership of computers. Work with Technical Committee to develop a plan for increases in ownership of web devices and internet subscriptions throughout North Carolina, with emphasis on rural counties.
- Evaluate the possible grants programs for use with the Outreach plan, and develop a grants program where necessary.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties and responsibilities as assigned by the Authority.

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA APPLICATIONS COMMITTEE

Purpose and Composition

The Applications Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all applications activities relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop a process that will ensure that the development of government Internet applications is promoted to assist citizen interactions with government agencies at all levels.
- Develop a plan and process to make certain that more applications are available in eLearning, eHealth and eCommerce throughout all the rural regions of North Carolina.
- Develop a process and work with all appropriate government authorities, educational and health care institutions, chambers of commerce, libraries, nonprofits and any other necessary individuals or entities to see that applications are developed throughout rural North Carolina to serve the citizens of rural North Carolina.
- Assist the Outreach Committee in the development of its Committee responsibilities.
- Work with all Committees of the Authority to carry out the goals of this Committee.
- Develop a research, implementation, and evaluation plan that will assist in carrying out the development of applications.
- To develop an ongoing mechanism to evaluate and communicate the availability of grants programs for use with e-applications.
- Develop a grants program to apply for and distribute funds.
- Develop specific targets and milestones to achieve goals listed above.
- Perform other duties as assigned by the Authority

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA COMMUNICATIONS COMMITTEE

Purpose and Composition

The Communications Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review all communications issues relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- The Committee shall be responsible for assisting with the development of the communications plan, including marketing and public relations plans, which define the Rural Internet Access Authority in its public role. This plan may include, but is not limited to all brochures, stationary, web site information, as well as sign off on the presentation materials of the Authority.
- Develop a plan to ensure that information is provided to citizens through the Internet, and other media, about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet service.
- Develop communication pieces that brand the Authority.
- Develop a speakers group for the Authority and the presentation piece this group would use in discussing the Authority across North Carolina.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority.
- Work with all committees regarding their public relations and communications needs.

In working on the communications plan, the Committee will be assisted by the Authority staff but shall also work with the Rural Center Communications Staff.

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chairman may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

Outreach Committee Report to Rural Internet Access Authority

March 16, 2001

Oppie Jordan, Chair

The Outreach Committee met on March 12 at the Rural Center and the meeting focused on developing a framework for the RIAA Outreach Plan and identifying its key components.

Sandy Babb presented a proposed outreach plan framework based on the premise of Senate Bill 1343, that rural North Carolinians should have access to the Internet, be knowledgeable about the opportunities it brings, and have the skills to use it to impact positively their lives and their communities.

Following an in-depth discussion, the Committee adopted the following framework for the Outreach Plan:

Outreach Plan Components

- Public Engagement Campaign
- Business /Economic Engagement Campaign
- Communications/Marketing Campaign (To be handled by the Communications Committee)
- Training (Digital/Internet Literary Training, including Basic Literacy Training through use of technology)
- Special Initiatives
    - Mini-Grant Program for Local Public Engagement Activities
    - E-NC Connected at Home (Program to increase ownership of computers and Internet devices)

Outreach Sub-Committees

The Committee established Public Engagement, Business/Economic Development, Training, and Special Initiatives Sub-Committees to further develop plan components within the adopted framework. Sub-Committee Chairs were appointed and committee members volunteered for the sub-committee of their choice. Charles Stanback and Beth Murphy will serve as liaison to the Communications Committee.

The Committee also recommends that a Joint Outreach & Technical Sub-Committee on E-NC Connected at Home be formed to develop a plan to increase ownership of computers and Internet devices.

Sub-Committees will meet and report back to the full Committee at the next Outreach Committee meeting on April 24, 2001 at the Rural Center.

Outreach Partners and Constituencies

The Committee identified over 30 diverse outreach partners and constituencies with whom the RIAA will need to be closely connected as it carries out its work. These organizations run the gamut and include local government, business and economic development groups, labor groups, community-based organizations, non-profits, educational institutions, public libraries, faith-based organizations, and many more.

Outreach Tasks for 2001

- Develop and implement public engagement, business/economic development engagement, and communications/marketing campaigns in the four predominantly rural economic development partnership regions, with emphasis on Tier I and Tier II counties.
    - Ensure that all the above campaigns are consistent with each other in message and tone.
    - Convene four regional conferences in September.
    - Implement the mini-grant program for local public engagement activities

- Develop and begin implementing Digital/Internet Literacy Training Program for rural North Carolinians.

- Establish an E-NC Connected at Home Joint Outreach and Technical Sub-Committee to develop a program to increase ownership of computers and Internet devices.

Additional Outreach Committee Actions

- Former members of the NetGain group were appointed as volunteer members of the Outreach Committee. Net Gain was a working group convened by the NC Department of Commerce to consider training issues related to digital and Internet literacy.

- Charles Stanback presented the Tech Force concept, which would be a youth initiative focusing on high school and community college students. Students who are, or will become, knowledgeable about computers, technology, and the Internet will assist their communities to participate in the digital economy. The Committee was interested in the concept and wants to explore it further.

JANE SMITH PATTERSON

THE RURAL CENTER

jane@ncruralcenter.org

919-250-4314 Ext. 241

www.ncruralcenter.org RIAA Information

March 2001

Rural Internet Access Authority

How Do I Access the "Digital Economy"?

- The ***Internet*** !
  - Government Services
  - Buying and Selling
  - Education and Training
  - Finding a Doctor
  - Listening to music
  - Boring other family members with baby pictures!

Access Issues in Rural NC

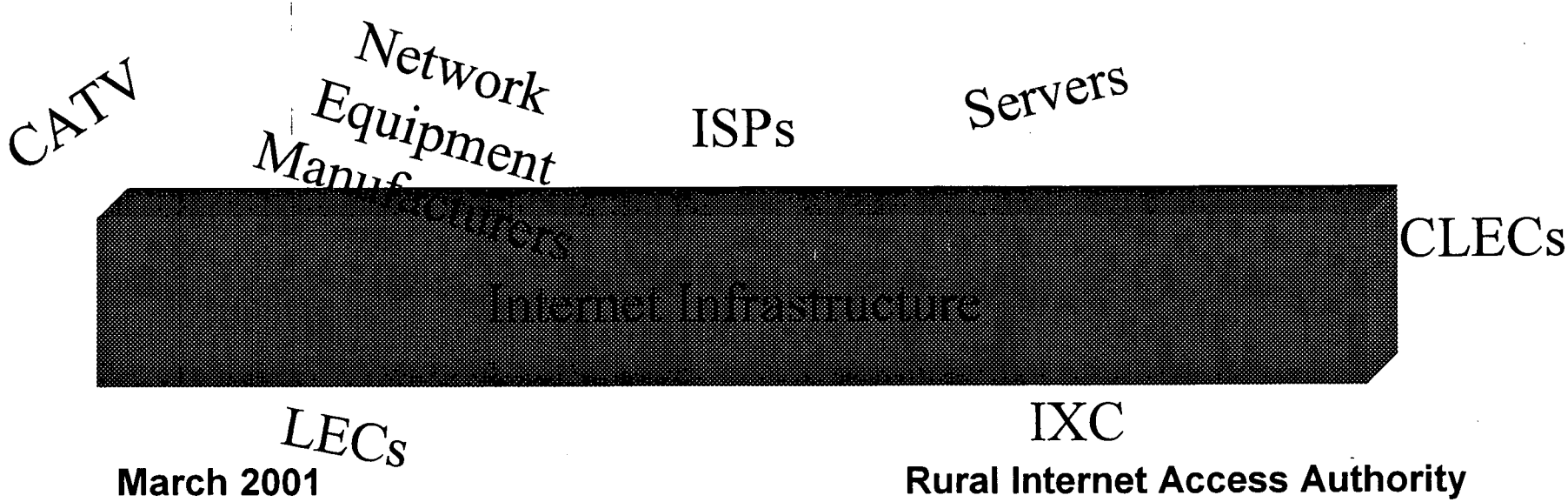
- Broadband Access
- ISP Access
- Costs of Connectivity
- Internet-capable Devices
- Training
- Application Access

What are the Roadblocks?

- Basic, affordable access
  - Affordable basic Internet access
  - Affordable high speed Internet access
  - Affordable Internet-capable device
  - Training
  - Applications

"Digital Opportunities"

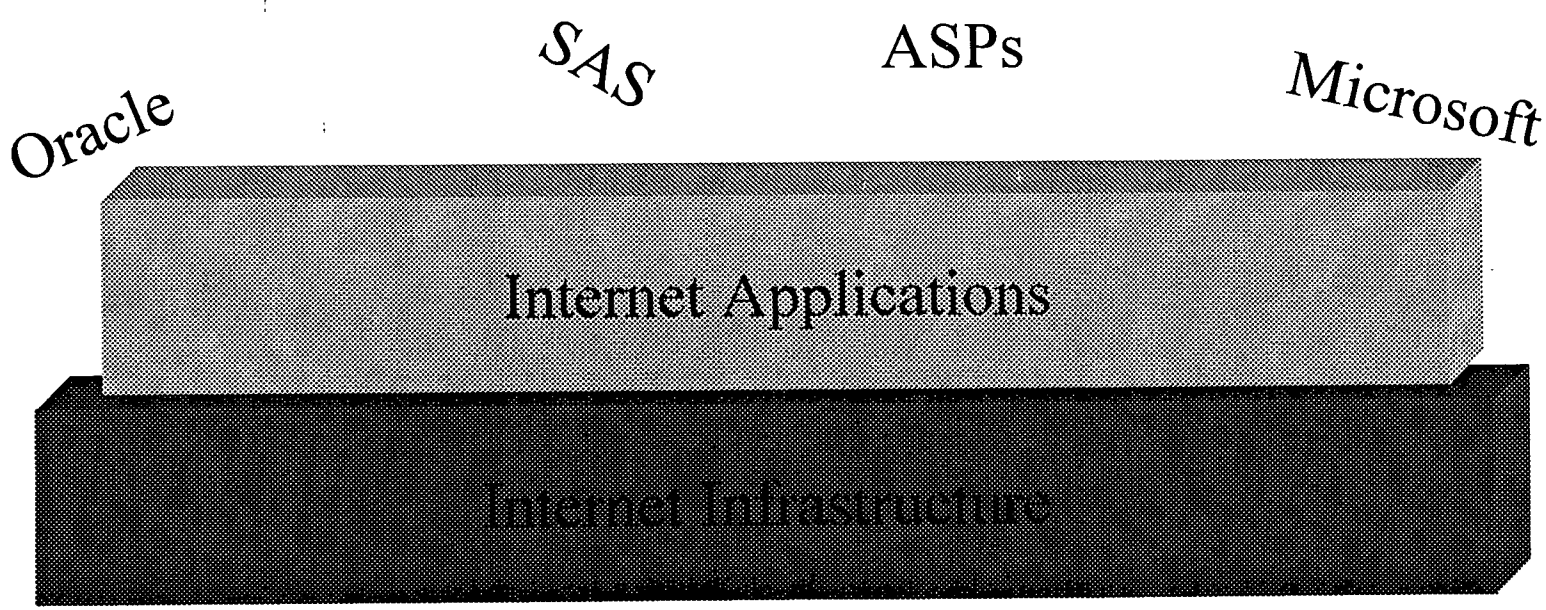
The Digital Economy



March 2001

Rural Internet Access Authority

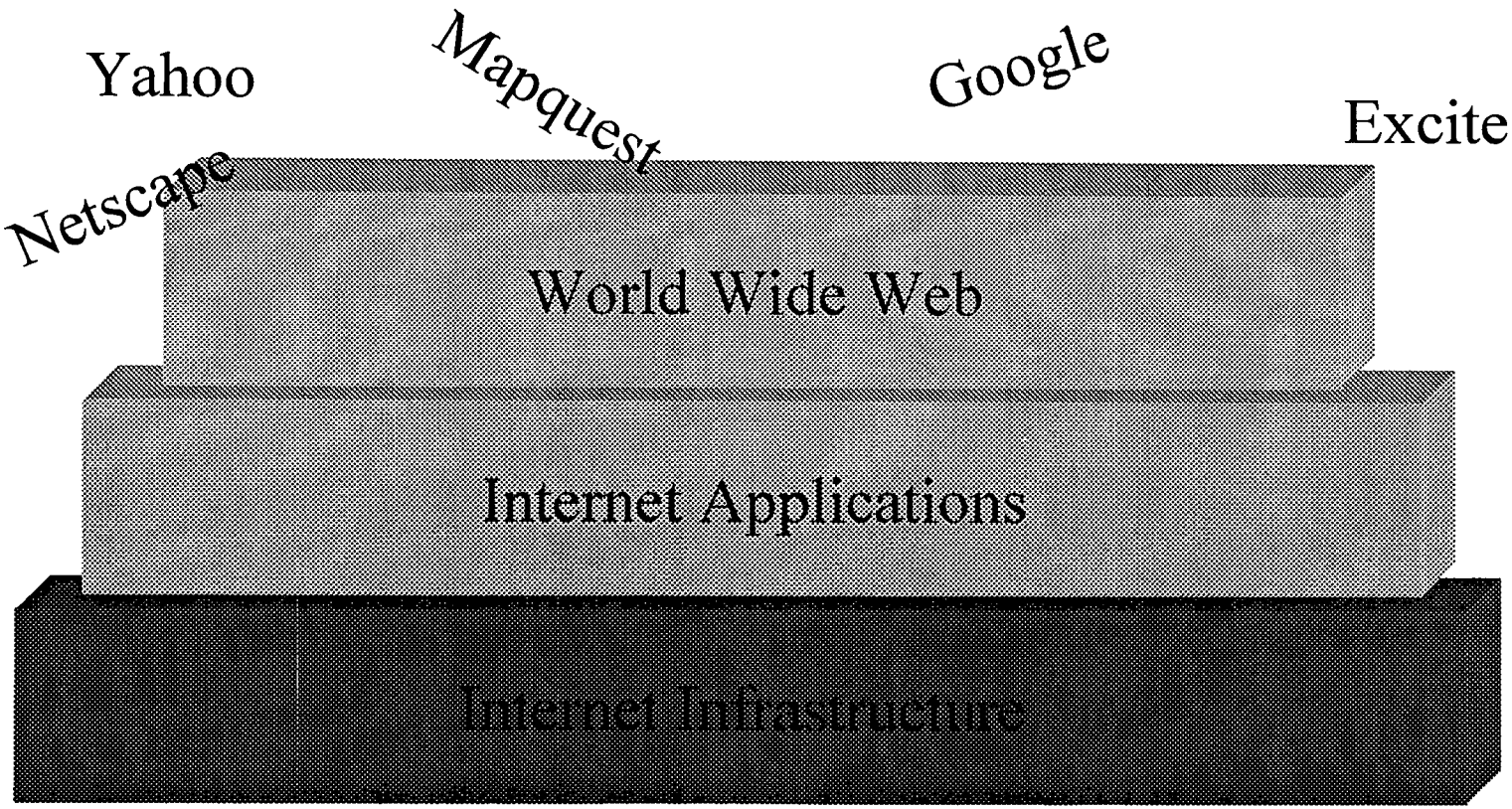
The Digital Economy



March 2001

Rural Internet Access Authority

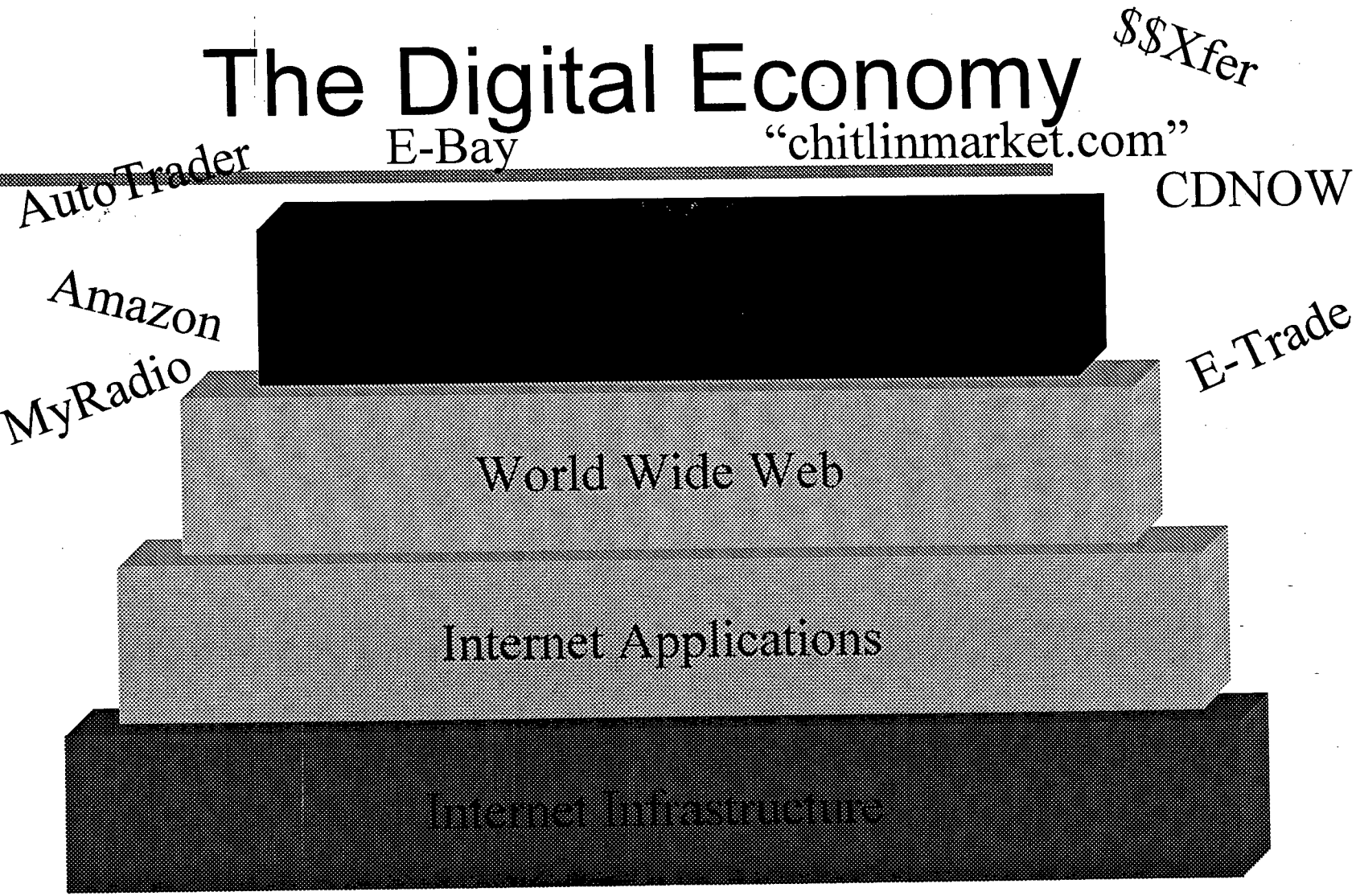
The Digital Economy



March 2001

Rural Internet Access Authority

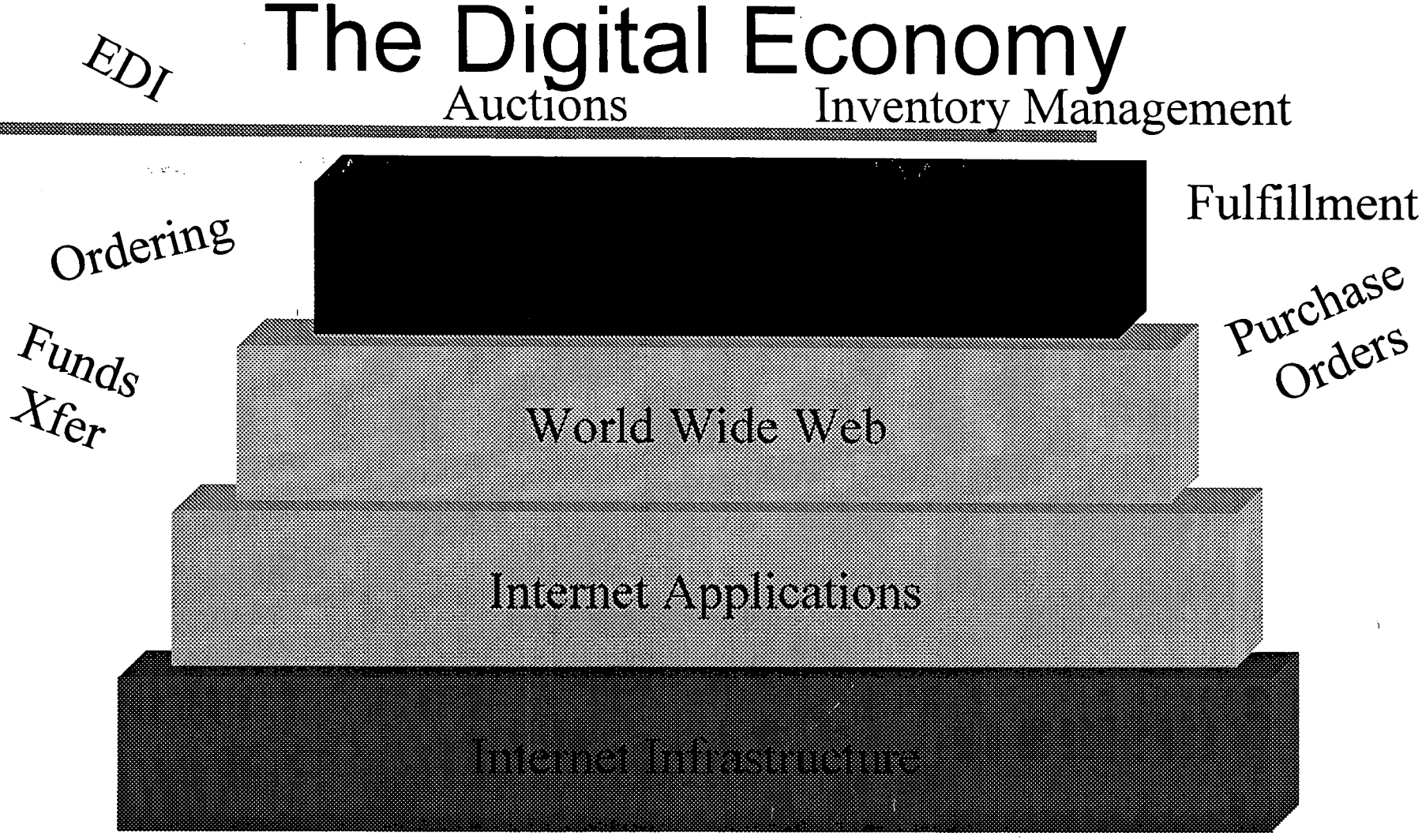
The Digital Economy



March 2001

Rural Internet Access Authority

The Digital Economy



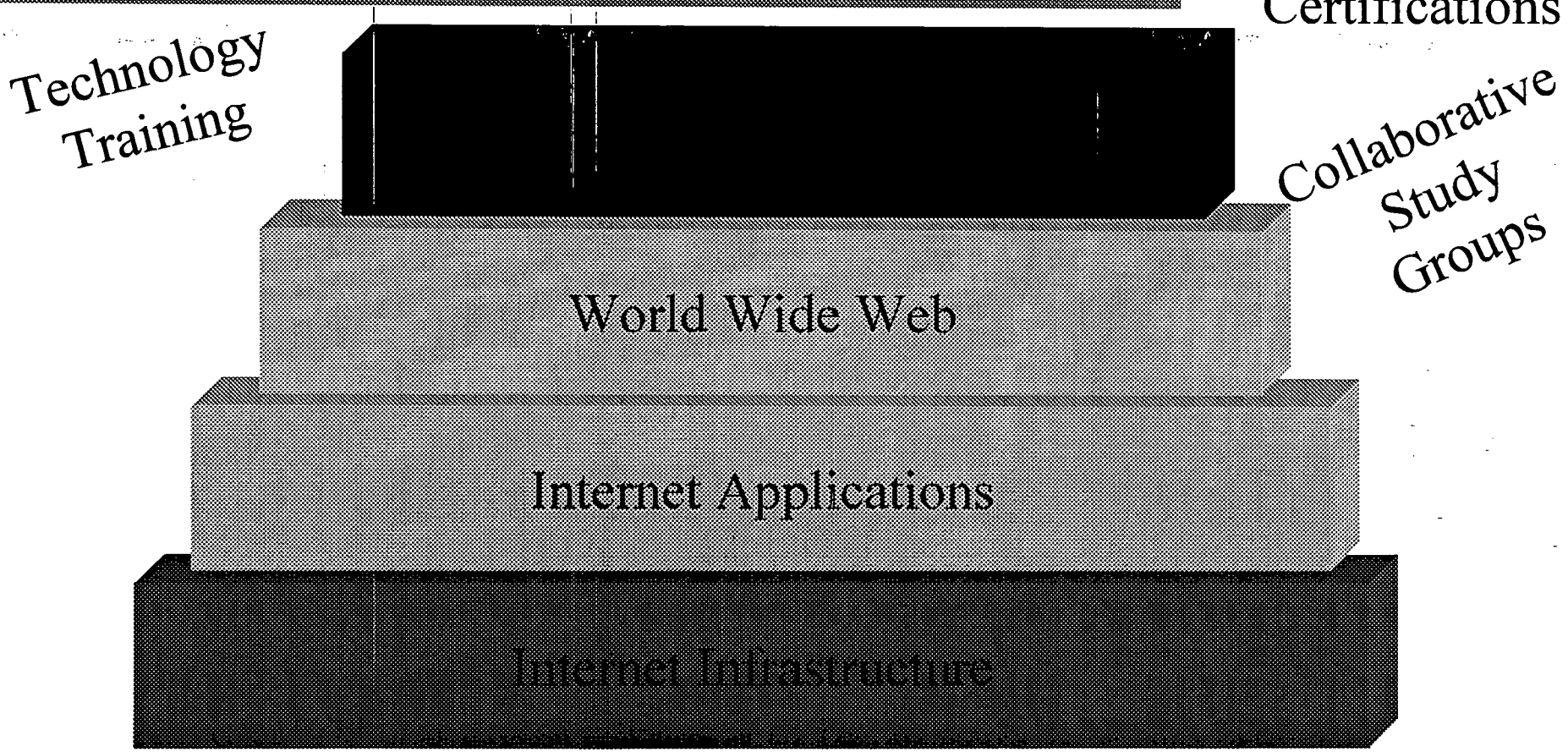
March 2001

Rural Internet Access Authority

GED

The Digital Economy

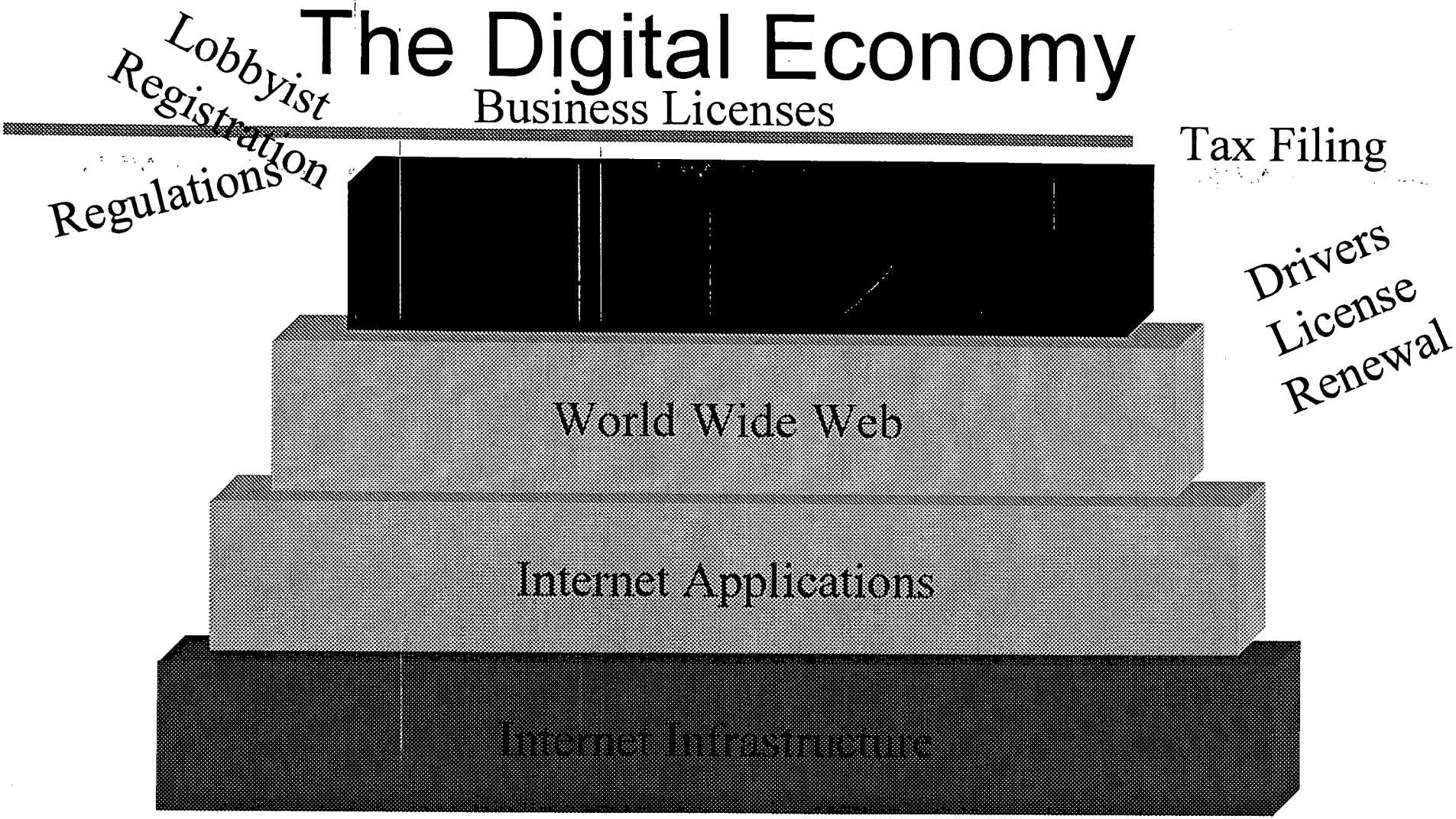
Virtual Learning Communities



March 2001

Rural Internet Access Authority

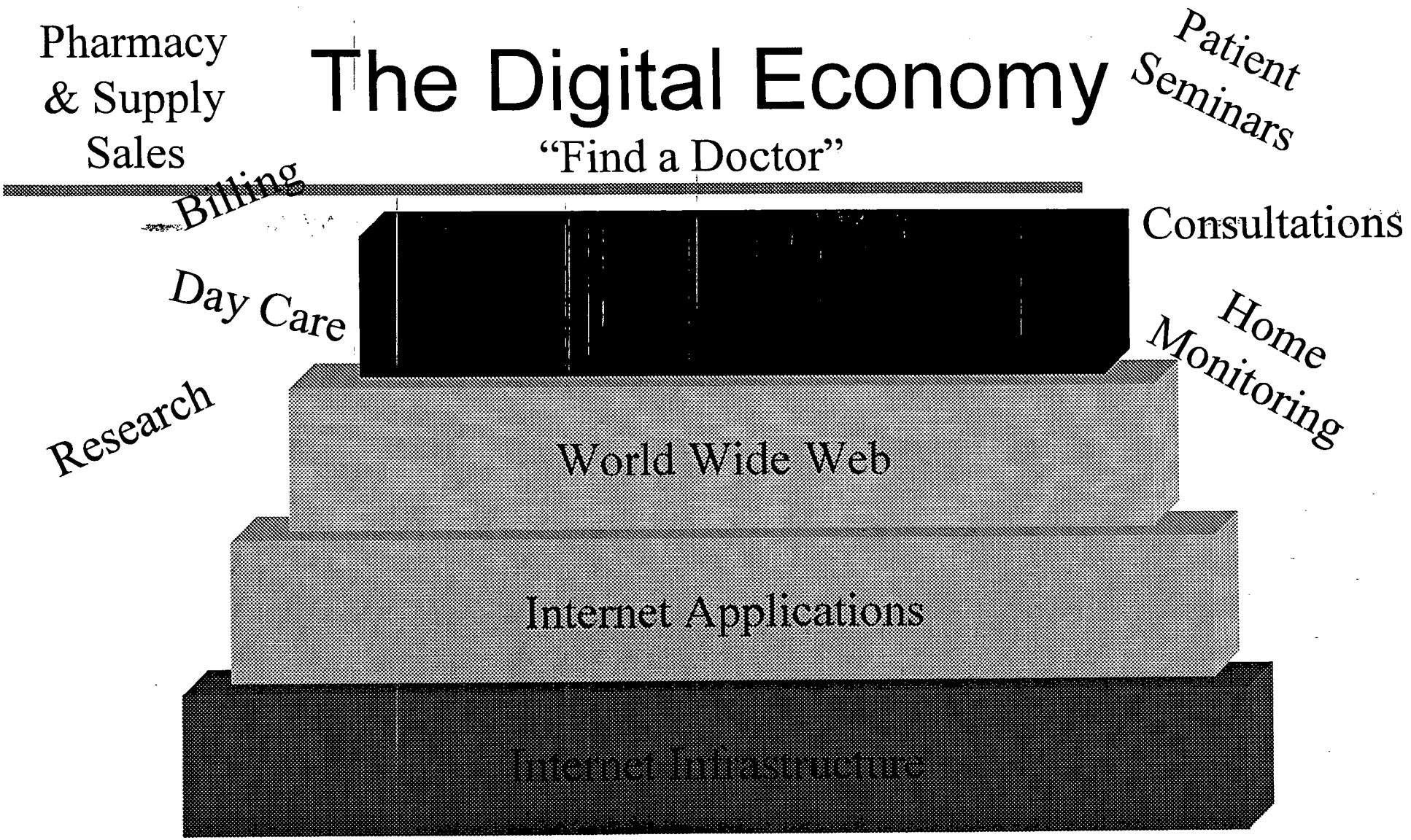
The Digital Economy



March 2001

Rural Internet Access Authority

The Digital Economy



March 2001

Rural Internet Access Authority

- *Given some states' reputation as technology-based, New Economy states, their scores seem surprising at first. For example, Georgia and North Carolina rank 25th and 30th respectively, in spite of the fact that the regions around RTP and Atlanta boast top universities, a highly educated workforce, cutting-edge technology companies, and global connections. In both cases, however, the parts of the state outside these metropolitan regions are rooted in the old economy ...* State New Economy Index, Progressive Policy Institute, July 1999

Digital Economy Success Factors

- Access … Available and Affordable
- Applications … Meeting the Needs
- Appliances … Internet, that is
- Acceptance … The Internet Can Work For All
- Training … Our Kids Already Know How

History of Rural Internet Access Authority

- RURAL PROSPERITY TASK FORCE
- NC BOARD OF SCIENCE & TECHNOLOGY – VISION 2030 PROJECT
- RURAL CENTER – CLAIMING THE FUTURE
- SENATE BILL 1343
- RURAL INTERNET ACCESS AUTHORITY

Goals and Objectives

- Local dial-up internet access in one year
- High-speed access in three years
- Two pilot telework centers in 18 months
- Significant increase in ownership of computers, devices, internet access
- Information on WWW regarding availability of services
- Development of e-applications

Beginning a List of Principles...

- Technology neutral
- Encourage local solutions
- Use private sector to the maximum extent
- Avoid "extra special" regulations
- Avoid "same solution for all"
- Other…

Tool Kit for Communities

- Demand Aggregation
- Anchor Tenant
- Community Internet Access
- Training
- New Economy Readiness

Implementation Actions

- Develop organization
- Explore basis for incentives for private sector
- Seek funding from public and private sources
- Develop website to provide information on availability of services
- Establish regional effort with Economic Development Commissions, universities and community colleges

Issues – All in Parallel

- Connectivity Infrastructure
- Applications
- Access Devices
- Network Charges
- Training
- Readiness for New Economy

County Tier Designations

2001 North Carolina County Tier Designations

TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
ALLEGHANY	ANSON	AVERY	BRUNSWICK	ALAMANCE
ASHE	BLADEN	CASWELL	BURKE	ALEXANDER**
BEAUFORT	DUPLIN*	CHOWAN	CALDWELL	BUNCOMBE
BERTIE	HOKE	CLEVELAND	CARTERET	CABARRUS
CAMDEN	MADISON	CUMBERLAND	CRAVEN	CATAWBA
CHEROKEE	MITCHELL	CURRITUCK	DARE**	CHATHAM
CLAY	MONTGOMERY	GASTON*	FRANKLIN	DAVIDSON**
COLUMBUS	ONSLOW	GATES	GRANVILLE	DAVIE
EDGECOMBE	PAMLICO	GREENE	HARNETT	DURHAM
GRAHAM	PASQUOTANK	HAYWOOD	LINCOLN	FORSYTH
HALIFAX	ROBESON	JACKSON	MACON**	GUILFORD
HERTFORD	VANCE	LENOIR	NASH	HENDERSON
HYDE		MCDOWELL	PENDER	IREDELL
JONES		PERSON*	PITT	JOHNSTON
MARTIN		POLK	ROWAN	LEE
NORTHAMPTON		ROCKINGHAM	SAMPSON**	MECKLENBURG
PERQUIMANS		RUTHERFORD**	STOKES*	MOORE
RICHMOND		STANLY	SURRY	NEW HANOVER
SCOTLAND		WATAUGA	WILKES	ORANGE
SWAIN		WAYNE	YADKIN*	RANDOLPH
TYRRELL		WILSON		TRANSYLVANIA
WARREN				UNION
WASHINGTON				WAKE
YANCEY				

* The county's 2001 Tier designation is one one tier lower than its 2000 designation

** The county's 2001 Tier designation is one one tier higher than its 2000 designation

March 2001

Rural Internet Access Authority

Authority
Members & Committees

*Committee Chair
**Committee Vice-Chair
#Non-Commission Member

Board Members	Committee Members - (List in Progress)																			
	LLR		Outreach		Technical		Telework		App.		Comm.	
Don Altieri	Ed Turlington	*	Oppie Jordan	*	Ron Hawley	*	Patricia Ferguson	*	Cecil Groves	*	Kelly King	*
Wally Bowen	Robert Wells	**	Don Altieri	**	Don Hathcock	**	Curtis Wynn	**	L.S. Guy	**	Ed McDaries	**
John Carringer	Bo McNeill		Barbara Boyce	#	Andy Billingsley	#	Barbara Weaver	#	John Carringer	**	Arlen Holt	#
Patricia Ferguson	Dave Holec	#	Bill Kress		Benny Hendrix	#	Billy Ray Hall	#	Bob Blackmun	#	Billy Ray Hall	#
Joe Foster	David Hutto	#	Bonnie Moore	#	Bill Kress		Bob Sams	#	Carl Classen	#	Brenda Dougherty	#
Cecil Groves	Don Altieri		Cecil Groves		Bo McNeill		Ed Shearin	#	Carol Stem	#	Ed Turlington	
L.S. Guy	Don Hathcock		David Meacham	#	Charlie Clark	#	Henry Morton	#	Carolyn Argentati	#	Elaine Mathews	#
Jon Hamm	Eugene Russell	#	Doris Brown	#	Curtis Wynn		John Whitehurst	#	Chris Wease	#	Kathrine Joyce	#
Don Hathcock	Jerry Weikle	#	Herb Crenshaw	#	David Hutto	#	Kathryn Lawrence	#	David Edwards	#	Margot Christensen	#
Ron Hawley	Joe Foster		Hunter Thompson	#	Dick Taylor	#	L.S. Guy		Don Adams	#	Mari Trosdair	#
Oppie Jordan	Lee Mandell	#	Joe Freddoso	#	Don Altieri		Linda DeGrand	#	Dwayne Campbell	#	Stuart George	#
Kelly King	Linda DeGrand	#	John Carringer		Gary Steeley	#	Mary Sue Brown	#	Emmett Patterson	#	Susan Moran	#
William Kress	Mary Ann Hinshaw	#	June Brotherton	#	Jim Northrup	#	Peggy Manning	#	Gail Findlay	#		
James Leutze	Oppie Jordan		Kelly King		John Isenhour	#	Rebecca Troutman	#	Gary Steppe	#		
Ed McDaries	Patricia Ferguson		Mari Trosdair	#	Jon Hamm		Scott Ralls	#	Geoff Honaker	#		
Bo McNeill	Paul Ridgeway		Marion Altman	#	Mary Sue Brown	#	Sharon Craig	#	Holt Anderson	#		
Paul Ridgeway	Rebecca Troutman	#	Melanie Collins	#	Michael Taylor	#	Tim Rhodes	#	Hunter Thompson	#		
Ed Turlington	Rick Happ	#	Parks Todd	#	Richard Kelly	#	Timmy Baynes	#	Jeff Spade	#		
Robert Wells	Ron Hawley	#	Paula Stewart	#	Steve Lane	#	Wally Bowen		John Killebrew	#		
Curtis Wynn	Steve Parrott	#	Peggy Graham	#	Steve Wagner	#	Will Johnson	#	Jon Hamm			
	Wally Bowen		Peter Tavernise	#	Thomas Parrish	#			Katherine Joyce	#		
			Robert Burgin	#	Tom Foss	#			Kevin Fitzgerald	#		
			Ronnie Harrell	#	Tom Gray	#			Lee Mandell	#		
			Sharon Craig	#	Tom Mims	#			Linda DeGrand	#		
			Tom Fife	#	Vickie Lonker	#			Mary Sizemore	#		
					Wally Bowen				Mary Sue Brown	#		
					Wendy Kuhn	#			Sandy Babb	#		
									Scott Cline	#		
									Scott Ralls	#		
									Sherry McCuller	#		
									Stacy J. Guffey	#		
									Thomas Parrish	#		
									Tim Rhodes	#		
									Tom Foss	#		
									Tom Gray	#		
									Wallace McLendon	#		
									Wally Bowen			
									Will Johnson			
Staff Contact	**Angie Bailey**		**Sandy Babb (and Beth Murphy)**		**Dan McAuley**		**Sandy Babb (and Angie Bailey)**		**Beth Murphy**		**Beth Murphy**	

Authority Staff List

Rural Internet Access Authority			
Staff	**Title**	**E-mail**	**Phone**
			(919) 250-4314
Jane Smith Patterson	Executive Director	jane@ncruralcenter.org	X241
Dan McAuley	Subscriber Network Technologist	dan@ncruralcenter.org	X245
Charles Stanback	Outreach Director	cstanback@ncruralcenter.org	X256
Charlie Clark	Network Access Technologist	cclark@ncruralcenter.org	X234
Beth Murphy	Program Associate	beth@ncruralcenter.org	X224
Angie Bailey	Executive Assistant	angie@ncruralcenter.org	X269
Mark Walters	Intern	mark@ncruralcenter.org	

WE NEED YOU TO SIGN ON AND HELP US!

CONNECTING NC

Send your e-mail volunteering to jane@ncruralcenter.org

March 2001 **Rural Internet Access Authority**

Rural Internet Access Authority

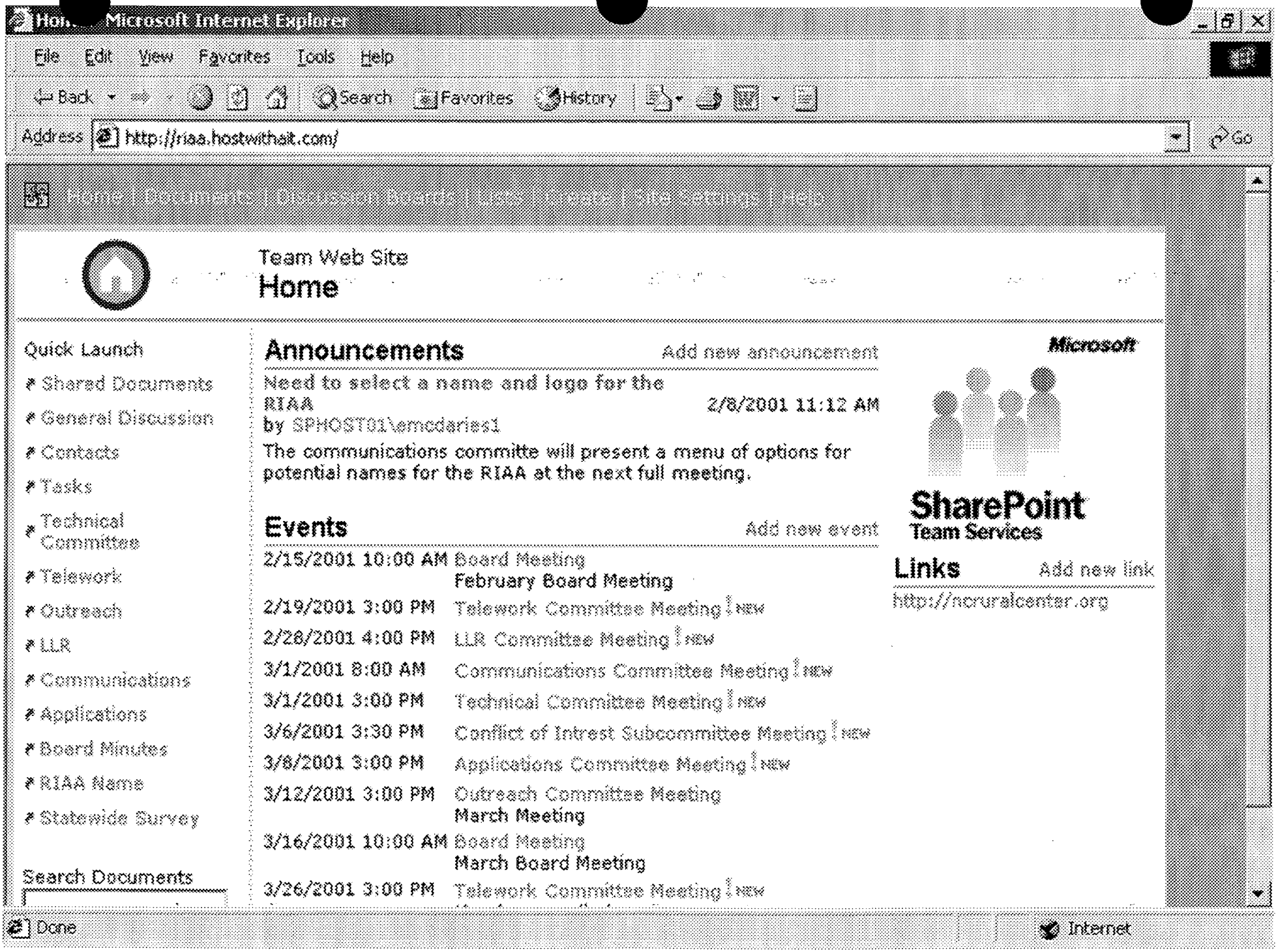
Share Point Intranet Site

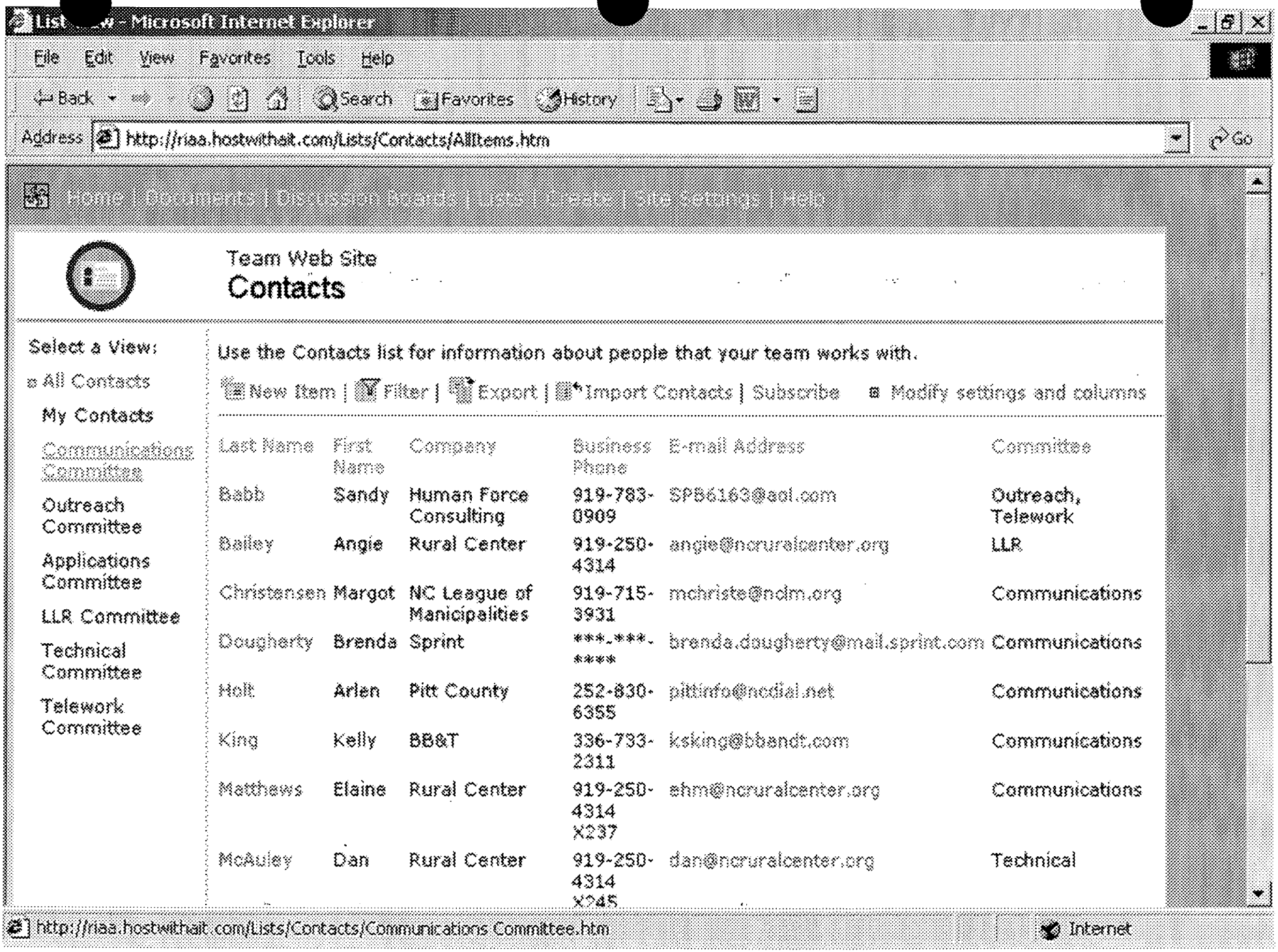
An overview of how it works

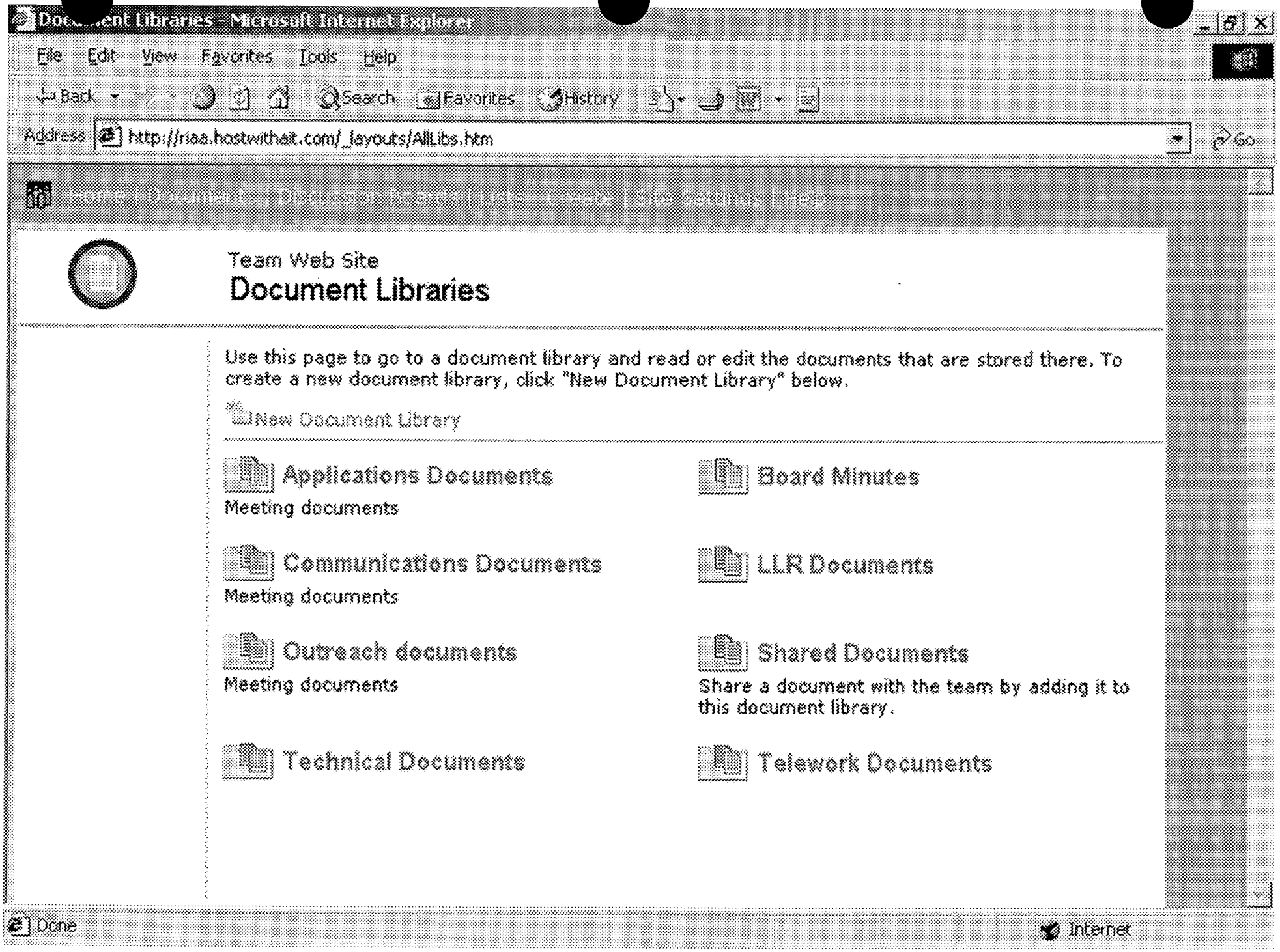
Beth Murphy

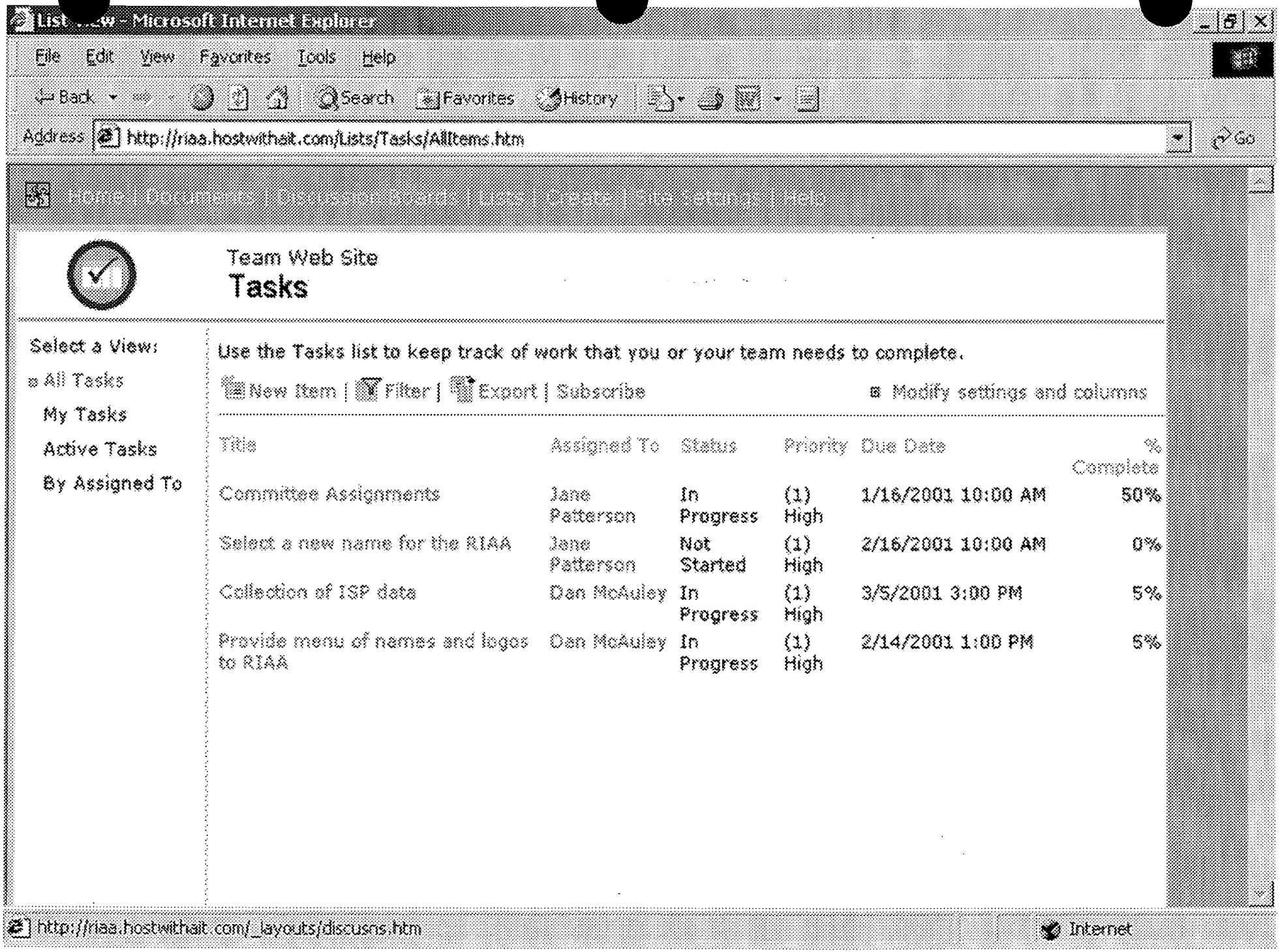
Program Associate

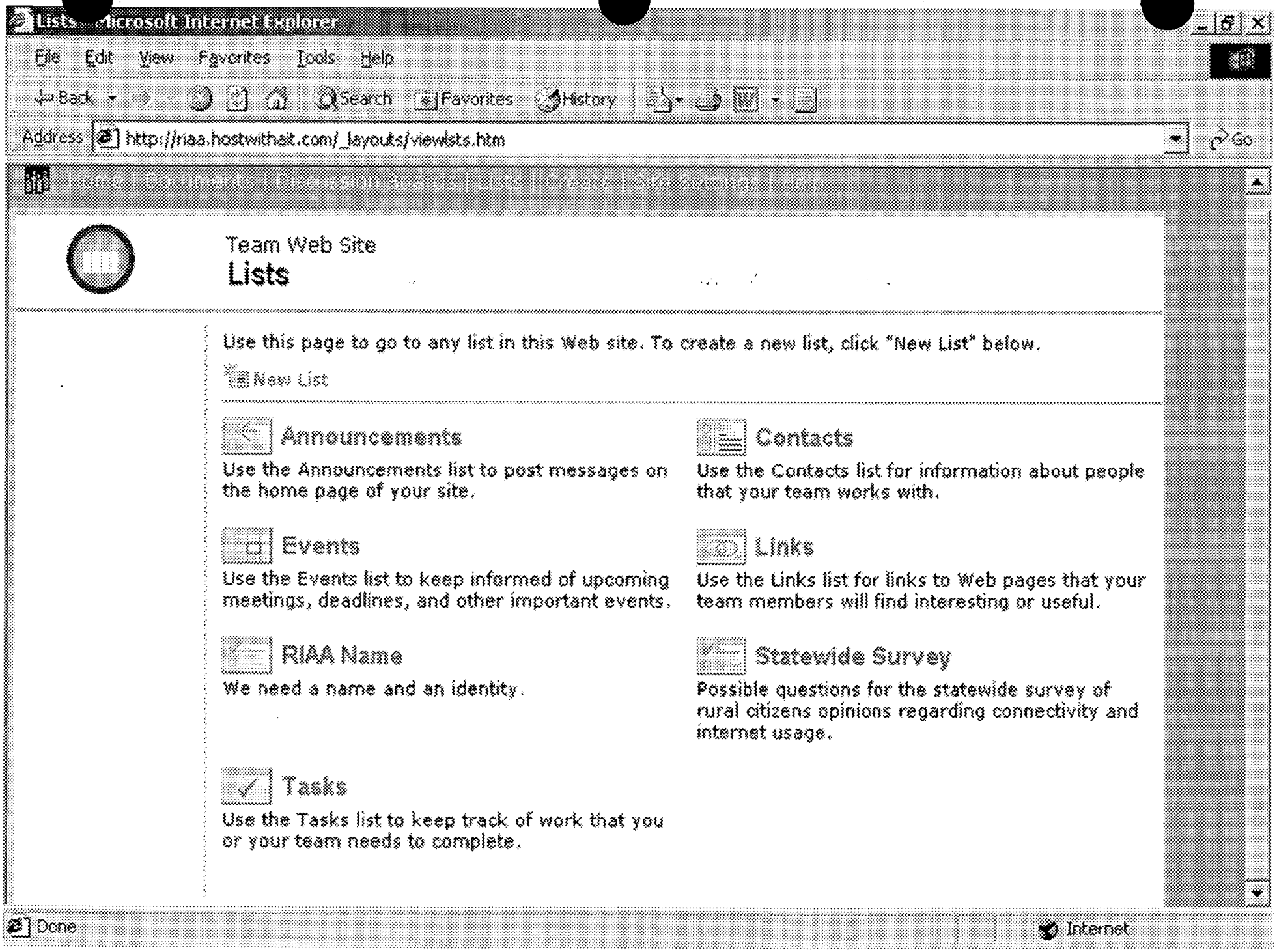
Rural Center

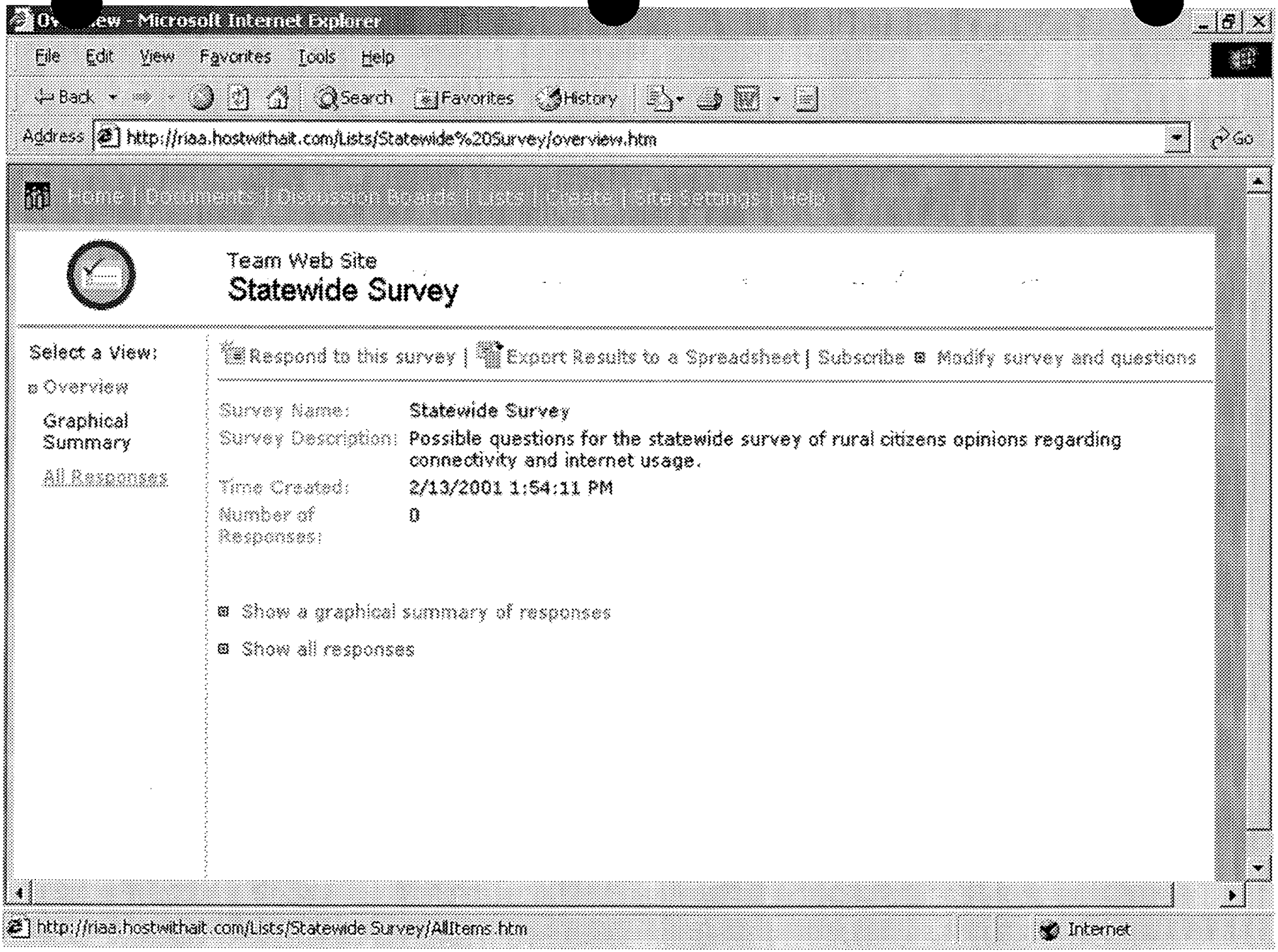

Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithsit.com/
Go
Team Web Site
Home
Quick Launch
Shared Documents
General Discussion
Contacts
Tasks
Technical Committee
Telework
Outreach
LLR
Communications
Applications
Board Minutes
RIAA Name
Statewide Survey
Search Documents
Announcements
Add new announcement
Need to select a name and logo for the RIAA
2/8/2001 11:12 AM
by SPHOST01\emcdaries1
The communications committe will present a menu of options for potential names for the RIAA at the next full meeting.
Events
Add new event
2/15/2001 10:00 AM Board Meeting
February Board Meeting
2/19/2001 3:00 PM Telework Committee Meeting NEW
2/28/2001 4:00 PM LLR Committee Meeting NEW
3/1/2001 8:00 AM Communications Committee Meeting NEW
3/1/2001 3:00 PM Technical Committee Meeting NEW
3/6/2001 3:30 PM Conflict of Intrest Subcommittee Meeting NEW
3/8/2001 3:00 PM Applications Committee Meeting NEW
3/12/2001 3:00 PM Outreach Committee Meeting
March Meeting
3/16/2001 10:00 AM Board Meeting
March Board Meeting
3/26/2001 3:00 PM Telework Committee Meeting NEW
Microsoft
SharePoint
Team Services
Links
Add new link
http://ncruralcenter.org
Done
Internet


List ...w - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithait.com/Lists/Contacts/AllItems.htm
Go
Team Web Site
Contacts
Select a View:
All Contacts
My Contacts
Communications Committee
Outreach Committee
Applications Committee
LLR Committee
Technical Committee
Telework Committee
Use the Contacts list for information about people that your team works with.
New Item | Filter | Export | Import Contacts | Subscribe
Modify settings and columns
Last Name First Name Company Business Phone E-mail Address Committee
Babb Sandy Human Force Consulting 919-783-0909 SPB6163@aol.com Outreach, Telework
Bailey Angie Rural Center 919-250-4314 angie@ncruralcenter.org LLR
Christensen Margot NC League of Manicipalities 919-715-3931 mchriste@nclm.org Communications
Dougherty Brenda Sprint ***-***-**** brenda.dougherty@mail.sprint.com Communications
Holt Arlen Pitt County 252-830-6355 pittinfo@nodial.net Communications
King Kelly BB&T 336-733-2311 ksking@bbandt.com Communications
Matthews Elaine Rural Center 919-250-4314 X237 ehm@ncruralcenter.org Communications
McAuley Dan Rural Center 919-250-4314 X245 dan@ncruralcenter.org Technical
http://riaa.hostwithait.com/Lists/Contacts/Communications Committee.htm
Internet


Document Libraries - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithhait.com/_layouts/AllLibs.htm
Go
Team Web Site
Document Libraries
Use this page to go to a document library and read or edit the documents that are stored there. To create a new document library, click "New Document Library" below.
New Document Library
Applications Documents
Meeting documents
Board Minutes
Communications Documents
Meeting documents
LLR Documents
Outreach documents
Meeting documents
Shared Documents
Share a document with the team by adding it to this document library.
Technical Documents
Telework Documents
Done
Internet


List View - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithhait.com/Lists/Tasks/AllItems.htm
Go
Team Web Site
Tasks
Select a View:
All Tasks
My Tasks
Active Tasks
By Assigned To
Use the Tasks list to keep track of work that you or your team needs to complete.
New Item | Filter | Export | Subscribe
Modify settings and columns
Title
Assigned To
Status
Priority
Due Date
% Complete
Committee Assignments
Jane Patterson
In Progress
(1) High
1/16/2001 10:00 AM
50%
Select a new name for the RIAA
Jane Patterson
Not Started
(1) High
2/16/2001 10:00 AM
0%
Collection of ISP data
Dan McAuley
In Progress
(1) High
3/5/2001 3:00 PM
5%
Provide menu of names and logos to RIAA
Dan McAuley
In Progress
(1) High
2/14/2001 1:00 PM
5%
http://riaa.hostwithhait.com/_layouts/discussns.htm
Internet


Lists - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithsit.com/_layouts/viewlists.htm
Go
Team Web Site
Lists
Use this page to go to any list in this Web site. To create a new list, click "New List" below.
New List
Announcements
Use the Announcements list to post messages on the home page of your site.
Contacts
Use the Contacts list for information about people that your team works with.
Events
Use the Events list to keep informed of upcoming meetings, deadlines, and other important events.
Links
Use the Links list for links to Web pages that your team members will find interesting or useful.
RIAA Name
We need a name and an identity.
Statewide Survey
Possible questions for the statewide survey of rural citizens opinions regarding connectivity and internet usage.
Tasks
Use the Tasks list to keep track of work that you or your team needs to complete.
Done
Internet


Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithait.com/Lists/Statewide%20Survey/overview.htm
Go
Team Web Site
Statewide Survey
Select a View:
Overview
Graphical Summary
All Responses
Respond to this survey | Export Results to a Spreadsheet | Subscribe | Modify survey and questions
Survey Name: Statewide Survey
Survey Description: Possible questions for the statewide survey of rural citizens opinions regarding connectivity and internet usage.
Time Created: 2/13/2001 1:54:11 PM
Number of Responses: 0
Show a graphical summary of responses
Show all responses
http://riaa.hostwithait.com/Lists/Statewide Survey/AllItems.htm
Internet

Joint Appropriations Subcommittee on Information Technology
March 15, 2001
Rural Internet Access Authority Overview

Prepared by: Peter Capriglione
Committee Staff

The Rural Internet Access Authority was created during the 1999 session. Enacted July 13, 2000 North Carolina General Assembly Session Law 2000 – 149

Title:
AN ACT TO CREATE THE NORTH CAROLINA RURAL INTERNET ACCESS AUTHORITY AND TO DIRECT THE REGIONAL PARTNERSHIPS, WITH THE ASSISTANCE OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, TO STUDY AND REPORT ON THE INFORMATION TECHNOLOGY INFRASTRUCTURE AND INFORMATION TECHNOLOGY NEEDS OF THE STATE

Executive Director: Jane Smith-Patterson

- **The intent of the Rural Internet Access Authority is to close this digital divide for the citizens of North Carolina.**
  - To develop and recommend to the Governor, the General Assembly, and the North Carolina Rural Redevelopment Authority a plan to provide rural counties with high-speed broadband Internet access.
  - To propose funding that may be needed from the North Carolina Rural Redevelopment Authority established in Part 2D of this Article and from other appropriate sources for incentives for the private sector to make necessary investments to achieve the Authority's goals and objectives.
- **Funding**
  - Funding for the Rural Internet Access Authority will come from private sources.
- **Definitions**
  - **High-speed broadband Internet access**
    - Internet access with transmission speeds of at least 128 kilobits per second for residential customers and at least 256 kilobits per second for business customers.
  - **Regional partnership. -- Defined in G.S. 143B-437.21.**
    - Regional partnership. – Any of the following:
      - The Western North Carolina Regional Economic Development Commission created in G.S.158-8.1.
      - The Northeastern North Carolina Regional Economic Development Commission created in G.S. 158-8.2.
      - The Southeastern North Carolina Regional Economic Development Commission created in G.S.158-8.3.
      - The Global TransPark Development Commission created in G.S.158-33.
      - The Carolinas Partnership, Inc.
      - The Research Triangle Regional Partnership.
      - The Piedmont Triad Partnership.
  - **Rural county**
    - A county with a density of fewer than 200 people per square mile based on the 1990 United States decennial census.
- **Staff**
  - The North Carolina Rural Economic Development Center, Inc., shall provide administrative and professional staff support for the Authority under contract.
- **Goals**
  - The goals and objectives of the Authority are:
  - Local dial-up Internet access provided from every telephone exchange within one year. High-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina.

VISITOR REGISTRATION SHEET

APPROPRIATIONS / Subcom — March 15, 2001
Name of Committee — Date

INFORMATION TECHNOLOGY

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
BEN McLawhorn	OSC
Nic Heinke	NCEITA
John Davis	OSBPM
Pam Wescott	Sprint
Danny Coates	ITS
Caroline Jackson	DHHS - DIRM
WENDY KUHN	ITS
Bob Bellamy	DPI
Benny Hendrix	DPI
Lee Mandell	NCLM
Jim Dobson	FRD
Sharon Lipscomb	NC Rural Center
Mark Walters	RIAA
Beth Murphy	RIAA (Rural center)
Ron Hawley	ITS
Jon Hamm	Sprint
Wally Bowen	Mtn. Area Info Network
Oppie N. Jordan	Carolinas Gateway Partnership (RIAA Comm)
Patricia Ferguson	RIAA
Ed TURLINGTON	RIAA
Jane Patterson	RIAA
Billy Ray Hall	RIAA
JEFF VAN DYKE	BELLSOUTH
Betsy G Justus	ACS
Henry M Lancaster II	LCA
Jane Meyer	NCACC
[illegible]	[illegible]
Doug Hoyle	NCDOA
Cam Hunter	" "
[illegible]	DOR

VISITOR REGISTRATION SHEET

Information Technology — 3/19/01

Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Alfred M Mays	UNC-GA IR
Jay Raus	NCAEC

LEGISLATIVE BRIEFING ON THE RIAA
JOINT SELECT COMMITTEE
ON INFORMATION TECHNOLOGY
Room 1425 General Assembly Building
March 15, 2001 8:30 to approximately 9:15 a.m.

Co-chairs of the group are House: Joe Tolson and Russell Tucker
Other members are: Representatives Rex Baker, Michael Harrington, Bob Hensley, Mark Hilton, Paul Miller and Trudy Walend

Chair of the Senate: Senator Eric Reeves and Vice Chair – Senator Kay Hagan
Other members are: Senators Virginia Fox and Brad Miller

AGENDA FOR BRIEFING FOR THE RIAA
INTRODUCTION AND COMMENTS
Billy Ray Hall, President of the NC Rural Center

THE IMPORTANCE TO RURAL NORTH CAROLINA OF BEING CONNECTED
THE MCNC AGREEMENT
Billy Ray Hall, President of the NC Rural Center

BOARD MEMBERS REPORTS ON COMMITTEES

Technical Committee	
Ron Hawley	Raleigh, NC
Telework/Telecenters	
Patricia Ferguson	Colerain, NC
Law, Legal and Regulatory	
Ed Turlington	Raleigh, NC
Outreach	
Oppie Jordan	Rocky Mount, NC
Applications	
Jon Hamm	Wake Forest, NC
Communications	
Wally Bowen	Asheville, NC

RIAA OPERATIONS Jane Patterson, Executive Director

CONCLUDING REMARKS AND QUESTIONS Billy Ray Hall

Staffing start-up meeting

MINUTES

APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Tuesday, March 27, 2001
8:30 a.m.
Room 1425, Legislative Building

The Appropriations Subcommittee on Information Technology met on Tuesday, March 27, 2001, at 8:30 a.m. in Room 1425, Legislative Building. Senators Eric Reeves, Kay Hagan, Virginia Foxx, and Representatives Tolson, Tucker, Harrington, Hilton, Miller and Walend were present.

Representative Russell Tucker presided at the meeting. The chair recognized Senate Page James H. Johnson, III, House Page Emily Troutman, Senate Sergeant at Arms Ron Spann and Mary Perry, and House Senate at Arms Donnell Leathers.

Chairman Tucker recognized Ron Hawley, Chief Information Officer, Office of Information Technology Services for an overview of expansion items. His **presentation is attached hereto** and made a part of these minutes by reference.

During the presentation, questions were asked concerning accounts receivable. Mr. Hawley responded that some accounts are up to 90 days, that the State Controller had been asked to draft agencies over 90 days past due. During discussion of late fees, Hawley indicated late fees are not assessed and legislation may be needed to assess fees. Following further discussion, staff was instructed to look into the issue of competition between ITS and other providers.

Visitors present are reflected on the **Visitor Information** sheet, which is attached hereto and made a part of these minutes by reference.

The committee meeting adjourned at 9:50 AM.

Representative Russell Tucker, Co-Chair

OFFICE OF INFORMATION TECHNOLOGY SERVICES
OVERVIEW OF EXPANSION ITEMS

Current Biennium 1999-2001

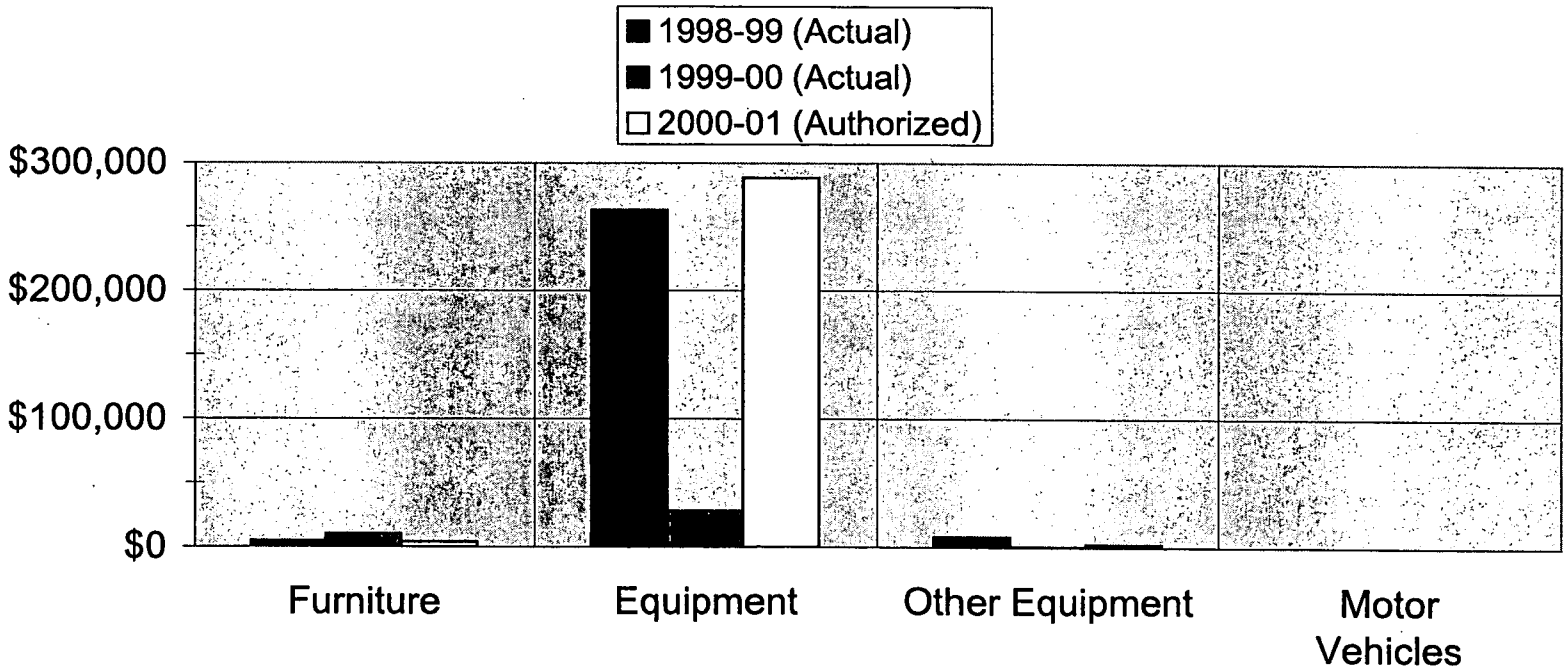
SELECTED EXPANSION AND/OR CAPITAL IMPROVEMENTS	FY 1999-00	FY 2000-01
1. Year 2000 Project	$988,894 NR	$0 NR
2. NC Information Highway	$10,758,017 NR	$8,513,284 NR
3. IRMC Independent Staff	$0 NR	$467,965 NR

New and Expanded Programs Since 1996

ITEM	FY 1996-97	FY 1997-98	FY 1998-99
1. Year 2000 Project	$0 R	$580,014 NR	$932,226 NR
2. NC Information Highway	$5,674,682 R	$7,778,601 NR	$9,191,236 NR

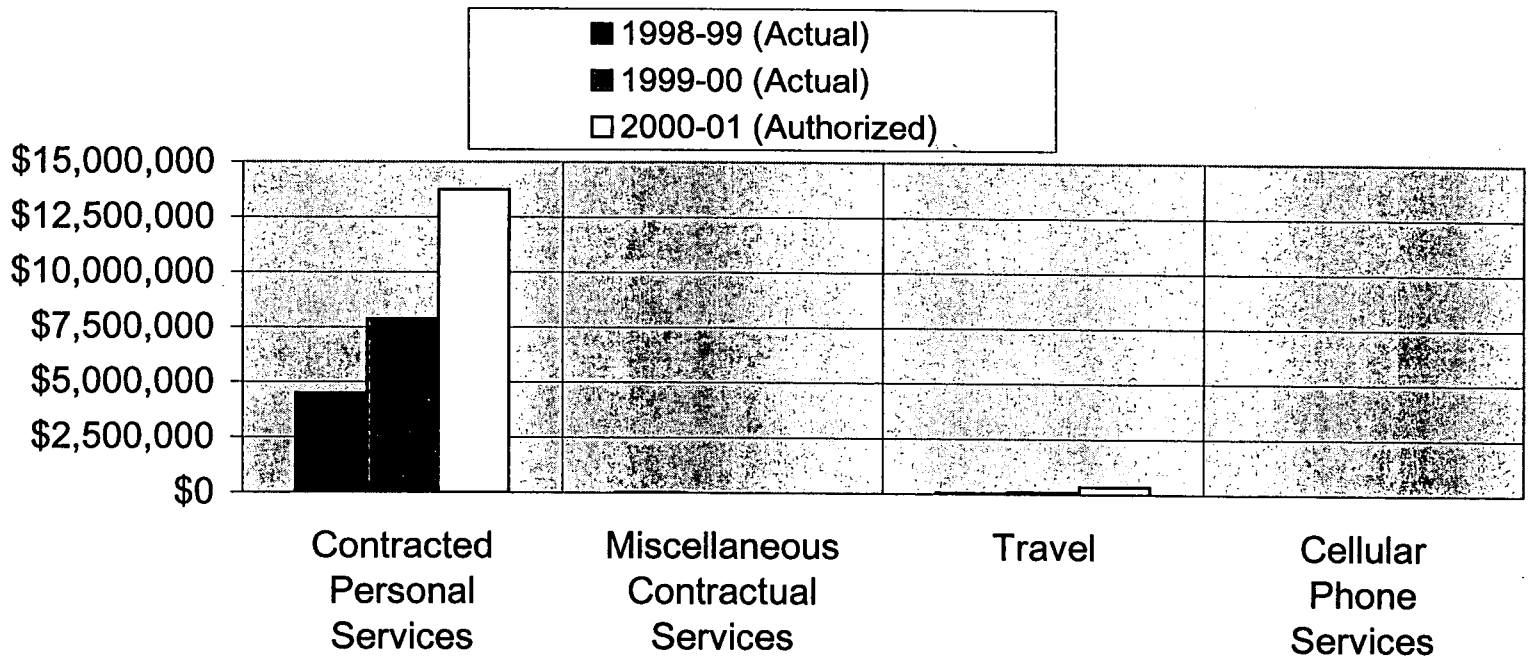
Fiscal Year	Line Item Expenditures			
	[illegible]	[illegible]	[illegible]	[illegible]
1998-99 (Actual)	$ 4,418	$ 262,883	$ 8,090	$ -
1999-00 (Actual)	$ 10,000	$ 28,007	$ 602	$ -
2000-01 (Authorized)	$ 4,000	$ 288,500	$ 2,300	$ -

Information Technology Services
Business Technology Services (Fund 7228)
Comparison of Actual and Authorized Expenditures



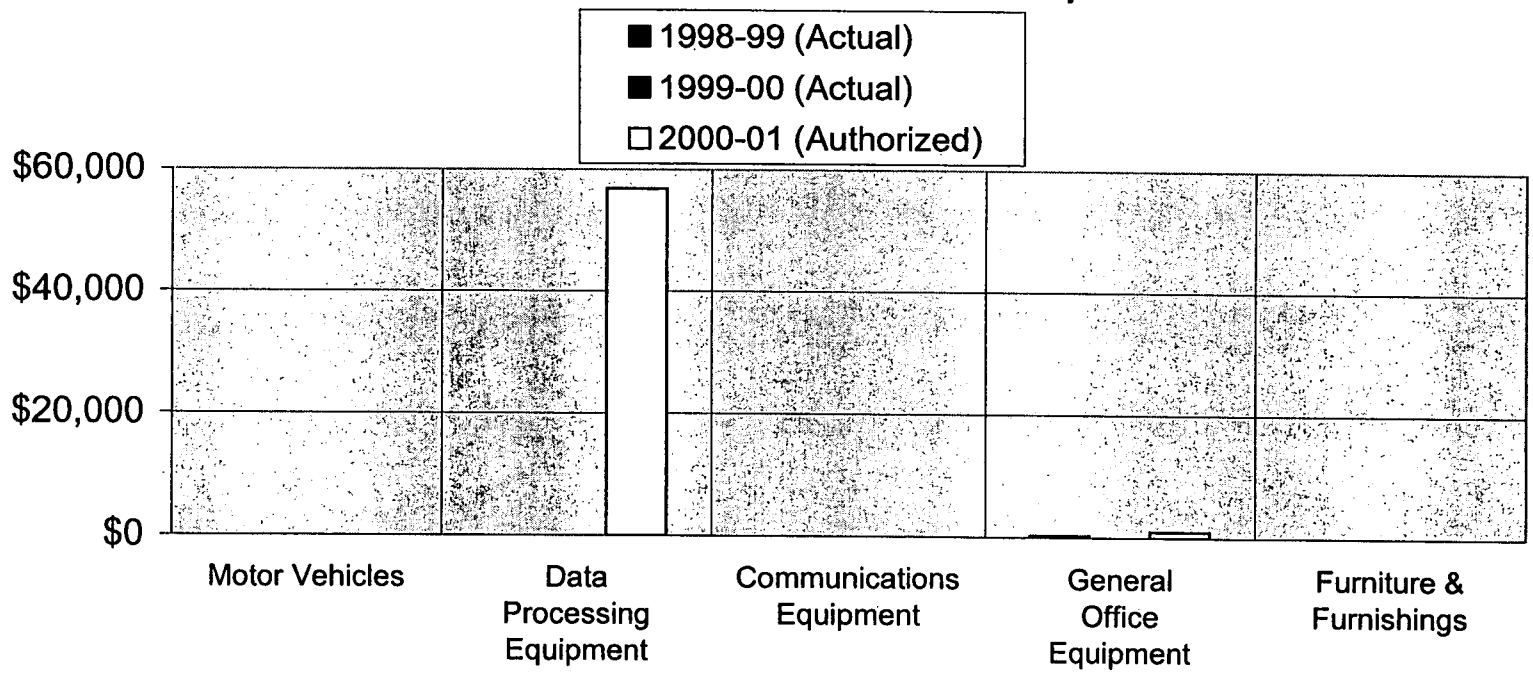
Fiscal Year	Line Item Expenditures			
1998-99 (Actual)	$ 4,488,008	$ 11,100	$ 56,512	$ 917
1999-00 (Actual)	$ 7,854,113	$ -	$ 96,224	$ 425
2000-01 (Authorized)	$ 13,740,023	$ -	$ 352,244	$ 1,800

Information Technology Services
Business Technology Services (Fund 7228)
Comparison of Actual and Authorized Expenditures



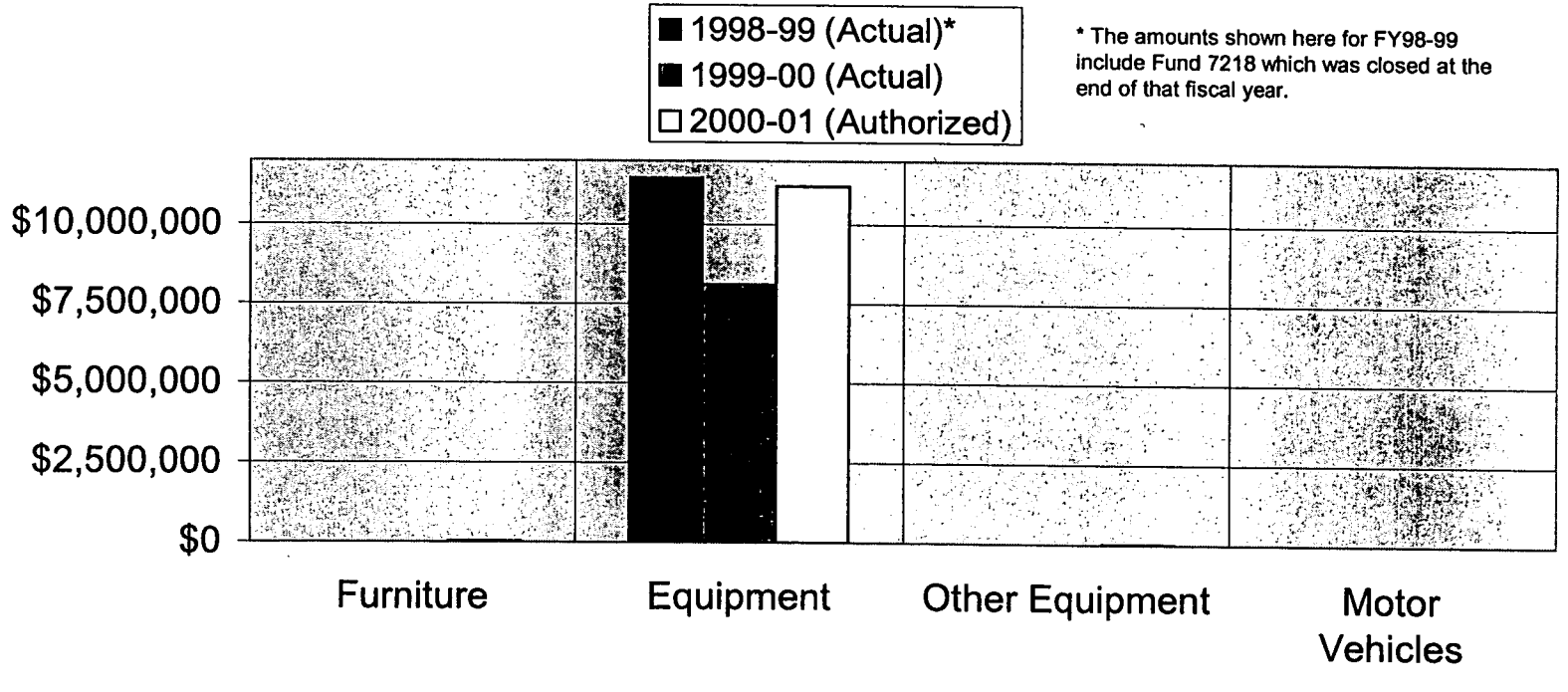
Fiscal Year	Line Item Expenditures				
1998-99 (Actual)	$ -	$ -	$ -	$ 310	$ -
1999-00 (Actual)	$ -	$ -	$ -	$ -	$ -
2000-01 (Authorized)	$ -	$ 56,800	$ -	$ 1,000	$ -

Information Technology Services
Business Technology Services (Fund 7228)
Comparison of Actual and Authorized Expenditures



Fiscal Year	Line Item Expenditures			
	[illegible]	[illegible]	[illegible]	[illegible]
1998-99 (Actual)*	$ 468	$ 11,456,501	$ -	$ -
1999-00 (Actual)	$ -	$ 8,105,367	$ 951	$ -
2000-01 (Authorized)	$ 32,500	$ 11,205,809	$ 23,000	$ -

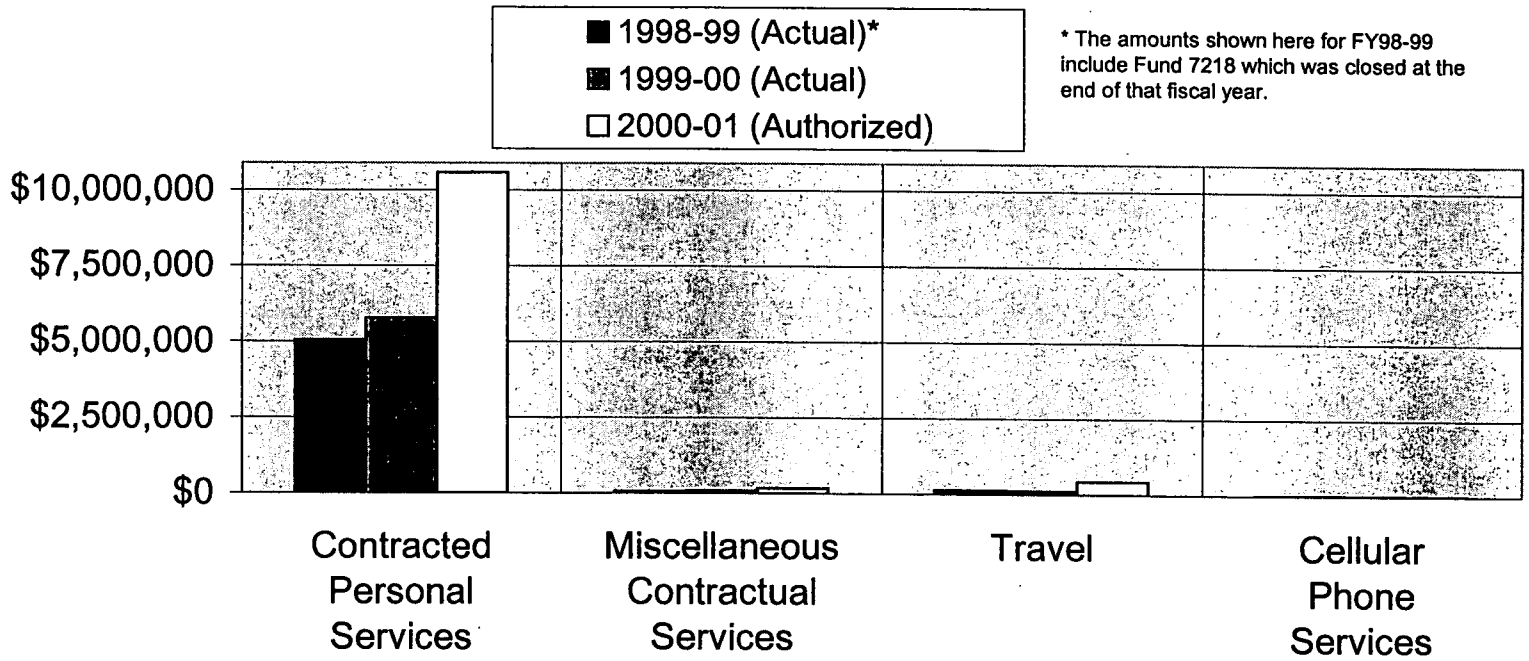
Information Technology Services
Computing Services (Fund 7217)
Comparison of Actual and Authorized Expenditures



* The amounts shown here for FY98-99 include Fund 7218 which was closed at the end of that fiscal year.

Fiscal Year	Line Item Expenditures			
	[illegible]	[illegible]	[illegible]	[illegible]
1998-99 (Actual)*	$ 5,040,391	$ 66,369	$ 142,699	$ 6,355
1999-00 (Actual)	$ 5,764,315	$ 80,168	$ 120,977	$ 14,826
2000-01 (Authorized)	$ 10,582,981	$ 168,675	$ 438,100	$ 12,900

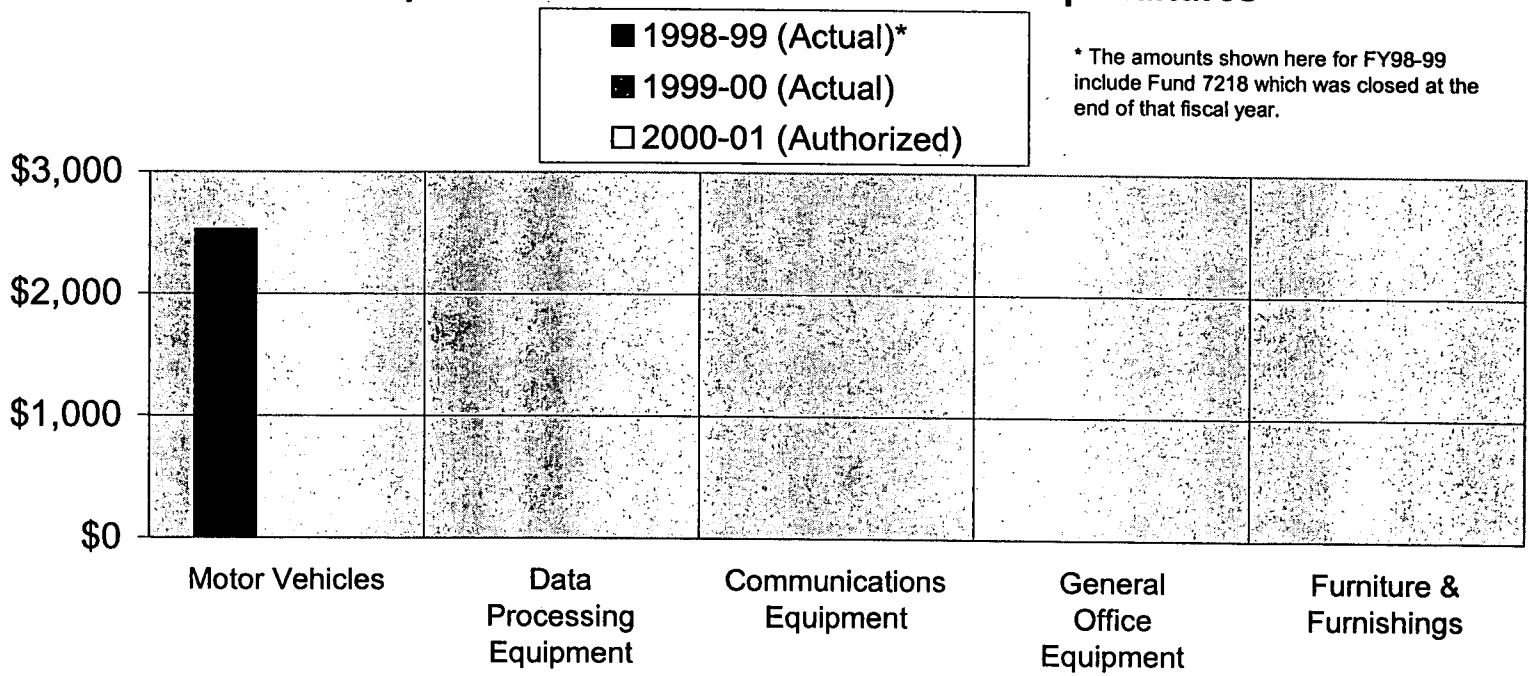
Information Technology Services
Computing Services (Fund 7217)
Comparison of Actual and Authorized Expenditures



* The amounts shown here for FY98-99 include Fund 7218 which was closed at the end of that fiscal year.

Fiscal Year	Line Item Expenditures				
1998-99 (Actual)*	$ 2,525	$ -	$ -	$ -	$ -
1999-00 (Actual)	$ -	$ -	$ -	$ -	$ -
2000-01 (Authorized)	$ -	$ -	$ -	$ -	$ -

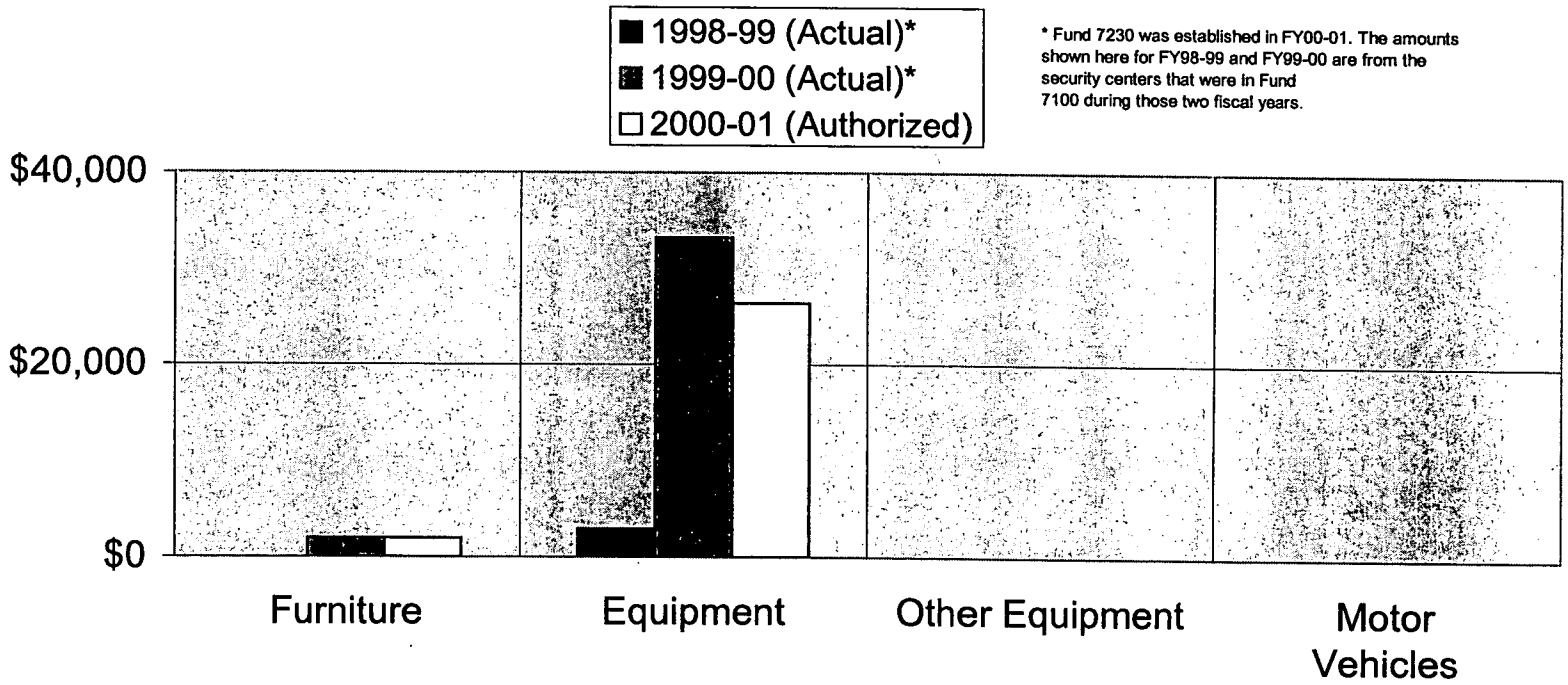
Information Technology Services
Computing Services (Fund 7217)
Comparison of Actual and Authorized Expenditures



* The amounts shown here for FY98-99 include Fund 7218 which was closed at the end of that fiscal year.

Fiscal Year	Line Item Expenditures			
	[illegible]	[illegible]	[illegible]	[illegible]
1998-99 (Actual)*	$ -	$ 2,903	$ -	$ -
1999-00 (Actual)*	$ 1,945	$ 33,194	$ -	$ -
2000-01 (Authorized)	$ 1,946	$ 26,364	$ -	$ -

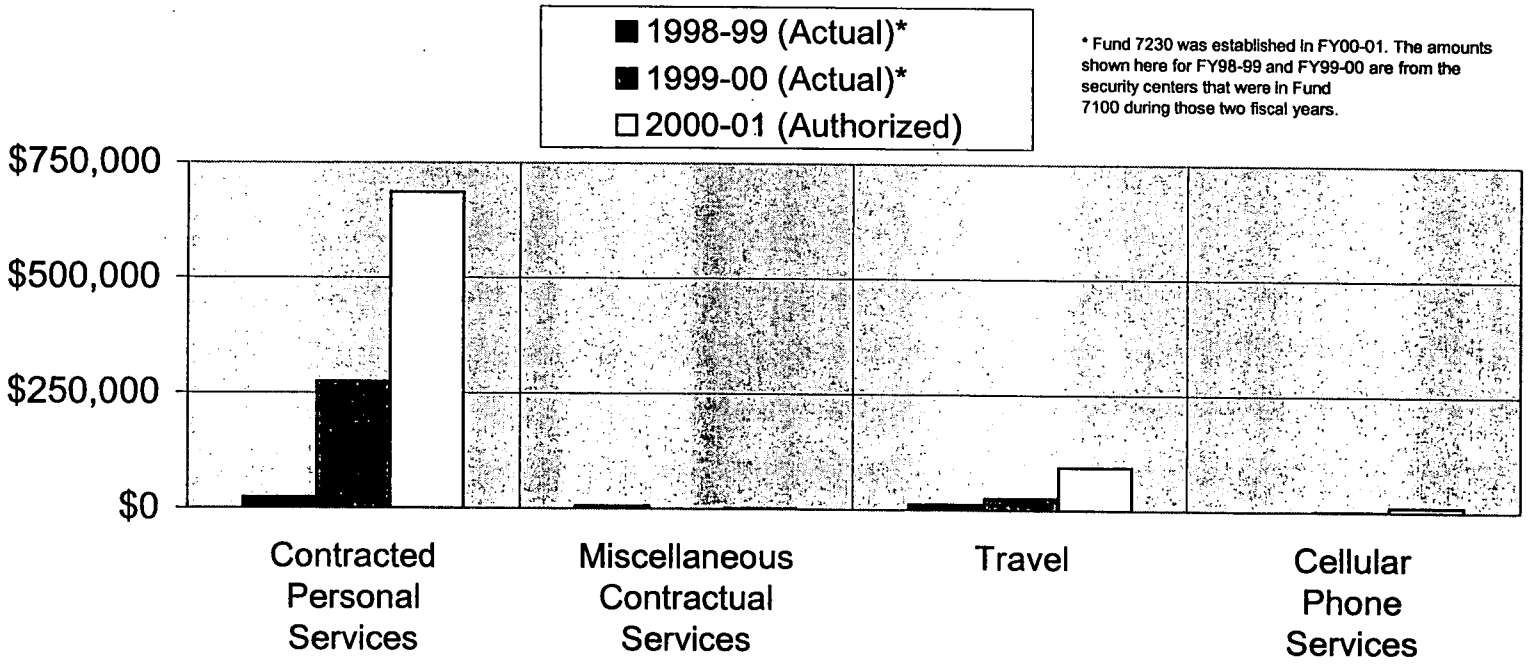
Information Technology Services
Security and Disaster Recovery Services (Fund 7230)
Comparison of Actual and Authorized Expenditures



* Fund 7230 was established in FY00-01. The amounts shown here for FY98-99 and FY99-00 are from the security centers that were in Fund 7100 during those two fiscal years.

Fiscal Year	Line Item Expenditures			
	[illegible]	[illegible]	[illegible]	[illegible]
1998-99 (Actual)*	$ 22,700	$ 5,687	$ 11,916	$ 69
1999-00 (Actual)*	$ 273,217	$ -	$ 25,525	$ 668
2000-01 (Authorized)	$ 685,345	$ 6,300	$ 92,700	$ 9,600

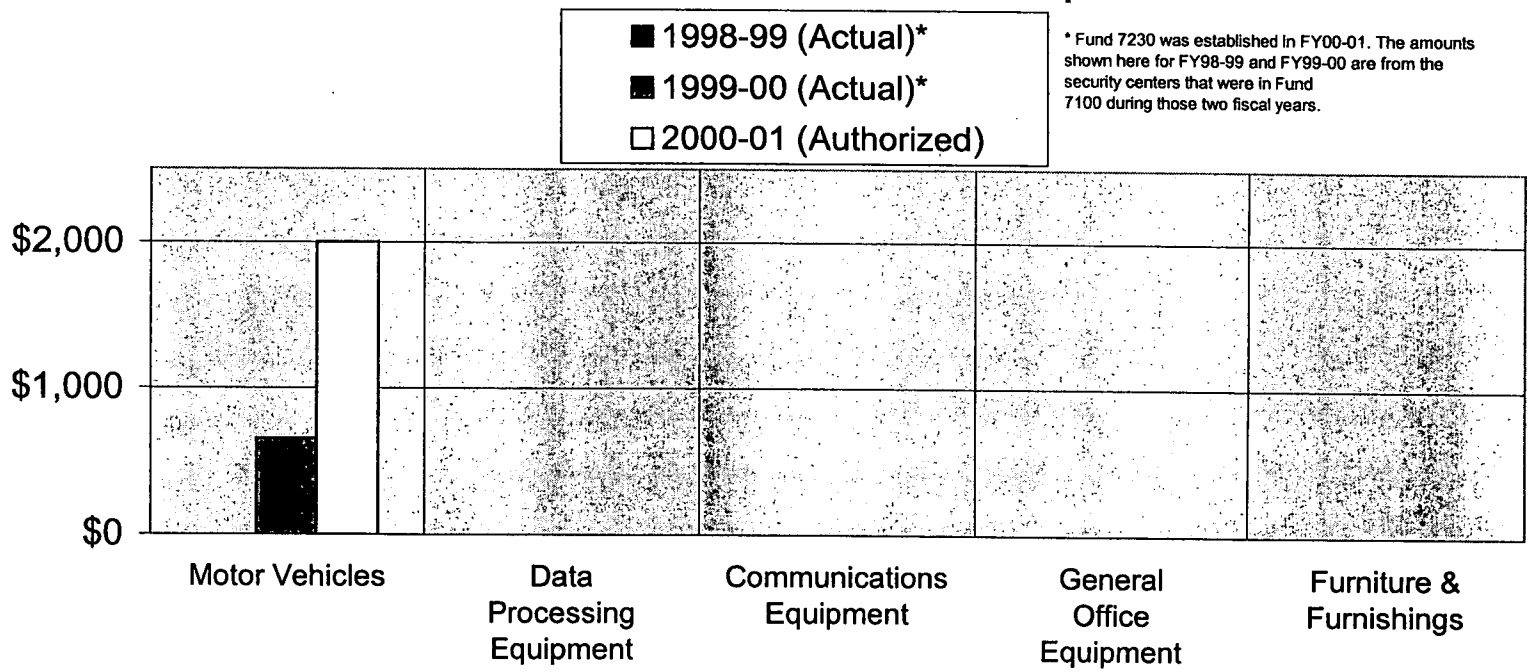
Information Technology Services
Security and Disaster Recovery Services (Fund 7230)
Comparison of Actual and Authorized Expenditures



* Fund 7230 was established in FY00-01. The amounts shown here for FY98-99 and FY99-00 are from the security centers that were in Fund 7100 during those two fiscal years.

Fiscal Year	Line Item Expenditures				
1998-99 (Actual)*	$ -	$ -	$ -	$ -	$ -
1999-00 (Actual)*	$ 652	$ -	$ -	$ -	$ -
2000-01 (Authorized)	$ 2,000	$ -	$ -	$ -	$ -

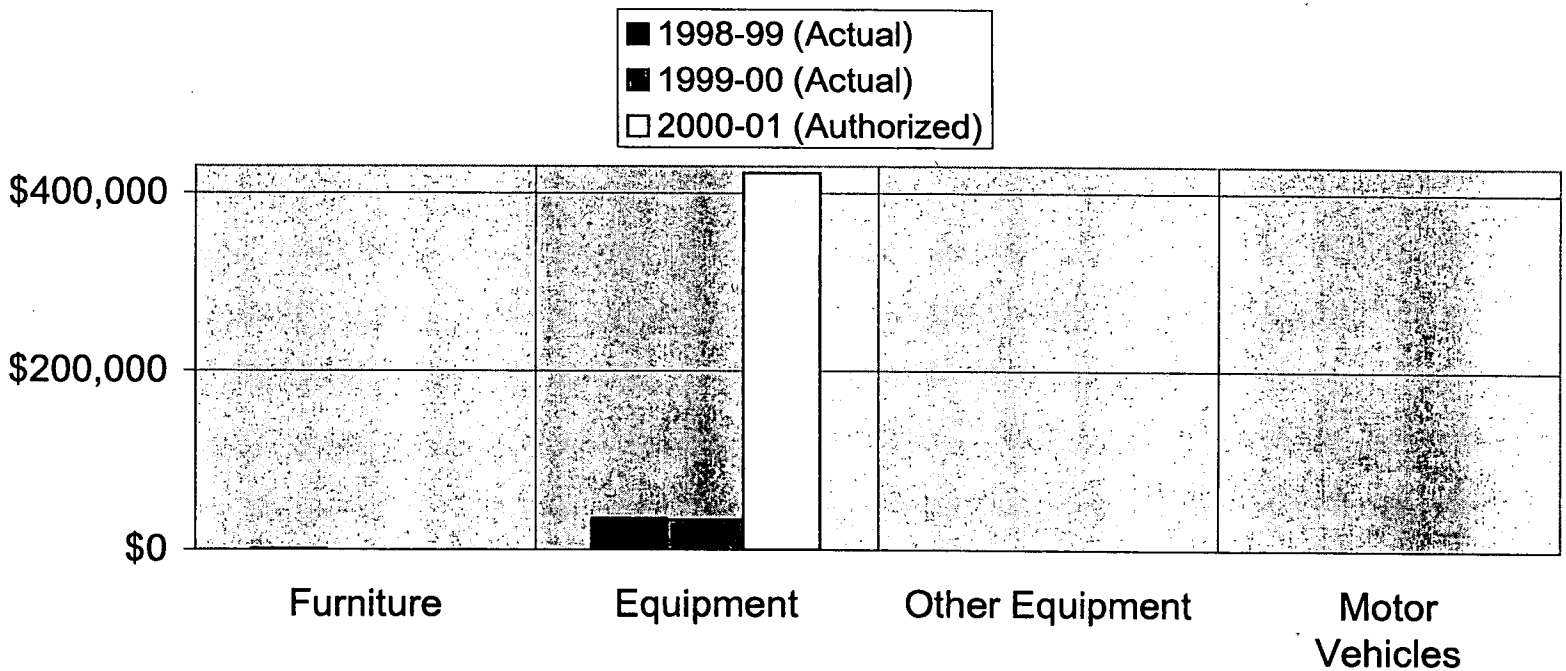
Information Technology Services
Security and Disaster Recovery Services (Fund 7230)
Comparison of Actual and Authorized Expenditures



* Fund 7230 was established in FY00-01. The amounts shown here for FY98-99 and FY99-00 are from the security centers that were in Fund 7100 during those two fiscal years.

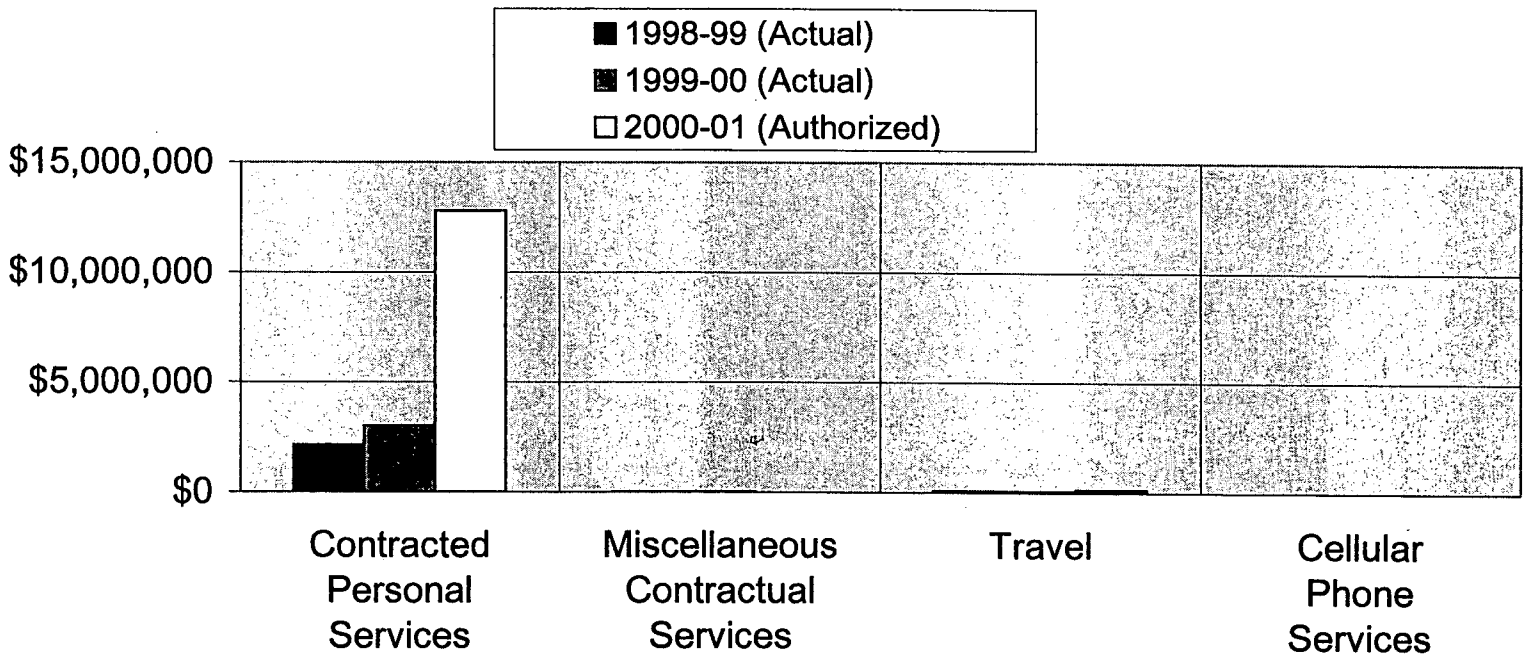
Fiscal Year	Line Item Expenditures			
	[illegible]	[illegible]	[illegible]	[illegible]
1998-99 (Actual)	$ 1,030	$ 35,152	$ -	$ -
1999-00 (Actual)	$ -	$ 33,256	$ -	$ -
2000-01 (Authorized)	$ -	$ 422,384	$ -	$ -

Information Technology Services
Information Resource Management (Fund 7200)
Comparison of Actual and Authorized Expenditures



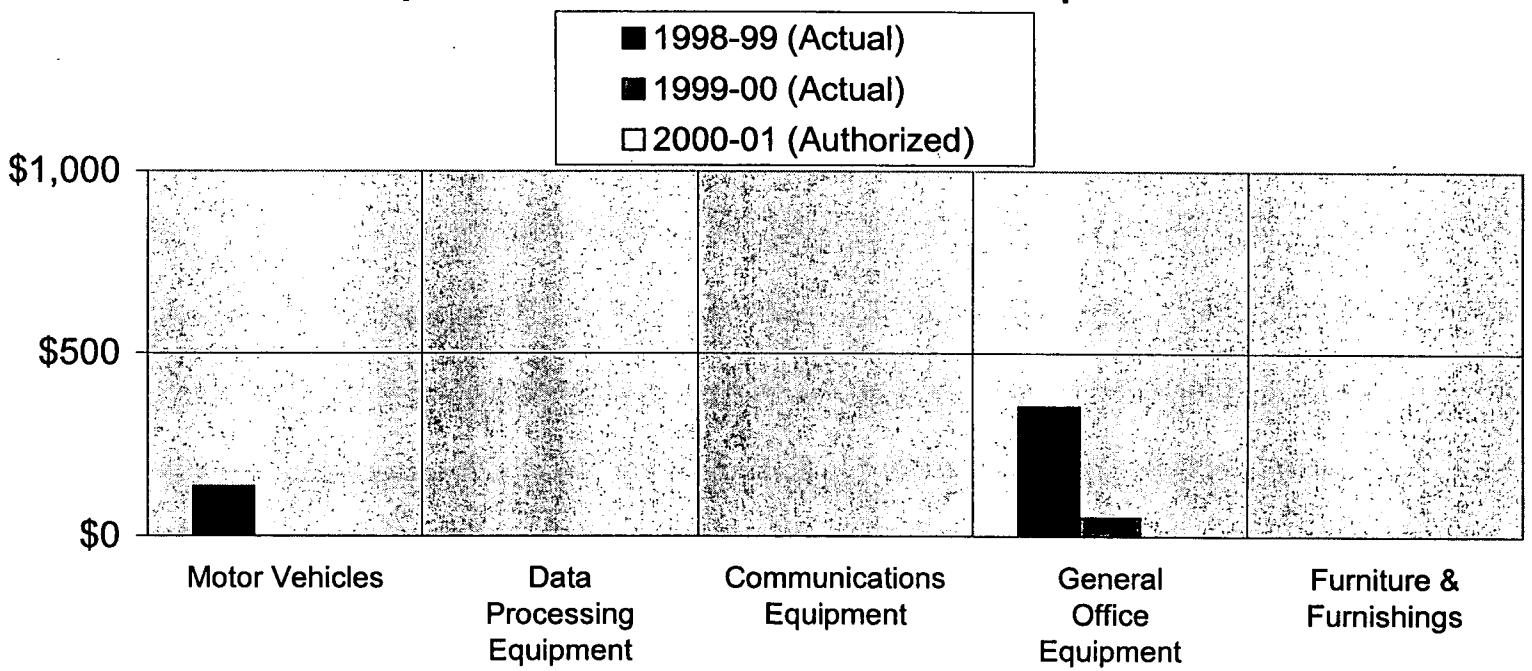
Fiscal Year	Line Item Expenditures			
	[illegible]	[illegible]	[illegible]	[illegible]
1998-99 (Actual)	$ 2,118,066	$ 21,438	$ 70,457	$ 1,882
1999-00 (Actual)	$ 3,004,439	$ 21,613	$ 53,566	$ 3,696
2000-01 (Authorized)	$ 12,790,000	$ -	$ 137,000	$ 1,100

Information Technology Services
Information Resource Management (Fund 7200)
Comparison of Actual and Authorized Expenditures



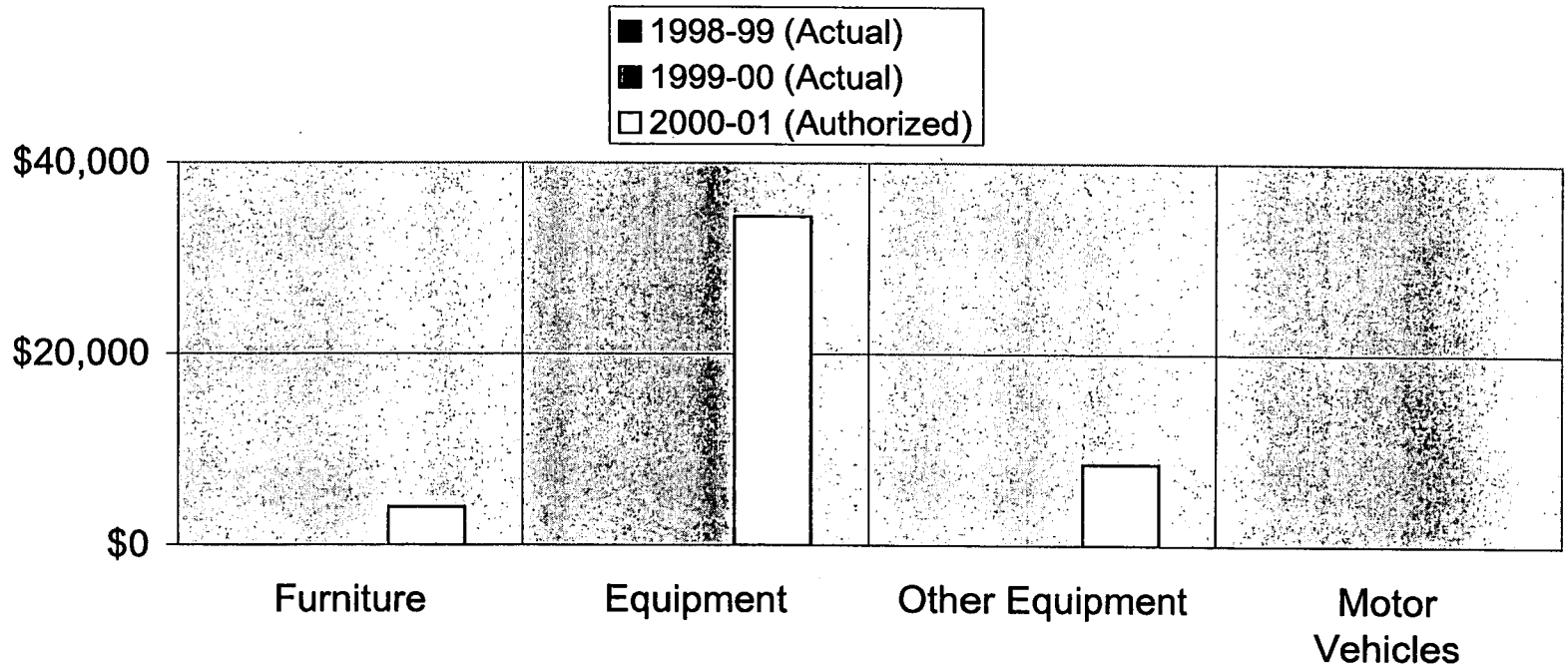
Fiscal Year	Line Item Expenditures				
1998-99 (Actual)	$ 134	$ -	$ -	$ 353	$ -
1999-00 (Actual)	$ -	$ -	$ -	$ 50	$ -
2000-01 (Authorized)	$ -	$ -	$ -	$ -	$ -

Information Technology Services
Information Resource Management (Fund 7200)
Comparison of Actual and Authorized Expenditures



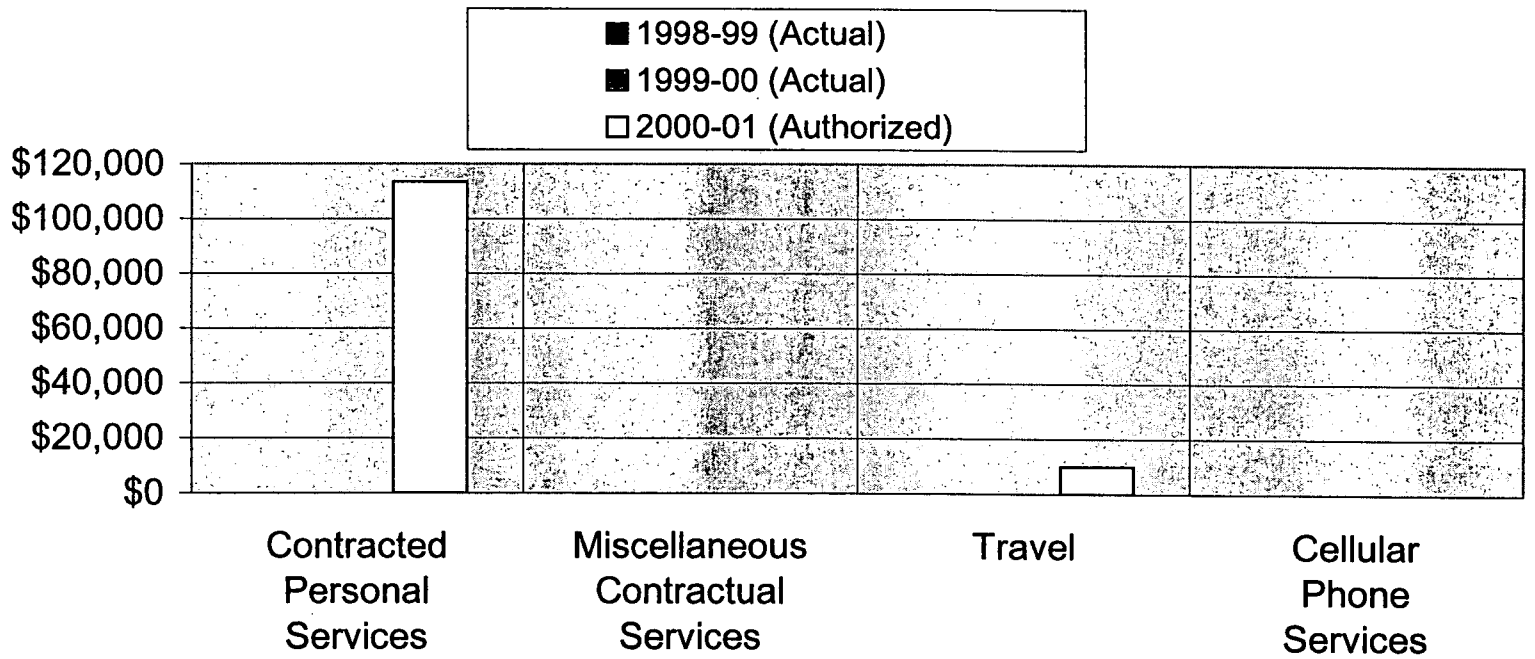
Fiscal Year	Line Item Expenditures			
1998-99 (Actual)	$ -	$ -	$ -	$ -
1999-00 (Actual)	$ -	$ -	$ -	$ -
2000-01 (Authorized)	$ 3,952	$ 34,405	$ 8,470	$ -

Information Technology Services
IRMC Independent Staff (Fund 7209)
Comparison of Actual and Authorized Expenditures



Fiscal Year	Line Item Expenditures			
1998-99 (Actual)	$ -	$ -	$ -	$ -
1999-00 (Actual)	$ -	$ -	$ -	$ -
2000-01 (Authorized)	$ 113,396	$ -	$ 10,000	$ -

Information Technology Services
IRMC Independent Staff (Fund 7209)
Comparison of Actual and Authorized Expenditures



VISITOR REGISTRATION SHEET

Appropriations Subcommittee on Information Technology 3-27-01

Name of Committee — Date

VISITORS PLEASE REGISTER AND RETURN TO COMMITTEE CLERK

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JOINT INFORMATION TECHNOLOGY APPROPRIATIONS SUBCOMMITTEE

MINUTES
March 29, 2001

The Joint Information Technology Appropriations Subcommittee met at 8:30 a.m. on Thursday, March 29, 2001, in Room 1425 of the Legislative Building. Senate members present were Senator Reeves, Chair: Senators Foxx and Miller. House members present were: Representative Tolson and Representative Tucker, Co-Chairs; Representatives Harrington, Hilton, Miller and Walend.

Senator Reeves, Chair of the Senate Subcommittee, welcomed Ron Hawley to continue his discussion of the ITS budget from the previous meeting. He began with a discussion of "Cost Reduction Steps taken by ITS". That handout is made a part of these minutes by reference. A letter from the General Assembly had been directed to agencies requesting a reduction in cellular phone expenditures or a justification for their usage, and ITS asked their providers to come in to request assistance in identifying potential cost savings. Page 3 shows early reports from four of five provider vendors, with a potential savings identified to date of 14.8 percent. Nextel, a recent addition to the statewide contract, is still working with their numbers.

Dwayne Pinkney, Fiscal staff to the committee, was asked by Senator Reeves to report on where he was in finding information requested by the agencies regarding cell phone usage. Dr. Pinkney reported the first memorandum was sent on March 8th, requesting that agencies review their cell phone contracts and make plans to cancel those contracts where usage did not warrant the service. A second memorandum went out on March 22 providing instructions on the reporting process, essentially using the ITS model showing how to compare their current usage with other plans. For example, there may be a plan giving 200 free minutes, but average usage is more like 300 or 400 minutes. This would be a situation where a plan review is needed. Agencies have until April 9th to report back to the Committee in a spreadsheet format. Actual annual cost of wireless service to the state is difficult to determine; however, the budgeted amount annually is about $7.5 million. Pat Labarber, Fiscal Officer of ITS, reported that its budget was about $4.5 million last year. For statewide costs last year, the cost would then be $4.5 million in addition to those cases where people have contracted outside of ITS, and that is difficult to measure. Lastly, it was added that there seems to be the need to review usage quarterly or annually.

Mr. Hawley then reviewed for Committee "Contractual Services" within ITS. As compared to December 2000 there have been reductions in the March 2001 figures showing the reaction to the budget crisis. There has been either a slowing down of projects, or stoppage. Savings are estimated at 36 percent due to a reduction in the use of

contractual services from 143 to 73. Mr. Hawley stated that in the past there have been instances of using contractual services where permanent employees might possibly have been used. They are now looking at making those adjustments. That effort may result in a net savings of over $1 million a year.

Dwayne Pinkney reported on where he was in looking at contractual services from all state agencies. He noted that this Subcommittee has been asked to look at all IT personal services contracts statewide and that all departments using IT personal services contracts have been sent a list of vendors from the Controller's Office. That list is for the most part accurate and complete; however, there are some places where vendors were not included, so agencies have been asked to review the list and report whether the list is complete. They are also to talk with Committee staff about the types of activities those vendors are performing, and this information will be reported to our Committee. There are 128 vendors listed on that report, dated July 1, 2000 until December 31, 2000. The cost to support those vendors is $55 million.

Mr. Hawley reported on the efforts ITS is making to reduce costs in the area of software maintenance. They have someone completely focused on that aspect of their business to apply the cell phone and the hardware model to make adjustments. He believes there will be some dollars saved there.

E-Procurement was the next item presented (attachment made a part of these minutes by reference), with the project beginning with a RFP to put in place a portal for the State of North Carolina that would be our entry into government services. This is the NC @Your Service portal (ncgov.com). This is the foundation for moving forward. North Carolina partnered with Accenture (then Andersen Consulting) and the portal resulted so that we could begin to transform our delivery of government services, such as online vehicle registration renewal, online purchase of State Fair tickets. Other items the state sells have since been added to that portal. Information on public schools is also available on the portal. This is all the foundation of the e-procurement initiative. One of the bids that came in for that portal envisioned a way not only to pay for the portal but to pay for e-procurement services. Accenture has been contracted with for three years to provide a self-funding e-procurement process statewide, with no cash outlay by the State. At the end of the fourth year, there is anticipated there will be revenues coming to the State, and the State will own the system.

Mr. Hawley referred to a comparison with other states moving in this direction, which shows how solid an initiative this is for the State of North Carolina. We will have access to over 900 agencies, which includes all North Carolina government entities and local governments, who can use this system to their benefit and bring value not only to the state but also for all citizens of North Carolina. This system will address a much-needed benefit to state government in that it will improve standardization of State purchasing policies and procedures. Total annual cost savings are estimated very conservatively at $52.4 million per year. The next steps are to conduct statewide buyer forums and to conduct supplier forum and supplier workshops, with a target to have this up and running

for the first part of the next fiscal year, which is early July. The renegotiation of contracts will be phased in over some period of time.

The last item on the agenda concerned the North Carolina Information Highway and was presented by Hunter Thompson, chair of the N.C. Connectivity Council. He passed out to members a handout, which is made a part of these minutes by reference.

There being no further business before the Committee, Chairman Reeves adjourned the meeting.

Senator Eric Reeves, Chairman

Representative Joe Tolson, Chairman

Representative Russell Tucker, Chairman

Becky Hedspeth, Clerk

Office of Information Technology Services

Budget FY2001-2002

Office of Information Technology Services
http://www.its.state.nc.us

State of North Carolina
Office of Information Technology Services

Michael F. Easley, Governor **Ronald P. Hawley, State Chief Information Officer**

To: Information Technology Joint Appropriations Committees
From: Ronald P. Hawley
Date: March 8, 2001
Subject: ITS FY2001-2002 Budget

Attached are the IRMC approved budget and rates for 2001-2002 for ITS. The budget reflects the challenges presented to all of us in state government by Governor Easley to reduce costs while continuing to serve the citizens of North Carolina. Thus, we have had to place on hold some initiatives and projects. Unfortunately, for example, we were requested to put the e-grant program on hold.

The challenge is to move forward aggressively in difficult times through innovation and flexibility. The most exciting example of this is the initiation of the statewide e-procurement effort that has the potential to achieve significant cost savings with no outlay from state appropriations.

The rates, which are calculated based on costs divided by usage volume, are consistent with last year's rates. The $182,000,000 budget reflects approximately a 5% reduction from the FY 2000-2001 budget.

We are committed to continuing to move forward in the area of technology and to providing demonstrable savings through its efficient use. Achieving this requires an entrepreneurial approach and creative thinking.

Services will be provided at the required level to ensure that the state can continue to operate. In the twenty first century, technology is a critical component of an enterprise's operation and we fully recognize the responsibility that we hold for the state. We will continue to move forward responsibly to ensure that we can meet our mission of providing technological leadership and infrastructure in support of the economic, social and intellectual development of the citizens of North Carolina.

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Appendix - Terms A1

1. Introduction

I. Introduction

Technology continues to experience explosive growth in this state, in the country, and worldwide. The use of the Internet is also constantly expanding. The continued growth of the Internet can be attributed to greater public acceptance as well as an ever-increasing number of "Net enabled" applications. Where Internet service was once primarily about providing information (which in itself was an amazing thing to early users), now Internet service is about receiving goods and services in new, easier, and more efficient ways. The Internet is just one example of the pervasive nature of information technology (IT) that has triggered tremendous cultural changes. Information technology is complex and expensive. It also enables the provision of new services, the development of more cost-effective operations, and the restructuring of business and political relationships. As it has permeated society, enterprises have begun to identify more efficient, effective, and broad-based methods for providing IT and associated services.

North Carolina is no exception. As the state's central IT provider, the Office of Information Technology Services (ITS) is responsible for working in collaboration with its customers to provide an enterprise approach to IT in the state, for achieving efficiencies of scale, for leveraging purchasing power, and for providing a framework for state agencies to achieve their business goals. To succeed, ITS must approach IT from an entrepreneurial and enterprise perspective—understanding the need to maximize savings and minimize costs. It must also ensure a customer-centric approach, and it must work to enable the government to transform itself through new technology to an e-government environment.

We face important challenges. With technology changing at such a fast pace, it is not always easy to assess a technology decision accurately. It is important when making these decisions and implementing these technologies to identify the qualitative and quantitative impact of new technologies prior to their implementation. In many instances, agencies can benefit greatly from lessons learned through experiences gained from private sector enterprise efforts. As these new and exciting technology frontiers are being explored, such as wireless computing, budgetary responsibilities and fiscal restraint are being emphasized. This must be done responsibly. It has become increasingly important – especially in the budgetary crisis currently facing North Carolina – to be able to identify and quantify the value that a particular technology initiative is bringing to both citizens and their government. Innovative funding strategies to meet citizen needs and demands are critical to the success of technology initiatives.

North Carolina's approach to delivery of new technologies is to treat the state as an enterprise and to develop strategies that maximize the benefit to the state. This approach is consistent with recommended best practices. With rapidly changing technology and tight budgetary constraints, it is increasingly clear that we need such an efficient and effective approach to IT. In addition, we need to continually explore the possibility of public/private partnerships.

Enterprise Approach

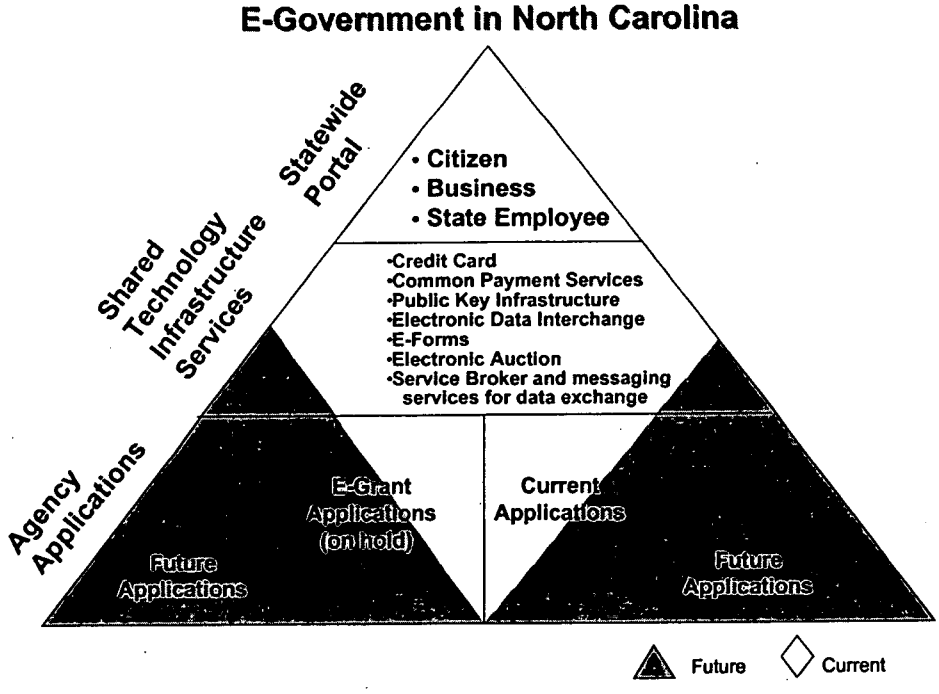
As recognized by legislation and required by the high costs and rapid pace of technology implementation, ITS is committed to an enterprise approach for its diverse initiatives. One significant driver for the enterprise approach is the need to understand the costs of technology to the state and then to define how to reduce these costs. To this end, ITS is placing a significant emphasis on consolidation, integration, and reusability. Where possible, multiple entities across the enterprise should share pieces that it makes sense to share. Through standardization and a

rigorous quality assurance program, agencies reduce the risk of increased costs associated with poor quality or poorly managed projects, and they can avoid the issues and costs associated with vendor-specific solutions.

The enterprise approach has been of significant value in considering e-government. To effectively implement e-government, it is critical that the state work collaboratively, create common services, re-use components, and share expertise. In addition, because citizens view government as an enterprise, establishing a single point of entry to the enterprise has tremendous potential value to the citizen. The statewide portal, *NC @ Your Service* (www.ncgov.com), is an important starting point for the enterprise approach to e-government and has been recognized by *Government Technology* as the "Best of the Web" for the year 2000. ITS continues to work in close collaboration with agency partners as well as with the other enterprise organizations in the state such as the Office of the State Controller and the Office of State Budget, Planning, and Management.

E-Government

The newly published report "E-Government: Using Technology to Transform North Carolina's Governmental Services and Operations in the Digital Age" describes the e-government environment and the implementation of e-government in North Carolina as well as its upcoming e-government challenges. It is an excellent companion to this budget. Additionally, the 2000 report "Enterprise Approach for Managing IT: Statewide Strategic Information Technology Initiatives" provides valuable insights.



The figure above depicts North Carolina's approach to e-government. In 2000, ITS sponsored the development and implementation of the award-winning portal *NC @ Your Service*. The portal's success and its emergence as one of the first true portals among state governments

demonstrated the commitment of the state's leaders to an innovative and visionary approach to government in the Internet age. The portal provides access to citizen, business, and state employee services based on needs or intentions, rather than the artificial agency boundaries.

Consistent with its enterprise approach to e-government, the state is moving forward with a variety of shared technology infrastructure services to provide an easier, faster way for agencies to develop their own applications. For example, an agency can develop a business-specific application that requires payments and then use the shared credit card service to process the payments, thus saving time on the development effort and costs. These efforts are currently underway with some early adopters already implemented. For example, the credit card contract is currently in place. However, additional work is required in this arena, and projects are currently underway to implement these shared services.

Finally, ITS is supporting the development of e-government applications in the state. The applications that have been developed to date have been extremely successful. For example, the Department of Motor Vehicles has allowed the renewal of vehicle registration online through the state portal since September. More than 69,000 citizens have used this service. In September, citizens purchased more than $200,000 in State Fair tickets and ride books online, contributing to a significant increase in State Fair pre-sales. This functionality was provided through the Yahoo! Store, which can be easily used for selling other state government services and products.

E-government and the transformation it enables require a shift in how government programs are provided and paid for to more innovative and creative approaches than have traditionally been used. E-government is expected to reduce the total cost of government. However, there are costs associated with it, especially in its early development. Transaction fees provide a means to move toward the improved processes and transformation that will reduce costs while living in the current environment. The need for this type of approach is made particularly vivid in the tight budgetary environment in which North Carolina is currently operating.

Without the implementation of transaction fees, it will be difficult to move forward with e-government. Total costs of a particular service should be reduced over time. Citizens have an interest in completing government transactions at their convenience, on their schedule, and without having to wait in-line or move through complicated phone interactions. This is demonstrated by the success of the DMV online vehicle registration renewal system. At the same time, the state must be careful not to create unreasonable fees that citizens are unwilling to pay. To this end, the state's Information Resource Management Commission (IRMC) has adopted a policy where it reviews all transaction fees and holds itself responsible for ensuring the reasonableness of fees. This approach should create opportunities to foster public/private partnerships and establish revenue-sharing schemes that encourage vendor participation and innovation and enable the state to move forward.

Statewide e-procurement is allowed in the 2000 Appropriations Act and is an important funding initiative and example of innovative approaches to paying for services. E-procurement applies e-government concepts and purchasing best practices to reduce prices for goods and services through aggregating volume discounts and enabling administrative and operations cost savings by streamlining state processing and interactions with suppliers. As part of the portal agreement, the contractor, in conjunction with the state, completed due diligence for a business model regarding the state's option for implementing e-procurement. The state has accepted the business model offered by the contractor and is exercising the contract option. E-procurement is a major undertaking that will save the state significant costs. It will also fund the statewide portal and offer longer-term funding for agency e-government applications.

ITS has traditionally provided high-level hosting and network support to the state. E-government requires shifts in how these services are provided:

- The network needs to support new infrastructure services and applications
- It requires policies and practices that ensure security of data and appropriate protection of privacy.
- A distributed computing environment that is truly accessible 24x7 requires a shift in business continuity approaches. As increasing amounts of business are conducted using the Internet and IT systems, the importance of business continuity increases. ITS is focusing on the issues of security and business continuity as well as continuing to provide high-quality operations support to the enterprise of government.

The tightening budgetary times require that these services be provided through a collaborative enterprise approach in which costs can be shared and volumes leveraged.

Operations

A significant component of ITS' responsibilities has been providing operations support, ranging from telephone services and computer networks to hosting services and application maintenance, enhancement, and development. The definitions of some of these terms has shifted. Hosting used to refer only to mainframes physically located at ITS. Now it can include managed application production services that cover servers located anywhere in the state. Moreover, telephone and data networks used to be completely separate. It is conceivable that voice, video, and data will be transported over the same infrastructure, and wireless technology will offer a new avenue for supporting the enterprise of government for the citizens of North Carolina. We provide maintenance and enhancement services on legacy systems and develop state-of-the-art Web sites for our customers. ITS continues to improve its IT procurement operation reviewing and modifying statewide IT contracts to meet the changing needs and ensure competition through facilitation of customer and vendor input and reviewing other states' efforts in this area.

Customer-Centric Approach

Along with the shift in focus to an enterprise approach and to e-government, ITS is renewing our commitment to our customers and to an approach that is customer focused. To achieve this, the coming fiscal year will include a fundamental shift in how ITS budgets and defines its services. Based on input from agencies, the budget is modeled on the services provided rather than on individual line items. This will enable ITS to tell customers how much it will cost to provide a service and for customers to budget appropriately rather than requiring customers to piece together disparate rates to understand the total costs of a service. In tight budget times, this understanding may be crucial to customers.

ITS has established an Enterprise Program Management Office (EPMO) committed to ensuring, from a project perspective, that we clearly define our services and products so agencies can understand the offerings and reach strong, supportable business decisions regarding these offerings. In addition, the EPMO supports agencies in their IRMC project certification and reporting efforts.

From a budgeting and project perspective, ITS is striving to present clearer, more streamlined information and services to our customers. From a responsiveness standpoint, to best meet customer needs and to measure performance more effectively, ITS is implementing a Single Point of Contact concept. This will not eliminate contact between customers who are working with

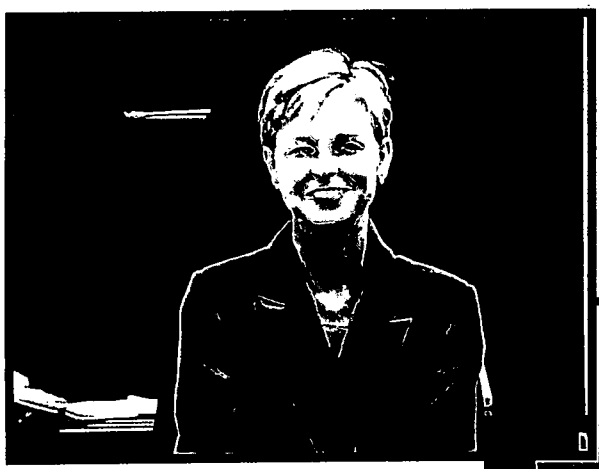
individual ITS staff but will establish an initial point of contact through the ITS Customer Support Center. This method will ensure that calls are routed efficiently to the most appropriate person for the most effective response. It will eliminate problems of leaving voice mails or e-mails for people who are out of the office and will enable ITS to constantly improve customer service through benchmarking and measuring performance.

ITS recognizes that we are in the early stages of improving and projecting a customer-centric approach. We continue to meet the challenge to closely collaborate with customers at diverse stages of e-government and with varying amounts of resources. ITS and our customers need to accept the challenge to be as cost effective as possible as we all strive collectively to promote an enterprise approach while serving customer needs.

Customers

Historically, state agencies have used at least some of ITS services and are mandated to use telecommunications and mainframe services. Local governments, universities, community colleges, and public schools now have easier access to ITS services and are beginning to take advantage of this opportunity. Similarly, ITS is beginning to reach out to these potential customers and work with them to understand their technology needs. This expanding customer base contributes to the ability for ITS to leverage volume to provide competitive pricing for our customers and to save money for the state. ITS is constantly challenged to ensure that our prices and the quality of our service are competitive with that offered by the private sector and that we apply an entrepreneurial approach to our endeavors.

2. Legislative Update



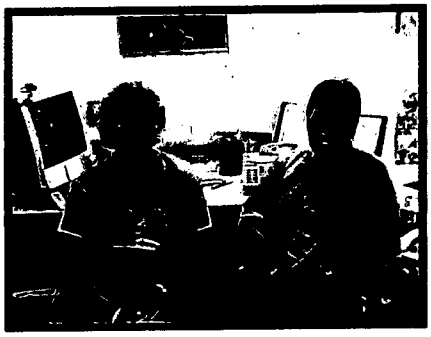
Office of Information Technology Services
Budget FY2001-2002

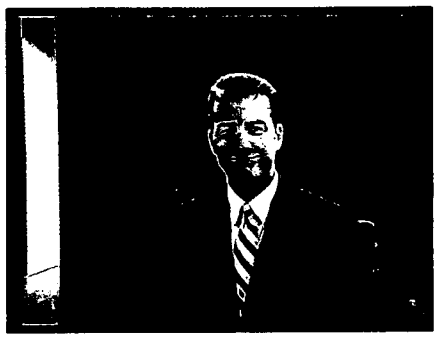
2. Legislative Update

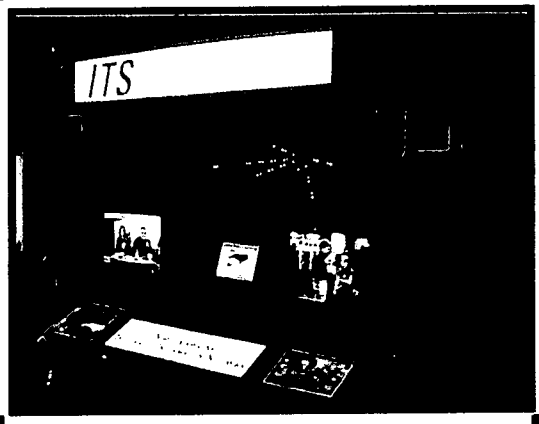
ITS is guided by the vision of the governor and the legislature. In the summer of 2000, important pieces of legislation were added to the guidance provided to ITS. This legislation, like previous legislation, reflects an understanding of the need to move forward with e-government and the vision of how North Carolina can increase the benefits it provides to its citizens by pursuing this approach. The table below provides a summary of the legislation passed in 2000.

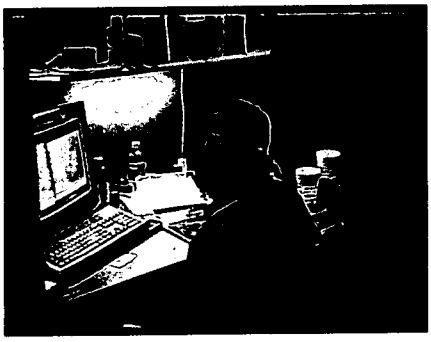
Legislation	Import	Relevance to ITS
IT Governance	ITS moved to the Office of the Governor	ITS has increased accountability and visibility for IT in the state
Rural Internet Access Authority	The Rural Internet Access Authority is created to ensure that high-speed Internet connectivity is available to the state's rural counties	The State Chief Information Officer is a member of the commission responsible for the Rural Internet Access Authority
IT Procurement	Technical changes to IT procurement as well as the ability for universities, schools, community colleges, and local governments to participate in ITS' procurement program	Increases ITS' potential customer base for IT procurement
Fees	Allows the state to charge transaction fees for e-government services	Support of statewide e-government initiatives
2000 Appropriations Act	Allows for e-procurement	A number of agencies, including ITS, are required to collaborate on the e-procurement initiative with ITS acting as the Application Service Provider

3. Budget Summary









3. Budget Summary

1. Technology continues to experience explosive growth in the US and worldwide. Yet, a recent report by Morgan Stanley Dean Witter confirmed that CIOs plan for their IT spending to increase at a slower rate for 2001. In general, 86% of the 150 Fortune 1000 companies surveyed indicated they do expect their IT spending to increase in 2001.

    a. On average, IT budgets will grow 8%, which is only 2/3 of the 12% average increase in 2000.

        i. E-commerce software, supply chain applications, and applications servers are areas most likely to see the largest increases in spending.

        ii. Spending on Unix Servers will outpace the 8% overall increases also, but not quite as much.

        iii. Mainframe and consulting spending will decrease.

    b. Forty % of IT budgets are earmarked for external spending (hardware 12%, services 10%, communications 9.2% and software 8.8%)

2. Even though ITS must function within the guidelines of a state government agency, as a wholly receipts-supported agency, we must also be cognizant of the operational statistics related to businesses within the IT community. Therefore, the Morgan Stanley Dean Witter survey provides a significant and appropriate comparative basis to keep in mind when considering ITS' business plan for the coming year.

    a. Overall, the ITS proposed budget for FY 2002 reflects a decrease of 5.3% over FY 2001.

        i. E-commerce software, etc., are expected to drive the largest increases in spending. In contrast, this area also will experience a decrease in spending reflecting the move of the statewide effort from development status to production.

        ii. Mainframe spending will grow at a slower pace than past years, while network services growth remains steady.

    b. Seventy-three percent of ITS proposed budgets are earmarked for external spending (hardware 15%, contract services 12%, communication 31%, software 15%).

ITS and its Initiatives:

1. ITS, as central IT provider for the state, must work in collaboration with our customers to provide:

    a. An enterprise approach to IT in the state

    b. Efficiencies of scale

    c. Leveraged purchasing power

d. A framework for state agencies to achieve their business goals.

All of this requires an entrepreneurial approach and an understanding of the need to maximize savings and minimize costs.

2. Applying an enterprise wide, collaborative, and customer-centric approach, ITS has undertaken initiatives to maximize benefits of IT services offered to state agencies. These initiatives include:

   a. Developing a variety of shared technology infrastructure services for use by state agencies as they develop their business-line specific applications

   b. Supporting agencies in their development of e-government applications through the e-grant program (currently on hold)

   c. Instituting operational changes in hosting to support e-government and shared technology infrastructure services

   d. Improving network infrastructure to ensure the ability to meet current and future next-generation applications requirements, including voice, data and video

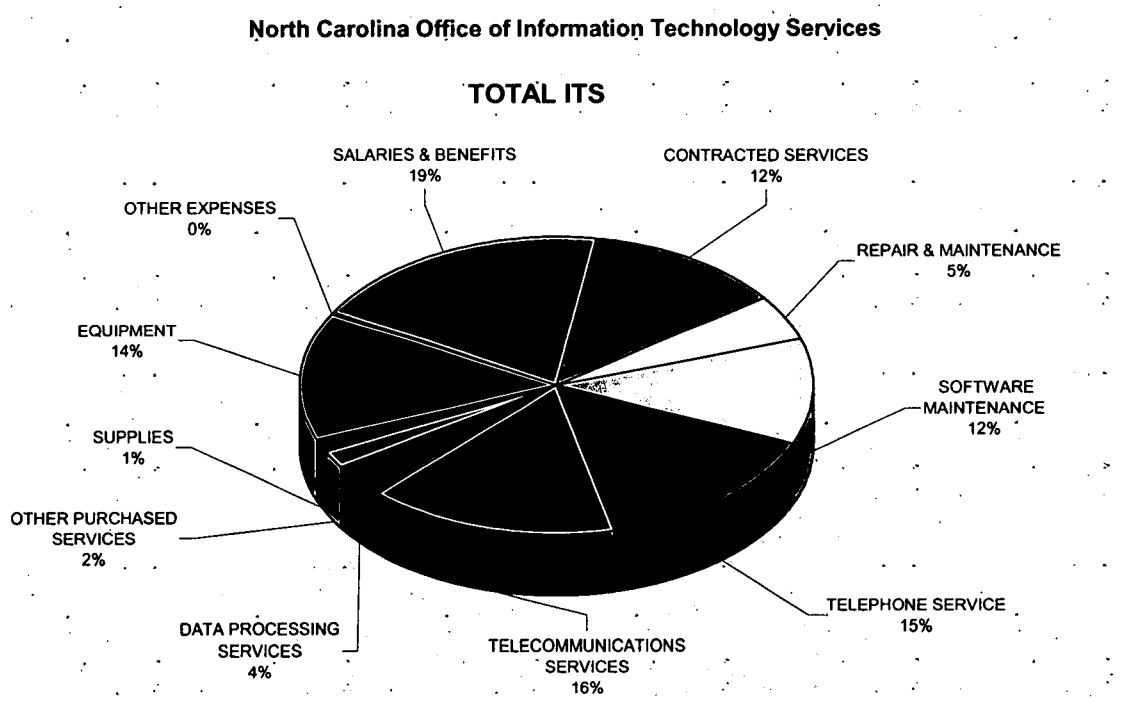
   e. Providing a strategy for managing and maintaining the state's variety of directories in an organized and efficient manner

   f. Providing project management support services for customers' IT projects

   g. Implementation of appropriate network security, based on policies developed, including appropriate security and privacy policies in support of e-government efforts

   h. Development and implementation of *NC @ Your Service*, an award-winning portal providing access to Citizens, Businesses and State Employees based on their needs and intentions, rather than along organizational agency boundaries.

Breakdown of FY 2001-2002 Projected Expenditures By Category

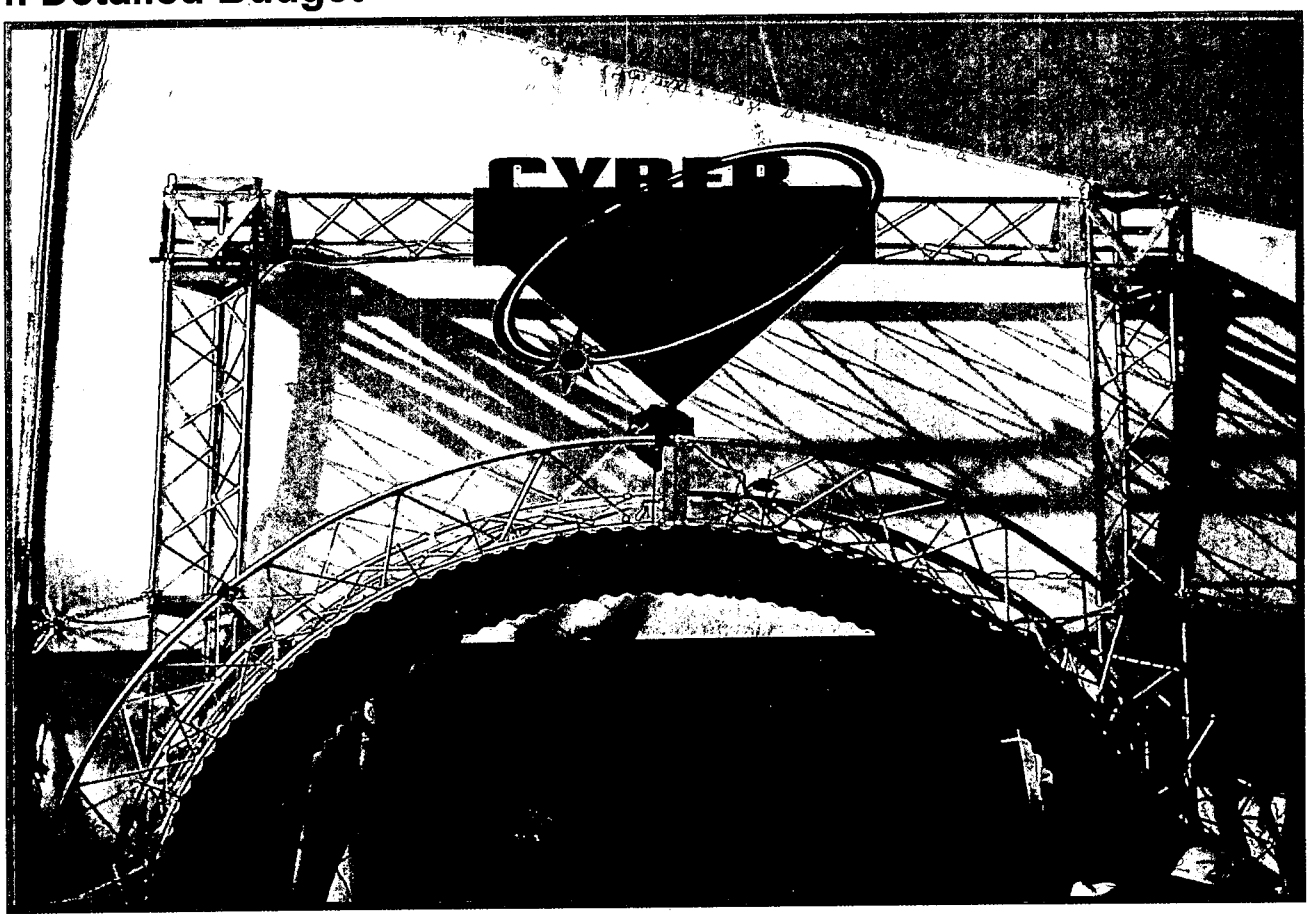


Breakdown of FY 2001-2002 Projected Expenditures by Category (continued)

Description	FY 2000-2001 Business Plan	FY 2001-2002 Projected Budget	% Change
EXPENDITURES			
SALARIES AND BENEFITS	**$33,452,530**	**$35,219,190**	**5%**
CONTRACTED SERVICES	**$30,128,485**	**$22,596,370**	**(25%)**
Legal	$308,408	$532,615	73%
Pers Svc	$28,921,347	$21,539,855	(26%)
Temps	$242,980	$192,907	(21%)
Janitorial	$114,900	$91,141	(21%)
Waste Removal	$22,050	$15,021	(32%)
Security Svcs	$70,000	$51,932	(26%)
Pest Control	$1,000	$648	(35%)
Lawns and Grounds	$11,700	$5,000	(57%)
Miscellaneous Contract Svc	$436,100	$167,251	(62%)
REPAIRS AND MAINTENANCE	**$8,084,543**	**$8,916,933**	**10%**
Utilities	$813,000	$691,718	(15%)
Repairs - Building	$898,500	$507,750	(43%)
Repairs - Comp Eqpt	$24,650	$20,086	(19%)
Repairs - Other Eqpt	$66,750	$7,862	(88%)
Repairs - Other	$150,100	$465	(100%)
Maint Agrmt - Bldg	$2,400	$2,400	0%
Maint Agrmt - Eqpt	$2,520,107	$3,289,356	31%
Maint Agrmt - DP Eqpt	$3,605,484	$4,392,949	22%
Maint Agrmt - Other	$3,552	$4,347	22%
SOFTWARE MAINTENANCE	**$18,018,257**	**$21,014,231**	**17%**
TELEPHONE SERVICE	**$27,178,309**	**$27,532,229**	**1%**
Land Lines	$22,916,525	$22,475,845	(2%)
Cellular	$4,261,784	$5,056,384	19%
TELECOMMUNICATIONS SERVICES	**$30,331,911**	**$28,886,813**	**(5%)**
DATA PROCESSING SERVICES	**$5,316,704**	**$6,468,172**	**22%**
Email / Calendar	$15,028	$15,028	0%
Comp Svcs	$5,301,676	$6,453,144	22%
OTHER PURCHASED SERVICES	**$3,879,765**	**$3,651,917**	**(6%)**
Rent/Lease Ofc	$473,000	$497,000	5%
Rent Lease Other Bldg	$85,030	$121,387	43%
Rent/Lease Autos	$141,700	$11,060	(92%)
Rent/Lease DP Eqpt	$107,400	$84,207	(22%)
Rent/Lease Ofc Eqpt	$4,100	$2,253	(45%)
Travel	$1,232,854	$1,171,517	(5%)
Postage	$81,177	$81,805	1%
Print & Bind	$134,300	$70,745	(47%)
Advertise	$123,950	$111,810	(10%)
Prop Ins	$145,175	$132,013	(9%)
Other Ins	$2,849	$3,647	28%
Regis Fees	$468,845	$517,891	10%
Other Empl Ed'l Expense	$879,385	$846,582	(4%)
SUPPLIES	**$2,729,405**	**$2,421,844**	**(11%)**
EQUIPMENT	**$33,045,516**	**$25,247,778**	**(24%)**
MEMBERSHIPS, DUES, ETC.	**$633,865**	**$702,150**	**11%**
TOTAL EXPENSES	**$192,799,290**	**$182,657,627**	**(5%)**
REVENUES			
TELEPHONE/TELECOMMUNICATIONS	$87,773,647	$87,529,250	(0%)
COMPUTING SERVICES	$87,935,696	$86,528,619	(2%)
PROFESSIONAL SERVICES	$8,065,267	$6,519,997	(19%)
LEASE INCOME, ETC.	$2,966,360	$1,525,777	(49%)
CUSTOMER SERVICE ALLOCATION	$0	$0	0%
ITS OVERHEAD ALLOCATION	$0	$0	0%
TOTAL REVENUES	**$186,740,970**	**$182,103,642**	**(2%)**
CHANGE IN FUND BALANCE	**($6,058,320)**	**($553,985)**	

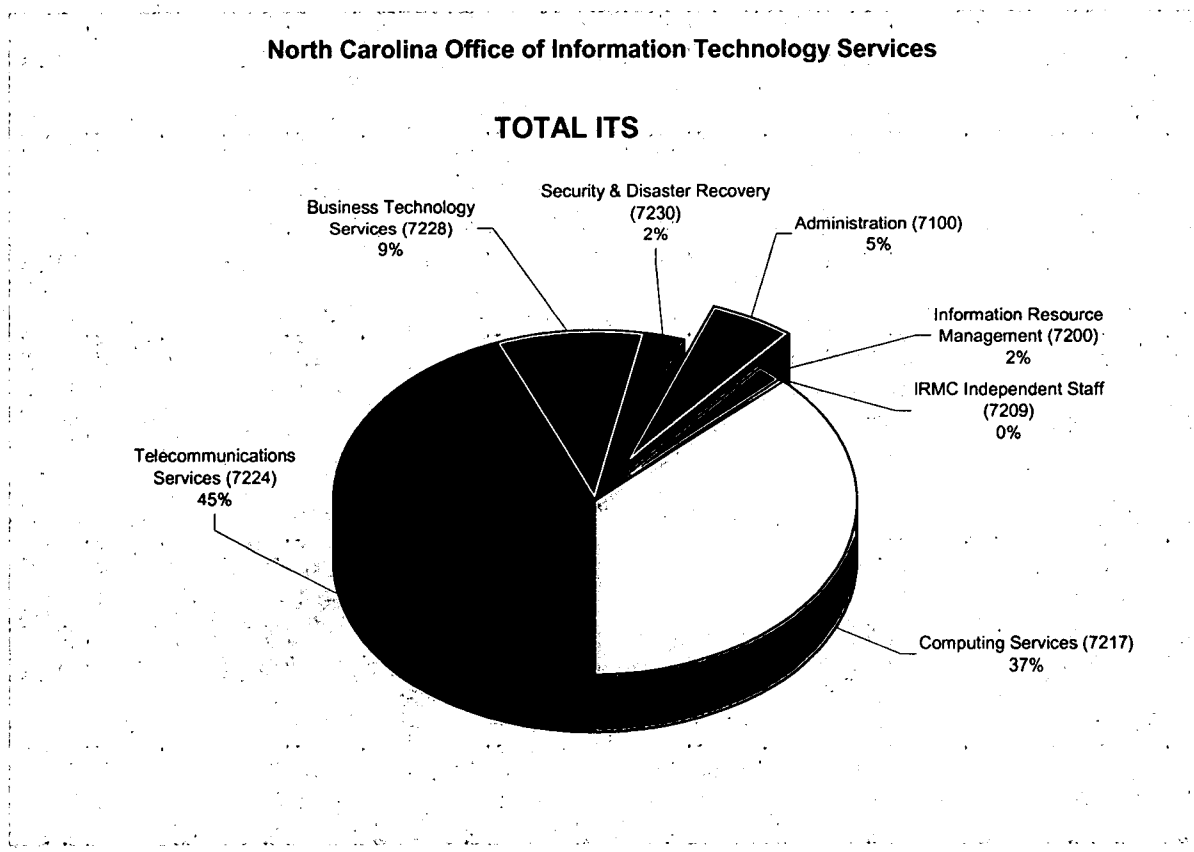
ITS

4. Detailed Budget



4. Detailed Budget

Projected Budget for Fiscal 2001-2002 by Fund



Projected Budget for Fiscal Year 2001-2002 by Fund (continued)

Account Description	Total ITS	Administration 7100	IRMC 7200	Computing Services 7217	Telecomm Services 7224	Business Technology Services 7228	IRMC Independent Staff 7209	Security & Disaster Recovery 7230
EXPENDITURES								
SALARIES AND BENEFITS	$35,219,190	$4,446,532	$1,755,194	$11,623,432	$10,278,903	$5,803,951	$381,784	$929,394
CONTRACTED SERVICES	22,596,370	1,598,752	5,511	9,208,700	1,199,400	8,886,641	115,400	1,581,966
Legal	532,615	307,623	-	-	-	-	5,000	219,992
Pers Svc	21,539,855	1,029,300	5,451	9,115,693	1,080,400	8,886,569	110,400	1,312,042
Temps	192,907	70,985	60	9,790	112,000	72	-	-
Janitorial	91,141	56,875	-	34,266	-	-	-	-
Waste Removal	15,021	15,021	-	-	-	-	-	-
Security Svcs	51,932	2,000	-	-	-	-	-	49,932
Pest Control	648	648	-	-	-	-	-	-
Lawns and Grounds	5,000	5,000	-	-	-	-	-	-
Miscellaneous Contract Svc	167,251	111,300	-	48,951	7,000	-	-	-
REPAIRS & MAINTENANCE	8,916,933	1,490,772	145,500	2,858,150	4,258,850	163,661	-	-
Utilities	691,718	691,718	-	-	-	-	-	-
Repairs - Building	507,750	507,750	-	-	-	-	-	-
Repairs - Comp Eqpt	20,086	11,900	1,926	5,158	-	1,102	-	-
Repairs - Other Eqpt	7,862	7,250	-	-	-	612	-	-
Repairs - Other	465	465	-	-	-	-	-	-
Maint Agrmt - Bldg	2,400	2,400	-	-	-	-	-	-
Maint Agrmt - Eqpt	3,289,356	268,789	3,852	4,269	2,920,950	91,496	-	-
Maint Agrmt - DP Eqpt	4,392,949	500	139,722	2,848,723	1,337,900	66,104	-	-
Maint Agrmt - Other	4,347	-	-	-	-	4,347	-	-
SOFTWARE MAINTENANCE	21,014,231	52,600	33,750	20,058,414	381,440	174,719	-	313,308
TELEPHONE SERVICES	27,532,229	123,337	30,122	1,335,200	25,955,293	61,677	2,000	24,600
Land Lines	22,475,845	104,342	29,022	1,322,300	20,932,704	60,877	2,000	24,600
Cellular	5,056,384	18,995	1,100	12,900	5,022,589	800	-	-
TELECOMMUNICATIONS SVC	28,886,813	2,629	-	95,300	28,611,685	52,420	-	124,779
DATA PROCESSING SERVICE	6,468,172	46,800	70,800	3,971,543	1,327,676	154,412	-	896,941
Email / Calendar	15,028	1,627	684	6,417	-	6,300	-	-
Comp Svcs	6,453,144	45,173	70,116	3,965,126	1,327,676	148,112	-	896,941
OTHER PURCHASED SERVICE	3,651,917	784,996	329,469	1,113,327	576,100	522,975	56,400	268,650
Rent/Lease Ofc	497,000	457,000	-	-	-	-	40,000	-
Rent Lease Other Bldg	121,387	45,870	12,517	-	63,000	-	-	-
Rent/Lease Autos	11,060	1,500	-	-	9,000	-	-	560
Rent/Lease DP Eqpt	84,207	-	-	-	-	84,207	-	-
Rent/Lease Ofc Eqpt	2,253	600	-	-	-	784	-	869
Travel	1,171,517	119,450	118,200	453,759	162,600	231,082	10,000	76,426
Postage	81,805	14,735	11,174	6,525	43,000	737	1,000	4,634
Print & Bind	70,745	22,500	4,155	11,393	10,500	13,172	3,000	6,025
Advertise	111,810	17,384	7,508	30,057	26,500	21,169	-	9,192
Prop Ins	132,013	9,613	-	108,949	10,500	-	-	2,951
Other Ins	3,647	2,849	-	-	-	-	-	798
Regis Fees	517,891	73,860	23,086	145,314	85,000	31,558	-	159,073
Other Empl Ed'l Expense	846,582	19,635	152,829	357,330	166,000	140,266	2,400	8,122
SUPPLIES	2,421,844	696,309	54,912	1,335,250	132,534	176,300	5,000	21,539
EQUIPMENT	25,247,778	541,835	305,884	15,588,073	7,466,829	1,100,726	62,470	181,961
MEMBERSHIPS, DUES, ETC.	702,150	25,005	236,850	410,420	21,205	4,870	500	3,300
TOTAL EXPENDITURES	$182,657,627	$9,809,567	$2,967,992	$67,597,809	$80,209,915	$17,102,352	$623,554	$4,346,438
REVENUES								
Telephone/Telecommunications	$87,529,250	$0	$0	$0	$87,529,250	$0	$0	$0
Computing Services	86,528,619	-	-	67,597,809	-	18,930,810	-	-
Professional Service	6,519,997	1,200,000	1,000,000	-	291,558	-	623,554	3,404,885
Lease Income, Etc.	1,525,777	1,177,347	24,000	-	324,430	-	-	-
Customer Service Allocation	-	-	-	2,491,744	(1,342,032)	(1,116,958)	-	(32,754)
ITS Overhead Allocation	-	7,425,479	-	(4,305,584)	(3,397,460)	(395,580)	-	673,145
TOTAL REVENUES	$182,103,642	$9,802,826	$1,024,000	$65,783,969	$83,405,746	$17,418,272	$623,554	$4,045,276
CHANGE IN FUND BALANCE	($553,985)	($6,741)	($1,943,992)	($1,813,840)	$3,195,831	$315,920	$0	($301,162)

ITS

5. Rates

Office of Information Technology Services
Budget FY2001-2002

5. Rates

The Office of Information Technology Services develops its annual rate schedule using the following process.

1. An estimate of the anticipated usage of the various services offered by ITS is made using historical records and anticipated increases/decreases in demand from trends and known factors. Computing Services and Telecommunications Services analysts prepare these usage projections.

2. An estimated operating budget is prepared for the various services offered by ITS using historical records (considering historical costs compared to historical usage) and the anticipated changes in usage calculated in step 1. Budget Managers from the operating units, under the advice and oversight of the Budget Analysts from Budgets and Cost Analysis develop these projections.

3. An estimated operating budget is prepared for the administrative services required to support the various services offered by ITS based on historical and known trends in administrative costs, again using historical records as a beginning point. Representatives from the various Administrative Service areas within ITS provide input to the Budget Analysts from Budgets and Cost Analysis who then project these administrative budgets.

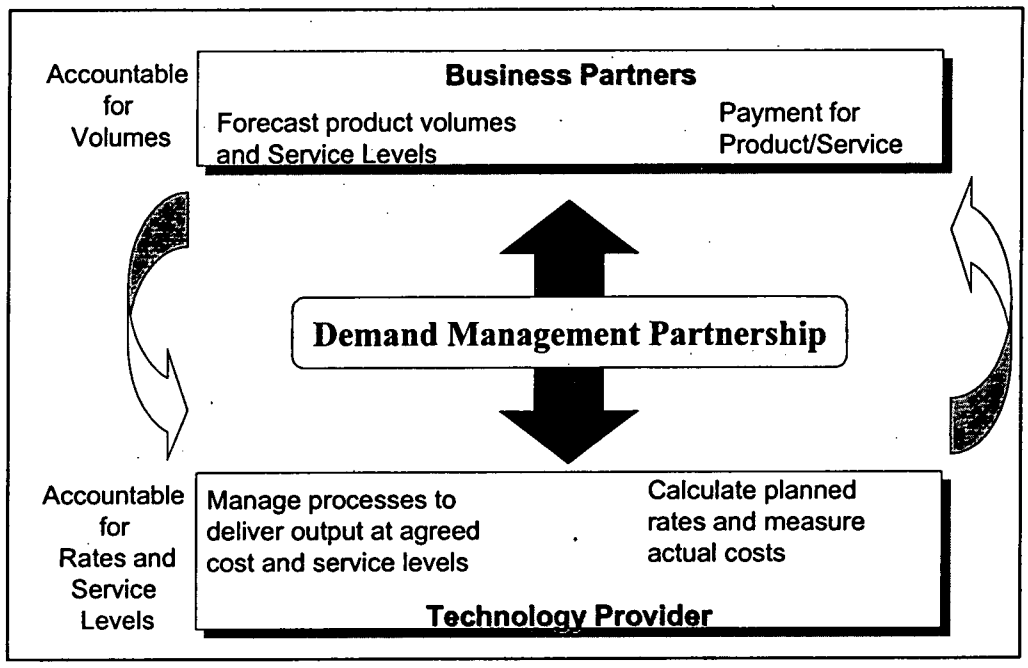
4. The estimated administrative services budget is allocated to the various service budgets based on factors determined by the agency's management team as most appropriately representing the relationship of the administrative cost to the service area. The Budget Analysts in Budget and Cost Analysis prepare these Cost allocation calculations.

5. Once all administrative costs have been allocated to the various service areas (operating centers) the total budget (both direct and indirect costs) is divided by the total estimated usage for that service. This generates a "per unit" cost factor for each service.

6. The calculated "per unit costs" are consolidated into a proposed rate chart representing the proposed rates for each service ITS anticipates it will use in the following year. This rate chart is then presented to the Information Resource Management Commission (IRMC) with a request that it authorize the use of those anticipated "per unit costs" as the rates ITS will use to recoup its operating costs from our customers.

7. Once the rates are approved by the IRMC they are posted on the ITS web site for reference by interested parties and are entered into the ITS billing systems for use in charging for work performed by ITS.

The graphic below depicts a typical scenario for establishing rates:



Proposed Information Technology Service Standard Rates for 2001-2002

Blue = Rate Increase		Black = No Change in Rates	2001-2002 Rates Green = New Offering		2000-2001 Rates Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
Computing Services						
CPU Batch		Batch CPU Time - Production	2.7549	CPU Minute	2.7549	CPU Minute
		Batch CPU Time - Test Region	0.9242	CPU Minute	0.9242	CPU Minute
CPU On-line		On-Line CPU Time - Production	17.694	CPU Minute	17.694	CPU Minute
		On-Line CPU Time - Test Region	7.4677	CPU Minute	7.4677	CPU Minute
Storage		Virtual Storage & DASD, Public	0.0029	MB/Day	0.0029	MB/Day
		DASD, Private (Inc. Client/Server)	0.0766	MB/Month	0.0766	MB/Month
		Tape Storage	0.0002	MB/Day	0.0002	MB/Day
		Tape Mounts	1.6870	Per/Each	1.6870	Per/Each
		Optical On-Line	0.0581	MB/Mo.	0.0581	MB/Mo.
		Optical Off-Line	0.0013	MB/Mo.	0.0013	MB/Mo.
Printing		Laser 3900 (at ITS)	0.0398	8.5" page	0.0398	8.5" page
		Impact printing (at ITS)	0.9569	1000 lines	0.9569	1000 lines
Client Server		CPU Time	0.2000	CPU Minute	0.2000	CPU Minute
		Turn Key Application	$3.19 Cu Ft + $3.25 amp	Server/Mo.	$3.19 Cu Ft + $3.25 amp	Server/Mo.
		Full Service - Client Owned	$5.59 Cu Ft + $5.69 amp	Server/Mo.	$5.59 Cu Ft + $5.69 amp	Server/Mo.
MaPs	CompaqProl ML530R	MaPS-NetWare - (ITS Owned, At Client Site)	$3,500.00	One Time	$3,500.00	One Time
NT/Netware/Unix	CompaqProl ML530R	MaPS-NetWare (Client Site)	$1,117.00	Per Month	$1,117.00	Per Month
		MaPs Netware Level II	$1,997.00	Per Month	$1,997.00	Per Month
	Compaq PL5500	MaPS-NT - (ITS Owned, At Client Site)	$3,500.00	One Time	$3,500.00	One Time
	Compaq PL5500	MaPS-NT (Client Site)	$1,297.00	Per Month	$1,297.00	Per Month
		MaPs - NT Level II	$1,981.00	Per Month	$1,981.00	Per Month
	Compaq ML570	MaPS-NT - (ITS Owned, at ITS)	$1,695.00	Install	$1,695.00	Install
	Compaq ML570	MaPS-NT (Hosted at ITS)	$1,348.00	Month	$1,348.00	Month
	Compaq PL5500	MaPS-NT-Test - (ITS Owned, at ITS)	$1,695.00	Install - One Time	$1,695.00	Install - One Time
	Compaq PL5500	MaPS-NT-Test (Hosted at ITS)	$653.00	Per Month	$653.00	Per Month
	All Levels	Unix MaPS Servers (ITS Owned, at ITS)	$3,999.00	Install - One Time	$3,999.00	Install - One Time
	Sun E-220	Level I - Unix MaPS Servers (at ITS)	$1,948.00	Per Month	$1,948.00	Per Month
	Sun E-420	Level II - Unix MaPS Servers (at ITS)	$2,444.00	Per Month	$2,444.00	Per Month
	Sun E-3500	Level III - Unix MaPS Servers (at ITS)	$4,704.00	Per Month	$4,704.00	Per Month
	Sun E-5500	Level IV - Unix MaPS Servers (at ITS)	$12,212.00	Per Month	$12,212.00	Per Month
	All Levels	Unix Admin. (Client Owned, at ITS)	$3,999.00	Install - One Time	$3,999.00	Install - One Time
	Sun E-220	Level I - Unix Admin. (at ITS)	$1,077.00	Per Month	$1,077.00	Per Month
	Sun E-420	Level II - Unix Admin. (at ITS)	$1,077.00	Per Month	$1,077.00	Per Month
	Sun E-3500	Level III - Unix Admin. (at ITS)	$1,179.00	Per Month	$1,179.00	Per Month
	Sun E-5500	Level IV - Unix Admin. (at ITS)	$1,680.00	Per Month	$1,680.00	Per Month
	All Levels	Unix MaPS Servers ITS Own/Client Site	$4,703.00	Install - One Time	$4,703.00	Install - One Time
	Sun E-220	Level I - Unix MaPS Server (Client Site)	$2,184.00	Per Month	$2,184.00	Per Month
	Sun E-420	Level II - Unix MaPS Server (Client Site)	$2,678.00	Per Month	$2,678.00	Per Month
	Sun E-3500	Level III - Unix MaPS Server (Client Site)	$4,680.00	Per Month	$4,680.00	Per Month
	Sun E-5500	Level IV - Unix MaPS Server (Client Site)	$11,681.00	Per Month	$11,681.00	Per Month
	All Levels	Unix Admin. (Client Owned / Client Site)	$1,057.00	Install - One Time	$1,057.00	Install - One Time
	Sun E-220	Levels I - Unix Admin. (Client Site)	$923.00	Per Month	$923.00	Per Month
	Sun E-420	Level II - Unix Admin. (Client Site)	$923.00	Per Month	$923.00	Per Month
	Sun E-3500	Level III - Unix Admin. (Client Site)	$923.00	Per Month	$923.00	Per Month
	Sun E-5500	Level IV - Unix Admin. (Client Site)	$923.00	Per Month	$923.00	Per Month
		MaPs - Options	Cost	One Time	Cost	One Time
		Database Gateway Service	$32.00	Per Conc Conn	$32.00	Per Conc Conn
Interface Engine		Standard Service	$475.00	Mo.	$475.00	Mo.
		Additional Buffer Space	$130.00	GB/Mo.	$130.00	GB/Mo.
LAN Support		Class A Service	$8.33	Network Conn/Mo	$8.33	Network Conn/Mo

Prepared By: NC Office of Information Technology Services
Financial and Facilities Services
Budget and Cost Analysis Group

Printed on: 3/5/01

Proposed Information Technology Service Standard Rates for 2001-2002

			2001-2002 Rates		2000-2001 Rates	
Blue = Rate Increase		Black = No Change in Rates	Green = New Offering		Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
Internet Services		Internet Services Consulting	$68.17	Hour	$68.17	Hour
		Internet Services Administration	$50.10	Hour	$50.10	Hour
		Internet Mailing List	$25.00	List/Mo.	$25.00	List/Mo.
		Internet Home Page\FTP 10MB	$25.00	User/Mo.	$25.00	User/Mo.
		Internet Home Page\FTP 50MB	$110.00	User/Mo.	$110.00	User/Mo.
		Internet Home Page\FTP 100MB	$190.00	User/Mo.	$190.00	User/Mo.
		Internet Home Page\FTP 250MB	$380.00	User/Mo.	$380.00	User/Mo.
		Internet Home Page\FTP 500MB	$550.00	User/Mo.	$550.00	User/Mo.
		Internet Home Page\FTP 1000MB	$800.00	User/Mo.	$800.00	User/Mo.
		IMAP Email Services (w/ 15MB Storage)	$1.50	User/Month	$1.50	User/Month
		Additional Email Storage	$0.25	User/Mo/5MB	$0.25	User/Mo/5MB
		Netscape Calendaring or SuiteSpot	$30.00	User/One-time	$30.00	User/One-time
		OR	$2.50	User/Mo./12 mo.	$2.50	User/Mo./12 mo.
		Netscape Calendaring & SuiteSpot	$60.00	User/One-time	$60.00	User/One-time
		OR	$5.00	User/Mo./12 mo.	$5.00	User/Mo./12 mo.
		Microsoft NT Web Service Installation	$68.95	Per User - One-time	$68.95	Per User - One-time
		Microsoft NT Web Service	$22.95	Per User Per Month	$22.95	Per User Per Month
		Web Based Processing Fee	$0.41	Per Xact. Processed	$0.41	Per Xact. Processed
Integration Services		Network Product Technician	$65.97	Hour	$65.97	Hour
		Micro Computer Product Tech	$65.97	Hour	$65.97	Hour
		LAN Administrator	$65.97	Hour	$65.97	Hour
		Systems Integrator	$69.29	Hour	$69.29	Hour
		Requirements Analyst	$73.10	Hour	$73.10	Hour
		Senior Systems Integrator	$73.10	Hour	$73.10	Hour
		Project Manager	$88.14	Hour	$88.14	Hour
		UNIX Systems Programming	$71.16	Hour	$71.16	Hour
E10000		E10000 UNIX Base Serv. (8 cpu/ brds)	$17,034.00	Monthly	$17,034.00	Monthly
		E10000 UNIX Add't cpu (4 cpu/1 brd.)	$8,517.00	Monthly	$8,517.00	Monthly
		E10000 UNIX Neg. Modifications	$1.00	Dollars	$1.00	Dollars
Special Services		DISOSS Office Automation	$12.5741	User/Mo.	$12.5741	User/Mo.
Microfiche		Original	$0.60	Copy	$0.60	Copy
		Duplicate	$0.07	Copy	$0.07	Copy
Application Development Services						
		Analyst Programmer	$71.29	Hour	$77.93	Hour
		Application Program Specialist				
		Work within ITS	$83.50	Hour	$90.54	Hour
		Work for External Customers	$81.35	Hour	$88.32	Hour
		Project Management Office Work	$80.13	Hour	$87.06	Hour
		Work by Technical Development Staff	$86.05	Hour	$93.17	Hour
		Project Management				
		Project Management Office Work	$83.00	Hour	$94.73	Hour
		Work for External Customers	$87.56	Hour	$90.02	Hour
		Application Analyst	$69.86	Hour	$76.46	Hour
		Application Specialist	$65.89	Hour	$72.36	Hour
		Computer Consultant				
		Work within ITS	$77.77	Hour	$84.62	Hour

Proposed Information Technology Service Standard Rates for 2001-2002

Blue = Rate Increase		Black = No Change In Rates	2001-2002 Rates Green = New Offering		2000-2001 Rates Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		Work for External Customers	$74.57	Hour	$81.32	Hour
		Database Administrator	$88.03	Hour	$95.22	Hour
		Datebase Specialist	$78.51	Hour	$81.93	Hour
		Database Analyst	$75.16	Hour	$85.38	Hour
Web Services						
		Web Services Consulting	$69.82	Hour	$69.82	Hour
		Web Page Administration	Discontinued	Hour	Discontinued	Hour
		Web Services Project Management	Discontinued	Hour	Discontinued	Hour
Customer Support Services						
		Concurrent User	$200.00	User/Mo.	$200.00	User/Mo.
		Concurrent User License	$2,035.00	License	$2,035.00	License
		Clerical Support	$26.00	Hour	$26.00	Hour
Telecommunications Services						
Line Rates	Single Line:					
		Bell South or Sprint Carolina	$20.50	Line/Mo.	$20.50	Line/Mo.
		GTE	$24.00	Line/Mo.	$24.00	Line/Mo.
		Bell South Nonblocking	$51.40	Line/Mo.	$51.40	Line/Mo.
		Sprint Carolina Nonblocking	$51.15	Line/Mo.	$51.15	Line/Mo.
		GTE Nonblocking	$57.35	Line/Mo.	$57.35	Line/Mo.
	Network Access Lines:					
		Bell South, GTE or Sprint Carolina	$26.50	Line/Mo.	$26.50	Line/Mo.
	Key System:					
		Bell South or Sprint Carolina	$25.00	Line/Mo.	$25.00	Line/Mo.
		GTE	$27.50	Line/Mo.	$27.50	Line/Mo.
	PBX Trunks:					
		Bell South, GTE or Sprint Carolina	$65.00	Line/Mo.	$65.00	Line/Mo.
PBX Service	TS Managed Service	Station Line (includes voice mail)	$21.00	Line/Mo.	$21.00	Line/Mo.
		PBX Fax/Modem Line (Analog)	$21.00	Line/Mo.	$21.00	Line/Mo.
		PBX Automatic Call Distribution Packages:				
		Package A (Basic PBX)	$4.00	Agent/Mo.	$4.00	Agent/Mo.
		(Includes one week of reports)				
		Additional weeks reports (Per Week)	$100.00	Week	$100.00	Week
		Package B (Symposium ACD)	$15.00	Agent/Mo.	$15.00	Agent/Mo.
		(Includes Call Management/Statistics)				
		Package C (Symposium ACD/CTI)	$25.00	Agent/Mo.	$25.00	Agent/Mo.
		(Includes Package B plus Skill Set				
		Routing and Host Data Exchange)				
		Telephony Application Development	$85.00	Hour	$85.00	Hour
		(new ACD applications;agent skill set				
		routing;CTI development support)				
		PBX ACD Agent Change	$35.00	Agent	$35.00	Agent
		(add, delete, modify existing applications)				
		PBX Voice Messaging Options				
		PBX Voice Mail Box (without Line)	$4.50	Mail Box/Mo.	$4.50	Mail Box/Mo.
		PBX Information Voice Mail Box	$3.50	Mail Box/Mo.	$3.50	Mail Box/Mo.
		PBX AutoAttendant (Meridian Mail)	$100.00	Port/Month	$100.00	Port/Month
		Digital Telephone Sets	Cost + 8%		Cost + 8%	
		Nonrecurring Charges				
		Remote Admin	$45.00	Hour	$45.00	Hour
		New Line Installation	$139.60	Line	$139.60	Line

Proposed Information Technology Service Standard Rates for 2001-2002

Blue = Rate Increase		Black = No Change in Rates	2001-2002 Rates Green = New Offering		2000-2001 Rates Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		Relocation of existing Line (w premise visit)	$87.10	Line	$87.10	Line
		Relocation of existing line (software only)	$52.50	Line	$52.50	Line
		Line feature changes (software only)	$35.00	Line	$35.00	Line
		Campus PBX	Individually Priced		Individually Priced	
	Admin. Fee-Telecom Systems					
		Digital Key	Cost + 12%		Cost + 12%	
		PBX / Voice Messaging Systems	Cost + 8%		Cost + 8%	
Moves and Changes						
	Installation and Repairs:	Merlin and Single Line	$45.00	Hour	$45.00	Hour
		Element	Cost + 20%	Each	Cost + 20%	Each
		Norstar or Toshiba	$70.00	Hour	$70.00	Hour
		Materials	Cost + 10%		Cost + 10%	
	Cabling and Wiring:					
		Category "A"				
		Elements	Cost + 10%		Cost + 10%	
		Time	$40.00	Hour	$40.00	Hour
		Materials	Cost + 10%		Cost + 10%	
		Category "B"				
		Building Projects	Cost + 8%		Cost + 8%	
		Campus Design	$75.00	Hour	$75.00	Hour
Voice Mail	Available in Raleigh Morgan	Regular	$4.50	Mo.	$4.50	Mo.
	St. and New Hope areas only	Info Box	$3.50	Mo.	$3.50	Mo.
		Fax Mail	$2.00	Box/Mo.	$2.00	Box/Mo.
		Auto Attendant	$100.00	Port/Mo.	$100.00	Port/Mo.
Voice Response	Raleigh, New Hope Only	Mail Box	$4.50	Mo.	$4.50	Mo.
		Applications	$0.18	Minute	$0.18	Minute
SNA	LU:					
		Basic	$10.00	Port/Mo.	$10.00	Port/Mo.
		SRB	$15.00	Port/Mo.	$15.00	Port/Mo.
		DLSW	$14.00	Port/Mo.	$14.00	Port/Mo.
	Client-Owned Control Units					
		9.6 kbps Circuit	$137.00	Circuit/Mo.	$137.00	Circuit/Mo.
		Above 9.6 KBPS Circuit	$273.00	Circuit/Mo.	$273.00	Circuit/Mo.
	ITS-Owned Control Units					
		9.6 kbps Port Service	$21.00	Port/Mo.	$21.00	Port/Mo.
		56 kbps Port Service	$32.00	Port/Mo.	$32.00	Port/Mo.
		DLSW Port Service	$16.00	Port/Mo.	$16.00	Port/Mo.
		General Port Service (ZZS)	$15.00	Port/Mo.	$15.00	Port/Mo.
	Point-to-Point					
		Installation	$1,200.00	One-time	$1,200.00	One-time
		Circuit Service	Cost + 6%	Monthly	Cost + 6%	Monthly
AAMVANet		Network Service	Cost + 20%	Unit	Cost + 20%	Unit
DIAL-UP		Compuserve	Usage + 9.95	Mo.	Usage + $9.95	Mo.
WAN						
	ANCHOR					
		Install 56/64 Drop	$1,050.00	One-Time	$1,050.00	One-Time
		Install FT1 drop 128 kbps or 256kbps	$1,100.00	One-Time	$1,100.00	One-Time
		Install T-1 Drop	$1,350.00	One-Time	$1,350.00	One-Time
		Install NXT1 3MBPS	$3,000.00	One-Time	$3,000.00	One-Time
		Install NXT1 6MBPS	$5,400.00	One-Time	$5,400.00	One-Time
		Install NX 10MB (DS3)	$3,300.00	One-Time	$3,300.00	One-Time
		56/64 KBPS Primary Port & Circuit (IP Only)	$475.00	Mo.	$475.00	Mo.

Proposed Information Technology Service Standard Rates for 2001-2002

Blue = Rate Increase		Black = No Change in Rates	2001-2002 Rates Green = New Offering		2000-2001 Rates Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		Fractional T-1 Primary Port (CDS Only) 128kbps	$700.00	Mo.	$700.00	Mo.
		Fractional T-1 Primary Port (CDS Only) 256kbps	$800.00	Mo.	$800.00	Mo.
		T-1 Primary Port & Circuit DDS	Cost + 700	Mo.	Cost + $700	Mo.
		T-1 Primary Port CDS	$1,100.00	Mo.	$1,100.00	Mo.
		NXT1 Primary Port CDS Only 3MB	$2,000.00	Mo.	$2,000.00	Mo.
		NXT1 Primary Port CDS Only 6MB	$4,000.00	Mo.	$4,000.00	Mo.
		NX 10MB Primary Port 10MB	$6,000.00	Mo.	$6,000.00	Mo.
		NX 10MB Primary Port 20MB	$8,500.00	Mo.	$8,500.00	Mo.
		NX 10MB Primary Port 30MB	$11,000.00	Mo.	$11,000.00	Mo.
		NX 10MB Primary Port 40MB	$13,500.00	Mo.	$13,500.00	Mo.
		Secondary Port	$150.00	Mo.	$150.00	Mo.
		T-1 Highway Port Primary - ITS Equip	Circuit & gcel cost + 400	Mo.	Circuit & gcel cost + 400	Mo.
		10 MBPS Primary Port & Circuit	Circuit cost + 2,768	Mo.	Circuit cost + $2,768	Mo.
		Highway Port Secondary	$150.00	Mo.	$150.00	Mo.
		IPX LAN Transport	$70.00	Mo.	$70.00	Mo.
I-Net						
		Install 56/64 kbps Drop	$1,050.00	One time charge	$1,050.00	One time charge
		Install FT1 or T1 Drop	$1,350.00	One time charge	$1,350.00	One time charge
		Install 3MBPS	$3,000.00	One time charge	$3,000.00	One time charge
		Install 6MBPS	$5,400.00	One time charge	$5,400.00	One time charge
		Intall NX 10MB	$3,300.00	One time charge	$3,300.00	One time charge
		56/64 kbps Connection	$504.00	Monthly	$504.00	Monthly
		Fractional T1 Primary Ports (CDS only)				
		-128 kbps Connection	$742.00	Monthly	$742.00	Monthly
		-256 kbps Connection	$828.00	Monthly	$828.00	Monthly
		T1 Primary Port				
		-T1 Connection (mileage area)	current cost + 912	Monthly	current cost + $912	Monthly
		-T1 Connection (zero mileage area)	$1,312.00	Monthly	$1,312.00	Monthly
		NxT1 Primary Port (CDS only)				
		-3mb (zero mileage area only)	$2,762.00	Monthly	$2,762.00	Monthly
		-6 mb (zero mileage area only)	$4,689.00	Monthly	$4,689.00	Monthly
		Nx10mb Primary Port				
		-10mb (zero mileage area only)	$6,965.00	Monthly	$6,965.00	Monthly
		-20mb (zero mileage area only)	$10,093.00	Monthly	$10,093.00	Monthly
		-30mb (zero mileage area only)	$13,377.00	Monthly	$13,377.00	Monthly
		-40mb (zero mileage area only)	$16,661.00	Monthly	$16,661.00	Monthly
Encryption		56/64 Circuit	$100.00	Mo.	$100.00	Mo.
		T-1 Circuit	$360.00	Mo.	$360.00	Mo.
Ral-MAN Rates		10 Mbps	2,769.00	Mo.	2,769.00	Mo.
		100 Mbps	15,811.00	Mo.	15,811.00	Mo.
Secure WAN		56/64 Primary Port	$550.00	Mo.	$550.00	Mo.
		T-1 Primary Port	Circuit Cost + 700.00	Mo.	Circuit Cost + $700.00	Mo.
		Secondary Port	$200.00	Mo.	$200.00	Mo.
EDU Network Schools						
		Install 56/64 Circuit	$1,050.00	One-Time	$1,050.00	One-Time
		Install T-1 Circuit	$1,350.00	One-Time	$1,350.00	One-Time
		Install T-1 Cloud to PoP MRC	$1,100.00	One-Time	$1,100.00	One-Time
		56/64 KBPS Primary Port & Circuit (CDS)	$350.00	Mo.	$350.00	Mo.
		Secondary Port	$125.00		$125.00	
		Fractional T-1 Primary Port (CDS Only) 128	$400.00	Mo.	$400.00	Mo.
		Fractional T-1 Primary Port (CDS Only) 256	$500.00	Mo.	$500.00	Mo.
		T-1 CDS	$725.00	Mo.	$725.00	Mo.

Prepared By: NC Office of Information Technology Services
Financial and Facilities Services
Budget and Cost Analysis Group

Proposed Information Technology Service Standard Rates for 2001-2002

			2001-2002 Rates		2000-2001 Rates	
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Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
Firewalls						
		Installation	$1,300.00	One-Time	$1,300.00	One-Time
		Large	$650.00	Mo.	$650.00	Mo.
		Medium	$525.00	Mo.	$525.00	Mo.
		Small	$400.00	Mo.	$400.00	Mo.
		DMZ_LF Feature	$90.00	Per Month	$90.00	Per Month
		DMZ_SMF Feature	$75.00	Per Month	$75.00	Per Month
		DMZ Feature Install	$250.00	One-Time	$250.00	One-Time
Long Distance						
	State Voice Network:					
		Intra-State or Inter-State	$0.06	Minute	$0.06	Minute
		Canadian	Tarrif	Minute	Tarrif	Minute
		Toll, International or TSAA	Tarrif	Minute	Tarrif	Minute
	1-800					
		Switched	$0.135	Minute	$0.135	Minute
		Dedicated	$0.08	Minute	$0.08	Minute
	1-700 State Virtual Network:					
		Intra-State	$0.105	Minute	$0.105	Minute
		Inter-State	$0.085	Minute	$0.085	Minute
		International	Tariff	Minute	Tariff	Minute
	Credit Card:					
		Intra-State or Inter-State	$0.165	Minute	$0.165	Minute
		International	Tariff	Minute	Tariff	Minute
Wireless	AllTel	Access Charge	$14.75	Month	$14.75	Month
Cellular		Long Distance Charge	$0.00	Minute	$0.00	Minute
		Roaming Charges (in coverage area)	$0.00	Minute	$0.00	Minute
		Roaming Charges (outside coverage area)	$0.80	Minute	$0.80	Minute
		Air-time rates:				
		0 to 60 minutes	No Charge		No Charge	
		61 to 100 minutes	$0.24	Minute	$0.24	Minute
		101 to 150 minutes	$0.19	Minute	$0.19	Minute
		151 to 200 minutes	$0.16	Minute	$0.16	Minute
		201 to 250 minutes	$0.14	Minute	$0.14	Minute
		251 to 400 minutes	$0.12	Minute	$0.12	Minute
		400 + minutes	$0.10	Minute	$0.10	Minute
		Carolina Freedom Plans				
		Long Distance Charge	$0.00	Minute	$0.00	Minute
		Roaming Charges (in coverage area)	$0.00	Minute	$0.00	Minute
		Roaming Charges (outside coverage area)	$0.80	Minute	$0.80	Minute
		Package Minutes <= 250 minutes	$27.00	Month	$27.00	Month
		Package Minutes > 250 minutes	$0.22	Minute	$0.22	Minute
		Package Minutes <= 400 minutes	$37.00	Month	$37.00	Month
		Package Minutes > 400 minutes	$0.22	Minute	$0.22	Minute
		Package Minutes <= 800 minutes	$67.00	Month	$67.00	Month
		Package Minutes > 800 minutes	$0.22	Minute	$0.22	Minute
		Emergency Use Plan	$9.50	Month	$9.50	Month
	(coverage Area: North Carolina)	Minutes >0	$0.60	Minute	$0.60	Minute
		Long Distance Charge	$0.10	Minute	$0.10	Minute
		Roaming Charge	$0.85	Minute	$0.85	Minute
		Enhanced Digital Advisor	$4.95	Month	$4.95	Month
		Premium digital Advisor	$19.95	Month	$19.95	Month
		Web Access	$5.95	Month	$5.95	Month
		Phone Purchase Options:				
		Motorola 2900M Purchase Price	$39.95	Each	$39.95	Each
		Motorola 4000LB Purchase Price	$29.95	Each	$29.95	Each

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Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		Motorola Profile 325 Purchase Price	$29.95	Each	$29.95	Each
		Motorola 3160 Dual Mode Purchase Price	$49.95	Each	$49.95	Each
		Motorola 7860 Dual Mode Purchase Price	$234.95	Each	$234.95	Each
		(Motorola 7860 is Web Enabled)				
		Motorola 3160 Dual Mode Rental Price	$5.00	Month	$5.00	Month
		Motorola 7860 Dual Mode Rental Price	$10.00	Month	$10.00	Month
	Bell Atlantic Mobile	Flexible Tier Plan	$14.50	Month	$14.50	Month
		Long Distance Charge	$0.12	Minute	$0.12	Minute
		Roaming costs	Cost	Minute	Cost	Minute
		Air-time rates:				
		0 to 60 minutes	No Charge		No Charge	
		61 to 100 minutes	$0.27	Minute	$0.27	Minute
		101 to 150 minutes	$0.26	Minute	$0.26	Minute
		151 to 200 minutes	$0.25	Minute	$0.25	Minute
		201 to 250 minutes	$0.24	Minute	$0.24	Minute
		251 to 400 minutes	$0.23	Minute	$0.23	Minute
		400 + minutes	$0.22	Minute	$0.22	Minute
		Corporate Aggregate 150 min. Plan	$27.00	Month	$27.00	Month
		Long Distance Charge	$0.00	Minute	$0.00	Minute
		Roaming Charges	Cost	Minute	Cost	Minute
		Minutes > 100	$0.27	Minute	$0.27	Minute
		Corporate Digital Choice 400 Min Plan	$42.00	Month	$42.00	Month
		Long Distance Charge	$0.00	Minute	$0.00	Minute
		Roaming Charges	Cost	Minute	Cost	Minute
		Minutes > 150	$0.37	Minute	$0.37	Minute
		Mobile to Mobile Calling Unlimited Use	$10.00	Month	$10.00	Month
	(Coverage Area: NC and SC)	Statewide Pool Plan - 200 Minutes	$27.00	Month	$27.00	Month
		Long Distance Charge	$0.00	Minute	$0.00	Minute
		Roaming Charges	Cost	Minute	Cost	Minute
		Minutes > 200	$0.37	Minute	$0.37	Minute
	(Coverage Area: NC and SC)	Statewide Pool Plan - 400 Minutes	$42.00	Month	$42.00	Month
		Long Distance Charge	$0.00	Minute	$0.00	Minute
		Roaming Charges	Cost	Minute	Cost	Minute
		Minutes > 400	$0.37	Minute	$0.37	Minute
		Emergency Use Plan	$9.50	Month	$9.50	Month
		Minutes > 0	$2.01	Minute	$2.01	Minute
		Long Distance Charge	Cost	Minute	Cost	Minute
		Roaming Charges	Cost	Minute	Cost	Minute
		Servics:				
		Call forwarding	No Charge		No Charge	
		Call Waiting	No Charge		No Charge	
		3-Way Conference	No Charge		No Charge	
		Voice Mail	No Charge		No Charge	
		Switch Circuit Data	No Charge		No Charge	
		CDPD Unlimited Usage Service	$39.95	Month	$39.95	Month
		Web Access - usage billed as voice	$9.95	Minute	$9.95	Minute
		Web Text Messaging Option	$6.00	Month	$6.00	Month
		PC Text Messaging Option	$10.00	Month	$10.00	Month
		Mobile to Mobile Calling - Corp Dig. Ch.	$10.00	Month	$10.00	Month
		New Mobile Phone Installation w/ antenna	$0.00	Occurrence	$0.00	Occurrence
		Mobile Phone Removal from auto	$50.00	Occurrence	$50.00	Occurrence
		Mobile Phone Reinstallation in auto	$75.00	Occurrence	$75.00	Occurrence
		Mobile Phone - Purchase	$79.00	Each	$79.00	Each
		Bag Phone - Purchase	$19.99	Each	$19.99	Each
		Portable Phone - Purchase	$19.99	Each	$19.99	Each

Proposed Information Technology Service Standard Rates for 2001-2002

			2001-2002 Rates		2000-2001 Rates	
Blue = Rate Increase		Black = No Change in Rates	Green = New Offering		Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		Portable Phone with Adapter - Purchase	$29.99	Each	$29.99	Each
	GTE Wireless	Flexible Tier Plan	$13.50	Month	$13.50	Month
	(Home Choice NC Plan)	Long Distance (from within cov. Area)	$0.00	Minute	$0.00	Minute
		Long Distance (from outside cov. Area)	$0.35	Minute	$0.35	Minute
		Roaming Charge (from within cov. Area)	$0.00	Minute	$0.00	Minute
		Roaming Charge (from outside cov. Area)	$0.50	Minute	$0.50	Minute
		0 - 60 Minutes	$0.00	Minute	$0.00	Minute
		61 - 100 Minutes	$0.24	Minute	$0.24	Minute
		101 - 150 Minutes	$0.22	Minute	$0.22	Minute
		151 - 200 Minutes	$0.19	Minute	$0.19	Minute
		201 - 250 Minutes	$0.17	Minute	$0.17	Minute
		251 - 400 Minutes	$0.16	Minute	$0.16	Minute
		Over 400 Minutes	$0.14	Minute	$0.14	Minute
	NC Market Packaged Plans	Long Distance Charge	$0.00	Minute	$0.00	Minute
		Roaming Charge (from within cov. Area)	$0.00	Minute	$0.00	Minute
		Roaming Charge (from outside cov. Area)	$0.80	Minute	$0.80	Minute
		Packaged Minutes <= 85	$18.00	Minute	$18.00	Minute
		Minutes > 85	$0.27	Minute	$0.27	Minute
		Packaged Minutes <= 175	$23.00	Minute	$23.00	Minute
		Minutes > 175	$0.24	Minute	$0.24	Minute
		Packaged Minutes <= 400	$31.00	Minute	$31.00	Minute
		Minutes > 400	$0.23	Minute	$0.23	Minute
		Packaged Minutes <= 800	$45.00	Minute	$45.00	Minute
		Minutes > 800	$0.22	Minute	$0.22	Minute
		Packaged Minutes <= 1200	$70.00	Minute	$70.00	Minute
		Minutes > 1200	$0.19	Minute	$0.19	Minute
		Emergency Use Plan	$11.00	Month	$11.00	Month
		Minutes > 0	$0.32	Minute	$0.32	Minute
		Long Distance from outside home Area	$0.35	Minute	$0.35	Minute
		Roaming Charges - outside home Area	$0.50	Minute	$0.50	Minute
		Voice Mail Service	$3.95	Month	$3.95	Month
		CDPD Service	$49.95	Month	$49.95	Month
		Mobile to Mobile Calling - 400 Minutes	$12.95	Month	$12.95	Month
		Mobile to Mobile Calling - 500 Minutes	$19.95	Month	$19.95	Month
		Mobile Phone New Installation	$0.00	Occurrence	$0.00	Occurrence
		Mobile Phone Remove 7 Reinstall	$99.95	Occurrence	$99.95	Occurrence
		GTE LG330W Dual Mode Phone - Purch.	Own in 13 months	Each	Own in 13 months	Each
		QCP 860 Dual Moce Phone - Purchase	Own in 13 months	Each	Own in 13 months	Each
		Audiovox CDM 4000 Phone - Purchase	$135.95	Each	$135.95	Each
		Motorola 7860 Phone - Purchase	$254.95	Each	$254.95	Each
		Autiovox 480MXV (Analog) - Purchase	$17.95	Each	$17.95	Each
		Motorola 2950 (Analog)	$80.95	Each	$80.95	Each
		Motorola Traveler PortaPack (Analog)	$53.95	Each	$53.95	Each
	US Cellular	Flexible Tier Plan	$14.75	Month	$14.75	Month
	(Coverage Area: NC Market	Long Distance (Intrastate Calls From Coverage Area)	$0.00	Minute	$0.00	Minute
	Areas Only for all Plans)	Long Distance (Interstate Calls From Coverage Area)	Varies	Minute	Varies	Minute
		Long Dist. (All Calls Placed From Outside Cov. Area)	Varies	Minute	Varies	Minute
		Roaming Charge (Calls Placed From NC)	$0.00	Minute	$0.00	Minute
		Roaming Charge (Calls Placed From Outside NC)	$0.50	Minute	$0.50	Minute
		Air-time rates:				
		0 to 60 minutes	no charge	N/A	no charge	N/A
		61 to 100 minutes	$0.26	Minute	$0.26	Minute
		101 to 150 minutes	$0.20	Minute	$0.20	Minute

Proposed Information Technology Service Standard Rates for 2001-2002

Blue = Rate Increase		Black = No Change in Rates	2001-2002 Rates Green = New Offering		2000-2001 Rates Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		151 to 200 minutes	$0.16	Minute	$0.16	Minute
		201 to 250 minutes	$0.13	Minute	$0.13	Minute
		251 to 400 minutes	$0.12	Minute	$0.12	Minute
		> 400 minutes	$0.09	Minute	$0.09	Minute
		Flat Rate Plan - 250 Minutes	$31.50	Month	$31.50	Month
		Long Distance Charge - Intrastate	$0.00	Minute	$0.00	Minute
		Long Distance Charge - Interstate	Varies	Minute	Varies	Minute
		Roaming Charge	$0.00	Minute	$0.00	Minute
		> 250 Minutes	$0.37	Minute	$0.37	Minute
		Flat Rate Plan (2) - 250 Minutes	$48.00	Month	$48.00	Month
		Long Distance Charge - Intrastate	$0.00	Minute	$0.00	Minute
		Long Distance Charge - Interstate	Varies	Minute	Varies	Minute
		Roaming Charge	$0.00	Minute	$0.00	Minute
		> 250 Minutes	$0.11	Minute	$0.11	Minute
		Emergency Use Plan	$16.00	Month	$16.00	Month
		Minutes > 0	$0.12	Minute	$0.12	Minute
		Long Distance Charge	Cost	Minute	Cost	Minute
		Roaming Charge	Cost	Minute	Cost	Minute
		Voice Mail Service	$3.95	Month	$3.95	Month
		CDPD Unlimited Usage	$49.95	Month	$49.95	Month
		Mobile to Mobile Calling	$0.00	Month	$0.00	Month
		Mobile Phone (New) Installation w/Ant.(up to 2)	$75.00	Occurrence	$75.00	Occurrence
		Mobile Phone (New) Installation w/Ant.(3 or more)	$55.00	Occurrence	$55.00	Occurrence
		Mobile Phone - Removal and reinstall (up to 2)	$105.00	Occurrence	$105.00	Occurrence
		Mobile Phone - Removal and reinstall (3 or more)	$80.00	Occurrence	$80.00	Occurrence
		Audiovox MVX 480 Phone - Purchase	$29.95	Each	$29.95	Each
		Bag Unit - Audiovox PRT 9200 - Purch.	$29.95	Each	$29.95	Each
		Handheld Unit - Nokia 282 - Purchase	$79.95	Each	$79.95	Each
		Handheld Unit - Nokia 253 - Purchase	$39.95	Each	$39.95	Each
		Audiovox CTX 3600 Mobile - Purchase	$79.95	Each	$79.95	Each
		Handheld Audiovox CDM 4000 - Purch.	$79.95	Each	$79.95	Each
		Handheld Nokia 5180 - Purchase	$79.95	Each	$79.95	Each
		Handheld Nokia 6185 - Purchase	$129.95	Each	$129.95	Each
	Nextel	Basic Plan 250 (incl 250 Direct Connect)	$35.00	Month	$35.00	Month
	(Coverage Area: NC Market	Direct Connect Airtime > 250 Minutes	$0.14	Minute	$0.14	Minute
	Areas Only for all Plans)	Long Distance Charge	$0.15	Minute	$0.15	Minute
		Cellular Usage > 0 Minutes	$0.32	Minute	$0.32	Minute
		Basic Plan UPC (Unlimited Private Calls)	$49.50	Month	$49.50	Month
		Direct Connect Airtime - Group Calling	$0.12	Minute	$0.12	Minute
		Long Distance Charge	$0.15	Minute	$0.15	Minute
		Cellular Usage > 0 Minutes	$0.32	Minute	$0.32	Minute
		Performance Plan 250 (50 m. DCA, 250 m. cell.)	$40.00	Month	$40.00	Month
		Direct Connect Airtime > 50 Minutes	$0.17	Minute	$0.17	Minute

Proposed Information Technology Service Standard Rates for 2001-2002

			2001-2002 Rates		2000-2001 Rates	
Blue = Rate Increase		Black = No Change in Rates	Green = New Offering		Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		Long Distance Charge	$0.15	Minute	$0.15	Minute
		Cellular Use > 250 Minutes	$0.32	Minute	$0.32	Minute
		Unlimited Private Call Option	$14.50	Month	$14.50	Month
		Group Calling	$0.17	Minute	$0.17	Minute
		Performance Plan 250 with UPC	$54.50	Month	$54.50	Month
		Unlimited Private Call (UPC)	$0.00	Month	$0.00	Month
		Long Distance Charge	$0.15	Minute	$0.15	Minute
		Cellular Use > 250 Minutes	$0.32	Minute	$0.32	Minute
		Group Calling	$0.17	Minute	$0.17	Minute
		Performance Plan 600 (50 m. DCA, 600 m. cell.)	$54.00	Month	$54.00	Month
		Direct Connect Airtime (DCA) > 50 Min.	$0.17	Minute	$0.17	Minute
		Long Distance Charge	$0.15	Minute	$0.15	Minute
		Cellular Use > 600 Minutes	$0.32	Minute	$0.32	Minute
		Unlimited Private Call Option	$13.50	Month	$13.50	Month
		Group Calling	$0.17	Minute	$0.17	Minute
		Performance Plan 600 with UPC	$67.50	Month	$67.50	Month
		Unlimited Private Call	$0.00	Month	$0.00	Month
		Long Distance Charge	$0.15	Minute	$0.15	Minute
		Cellular Use > 600 Minutes	$0.32	Minute	$0.32	Minute
		Group Calling	$0.17	Minute	$0.17	Minute
		National Business Plan 400 with UPC	$68.15	Month	$68.15	Month
		Long Distance charge	$0.00	Minute	$0.00	Minute
		Cellular Use > 400 Minutes	$0.27	Minute	$0.27	Minute
		Unlimited Private Call	$0.00	Month	$0.00	Month
		Group Calling	$0.17	Minute	$0.17	Minute
		National Business Plan 600 with UPC	$87.00	Month	$87.00	Month
		Long Distance charge	$0.00	Minute	$0.00	Minute
		Cellular Use > 600 Minutes	$0.27	Minute	$0.27	Minute
		Unlimited Private Call	$0.00	Month	$0.00	Month
		Group Calling	$0.17	Minute	$0.17	Minute
		Call Forwarding Service	$0.10	Minute	$0.10	Minute
		Call Waiting, Call Hold, 3Way Conference	$0.00	Month	$0.00	Month
		Caller Identification	$3.00	Month	$3.00	Month
		Voice Mail	$3.00	Month	$3.00	Month
		Enhanced Value Pack (VM, Caller ID, 100 Text Pages)	$6.00	Month	$6.00	Month
		i700 Plus New Integrated Portable (Black or Yellow)	$126.00	Each	$126.00	Each
		i500 Plus New Integrated Portable	$84.00	Each	$84.00	Each
		i1000 Plus New Integrated Portable	$169.00	Each	$169.00	Each
		Equipment Warranty - 3 years	$35.00	Each	$35.00	Each
Pagers	Mobile Comm	Numeric Local	$5.00	Month	$5.00	Month
		Numeric Statewide	$6.00	Month	$6.00	Month
		Alphanumeric Local	$9.45	Month	$9.45	Month
		Alphanumeric Statewide	$10.45	Month	$10.45	Month

Proposed Information Technology Service Standard Rates for 2001-2002

Blue = Rate Increase		Black = No Change In Rates	2001-2002 Rates Green = New Offering		2000-2001 Rates Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		Alphanumeric PC Software	$40.00	Copy	$40.00	Copy
		AlphaMate Terminal	$15.00	Month	$15.00	Month
		Voice Mail (5 msgs, 4 hrs.)	$2.45	Month	$2.45	Month
		Voice Mail (10 msgs, 12 hrs.)	$3.30	Month	$3.30	Month
		Voice Mail (10 msgs, 24 hrs.)	$4.00	Month	$4.00	Month
		Voice Mail (15 msgs, 72 hrs.)	$5.40	Month	$5.40	Month
		Loss Protection (NP $25 Deductible)	$1.00	Month	$1.00	Month
		Loss Protection (ANP $60 Deductible)	$1.40	Month	$1.40	Month
		Toll Free 800#	$5.00	Month	$5.00	Month
		800# Surcharge (FCC)	TBD	Month	TBD	Month
		Numeric Retrieval	$1.25	Month	$1.25	Month
		Narrow Band Numeric Pager	$7.00	Month	$7.00	Month
		Narrow Band Alphanumeric Pager	$11.45	Month	$11.45	Month
	PageNet	Numeric Local	$4.50	Month	$4.50	Month
		Numeric Statewide	$4.50	Month	$4.50	Month
		Numeric Nationwide	$30.45	Month	$30.45	Month
		Alphanumeric Local	$8.00	Month	$8.00	Month
		Alphanumeric Statewide	$8.00	Month	$8.00	Month
		Alphanumeric Nationwide	$50.45	Month	$50.45	Month
		Alphanumeric PC Software	$40.00	Copy	$40.00	Copy
		AlphaMate Terminal	$8.00	Month	$8.00	Month
		Voice Mail (5 msgs, 12 hrs.)	$4.00	Month	$4.00	Month
		Voice Mail (10 msgs, 24 hrs.)	$6.00	Month	$6.00	Month
		Voice Mail (20 msgs, 72 hrs.)	$11.00	Month	$11.00	Month
		Loss Protection ($50 Deductible)	$1.00	Month	$1.00	Month
		Toll Free 800#	$5.00	Month	$5.00	Month
		800# Surcharge (FCC)	TBD	Month	TBD	Month
		Numeric Retrieval	$1.25	Month	$1.25	Month
	Facility					
		Video Conference Room	$210.00	Day	$210.00	Day
		(General Use)				
		Video Conference Facilities	$75.00	Hour	$75.00	Hour
North Carolina Information Highway						
	Video Service					
		Service Multiplexer	Rates depend on location		Rates depend on location	
		Premise Equipment	"		"	
		Codec	"		"	
		Room Reservations	"		"	
		Line Installation	"		"	
		Service Initiation	"		"	
	Monthly Service					
		NCIH Connection	Rates depend on location		Rates depend on location	
		Video Usage	"		"	
		Data Usage	"		"	
	Intra LATA PVC					
		1.5 MBS	Rates depend on location		Rates depend on location	
		1.5 - 16 MBS	"		"	
		16 - 30 MBS	"		"	
		30 - 34 MBS	"		"	
		34 - 40 MBS	"		"	
		40 - 45 MBS	"		"	
	Inter LATA PVC (one end in Raleigh)		Rates depend on location		Rates depend on location	
		1.5 MBS	"		"	
		10 MBS	"		"	

Proposed Information Technology Service Standard Rates for 2001-2002

			2001-2002 Rates		2000-2001 Rates	
Blue = Rate Increase		Black = No Change in Rates	Green = New Offering		Red = Rate Reduction	
Category	Group	Description	2001-2002 Rate	Unit/ Frequency	2000-2001 Rate	Unit/ Frequency
		20 MBS	"		"	
		40 MBS	"		"	
	Inter LATA PVC (no end in Raleigh)		Rates depend on location		Rates depend on location	
		1.5 MBS	"		"	
		10 MBS	"		"	
		20 MBS	"		"	
		40 MBS	"		"	
	NCIH Room Rental		$75.00	Hour	$75.00	Hour
	ATM Video and Data Services					
	H.320 Video Conferencing Service					
		Installation	$2,355.69	One-time Charge	$2,355.69	One-time Charge
		Ongoing Charges	$2,244.24	Monthly	$2,244.24	Monthly
	T1 ATM Data Service					
		Installation	$2,264.44	One-time Charge	$2,264.44	One-time Charge
		Ongoing Charges	$1,232.80	Monthly	$1,232.80	Monthly
	T1 ATM Video AND Data					
		Installation	$2,855.69	One-time Charge	$2,855.69	One-time Charge
		Ongoing Charges	$2,584.25	Monthly	$2,584.25	Monthly
	DS3 ATM Transmission & H.320 Vid.					
		Installation	$3,360.91	One-time Charge	$3,360.91	One-time Charge
		Ongoing Charges	$6,942.06	Monthly	$6,942.06	Monthly
	Add. Simultaneous Vid Session:	One-Time Cost	$591.25	One-time Charge	$591.25	One-time Charge
		Montly (includes 50 hrs of video)	$581.45	Monthly	$581.45	Monthly
	OC3 ATM Transmission & H.320 Vid.					
		Installation	$5,689.91	One-time Charge	$5,689.91	One-time Charge
		Ongoing Charges	$14,030.73	Monthly	$14,030.73	Monthly
		Add'l Video Hours	$14.00	Hour	$14.00	Hour
Other Information Technology Services						
Systems Security Services						
		SCANS Security Scanning Service				
		Full Feature Service	$640.44 + (14.72 / IP addr.)	Onetime Setup Charge,	$640.44 + (14.72 / IP address)	Onetime Setup Charge, Pl
			$213.48 + (1.00 per IP addr.)	Monthly Charge	$213.48 + (1.00 per IP address)	Monthly Charge
		Leased Software Service	$150.00 + (14.72 / IP addr.)	Onetime Setup Charge,	$150.00 + (14.72 / IP address)	Onetime Setup Charge, Pl
			$1.00 per IP Address	Monthly Charge	$1.00 per IP Address	Monthly Charge
		One-Time Scan	$640.44 + (50.81 / IP addr.)	Per Scan	$640.44 + (50.81 / IP address)	Per Scan
		NOTE: One-Time Scan includes 4 hours of consultation - additional time is at contract rate.				
		Key Generation	$150.00	per key	$150.00	per key
		Security Consulting Fee	Contract Rate	per hour	Contract Rate	per hour
Leveraged Asset Management Services						
		Microcomputer Lease	ITS No longer enters into microcomputer		Per Svc Lvl Agreement	Based on Negotiated
			lease agreements for provision of equipment			Purchase Costs plus
			to customers.			Admin. Percentage, Divide
			Existing Leases must be paid in accordance			by Length of Lease (mos.)
			with terms of their current lease agreements.			
Contract Services		Convenience Contract Personnel		Based on Negotiated		Based on Negotiated
				Convenience Contract		Convenience Contract
				Rates		Rates

Prepared By: NC Office of Information Technology Services
Financial and Facilities Services
Budget and Cost Analysis Group

North Carolina Office of Information Technology Services

Disaster Recovery Subscription Charges For State Agencies

Basic "Subscription Costs" Calculation:	Annualized	
ITS Security Office Subscription	$484,254	14.6263%
Mainframe Disaster Recovery Subscription	$2,638,479	79.6923%
Network Security Subscription	$188,102	5.6814%
	$3,310,835	100.0000%

	% of Total	Annual Sub.	Monthly Sub.
Agriculture	0.15%	$5,039.00	$419.92
Adm Ofc Courts	0.14%	4,579.00	$381.58
DENR	1.14%	37,734.00	$3,144.50
Administration	1.54%	50,844.00	$4,237.00
Commerce	0.02%	622.00	$0.00
Community Colleges	0.16%	5,450.00	$454.17
Corrections	10.38%	343,506.00	$28,625.50
CCPS	0.13%	4,324.00	$360.33
Cultural Resources	0.08%	2,688.00	$224.00
Insurance	0.15%	5,013.00	$417.75
Justice	0.11%	3,592.00	$299.33
Labor	0.07%	2,404.00	$200.33
DPI	0.70%	23,275.00	$1,939.58
Revenue	9.03%	298,846.00	$24,903.83
State Auditor	0.20%	6,486.00	$540.50
State Treasurer	0.09%	2,864.00	$238.67
Transportation	28.94%	958,139.00	$79,844.92
Sec of State	0.44%	14,727.00	$1,227.25
DHHS	35.64%	1,180,011.00	$98,334.25
Lt Governor	0.00%	13.00	$0.00
Governor	0.26%	8,767.00	$730.58
State Controller	5.48%	181,381.00	$15,115.08
NC Gen Assy	0.02%	642.00	$0.00
ESC	5.13%	169,889.00	$14,157.42
	100.000%	$3,310,835.00	$275,796.49

Note: These Subscription charges are based on the percentage each agency's total Computing Service billings by ITS bears to the grand total of all ITS Computing Services billings as agreed to beginning in fiscal year 2000-2001.

Floor for subscriptions set at $150 per month. Nothing smaller charged. Recovers 99.96% of costs.

Office of Information Technology Services

Information Resource Management Commission Independent Staff Subscriptions

"Subscription Costs" Calculation: Annualized
To IRMC Staff Center Budget for 2001-2002 $623,554

	% of Total	Annual Sub.	Monthly Sub.
Agriculture	0.61%	$3,829.00	$319.08
Adm Ofc Courts	1.29%	8,038.00	669.83
DENR	2.96%	18,455.00	1,537.92
Administration	2.18%	13,567.00	1,130.58
Commerce	1.99%	12,402.00	1,033.50
Community Colleges	0.85%	5,320.00	443.33
Corrections	10.83%	67,507.00	5,625.58
CCPS	1.58%	9,882.00	823.50
Cultural Resources	0.36%	2,264.00	188.67
Insurance	0.46%	2,847.00	237.25
Justice	2.38%	14,843.00	1,236.92
Labor	0.49%	3,072.00	256.00
DPI	0.93%	5,795.00	482.92
Revenue	6.21%	38,698.00	3,224.83
State Auditor	0.16%	984.00	82.00
State Treasurer	0.32%	1,985.00	165.42
Transportation	24.48%	152,654.00	12,721.17
Sec of State	0.70%	4,363.00	363.58
DHHS	31.08%	193,814.00	16,151.17
Lt Governor	0.01%	81.00	6.75
Governor	0.36%	2,270.00	189.17
State Controller	3.71%	23,144.00	1,928.67
NC Gen Assy	0.37%	2,295.00	191.25
ESC	5.69%	35,450.00	2,954.17
	100.001%	$623,559.00	$51,963.26

Note: These Subscription charges are based on the percentage each agency's total billings by ITS bears to the grand total of all ITS billings as agreed to beginning in fiscal year 2000-2001.

Prepared by NC Office of Information Tech. Services
Financial and Facilities Services
Budget and Cost Analysis Group

Printed on: 3/5/01

Office of Information Technology Services

Information Resource Management Subscription Charges To State Agencies for FY 2001-2002

"Subscription Costs" Calculation: Annualized
To IRM Administrative Center Budget for 2001-2002 $1,000,000

	% of Total	Annual Sub.	Monthly Sub.
Agriculture	0.61%	$6,140.00	$511.67
Adm Ofc Courts	1.29%	12,891.00	1,074.25
DENR	2.96%	29,596.00	2,466.33
Administration	2.18%	21,758.00	1,813.17
Commerce	1.99%	19,890.00	1,657.50
Community Colleges	0.85%	8,531.00	710.92
Corrections	10.83%	108,261.00	9,021.75
CCPS	1.58%	15,848.00	1,320.67
Cultural Resources	0.36%	3,631.00	302.58
Insurance	0.46%	4,565.00	380.42
Justice	2.38%	23,804.00	1,983.67
Labor	0.49%	4,926.00	410.50
DPI	0.93%	9,293.00	774.42
Revenue	6.21%	62,060.00	5,171.67
State Auditor	0.16%	1,578.00	131.50
State Treasurer	0.32%	3,184.00	265.33
Transportation	24.48%	244,813.00	20,401.08
Sec of State	0.70%	6,997.00	583.08
DHHS	31.08%	310,816.00	25,901.33
Lt Governor	0.01%	130.00	10.83
Governor	0.36%	3,640.00	303.33
State Controller	3.71%	37,116.00	3,093.00
NC Gen Assy	0.37%	3,681.00	306.75
ESC	5.69%	56,851.00	4,737.58
	100.000%	$1,000,000.00	$83,333.33

Note: These Subscription charges are based on the percentage each agency's total billings by ITS bears to the grand total of all ITS billings as agreed to beginning in fiscal year 2000-2001.

Prepared by NC Office of Information Tech. Services
Financial and Facilities Services
Budget and Cost Analysis Group

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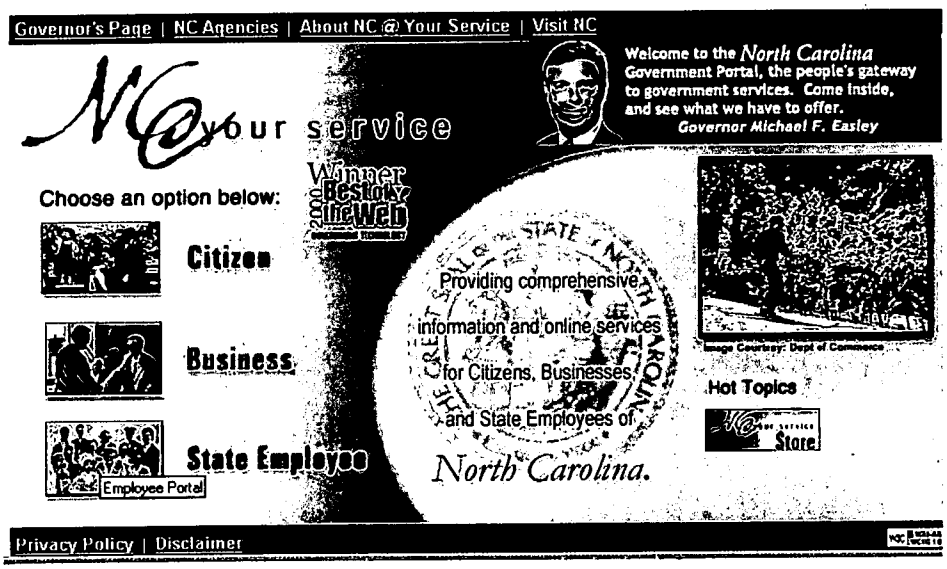
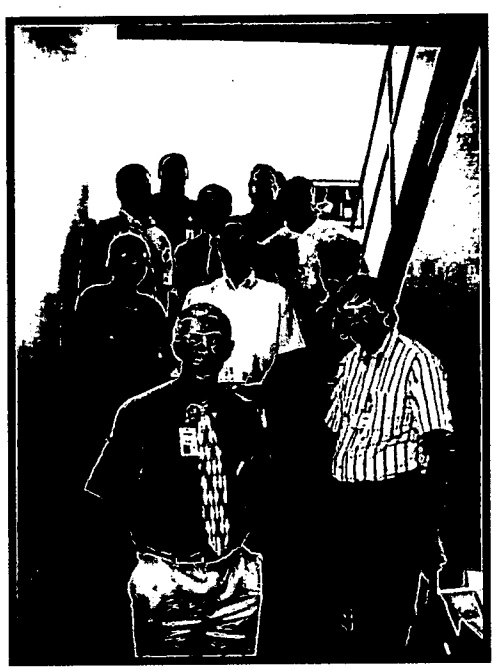
Appendix: Terms





Appendix - Terms

Budget

A plan of financial operations embodying an estimate of proposed expenditures for a given period or purpose and the proposed means of funding.

Budget Fund

A group of expenditure and receipt line items for support of a specific budget activity.

Contracted Services

Services performed by outside agents such as professional services (legal, audit, technical) and repairs and maintenance to equipment.

Change in Fund Balance

Anticipated effect of fiscal year operations on accumulated retained earnings.

Distributed information technology assets

Hardware, software, and communications equipment not classified as traditional mainframe-based items, including personal computers, local area networks.

E-government

Making use of the techniques and technologies of e-commerce (web and Internet) to provide easier access to information and officials, offer better services, obtain greater efficiencies, reduce costs, and allow increased participation in the democratic process.

E-procurement

Applies e-government concepts and purchasing best practices to reduce prices for goods and services through aggregating volume discounts and enabling administrative and operations cost savings by streamlining state processing and interactions with vendors/suppliers.

Internal Service Funds

Internal service funds account for the operations of state agencies that provide services to other state agencies, departments, or other governmental units on a cost reimbursement basis.

Information technology

Electronic data processing goods and services and telecommunications goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, or other services for design or redesign of information technology supporting business processes.

Information technology enterprise management

A method for managing distributed information technology assets from acquisition through retirement so that total ownership costs (purchase, operation, maintenance, disposal, etc.) are minimized while maximum benefits are realized.

Information technology portfolio management

A business-based approach for analyzing and ranking potential technology investments and selecting those investments that are the most cost-effective in supporting the strategic business and program objectives of the agency.

NC @ Your Service

The statewide, award-winning portal for North Carolina (www.ncgov.com)

Purchased Services

Services provided by a third party entity such as telephone, cell phone and network fiber usage.

Receipts

Anticipated revenue from sources other than state appropriations.

Acronyms

BTS – Business Technology Services

CPS – Common Payment Services

CS – Computing Service

DMV – Department of Motor Vehicles

IRM – Information Resource Management

IRMC – Information Resource Management Commission

IT – Information Technology

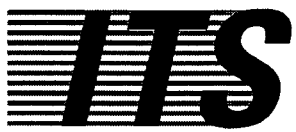
ITS – Office of Information Technology Services

TS – Telecommunications Services

North Carolina Office of Information Technology Services

Calendar Year 2000 Revenues by Customer Type

March 7, 2001



Office of Information Technology Services

An Analysis of Calendar Year 2000 Revenues for ITS By Customer Type

- Information used in this report was obtained from the North Carolina Accounting System's Accounts Receivable Module for the calendar year ending December 31, 2000.

- The information provided was then categorized by Customer Type based on available historic and file data related to governmental structures in North Carolina.

NC OFFICE OF INFORMATION TECHNOLOGY SERVICES
Agency-Wide Revenues by Customer Type
Calendar Year 2000

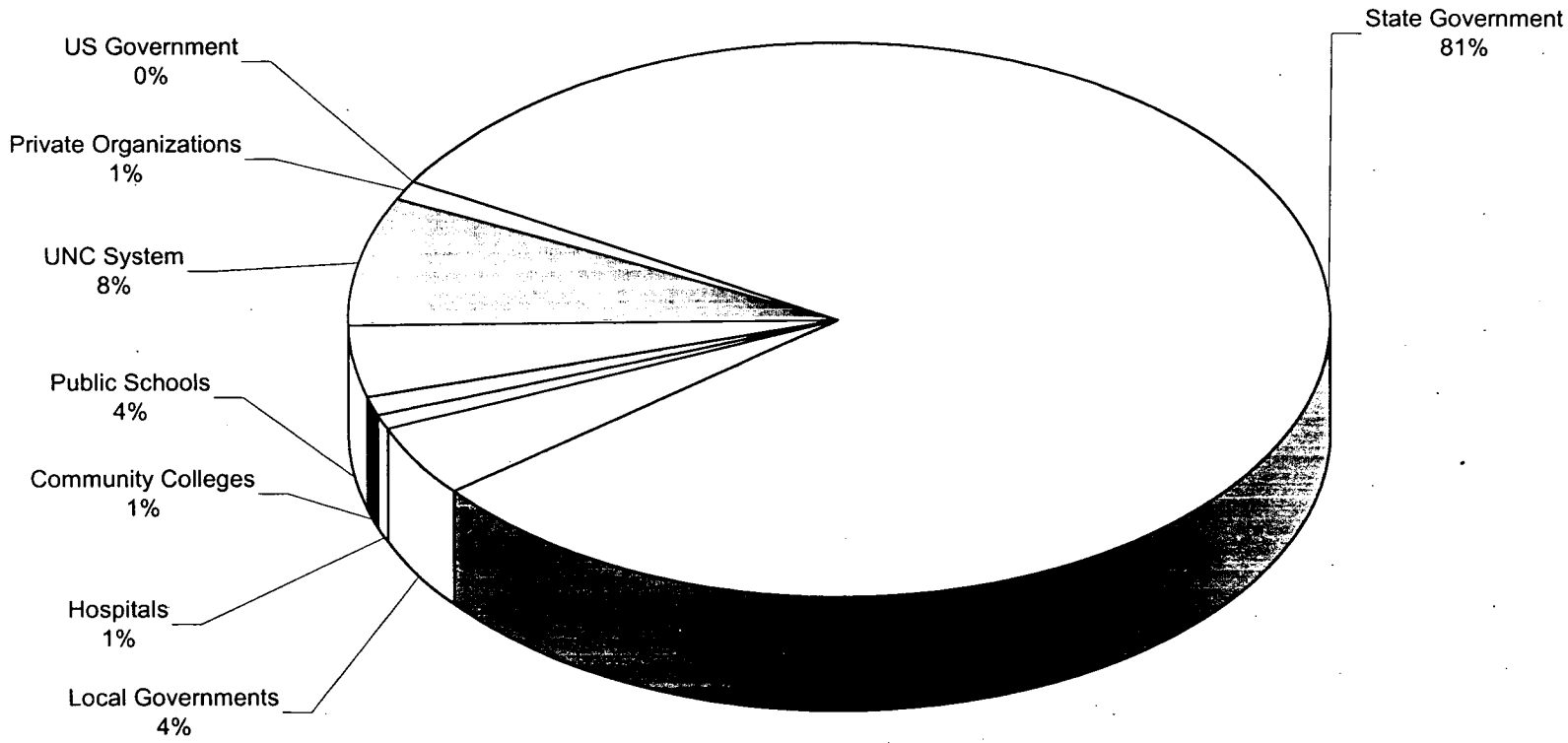
Customer Name	Telecomm Services	Computing Services	Business Technology Services	IRM Services*	IRMC Services*	Security Services & Disaster Recovery*	TOTAL
US Government	$ 14,622	$ 12,513	$ -	$ -	$ -	$ -	$ 27,135
State Government	49,973,262	61,483,229	9,016,270	500,000	242,873	1,149,933	122,365,567
Local Governments	5,619,407	497,887	5,575	0	0	0	6,122,869
Hospitals	1,328,508	4,000	0	0	0	0	1,332,508
Community Colleges	1,414,997	5,894	0	0	0	0	1,420,891
Public Schools	6,243,821	127,059	0	0	0	0	6,370,880
UNC System	10,448,269	880,059	0	0	0	0	11,328,328
Private Organizations	1,619,557	96,997	0	0	0	0	1,716,554
Total	**$ 76,662,443**	**$ 63,107,638**	**$ 9,021,845**	**$ 500,000**	**$ 242,873**	**$ 1,149,933**	**$ 150,684,732**

*** Revenues for IRM Services, IRMC Services and Security Services & Disaster Recovery are for July - December 2000 only**

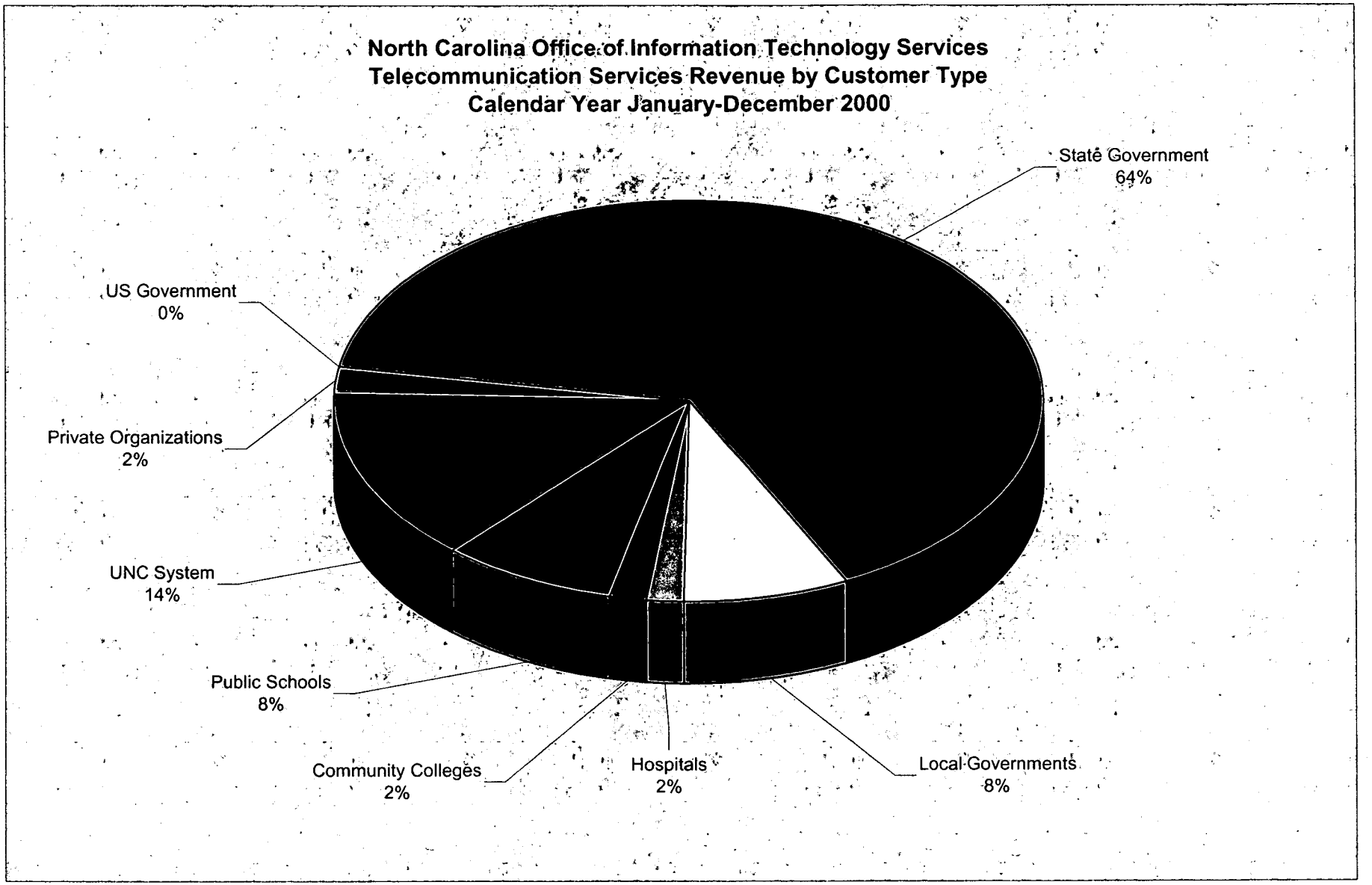
Prepared by NC Office of Information Technology Services
Financial and Facility Services
Budget, Cost Analysis and Reporting

Printed on: 3/7/2001

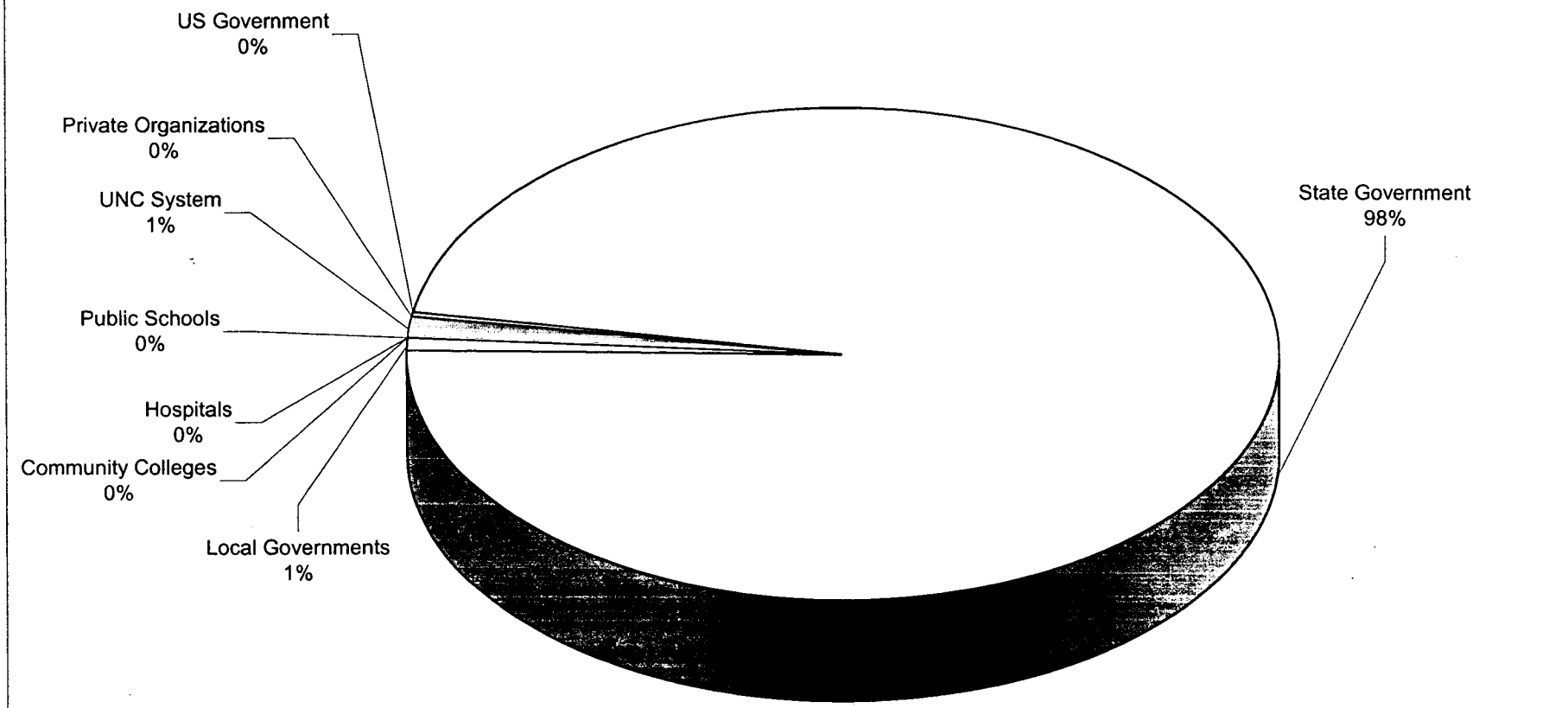
North Carolina Office of Information Technology Services
Agency-Wide Revenues by Customer Type
Calendar Year January-December 2000



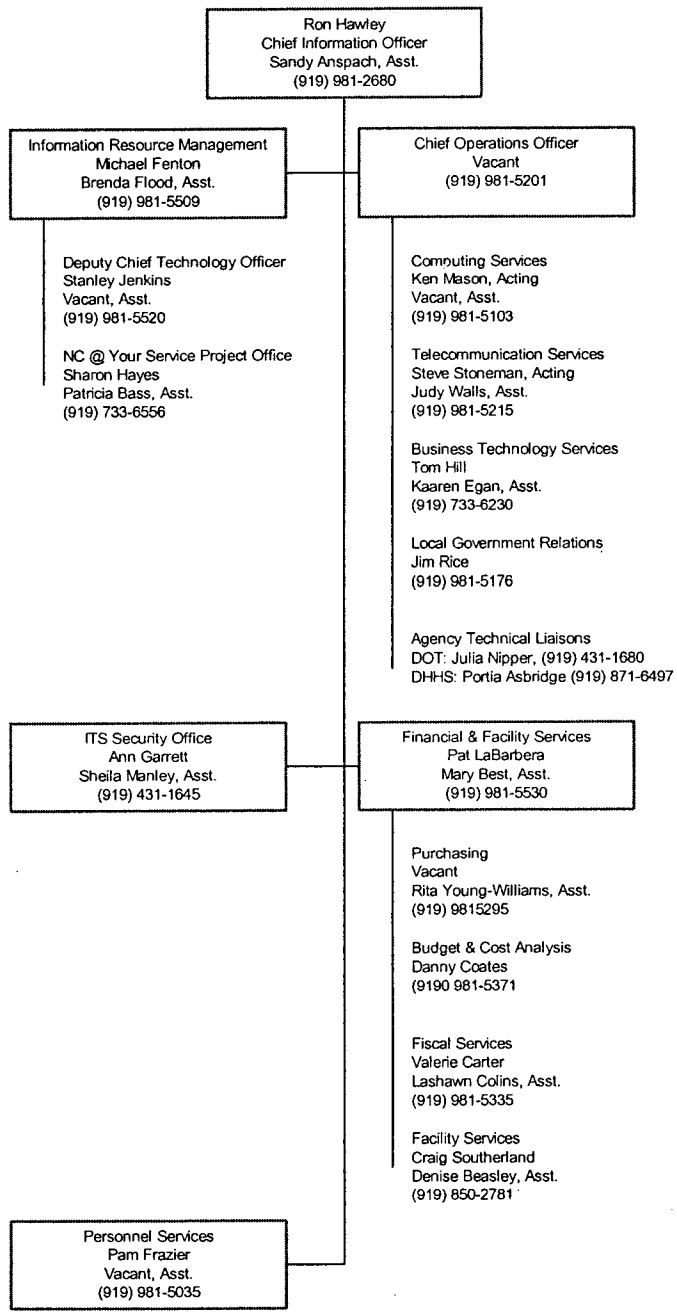
Prepared by NC Office of Information Technology Services
Financial and Facility Services
Budget, Cost Analysis and Reporting


North Carolina Office of Information Technology Services
Telecommunication Services Revenue by Customer Type
Calendar Year January-December 2000
State Government
64%
US Government
0%
Private Organizations
2%
UNC System
14%
Public Schools
8%
Community Colleges
2%
Hospitals
2%
Local Governments
8%

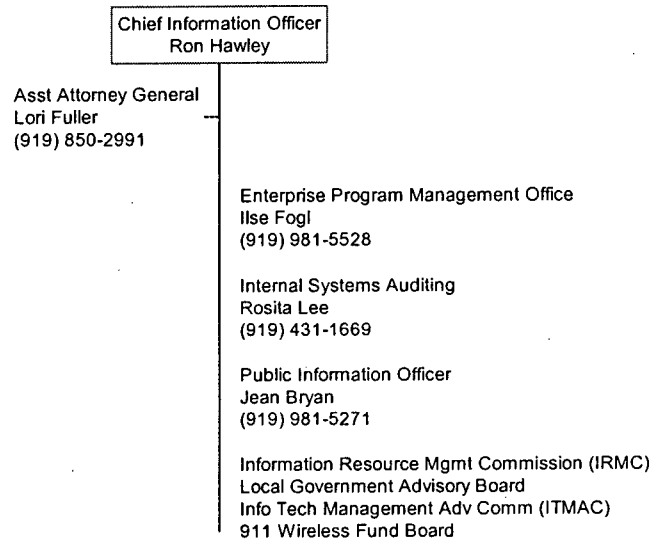
North Carolina Office of Information Technology Services
Computing Services Revenues by Customer Type
Calendar Year January-December 2000



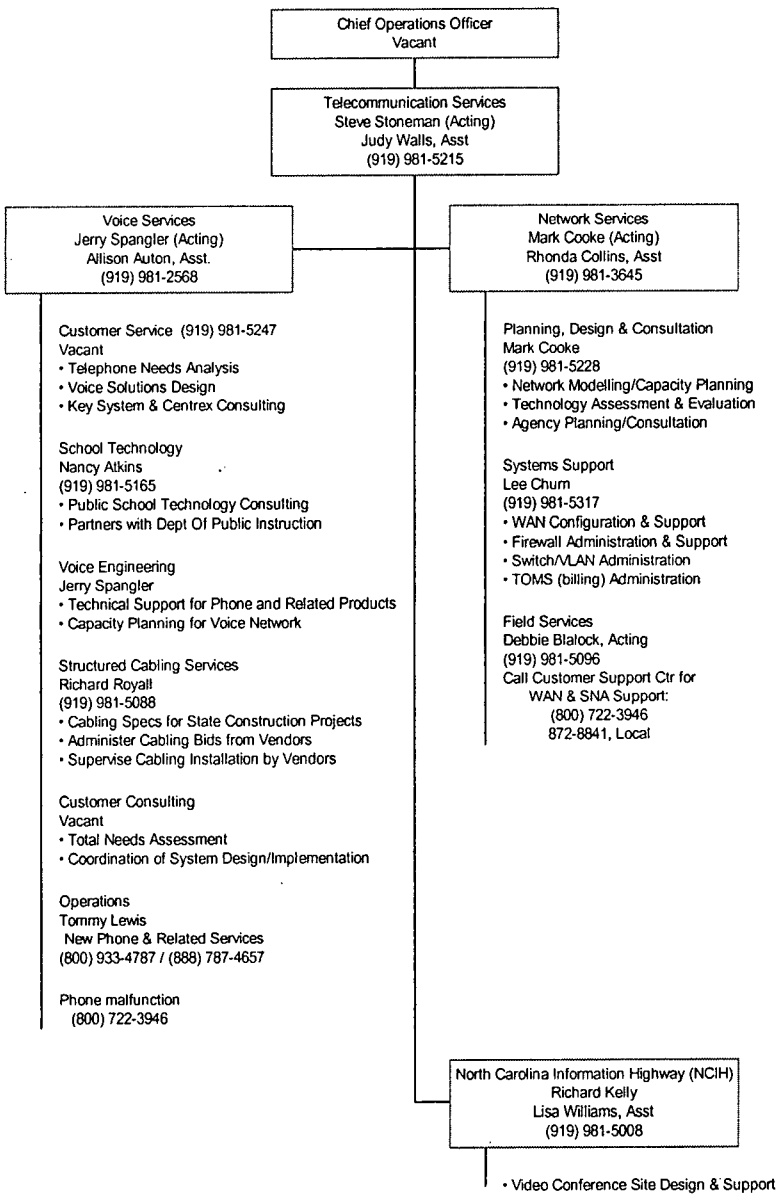
Office of Information Technology Services



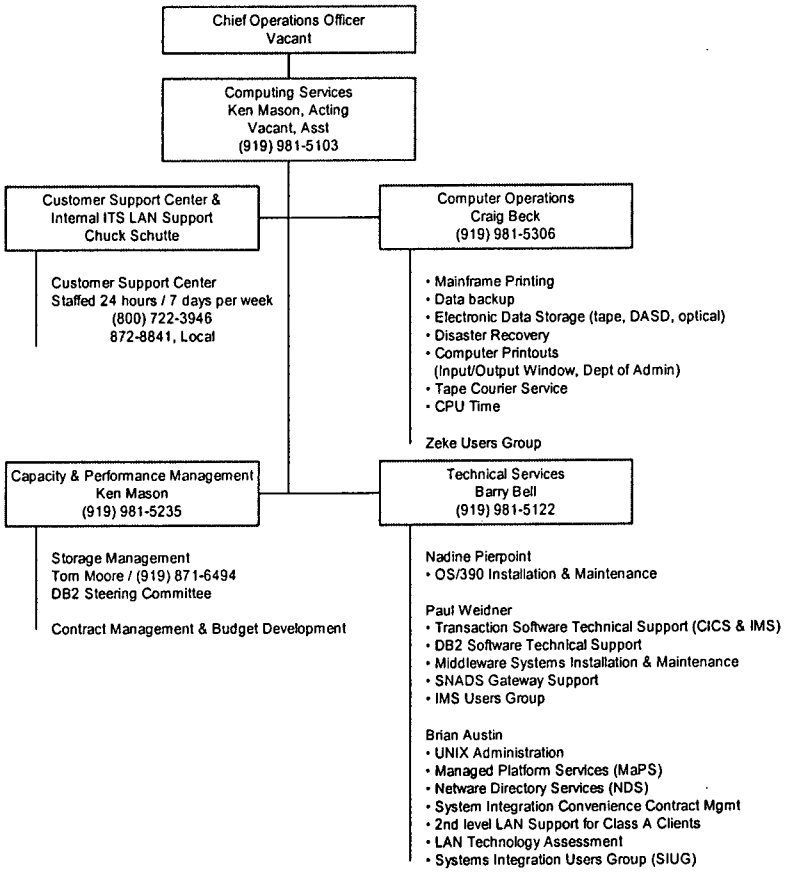
Office of the Chief Information Officer
Office of Information Technology Services



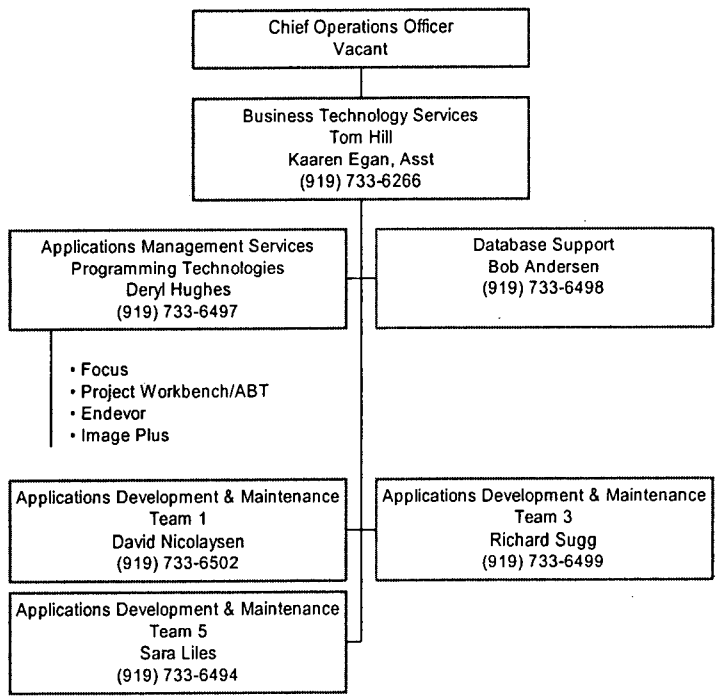
Telecommunication Services (TS)
Office of Information Technology Services



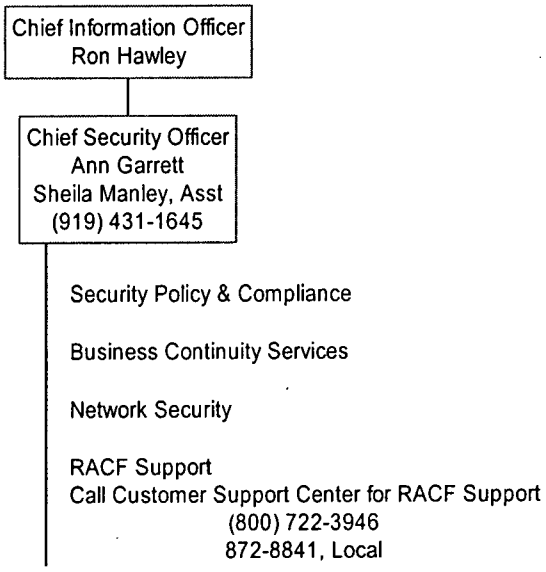
Computing Services (CS)
Office of Information Technology Services



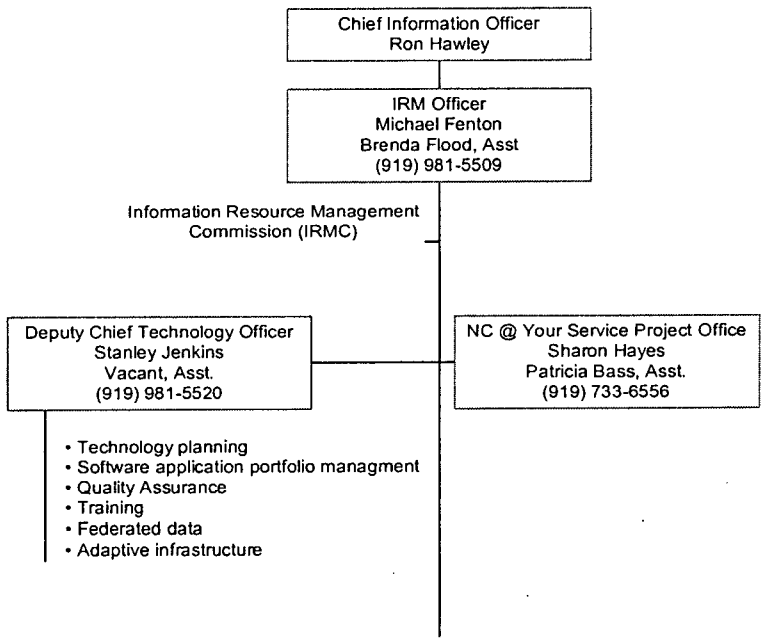
Business Technology Services (BTS)
Office of Information Technology Services



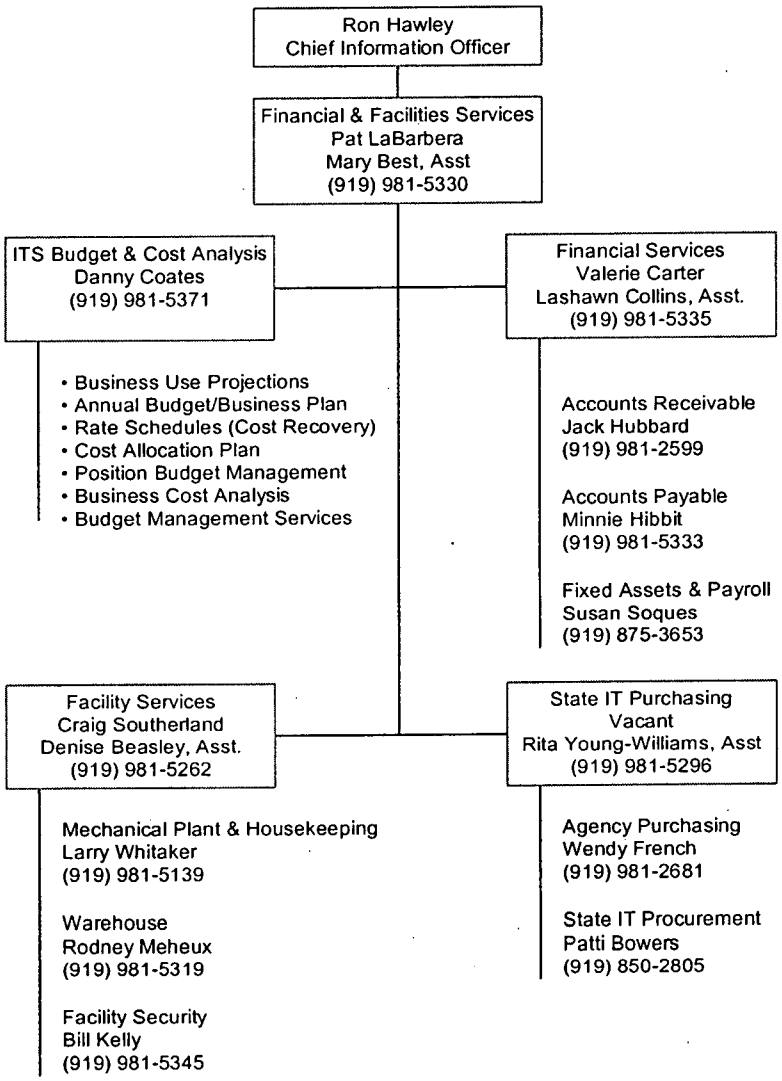
ITS Security Office (ISO)
Office of Information Technology Services



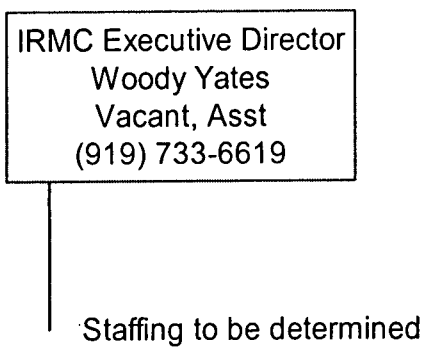
Information Resource Management (IRM)
Office of Information Technology Services



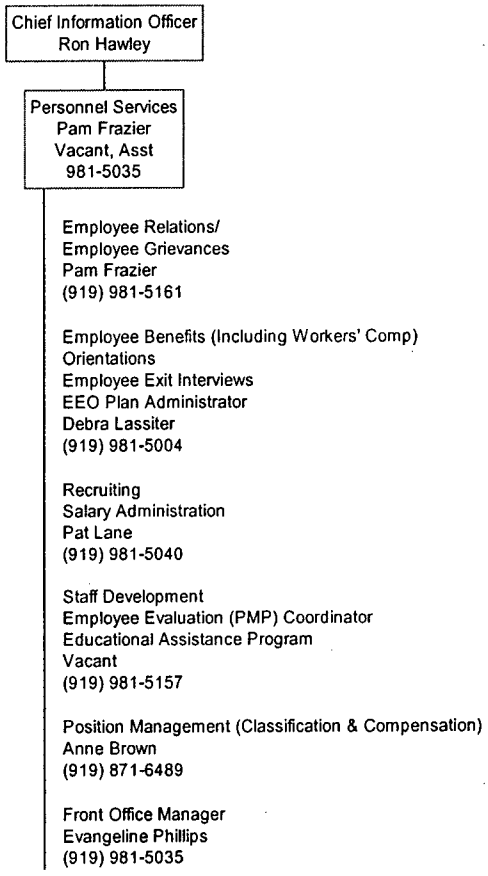
Financial & Facilities Services
Office of Information Technology Services



IRMC Independent Staff
Office of Information Technology Services



Personnel Services
Office of Information Technology Services



2001 Staffing Summary
Office of Information Technology Services

Presented in this document is a staffing summary report from the Office of Information Technology Services (ITS). This report divides the staff (employees and contractors) according to occupational families. The technical work performed at ITS is divided into these occupational families:

- Business & Technology Applications
- Networking
- Operations & Systems

Within each occupational family work is divided further into a role (analyst, specialist or technician).

- The type of work seen in the technician role is characterized as more routine than the others and is usually guided by well defined procedures,
- The analyst role has a strong customer relations component, and the type of work requires strong judgement and the ability to perform non-routine work.
- The specialist role provides technical support to analysts or performs work that is highly specialized.

Contractors

Contractors are typically hired to supplement permanent staff in order to:

- Participate on fixed term projects
- Provide subject matter experts hired for unique expertise or due to lack of ability to recruit
- Outsource functions when best business case supports this decision
- Fill vacancies temporarily between resignation and application hire

We are occasionally not able to recruit the level of skill needed to perform the work required or to support very new technology. Recruitment problems are due to a shortage of specialized skills in the labor market combined with the salary and benefits package that are offered by the state. The number of contractors on staff varies over time based on business needs.

Classification	Contractors	Positions
Manager Sets and enforces operational standards for work unit. Manages non-management employees directly, rarely supervising other managers. Plans and manages all activities in work unit. Typically the subject matter expert for area supervised.	--	38
Director Makes policy decisions that set overall direction for a division with several related work units. Understands technology used in operation but detailed technical knowledge is not the primary focus of the role. Supervises other managers and rarely supervises non-management employees directly.	--	13
Executive Senior level management. Responsible for strategic direction of organization.	--	5
Business & Technology Applications Technician Develops program code or modifies programs based on technical specifications. Work includes testing, debugging or documenting software code.	--	5
Business & Technology Applications Analyst Analyzes information needs of client and designs application to meet user requirements. Solutions link technical knowledge with business solutions. Duties may include recommending hardware as well as software solutions.	20	51

Classification	Contractors	Positions
Business & Technology Applications Specialist Customizes vendor software products to support applications development. Requires application development experience and in-depth technical knowledge of product. May provide technical support of product to agency technical staff.	9	33
Networking Technician Installs, configures or repairs network routers, lines and switches. Troubleshoots voice systems or network problems over the phone in a help desk environment.	--	58
Networking Analyst Provides statewide network planning, maintenance and advanced level troubleshooting. Consults with clients to review business needs and recommend network designs for voice, video or data networks.	16	56
Networking Specialist Designs network infrastructures and determines technical specifications for telecommunications equipment such as: • Voice systems • Wide Area Network (WAN) hardware • Video network hardware or • Cabling infrastructure.	3	32
Operations & Systems Technician Operates mainframe computer and provides customer assistance to users of the computer system. Examples of work include: • Setting up and scheduling computer production jobs, • Setting up and monitoring equipment to produce reports. • Troubleshooting calls from users experiencing difficulties with connections to the computer or with the computer itself.	--	30
Operations & Systems Analyst Tunes existing functions within computer operating system. Troubleshoots advanced operational problems and determines if changes or enhancements to operating systems or utilities are required. Installs operating systems software updates or new utilities.	--	13
Operations & Systems Specialist Creates utilities to improve computer user functions and monitors the performance, space, and workload of the mainframe or client/server computer systems. Customizes interfaces between software and systems to achieve optimal performance.	7	35
Support Services Performs administrative or other support functions for the organization. Types of work include: • Operator • Housekeeping • Office Assistant • Security Guard • Personnel • Accounting Clerk • Financial Analyst/Accountant • Purchasing and Procurement	20	87
Sub Total	75	456
Vacancies	--	(62)
Total Staff	75	394

Personnel Services
Office of Information Technology Services
March 6, 2001

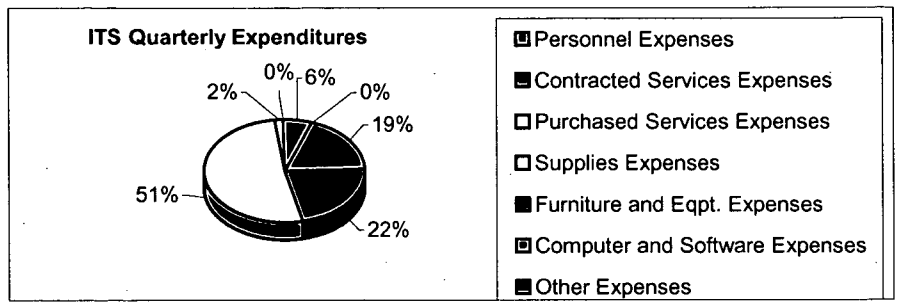
North Carolina Office of Information Technology Services

Internal Service Fund Quarterly Report

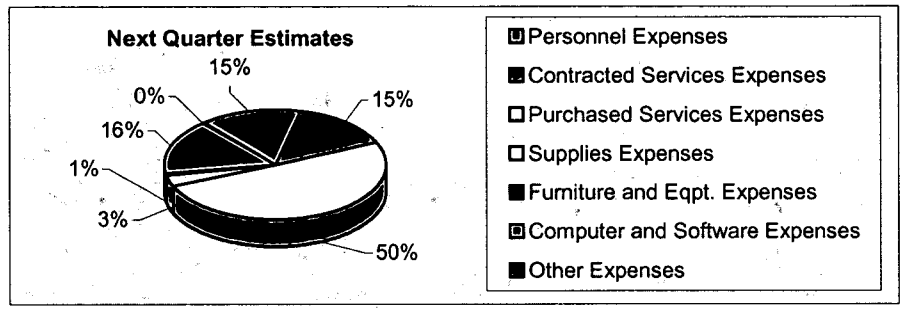
For The Quarter Ended December 31, 2000

REPORT ON EXPENDITURES

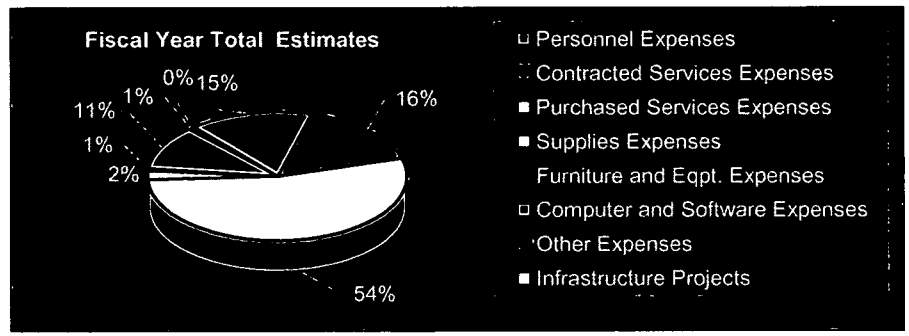
Quarterly Line Item Expenditure Details	
Personnel Expenses	7,021,226
Contracted Services Expenses	8,212,473
Purchased Services Expenses	19,340,385
Supplies Expenses	619,761
Furniture and Eqpt. Expenses	74,520
Computer and Software Expenses	2,119,838
Other Expenses	30,745
Total Quarterly Expenses	37,418,948



Projected Total Expenses for Next Quarter	
Personnel Expenses	7,021,226
Contracted Services Expenses	6,907,932
Purchased Services Expenses	23,766,753
Supplies Expenses	1,514,134
Furniture and Eqpt. Expenses	339,923
Computer and Software Expenses	7,609,178
Other Expenses	105,563
Total Anticipated Quarterly Expenditures	47,264,710



Projected Total Expenses for Fiscal Year	
Personnel Expenses	28,084,905
Contracted Services Expenses	30,107,589
Purchased Services Expenses	98,424,165
Supplies Expenses	3,983,028
Furniture and Eqpt. Expenses	1,107,382
Computer and Software Expenses	20,453,738
Other Expenses	938,841
Infrastructure Projects	400,000
Total Anticipated Fiscal Year Expenditures	183,499,648



"Personnel Expenses" include Salaries and Benefits
"Purchased Service Expenses" are Maintenance Agreements, Telecommunications, Computing Services, Travel, Meals, Telephones, etc.
"Other Expenses" include Dues and Memberships, Service Awards, and miscellaneous administrative expenses not covered elsewhere

North Carolina Office of Information Technology Services

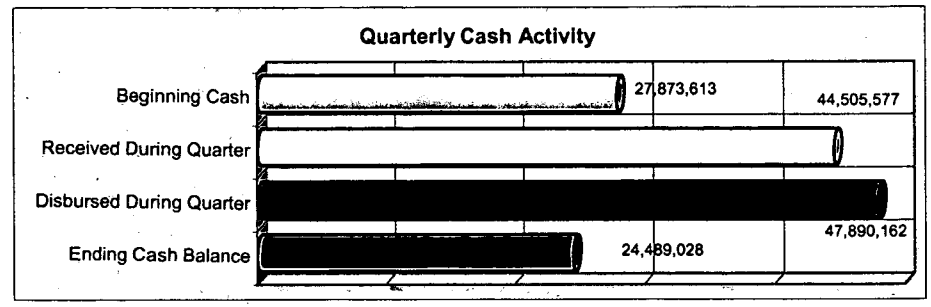
Internal Service Fund Quarterly Report

For The Quarter Ended December 31, 2000

REPORT ON CASH BALANCES

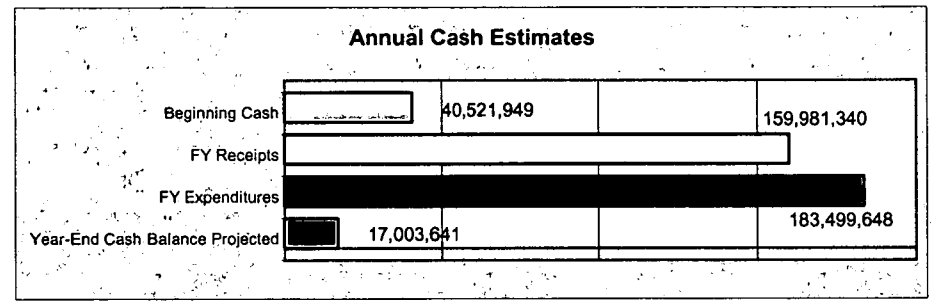
Quarterly Cash Balances

Beginning Cash	27,873,613
Received During Quarter	44,505,577
Disbursed During Quarter	47,890,162
Ending Cash Balance	24,489,028



Fiscal Year Cash Balance Projections

Beginning Balance	40,521,949
FY Receipts	159,981,340
FY Expenditures	183,499,648
Year-End Cash Balance Projected	17,003,641



North Carolina Office of Information Technology Services

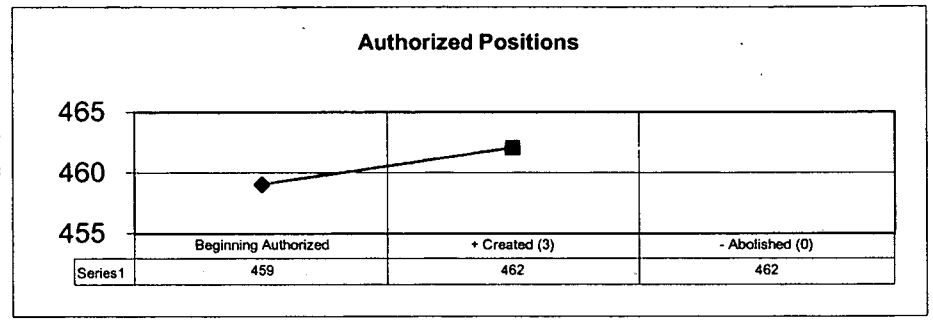
Internal Service Fund Quarterly Report

For The Quarter Ended December 31, 2000

REPORT ON PERSONNEL ACTIVITY

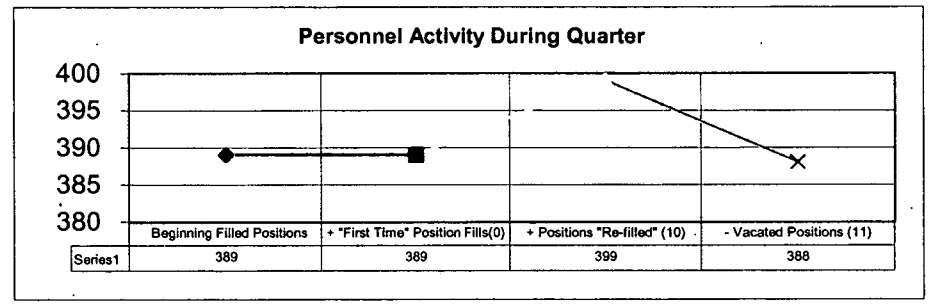
Current Quarter Authorized Positions

Number of Authorized Positions at Qtr. Start	459
New Positions Created in Quarter	3
Positions Abolished in Quarter	-
Number of Authorized Positions at Qtr. End	462



Current Quarter Personnel Actions

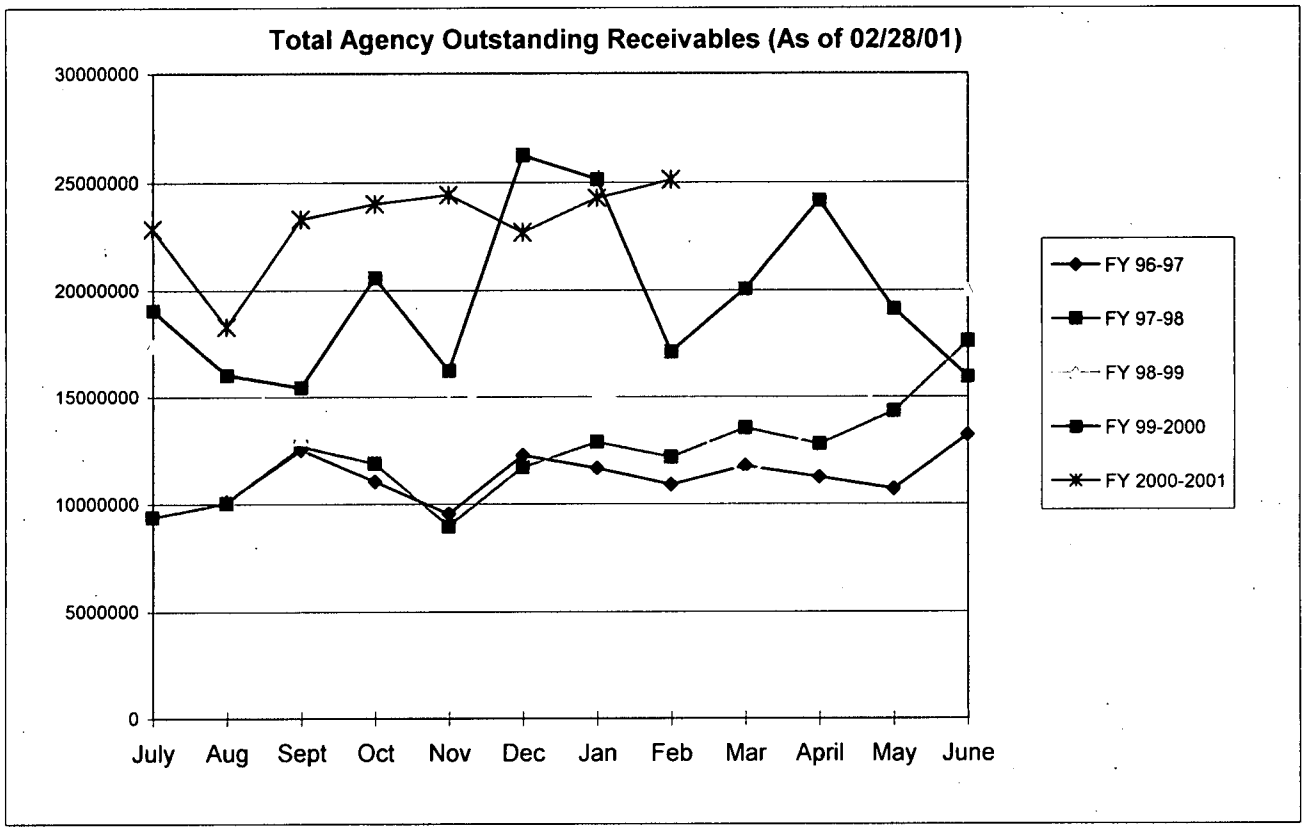
Number of Filled Positions at Quarter Start	389
Plus	
"First Time" Position Fills in Quarter	
Positions "refilled" in Quarter	10
Positions Filled During Quarter	10
Less	
Number of Positions Vacated in Quarter	11
Number of Positions Filled at Quarter End	388



North Carolina Office of Information Technology Services
Accounts Receivable Five Year Comparison
Internal Service Fund

TOTAL AGENCY OUTSTANDING RECEIVABLES

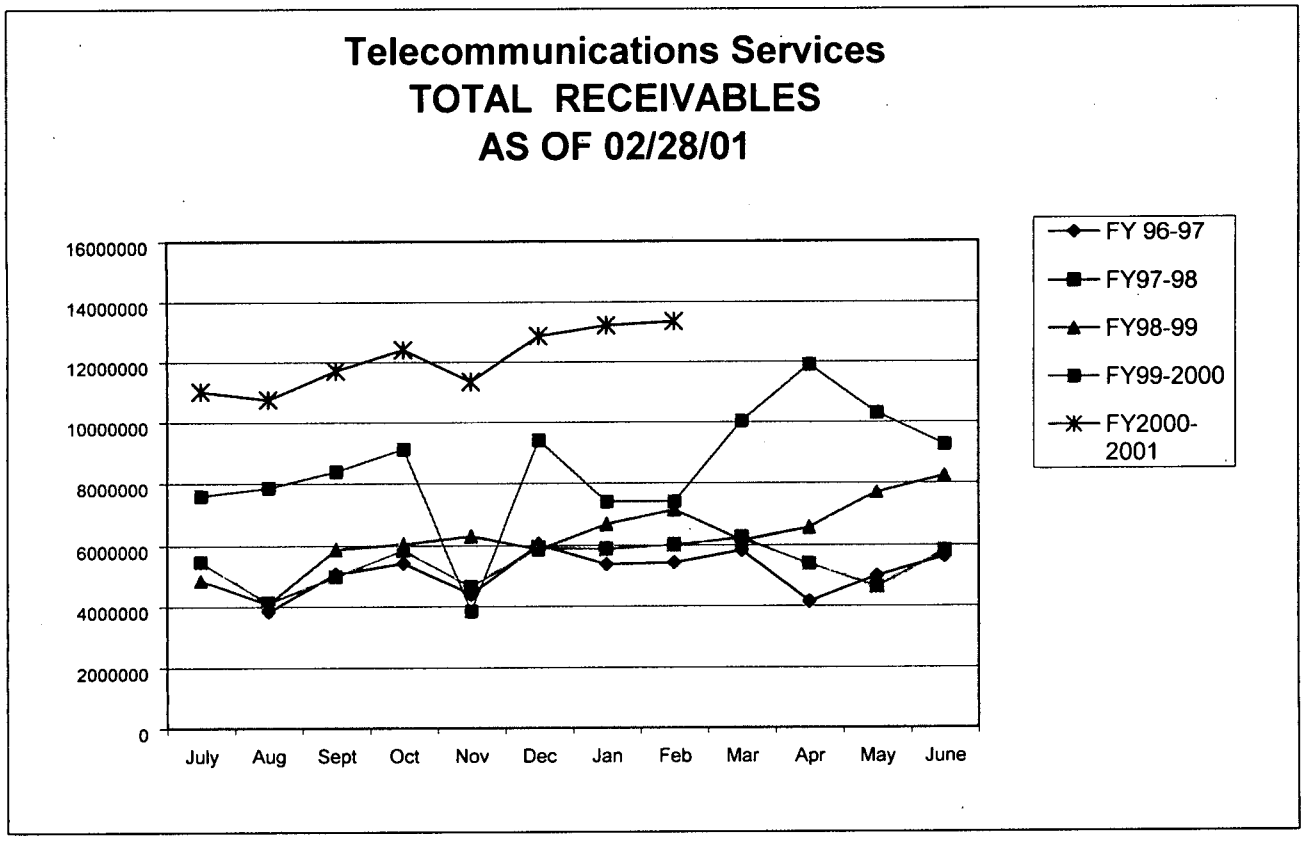
			FY 96-97	FY 97-98	FY 98-99	FY 99-2000	FY 2000-2001
June	billed	July		9,374,308	17,396,058	19,055,334	22,847,527
July	billed	Aug	10,087,235	10,032,354	16,837,868	16,035,707	18,283,537
Aug	billed	Sept	12,528,860	12,672,209	13,053,893	15,447,839	23,281,111
Sept	billed	Oct	11,034,973	11,885,191	12,904,695	20,593,240	23,996,703
Oct	billed	Nov	9,522,965	8,965,509	14,724,202	16,238,213	24,423,907
Nov	billed	Dec	12,268,633	11,706,289	15,604,895	26,258,999	22,674,319
Dec	billed	Jan	11,657,477	12,879,302	15,090,366	25,147,349	24,275,025
Jan	billed	Feb	10,884,225	12,173,849	14,506,829	17,106,492	25,119,324
Feb	billed	Mar	11,766,462	13,534,133	11,213,900	20,063,350	
Mar	billed	April	11,235,136	12,786,882	13,623,533	24,164,398	
April	billed	May	10,676,800	14,311,575	15,645,720	19,111,829	
May	billed	June	13,210,737	17,603,476	19,981,417	15,948,558	



Prepared by NC Office of Information Technology Services
Financial and Facilities Services
Fiscal Services

Telecommunications Services
TOTAL OUTSTANDING RECEIVABLES

			FY 96-97	FY97-98	FY98-99	FY99-2000	FY2000-2001
June	billed	July		5,466,402	4,840,018	7,584,195	11,021,837
July	billed	Aug	3,832,281	4,110,393	4,068,006	7,849,033	10,759,618
Aug	billed	Sept	5,059,343	4,971,690	5,881,643	8,385,820	11,706,241
Sept	billed	Oct	5,423,927	5,863,035	6,043,161	9,117,836	12,407,050
Oct	billed	Nov	4,390,240	4,644,003	6,292,598	3,837,878	11,352,211
Nov	billed	Dec	6,034,846	5,928,949	5,867,604	9,408,444	12,863,993
Dec	billed	Jan	5,374,572	5,878,392	10,327,586	7,379,168	13,220,084
Jan	billed	Feb	5,429,498	6,006,491	0	7,380,738	13,352,700
Feb	billed	Mar	5,844,386	6,219,698	6,140,709	10,037,012	
Mar	billed	Apr	4,137,727	5,394,672	6,550,760	11,903,363	
Apr	billed	May	4,984,704	4,623,076	7,685,868	10,294,881	
May	billed	June	5,639,062	5,813,613	8,239,417	9,261,133	
AVG			5,104,599	5,410,034	5,994,781	8,536,625	12,085,467

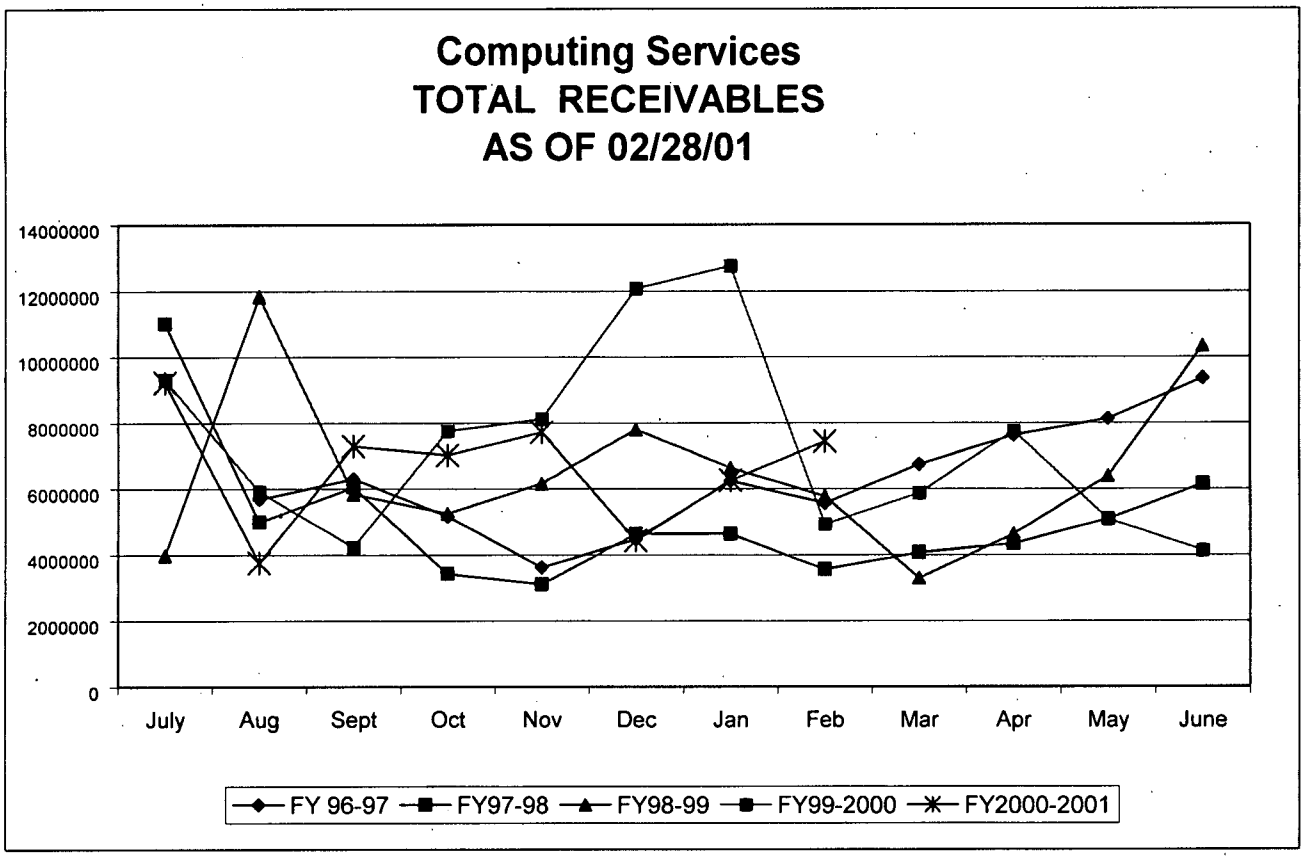


Prepared by NC Office of Information Technology Services
Financial and Facilities Services
Fiscal Services

Printed: 3/6/01

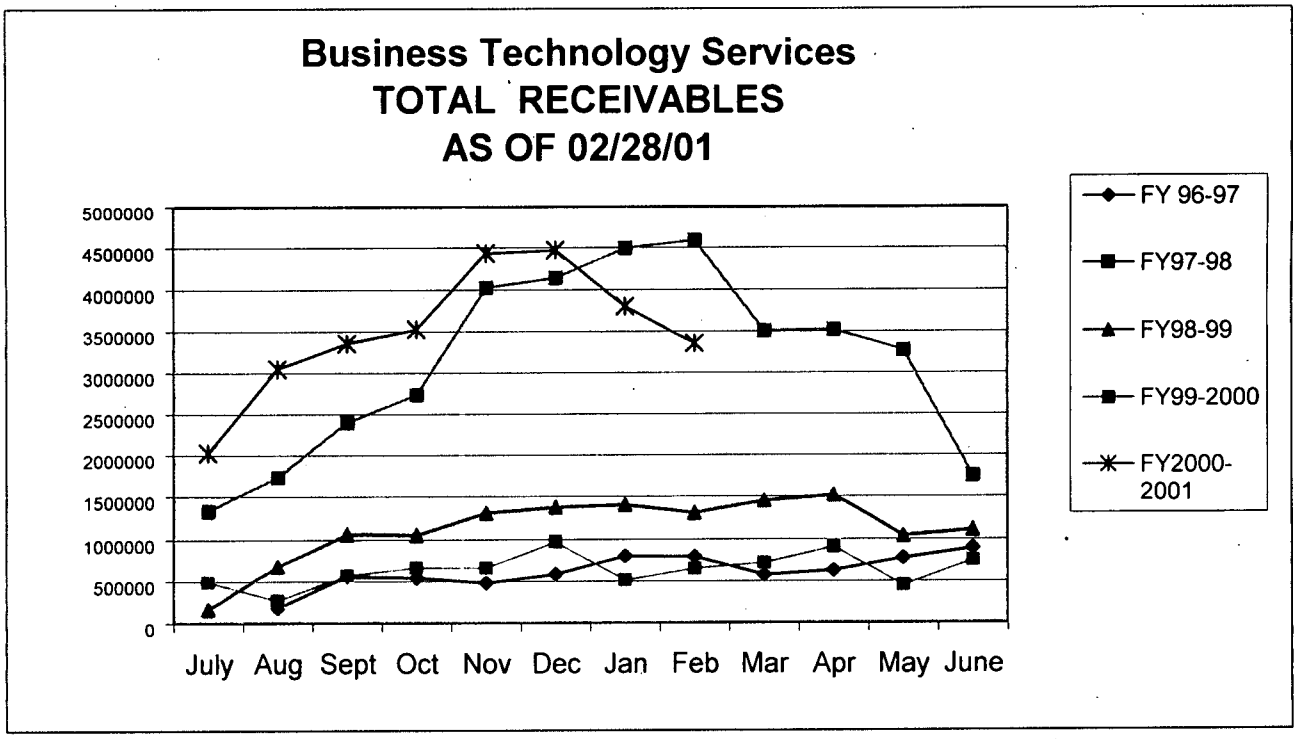
Computing Services
TOTAL OUTSTANDING RECEIVABLES

			FY 96-97	FY97-98	FY98-99	FY99-2000	FY2000-2001
June	billed	July		11,020,307	3,971,926	9,307,164	9,217,757
July	billed	Aug	5,680,226	4,986,618	11,838,743	5,909,479	3,750,203
Aug	billed	Sept	6,297,396	6,050,539	5,836,613	4,227,201	7,286,371
Sept	billed	Oct	5,166,296	3,418,431	5,246,500	7,749,060	7,017,201
Oct	billed	Nov	3,620,634	3,094,588	6,159,526	8,120,743	7,713,027
Nov	billed	Dec	4,464,758	4,619,871	7,795,833	12,079,971	4,427,431
Dec	billed	Jan	6,222,316	4,623,623	0	12,754,623	6,246,343
Jan	billed	Feb	5,560,082	3,548,657	0	4,919,535	7,424,622
Feb	billed	Mar	6,728,190	4,064,008	3,276,843	5,864,320	
Mar	billed	Apr	7,619,547	4,329,063	4,611,073	7,739,390	
Apr	billed	May	8,114,171	5,069,525	6,376,395	5,061,072	
May	billed	June	9,345,679	6,135,675	10,327,586	4,119,436	
AVG			6,256,300	5,080,076	5,453,420	7,320,999	6,635,369



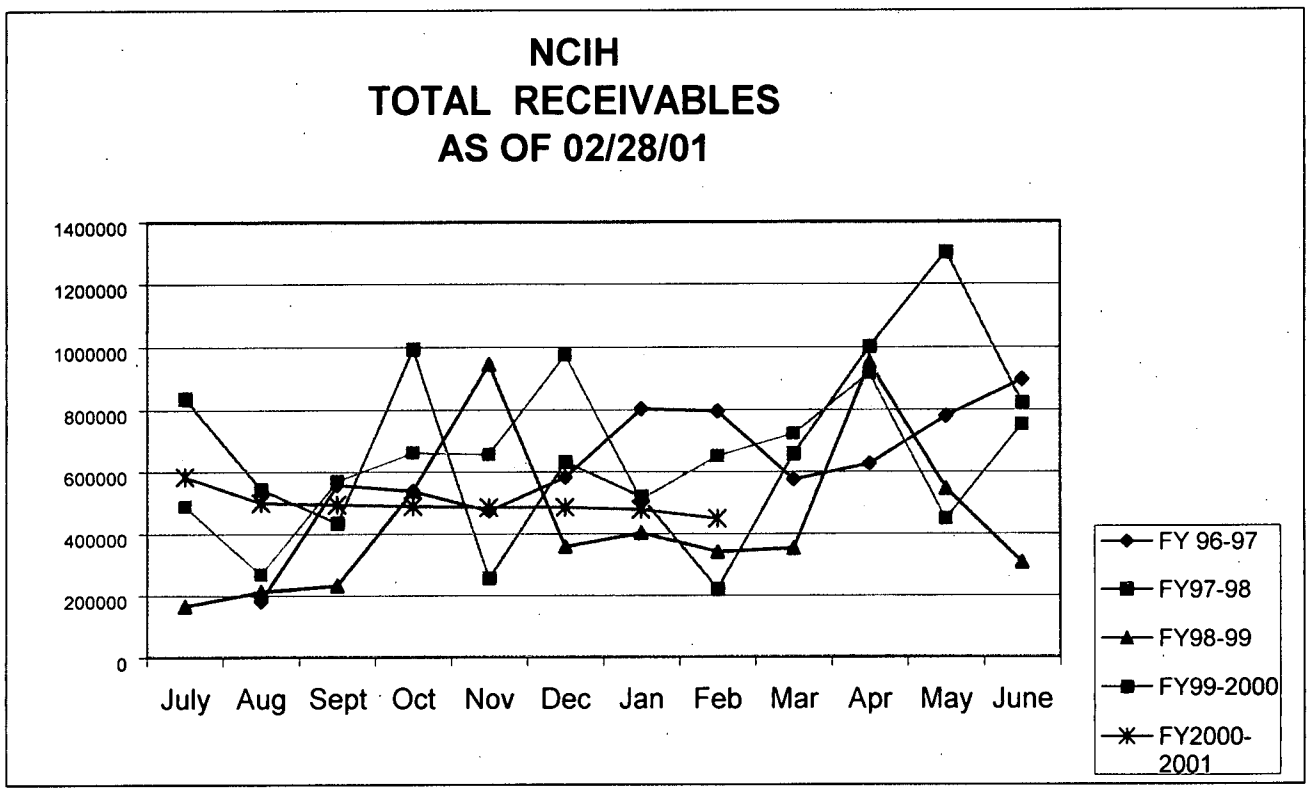
Business Technology Services
TOTAL OUTSTANDING RECEIVABLES

			FY 96-97	FY97-98	FY98-99	FY99-2000	FY2000-2001
June	billed	July		488,478	165,069	1,327,477	2,024,513
July	billed	Aug	181,233	266,998	678,516	1,733,503	3,044,523
Aug	billed	Sept	557,515	569,728	1,063,585	2,399,613	3,352,523
Sept	billed	Oct	537,014	662,157	1,050,174	2,732,769	3,524,407
Oct	billed	Nov	473,660	656,712	1,301,838	4,024,444	4,431,997
Nov	billed	Dec	581,839	974,141	1,366,692	4,139,437	4,469,605
Dec	billed	Jan	801,832	510,016	0	4,494,895	3,797,592
Jan	billed	Feb	794,886	650,504	0	4,587,079	3,352,213
Feb	billed	Mar	573,852	722,303	1,443,616	3,504,557	
Mar	billed	Apr	625,507	916,196	1,512,773	3,520,591	
Apr	billed	May	778,635	447,988	1,038,176	3,270,396	
May	billed	June	894,562	751,700	1,107,556	1,747,096	
AVG			618,230	634,743	894,000	3,123,488	3,499,672



NCIH
TOTAL OUTSTANDING RECEIVABLES

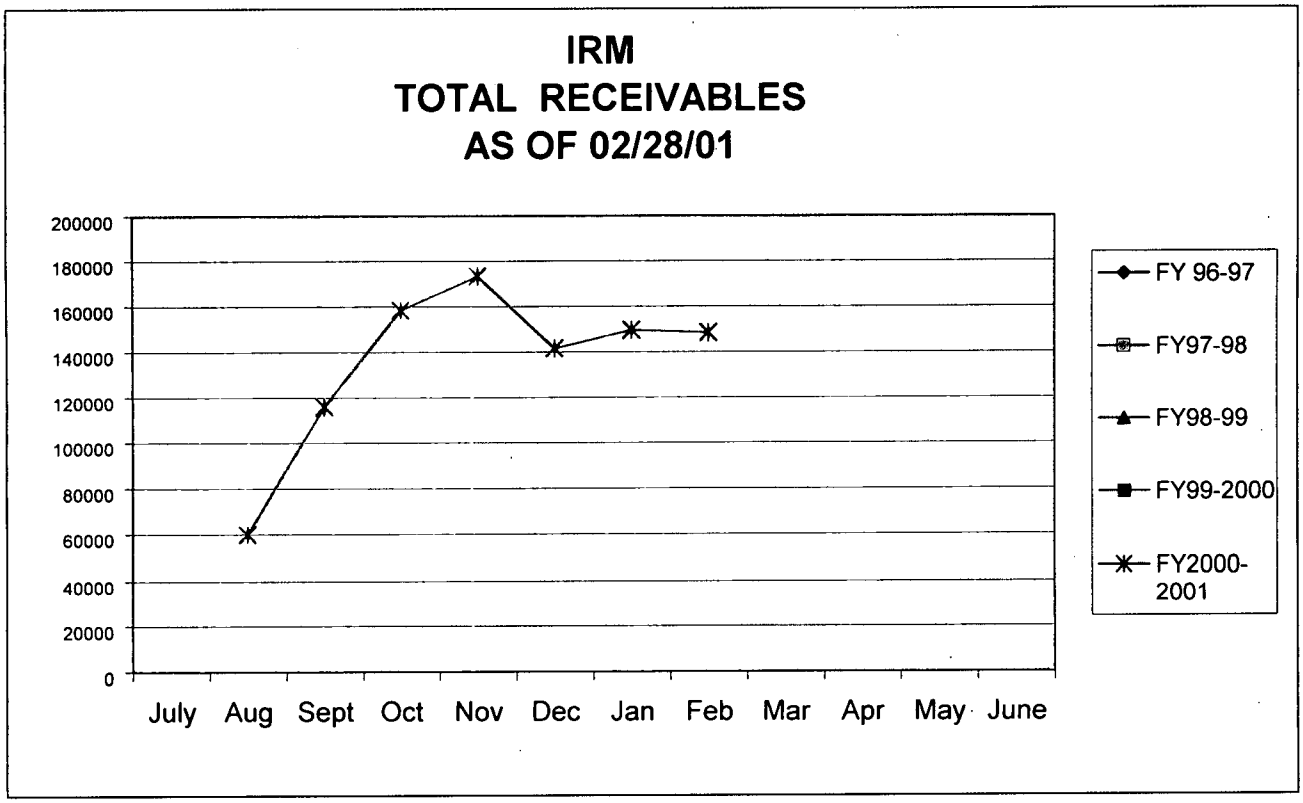
			FY 96-97	FY97-98	FY98-99	FY99-2000	FY2000-2001
June	billed	July		488,478	165,069	836,499	583,421
July	billed	Aug	181,233	266,998	211,647	543,692	499,451
Aug	billed	Sept	557,515	569,728	231,095	435,204	494,963
Sept	billed	Oct	537,014	662,157	539,007	993,575	489,472
Oct	billed	Nov	473,660	656,712	944,871	255,148	484,866
Nov	billed	Dec	581,839	974,141	357,728	631,146	484,866
Dec	billed	Jan	801,832	510,016	0	518,662	477,947
Jan	billed	Feb	794,886	650,504	0	219,841	448,561
Feb	billed	Mar	573,852	722,303	352,242	657,461	
Mar	billed	Apr	625,507	916,196	948,927	1,001,055	
Apr	billed	May	778,635	447,988	545,281	1,301,203	
May	billed	June	894,562	751,700	306,858	820,893	
AVG			618,230	634,743	383,560	684,532	495,443



North Carolina Office of Information Technology Services
Accounts Receivable Five Year Comparison
Internal Service Fund

IRM
TOTAL OUTSTANDING RECEIVABLES

			FY 96-97	FY97-98	FY98-99	FY99-2000	FY2000-2001
June	billed	July					
July	billed	Aug					59,865
Aug	billed	Sept					115,795
Sept	billed	Oct					158,381
Oct	billed	Nov					173,330
Nov	billed	Dec					141,645
Dec	billed	Jan					149,682
Jan	billed	Feb					148,525
Feb	billed	Mar					
Mar	billed	Apr					
Apr	billed	May					
May	billed	June					
AVG							135,318

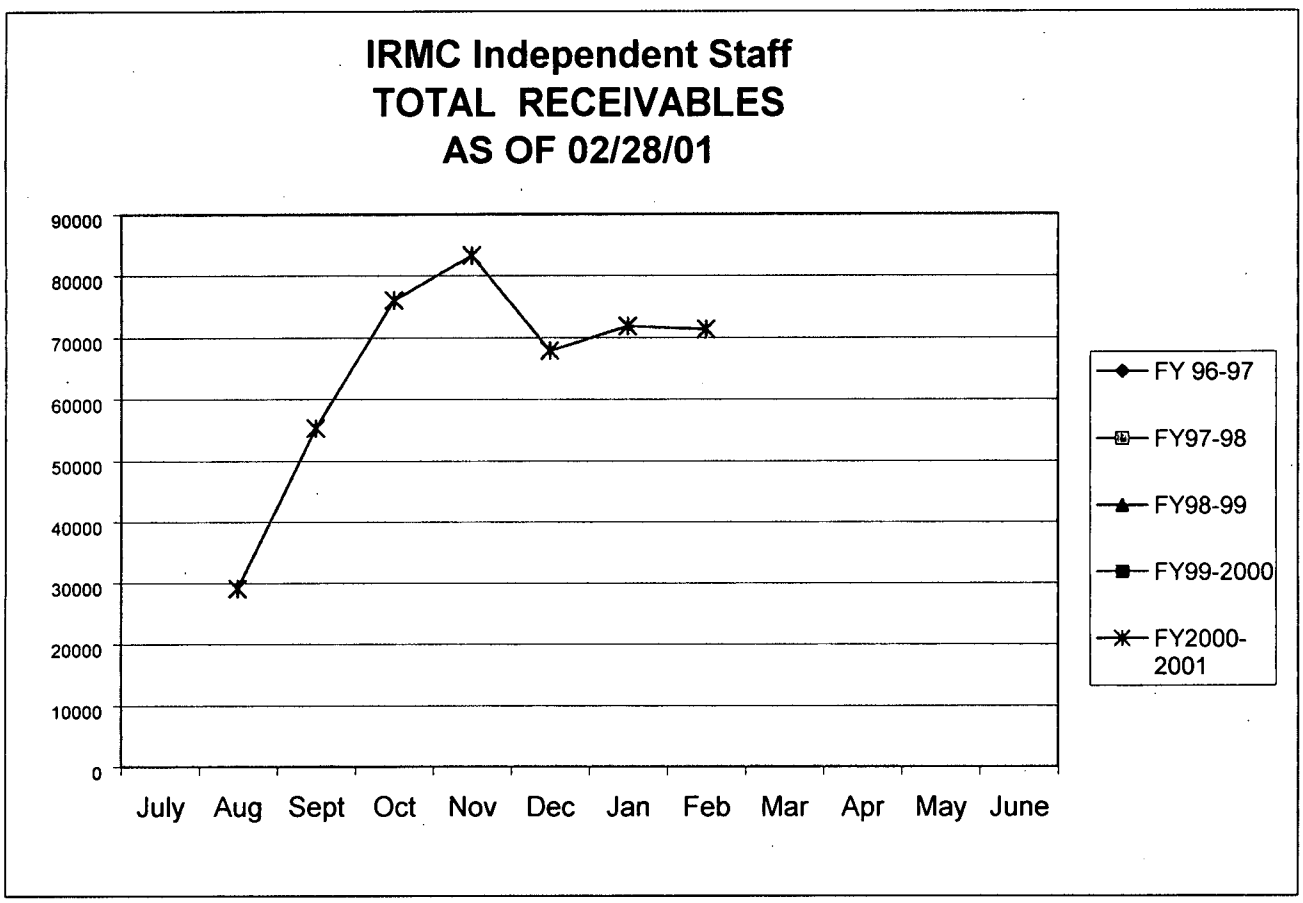


Prepared by NC Office of Information Technology Services
Financial and Facilities Services
Fiscal Services

Printed: 3/6/01

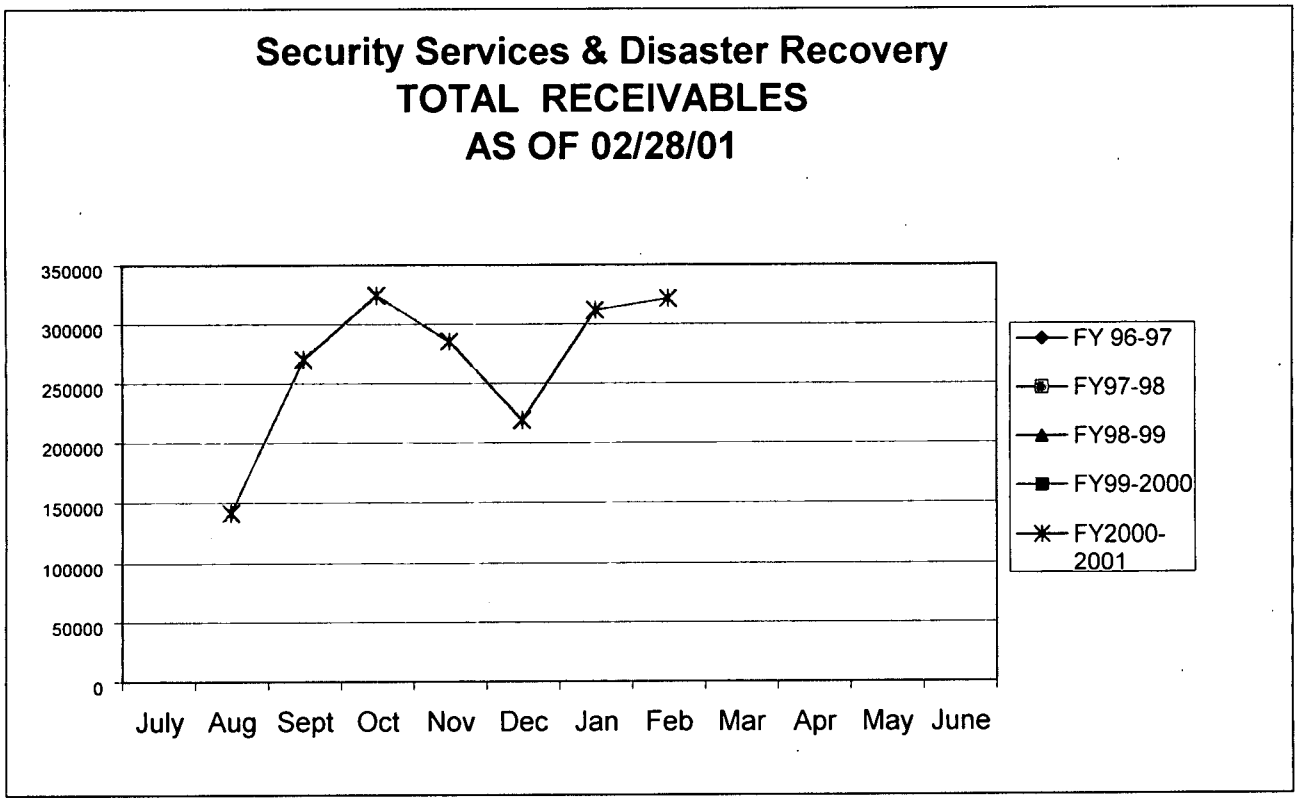
IRMC Independent Staff
TOTAL OUTSTANDING RECEIVABLES

			FY 96-97	FY97-98	FY98-99	FY99-2000	FY2000-2001
June	billed	July					
July	billed	Aug					29,079
Aug	billed	Sept					55,345
Sept	billed	Oct					76,025
Oct	billed	Nov					83,287
Nov	billed	Dec					67,896
Dec	billed	Jan					71,800
Jan	billed	Feb					71,309
Feb	billed	Mar					
Mar	billed	Apr					
Apr	billed	May					
May	billed	June					
AVG							64,963



Security Services & Disaster Recovery
TOTAL OUTSTANDING RECEIVABLES

			FY 96-97	FY97-98	FY98-99	FY99-2000	FY2000-2001
June	billed	July					
July	billed	Aug					140,797
Aug	billed	Sept					269,872
Sept	billed	Oct					324,167
Oct	billed	Nov					285,190
Nov	billed	Dec					218,884
Dec	billed	Jan					311,576
Jan	billed	Feb					321,393
Feb	billed	Mar					
Mar	billed	Apr					
Apr	billed	May					
May	billed	June					
AVG							267,411



North Carolina Office of Information Technology Services					
ITS Business Plan Comparison at Operating Unit Level					
For Fiscal Years 1997-1998 Through 2001-2002					

Fund/ Cost Center	Function	BUSINESS PLANS COMPARED				
		1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	Agency Total Budgets	152,890,824	189,279,703	174,316,330	192,799,291	182,657,627
7100	***ITS Administration***					
1000	Administration	727,914	661,664	$1,007,657	904,308	1,046,665
1010	Personnel	771,642	614,276	479,276	585,988	490,856
1020	Fiscal Services	1,284,865	1,528,560	1,957,967	1,987,543	1,586,219
1021	PCs For Lease	-	2,860,667	2,202,530	2,582,530	-
1030	Statewide IT Procurement				733,146	1,025,137
1031	ITS Purchasing				323,143	351,940
2000	Chief Operating Officer				208,470	212,765
2101	Liaison Program - DOT				75,580	77,847
2102	Liaison Program - DHHS				210,000	210,000
2150	Liaison Program/Co. & Cities				92,924	138,700
2200	EPMO					740,856
5101	Facilities Management	2,244,275	3,967,948	3,130,381	4,095,212	3,349,235
5110	Central Stores / Expendable Supplies	498,283	922,949	779,347	1,079,347	579,347
5120	Switchboard	75,834	326,228	79,952		-
5130	Disaster Recovery & Security	361,533	2,240,725	3,216,846	894,184	-
5131	Disaster Recovery - Mainframe				1,828,700	-
5132	Disaster Recovery - Distr. Systems				378,500	-
5133	Network Security Administration				413,808	-
	Administration Total	5,964,346	13,123,017	12,853,956	16,393,383	9,809,567
7200	***Information Resource Management***					
6000	IRM	2,724,634	2,551,277	2,566,481	3,427,304	2,549,637
6001	IRM Training	61,115	82,420	97,000	125,580	26,555
6002	Service Broker Middleware	1,560,000	936,960	-		-
6003	Quality Assurance	-	152,270	169,554	172,532	62,532
6004	APMS	650,000	932,953	355,198	427,144	-
6005	IRMC Project Office	-	176,000	432,536	533,519	82,500
6006	IRMC Project Office	-	-	532,543	656,640	-
6201	E-Comm Admin	-	246,063	-		-
6202	E-Comm Tech Architecture	-	100,280	-		-
6203	E-Comm Finance & Legislative	-	6,000	-		-
6204	E-Comm WEBB Page	-	-	-		-
6205	E-Comm Business	-	109,557	-		-
6206	E-Comm Administration	-	22,100	104,260	104,260	-
6301	Interface Engine	544,900	2,344	-		-
6302	Federated Data	140,000	225,142	198,518	221,085	53,518
6303	Information Protection	100,000	88,240	975,036	975,000	-
6304	Enterprise Help Desk	-	618,935	-	1,419,334	-
6305	Directory Services	-	240,320	202,000	-	-
6306	RAS	-	100,000	418,018	418,000	-
6307	Information Asset Management	-	334,800	327,018	390,207	193,250
	IRM Total	5,780,649	6,925,661	6,378,162	8,870,605	2,967,992
7209	***IRMC Independent Staff***					
1000	Administration - ITS	-	-	-	-	623,554
	IRMC Independent Staff Total	-	-	-	-	623,554

North Carolina Office of Information Technology Services					
ITS Business Plan Comparison at Operating Unit Level					
For Fiscal Years 1997-1998 Through 2001-2002					

Fund/ Cost Center	Function	BUSINESS PLANS COMPARED				
		1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	Agency Total Budgets	152,890,824	189,279,703	174,316,330	192,799,291	182,657,627
7217	***Computing Services***					
5200	CCS Administration	732,442	629,914	525,855	1,604,347	2,290,545
5201	CCS Billing	1,120	-	-	-	-
5202	CCS Security	221,453	230,780	138,629	324,483	216,824
5203	Disaster Recovery	1,535,259	341,350	-	-	-
5204	System Overhead	13,049,758	17,391,858	18,017,413	16,156,293	20,839,599
5205	Help Desk	1,031,993	511,993	-	359,786	1,271,934
5206	Intra-Agency System Support	5,121,538	2,258,134	2,170,000	2,350,000	2,011,849
5207	Year 2000	6,434,707	1,702,605	321,220	2,725	493,109
5208	MICS Billing					200,373
5209	Capacity & Perf Assur. Mang.	824,767	1,153,702	1,175,694	1,330,017	2,448,262
5210	General Operation	3,069,224	3,051,180	2,624,520	2,841,685	2,498,752
5211	I/O Window	159,335	78,428	46,185	-	-
5212	Librarian	1,568	108,786	6,260	6,200	-
5213	Courier	239,468	91,900	121,892	-	-
5214	Data Entry	255	-	-	-	-
5215	Off-Line Labor	-	-	-	-	-
5216	Operations Technologies	802,338	805,670	881,740	1,138,751	1,308,531
5220	CPU	2,982,700	5,668,814	2,941,100	3,826,000	3,623,622
5221	SNA	639,496	1,098,750	912,775	500,685	205,676
5222	DASD	2,142,803	1,653,415	1,953,676	3,086,620	3,693,31
5223	Tape	3,705,311	2,669,484	1,783,559	1,623,559	2,245,6
5224	Laser Printing	1,139,968	1,662,574	2,425,793	1,199,140	1,468,279
5225	Optical	373,100	441,731	458,200	361,400	112,847
5226	TCP/IP	276,638	343,229	270,477	388,874	198,234
5227	Virtual Tape	-	-	-	-	-
5230	CICS	1,721,106	1,422,966	1,438,796	1,634,188	1,329,121
5231	IMS	1,087,024	678,161	732,516	881,790	2,559,233
5232	Roscoe	50,400	163,770	154,496	-	-
5233	Office Auto & AP Newswire	286,303	124,862	273,177	144,477	199,119
5234	TSO	388,325	171,044	123,423	123,423	-
5235	Focus	-	-	-	-	-
5236	Preference	142,678	80,454	149,664	149,664	-
5239	Batch	-	-	-	-	-
5240	Direct Billing	401,810	278,713	998,549	1,157,645	598,751
5241	Microfiche	184,766	150,000	170,072	150,000	250,000
5242	Microfilm	-	-	-	-	-
5245	AP Newswire	36,203	61,545	68,502	68,502	-
5246	Middleware	-	-	390,977	1,416,857	1,468,992
5248	File Transfer				-	73,325
5250	R & D	6,240	-	-	-	-
5260	Data General	-	-	-	100,000	-
5270	Unix	2,580,908	3,489,597	1,940,436	4,346,540	2,025,463
5271	Distributed Systems Operations				-	72,902
5272	UNIX Hardware					233,333
5273	Unix - Software				91,650	-
5275	MaPs Unix	-	2,100	-	100,000	430,975
5276	MaPs NT/Netware	450,500	2,026,564	2,103,743	3,030,043	1,203,3

North Carolina Office of Information Technology Services

ITS Business Plan Comparison at Operating Unit Level

For Fiscal Years 1997-1998 Through 2001-2002

Fund/ Cost Center	Function	BUSINESS PLANS COMPARED 1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	Agency Total Budgets	152,890,824	189,279,703	174,316,330	192,799,291	182,657,627
5320	Desktop Support	947	1,455,057	1,183,000	-	-
5400	Technical Services Administration					124,197
5500	DCS Admin	199,599	192,930	213,369	446,695	3,938,173
5510	DCS Support	2,614,041	1,913,173	1,856,277	1,325,014	1,699,989
5520	Domain Name Server	549,899	35,980	-	-	-
5540	Technology Assessment	1,110,412	1,365,494	1,520,711	1,480,619	511,670
5541	E-mail Service	55,137	4,282,654	1,844,964	1,689,042	-
36251	Statewide Email System Operation				-	1,850,090
5550	Computer Support Center	793,689	784,661	904,410	1,152,414	1,007,463
5551	Vantive	899,715	852,981	467,940	1,359,551	450,000
5552	Network Control Center	963,789	745,189	825,729	939,271	881,837
5553	Adaptive Technology					100,000
5554	Desktop/Lan Support				1,206,371	1,072,197
5602	Shared WEB Hosting					124,118
6301	Interface Engine	251,100	75,000	39,750	39,750	21,596
6304	Service Broker	-	-	-	-	244,518
	Computing Services Total	59,259,832	62,247,192	54,175,489	60,134,071	67,597,809
7224	***Telecommunications Services***					
53001	STS Administration	3,197,074	1,314,925	967,849	1,068,935	587,630
53101	Local Service Administration	177,833	240,331	99,371	-	-
53111	Centrex (Single Line)	9,262,980	10,534,494	10,800,000	10,800,000	11,700,000
53112	Key Systems	-	-	-	-	-
53113	PBX Systems	-	-	-	-	-
53114	ETN OPS	-	-	-	-	-
53115	FIBER	305,000	1,028,536	1,024,000	1,000,000	1,000,000
53121	Moves & Chngs - Installs	1,906,980	1,907,892	2,000,000	2,000,000	2,400,000
53122	Moves & Changes - Repair	46,893	50,000	50,000	100,000	200,000
53130	Cable and Wiring - Category A	2,747,045	3,127,285	3,306,750	3,301,500	4,000,000
53131	Cable and Wiring - Category B	-	1,600,000	3,005,000	3,003,950	2,000,000
53141	PBX Downtown Complex	1,060,000	1,400,088	1,800,000	1,900,000	1,426,400
53142	PBX - NCCU	-	760,000	-		-
53151	Telecom Consulting Services	-	-	-	282,559	273,494
53160	State Operators	174,880	180,486	195,976	208,870	181,926
53161	Voice Analysts	1,021,001	1,303,206	1,732,043	1,555,098	1,689,809
53162	Telephone Engineers	938,455	1,259,539	1,416,838	1,165,263	1,088,826
53163	School Technology	-	-	-	384,221	400,513
53164	Cable & Wiring Admin.	-	-	-	501,863	526,332
53170	Pay Phones	-	-	-	-	-
53171	Telecom. Equipment	-	-	-	-	-
53181	Voice Mail	100,699	323,000	61,300	79,300	44,000
53182	Voice Response Unit	12,094	4,315	180,000	174,000	199,000
53199	Voice Pass-Through	-	70,000	-	-	-
53201	Computer Ntwrk Srvc Admin.	147,984	244,386	177,877	143,556	190,488
53205	EDU Net	631,400	5,228,606	2,199,950	1,540,000	1,138,620
53206	Enterprise System Management	-	357,355	384,550	-	114,550
53207	Firewall	-	128,894	507,025	760,525	443,025
53208	Hub/Switch	-	285,408	1,232,000	1,047,200	1,190,000
53211	SNA	4,820,944	3,839,887	3,368,661	2,863,400	1,846,982

North Carolina Office of Information Technology Services

ITS Business Plan Comparison at Operating Unit Level

For Fiscal Years 1997-1998 Through 2001-2002

Fund/ Cost Center	Function	BUSINESS PLANS COMPARED 1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	Agency Total Budgets	152,890,824	189,279,703	174,316,330	192,799,291	182,657,627
53212	WAN	9,507,111	14,453,906	13,783,340	14,472,500	11,586,300
53213	X.25	402,480	418,152	40,053	-	-
53214	Point to Point	1,789,487	2,035,000	2,258,850	2,304,000	2,800,000
53215	AAMVET	412,128	413,000	420,000	432,600	420,000
53216	Dial-up Network Service	12,000	3,780	3,780	3,000	2,160
53217	Intelligent Hubs	326,450	192,134	698,880	341,400	703,480
53218	Encryption	24,453	51,000	50,000	50,000	60,000
53219	Secure Wide Area Ntwrk	147,863	321,514	157,474	157,474	157,474
53221	Network Command Center	14,161	321	-	-	-
53222	Ntwrk Cntrl Cntr - Field SrvCs	1,091,404	1,412,196	1,665,842	1,716,784	1,586,196
53230	Data Network Analysts	894,953	974,706	1,516,217	1,803,704	1,612,853
53241	CNS Business Operations	542,236	290,062	337,798	360,252	259,566
53242	Data Comm Network Planning	-	200,766	1,361,775	1,321,796	3,140,417
53245	CNS Business Recovery	365,630	51,784	186,425	93,200	127,098
53301	Ntwrk Transport Admin	1,238,987	849,907	431,998	290,300	321,907
53311	Digital Backbone - Voice	859,861	688,420	619,457	619,457	200,000
53312	Digital Backbone - Data	883,589	657,749	711,099	711,099	900,000
53321	Cellular	2,200,000	3,061,100	2,616,000	4,200,000	5,000,000
53322	Pagers	75,500	32,279	30,000	30,000	75,000
53323	Mobil Data	1,626	-	-	-	-
53324	800 MHZ	2,000	-	-	-	-
53341	1-800	1,620,000	1,372,082	1,536,715	1,536,715	1,250,0
53342	1-700 (VNet)	1,190,694	876,792	805,565	805,565	770,000
53343	ETN	4,165,033	3,749,104	3,456,595	3,456,595	3,116,400
53344	Long Distance - Toll	679,017	492,798	403,406	403,406	700,000
53345	Credit Card	2,165,568	1,968,401	1,882,775	1,475,804	847,000
53346	Interstate Long Distance	1,871,239	1,330,183	2,181,854	2,181,854	895,000
53347	International Long Distance	187,403	221,545	87,750	87,750	42,000
53348	TSSA	461,619	418,910	432,173	408,578	232,500
53401	STS Bus. Service Admin	266,460	542,345	106,658	1,408,700	1,073,025
53410	Billing Unit	813,125	1,267,396	910,033	1,167,612	1,017,145
53420	Service Orders	392,567	469,611	707,036	936,772	823,105
	Telecommunications Sub-Total	61,155,906	74,005,576	73,908,737	76,657,157	72,360,221
	Under 7224 as of July 1, 2000					
7225	***NC Information Highway***					
5390	Program and Technical	10,569,615	14,097,204	9,396,053	9,852,997	7,753,694
6100	Video Project	584,237	570,236	551,005	190,215	96,000
	NCIH Sub-Total	11,153,852	14,667,440	9,947,058	10,043,212	7,849,694
	Telecommunications Grand Total	72,309,758	88,673,016	83,855,795	86,700,369	80,209,915

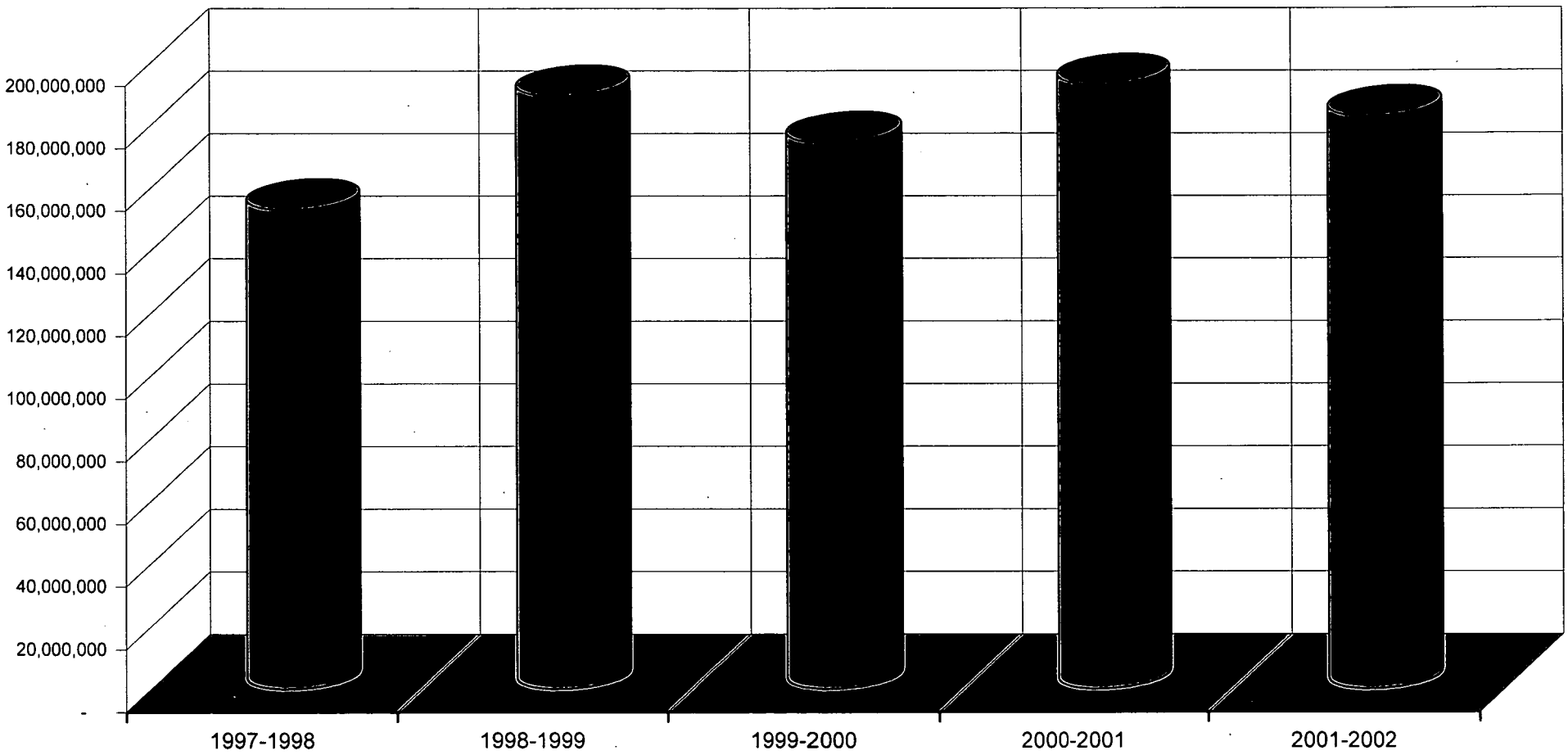
North Carolina Office of Information Technology Services

ITS Business Plan Comparison at Operating Unit Level

For Fiscal Years 1997-1998 Through 2001-2002

Fund/ Cost Center	Function	BUSINESS PLANS COMPARED 1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
	Agency Total Budgets	152,890,824	189,279,703	174,316,330	192,799,291	182,657,627
7228	***Business Technology Services***					
5000	Business Tech Services Admin	324,231	706,059	447,379	293,758	1,307,993
5010	Business Development Services	16,662	552,876	490,207	-	-
5300	Busi. Tech & Internal Appls Admin	276,826	365,971	102,929	94,889	-
5301	ABT	-	-	-	211,994	319,382
5302	Vantive Support	-	-	-	692,817	2,852,302
5303	Internal Application Team	-	-	-	1,163,760	983,850
5304	PVCS	-	-	-	296,197	82,006
5305	Testing	-	-	-	625,050	-
5310	Internal Application Team	1,617	2,380,436	1,745,530	-	-
5310	Technology Development Services	-	-	-	832,093	97,666
5312	Agency Liaison Program	-	-	-	70,142	60,266
5330	Web Services Team	1,543	834,579	1,736,689	273,502	575,862
5335	Electronic Commerce Services	-	-	17,496	-	-
5400	SDS Administration	425,675	589,477	650,297	248,517	-
5420	Technical Services	267,916	4,160	-	-	-
5431	ADS Team 1	883,885	1,622,187	2,139,976	1,012,538	869,145
5432	ADS Team 2	939,092	863,851	1,013,025	1,011,646	1,009,062
5433	ADS Team 3	1,374,008	1,671,998	2,964,234	192,252	829,454
5434	ADS Test Team	1,337,310	40,755	217,075	-	-
5435	QA & Programming Technologies	1,147,332	1,447,998	1,468,630	1,016,830	1,008,991
5436	AMS Team 4	-	-	-	1,193,437	1,466,887
5440	State Board of Elections	-	2,832,824		4,741,558	-
5490	Year 2000.	522,144	1,810,920	-	-	-
5600	ADS Database Administration	916,653	1,397,934	1,476,039	-	-
5700	Program Management Office	-	-	-	862,022	91,579
5801	Web Technologies	-	-	-	1,369,462	1,849,650
5802	Electronic Commerce Services	-	-	-	3,079,009	2,818,100
TBD	NC Mail	-	-	-	-	532,000
6304	Service Broker Development Support	-	-	1,419,388	1,419,390	348,157
	BTS Total	8,434,894	17,122,025	15,888,894	20,700,863	17,102,352
7229	***Year 2000 Office***					
5207	Year 2000 Office Administration	1,141,345	1,188,792	1,164,034	-	-
	Year 2000 Office Total	1,141,345	1,188,792	1,164,034	-	-
7230	***Security & Disaster Recovery***					
4901	ITS Security Office					1,237,705
4910	Mainframe/Business Dis Recovery					2,638,479
4960	Network Security Administration					470,254
	Security & Disaster Recovery Total	0	0	0	0	4,346,438

NC Office of Information Technology Services
Business Plan Fiscal Year Comparison at Operating Unit Level
Agency Total



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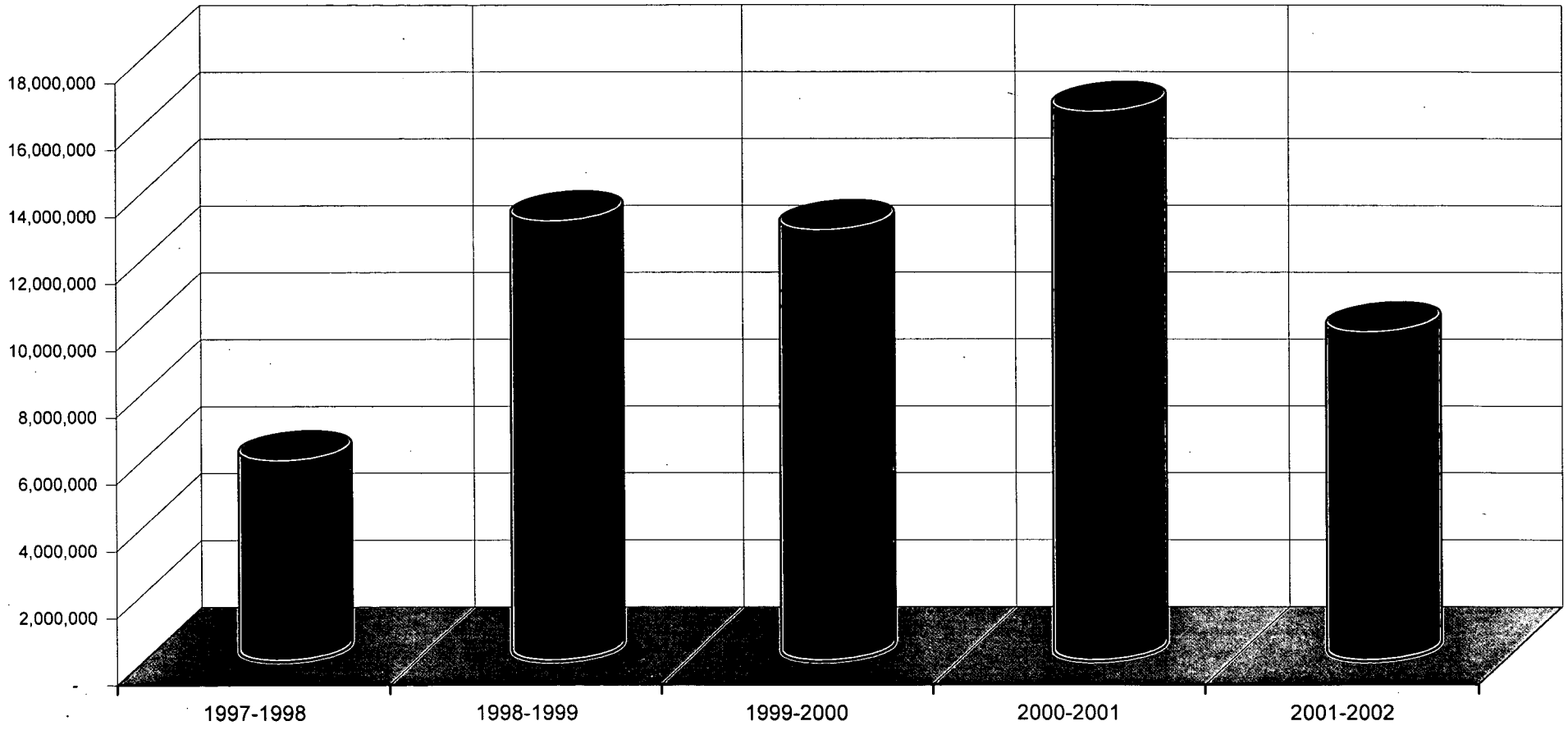
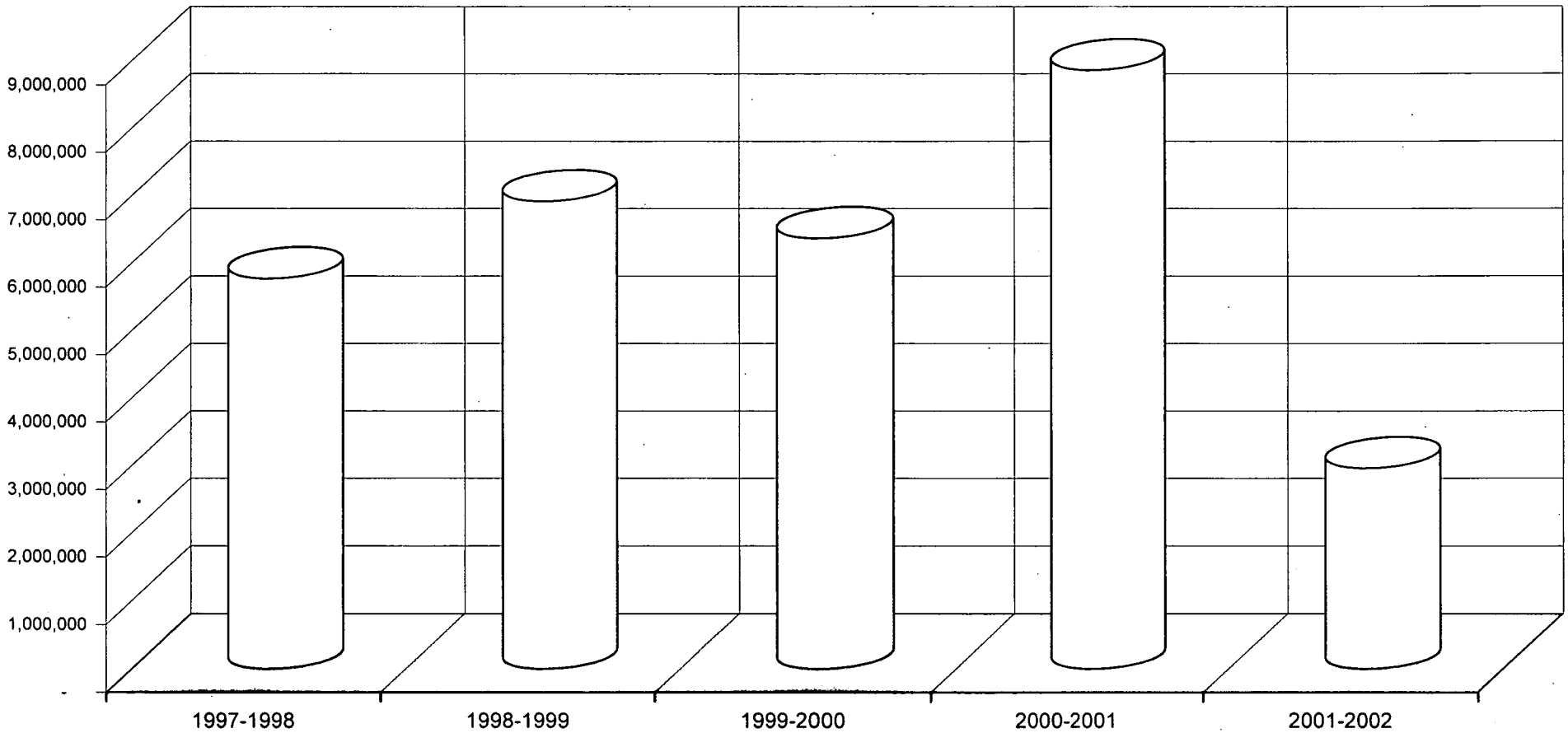
Financial and Facilities Services
Budget, Cost Analysis and Reporting Group

Printed: 3/7/01

NC Office of Information Technology Services
Business Plan Fiscal Year Comparison at Operating Unit Level
ITS Administration (7100)



NC Office of Information Technology Services
Business Plan Fiscal Year Comparison at Operating Unit Level
Information Resource Management (7200)



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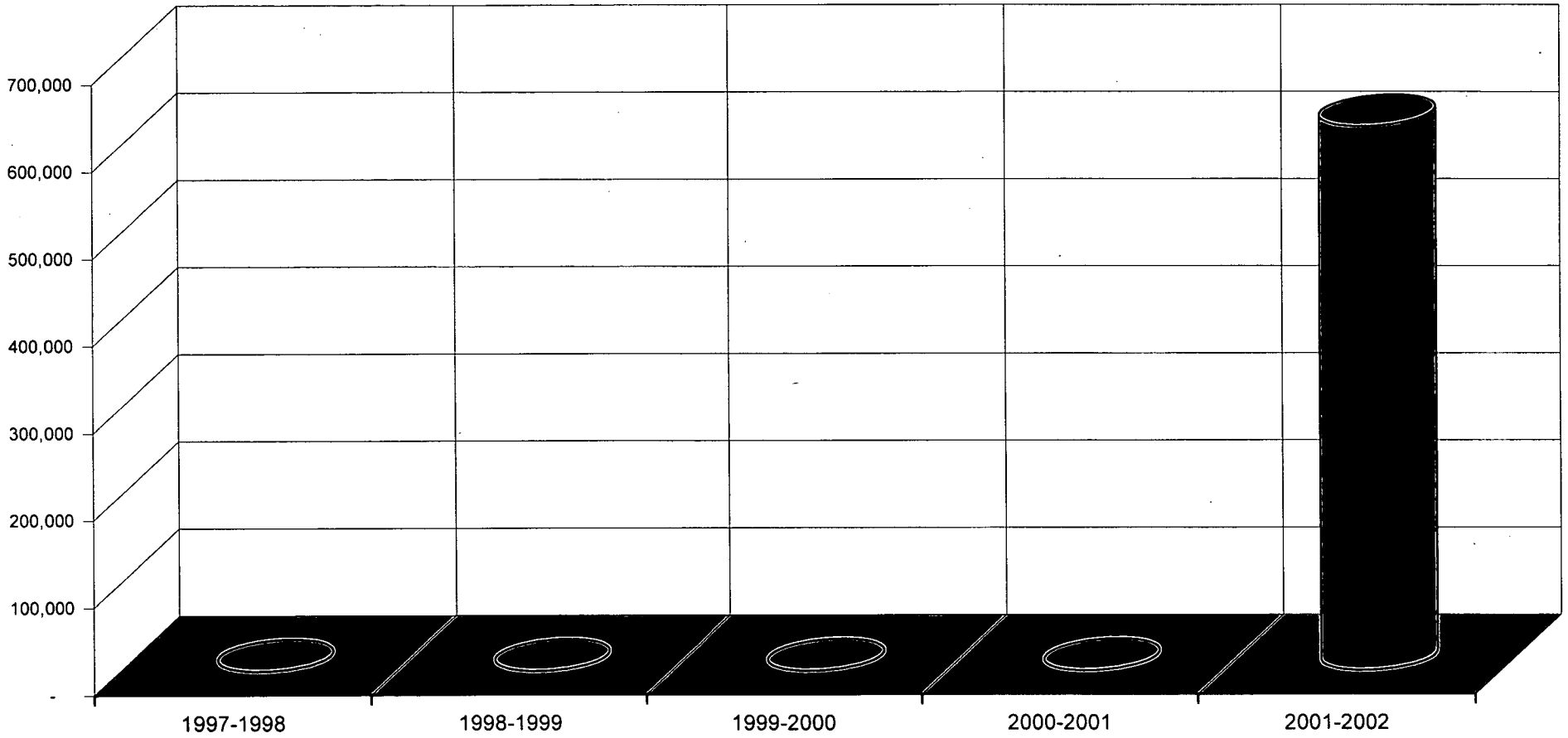
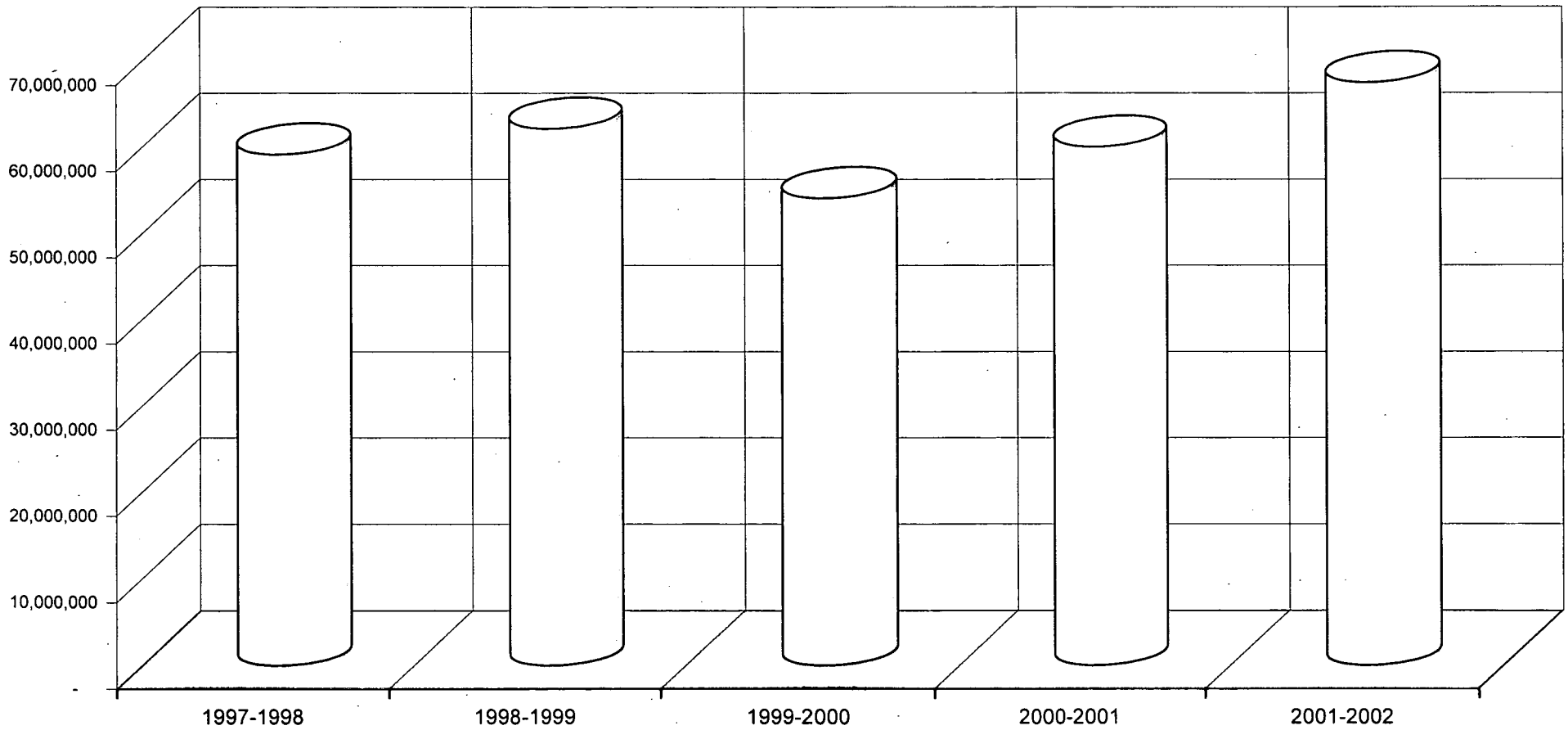
NC Office of Information Technology Services
Business Plan Fiscal Year Comparison at Operating Unit Level
IRMC Independent Staff (7209)



NC Office of Information Technology Services
Business Plan Fiscal Year Comparison at Operating Unit Level
Computing Services (7217)



Prepared by NC Office of Information Technology Services
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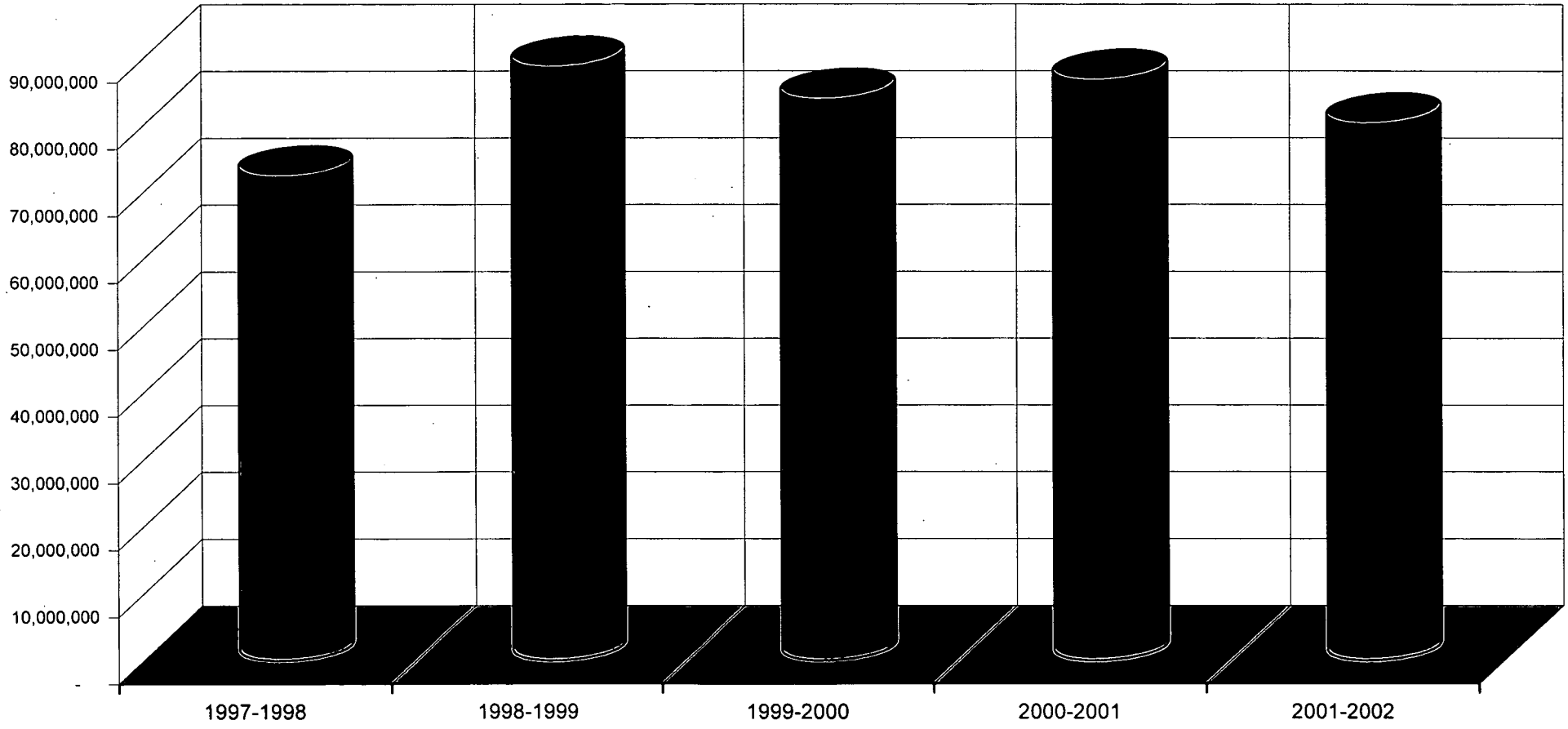
Business Plan Fiscal Year Comparison at Operating Unit Level

Telecommunications Services (7224)



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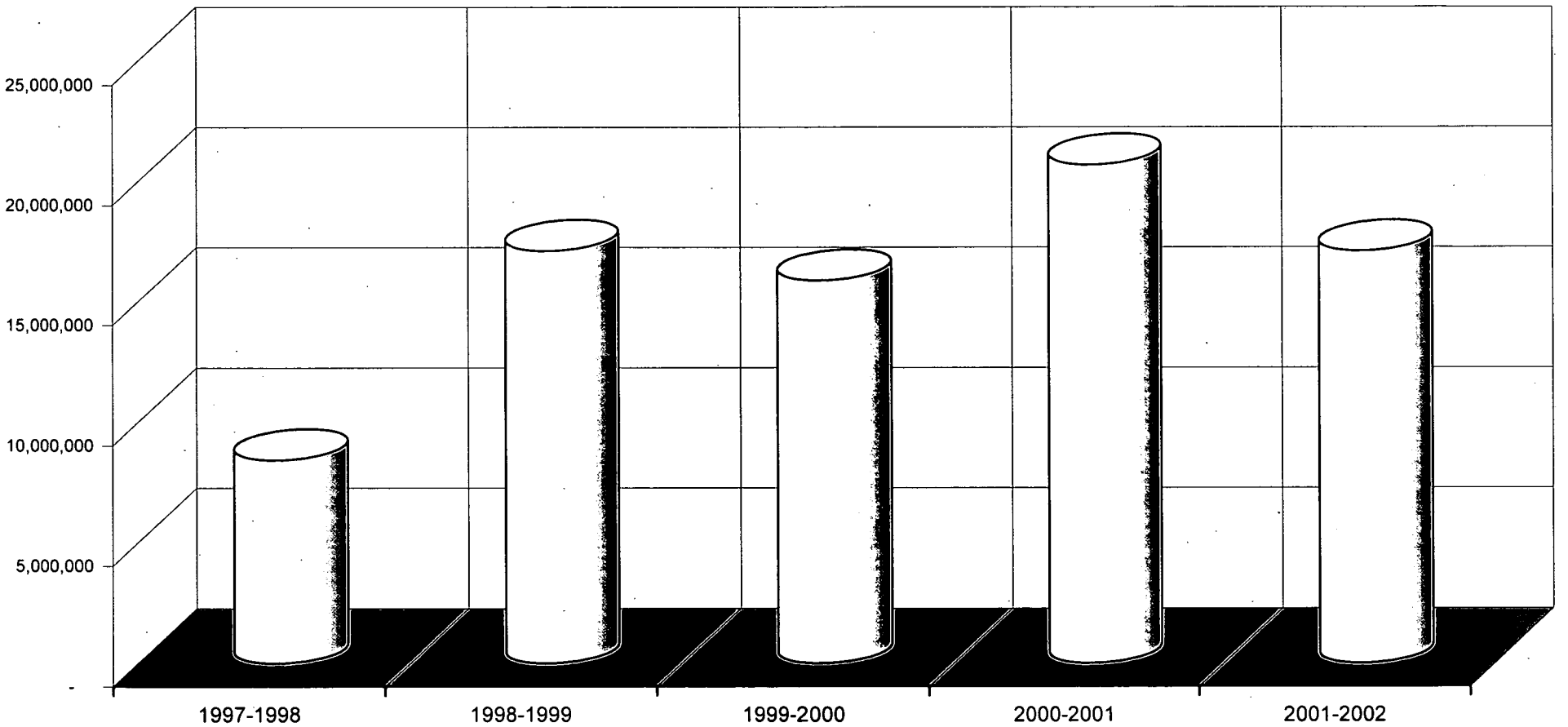
NC Office of Information Technology Services

Business Plan Fiscal Year Comparison at Operating Unit Level

Business Technology Services (7228)



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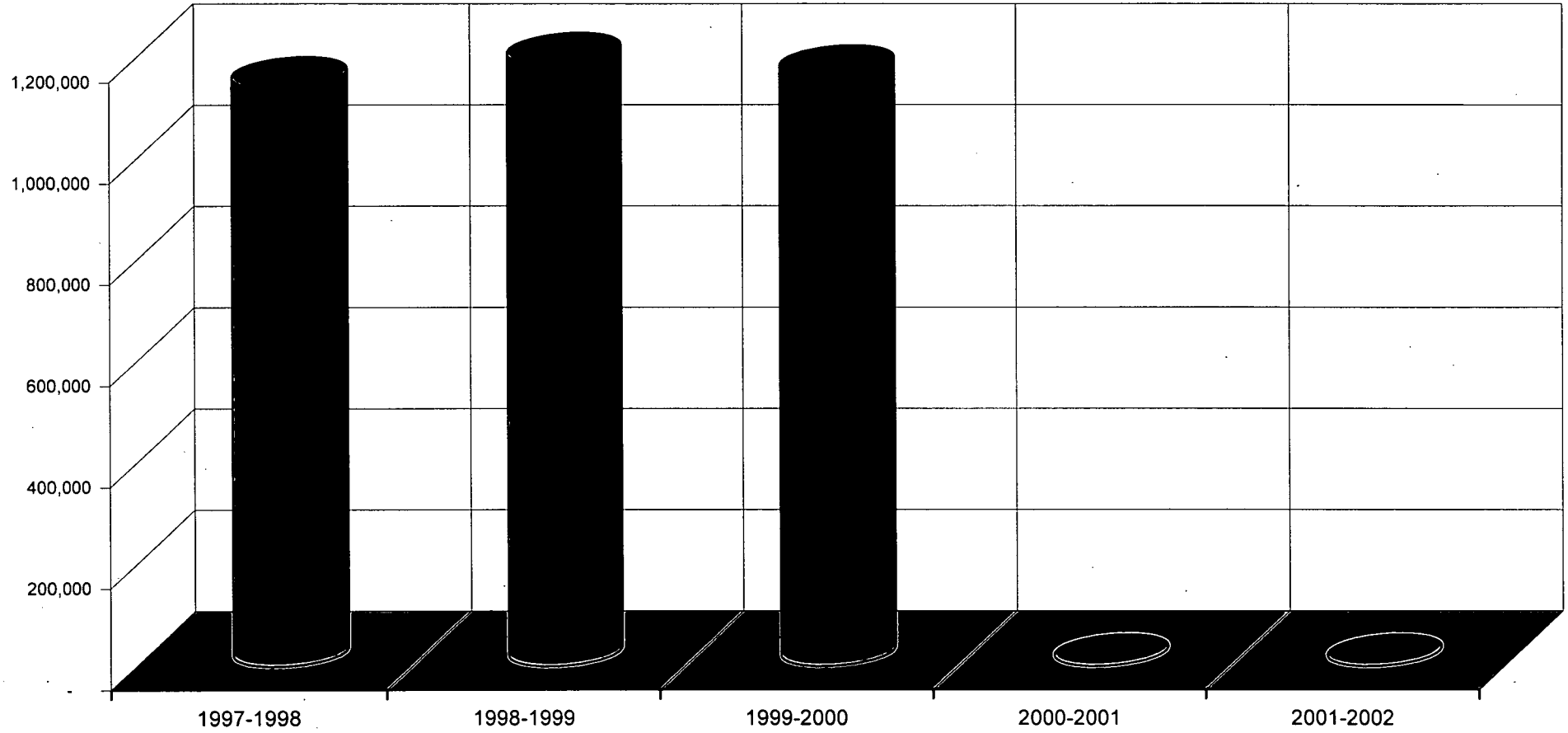
Business Plan Fiscal Year Comparison at Operating Unit Level
Y2K Office (7229)



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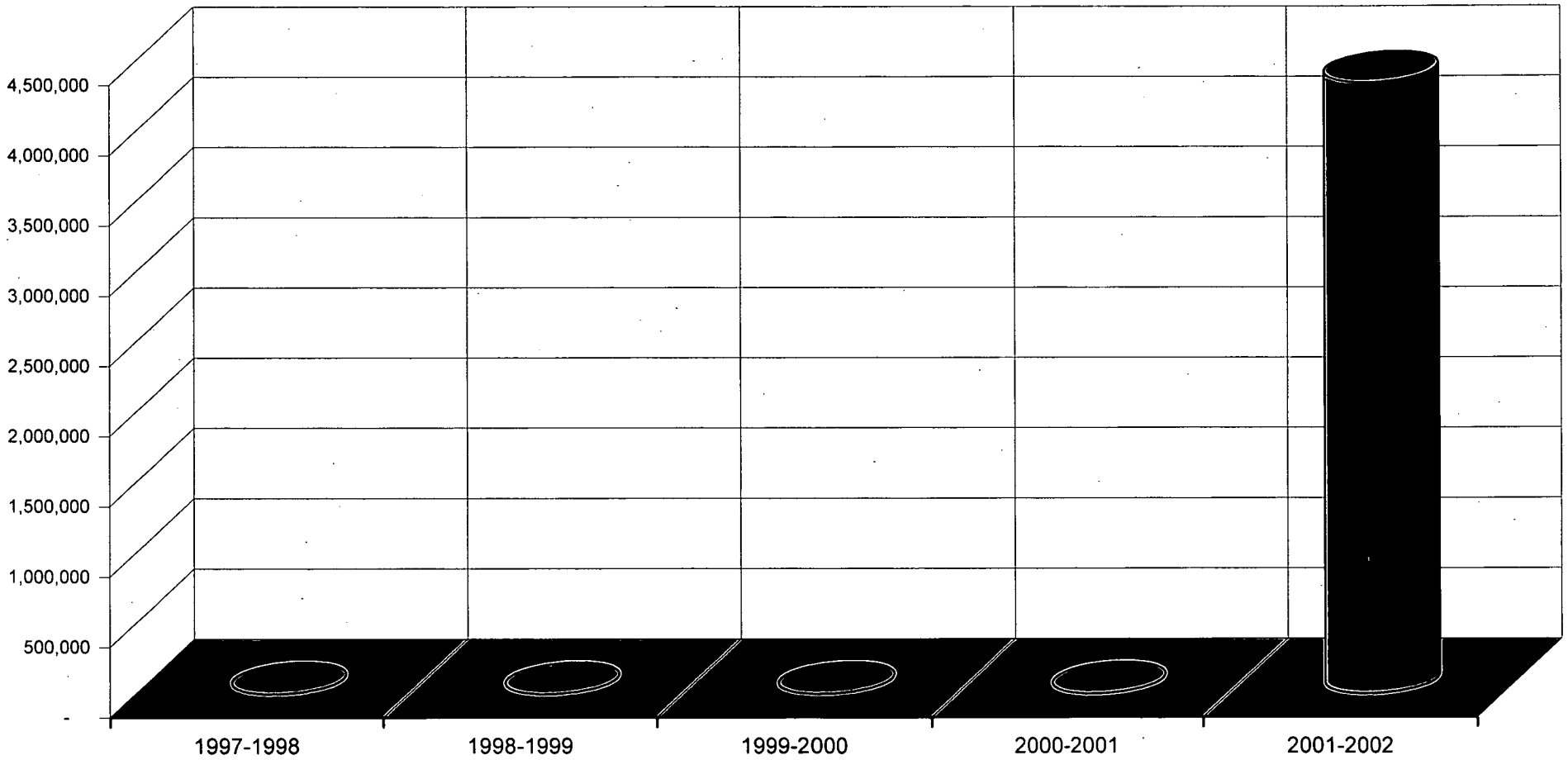
NC Office of Information Technology Services

Business Plan Fiscal Year Comparison at Operating Unit Level

Security Services and Disaster Recovery (7230)



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Financial and Facilities Services
Budget, Cost Analysis and Reporting Group

Office of Information Technology Services Cost Reduction Steps taken by ITS

IT Appropriations Subcommittee

March 29, 2001

ITS Cellular Phones

- Received the letter requesting us to reduce cellular phone expenditures and justify their usage
- ITS Actions:
  - Reviewed existing ITS Nextel contracts and usage
  - Met with cellular phone vendors on statewide convenience contract to request assistance in identifying potential cost savings
  - The next page presents the information obtained to date

ITS Cellular Phones (cont'd)

- **Statewide**
  - Have recently expanded statewide contract from two to five vendors
  - Of these five vendors, four have provided preliminary information regarding our request
    - **Verizon Raleigh**
      - Reviewed all plans vs usage
      - Recommended alternative plans to save $9,105.87 monthly
    - **Verizon Greensboro**
      - Reviewed all plans vs usage
      - Recommended alternative plans to save $1,817.17 monthly
    - **Bell South**
      - Reviewed all plans vs usage
      - Recommended alternative plans to save $3,505.74 monthly

ITS Cellular Phones (cont'd)

- **Statewide (cont'd)**
  - **AllTel** - (At least 80% of current state contracts)
    - Identified all units with no usage for 2 consecutive months
    - Potential of $36,186.09 monthly savings may be realized from discontinued service of these units
      - Business needs may prohibit discontinuing all identified cellular phones
        - For example, emergency management phones used only at times of statewide emergencies, phones maintained for potential employee travel emergency use
- Total Cellular Phone costs for FY2000 $4,567,687
- Potential savings identified to date is 14.8% of FY2000 expenditures ($678,094)

Cellular Phones (cont'd)

- Results of ITS internal review of one vendor:
  - Matched plans to business usage for a monthly savings of $3,281 or 42%
  - Discontinued 33 contracts for an additional monthly savings of $2,612 or 14%
  - Total monthly savings equals $5,893 or 56%
  - Annual savings equals $70,715

Cellular Phones (cont'd)

- Suggested actions:
  - Identify business requirements
  - Review average usage versus current plan
  - Compare usage versus all available plans
    - For instance, two-way private voice communications are offered for a flat fee in some plans thus reducing measured minute usage

Contractual Services

ITS Section	As of Dec 2000 # Contractors	Monthly Cost	As of Mar 2001 # Contractors	Monthly Cost
Admin	27	$186,148	12	$65,115
IRM	48	$1,047,488	12	$165,560
Computing Svcs	24	$199,458	16	$147,618
Telecomm Svcs	19	$82,417	12	$46,360
Business Tech Serv	25	$296,466	21	$243,086
Agency Total	**143**	**$1,811,877**	**73***	**$666,739**
Savings			*51%*	*36%*

ITS Software Maintenance Costs

- Mainframe software costs are escalating dramatically, particularly those based upon installed Computer Processing Unit (CPU) capacity (MIPS)
  - Reviewing software maintenance contracts to identify opportunities for competitive bidding at next renewal date
  - Identifying software used by only one or two customers in order to directly bill them for costs
  - Identifying software now available for use on alternate platforms such as desktops, workstations, etc.
  - Identifying unused, obsolete and overlapping products

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State of North Carolina

E-Procurement Service

Joint Information Technology Committee

March 29, 2001

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Key Tenets - 1

- Self funding, public/private partnership
  - Self funded E-Procurement Business Model
  - No cash outlay required from the State
  - Infrastructure investment provided by Accenture
  - Cost recovery over life of contract with long-term revenue gain sharing
- Statewide E-Procurement Solution
  - State's Business Rules Applied
  - Governed by an Operations Committee
  - Participation/collaboration by state agencies, universities, community colleges, local education authorities, and local/county governments

no cash outlay. Venture capital (. provided by our partner.

4 yr. contract pd. All back & begin revenue collection.

great interest

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Key Tenets - 2

- Support for E-Government Infrastructure – costs assoc. of the portal
- Business Model Revenue generated through supplier fees
  - State agrees to planned level of annual spend, revenue and costs at the outset of project
  - Supplier fee is 1.75%
  - Fees applied to purchase order value

Market Comparison

Approach	Pennsylvania (REPPM)*	Texas (TCPN)*	North Carolina	Michigan	Virginia
Supplier Fee on POs	2%	2%	1.75%	1.6%	1% + Registration Fee
Supplier Fee Cap per PO	No	No	No	No	$500
Supplier Fee - Annual Subscription	No	No	No	No	$25-$175
Number of Years	4	4	4	To Be Determined	5
Integration Included	1 system	No	5 systems	No	1 system
Buying Organizations Included	200	Over 300	Over 900	4	100
Statewide Portal Funded	No	No	Yes	No	No
Fully Self-Funded	Yes	Yes	Yes	To Be Determined	No

* = Pennsylvania Education Procurement Program for Micro Computers

** = Texas Cooperative Purchasing Network

State Benefits

- Self-funded, hosted e-procurement system available to all NC government entities and local governments
- Requires no up-front investment by the State for the service which includes integration with financial systems, software, training, supplier management and support costs
- Improved standardization of State purchasing policies and procedures
- Provides statewide procurement reporting

Supplier Benefits

- Support for HUB's to participate in the Internet Economy
- Access to a larger marketplace can result in more orders and increased sales for suppliers
- Online self-registration and support for all suppliers
- Improved business processes (accuracy and timeliness) through use of electronic orders
- Improved automated quoting and bidding processes result in more consistent requests

Private Sector Savings Examples

Price savings examples:

Company	Impacted Spend	Savings Per Year	Savings
	($ M)	($ M)	(%)
Eastman Chemical	450	45	10
Hewlett Packard	3,500	350	10
Motorola	1,000	100	10
Financial Services Corporation	230	27	11.8
Equifax	130	16	12.3
Oil and Gas Corporation	11,000	550	5
Manufacturing Corporation	190	25	13.2
Manufacturing Corporation	300	40	13.4
International Banking Corp	1,300	130	10
Visa	1,000	15-40	2-5

Process cost savings examples:

- Bristol-Myers Squibb - Reduced cost of purchase order from $75 to $25
- Cisco Systems - Reduced cost of purchase order from $75 to $25

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Estimated Agency Savings

- Price savings conservatively estimated at $35.2 million per year based on 3% factor applied to $1.18 billion spend (private sector is averaging 10% savings)
- Process cost savings conservatively estimated at $17.2 million per year based on reduction in Purchase Order costs from $80 to $50 (private sector is averaging $30 Purchase Order cost)
- Total annual cost savings estimated very conservatively at $52.4 million per year at $1.18 billion spend level

Timeline/Next Steps

- Received approval for marketing fee from IRMC
- Consulted with Governmental Operations Committee
- Conducted statewide buyer forums
- Conduct supplier forum and supplier workshops

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State of North Carolina
E-Procurement Service
Demonstration

Joint Information Technology Committee

March 29, 2001

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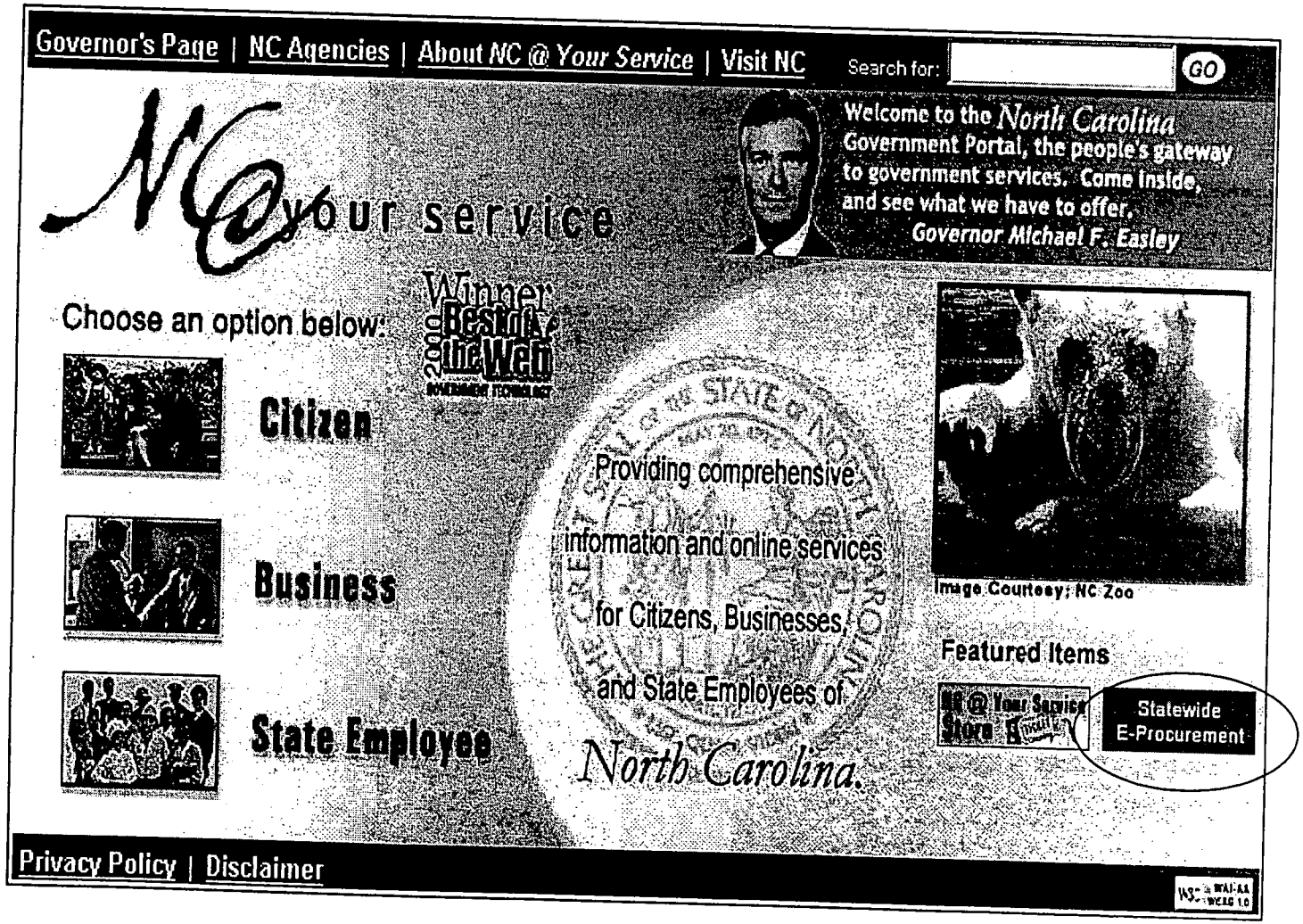
Access Through Statewide Portal



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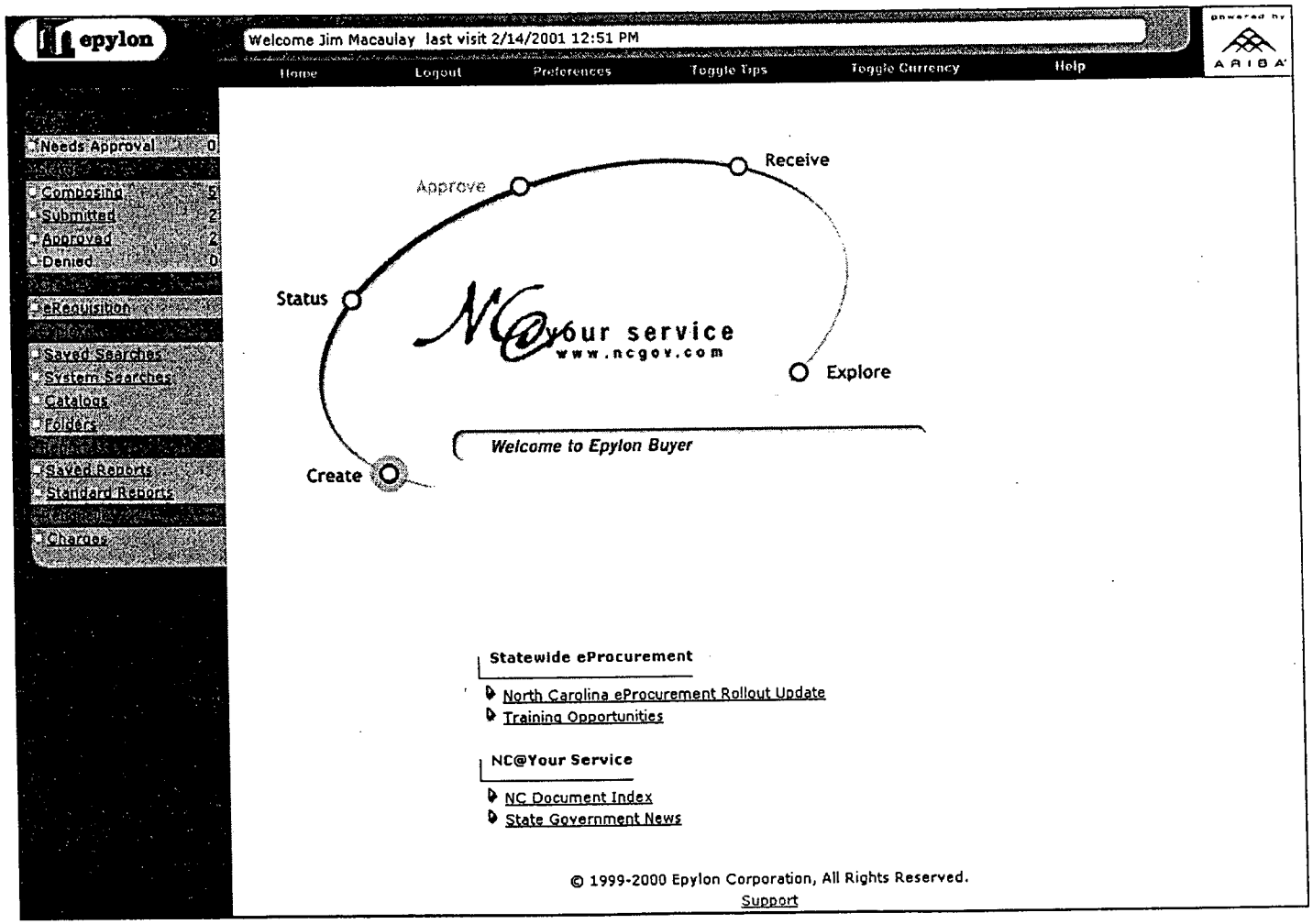
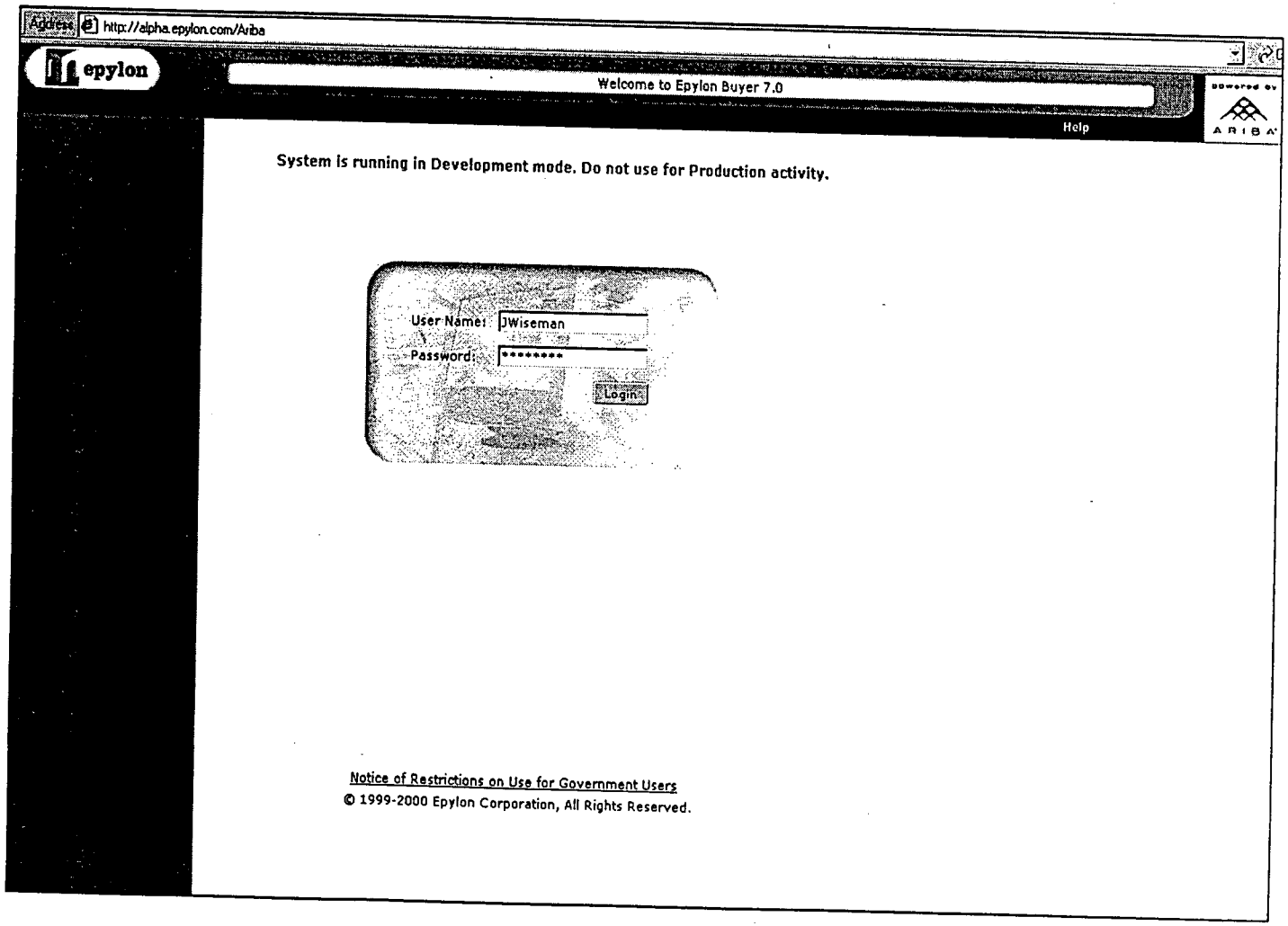
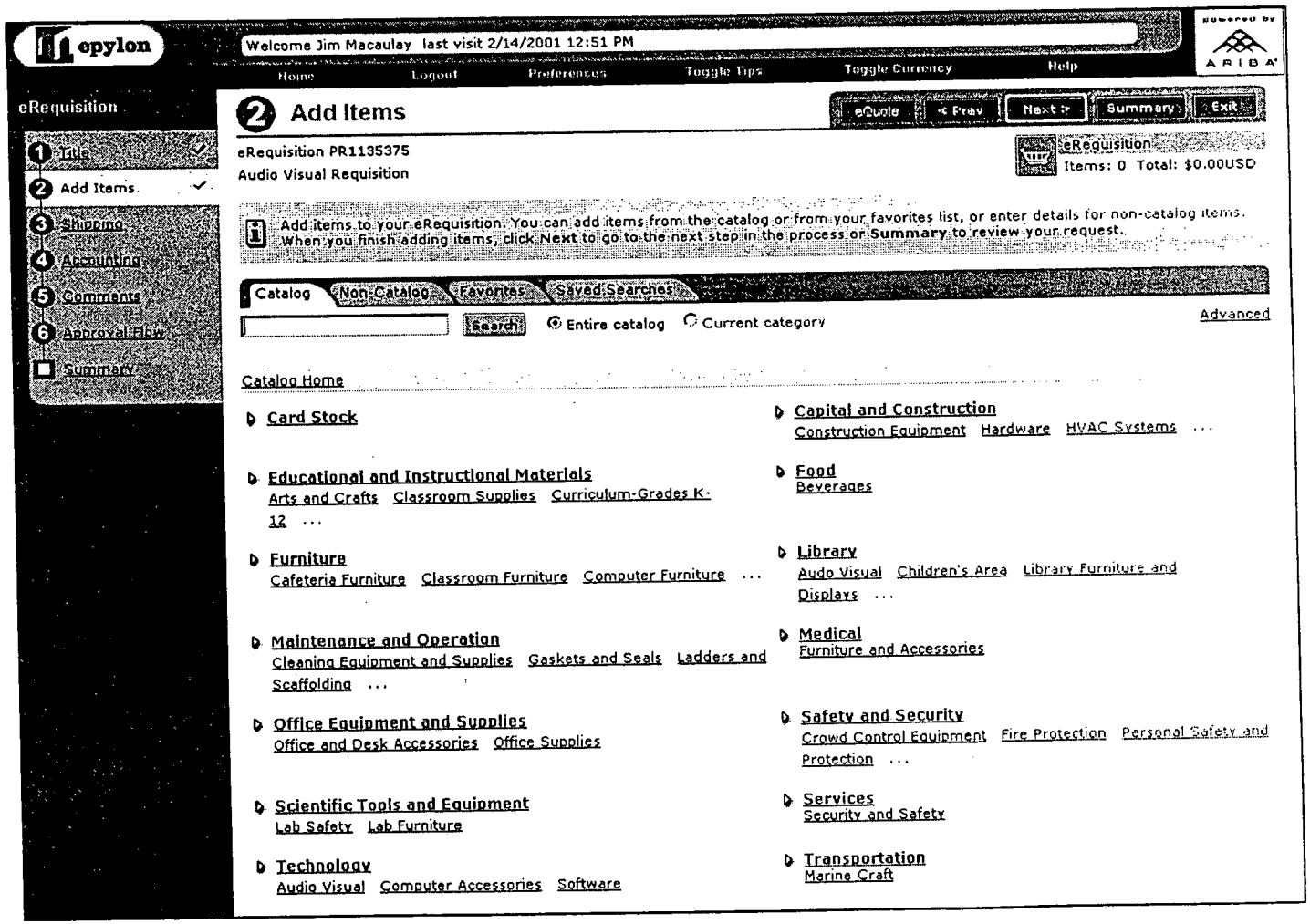
Quick Access to All E-Procurement Functions



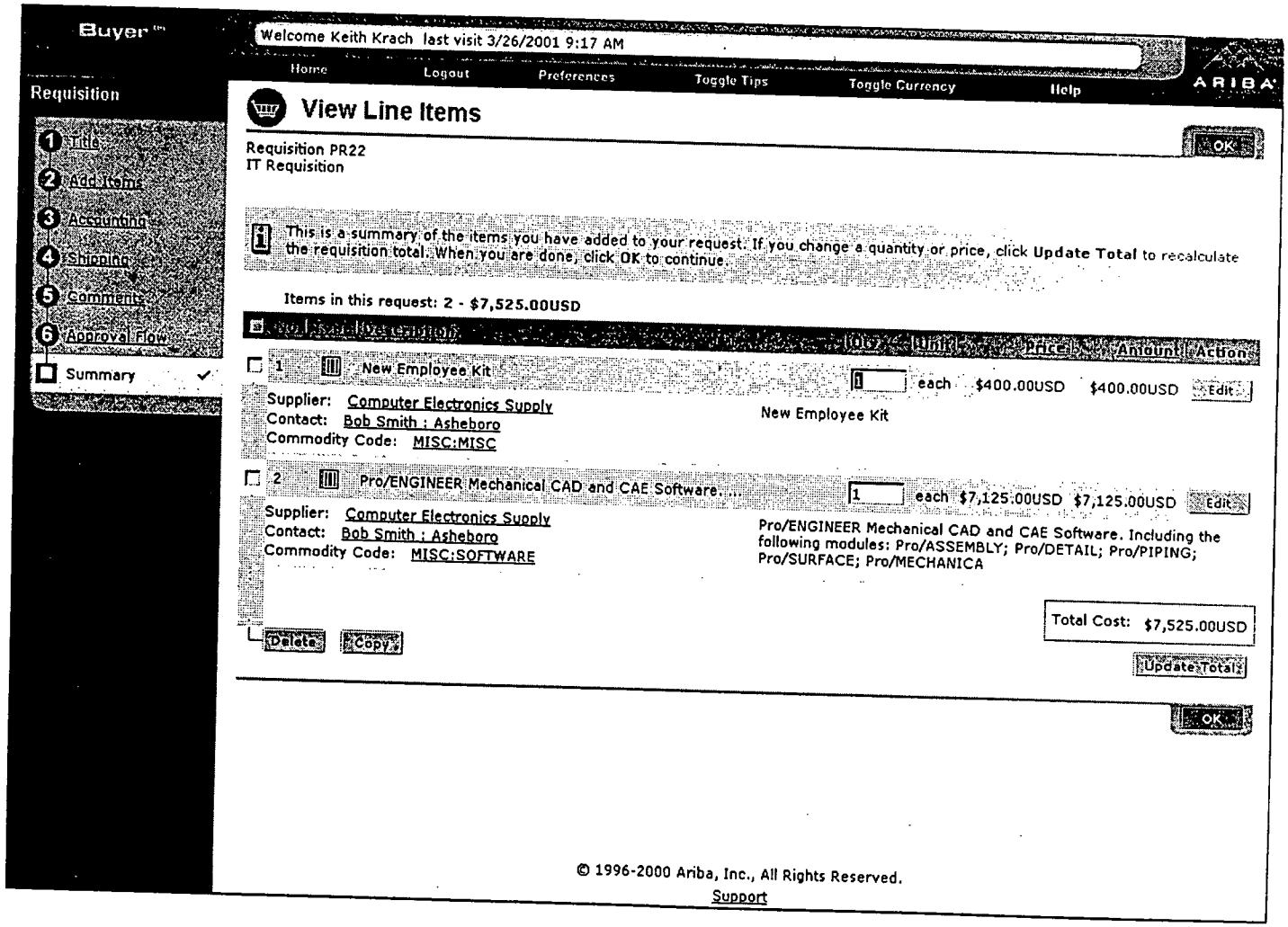
Secured Web Application



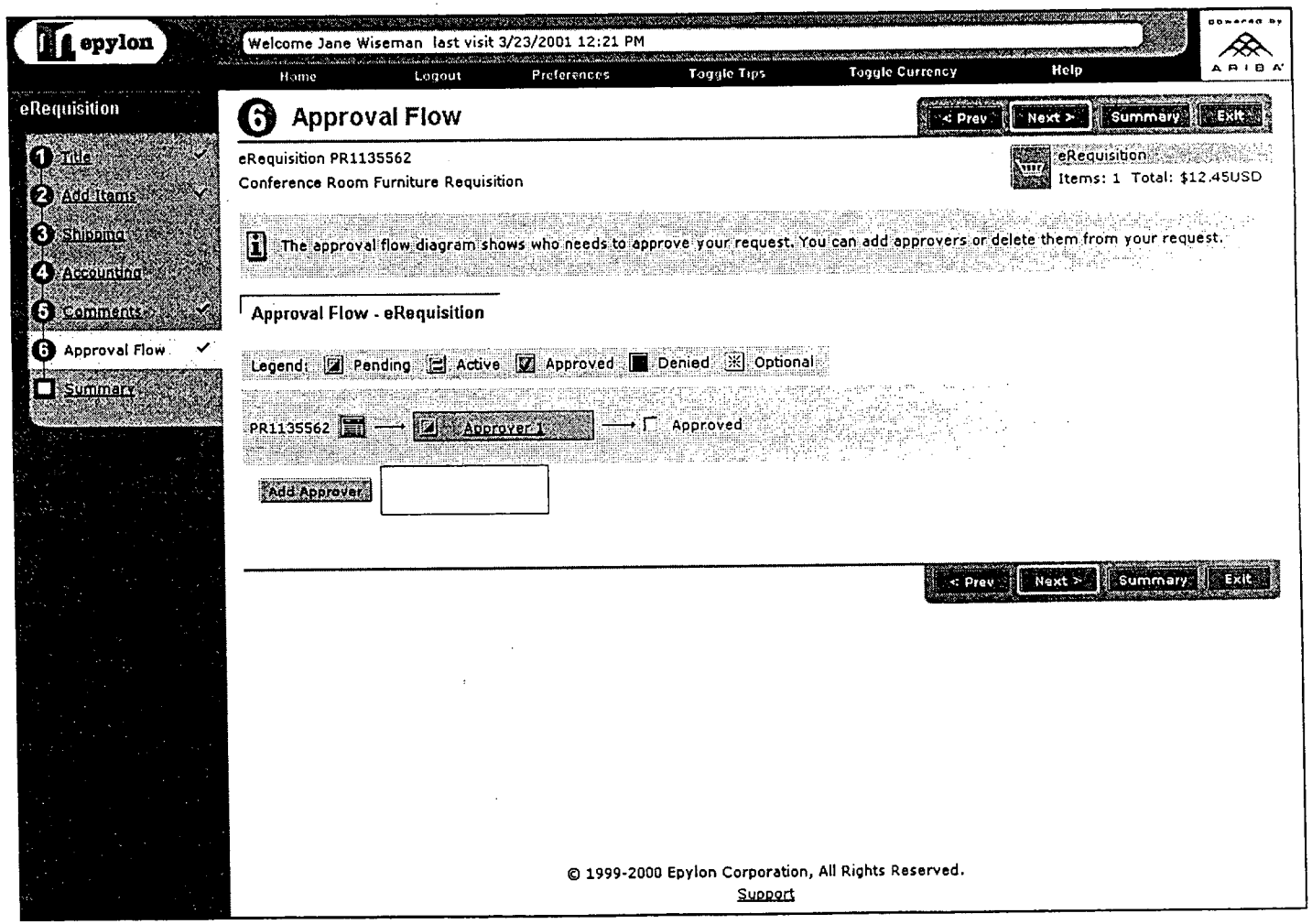
On-Line Catalogs



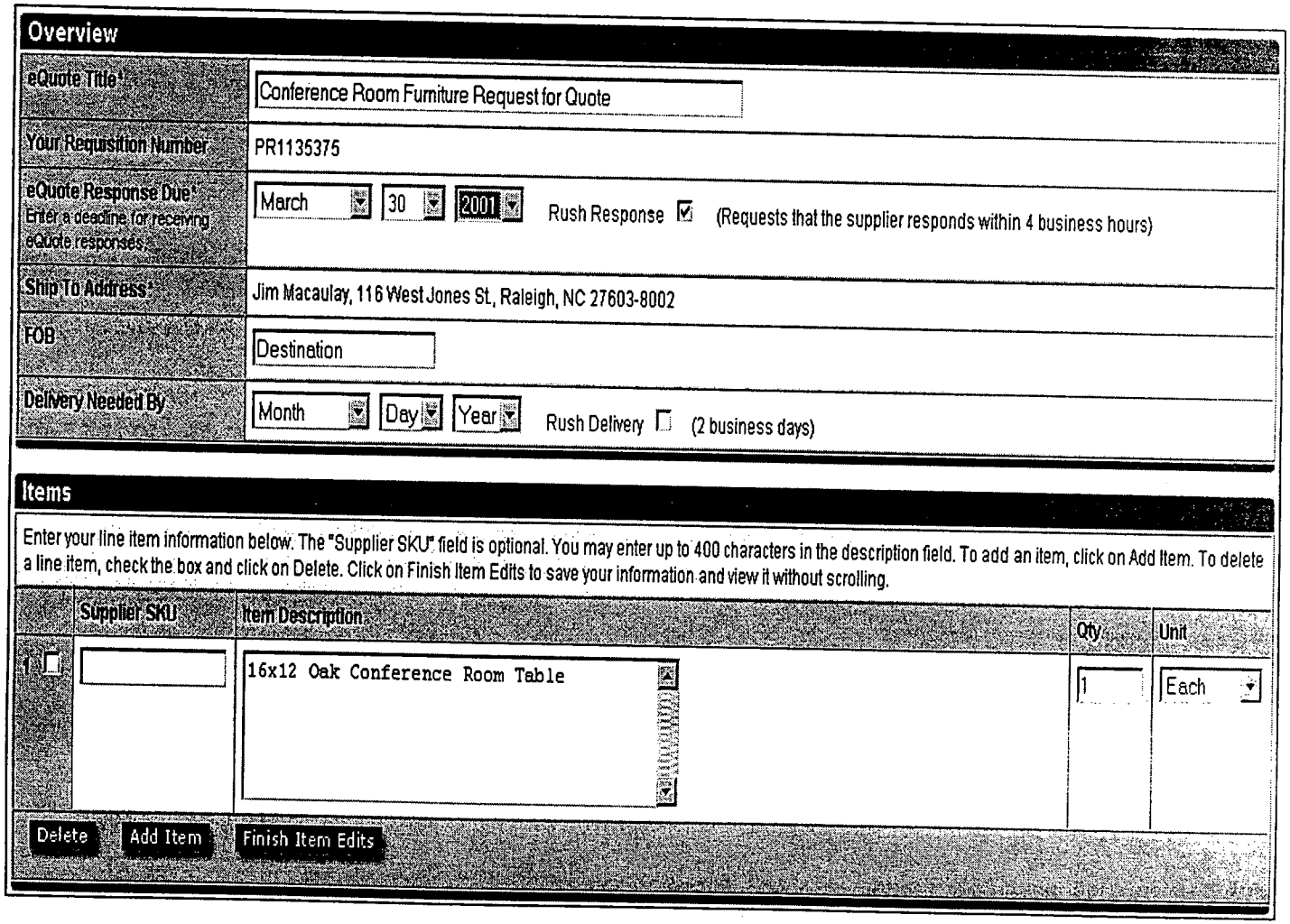
Shopping Cart View of Items



Graphical Approval Workflow



Specify Product for Informal Solicitations



Overview

eQuote Title*	Conference Room Furniture Request for Quote
Your Requisition Number	PR1135375
eQuote Response Due* Enter a deadline for receiving eQuote responses.	March 30 2001 Rush Response ☑ (Requests that the supplier responds within 4 business hours)
Ship To Address*	Jim Macaulay, 116 West Jones St., Raleigh, NC 27603-8002
FOB	Destination
Delivery Needed By	Month Day Year Rush Delivery ☐ (2 business days)

Items

Enter your line item information below. The "Supplier SKU" field is optional. You may enter up to 400 characters in the description field. To add an item, click on Add Item. To delete a line item, check the box and click on Delete. Click on Finish Item Edits to save your information and view it without scrolling.

	Supplier SKU	Item Description	Qty	Unit
1 ☐		16x12 Oak Conference Room Table	1	Each

Delete Add Item Finish Item Edits

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Invite Suppliers for Informal Solicitations

Supplier Search Results

Please select the suppliers that you would like to respond to your eQuote request by clicking in the check box. Click on Add to eQuote before clicking on Continue. You may choose up to 20 suppliers. You can also invite a supplier you don't see listed to join Epylon.

	Name	Special Status	Rush Response	Our Suppliers (within the State)	Local Suppliers
☐	Absolutely Office		✓		
☐	Carolina Office & Computer Supply, Inc.	HUB	✓	✓	
☐	Carolina Office Interiors		✓	✓	✓
☐	Ideal Office Products		✓		
☐	Desmond Office Furniture	HUB	✓		
☐	Camille Clark Interiors	HUB	✓	✓	

Select All | Add To eQuote | Select Our Suppliers | Invite Supplier

Items 1-6 of 6 Page 1 of 1 Display: 20 items

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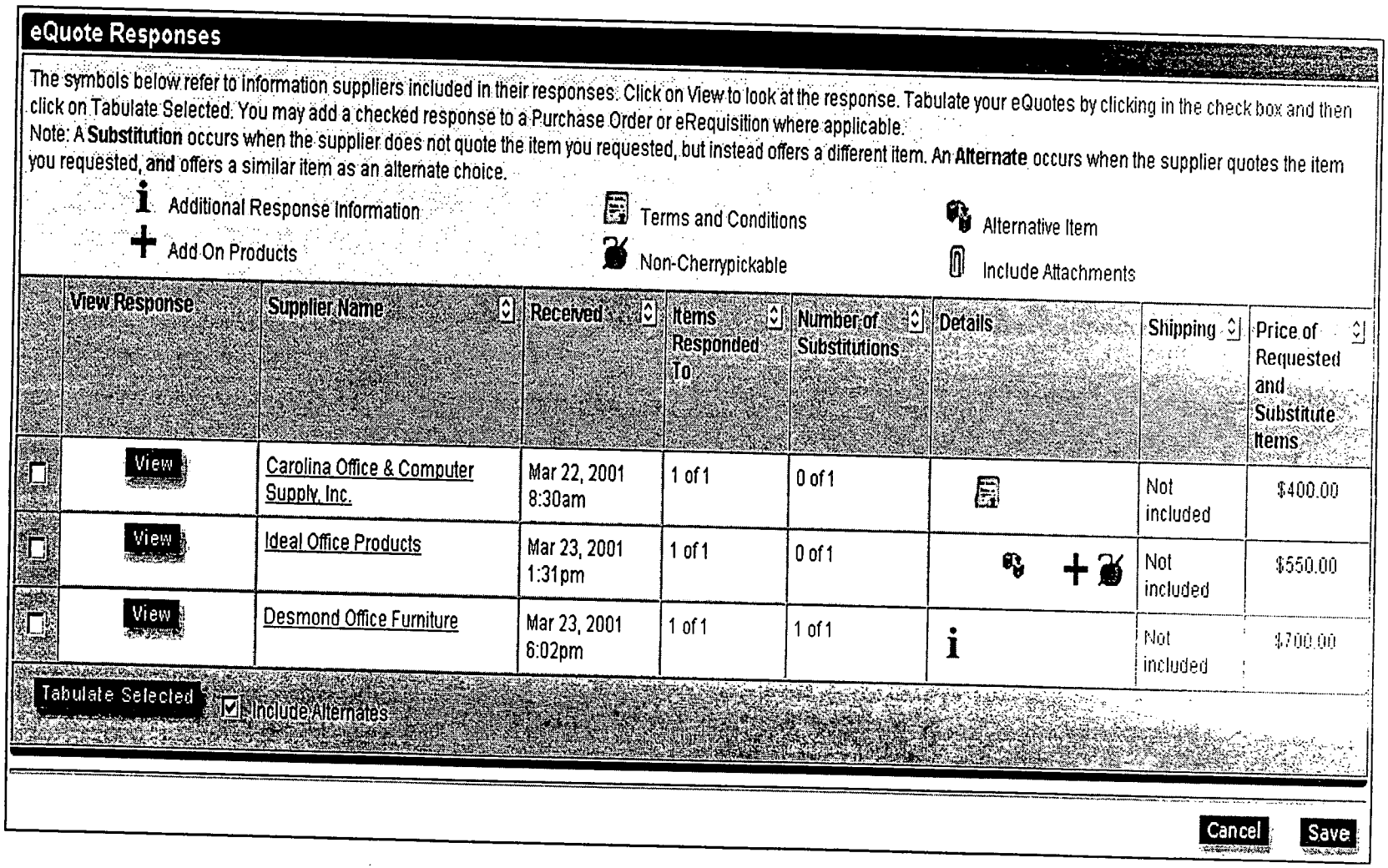
View Supplier Responses from Informal Solicitation



eQuote Responses

The symbols below refer to information suppliers included in their responses. Click on View to look at the response. Tabulate your eQuotes by clicking in the check box and then click on Tabulate Selected. You may add a checked response to a Purchase Order or eRequisition where applicable.
Note: A **Substitution** occurs when the supplier does not quote the item you requested, but instead offers a different item. An **Alternate** occurs when the supplier quotes the item you requested, and offers a similar item as an alternate choice.

i Additional Response Information
Terms and Conditions
Alternative Item
Add On Products
Non-Cherrypickable
Include Attachments

	View Response	Supplier Name	Received	Items Responded To	Number of Substitutions	Details	Shipping	Price of Requested and Substitute Items
☐	View	Carolina Office & Computer Supply, Inc.	Mar 22, 2001 8:30am	1 of 1	0 of 1		Not included	$400.00
☐	View	Ideal Office Products	Mar 23, 2001 1:31pm	1 of 1	0 of 1		Not included	$550.00
☐	View	Desmond Office Furniture	Mar 23, 2001 6:02pm	1 of 1	1 of 1	i	Not included	$700.00

Tabulate Selected ☑ Include Alternates

Cancel Save

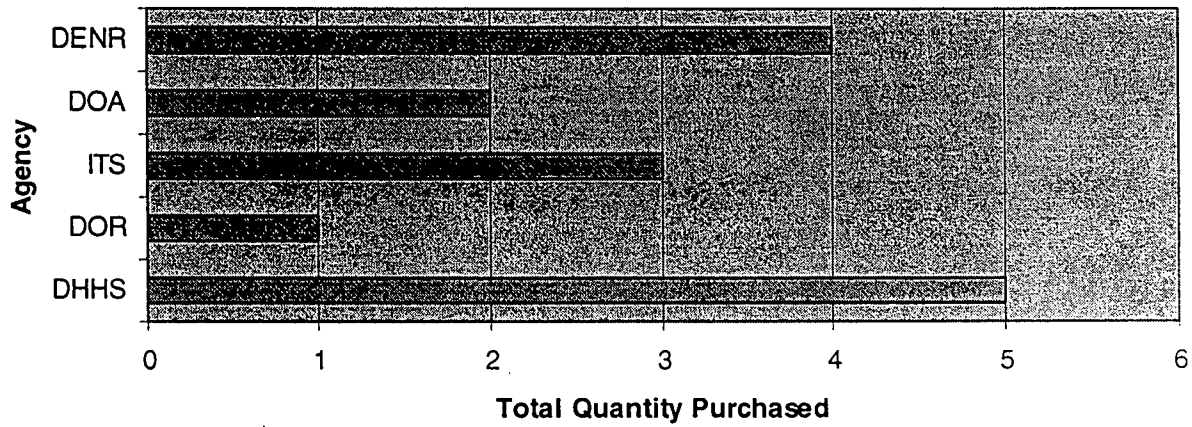
Example Only

Robust Reporting Functionality

NC E-Procurement Service

Report View: Requisition Total by Agency
Date Range: July 20 – July 30
Filters: Agency, Commodity Code

Commodity Code: Personal Computers



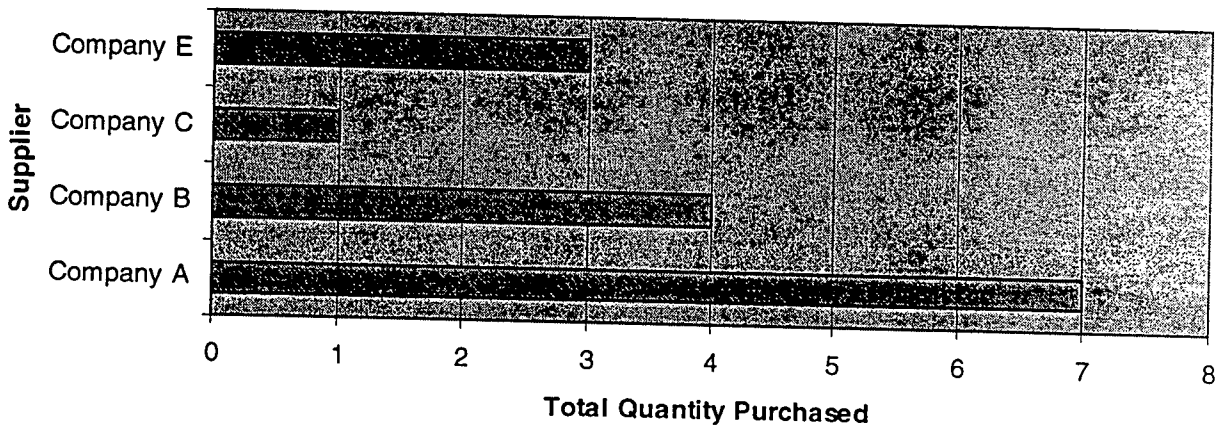
Agency	Total Qty Purchased		Total Amt Spent
DENR	4		$ 13,006.60
DOA	2		$ 6,503.30
ITS	3		$ 9,754.95
DOR	1		$ 3,251.65
DHHS	5		$ 16,258.25
	15		$ 48,774.75

Example Only

Robust Reporting Functionality

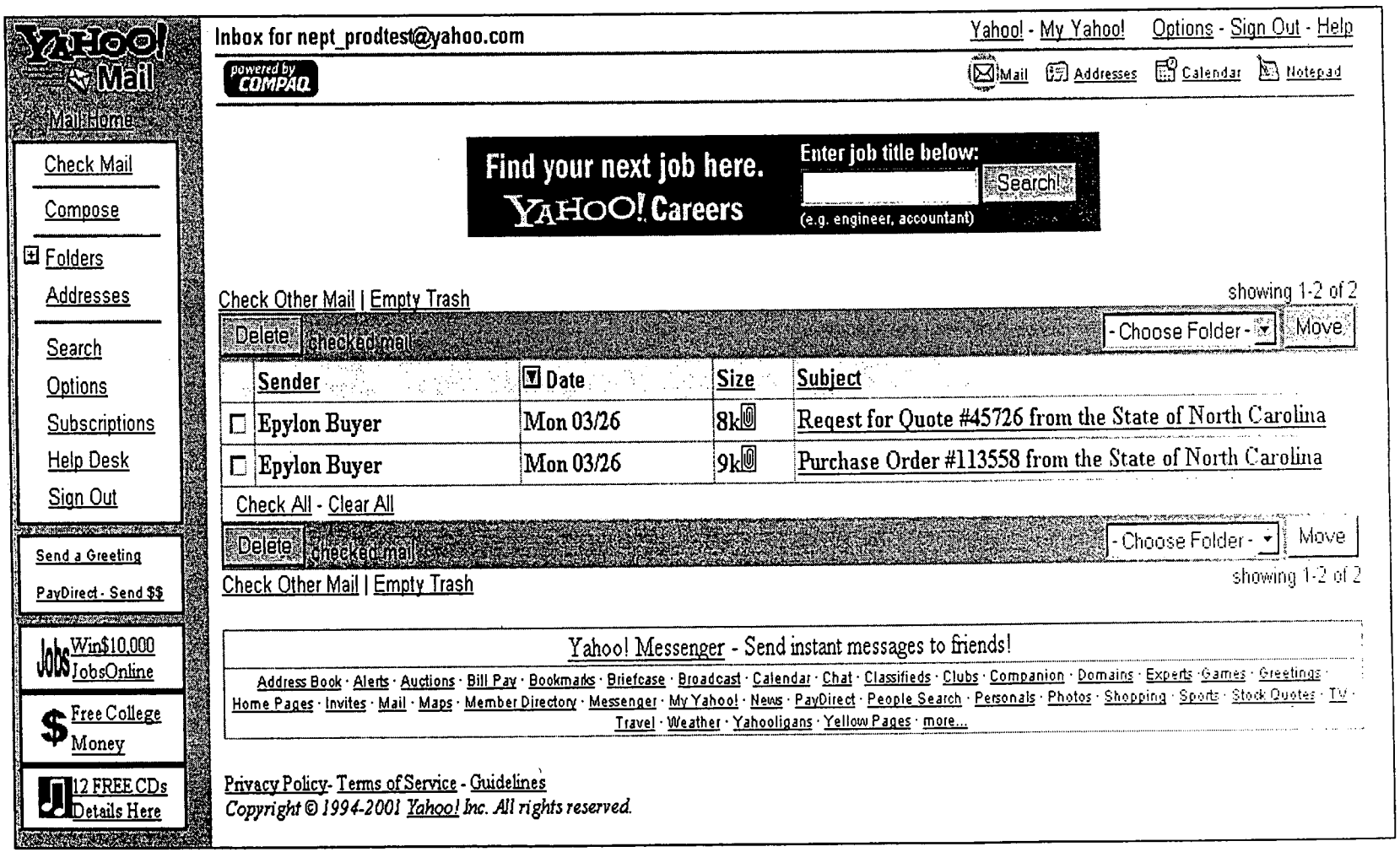
NC E-Procurement Service
Report View: Requisition Total by Supplier
Date Range: July 20 – July 30
Filters: Supplier, Commodity Code

Commodity Code: Personal Computers



Supplier	Total Qty Purchased		Total Amt Spent
Company A	7		$ 22,761.55
Company B	4		$ 13,006.60
Company C	1		$ 3,251.65
Company E	3		$ 9,754.95
	15		$ 48,774.75

Supplier Receives Purchase Orders and Requests for Quotes



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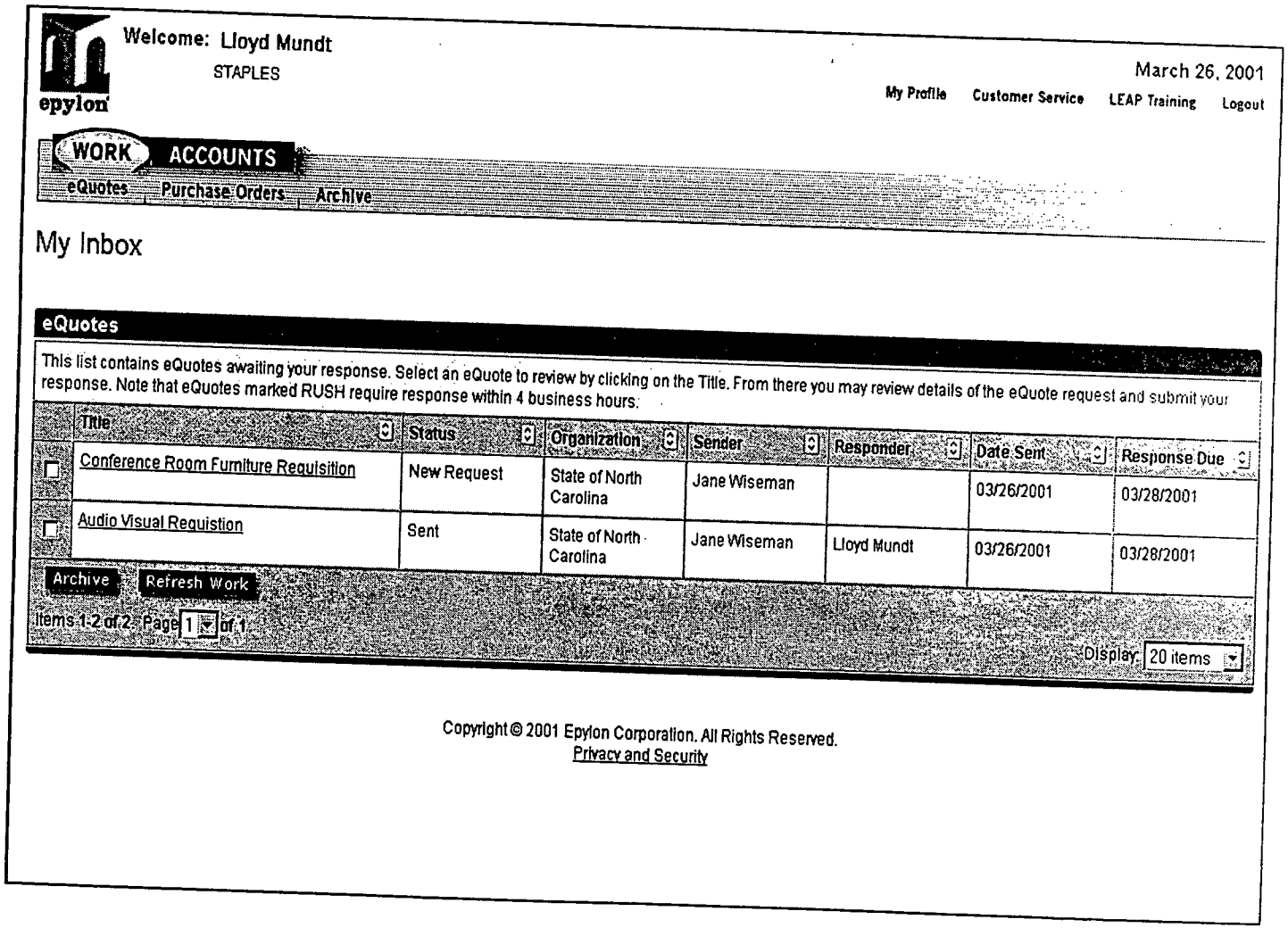
Supplier's View and Respond to Informal Solicitations



North Carolina Connectivity Council
Request for North Carolina Information Highway Funding
March 2001

Greetings,

On behalf of the North Carolina Connectivity Council I ask that you assist us in securing funding for the next fiscal year and beyond for the North Carolina Information Highway. In order to succeed we believe there must be agreement on a vision and purpose. The following is the Council's recommendation to you and to other members of the General Assembly:

> The North Carolina Connectivity Council is requesting 3.1 million recurring dollars to support North Carolina Information Highway video services. The Council, formerly known as the NCIH Policy Committee, is a body representing all the user groups, state agencies, and private sector partners that comprise the North Carolina Information Highway. The Council was created by Governor Hunt and has been in existence since 1994 providing guidance and support to NC ITS and NCIH sites during the evolution of the highway. The requested funds will support 47 community colleges, 9 correctional institutions, 15 health related sites, 82 high schools including 7 Cyber Campuses, 7 universities, and 30 special or state agencies. This request also supports the network backbone used by NC ITS, Administrative Office of the Courts, MCNC, libraries, Department of Public Instruction, North Carolina Community College System, Employment Security Commission and county governments across the state.
>
> This figure represents approximately one half of the funds required for network access charges for 231 sites (189 existing sites + 42 developing sites). The Council has previously endorsed a plan to share the networking charges between the state and sites. The Network Rate subcommittee endorsed this model to create funding parity and to present to the General Assembly a solution for long-term sustainability. The division of costs was based on the principle that the state would support those components of the expenses that provide for service and support of a ubiquitous, statewide network. The sites will provide the local networking costs, site operations costs, and staffing. It is recommendation of the Council that the appropriation be directed to NC ITS to provide these services.

If the NC Connectivity Council can assist you in any way please do not hesitate to contact Hunter Thompson, 910.962.3138, thompsonh@uncwil.edu.

Sincerely,

Hunter Thompson

Hunter Thompson, Chair
NC Connectivity Council

NORTH CAROLINA INFORMATION HIGHWAY FACTS

- **Operational sites 195**
- **Total Video Sessions for February 2,038**
- **Average session time is 1.48 hours/site**
- **Total session time is 3,031 hours**
- **Average number of sites per session 3**
- **Average number of students per site 11**
- **Number of student contact hours 300,023/month**
- **Total classroom 9,093 hours**
- **Monthly cost per site $2,244.38**
- **Monthly cost $2,245 x Number of sites 195 = $437,775/month**
- **Cost per month $437,775. /student contact hours 300,023 = $1.45/hr/student**
- **Video uses 768kbps of a ATM DS-1 Circuit the remainder may be used for data**
- **Data can be added to the NCIH circuit for $340.00/month**
- **SLD form 470 has been filed for every school system**

Information on NCIH can be found at **www.ncih.net**

Information Systems Auditing

From a North Carolina Statewide Perspective

North Carolina Office of the State Auditor

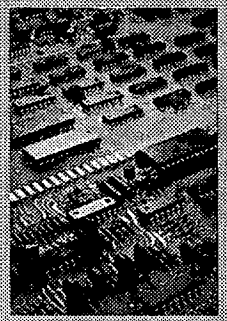
Ralph Campbell, Jr.

State Auditor

04/19/2001

Background

IT Risk Factors



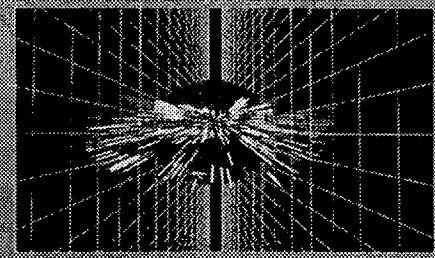
- Rapidly changing IT
- High Reliance on IT
- High Expense of IT ($801 M in 2000)

- Increasing IT Vulnerabilities

- High potential for IT to Improve NC Operations & Delivery of Services

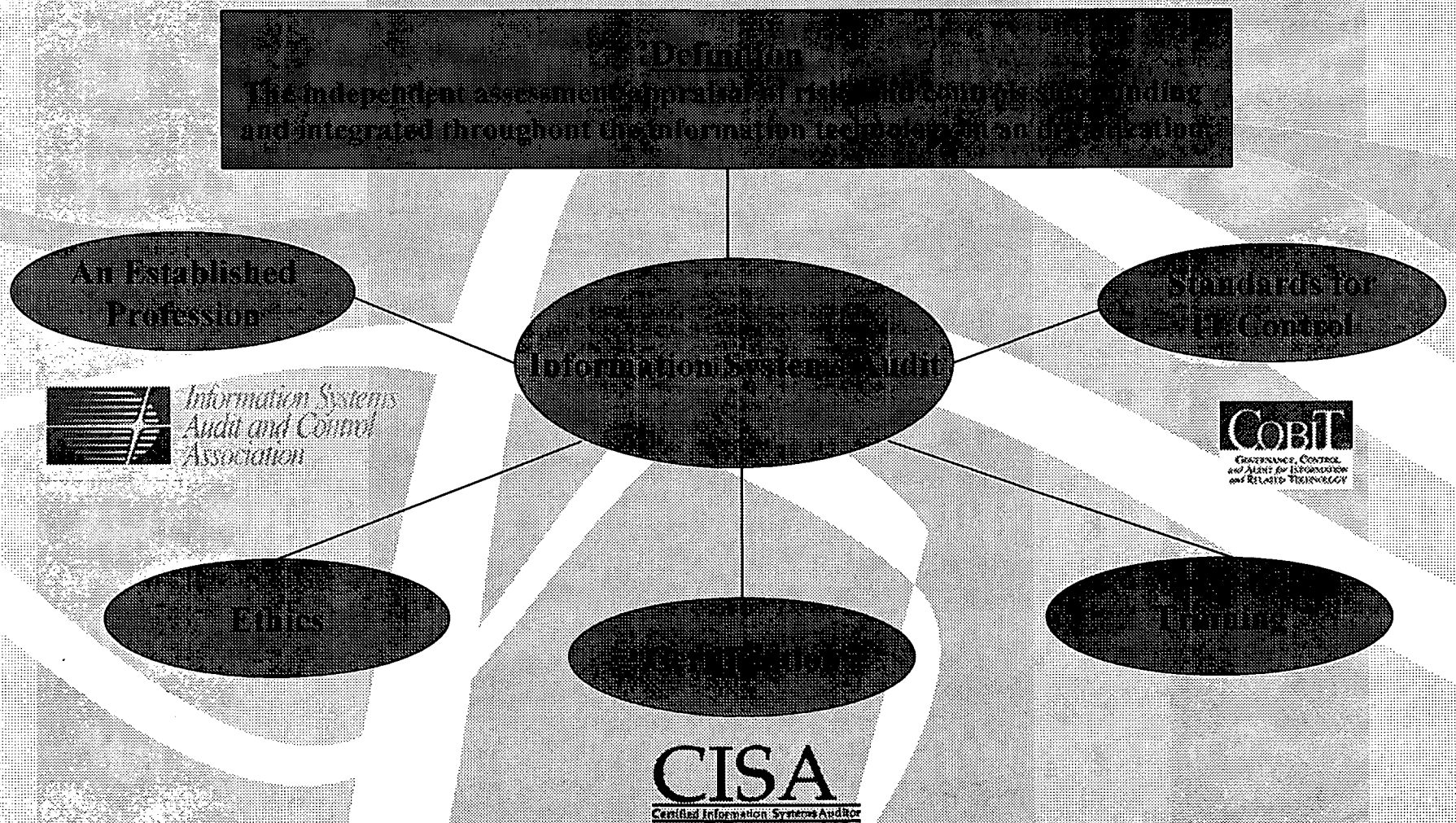
Mitigating NC Action

- Standing Technology Committees in NC Senate and House



- OSA Study on Information Systems Audit

What is Information Systems Audit?

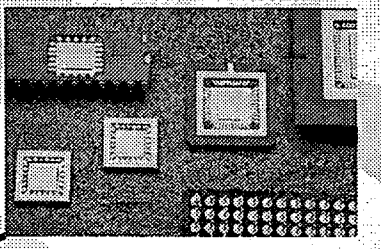


Types of Information Systems Audits

General Information Technology Controls Reviews
—Application Systems Audits

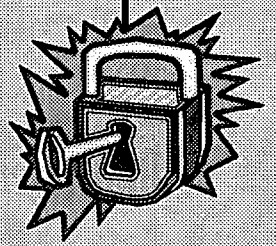
Computer Facility/ Data Center Audits

Technology Audits



Information Systems Audits

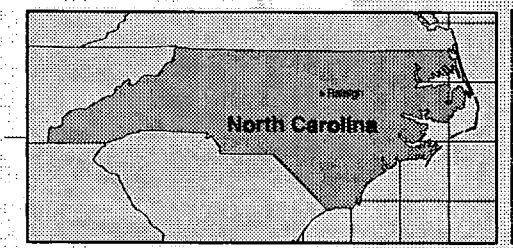
- Special Requested Technology Reviews



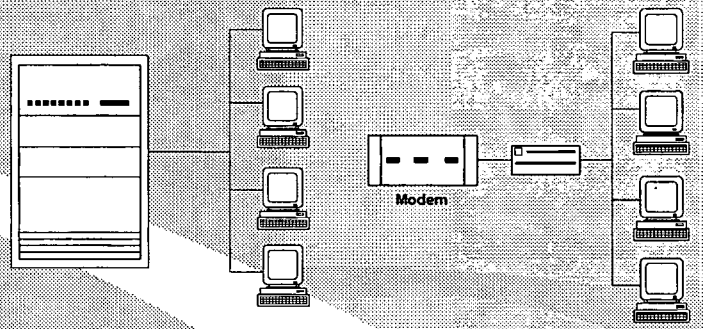
- Security Software Installation Audits

Information Resource Integrity Investigations

NC IS Audit Plan Objectives

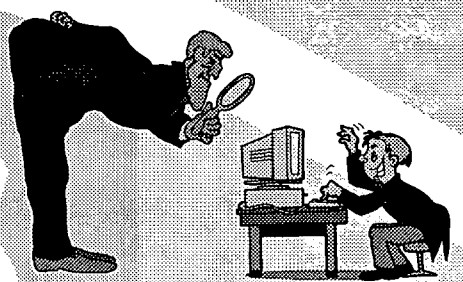


- General Information Technology Controls Audits
- 126 IV&V Mission Critical Applications (166Applications in 2001)



- Network penetration analysis (NCIIN & CJIN)
- Assess IT controls over Emerging Technologies

- Support for Financial, Smart Start, Performance Audits
- Computer Assisted Audit Techniques
- Special Requests

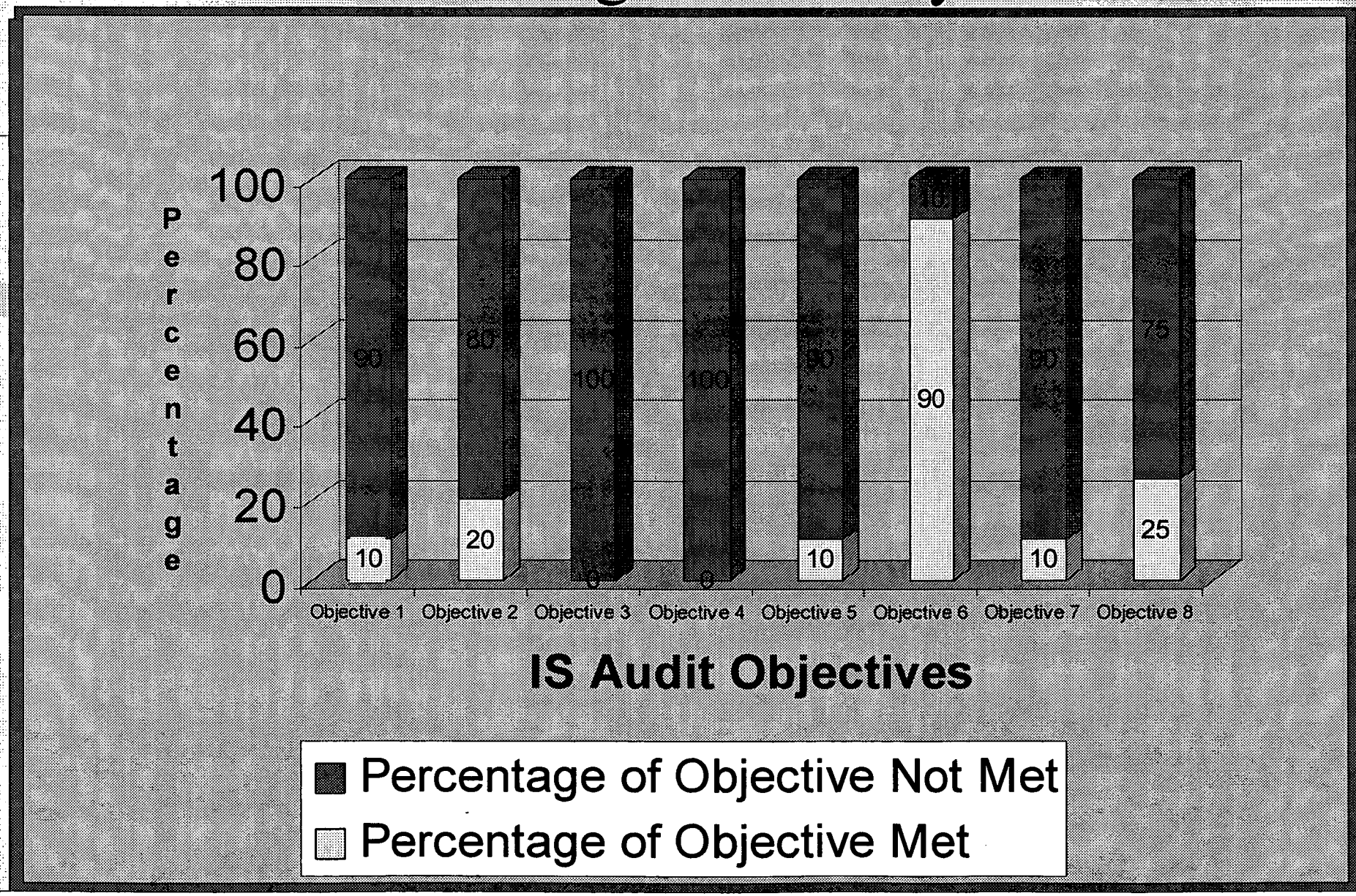


- Investigate reported IT security breaches

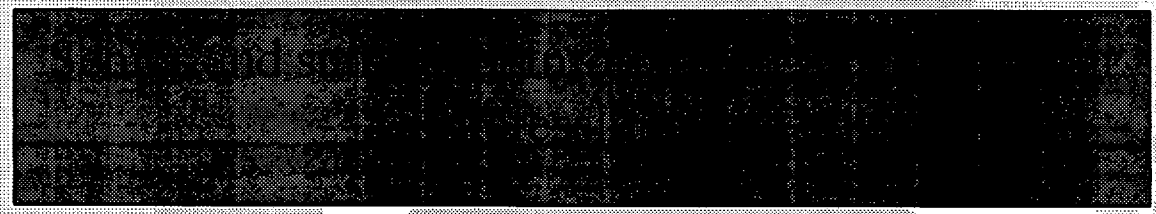
OSA IS Audit Objectives

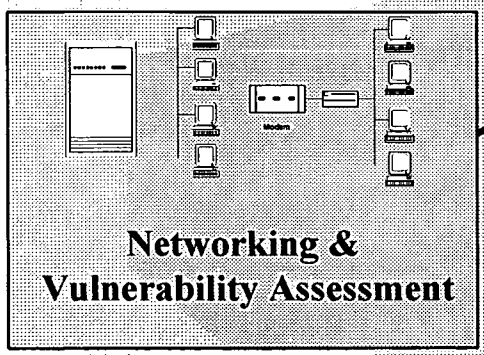
1. Complete Application audits on the State's mission critical computer applications (166) every four years.
2. Conduct general IS controls reviews for all state information processing environments every four years.
3. Conduct thorough review and penetration analysis of the State's NC Integrated Information Network and Criminal Justice networks on an ongoing basis.
4. Conduct review of emerging technologies as needed.
5. Provide a minimum of 80 hours IS support for each financial and performance audit.
6. Provide support for Computer Assisted Audit Techniques used by financial, performance, and Smart Start auditors.
7. Investigate reported security breaches, cyber attacks, and cyber fraud.
8. Support special requests for assessment of risk and controls surrounding specified information technology environments.

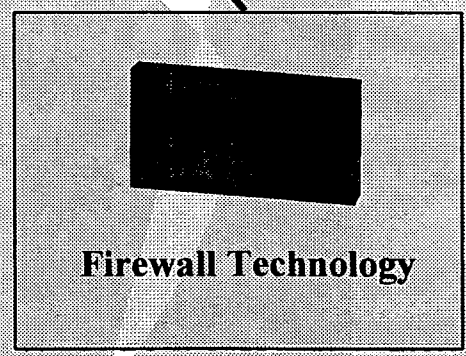
Degree to Which IS Audit Objectives Are Being Met Today

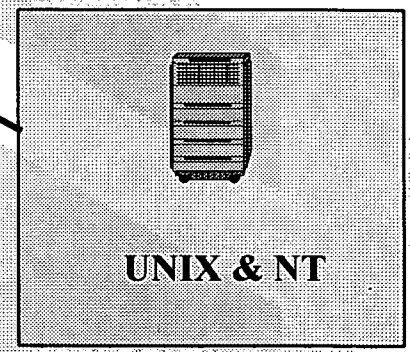


We Need the Following Additional Resources

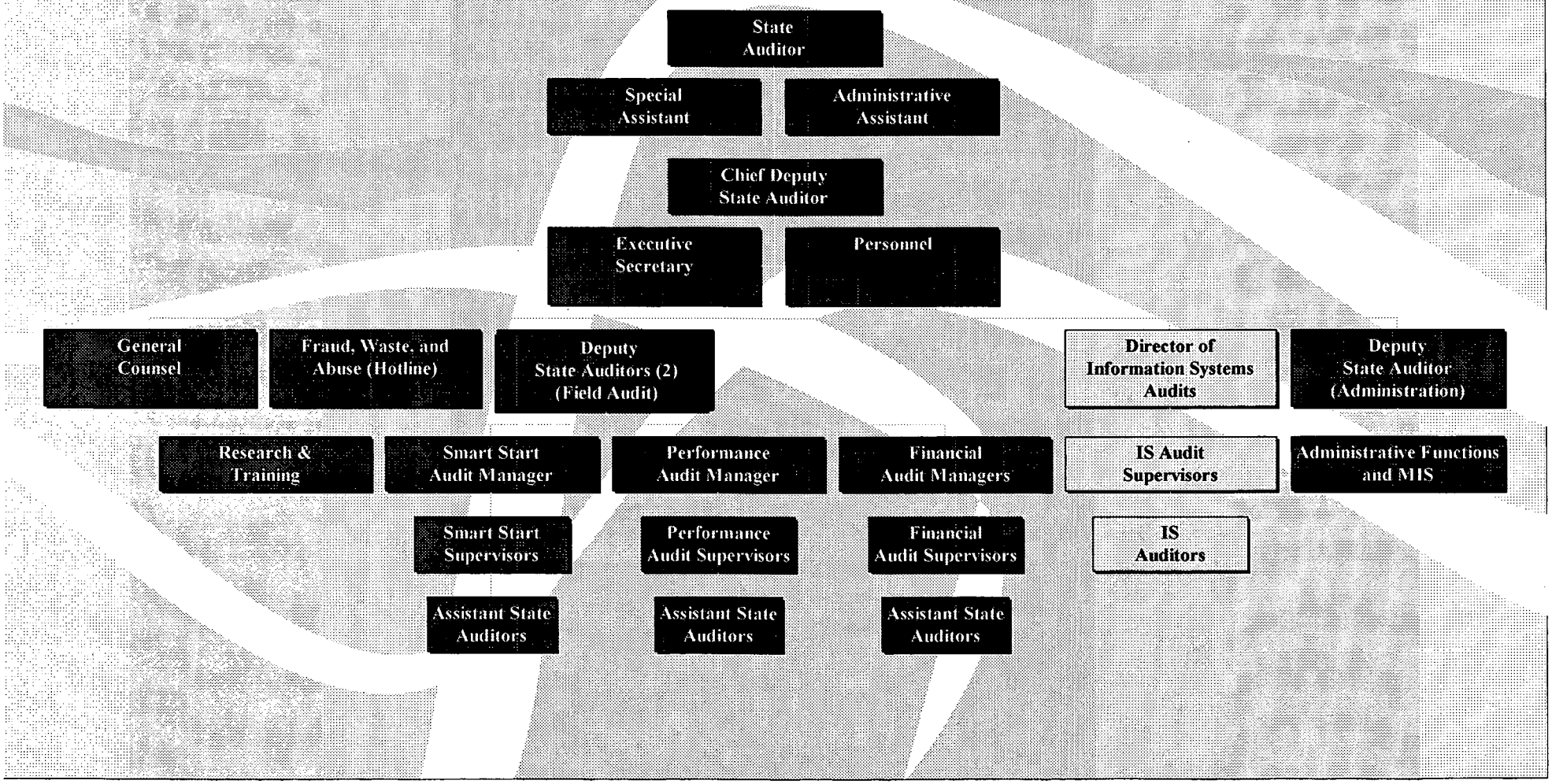




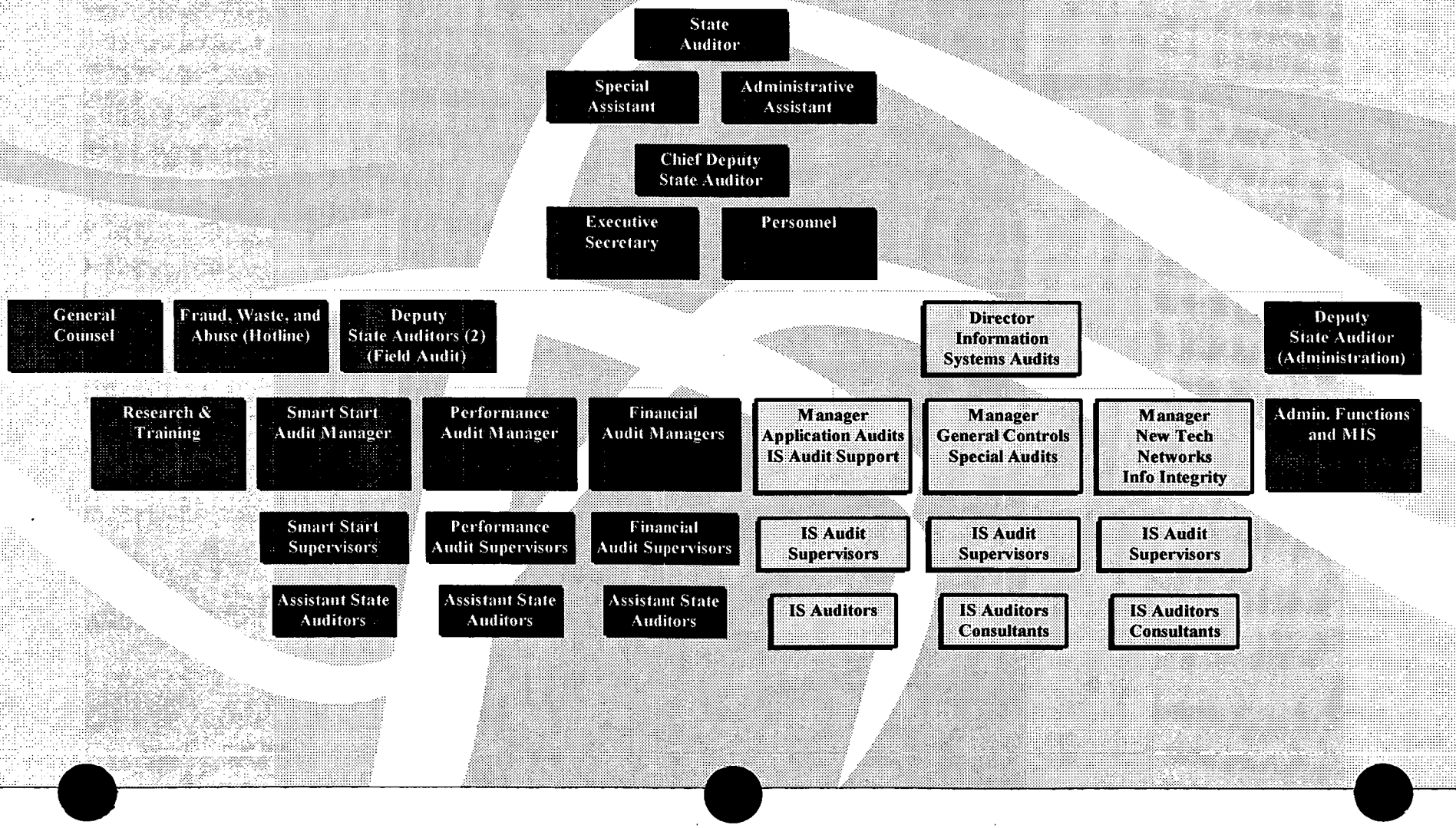




Office of the State Auditor
Organization Chart
Current

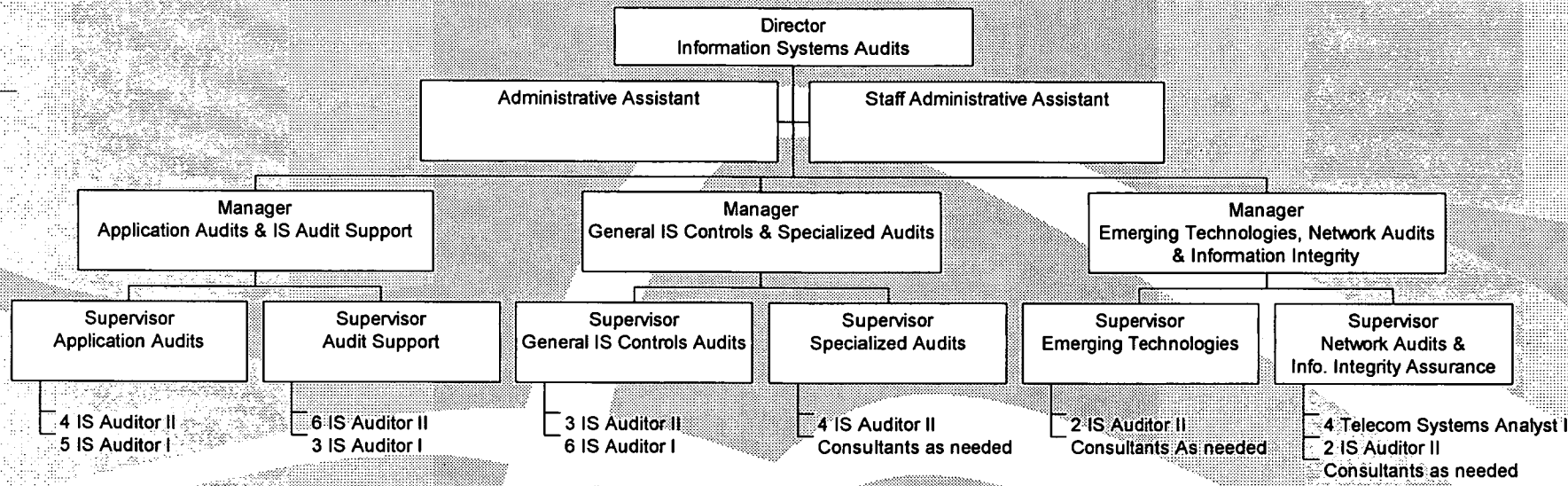


Office of the State Auditor
Organizational Chart
Proposed



Proposed IS Audit Organization

Office of the State Auditor
Proposed Information Systems Audit Organization



Function

Audit 165 mission critical applications on a 4 year cycle. Avg. 450 hours per audit. Audit new mission critical applications during development.

Function

Provide avg. of 80 hours support per audit to financial, performance, and smart start audits. Includes support for Computer Assisted Audit Techniques (ACL, AS2, and custom queries).

Function

Conduct General IS Controls Audits on all state IT processing environments on a cycle basis

Function

Conduct audits of specialized technology such as RACF installation and administration, reviews of MVS, UNIX, NT reviews, PBX audits, database management, Endevor Change Control, special request audits, etc.

Function

Assess state-wide risks/controls issues related to emerging technologies. Includes E-commerce, PKI, Digital Signatures, web development technologies, etc.

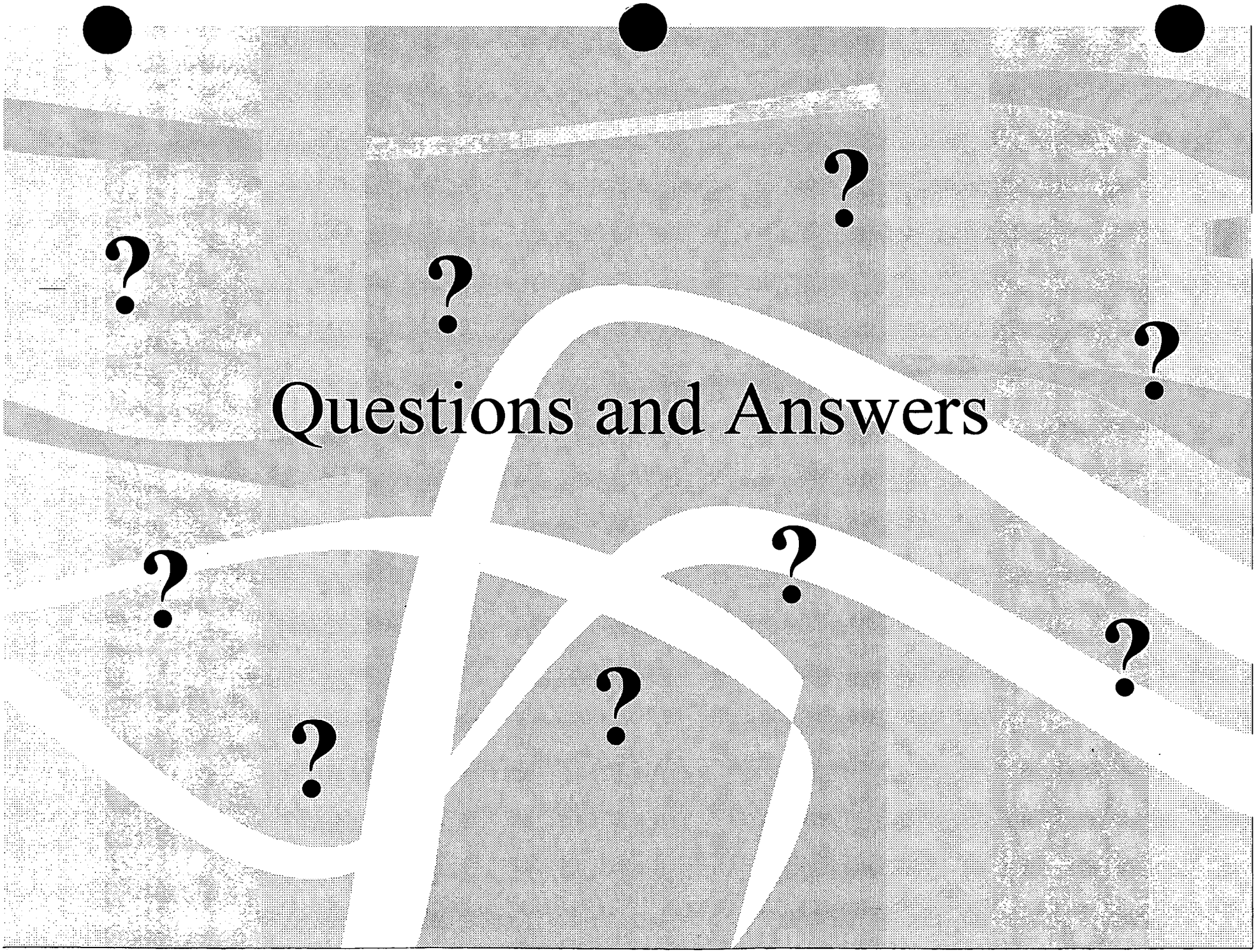
Function

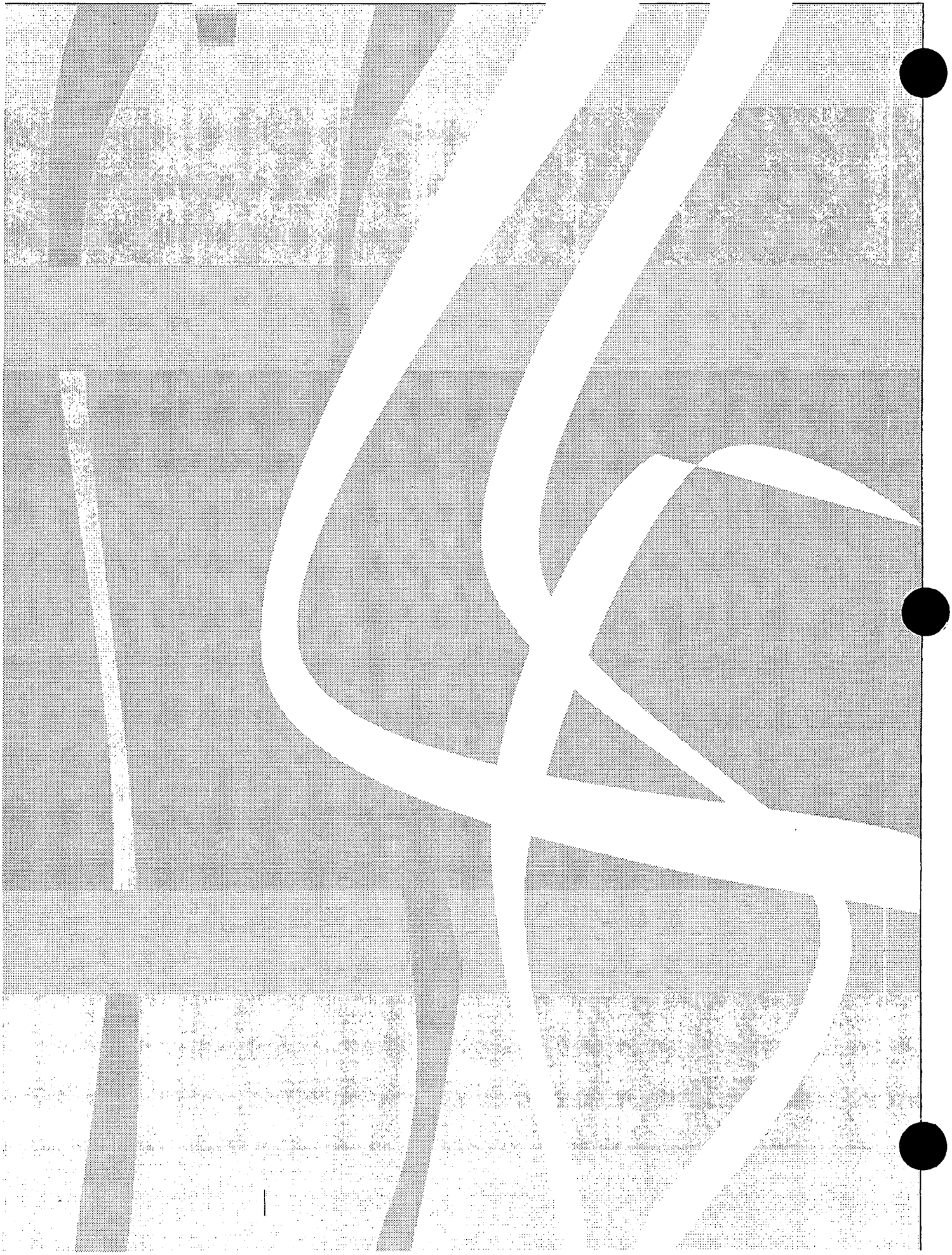
Audits of the NCIIN and CJIN networks. Includes network vulnerability assessments. This group will also investigate alleged cyber crime or systems misuse.

51 positions

3 Year Staffing Migration Plan

Employees	*Today (2001)*	*Year 1 (2002)*	*Year 2 (2003)*	*Year 3 (2004)*
- Permanent	11	19	31	39
- Consultants	0	10 (33%)	10(24%)	10 (20%)
- Support Staff	0	1	1	2
Total	11	30	42	51


Questions and Answers



Government agencies fail security test

The first governmentwide evaluation of computer security reveals that hackers have easy access to sensitive information.

BY JESSE J. HOLLAND
The Associated Press

WASHINGTON — A fourth of the government's major agencies, including the departments of Justice, Labor, Interior, Agriculture and Health and Human Services, flunked a computer security review.

The F's given to seven of the 24 major agencies, based on agency-reported data and General Accounting Office and the Inspector General audits, led to a governmentwide grade of D-, said Rep. Stephen Horn, R-Ca., chairman of the House Government Reform Committee's technology subcommittee.

Departments that flunked all keep important computer data, said Horn, who called the scores the first governmentwide assessment of computer security.

"The Department of Labor, charged with maintaining vital employment statistics, an F. The Department of the Interior, which manages the nation's public lands, an F," said Horn, as his staffers passed out fake report cards to the media.

"The Department of Health and Human Services that holds personal information on every citizen who receives Medicare, another F. Agriculture and Justice, the Small Business Administration and the

Please see **REVIEW,** *Page* **A4**

REVIEW

Continued from page A1

Office of Personnel Management, the personnel office for the entire federal government, all F's."

All 24 agencies have significant problems in allowing unauthorized access to sensitive information, said Joel Willemssen, director of the GAO's accounting and information management division. Auditors proved that point by trying to hack into government computers from remote locations.

"Our auditors have been successful, in almost every test, in readily gaining unauthorized access that would allow intruders to read, modify or delete data for whatever purpose they have in mind," the GAO report said.

The agencies aren't good at monitoring access inside their own work forces, either, the report said.

At one unnamed agency, all 1,100 computer users were granted access to sensitive system directories and settings, while at another agency, 20,000 users had been provided access to one system without written authorization, the GAO report said.

"Federal agencies have serious and widespread computer security weaknesses," Willemssen said.

The government's patchwork funding for computer security is partly to blame, said John Gilligan, the Energy Department's chief information officer and co-chairman of the Chief Information Officer Council Committee on Security, Privacy and Critical Infrastructure Protection.

"It is an area where the executive and legislature are failing," he said.

Some problems could be solved by simply changing passwords regularly or turning computers off after workers leave, Horn said. "That doesn't cost a thing," he said.

Grading all federal agencies with the same standards may not be the best way to get results, said John Spotila, administrator of the Office of Information and Regulatory Affairs in the president's Office of Management and Budget.

"Just as we must resist the simplicity of a one-size-fits-all security program for the vast variety of agency systems, we must also avoid a one-size-fits-all approach to measuring successes and shortfalls," he said.

Rep. Jim Turner, D-Texas, advocated the creation of a national Chief Information Officer position in the federal government to monitor and coordinate computer security issues, an issue the subcommittee will tackle today.

Grades for the 24 major government agencies

B: Social Security Administration

B-: National Science Foundation

C: Education Department, State Department

C-: House and Urban Development, Commerce Department, Agency for International Development

D+: Department of Defense.

D: Veterans Affairs Department, Treasury Department

D-: Environmental Protection Agency, General Services Administration, NASA

F: Office of Personnel Management, Health and Human Services Department, Agriculture Department, Small Business Administration, Justice Department, Labor Department, Interior Department

Incomplete: Energy Department, Nuclear Regulatory Commission, Transportation Department, Federal Emergency Management Agency

Source: The House Government Reform subcommittee on government management, information and technology

— *The Associated Press*

Hacker hits county site

By Elizabeth Hess
Gazette Staff Reporter

GASTONIA — Hackers invaded Gaston County's Web site over the weekend sending out e-mails plugging a get-rich-quick scheme.

With a subject line of "14000," the e-mail promised "the HOTTEST business opportunity" allowing people to make $1,000 to $14,000 a month.

The e-mail did not name a company except that the idea was twice voted as the No. 1 online business. Nor did the offer say how the money would be made. Readers were instructed to respond for more information or ask to be removed from the mailing list.

These kinds of offers show up in e-mail inboxes all the time. The difference is this one came from "gastongov.org" — Gaston County's domain name on the Internet.

"It's sad to say, but using gastongov.org, some folks planted stuff on the server," said Stanley Victrum, director of the county's Information Technology department.

The e-mails went out from success@trastad.com but routed through the county's server. Victrum does not know how many were sent out.

There's little to no way to trace the original sender because they used bogus e-mail addresses, he said.

"Do I wish we can catch these guys? I really do," Victrum said.

Information Technology officials are investing the incident and have tightened security measures to make sure the spams – e-mail similar to junk mail – are not sent again.

Victrum could not go into detail on how the problem will be fixed. He didn't want to release the information to others looking to hack into the county's server. But the county's Web site will not be shut down and employees will be able to send and receive e-mail.

"When there is an intrusion, we shut those folks down," he said.

For detailed news information pick-up a copy of today's Gazette

For Details, Contact:

Harold McKinney
Legal Counsel
Phone (502) 573-0050
Fax (502) 573-0067
Email: hmckinney@kyauditor.net

Edward B. Hatchett, Jr.
Auditor of Public Accounts
144 Capitol Annex
Frankfort, KY 40601
http://www.kyauditor.net/

News from State Auditor Ed Hatchett's Office

Identity Theft Advisory

Frankfort, KY. (March 7, 2001) Two incidents last week prompt Auditor of Public Accounts Ed Hatchett to issue this identity theft advisory to citizens and state government employees.

On February 28, auditors discovered a state government web site containing the names, social security numbers, addresses, and other personal information for thousands of professionals licensed by the Commonwealth. The eleven folders viewable in clear text contained data for every Kentucky veterinarian, social worker, psychologist, geologist, and occupational therapist, among others. Access to this personal, confidential information was easily gained by Internet users employing a common protocol. Following its discovery, the Auditor of Public Accounts notified the Governor's Office for Technology, and the site was shut down.

On March 2, auditors identified a file folder on another state government web site containing the Master Position Listing and Summary, a listing of the names, social security numbers, positions, salaries, and other personal information for all state employees. The confidential portions of these data were easily accessible both to users of the Commonwealth's network and Internet users. Upon advice of the Auditor of Public Accounts, the file was taken offline.

Two characteristics of Kentucky state government pose a serious risk to the security of the personal data of our citizens. The first is Kentucky's reliance on social security numbers as a unique identifier for government programs. The second is the vulnerability of state government's computer systems to attack. In combination, these characteristics greatly increase the threat of identity theft to our citizens.

The Office of Auditor of Public Accounts performs random testing of state government information systems in order to protect public assets and safeguard the personal, confidential data of citizens and public employees.

For Release (March 7, 2001)

more

Because government possesses personal, confidential information concerning our citizens, it has a fiduciary responsibility to handle that data carefully so as not to foster or facilitate identity theft. The Auditor of Public Accounts asks all state government agency heads and university presidents to evaluate the security of the Internet-accessible sites under their control in order to protect personal, confidential data.

Law enforcement agencies report that identity theft is the nation's fastest growing white-collar crime. Last year some 500,000 persons fell victim to this fraud, losing some $2,000,000,000.

This report is posted on the internet at the following site: www.KYAuditor.net

-30-

Published: Tuesday, December 12, 2000 8:57 a.m. EST

Man eyed in ID fraud

A grand jury adds charges to a growing list against a man accused of using other people's identities to open credit card accounts.

By ANDREA WEIGL, Staff Writer

printer friendly version
e-mail a friend

RALEIGH -- A Wake County grand jury issued 39 new charges Monday against an Elm City man accused of stealing people's identities to go on a $100,000-plus shopping spree.

Essam Helmi Elshami, who already faces three counts of financial identity fraud, was indicted on numerous charges of obtaining property by false pretenses. Investigators say the scheme involved the stolen identities of 41 people who were employees or students at N.C. State University and now live in North Carolina, Texas and the Midwest.

Elshami, 41, has been in Wake County jail since June. Bail was set at $1 million.

Authorities say identity theft is increasing across the country, victimizing as many as 500,000 people a year.

Long gone are the days of criminals rummaging through trash cans for credit-card receipts. Today, thieves dig through databases containing confidential financial information.

Raleigh Police Detective Patrick Niemann said Elshami worked as an electrical contractor at N.C. State University, where investigators suspect one of the school's databases was compromised.

The indictments charge Elshami with using people's Social Security numbers and other personal information to open checking accounts and obtain credit cards at eight banks between September 1999 and May 2000. Niemann said the suspect wrote hundreds of checks for more than $100,000 to various merchants. The suspect also used credit cards to spend between $10,000 and $20,000 for cell phones, jewelry and clothing, Niemann said.

Credit card accounts were opened at stores including Lowe's Home Improvement Warehouse, Zales Jewelers, Pier 1 Imports, and QVC Home Shopping Network, according to the indictments.

One of the 15 Lowe's credit cards was opened in the name of a Raleigh police

CURRENT: Overcast 46 °F

TODAY: High 57°F; Low 25°F. Some sun and windy.

TOMORROW: High 37°F; Low 32°F. Mostly cloudy and cold.

MORE STORIES

Fire guts Orange County church
School reassignments to affect fewer students
Durham family beats clock in effort to save farm
Barry Saunders: Stocking stuffers nice, but ...
School plan causes unease
Man eyed in ID fraud
Nation awaits Supreme Court ruling
Carruth defense: Witness's past revealed too late
Science-and-math school students' stellar work a winner
Road Worrier: Funding is the bump in the road to transportation upgrades
Quarry zoning request denied
School-space law gets OK of school board
Williamson denied unescorted movement
Driver in marathon accident to go to court
Durham and Orange Clubs
Wake Clubs
What's Happening...
Wake Briefs
Durham council panel gets lowdown on buried

Full Text Arc
Letters to th
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About The N

University at
jobs.tr
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New Ho
Apartme
Cars.co
Persona

power lines

Brinkhous, researcher who found hemophilia treatment, dies at 92

Dome: Carlisle will run rural fund

N.C. fishermen reeling in bluefin tuna bonanza

Farm delegation begins meetings in Cuba

Black claims edge in race

Trails are cleared as state prepares to open land claimed from developer

Three die in hybrid aircraft crash, one missing

N.C. Briefs

Death notices

Deaths, by community

captain, whom investigators haven't identified.

Police say they began to investigate the case after receiving complaints that someone with an address in the Hartford Hills apartment complex in West Raleigh was using credit cards in their names.

Elshami is charged with using the identity of an Ohio man to rent the apartment, which police say he used as a mail drop. But police say the suspect stopped picking up his mail there when he learned they were investigating him.

Police arrested Elshami in June after setting up a sting at an Oberlin Road post office, where they learned some of the fraudulent credit-card statements were being received.

Staff writer Andrea Weigl can be reached at 829-4848 or aweigl@nando.com

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AGENDA

JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

April 3, 2001

I. Information Technology Expenditures Report

II. Information Technology Personal Services Contracts (Preview)

Dwayne Pinkney
Fiscal Research Division

Joint APPROPRIATIONS/Subcommittee on Information Technology

Minutes
April 3, 2001

The Joint APPROPRIATIONS/Subcommittee on Information Technology met on Tuesday, April 3, 2001, at 8:30 a.m. in Room 1425 in the Legislative Building. The following members were present: Senator Eric Reeves and Representatives Joe Tolson and Russell Tucker, cochairs; Senators Kay Hagan and Virginia Foxx; Representatives Michael Harrington, Bob Hensley, Mark Hilton, Paul Miller and Trudi Walend. Staff members present were Dwayne Pinckney, Fiscal Analysis, Peter Capriglione, Information Technologist Analysis, Phyllis Pickett, Committee Counsel and Gayle Christian, Committee Assistant.

Representative Tucker, cochair, served as acting chair through the first section of the meeting. He called the meeting to order and acknowledged the following:

Pages: Brandon Robinson, sponsored by Rep. Mia Morris
Lottie Tone, sponsored by Rep. Bill Owens
Nicole Kennedy, sponsored by Senator Eric Reeves
Sgt. at Arms: Donnell Leathers, Mary Perry, Ronald Spann

Representative Tucker recognized Hunter Thompson. Mr. Thompson, chair of NC Connectivity Council, continued his presentation from the last meeting. He spoke on a new vision for the North Carolina Information Highway, which would essentially create parity and equity between sites in the state. The N.C. Connectivity Council asked for $3.1 million reoccurring funds, which would be used as the backbone for the work. Sites would pay for local charges and site operations...the State for the ground work.

He further reviewed the long-term goal. Attachments I and II become a part of these minutes by reference.

Representative Tolson, presiding chair, asked Dwayne Pinckney to explain the expenditure report and public contract information. See Attachment III which becomes a part of these minutes by reference.

Representative Tolson further asked what had been spent on information technology to this point. Mr. Pinckney told the committee that he would bring this information back to them in accordance with his figures.

Senator Foxx asked for figures on contractual services as compared to state employees doing the same work. The Chairs asked staff to start comparisons.

Representative Tolson asked Mr. Pinckney to begin comparisons on state agency figures so the full Chairs will have some knowledge on these items when they begin making budget cuts. The full committee Chairs has asked this committee for information on pages three and four of the Expenditures Report and asked that they bring responses back to them. The report becomes part of these minutes by reference.

Representative Tolson asked the committee members to listen carefully for areas in which to cut the budget.

The meeting was adjourned at 9:45 a.m.

Gayle W. Christian, Committee Assistant

Representative Joe Tolson, Presiding Chair

North Carolina Connectivity Council
Request for North Carolina Information Highway Funding
March 2001

Greetings,

On behalf of the North Carolina Connectivity Council I ask that you assist us in securing funding for the next fiscal year and beyond for the North Carolina Information Highway. In order to succeed we believe there must be agreement on a vision and purpose. The following is the Council's recommendation to you and to other members of the General Assembly:

> The North Carolina Connectivity Council is requesting 3.1 million recurring dollars to support North Carolina Information Highway video services. The Council, formerly known as the NCIH Policy Committee, is a body representing all the user groups, state agencies, and private sector partners that comprise the North Carolina Information Highway. The Council was created by Governor Hunt and has been in existence since 1994 providing guidance and support to NC ITS and NCIH sites during the evolution of the highway. The requested funds will support 47 community colleges, 9 correctional institutions, 15 health related sites, 82 high schools including 7 Cyber Campuses, 7 universities, and 30 special or state agencies. This request also supports the network backbone used by NC ITS, Administrative Office of the Courts, MCNC, libraries, Department of Public Instruction, North Carolina Community College System, Employment Security Commission and county governments across the state.
>
> This figure represents approximately one half of the funds required for network access charges for 231 sites (189 existing sites + 42 developing sites). The Council has previously endorsed a plan to share the networking charges between the state and sites. The Network Rate subcommittee endorsed this model to create funding parity and to present to the General Assembly a solution for long-term sustainability. The division of costs was based on the principle that the state would support those components of the expenses that provide for service and support of a ubiquitous, statewide network. The sites will provide the local networking costs, site operations costs, and staffing. It is recommendation of the Council that the appropriation be directed to NC ITS to provide these services.

If the NC Connectivity Council can assist you in any way please do not hesitate to contact Hunter Thompson, 910.962.3138, thompsonh@uncwil.edu.

Sincerely,

Hunter Thompson

Hunter Thompson, Chair
NC Connectivity Council

NORTH CAROLINA INFORMATION HIGHWAY FACTS

- Operational sites 195
- Total Video Sessions for February 2,038
- Average session time is 1.48 hours/site
- Total session time is 3,031 hours
- Average number of sites per session 3
- Average number of students per site 11
- Number of student contact hours 300,023/month
- Total classroom 9,093 hours
- Monthly cost per site $2,244.38
- Monthly cost $2,245 x Number of sites 195 = $437,775/month
- Cost per month $437,775. /student contact hours 300,023 = $1.45/hr/student
- Video uses 768kbps of a ATM DS-1 Circuit the remainder may be used for data
- Data can be added to the NCIH circuit for $340.00/month
- SLD form 470 has been filed for every school system

Information on NCIH can be found at **www.ncih.net**

To: Rita Harris (House Appropriations Assistant)
Subject: Attendance at Appropriations Subcommittee on IT - 4-3-01

To: Rita Harris, House Appropriations Assistant

From: Gayle Christian, Committee Assistant
Appropriations Subcommittee on Information Technology

Re: Attandence at 4-3-01 Meeting of Subcommittee on Information Technology

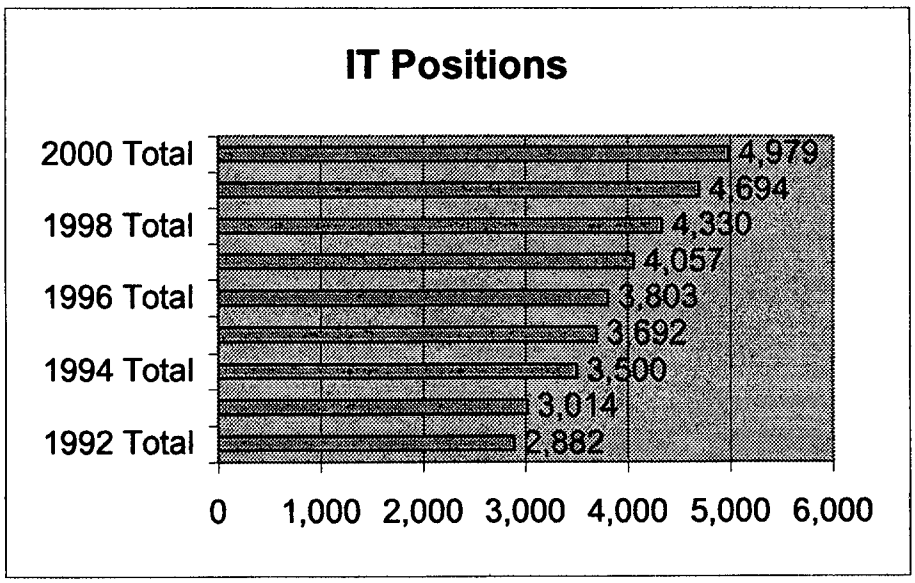
Senator Eric Reeves, Chair
Representative Joe Tolson, House Cochair
Representataive Russell Tucker, House Cochair

Senator Virginia Foxx
Senator Kay Hagan
Representative Michael Harrington
Representative Bob Hensley
Representative Mark Hilton
Representative Paul Miller
Representative Trudi Walend

Dwayne Pickney, Fiscal Staff
Peter Capriglione, ISD Staff
Gayle Christian, Committee Assistant

Gayle W. Christian
Legislative Assistant to Rep. Joe Tolson
715-3024

Calendar Year	Agency	#	Total
1992 Total		2,882	$91,622,516
1993 Total		3,014	$99,061,827
1994 Total		3,500	$119,557,327
1995 Total		3,692	$128,649,085
1996 Total		3,803	$138,624,756
1997 Total		4,057	$161,317,447
1998 Total		4,330	$182,821,059
1999 Total		4,694	$206,602,185
2000 Total		4,979	$228,339,044
Grand Total		34,951	$1,356,595,246



From: Hunter Thompson <thompsonh@uncwil.edu>
To: <joet@ncleg.net>, <rusellt@ncleg.net>, <ericr@ncleg.net>
Date: 4/26/01 1:03PM
Subject: Urgent! Clarification of HB 1354

Greetings,

I thank each of you for working so patiently on HB 1354 and for allowing the NC Connectivity Council to address you on this important issue. The Council has learned that the $3,024,185 will be used to subsidize 112 video sites at the 100% level for one year. Though a wonderful start in the right direction it continues to embrace a funding model that is not equitable or sustainable. This is why the NC Connectivity Council urges you to consider amending the fiscal instructions for the bill to include the following:

The $3,024,185 will be directed to NC ITS to subsidize the state data network and related operational overhead costs. By receipt of this appropriation NC ITS will reduce its current rate for North Carolina Information Highway video services from $2,244/mo. to $1,122/mo. All current and future NCIH video sites will pay the new adjusted charges thus creating an equitable cost sharing model between the state and sites.

The benefits of the NC Connectivity Council model:

Supports the statewide data network that is used by many different user groups- not just NCIH sites.
Eliminates inequitable site subsidies.
Subsidizes costs for the statewide data backbone.
Ensures equal sharing of all costs by the state and sites.
Requires sites to make a financial commitment.
Promotes network and site planning stability.
Provides funding for 231 sites not just 112.
The new adjusted rate would be 100% E-Rate eligible for K-12.
Allows growth of the network based on bandwidth.

I thank you for your consideration of the NC Connectivity Council model. This model has been unanimously endorsed by the Council. We fully understand and appreciate that this model is a shift in NC ITS billing policy, however, we believe that it is worth the effort to ensure equity. All of us agree that sites must make a financial commitment and this model ensures that commitment for the first time. If you would like any additional information please do not hesitate to contact me at 910.962.3138.

Sincerely,
Hunter Thompson
North Carolina Connectivity Council

North Carolina Connectivity Council
Request for North Carolina Information Highway Funding
March 2001

Greetings,

On behalf of the North Carolina Connectivity Council I ask that you assist us in securing funding for the next fiscal year and beyond for the North Carolina Information Highway. In order to succeed we believe there must be agreement on a vision and purpose. The following is the Council's recommendation to you and to other members of the General Assembly:

> The North Carolina Connectivity Council is requesting 3.1 million recurring dollars to support North Carolina Information Highway video services. The Council, formerly known as the NCIH Policy Committee, is a body representing all the user groups, state agencies, and private sector partners that comprise the North Carolina Information Highway. The Council was created by Governor Hunt and has been in existence since 1994 providing guidance and support to NC ITS and NCIH sites during the evolution of the highway. The requested funds will support 47 community colleges, 9 correctional institutions, 15 health related sites, 82 high schools including 7 Cyber Campuses, 7 universities, and 30 special or state agencies. This request also supports the network backbone used by NC ITS, Administrative Office of the Courts, MCNC, libraries, Department of Public Instruction, North Carolina Community College System, Employment Security Commission and county governments across the state.
>
> This figure represents approximately one half of the funds required for network access charges for 231 sites (189 existing sites + 42 developing sites). The Council has previously endorsed a plan to share the networking charges between the state and sites. The Network Rate subcommittee endorsed this model to create funding parity and to present to the General Assembly a solution for long-term sustainability. The division of costs was based on the principle that the state would support those components of the expenses that provide for service and support of a ubiquitous, statewide network. The sites will provide the local networking costs, site operations costs, and staffing. It is recommendation of the Council that the appropriation be directed to NC ITS to provide these services.

If the NC Connectivity Council can assist you in any way please do not hesitate to contact Hunter Thompson, 910.962.3138, thompsonh@uncwil.edu.

Sincerely,

Hunter Thompson

Hunter Thompson, Chair
NC Connectivity Council

NORTH CAROLINA INFORMATION HIGHWAY FACTS

- Operational sites 195
- Total Video Sessions for February 2,038
- Average session time is 1.48 hours/site
- Total session time is 3,031 hours
- Average number of sites per session 3
- Average number of students per site 11
- Number of student contact hours 300,023/month
- Total classroom 9,093 hours
- Monthly cost per site $2,244.38
- Monthly cost $2,245 x Number of sites 195 = $437,775/month
- Cost per month $437,775. /student contact hours 300,023 = $1.45/hr/student
- Video uses 768kbps of a ATM DS-1 Circuit the remainder may be used for data
- Data can be added to the NCIH circuit for $340.00/month
- SLD form 470 has been filed for every school system

Information on NCIH can be found at **www.ncih.net**

Working Copy

NORTH CAROLINA

INFORMATION TECHNOLOGY EXPENDITURES REPORT

For the Period Ended December 31, 2000

North Carolina Office of the State Controller

Edward Renfrow, State Controller

State of North Carolina
Office of the State Controller
Information Technology Expenditures Report
For the Period July 2000 – December 2000

Introduction

The purpose of this report is to provide total information technology (IT) expenditures within the State as required by Senate Bill 222 (SB222) and House Bill 168 (HB168) ratified during the 1999 session of the General Assembly. Each bill provides a definition of information technology:

HB168	All expenses directly related to data processing and telecommunications, including expenses incurred for permanent, state-funded technical positions
SB222	(G. S. 143B-472.40A) Electronic data processing goods and services and telecommunications goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes

SB 222 places an additional emphasis on reporting by specific IT projects. Both bills exempt the General Assembly from being reported and SB222 exempts the UNC System agencies. However, UNC System agencies are included in this report to satisfy HB168 requirements.

The basis for this report is the statewide chart of accounts and the personnel classification system. The primary sources of this data are the North Carolina Accounting System (NCAS) and the Personnel Management Information System (PMIS). This report covers the time period of July 2000 through December 2000 and includes all funding sources. At the time this report was generated, all agencies, except NC Wildlife Resources, had closed the December accounting period.

Summary of IT Expenditures

Table 1-1 Information Technology Expenditures Summary lists by agency the total IT expenditures grouped into major cost categories. The amounts listed are total costs, without regard to the funding source. As a primary IT services vendor for most agencies, the Office of Information Technology Services is shown separately and is not included in the report totals.

Under the NCAS chart of accounts, most information technology operational costs are identified through specific account codes. The primary exception is personnel related costs that are recorded within NCAS in aggregate without regard to the type of work performed by the position. These costs include salary, fringe benefits, and employee training expenses.

To estimate salary and fringe benefit costs associated to information technology positions, this report utilizes the class code structure within PMIS. The budgeted salary

for all permanent positions assigned an information technology specific class code is used to estimate each agency's personal services obligation for this fiscal year.

The budgeted salary amounts from PMIS are annualized and include both vacant and filled positions. Within this table, the annualized amount is adjusted for the reporting period using a straight-line methodology.

Employee training costs for IT personnel can not be estimated using NCAS or PMIS. The other IT costs are summarized into the following categories:

Category	Description
IT Related Contracted Personal Services	Amounts paid to professional and personal service contractors to provide IT services, including IT system design, programming support, and data entry.
Software	Includes both Software Maintenance and Software Purchases/Development.
Hardware	Includes costs for the purchase, lease, rent, repair and maintenance of data processing and telecommunication equipment.
Data Processing Supplies	Purchases of data processing specific supplies such as tape labels, printer paper, special forms, etc.
Telecommunications and Networking Services	Amounts paid for telephone and data communications services and cable installations from ITS as well as other outside vendors.
Mainframe Services	Expenses for data processing charges for mainframe or UNIX services paid to ITS or an outside vendor.

Department of Transportation (DOT) posts some of their work order based costs in aggregate as deferred charges or other assets within NCAS. To obtain a more complete picture of IT costs, non-personnel related costs for the Department of Transportation are from the DOT financial system.

Beginning Dec - 31, 2000

Table 1-1 Information Technology Expenditures Summary

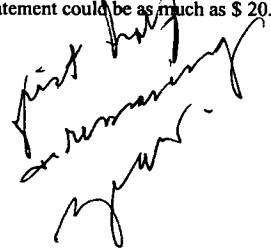
For the period ending December 31, 2000

	PMIS BUDGETED SALARY PLUS FRINGES Note 1	IT RELATED CONTRACTED PERSONAL SERVICES	SOFTWARE	HARDWARE	DATA PROCESSING SUPPLIES	TELECOMM AND NETWORKING SERVICES	MAINFRAME SERVICES	YTD TOTAL
Administrative Office of the Courts	4,107,705	685,492	1,097,287	4,614,874	0	1,894,625	67,515	12,467,497
Comprehensive Major Medical Plan	25,573	0	0	0	0	9,034	3,870	38,477
Department of Administration	1,088,512	380,996	121,046	312,680	13,071	523,758	555,161	2,995,224
Department of Agriculture & Consumer Services	1,145,371	2,302	58,136	205,633	19,506	276,904	36,322	1,744,173
Department of Commerce	880,473	592,966	252,400	367,898	29,344	222,148	73,810	2,419,038
Department of Community Colleges	1,144,828	260,338	3,700,304	67,317	6,213	29,800	55,201	5,264,002
Department of Correction	2,909,143	889,149	141,293	894,190	287,888	1,754,075	3,904,890	10,780,628
Department of Crime Control & Public Safety	1,267,898	0	251,811	3,038,878	11,514	973,747	291,885	5,835,733
Department of Cultural Resources	227,708	8,817	59,430	216,203	1,636	213,516	47,248	774,559
Department of Environment & Natural Resources	3,213,246	1,516,804	434,160	1,594,817	156,755	1,237,808	607,466	8,761,056
Department of Health and Human Services	12,702,794	27,192,921	1,422,468	5,106,390	628,978	4,736,975	15,818,625	67,609,151
Department of Insurance	490,010	129,578	12,070	70,331	26,849	149,907	45,253	923,998
Department of Justice	2,006,199	495,257	645,996	2,495,670	62,080	1,300,692	195,373	7,201,266
Department of Juvenile Justice & Deliquency Preven	545,183	1,757,578	204,976	771,933	29,475	489,829	42,875	3,841,848
Department of Labor	537,240	132,298	22,390	252,698	4,701	240,529	48,340	1,238,195
Department of Public Instruction	2,815,529	248,904	109,148	683,517	32,510	640,049	155,502	4,685,157
Department of Revenue	3,852,884	4,016,702	2,261,965	2,540,068	76,180	512,070	1,915,659	15,175,528
Department of the Secretary of State	281,868	36,480	24,515	7,390	0	16,071	-3,908	362,416
Department of Transportation	7,704,357	12,000,608	334,432	8,013,846	0	2,182,240	6,788,096	37,023,579
Employment Security Commission	3,645,498	1,531,088	0	561,378	0	1,597,822	859,323	8,195,110
NC Housing Finance Authority	182,257	37,135	24,839	28,417	3,413	30,400	-3,415	303,046

Table 1-1 Information Technology Expenditures Summary
For the period ending December 31, 2000

	PMIS BUDGETED SALARY PLUS FRINGES Note 1	IT RELATED CONTRACTED PERSONAL SERVICES	SOFTWARE	HARDWARE	DATA PROCESSING SUPPLIES	TELECOMM AND NETWORKING SERVICES	MAINFRAME SERVICES	YTD TOTAL
NC School Science & Math	190,110	0	20,743	121,208	0	29,832	20,968	382,860
NC Wildlife Resources	377,905	782,662	12,828	212,834	24,236	246,070	87,082	1,743,617
Office of Administrative Hearings	24,763	0	498	948	846	12,674	7,268	46,997
Office of the Governor	1,004,397	50	43,608	43,902	296	82,687	55,201	1,230,142
Office of the Lieutenant Governor	0	0	95	0	0	6,663	286	7,044
Office of the State Auditor	484,916	0	31,984	104,977	0	56,321	48,801	727,000
Office of the State Controller	782,982	684,373	470,848	58,652	1,666	57,064	1,669,211	3,724,797
Office of the State Treasurer	1,252,563	0	220,618	895,470	21,348	99,105	4,123,519	6,612,623
State Board of Elections	137,275	780,464	16	48,751	323	196,200	0	1,163,029
TOTAL without UNC System & ITS	**55,029,186**	**54,162,959**	**11,979,902**	**33,330,870**	**1,438,829**	**19,818,616**	**37,517,429**	**213,277,791**
UNC System	73,419,295	1,499,007	6,476,284	16,598,045	1,292,824	21,930,083	11,383,395	132,598,932
TOTAL without ITS	**128,448,481**	**55,661,966**	**18,456,186**	**49,928,915**	**2,731,653**	**41,748,699**	**48,900,824**	**345,876,723**
Office of Information Technology Services	**14,007,256**	**12,278,188**	**15,701,894**	**5,887,725**	**327,605**	**25,667,687**	**1,413,471**	**75,283,826**

Note 1: PMIS **budgeted** salary amounts (adjusted for the reporting period) plus calculated fringe benefit cost amounts are used to represent total salary cost, which means that the cost is overstated by the amount of lapsed salaries generated by vacant IT positions. This overstatement could be as much as $ 20.4 million.



Summary of IT Expenditures - UNC System Agencies

Table 1-2 Information Technology Expenditures - UNC System Agencies lists by university the total IT expenditures grouped into major cost categories. Costs are segregated into the same categories as used in Table 1-1.

Personnel costs are estimated using PMIS data; however, UNC System agencies operating their own payroll systems are not required to enter EPA position information into PMIS. Therefore, the personal services cost estimate does not include all IT positions established within the university system.

While preparing this report, OSC discovered several instances where it appears that universities are recording information technology costs in an account other than those designated for these costs. The largest impact appears to be in the contractual services category. OSC has notified UNC General Administration of this problem.

Table 1-2 Information Technology Expenditures
UNC System Agencies
For the period ending December 31, 2000

	PMIS BUDGETED SALARY PLUS FRINGES	IT RELATED CONTRACTED PERSONAL SERVICES	SOFTWARE	HARDWARE	DATA PROCESSING SUPPLIES	TELECOMM AND NETWORKING SERVICES	MAINFRAME SERVICES	YTD TOTAL
Appalachian State University	2,540,913	0	220,399	1,394,456	510,597	1,068,768	6,112	5,741,244
East Carolina University	6,010,653	50	1,183,433	2,898,026	0	1,094,301	183,109	11,369,571
Elizabeth City State University	434,546	5,800	58,918	302,291	0	100,396	0	901,950
Fayetteville State University	568,117	0	161,923	257,770	0	253,528	3,894	1,245,232
NC A&T State University	1,594,597	25,481	0	795,085	271,110	505,747	9,407	3,201,427
NC Central University	580,202	0	170,905	603,750	0	420,068	62,479	1,837,404
NC School of Arts	205,267	0	24,484	626,429	0	320,187	22,019	1,198,386
NC State University	13,216,574	1,449,541	1,087,032	2,768,978	0	7,018,053	287,737	25,827,914
UNC Asheville	652,714	0	179,148	424,480	0	191,285	2,193	1,449,819
UNC Chapel Hill	30,860,898	1,600	796,046	1,171,940	0	5,648,598	1,605,668	40,084,749
UNC Charlotte	3,889,655	1,500	1,143,853	1,048,683	0	1,077,825	20,100	7,181,615
UNC General Administration	921,671	333	717,651	308,485	21,113	300,958	8,869,702	11,139,913
UNC Greensboro	3,054,337	14,702	444,698	1,013,766	338,429	890,567	31,832	5,788,331
UNC Hospital	4,241,449	0	0	721,170	0	1,745,830	33,735	6,742,183
UNC Pembroke	672,599	0	100,497	114,380	62,437	121,662	7,344	1,078,920
UNC Wilmington	2,123,979	0	99,870	1,187,724	60,552	292,891	141,494	3,906,510
Western Carolina University	1,235,901	0	87,428	640,620	28,586	283,087	58,206	2,333,828
Winston-Salem State University	615,224	0	0	320,014	0	596,331	38,365	1,569,935
TOTAL	**73,419,295**	**1,499,007**	**6,476,284**	**16,598,045**	**1,292,824**	**21,930,083**	**11,383,395**	**132,598,932**

Software/Hardware Category Drilldown

Table 2-1 Software and Hardware Category Analysis lists by agency the types of expenditures within the Software and Hardware categories. Table 2-2 Software and Hardware Category Analysis -UNC System Agencies lists this information by university.

The types of costs included within each category are listed below:

Category	Description
Software	Includes both Software Maintenance and Software Purchases/Development. Software Maintenance: Contract expenses paid for the Software Maintenance Agreements (SMAs). Software Purchases/Development: Purchase of software from vendors such as Microsoft, IBM, etc. and includes amounts paid for custom developed software from outside vendors.
Hardware	Includes costs for the purchase, lease, rent, repair and maintenance of data processing and telecommunication equipment. DP Equipment Repairs/Maintenance: Expenses paid for the maintenance and repair of data processing equipment. DP Equipment Rent/Leases: Expenses paid to lease or rent data processing hardware such as PCs, mainframes, and computer peripherals. DP Equipment Purchases: Expenses paid to purchase data processing hardware such as PCs, mainframes, and computer peripherals. Telecommunication Equipment Rent/Leases: Expenses paid to lease or rent telecommunications hardware such as telephones, switching equipment, etc. Telecommunications Equipment Purchases: Expenses paid to purchase telecommunications hardware such as telephones, switching equipment, etc.

Table 2-1 Software and Hardware Category Analysis

For the period ending December 31, 2000

	SOFTWARE CATEGORY			HARDWARE CATEGORY					
	MAINTENANCE	PURCHASE/ DEVELOPMENT	TOTAL	DP EQUIP REPAIR/ MAINTENANCE	DP EQUIP PURCHASE	DP EQUIP RENT/ LEASE	TELECOMM EQUIP PURCHASE	TELECOMM EQUIP RENT/ LEASE	TOTAL
Administrative Office of the Courts	382,624	714,662	1,097,287	350,861	3,838,304	5,281	374,385	46,043	4,614,874
Comprehensive Major Medical Plan	0	0	0	0	0	0	0	0	0
Department of Administration	37,086	83,960	121,046	30,155	209,107	0	70,335	3,084	312,680
Department of Agriculture & Consumer Services	24,077	34,059	58,136	5,456	161,345	300	23,028	15,504	205,633
Department of Commerce	125,546	126,854	252,400	15,017	260,488	67,245	11,278	13,869	367,898
Department of Community Colleges	1,687	3,698,618	3,700,304	3,209	63,896	0	0	212	67,317
Department of Correction	0	141,293	141,293	0	358,399	26,950	265,973	242,869	894,190
Department of Crime Control & Public Safety	43,035	208,776	251,811	119,581	554,022	38,845	2,270,250	56,181	3,038,878
Department of Cultural Resources	0	59,430	59,430	0	209,208	0	6,995	0	216,203
Department of Environment & Natural Resources	48,626	385,533	434,160	47,810	1,190,395	0	324,100	32,511	1,594,817
Department of Health and Human Services	343,933	1,078,535	1,422,468	502,592	3,950,696	199,270	320,438	133,394	5,106,390
Department of Insurance	0	12,070	12,070	2,341	58,225	0	512	9,253	70,331
Department of Justice	485,013	160,983	645,996	180,287	1,752,027	542,096	21,261	0	2,495,670
Department of Juvenile Justice & Deliquency Prevent	136	204,840	204,976	7,278	708,410	0	32,834	23,410	771,933
Department of Labor	1,707	20,683	22,390	2,276	231,939	0	18,482	0	252,698
Department of Public Instruction	54,904	54,244	109,148	58,844	355,354	264,674	159	4,486	683,517
Department of Revenue	499,728	1,762,236	2,261,965	965,714	1,528,877	0	45,477	0	2,540,068
Department of the Secretary of State	10,597	13,918	24,515	0	7,390	0	0	0	7,390
Department of Transportation	0	334,432	334,432	0	7,989,561	0	24,285	0	8,013,846
Employment Security Commission	0	0	0	25,042	536,336	0	0	0	561,378
NC Housing Finance Authority	0	24,839	24,839	14,564	13,853	0	0	0	28,417

Table 2-1 Software and Hardware Category Analysis

For the period ending December 31, 2000

	SOFTWARE CATEGORY			HARDWARE CATEGORY					
	MAINTENANCE	PURCHASE/ DEVELOPMENT	TOTAL	DP EQUIP REPAIR/ MAINTENANCE	DP EQUIP PURCHASE	DP EQUIP RENT/ LEASE	TELECOMM EQUIP PURCHASE	TELECOMM EQUIP RENT/ LEASE	TOTAL
NC School Science & Math	4,174	16,569	20,743	589	120,619	0	0	0	121,208
NC Wildlife Resources	0	12,828	12,828	8,949	159,338	1,995	42,479	74	212,834
Office of Administrative Hearings	0	498	498	395	553	0	0	0	948
Office of the Governor	15,628	27,980	43,608	56	42,175	0	0	1,671	43,902
Office of the Lieutenant Governor	0	95	95	0	0	0	0	0	0
Office of the State Auditor	0	31,984	31,984	136	104,841	0	0	0	104,977
Office of the State Controller	380,119	90,729	470,848	4,377	54,275	0	0	0	58,652
Office of the State Treasurer	193,577	27,041	220,618	93,942	801,529	0	0	0	895,470
State Board of Elections	0	16	16	0	45,528	0	3,223	0	48,751
TOTAL without UNC System & ITS	**2,652,195**	**9,327,707**	**11,979,902**	**2,439,472**	**25,306,688**	**1,146,656**	**3,855,495**	**582,559**	**33,330,870**
UNC System	4,377,953	2,098,330	6,476,284	2,043,441	12,785,663	1,142,510	530,072	96,359	16,598,045
TOTAL without ITS	**7,030,149**	**11,426,037**	**18,456,186**	**4,482,913**	**38,092,351**	**2,289,166**	**4,385,566**	**678,919**	**49,928,915**
Office of Information Technology Services	**14,006,311**	**1,695,583**	**15,701,894**	**2,086,587**	**3,747,495**	**0**	**53,643**	**0**	**5,887,725**

Table 2-2 Software and Hardware Category Analysis
UNC System Agencies
For the period ending December 31, 2000

	SOFTWARE CATEGORY			HARDWARE CATEGORY					
	MAINTENANCE	PURCHASE/ DEVELOPMENT	TOTAL	DP EQUIP REPAIR/ MAINT	DP EQUIP PURCHASE	DP EQUIP RENT/ LEASE	TELECOMM EQUIP PURCHASE	TELECOMM EQUIP RENT/ LEASE	TOTAL
Appalachian State University	165,119	55,280	220,399	101,417	966,969	121,530	192,687	11,854	1,394,456
East Carolina University	649,527	533,905	1,183,433	469,881	2,148,679	132,884	146,581	0	2,898,026
Elizabeth City State University	2,231	56,687	58,918	72,716	215,683	0	11,849	2,043	302,291
Fayetteville State University	96,662	65,261	161,923	102,558	152,864	0	2,347	0	257,770
NC A&T State University	0	0	0	204,343	588,363	2,379	0	0	795,085
NC Central University	93,978	76,928	170,905	69,321	446,330	0	78,375	9,724	603,750
NC School of Arts	6,155	18,329	24,484	134,578	483,000	0	2,027	6,825	626,429
NC State University	906,120	180,912	1,087,032	192,044	2,353,188	147,029	44,316	32,402	2,768,978
UNC Asheville	96,757	82,391	179,148	569	396,131	0	25,026	2,753	424,480
UNC Chapel Hill	700,646	95,400	796,046	244,130	917,340	5,979	0	4,491	1,171,940
UNC Charlotte	689,820	454,033	1,143,853	21,549	1,013,922	0	10,890	2,321	1,048,683
UNC General Administration	538,374	179,277	717,651	4,737	286,058	0	12,376	5,314	308,485
UNC Greensboro	245,380	199,318	444,698	96,586	913,103	0	0	4,078	1,013,766
UNC Hospital	0	0	0	0	0	721,170	0	0	721,170
UNC Pembroke	84,458	16,038	100,497	673	105,461	4,648	3,598	0	114,380
UNC Wilmington	60,029	39,841	99,870	264,143	906,876	2,150	0	14,555	1,187,724
Western Carolina University	42,697	44,731	87,428	64,195	571,682	4,743	0	0	640,620
Winston-Salem State University	0	0	0	0	320,014	0	0	0	320,014
TOTAL	**4,377,953**	**2,098,330**	**6,476,284**	**2,043,441**	**12,785,663**	**1,142,510**	**530,072**	**96,359**	**16,598,045**

Budget to Actual Comparison

Table 3-1 Budget to Actual Comparison provides an indication of budget utilization for IT expenditures as of end of the report period. A 50 % utilization rate indicates that the agency would spend 100% of their budget by fiscal year end.

The total budget estimate is calculated using PMIS budgeted salary information and, for all other cost categories, the authorized budget amounts as posted within NCAS. Agency budgets are controlled at the certification level which is a more summarized level than the NCAS accounts within some IT expenditure categories. The State Budget Manual allows agencies flexibility to maintain their budgets at a different level than they post expenditures, and many agencies take advantage of this flexibility. It is expected that for some agencies this report includes detail expenditures without corresponding budget amounts.

This table does not include the UNC System agencies or the Department of Transportation. Department of Transportation does not provide budgetary data from their financial system at this time. UNC System agencies are allowed to post budgets at a highly summarized level; therefore, none of the budget can be identified within NCAS as related to IT cost categories.

Table 3-1 Budget to Actual Comparison
For the period ending December 31, 2000

	PMIS ANNUAL BUDGETED SALARY	AUTHORIZED BUDGET NON-SALARY ACCOUNTS	TOTAL BUDGET ESTIMATE	YTD ACTUAL	ACTUAL as % of BUDGET Note 1
Administrative Office of the Courts	8,215,409	21,475,983	29,691,392	12,467,497	41.99%
Comprehensive Major Medical Plan	51,145	18,893	70,038	38,477	54.94%
Department of Administration	2,177,024	2,904,846	5,081,870	2,995,224	58.94%
Department of Agriculture & Consumer Services	2,290,741	1,956,776	4,247,517	1,744,173	41.06%
Department of Commerce	1,760,946	3,574,206	5,335,152	2,419,038	45.34%
Department of Community Colleges	2,289,657	15,653,919	17,943,576	5,264,002	29.34%
Department of Correction	5,818,286	18,028,133	23,846,419	10,780,628	45.21%
Department of Crime Control & Public Safety	2,535,796	10,353,722	12,889,518	5,835,733	45.28%
Department of Cultural Resources	455,417	1,618,889	2,074,306	774,559	37.34%
Department of Environment & Natural Resources	6,426,492	14,220,336	20,646,828	8,761,056	42.43%
Department of Health and Human Services	25,405,589	87,454,406	112,859,995	67,609,151	59.91%
Department of Insurance	980,020	1,075,327	2,055,347	923,998	44.96%
Department of Justice	4,012,398	15,736,021	19,748,419	7,201,266	36.47%
Department of Juvenile Justice & Deliquency Preven	1,090,365	3,507,256	4,597,621	3,841,848	83.56%
Department of Labor	1,074,479	1,506,654	2,581,133	1,238,195	47.97%
Department of Public Instruction	5,631,058	5,259,587	10,890,645	4,685,157	43.02%
Department of Revenue	7,705,769	23,075,326	30,781,095	15,175,528	49.30%
Department of the Secretary of State	563,736	958,827	1,522,563	362,416	23.80%
Employment Security Commission	7,290,996	14,612,094	21,903,090	8,195,110	37.42%
NC Housing Finance Authority	364,513	199,154	563,667	303,046	53.76%
NC School Science & Math	380,219	604,207	984,426	382,860	38.89%
NC Wildlife Resources	755,809	1,159,130	1,914,939	1,743,617	91.05%
Office of Administrative Hearings	49,527	87,684	137,211	46,997	34.25%
Office of the Governor	2,008,795	754,623	2,763,418	1,230,142	44.52%
Office of the Lieutenant Governor	0	20,637	20,637	7,044	34.13%
Office of the State Auditor	969,832	377,197	1,347,029	727,000	53.97%
Office of the State Controller	1,565,963	6,951,880	8,517,843	3,724,797	43.73%
Office of the State Treasurer	2,505,125	22,456,788	24,961,913	6,612,623	26.49%
State Board of Elections	274,551	3,037,308	3,311,859	1,163,029	35.12%
TOTAL without DOT or ITS	**94,649,657**	**278,639,808**	**373,289,466**	**176,254,211**	**47.22%**
Office of Information Technology Services	**28,014,512**	**167,984,262**	**195,998,774**	**75,283,826**	**38.41%**

Note 1: In the Software, Hardware, Supplies, Telecommunications/Networking, and Mainframe Services categories, the State Budget Manual allows agencies some flexibility to maintain their budget at a different level than they post expenditures.

UNC System Agencies - Current vs. Prior Year

In lieu of a budget to actual comparison, Table 3-2 Current versus Prior Year Expenditures indicates the rate of expenditure for UNC System agencies. A 50% rate indicates the university is expected to spend the same amount for IT expenditures as in the previous year.

The previous year total amount is adjusted to include amounts posted to the NCAS account, Communication Cable Contracts. This account is added to the Telecommunications and Networking Services cost category as of this edition of the Information Technology Expenditures Report.

Table 3-2 Current Versus Prior Year Expenditures
UNC System Agencies
For the period ending December 31, 2000

	Current Expenditure Estimate at 12/31/00	PMIS Salary & Fringes at 06/30/00	Non-Salary Expenditures at 06/30/00	Total Expenditures at 06/30/00	Current Exp as % of Prior Year
Appalachian State University	5,741,244	4,933,559	7,805,748	12,739,307	45.07%
East Carolina University	11,369,571	11,065,178	12,650,034	23,715,211	47.94%
Elizabeth City State University	901,950	810,741	1,808,756	2,619,497	34.43%
Fayetteville State University	1,245,232	934,921	1,934,667	2,869,588	43.39%
NC A&T State University	3,201,427	3,120,760	4,303,357	7,424,117	43.12%
NC Central University	1,837,404	1,142,926	2,969,850	4,112,777	44.68%
NC School of Arts	1,198,386	399,600	1,647,466	2,047,065	58.54%
NC State University	25,827,914	25,441,679	32,529,997	57,971,676	44.55%
UNC Asheville	1,449,819	1,269,840	1,465,596	2,735,436	53.00%
UNC Chapel Hill	40,084,749	56,203,081	23,584,622	79,787,703	50.24%
UNC Charlotte	7,181,615	7,452,681	11,226,142	18,678,823	38.45%
UNC General Administration	11,139,913	1,738,211	14,799,439	16,537,651	67.36%
UNC Greensboro	5,788,331	5,635,307	8,149,564	13,784,871	41.99%
UNC Hospital	6,742,183	8,542,590	6,772,396	15,314,985	44.02%
UNC Pembroke	1,078,920	1,266,374	2,046,182	3,312,557	32.57%
UNC Wilmington	3,906,510	4,050,192	4,832,848	8,883,040	43.98%
Western Carolina University	2,333,828	2,336,020	3,334,743	5,670,764	41.16%
Winston-Salem State University	1,569,935	1,051,888	4,184,809	5,236,697	29.98%
TOTAL	**132,598,932**	**137,395,548**	**146,046,217**	**283,441,764**	**46.78%**

Salary and Fringe Benefit Cost Estimates

Table 4-1 Annual Budgeted Salary and Fringe Estimate for non-UNC System Agencies and Table 4-2 Annual Budgeted Salary and Fringe Estimate for UNC System Agencies list by agency the total FTEs for permanent, full-time and part-time IT positions and the annual budgeted salary amount for these positions. Data for these tables come from PMIS and include both vacant and filled IT positions. A position is identified as IT related based on the position's PMIS class code.

UNC System agencies operating their own payroll systems are not required to enter EPA position information into PMIS. Therefore, Table 4-2 may not include all IT positions established within the UNC System.

Fringe benefit amounts are not maintained within PMIS and are calculated in these tables based on the following criteria:

- OASDI – 6.2% of budgeted salary amount capped at $76,200 per FTE
- HI – 1.45% of budgeted salary amount
- Retirement – 7.13% of budgeted salary amount
- Hospitalization -- $2255.76 per FTE

Other fringe benefit costs such as longevity or overtime pay can not be readily estimated and are not included.

The totals from these tables are adjusted for the reporting period and are used to estimate personnel expenditures in Table 1-1 and Table 1-2.

Table 4-1 Annual Budgeted Salary and Fringe Estimate
All IT Positions
For the Period Ending December 31, 2000
Non-UNC System Agencies

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
Adminstrative Office of the Courts	117.00	6,943,588.00	412,137.37	100,682.03	495,077.82	263,923.92	8,215,409.14	$70,217.17
Comprehensive Major Medical Plan	1.00	42,594.00	2,640.83	617.61	3,036.95	2,255.76	51,145.15	$51,145.15
Department of Administration	35.00	1,829,557.00	111,538.93	26,528.58	130,447.41	78,951.60	2,177,023.52	$62,200.67
Department of Agriculture & Consumer Services	41.00	1,917,727.00	115,987.06	27,807.04	136,733.94	92,486.16	2,290,741.19	$55,871.74
Department of Commerce	32.00	1,472,236.00	90,207.89	21,347.42	104,970.43	72,184.32	1,760,946.06	$55,029.56
Department of Community Colleges	37.00	1,924,470.00	116,604.33	27,904.81	137,214.71	83,463.12	2,289,656.98	$61,882.62
Department of Correction	102.00	4,873,055.00	297,035.12	70,659.30	347,448.82	230,087.52	5,818,285.76	$57,042.02
Department of Crime Control & Public Safety	36.00	2,140,137.00	130,828.18	31,031.99	152,591.77	81,207.36	2,535,796.30	$70,438.79
Department of Cultural Resources	9.00	379,086.00	23,503.33	5,496.75	27,028.83	20,301.84	455,416.75	$50,601.86
Department of Environment & Natural Resources	117.00	5,375,904.00	325,411.77	77,950.61	383,301.96	263,923.92	6,426,492.26	$54,927.28
Department of Health and Human Services	370.75	21,421,109.00	1,310,225.42	310,606.08	1,527,325.07	836,323.02	25,405,588.59	$68,524.85
Department of Insurance	15.05	825,111.00	50,165.56	11,964.11	58,830.41	33,949.19	980,020.28	$65,117.63
Department of Justice	69.00	3,364,159.00	203,947.08	48,780.31	239,864.54	155,647.44	4,012,398.36	$58,150.70
Department of Juvenile Justice & Delinquency Prev	16.00	920,176.00	55,145.90	13,342.55	65,608.55	36,092.16	1,090,365.16	$68,147.82

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
Department of Labor	16.00	904,676.00	56,089.91	13,117.80	64,503.40	36,092.16	1,074,479.27	$67,154.95
Department of Public Instruction	71.75	4,770,052.00	289,884.60	69,165.75	340,104.71	161,850.78	5,631,057.84	$78,481.64
Department of Revenue	155.50	6,414,266.00	390,387.90	93,006.86	457,337.17	350,770.68	7,705,768.60	$49,554.78
Department of the Secretary of State	9.00	474,390.00	28,341.44	6,878.65	33,824.01	20,301.84	563,735.94	$62,637.33
Department of Transportation	253.00	12,946,297.00	780,918.09	187,721.31	923,070.98	570,707.28	15,408,714.65	$60,904.01
Employment Security Commission	121.00	6,125,811.00	366,643.39	88,824.26	436,770.32	272,946.96	7,290,995.93	$60,256.16
NC Housing Finance Authority	6.00	305,784.00	18,958.61	4,433.87	21,802.40	13,534.56	364,513.44	$60,752.24
NC School of Science & Math	7.00	317,502.00	19,685.12	4,603.78	22,637.89	15,790.32	380,219.12	$54,317.02
NC Wildlife Resources	13.00	633,427.00	38,709.20	9,184.69	45,163.35	29,324.88	755,809.12	$58,139.16
Office of Administrative Hearings	1.00	41,184.00	2,553.41	597.17	2,936.42	2,255.76	49,526.76	$49,526.76
Office of Information Technology Services	361.00	23,771,916.00	1,388,636.13	344,692.78	1,694,937.61	814,329.36	28,014,511.89	$77,602.53
Office of the Governor	34.00	1,685,024.00	102,499.95	24,432.85	120,142.21	76,695.84	2,008,794.85	$59,082.20
Office of the State Auditor	15.00	815,717.00	50,290.18	11,827.90	58,160.62	33,836.40	969,832.10	$64,655.47
Office of the State Controller	25.00	1,315,887.00	80,779.12	19,080.36	93,822.74	56,394.00	1,565,963.22	$62,638.53
Office of the State Treasurer	41.00	2,105,226.00	126,784.54	30,525.78	150,102.61	92,486.16	2,505,125.09	$61,100.61
State Board of Elections	4.00	231,982.00	13,641.61	3,363.74	16,540.32	9,023.04	274,550.71	$68,637.68
Total:	2,131.05	116,288,050.00	7,000,181.98	1,686,176.72	8,291,337.96	4,807,137.35	138,072,884.02	$64,791.01

Table 4-2 Annual Budgeted Salary and Fringe Estimate
All IT Positions
For the Period Ending December 31, 2000
UNC System Agencies

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
Appalachian State University	99.75	4,232,269.00	261,415.62	61,367.90	301,760.78	225,012.06	5,081,825.36	$50,945.62
East Carolina University	226.55	10,028,557.00	621,255.69	145,414.08	715,036.11	511,042.43	12,021,305.30	$53,062.48
Elizabeth City State University	19.00	719,840.00	44,630.08	10,437.68	51,324.59	42,859.44	869,091.79	$45,741.67
Fayetteville State University	29.00	932,930.00	57,841.66	13,527.49	66,517.91	65,417.04	1,136,234.09	$39,180.49
NC A&T	70.00	2,640,957.00	163,739.33	38,293.88	188,300.23	157,903.20	3,189,193.64	$45,559.91
NC Central University	24.00	963,814.00	59,756.47	13,975.30	68,719.94	54,138.24	1,160,403.95	$48,350.16
NC School of the Arts	8.00	341,948.00	21,200.78	4,958.25	24,380.89	18,046.08	410,533.99	$51,316.75
NC State University	399.24	22,250,281.00	1,373,202.47	322,629.07	1,586,445.04	900,589.62	26,433,147.21	$66,208.66
UNC Asheville	27.00	1,084,267.00	67,224.55	15,721.87	77,308.24	60,905.52	1,305,427.18	$48,349.15
UNC Chapel Hill	869.22	52,079,335.00	3,213,302.09	755,150.36	3,713,256.59	1,960,751.71	61,721,795.74	$71,008.26
UNC Charlotte	123.99	6,533,907.00	405,102.23	94,741.65	465,867.57	279,691.68	7,779,310.14	$62,741.43
UNC General Administration	30.75	1,545,546.00	95,823.85	22,410.42	110,197.43	69,364.62	1,843,342.32	$59,946.09
UNC Greensboro	120.50	5,085,255.00	315,285.81	73,736.20	362,578.68	271,819.08	6,108,674.77	$50,694.40
UNC Hospital	149.75	7,099,949.00	435,972.59	102,949.26	506,226.36	337,800.06	8,482,897.28	$56,647.06

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
UNC Pembrooke	28.00	1,117,527.00	68,625.88	16,204.14	79,679.68	63,161.28	1,345,197.97	$48,042.78
UNC Wilmington	83.00	3,538,663.00	218,450.24	51,310.61	252,306.67	187,228.08	4,247,958.61	$51,180.22
Western Carolina University	43.50	2,068,067.00	128,169.44	29,986.97	147,453.18	98,125.56	2,471,802.15	$56,823.04
Winston-Salem State University	26.00	1,021,312.00	62,857.52	14,809.02	72,819.55	58,649.76	1,230,447.85	$47,324.92
Total:	2,377.25	123,284,424.00	7,613,856.31	1,787,624.15	8,790,179.43	5,362,505.46	146,838,589.35	$61,768.26

Salary Cost by Position Status

Table 5-1 Annual Budgeted Salary Estimate by Position Status for non UNC System agencies divides the annual budgeted salary and fringes amount by position status within an agency. The position status determines whether a position is filled or vacant at the end of the report period (December 31, 2000). With approval, salary reserve generated by a vacant position can be rebudgeted to another category.

Table 5-2 Annual Budgeted Salary Estimate by Position Status for UNC System agencies lists this same information by university.

Table 5-1 Annual Budgeted Salary Estimate By Position Status
All IT Positions

For the Period EndingDecember 31, 2000

Non-UNC System Agencies

AGENCY	FILLED POSITIONS	VACANT POSITIONS	TOTAL POSITIONS	% VACANT OF TOTAL
Adminstrative Office of the Courts	$7,178,841.85	$1,036,567.29	$8,215,409.14	12.62%
Comprehensive Major Medical Plan	$51,145.15		$51,145.15	
Department of Administration	$1,834,621.30	$342,402.22	$2,177,023.52	15.73%
Department of Agriculture & Consumer Services	$2,155,740.22	$135,000.98	$2,290,741.19	5.89%
Department of Commerce	$1,462,438.01	$298,508.05	$1,760,946.06	16.95%
Department of Community Colleges	$2,102,543.92	$187,113.06	$2,289,656.98	8.17%
Department of Correction	$5,561,151.48	$257,134.27	$5,818,285.76	4.42%
Department of Crime Control & Public Safety	$2,277,172.67	$258,623.63	$2,535,796.30	10.20%
Department of Cultural Resources	$455,416.75		$455,416.75	
Department of Environment & Natural Resources	$5,769,818.44	$656,673.82	$6,426,492.26	10.22%
Department of Health and Human Services	$23,050,071.96	$2,355,516.63	$25,405,588.59	9.27%
Department of Insurance	$754,638.93	$225,381.35	$980,020.28	23.00%
Department of Justice	$3,802,226.48	$210,171.88	$4,012,398.36	5.24%
Department of Juvenile Justice & Delinquency Pre	$552,351.91	$538,013.25	$1,090,365.16	49.34%
Department of Labor	$1,048,009.52	$26,469.75	$1,074,479.27	2.46%
Department of Public Instruction	$4,872,817.32	$758,240.52	$5,631,057.84	13.47%
Department of Revenue	$6,842,473.35	$863,295.25	$7,705,768.60	11.20%
Department of the Secretary of State	$478,271.24	$85,464.71	$563,735.94	15.16%
Department of Transportation	$12,382,241.76	$3,026,472.89	$15,408,714.65	19.64%
Employment Security Commission	$6,631,325.58	$659,670.35	$7,290,995.93	9.05%
NC Housing Finance Authority	$304,867.68	$59,645.76	$364,513.44	16.36%
NC School of Science & Math	$262,054.74	$118,164.38	$380,219.12	31.08%
NC Wildlife Resources	$755,809.12		$755,809.12	
Office of Administrative Hearings	$49,526.76		$49,526.76	
Office of Information Technology Services	$23,926,451.93	$4,088,059.95	$28,014,511.89	14.59%
Office of the Governor	$1,631,540.17	$377,254.68	$2,008,794.85	18.78%
Office of the State Auditor	$969,832.10		$969,832.10	
Office of the State Controller	$1,565,963.22		$1,565,963.22	
Office of the State Treasurer	$2,403,386.88	$101,738.21	$2,505,125.09	4.06%
State Board of Elections	$274,550.71		$274,550.71	
Total:	$121,407,301.15	$16,665,582.88	$138,072,884.02	12.07%

Table 5-2 Annual Budgeted Salary Estimate By Position Status

All IT Positions

For the Period Ending December 31, 2000

UNC System Agencies

AGENCY	FILLED POSITIONS	VACANT POSITIONS	TOTAL POSITIONS	% VACANT OF TOTAL
Appalachian State University	$4,994,868.52	$86,956.85	$5,081,825.36	1.71%
East Carolina University	$10,387,425.56	$1,633,879.74	$12,021,305.30	13.59%
Elizabeth City State University	$779,954.13	$89,137.67	$869,091.79	10.26%
Fayetteville State University	$1,049,749.40	$86,484.69	$1,136,234.09	7.61%
NC A&T	$2,821,363.55	$367,830.10	$3,189,193.64	11.53%
NC Central University	$992,142.02	$168,261.93	$1,160,403.95	14.50%
NC School of the Arts	$410,533.99		$410,533.99	
NC State University	$21,282,431.52	$5,150,715.69	$26,433,147.21	19.49%
UNC Asheville	$1,252,338.80	$53,088.38	$1,305,427.18	4.07%
UNC Chapel Hill	$49,315,092.55	$12,406,703.18	$61,721,795.74	20.10%
UNC Charlotte	$6,748,223.92	$1,031,086.21	$7,779,310.14	13.25%
UNC General Administration	$1,507,040.33	$336,301.99	$1,843,342.32	18.24%
UNC Greensboro	$5,511,421.93	$597,252.84	$6,108,674.77	9.78%
UNC Hospital	$6,851,689.87	$1,631,207.40	$8,482,897.28	19.23%
UNC Pembrooke	$1,256,468.93	$88,729.05	$1,345,197.97	6.60%
UNC Wilmington	$4,142,175.55	$105,783.06	$4,247,958.61	2.49%
Western Carolina University	$2,444,724.06	$27,078.08	$2,471,802.15	1.10%
Winston-Salem State University	$925,928.77	$304,519.08	$1,230,447.85	24.75%
Total:	$122,673,573.41	$24,165,015.93	$146,838,589.35	16.46%

Comparison of IT to Total Position Counts

Table 6-1 IT Position FTE versus Total Position FTEs compares the FTE count for all IT positions to total FTEs by agency. The FTE count for IT positions is further divided by position status (filled or vacant) as of December 31. The agencies are grouped by legislative committee.

Table 6-1 IT Position FTEs versus Total Position FTEs

For the Period Ending December 31, 2000

Agency	Filled IT Positions	Vacant IT Positions	Total IT Positions	Total All Positions	% IT of Total
Education					
Department of Community Colleges	34.00	3.00	37.00	182.50	20.27%
Department of Public Instruction	63.75	8.00	71.75	507.75	14.13%
NC School of Science & Math	5.00	2.00	7.00	190.25	3.68%
UNC System	1,959.12	418.13	2,377.25	32,128.86	7.40%
Education Total:	2,061.87	431.13	2,493.00	33,009.36	7.55%
General Government					
Department of Administration	29.00	6.00	35.00	1,046.25	3.35%
Department of Cultural Resources	9.00	0.00	9.00	821.43	1.10%
Department of Insurance	11.00	4.05	15.05	414.45	3.63%
Department of Revenue	133.50	22.00	155.50	1,283.50	12.12%
Department of the Secretary of State	7.00	2.00	9.00	195.75	4.60%
NC Housing Finance Authority	5.00	1.00	6.00	104.00	5.77%
Office of Administrative Hearings	1.00	0.00	1.00	45.00	2.22%
Office of the Governor	26.00	8.00	34.00	206.00	16.50%
Office of the Lieutenant Governor				9.00	
Office of the State Auditor	15.00	0.00	15.00	194.00	7.73%
Office of the State Controller	25.00	0.00	25.00	96.75	25.84%
Office of the State Treasurer	39.00	2.00	41.00	293.50	13.97%
State Board of Elections	4.00	0.00	4.00	20.00	20.00%
General Government Total:	304.50	45.05	349.55	4,729.63	7.39%
Human Resources					
Department of Health and Human Services	332.75	38.00	370.75	19,483.70	1.90%
Human Resources Total:	332.75	38.00	370.75	19,483.70	1.90%
Justice and Public Safety					
Adminstrative Office of the Courts	102.00	15.00	117.00	5,543.88	2.11%

Agency	Filled IT Positions	Vacant IT Positions	Total IT Positions	Total All Positions	% IT of Total
Department of Correction	97.00	5.00	102.00	19,184.72	0.53%
Department of Crime Control & Public Safety	32.00	4.00	36.00	2,538.00	1.42%
Department of Justice	64.00	5.00	69.00	1,275.28	5.41%
Department of Juvenile Justice & Delinquency Prev	8.00	8.00	16.00	2,175.10	0.74%
Justice and Public Safety Total:	303.00	37.00	340.00	30,716.98	1.11%
Natural and Economic Resources					
Department of Agriculture & Consumer Services	37.00	4.00	41.00	1,405.25	2.92%
Department of Commerce	26.00	6.00	32.00	767.50	4.17%
Department of Environment & Natural Resources	106.00	11.00	117.00	3,600.81	3.25%
Department of Labor	15.00	1.00	16.00	463.01	3.46%
Employment Security Commission	109.00	12.00	121.00	1,937.25	6.25%
NC Wildlife Resources	13.00	0.00	13.00	533.00	2.44%
Office of Information Technology Services	309.00	52.00	361.00	463.00	77.97%
Natural and Economic Resources Total:	615.00	86.00	701.00	9,169.82	7.64%
Salaries Benefits Retirement					
Comprehensive Major Medical Plan	1.00	0.00	1.00	18.00	5.56%
Salaries Benefits Retirement Total:	1.00	0.00	1.00	18.00	5.56%
Transportation					
Department of Transportation	198.00	55.00	253.00	14,491.75	1.75%
Transportation Total:	198.00	55.00	253.00	14,491.75	1.75%
Total:	3,816.12	692.18	4,508.30	111,619.24	3.88%

Project Based Expenditures

To further comply with SB222 requirements, OSC implemented the project accounting functionality within NCAS to capture specific costs by IT project/system. The need for capturing project specific costs is established by G. S. 143B-472.64 Financial Reporting and Accountability for IT Investments and Expenditures. Projects subject to this additional reporting are selected based on criteria established in a joint effort by the State Controller, State Budget Officer, and Chief Information Officer. The criteria includes:

- An application development project with a budget estimate of $2 million or more that is submitted to the Information Resource Management Commission (IRMC). This includes all projects on the IRMC Statewide Projects List at July 1, 1999 as well as any new projects coming before the IRMC for certification since that date.
- An application existing prior to fiscal year 2000 that was determined to be "mission critical" by the State Auditor and selected for the Y2K audit review process.

Based on these criteria, 108 significant projects/systems have been identified to date. Agencies are identifying costs of these IT projects/systems within NCAS. However, many agencies find identifying costs for the ongoing maintenance of IT projects/systems difficult. Once an IT project/system is fully implemented and incorporated into the ongoing operations of an agency, some costs such as personnel costs and supplies are difficult to allocate without a formal costing process. Of the 108 projects identified, 84 have identifiable, reportable costs posted within NCAS during this report period. The remaining projects appear either to have no identifiable costs during this period, or are PC-based systems that do not have significant maintenance costs.

Table 7-1 IT Projects/Systems Selected for Special Reporting lists by agency all projects meeting the above criteria as of December 31, 2000. A project type of Maintenance indicates that this project/system is fully implemented and is part of the agency's ongoing operations. A project type of Development indicates this project/system is not yet complete.

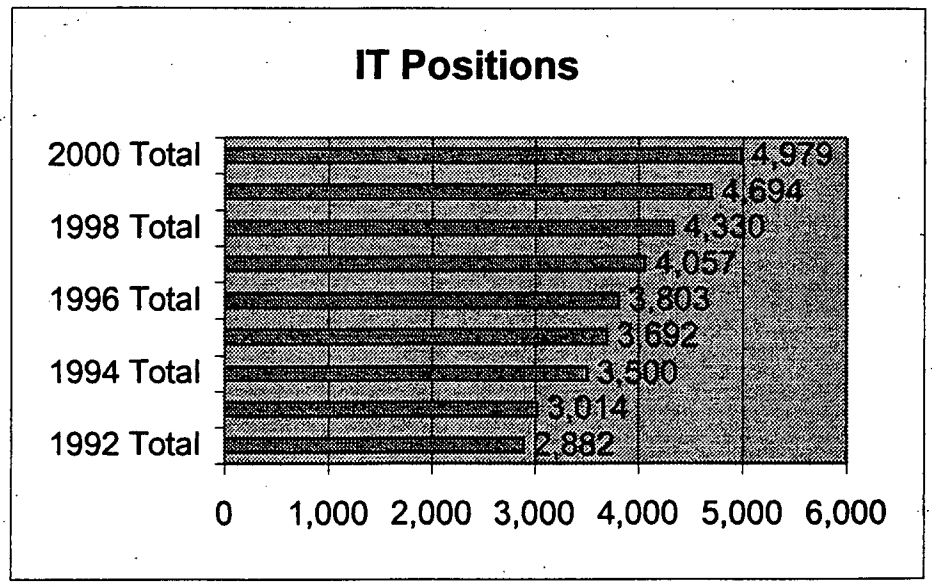
This report does not include the actual amounts posted to NCAS by these specific project/systems. OSC is continuing to work with agencies to insure that all identifiable costs are being posted. Please contact OSC if additional information is required.

Table 7-1 IT Projects/Systems Selected for Special Reporting		
Agency Name	**Project/System Name**	**Project Type**
Administrative Office of the Courts	CIVIL CASE PROCESSING SYSTEM	Maintenance
	CIVIL-JUDGEMENT ABSTRACTING	Development
	CRIMINAL/INFRACTION SYSTEM	Maintenance
	END USER TECHNOLOGY	Development
	MAGISTRATE WARRANT CONTROL MODULE	Development
Department of Administration	COURIER MANAGEMENT SYSTEM	Maintenance
	MOTOR FLEET MANAGEMENT	Maintenance
Department of Agriculture & Consumer Services	FOOD DISTRIBUTION SYSTEM	Maintenance
Department of Commerce	ACCIDENT & COVERAGE, FORM LETTERS, ACCTS	Maintenance
	MEDICAL BILL APPROVAL	Maintenance
	STATE AGENCY MEDICAL BILL PROCESSING	Maintenance
Department of Community Colleges	DATA WAREHOUSE	Development
	INFORMATION SERVICES	Maintenance
	IS FOR THE FUTURE	Development
Department of Correction	BUSINESS IMPROVEMENT PROJECT	Development
	OPUS	Maintenance
Department of Crime Control & Public Safety	INFORMATION MANAGEMENT SYSTEMS	Maintenance
	MOBILE DATA NETWORK	Development
	VOICE TRUNKING NETWORK	On Hold
Department of Environment & Natural Resources	BASIN WIDE INFORMATION MANAGEMENT	Development
	FEDERAL TRUST FUND - LUST	Maintenance
	FISHERIES INFORMATION MANAGEMENT	Maintenance
	NC AGRICULTURE COST SHARE PROGRAM	Maintenance
	RADIATION TANNING	Maintenance
	RADIOACTIVE MATERIALS	Maintenance
	STATE TRUST FUND - LUST	Maintenance
	X-RAY EQUIPMENT SYSTEM	Maintenance
Department of Health and Human Services	ACCESS BROWSER LOOKUP (N-ABLE)	Maintenance
	AUTOMATED COLLECTION/TRACKING (ACTS)	Maintenance
	BUSINESS PROCESS IMPLEMENTATION	Development
	CHILD WELFARE INFORMATION SYSTEM	Development
	CONSOLIDATED CONTRACT DATA SYSTEM	Maintenance
	CSE CALL CENTER PROJECT	Development
	CYA-DSS CHILD ABUSE/NEGLECT/FATALITIE	Maintenance
	DFS MASTER FACILITY FILE REPORTING SY	Maintenance
	DMA - MMIS (DRIVE)	Maintenance
	DSS LOW INCOME HOUSING ENERGY ASSISTA	Maintenance
	ELECTRONIC BENEFITS TRANSFER	Maintenance
	ELECTRONIC INFORMATION OF NORTH CAROLINA	Development
	ENTERPRISE PROGRAM INTEGRITY CONTROL	Maintenance
	FOOD STAMP PROGRAM	Maintenance
	FRAUD AND ABUSE DETECTION SYSTEM	Development
	HEALTHQUEST	Maintenance
	HEALTHQUEST (HBOC) 2.0 SYSTEM (ARBS)	Maintenance
	HWA-THIRD PARTY QUERY (TPQ)	Maintenance
	ID TRACKING & MEASUREMENT ENHANCEMT	Development
	INTEGRATED PAYMENT REPORTING SYSTEM	Development
	MCC-MEDICAID CLAIMS PROCESSING SYS	Maintenance
	MCI-MASTER CLIENT INDEX	Maintenance
	MMIS (DMA)	Maintenance
	PQA-DSS CHILD PLACEMENT/PAYMENT SYSTE	Maintenance
	STATEWIDE CONNECTIVITY	Development
	TELECOMMUNICATIONS MODERNIZATION PROGR	Development
	VIA (SOCIAL SECURITY REIMBURSEMENT)	Maintenance
	VSD-SUPPLEMENTAL SOCIAL SEC DATA EXCH	Maintenance
Department of Health and Human Services	WDA-MEDICAID ACCOUNTING SYSTEM	Maintenance
	WORK FIRST AND MEDICAID (ELIG INFO SYS)	Maintenance
Department of Insurance	AGENT LICENSING/CONTINUING ED-SIPS	Maintenance
Department of Justice	AFIS/CCH DATA SHARING	Maintenance
	LEMS (DCI INFRASTRUCTURE)	Maintenance
	MIGRATION INITIATIVE (END USER TECH)	Development
	STATEWIDE AUTOMATED FINGERPRINT ID SYS	Development
	STATEWIDE NETWORK SECURITY INITIATIVE	Development
Department of Juvenile Justice & Deliquency Preventic	JUVENILE JUSTICE NETWORK	Development
Department of Labor	BOILER - AVION	Maintenance

Table 7-1 IT Projects/Systems Selected for Special Reporting		
Agency Name	**Project/System Name**	**Project Type**
	ELEVATOR - AVION	Maintenance
	OBSOLETE-OSHA INSP SCHEDULING & RER	Maintenance
Department of Public Instruction	(UERS) UNIFORM EDUCATION REPORTING SYS	Maintenance
	ABC TOOLS (A0003)	Maintenance
	BUDGET UTILIZATION & DEVELOPMENT	Maintenance
	BUDGETARY ALLOTMENT SYSTEM	Maintenance
	CASH MANAGEMENT	Maintenance
	CENTRAL OFFICE SIMS	Maintenance
	CHILD NUTRITION	Maintenance
	DUN & BRADSTREET-EXTERNAL	Maintenance
	DUN & BRADSTREET-INTERNAL	Maintenance
	EC HEADCOUNT REPORT	Maintenance
	PRINCIPALS MONTHLY REPORT (PMR01)	Maintenance
	SALARY ADMINISTRATION AND LICENSURE SYS	Maintenance
	STUDENT ACCOUNTING	Development
Department of Revenue	CLIENT SERVER	Maintenance
	DATA CAPTURE	Development
	ITAS	Maintenance
	NETWORK INFRASTRUCTURE	Maintenance
Department of the Secretary of State	CORP. INFORMATION MGMT & LLP	Maintenance
	INVESTMENT ADV REGIS	Maintenance
	NOTARY INFORMATION MGMT - SIPS	Maintenance
	UCC/FED TAX LIENS - SIPS	Maintenance
Office of Information Technology Services	ASSET MANAGEMENT SYSTEM	Development
	E-COMMERCE STATE PORTAL	Development
	IPX TO IP PROTOCOL MIGRATION	Development
	METRO AREA FIBER	Development
	STATEWIDE EMAIL SYSTEM	Maintenance
	VOTER REGISTRATION	Development
Office of the State Controller	CASH MANAGEMENT CONTROL SYSTEM	Maintenance
	CENTRAL PAYROLL SYSTEM	Maintenance
	NC ACCOUNTING SYSTEM (NCAS)	Maintenance
Office of the State Treasurer	BANK AND BUDGETARY CONTROL SYSTEM	Maintenance
	BANKING SYSTEM REPLACEMENT	Development
	EDMS - RETIREMENT IMAGING SYSTEM	Maintenance
	LOGICS - LOCAL GOVT INFO CONTROL SYST	Maintenance
	RETIREMENT BENEFIT PROCESSING SYSTEM	Maintenance
	RETIREMENT CONTRIB & MEMBER INFO SYST	Maintenance
	RETIREMENT PAYROLL INFORMATION SYSTEM	Maintenance
	RETIREMENT SYSTEM EDMS REPLACEMENT	Development
	TREASURY INVESTMENTS SYSTEM	Maintenance
	VSE-OS/390 SYSTEM MIGRATION	Development
	WARRANT - BANK IMAGING SYSTEM	Maintenance

ATTACHMENT II
4-3-07

Calendar Year	Agency	#	Total
1992 Total		2,882	$91,622,516
1993 Total		3,014	$99,061,827
1994 Total		3,500	$119,557,327
1995 Total		3,692	$128,649,085
1996 Total		3,803	$138,624,756
1997 Total		4,057	$161,317,447
1998 Total		4,330	$182,821,059
1999 Total		4,694	$206,602,185
2000 Total		4,979	$228,339,044
Grand Total		34,951	$1,356,595,246



VISITOR REGISTRATION SHEET

Information Technology — 4/3/01
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Minnick	OAO Corp. Durham, NC
BILL WADE	OAO Corp. Durham, NC
BRUCE GARNER	Sec of State
Bob Blackmon	NCCS
Ben McLawhorn	OSC
Jim Maxwell	OSBPM
John Davis	OSBPM
Bob Bellamy	DPI
Benny E. Hendrick	DPI
Ken McKay	Alley Assoc
Lee Mandell	NCLM
John T. Kilbourne	MCNC
K Dan Moore	CACI
AL ADAMS	Partner Pope Cedar Barnhill LLP
A. Jami Craig	LCA
P. D. Lallanilla	ITS
B. Y. Justus	ACS
Ron Hawley	ITS
BILL COX	DHHS
Scott Peters	AOC
Don McCorquodale	SAS
JACK BEST	KCI / KPMG
Emily Fulcher	Smith Anderson
Fred Perkins	Dept of Correction
DAVID A BARNES	Polaroid Spinnell
PAUL Mainer	NCARC
Alfred M MAYS	UNC-GA
Dana Weaver	NC Community Colleges
Hunter Thompson	NC Connectivity Council

VISITOR REGISTRATION SHEET

Information Technology — 4-3-01

Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sheila McKinney	NC DOT

ATTACHMENT III

4-3-01

North Carolina Connectivity Council
Request for North Carolina Information Highway Funding
March 2001

Greetings,

On behalf of the North Carolina Connectivity Council I ask that you assist us in securing funding for the next fiscal year and beyond for the North Carolina Information Highway. In order to succeed we believe there must be agreement on a vision and purpose. The following is the Council's recommendation to you and to other members of the General Assembly:

> The North Carolina Connectivity Council is requesting 3.1 million recurring dollars to support North Carolina Information Highway video services. The Council, formerly known as the NCIH Policy Committee, is a body representing all the user groups, state agencies, and private sector partners that comprise the North Carolina Information Highway. The Council was created by Governor Hunt and has been in existence since 1994 providing guidance and support to NC ITS and NCIH sites during the evolution of the highway. The requested funds will support 47 community colleges, 9 correctional institutions, 15 health related sites, 82 high schools including 7 Cyber Campuses, 7 universities, and 30 special or state agencies. This request also supports the network backbone used by NC ITS, Administrative Office of the Courts, MCNC, libraries, Department of Public Instruction, North Carolina Community College System, Employment Security Commission and county governments across the state.
>
> This figure represents approximately one half of the funds required for network access charges for 231 sites (189 existing sites + 42 developing sites). The Council has previously endorsed a plan to share the networking charges between the state and sites. The Network Rate subcommittee endorsed this model to create funding parity and to present to the General Assembly a solution for long-term sustainability. The division of costs was based on the principle that the state would support those components of the expenses that provide for service and support of a ubiquitous, statewide network. The sites will provide the local networking costs, site operations costs, and staffing. It is recommendation of the Council that the appropriation be directed to NC ITS to provide these services.

If the NC Connectivity Council can assist you in any way please do not hesitate to contact Hunter Thompson, 910.962.3138, thompsonh@uncwil.edu.

Sincerely,

Hunter Thompson

Hunter Thompson, Chair
NC Connectivity Council

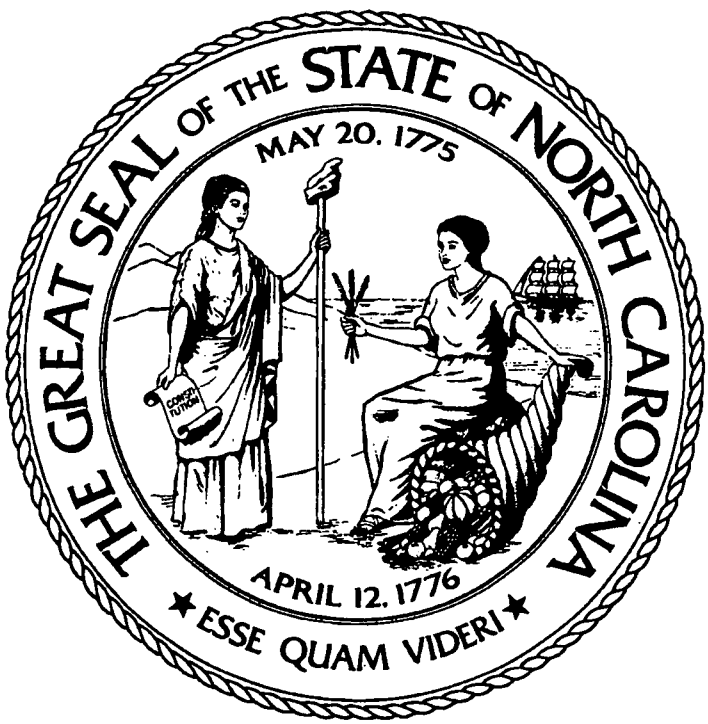
NORTH CAROLINA INFORMATION HIGHWAY FACTS

- Operational sites 195
- Total Video Sessions for February 2,038
- Average session time is 1.48 hours/site
- Total session time is 3,031 hours
- Average number of sites per session 3
- Average number of students per site 11
- Number of student contact hours 300,023/month
- Total classroom 9,093 hours
- Monthly cost per site $2,244.38
- Monthly cost $2,245 x Number of sites 195 = $437,775/month
- Cost per month $437,775. /student contact hours 300,023 = $1.45/hr/student
- Video uses 768kbps of a ATM DS-1 Circuit the remainder may be used for data
- Data can be added to the NCIH circuit for $340.00/month
- SLD form 470 has been filed for every school system

Information on NCIH can be found at **www.ncih.net**

ATTACHMENT L
4-3-01

NORTH CAROLINA



INFORMATION TECHNOLOGY EXPENDITURES REPORT

For the Period Ended December 31, 2000

North Carolina Office of the State Controller

Edward Renfrow, State Controller

State of North Carolina
Office of the State Controller
Information Technology Expenditures Report
For the Period July 2000 – December 2000

Introduction

The purpose of this report is to provide total information technology (IT) expenditures within the State as required by Senate Bill 222 (SB222) and House Bill 168 (HB168) ratified during the 1999 session of the General Assembly. Each bill provides a definition of information technology:

HB168	All expenses directly related to data processing and telecommunications, including expenses incurred for permanent, state-funded technical positions
SB222	(G. S. 143B-472.40A) Electronic data processing goods and services and telecommunications goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes

SB 222 places an additional emphasis on reporting by specific IT projects. Both bills exempt the General Assembly from being reported and SB222 exempts the UNC System agencies. However, UNC System agencies are included in this report to satisfy HB168 requirements.

The basis for this report is the statewide chart of accounts and the personnel classification system. The primary sources of this data are the North Carolina Accounting System (NCAS) and the Personnel Management Information System (PMIS). This report covers the time period of July 2000 through December 2000 and includes all funding sources. At the time this report was generated, all agencies, except NC Wildlife Resources, had closed the December accounting period.

Summary of IT Expenditures

Table 1-1 Information Technology Expenditures Summary lists by agency the total IT expenditures grouped into major cost categories. The amounts listed are total costs, without regard to the funding source. As a primary IT services vendor for most agencies, the Office of Information Technology Services is shown separately and is not included in the report totals.

Under the NCAS chart of accounts, most information technology operational costs are identified through specific account codes. The primary exception is personnel related costs that are recorded within NCAS in aggregate without regard to the type of work performed by the position. These costs include salary, fringe benefits, and employee training expenses.

To estimate salary and fringe benefit costs associated to information technology positions, this report utilizes the class code structure within PMIS. The budgeted salary

for all permanent positions assigned an information technology specific class code is used to estimate each agency's personal services obligation for this fiscal year.

The budgeted salary amounts from PMIS are annualized and include both vacant and filled positions. Within this table, the annualized amount is adjusted for the reporting period using a straight-line methodology.

Employee training costs for IT personnel can not be estimated using NCAS or PMIS. The other IT costs are summarized into the following categories:

Category	Description
IT Related Contracted Personal Services	Amounts paid to professional and personal service contractors to provide IT services, including IT system design, programming support, and data entry.
Software	Includes both Software Maintenance and Software Purchases/Development.
Hardware	Includes costs for the purchase, lease, rent, repair and maintenance of data processing and telecommunication equipment.
Data Processing Supplies	Purchases of data processing specific supplies such as tape labels, printer paper, special forms, etc.
Telecommunications and Networking Services	Amounts paid for telephone and data communications services and cable installations from ITS as well as other outside vendors.
Mainframe Services	Expenses for data processing charges for mainframe or UNIX services paid to ITS or an outside vendor.

Department of Transportation (DOT) posts some of their work order based costs in aggregate as deferred charges or other assets within NCAS. To obtain a more complete picture of IT costs, non-personnel related costs for the Department of Transportation are from the DOT financial system.

Table 1-1 Information Technology Expenditures Summary
For the period ending December 31, 2000

	PMIS BUDGETED SALARY PLUS FRINGES Note 1	IT RELATED CONTRACTED PERSONAL SERVICES	SOFTWARE	HARDWARE	DATA PROCESSING SUPPLIES	TELECOMM AND NETWORKING SERVICES	MAINFRAME SERVICES	YTD TOTAL
Administrative Office of the Courts	4,107,705	685,492	1,097,287	4,614,874	0	1,894,625	67,515	12,467,497
Comprehensive Major Medical Plan	25,573	0	0	0	0	9,034	3,870	38,477
Department of Administration	1,088,512	380,996	121,046	312,680	13,071	523,758	555,161	2,995,224
Department of Agriculture & Consumer Services	1,145,371	2,302	58,136	205,633	19,506	276,904	36,322	1,744,173
Department of Commerce	880,473	592,966	252,400	367,898	29,344	222,148	73,810	2,419,038
Department of Community Colleges	1,144,828	260,338	3,700,304	67,317	6,213	29,800	55,201	5,264,002
Department of Correction	2,909,143	889,149	141,293	894,190	287,888	1,754,075	3,904,890	10,780,628
Department of Crime Control & Public Safety	1,267,898	0	251,811	3,038,878	11,514	973,747	291,885	5,835,733
Department of Cultural Resources	227,708	8,817	59,430	216,203	1,636	213,516	47,248	774,559
Department of Environment & Natural Resources	3,213,246	1,516,804	434,160	1,594,817	156,755	1,237,808	607,466	8,761,056
Department of Health and Human Services	12,702,794	27,192,921	1,422,468	5,106,390	628,978	4,736,975	15,818,625	67,609,151
Department of Insurance	490,010	129,578	12,070	70,331	26,849	149,907	45,253	923,998
Department of Justice	2,006,199	495,257	645,996	2,495,670	62,080	1,300,692	195,373	7,201,266
Department of Juvenile Justice & Deliquency Preven	545,183	1,757,578	204,976	771,933	29,475	489,829	42,875	3,841,848
Department of Labor	537,240	132,298	22,390	252,698	4,701	240,529	48,340	1,238,195
Department of Public Instruction	2,815,529	248,904	109,148	683,517	32,510	640,049	155,502	4,685,157
Department of Revenue	3,852,884	4,016,702	2,261,965	2,540,068	76,180	512,070	1,915,659	15,175,528
Department of the Secretary of State	281,868	36,480	24,515	7,390	0	16,071	-3,908	362,416
Department of Transportation	7,704,357	12,000,608	334,432	8,013,846	0	2,182,240	6,788,096	37,023,579
Employment Security Commission	3,645,498	1,531,088	0	561,378	0	1,597,822	859,323	8,195,110
NC Housing Finance Authority	182,257	37,135	24,839	28,417	3,413	30,400	-3,415	303,046

Table 1-1 Information Technology Expenditures Summary
For the period ending December 31, 2000

	PMIS BUDGETED SALARY PLUS FRINGES Note 1	IT RELATED CONTRACTED PERSONAL SERVICES	SOFTWARE	HARDWARE	DATA PROCESSING SUPPLIES	TELECOMM AND NETWORKING SERVICES	MAINFRAME SERVICES	YTD TOTAL
NC School Science & Math	190,110	0	20,743	121,208	0	29,832	20,968	382,860
NC Wildlife Resources	377,905	782,662	12,828	212,834	24,236	246,070	87,082	1,743,617
Office of Administrative Hearings	24,763	0	498	948	846	12,674	7,268	46,997
Office of the Governor	1,004,397	50	43,608	43,902	296	82,687	55,201	1,230,142
Office of the Lieutenant Governor	0	0	95	0	0	6,663	286	7,044
Office of the State Auditor	484,916	0	31,984	104,977	0	56,321	48,801	727,000
Office of the State Controller	782,982	684,373	470,848	58,652	1,666	57,064	1,669,211	3,724,797
Office of the State Treasurer	1,252,563	0	220,618	895,470	21,348	99,105	4,123,519	6,612,623
State Board of Elections	137,275	780,464	16	48,751	323	196,200	0	1,163,029
TOTAL without UNC System & ITS	**55,029,186**	**54,162,959**	**11,979,902**	**33,330,870**	**1,438,829**	**19,818,616**	**37,517,429**	**213,277,791**
UNC System	73,419,295	1,499,007	6,476,284	16,598,045	1,292,824	21,930,083	11,383,395	132,598,932
TOTAL without ITS	**128,448,481**	**55,661,966**	**18,456,186**	**49,928,915**	**2,731,653**	**41,748,699**	**48,900,824**	**345,876,723**
Office of Information Technology Services	**14,007,256**	**12,278,188**	**15,701,894**	**5,887,725**	**327,605**	**25,667,687**	**1,413,471**	**75,283,826**

Note 1: PMIS **budgeted** salary amounts (adjusted for the reporting period) plus calculated fringe benefit cost amounts are used to represent total salary cost, which means that the cost is overstated by the amount of lapsed salaries generated by vacant IT positions. This overstatement could be as much as $ 20.4 million.

Summary of IT Expenditures - UNC System Agencies

Table 1-2 Information Technology Expenditures - UNC System Agencies lists by university the total IT expenditures grouped into major cost categories. Costs are segregated into the same categories as used in Table 1-1.

Personnel costs are estimated using PMIS data; however, UNC System agencies operating their own payroll systems are not required to enter EPA position information into PMIS. Therefore, the personal services cost estimate does not include all IT positions established within the university system.

While preparing this report, OSC discovered several instances where it appears that universities are recording information technology costs in an account other than those designated for these costs. The largest impact appears to be in the contractual services category. OSC has notified UNC General Administration of this problem.

Table 1-2 Information Technology Expenditures
UNC System Agencies
For the period ending December 31, 2000

	PMIS BUDGETED SALARY PLUS FRINGES	IT RELATED CONTRACTED PERSONAL SERVICES	SOFTWARE	HARDWARE	DATA PROCESSING SUPPLIES	TELECOMM AND NETWORKING SERVICES	MAINFRAME SERVICES	YTD TOTAL
Appalachian State University	2,540,913	0	220,399	1,394,456	510,597	1,068,768	6,112	5,741,244
East Carolina University	6,010,653	50	1,183,433	2,898,026	0	1,094,301	183,109	11,369,571
Elizabeth City State University	434,546	5,800	58,918	302,291	0	100,396	0	901,950
Fayetteville State University	568,117	0	161,923	257,770	0	253,528	3,894	1,245,232
NC A&T State University	1,594,597	25,481	0	795,085	271,110	505,747	9,407	3,201,427
NC Central University	580,202	0	170,905	603,750	0	420,068	62,479	1,837,404
NC School of Arts	205,267	0	24,484	626,429	0	320,187	22,019	1,198,386
NC State University	13,216,574	1,449,541	1,087,032	2,768,978	0	7,018,053	287,737	25,827,914
UNC Asheville	652,714	0	179,148	424,480	0	191,285	2,193	1,449,819
UNC Chapel Hill	30,860,898	1,600	796,046	1,171,940	0	5,648,598	1,605,668	40,084,749
UNC Charlotte	3,889,655	1,500	1,143,853	1,048,683	0	1,077,825	20,100	7,181,615
UNC General Administration	921,671	333	717,651	308,485	21,113	300,958	8,869,702	11,139,913
UNC Greensboro	3,054,337	14,702	444,698	1,013,766	338,429	890,567	31,832	5,788,331
UNC Hospital	4,241,449	0	0	721,170	0	1,745,830	33,735	6,742,183
UNC Pembroke	672,599	0	100,497	114,380	62,437	121,662	7,344	1,078,920
UNC Wilmington	2,123,979	0	99,870	1,187,724	60,552	292,891	141,494	3,906,510
Western Carolina University	1,235,901	0	87,428	640,620	28,586	283,087	58,206	2,333,828
Winston-Salem State University	615,224	0	0	320,014	0	596,331	38,365	1,569,935
TOTAL	**73,419,295**	**1,499,007**	**6,476,284**	**16,598,045**	**1,292,824**	**21,930,083**	**11,383,395**	**132,598,932**

Software/Hardware Category Drilldown

Table 2-1 Software and Hardware Category Analysis lists by agency the types of expenditures within the Software and Hardware categories. Table 2-2 Software and Hardware Category Analysis -UNC System Agencies lists this information by university.

The types of costs included within each category are listed below:

Category	Description
Software	Includes both Software Maintenance and Software Purchases/Development. Software Maintenance: Contract expenses paid for the Software Maintenance Agreements (SMAs). Software Purchases/Development: Purchase of software from vendors such as Microsoft, IBM, etc. and includes amounts paid for custom developed software from outside vendors.
Hardware	Includes costs for the purchase, lease, rent, repair and maintenance of data processing and telecommunication equipment. DP Equipment Repairs/Maintenance: Expenses paid for the maintenance and repair of data processing equipment. DP Equipment Rent/Leases: Expenses paid to lease or rent data processing hardware such as PCs, mainframes, and computer peripherals. DP Equipment Purchases: Expenses paid to purchase data processing hardware such as PCs, mainframes, and computer peripherals. Telecommunication Equipment Rent/Leases: Expenses paid to lease or rent telecommunications hardware such as telephones, switching equipment, etc. Telecommunications Equipment Purchases: Expenses paid to purchase telecommunications hardware such as telephones, switching equipment, etc.

Table 2-1 Software and Hardware Category Analysis

For the period ending December 31, 2000

	SOFTWARE CATEGORY			HARDWARE CATEGORY					
	MAINTENANCE	PURCHASE/ DEVELOPMENT	TOTAL	DP EQUIP REPAIR/ MAINTENANCE	DP EQUIP PURCHASE	DP EQUIP RENT/ LEASE	TELECOMM EQUIP PURCHASE	TELECOMM EQUIP RENT/ LEASE	TOTAL
Administrative Office of the Courts	382,624	714,662	1,097,287	350,861	3,838,304	5,281	374,385	46,043	4,614,874
Comprehensive Major Medical Plan	0	0	0	0	0	0	0	0	0
Department of Administration	37,086	83,960	121,046	30,155	209,107	0	70,335	3,084	312,680
Department of Agriculture & Consumer Services	24,077	34,059	58,136	5,456	161,345	300	23,028	15,504	205,633
Department of Commerce	125,546	126,854	252,400	15,017	260,488	67,245	11,278	13,869	367,898
Department of Community Colleges	1,687	3,698,618	3,700,304	3,209	63,896	0	0	212	67,317
Department of Correction	0	141,293	141,293	0	358,399	26,950	265,973	242,869	894,190
Department of Crime Control & Public Safety	43,035	208,776	251,811	119,581	554,022	38,845	2,270,250	56,181	3,038,878
Department of Cultural Resources	0	59,430	59,430	0	209,208	0	6,995	0	216,203
Department of Environment & Natural Resources	48,626	385,533	434,160	47,810	1,190,395	0	324,100	32,511	1,594,817
Department of Health and Human Services	343,933	1,078,535	1,422,468	502,592	3,950,696	199,270	320,438	133,394	5,106,390
Department of Insurance	0	12,070	12,070	2,341	58,225	0	512	9,253	70,331
Department of Justice	485,013	160,983	645,996	180,287	1,752,027	542,096	21,261	0	2,495,670
Department of Juvenile Justice & Deliquency Prevent	136	204,840	204,976	7,278	708,410	0	32,834	23,410	771,933
Department of Labor	1,707	20,683	22,390	2,276	231,939	0	18,482	0	252,698
Department of Public Instruction	54,904	54,244	109,148	58,844	355,354	264,674	159	4,486	683,517
Department of Revenue	499,728	1,762,236	2,261,965	965,714	1,528,877	0	45,477	0	2,540,068
Department of the Secretary of State	10,597	13,918	24,515	0	7,390	0	0	0	7,390
Department of Transportation	0	334,432	334,432	0	7,989,561	0	24,285	0	8,013,846
Employment Security Commission	0	0	0	25,042	536,336	0	0	0	561,378
NC Housing Finance Authority	0	24,839	24,839	14,564	13,853	0	0	0	28,417

Table 2-1 Software and Hardware Category Analysis

For the period ending December 31, 2000

	SOFTWARE CATEGORY			HARDWARE CATEGORY					
	MAINTENANCE	PURCHASE/ DEVELOPMENT	TOTAL	DP EQUIP REPAIR/ MAINTENANCE	DP EQUIP PURCHASE	DP EQUIP RENT/ LEASE	TELECOMM EQUIP PURCHASE	TELECOMM EQUIP RENT/ LEASE	TOTAL
NC School Science & Math	4,174	16,569	20,743	589	120,619	0	0	0	121,208
NC Wildlife Resources	0	12,828	12,828	8,949	159,338	1,995	42,479	74	212,834
Office of Administrative Hearings	0	498	498	395	553	0	0	0	948
Office of the Governor	15,628	27,980	43,608	56	42,175	0	0	1,671	43,902
Office of the Lieutenant Governor	0	95	95	0	0	0	0	0	0
Office of the State Auditor	0	31,984	31,984	136	104,841	0	0	0	104,977
Office of the State Controller	380,119	90,729	470,848	4,377	54,275	0	0	0	58,652
Office of the State Treasurer	193,577	27,041	220,618	93,942	801,529	0	0	0	895,470
State Board of Elections	0	16	16	0	45,528	0	3,223	0	48,751
TOTAL without UNC System & ITS	**2,652,195**	**9,327,707**	**11,979,902**	**2,439,472**	**25,306,688**	**1,146,656**	**3,855,495**	**582,559**	**33,330,870**
UNC System	4,377,953	2,098,330	6,476,284	2,043,441	12,785,663	1,142,510	530,072	96,359	16,598,045
TOTAL without ITS	**7,030,149**	**11,426,037**	**18,456,186**	**4,482,913**	**38,092,351**	**2,289,166**	**4,385,566**	**678,919**	**49,928,915**
Office of Information Technology Services	**14,006,311**	**1,695,583**	**15,701,894**	**2,086,587**	**3,747,495**	**0**	**53,643**	**0**	**5,887,725**

Table 2-2 Software and Hardware Category Analysis
UNC System Agencies
For the period ending December 31, 2000

	SOFTWARE CATEGORY			HARDWARE CATEGORY					
	MAINTENANCE	PURCHASE/ DEVELOPMENT	TOTAL	DP EQUIP REPAIR/ MAINT	DP EQUIP PURCHASE	DP EQUIP RENT/ LEASE	TELECOMM EQUIP PURCHASE	TELECOMM EQUIP RENT/ LEASE	TOTAL
Appalachian State University	165,119	55,280	220,399	101,417	966,969	121,530	192,687	11,854	1,394,456
East Carolina University	649,527	533,905	1,183,433	469,881	2,148,679	132,884	146,581	0	2,898,026
Elizabeth City State University	2,231	56,687	58,918	72,716	215,683	0	11,849	2,043	302,291
Fayetteville State University	96,662	65,261	161,923	102,558	152,864	0	2,347	0	257,770
NC A&T State University	0	0	0	204,343	588,363	2,379	0	0	795,085
NC Central University	93,978	76,928	170,905	69,321	446,330	0	78,375	9,724	603,750
NC School of Arts	6,155	18,329	24,484	134,578	483,000	0	2,027	6,825	626,429
NC State University	906,120	180,912	1,087,032	192,044	2,353,188	147,029	44,316	32,402	2,768,978
UNC Asheville	96,757	82,391	179,148	569	396,131	0	25,026	2,753	424,480
UNC Chapel Hill	700,646	95,400	796,046	244,130	917,340	5,979	0	4,491	1,171,940
UNC Charlotte	689,820	454,033	1,143,853	21,549	1,013,922	0	10,890	2,321	1,048,683
UNC General Administration	538,374	179,277	717,651	4,737	286,058	0	12,376	5,314	308,485
UNC Greensboro	245,380	199,318	444,698	96,586	913,103	0	0	4,078	1,013,766
UNC Hospital	0	0	0	0	0	721,170	0	0	721,170
UNC Pembroke	84,458	16,038	100,497	673	105,461	4,648	3,598	0	114,380
UNC Wilmington	60,029	39,841	99,870	264,143	906,876	2,150	0	14,555	1,187,724
Western Carolina University	42,697	44,731	87,428	64,195	571,682	4,743	0	0	640,620
Winston-Salem State University	0	0	0	0	320,014	0	0	0	320,014
TOTAL	**4,377,953**	**2,098,330**	**6,476,284**	**2,043,441**	**12,785,663**	**1,142,510**	**530,072**	**96,359**	**16,598,045**

Budget to Actual Comparison

Table 3-1 Budget to Actual Comparison provides an indication of budget utilization for IT expenditures as of end of the report period. A 50 % utilization rate indicates that the agency would spend 100% of their budget by fiscal year end.

The total budget estimate is calculated using PMIS budgeted salary information and, for all other cost categories, the authorized budget amounts as posted within NCAS. Agency budgets are controlled at the certification level which is a more summarized level than the NCAS accounts within some IT expenditure categories. The State Budget Manual allows agencies flexibility to maintain their budgets at a different level than they post expenditures, and many agencies take advantage of this flexibility. It is expected that for some agencies this report includes detail expenditures without corresponding budget amounts.

This table does not include the UNC System agencies or the Department of Transportation. Department of Transportation does not provide budgetary data from their financial system at this time. UNC System agencies are allowed to post budgets at a highly summarized level; therefore, none of the budget can be identified within NCAS as related to IT cost categories.

Table 3-1 Budget to Actual Comparison
For the period ending December 31, 2000

	PMIS ANNUAL BUDGETED SALARY	AUTHORIZED BUDGET NON-SALARY ACCOUNTS	TOTAL BUDGET ESTIMATE	YTD ACTUAL	ACTUAL as % of BUDGET Note 1
Administrative Office of the Courts	8,215,409	21,475,983	29,691,392	12,467,497	41.99%
Comprehensive Major Medical Plan	51,145	18,893	70,038	38,477	54.94%
Department of Administration	2,177,024	2,904,846	5,081,870	2,995,224	58.94%
Department of Agriculture & Consumer Services	2,290,741	1,956,776	4,247,517	1,744,173	41.06%
Department of Commerce	1,760,946	3,574,206	5,335,152	2,419,038	45.34%
Department of Community Colleges	2,289,657	15,653,919	17,943,576	5,264,002	29.34%
Department of Correction	5,818,286	18,028,133	23,846,419	10,780,628	45.21%
Department of Crime Control & Public Safety	2,535,796	10,353,722	12,889,518	5,835,733	45.28%
Department of Cultural Resources	455,417	1,618,889	2,074,306	774,559	37.34%
Department of Environment & Natural Resources	6,426,492	14,220,336	20,646,828	8,761,056	42.43%
Department of Health and Human Services	25,405,589	87,454,406	112,859,995	67,609,151	59.91%
Department of Insurance	980,020	1,075,327	2,055,347	923,998	44.96%
Department of Justice	4,012,398	15,736,021	19,748,419	7,201,266	36.47%
Department of Juvenile Justice & Deliquency Preven	1,090,365	3,507,256	4,597,621	3,841,848	83.56%
Department of Labor	1,074,479	1,506,654	2,581,133	1,238,195	47.97%
Department of Public Instruction	5,631,058	5,259,587	10,890,645	4,685,157	43.02%
Department of Revenue	7,705,769	23,075,326	30,781,095	15,175,528	49.30%
Department of the Secretary of State	563,736	958,827	1,522,563	362,416	23.80%
Employment Security Commission	7,290,996	14,612,094	21,903,090	8,195,110	37.42%
NC Housing Finance Authority	364,513	199,154	563,667	303,046	53.76%
NC School Science & Math	380,219	604,207	984,426	382,860	38.89%
NC Wildlife Resources	755,809	1,159,130	1,914,939	1,743,617	91.05%
Office of Administrative Hearings	49,527	87,684	137,211	46,997	34.25%
Office of the Governor	2,008,795	754,623	2,763,418	1,230,142	44.52%
Office of the Lieutenant Governor	0	20,637	20,637	7,044	34.13%
Office of the State Auditor	969,832	377,197	1,347,029	727,000	53.97%
Office of the State Controller	1,565,963	6,951,880	8,517,843	3,724,797	43.73%
Office of the State Treasurer	2,505,125	22,456,788	24,961,913	6,612,623	26.49%
State Board of Elections	274,551	3,037,308	3,311,859	1,163,029	35.12%
TOTAL without DOT or ITS	**94,649,657**	**278,639,808**	**373,289,466**	**176,254,211**	**47.22%**
Office of Information Technology Services	**28,014,512**	**167,984,262**	**195,998,774**	**75,283,826**	**38.41%**

Note 1: In the Software, Hardware, Supplies, Telecommunications/Networking, and Mainframe Services categories, the State Budget Manual allows agencies some flexibility to maintain their budget at a different level than they post expenditures.

UNC System Agencies - Current vs. Prior Year

In lieu of a budget to actual comparison, Table 3-2 Current versus Prior Year Expenditures indicates the rate of expenditure for UNC System agencies. A 50% rate indicates the university is expected to spend the same amount for IT expenditures as in the previous year.

The previous year total amount is adjusted to include amounts posted to the NCAS account, Communication Cable Contracts. This account is added to the Telecommunications and Networking Services cost category as of this edition of the Information Technology Expenditures Report.

Table 3-2 Current Versus Prior Year Expenditures
UNC System Agencies
For the period ending December 31, 2000

	Current Expenditure Estimate at 12/31/00	PMIS Salary & Fringes at 06/30/00	Non-Salary Expenditures at 06/30/00	Total Expenditures at 06/30/00	Current Exp as % of Prior Year
Appalachian State University	5,741,244	4,933,559	7,805,748	12,739,307	45.07%
East Carolina University	11,369,571	11,065,178	12,650,034	23,715,211	47.94%
Elizabeth City State University	901,950	810,741	1,808,756	2,619,497	34.43%
Fayetteville State University	1,245,232	934,921	1,934,667	2,869,588	43.39%
NC A&T State University	3,201,427	3,120,760	4,303,357	7,424,117	43.12%
NC Central University	1,837,404	1,142,926	2,969,850	4,112,777	44.68%
NC School of Arts	1,198,386	399,600	1,647,466	2,047,065	58.54%
NC State University	25,827,914	25,441,679	32,529,997	57,971,676	44.55%
UNC Asheville	1,449,819	1,269,840	1,465,596	2,735,436	53.00%
UNC Chapel Hill	40,084,749	56,203,081	23,584,622	79,787,703	50.24%
UNC Charlotte	7,181,615	7,452,681	11,226,142	18,678,823	38.45%
UNC General Administration	11,139,913	1,738,211	14,799,439	16,537,651	67.36%
UNC Greensboro	5,788,331	5,635,307	8,149,564	13,784,871	41.99%
UNC Hospital	6,742,183	8,542,590	6,772,396	15,314,985	44.02%
UNC Pembroke	1,078,920	1,266,374	2,046,182	3,312,557	32.57%
UNC Wilmington	3,906,510	4,050,192	4,832,848	8,883,040	43.98%
Western Carolina University	2,333,828	2,336,020	3,334,743	5,670,764	41.16%
Winston-Salem State University	1,569,935	1,051,888	4,184,809	5,236,697	29.98%
TOTAL	**132,598,932**	**137,395,548**	**146,046,217**	**283,441,764**	**46.78%**

Salary and Fringe Benefit Cost Estimates

Table 4-1 Annual Budgeted Salary and Fringe Estimate for non-UNC System Agencies and Table 4-2 Annual Budgeted Salary and Fringe Estimate for UNC System Agencies list by agency the total FTEs for permanent, full-time and part-time IT positions and the annual budgeted salary amount for these positions. Data for these tables come from PMIS and include both vacant and filled IT positions. A position is identified as IT related based on the position's PMIS class code.

UNC System agencies operating their own payroll systems are not required to enter EPA position information into PMIS. Therefore, Table 4-2 may not include all IT positions established within the UNC System.

Fringe benefit amounts are not maintained within PMIS and are calculated in these tables based on the following criteria:

- OASDI – 6.2% of budgeted salary amount capped at $76,200 per FTE
- HI – 1.45% of budgeted salary amount
- Retirement – 7.13% of budgeted salary amount
- Hospitalization -- $2255.76 per FTE

Other fringe benefit costs such as longevity or overtime pay can not be readily estimated and are not included.

The totals from these tables are adjusted for the reporting period and are used to estimate personnel expenditures in Table 1-1 and Table 1-2.

Table 4-1 Annual Budgeted Salary and Fringe Estimate
All IT Positions
For the Period Ending December 31, 2000
Non-UNC System Agencies

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
Adminstrative Office of the Courts	117.00	6,943,588.00	412,137.37	100,682.03	495,077.82	263,923.92	8,215,409.14	$70,217.17
Comprehensive Major Medical Plan	1.00	42,594.00	2,640.83	617.61	3,036.95	2,255.76	51,145.15	$51,145.15
Department of Administration	35.00	1,829,557.00	111,538.93	26,528.58	130,447.41	78,951.60	2,177,023.52	$62,200.67
Department of Agriculture & Consumer Services	41.00	1,917,727.00	115,987.06	27,807.04	136,733.94	92,486.16	2,290,741.19	$55,871.74
Department of Commerce	32.00	1,472,236.00	90,207.89	21,347.42	104,970.43	72,184.32	1,760,946.06	$55,029.56
Department of Community Colleges	37.00	1,924,470.00	116,604.33	27,904.81	137,214.71	83,463.12	2,289,656.98	$61,882.62
Department of Correction	102.00	4,873,055.00	297,035.12	70,659.30	347,448.82	230,087.52	5,818,285.76	$57,042.02
Department of Crime Control & Public Safety	36.00	2,140,137.00	130,828.18	31,031.99	152,591.77	81,207.36	2,535,796.30	$70,438.79
Department of Cultural Resources	9.00	379,086.00	23,503.33	5,496.75	27,028.83	20,301.84	455,416.75	$50,601.86
Department of Environment & Natural Resources	117.00	5,375,904.00	325,411.77	77,950.61	383,301.96	263,923.92	6,426,492.26	$54,927.28
Department of Health and Human Services	370.75	21,421,109.00	1,310,225.42	310,606.08	1,527,325.07	836,323.02	25,405,588.59	$68,524.85
Department of Insurance	15.05	825,111.00	50,165.56	11,964.11	58,830.41	33,949.19	980,020.28	$65,117.63
Department of Justice	69.00	3,364,159.00	203,947.08	48,780.31	239,864.54	155,647.44	4,012,398.36	$58,150.70
Department of Juvenile Justice & Delinquency Prev	16.00	920,176.00	55,145.90	13,342.55	65,608.55	36,092.16	1,090,365.16	$68,147.82

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
Department of Labor	16.00	904,676.00	56,089.91	13,117.80	64,503.40	36,092.16	1,074,479.27	$67,154.95
Department of Public Instruction	71.75	4,770,052.00	289,884.60	69,165.75	340,104.71	161,850.78	5,631,057.84	$78,481.64
Department of Revenue	155.50	6,414,266.00	390,387.90	93,006.86	457,337.17	350,770.68	7,705,768.60	$49,554.78
Department of the Secretary of State	9.00	474,390.00	28,341.44	6,878.65	33,824.01	20,301.84	563,735.94	$62,637.33
Department of Transportation	253.00	12,946,297.00	780,918.09	187,721.31	923,070.98	570,707.28	15,408,714.65	$60,904.01
Employment Security Commission	121.00	6,125,811.00	366,643.39	88,824.26	436,770.32	272,946.96	7,290,995.93	$60,256.16
NC Housing Finance Authority	6.00	305,784.00	18,958.61	4,433.87	21,802.40	13,534.56	364,513.44	$60,752.24
NC School of Science & Math	7.00	317,502.00	19,685.12	4,603.78	22,637.89	15,790.32	380,219.12	$54,317.02
NC Wildlife Resources	13.00	633,427.00	38,709.20	9,184.69	45,163.35	29,324.88	755,809.12	$58,139.16
Office of Administrative Hearings	1.00	41,184.00	2,553.41	597.17	2,936.42	2,255.76	49,526.76	$49,526.76
Office of Information Technology Services	361.00	23,771,916.00	1,388,636.13	344,692.78	1,694,937.61	814,329.36	28,014,511.89	$77,602.53
Office of the Governor	34.00	1,685,024.00	102,499.95	24,432.85	120,142.21	76,695.84	2,008,794.85	$59,082.20
Office of the State Auditor	15.00	815,717.00	50,290.18	11,827.90	58,160.62	33,836.40	969,832.10	$64,655.47
Office of the State Controller	25.00	1,315,887.00	80,779.12	19,080.36	93,822.74	56,394.00	1,565,963.22	$62,638.53
Office of the State Treasurer	41.00	2,105,226.00	126,784.54	30,525.78	150,102.61	92,486.16	2,505,125.09	$61,100.61
State Board of Elections	4.00	231,982.00	13,641.61	3,363.74	16,540.32	9,023.04	274,550.71	$68,637.68
Total:	2,131.05	116,288,050.00	7,000,181.98	1,686,176.72	8,291,337.96	4,807,137.35	138,072,884.02	$64,791.01

Table 4-2 Annual Budgeted Salary and Fringe Estimate
All IT Positions
For the Period Ending December 31, 2000
UNC System Agencies

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
Appalachian State University	99.75	4,232,269.00	261,415.62	61,367.90	301,760.78	225,012.06	5,081,825.36	$50,945.62
East Carolina University	226.55	10,028,557.00	621,255.69	145,414.08	715,036.11	511,042.43	12,021,305.30	$53,062.48
Elizabeth City State University	19.00	719,840.00	44,630.08	10,437.68	51,324.59	42,859.44	869,091.79	$45,741.67
Fayetteville State University	29.00	932,930.00	57,841.66	13,527.49	66,517.91	65,417.04	1,136,234.09	$39,180.49
NC A&T	70.00	2,640,957.00	163,739.33	38,293.88	188,300.23	157,903.20	3,189,193.64	$45,559.91
NC Central University	24.00	963,814.00	59,756.47	13,975.30	68,719.94	54,138.24	1,160,403.95	$48,350.16
NC School of the Arts	8.00	341,948.00	21,200.78	4,958.25	24,380.89	18,046.08	410,533.99	$51,316.75
NC State University	399.24	22,250,281.00	1,373,202.47	322,629.07	1,586,445.04	900,589.62	26,433,147.21	$66,208.66
UNC Asheville	27.00	1,084,267.00	67,224.55	15,721.87	77,308.24	60,905.52	1,305,427.18	$48,349.15
UNC Chapel Hill	869.22	52,079,335.00	3,213,302.09	755,150.36	3,713,256.59	1,960,751.71	61,721,795.74	$71,008.26
UNC Charlotte	123.99	6,533,907.00	405,102.23	94,741.65	465,867.57	279,691.68	7,779,310.14	$62,741.43
UNC General Administration	30.75	1,545,546.00	95,823.85	22,410.42	110,197.43	69,364.62	1,843,342.32	$59,946.09
UNC Greensboro	120.50	5,085,255.00	315,285.81	73,736.20	362,578.68	271,819.08	6,108,674.77	$50,694.40
UNC Hospital	149.75	7,099,949.00	435,972.59	102,949.26	506,226.36	337,800.06	8,482,897.28	$56,647.06

AGENCY	TOTAL FTE'S	ANNUAL BUDGETED SALARY	OASDI	HI	RETIRE	HOSPITAL	TOTAL	AVERAGE PER FTE
UNC Pembrooke	28.00	1,117,527.00	68,625.88	16,204.14	79,679.68	63,161.28	1,345,197.97	$48,042.78
UNC Wilmington	83.00	3,538,663.00	218,450.24	51,310.61	252,306.67	187,228.08	4,247,958.61	$51,180.22
Western Carolina University	43.50	2,068,067.00	128,169.44	29,986.97	147,453.18	98,125.56	2,471,802.15	$56,823.04
Winston-Salem State University	26.00	1,021,312.00	62,857.52	14,809.02	72,819.55	58,649.76	1,230,447.85	$47,324.92
Total:	2,377.25	123,284,424.00	7,613,856.31	1,787,624.15	8,790,179.43	5,362,505.46	146,838,589.35	$61,768.26

Salary Cost by Position Status

Table 5-1 Annual Budgeted Salary Estimate by Position Status for non UNC System agencies divides the annual budgeted salary and fringes amount by position status within an agency. The position status determines whether a position is filled or vacant at the end of the report period (December 31, 2000). With approval, salary reserve generated by a vacant position can be rebudgeted to another category.

Table 5-2 Annual Budgeted Salary Estimate by Position Status for UNC System agencies lists this same information by university.

Table 5-1 Annual Budgeted Salary Estimate By Position Status
All IT Positions

For the Period EndingDecember 31, 2000

Non-UNC System Agencies

AGENCY	FILLED POSITIONS	VACANT POSITIONS	TOTAL POSITIONS	% VACANT OF TOTAL
Adminstrative Office of the Courts	$7,178,841.85	$1,036,567.29	$8,215,409.14	12.62%
Comprehensive Major Medical Plan	$51,145.15		$51,145.15	
Department of Administration	$1,834,621.30	$342,402.22	$2,177,023.52	15.73%
Department of Agriculture & Consumer Services	$2,155,740.22	$135,000.98	$2,290,741.19	5.89%
Department of Commerce	$1,462,438.01	$298,508.05	$1,760,946.06	16.95%
Department of Community Colleges	$2,102,543.92	$187,113.06	$2,289,656.98	8.17%
Department of Correction	$5,561,151.48	$257,134.27	$5,818,285.76	4.42%
Department of Crime Control & Public Safety	$2,277,172.67	$258,623.63	$2,535,796.30	10.20%
Department of Cultural Resources	$455,416.75		$455,416.75	
Department of Environment & Natural Resources	$5,769,818.44	$656,673.82	$6,426,492.26	10.22%
Department of Health and Human Services	$23,050,071.96	$2,355,516.63	$25,405,588.59	9.27%
Department of Insurance	$754,638.93	$225,381.35	$980,020.28	23.00%
Department of Justice	$3,802,226.48	$210,171.88	$4,012,398.36	5.24%
Department of Juvenile Justice & Delinquency Pre	$552,351.91	$538,013.25	$1,090,365.16	49.34%
Department of Labor	$1,048,009.52	$26,469.75	$1,074,479.27	2.46%
Department of Public Instruction	$4,872,817.32	$758,240.52	$5,631,057.84	13.47%
Department of Revenue	$6,842,473.35	$863,295.25	$7,705,768.60	11.20%
Department of the Secretary of State	$478,271.24	$85,464.71	$563,735.94	15.16%
Department of Transportation	$12,382,241.76	$3,026,472.89	$15,408,714.65	19.64%
Employment Security Commission	$6,631,325.58	$659,670.35	$7,290,995.93	9.05%
NC Housing Finance Authority	$304,867.68	$59,645.76	$364,513.44	16.36%
NC School of Science & Math	$262,054.74	$118,164.38	$380,219.12	31.08%
NC Wildlife Resources	$755,809.12		$755,809.12	
Office of Administrative Hearings	$49,526.76		$49,526.76	
Office of Information Technology Services	$23,926,451.93	$4,088,059.95	$28,014,511.89	14.59%
Office of the Governor	$1,631,540.17	$377,254.68	$2,008,794.85	18.78%
Office of the State Auditor	$969,832.10		$969,832.10	
Office of the State Controller	$1,565,963.22		$1,565,963.22	
Office of the State Treasurer	$2,403,386.88	$101,738.21	$2,505,125.09	4.06%
State Board of Elections	$274,550.71		$274,550.71	
Total:	$121,407,301.15	$16,665,582.88	$138,072,884.02	12.07%

Table 5-2 Annual Budgeted Salary Estimate By Position Status

All IT Positions

For the Period Ending December 31, 2000

UNC System Agencies

AGENCY	FILLED POSITIONS	VACANT POSITIONS	TOTAL POSITIONS	% VACANT OF TOTAL
Appalachian State University	$4,994,868.52	$86,956.85	$5,081,825.36	1.71%
East Carolina University	$10,387,425.56	$1,633,879.74	$12,021,305.30	13.59%
Elizabeth City State University	$779,954.13	$89,137.67	$869,091.79	10.26%
Fayetteville State University	$1,049,749.40	$86,484.69	$1,136,234.09	7.61%
NC A&T	$2,821,363.55	$367,830.10	$3,189,193.64	11.53%
NC Central University	$992,142.02	$168,261.93	$1,160,403.95	14.50%
NC School of the Arts	$410,533.99		$410,533.99	
NC State University	$21,282,431.52	$5,150,715.69	$26,433,147.21	19.49%
UNC Asheville	$1,252,338.80	$53,088.38	$1,305,427.18	4.07%
UNC Chapel Hill	$49,315,092.55	$12,406,703.18	$61,721,795.74	20.10%
UNC Charlotte	$6,748,223.92	$1,031,086.21	$7,779,310.14	13.25%
UNC General Administration	$1,507,040.33	$336,301.99	$1,843,342.32	18.24%
UNC Greensboro	$5,511,421.93	$597,252.84	$6,108,674.77	9.78%
UNC Hospital	$6,851,689.87	$1,631,207.40	$8,482,897.28	19.23%
UNC Pembrooke	$1,256,468.93	$88,729.05	$1,345,197.97	6.60%
UNC Wilmington	$4,142,175.55	$105,783.06	$4,247,958.61	2.49%
Western Carolina University	$2,444,724.06	$27,078.08	$2,471,802.15	1.10%
Winston-Salem State University	$925,928.77	$304,519.08	$1,230,447.85	24.75%
Total:	$122,673,573.41	$24,165,015.93	$146,838,589.35	16.46%

Comparison of IT to Total Position Counts

Table 6-1 IT Position FTE versus Total Position FTEs compares the FTE count for all IT positions to total FTEs by agency. The FTE count for IT positions is further divided by position status (filled or vacant) as of December 31. The agencies are grouped by legislative committee.

Table 6-1 IT Position FTEs versus Total Position FTEs

For the Period Ending December 31, 2000

Agency	Filled IT Positions	Vacant IT Positions	Total IT Positions	Total All Positions	% IT of Total
Education					
Department of Community Colleges	34.00	3.00	37.00	182.50	20.27%
Department of Public Instruction	63.75	8.00	71.75	507.75	14.13%
NC School of Science & Math	5.00	2.00	7.00	190.25	3.68%
UNC System	1,959.12	418.13	2,377.25	32,128.86	7.40%
Education Total:	2,061.87	431.13	2,493.00	33,009.36	7.55%
General Government					
Department of Administration	29.00	6.00	35.00	1,046.25	3.35%
Department of Cultural Resources	9.00	0.00	9.00	821.43	1.10%
Department of Insurance	11.00	4.05	15.05	414.45	3.63%
Department of Revenue	133.50	22.00	155.50	1,283.50	12.12%
Department of the Secretary of State	7.00	2.00	9.00	195.75	4.60%
NC Housing Finance Authority	5.00	1.00	6.00	104.00	5.77%
Office of Administrative Hearings	1.00	0.00	1.00	45.00	2.22%
Office of the Governor	26.00	8.00	34.00	206.00	16.50%
Office of the Lieutenant Governor				9.00	
Office of the State Auditor	15.00	0.00	15.00	194.00	7.73%
Office of the State Controller	25.00	0.00	25.00	96.75	25.84%
Office of the State Treasurer	39.00	2.00	41.00	293.50	13.97%
State Board of Elections	4.00	0.00	4.00	20.00	20.00%
General Government Total:	304.50	45.05	349.55	4,729.63	7.39%
Human Resources					
Department of Health and Human Services	332.75	38.00	370.75	19,483.70	1.90%
Human Resources Total:	332.75	38.00	370.75	19,483.70	1.90%
Justice and Public Safety					
Adminstrative Office of the Courts	102.00	15.00	117.00	5,543.88	2.11%

Agency	Filled IT Positions	Vacant IT Positions	Total IT Positions	Total All Positions	% IT of Total
Department of Correction	97.00	5.00	102.00	19,184.72	0.53%
Department of Crime Control & Public Safety	32.00	4.00	36.00	2,538.00	1.42%
Department of Justice	64.00	5.00	69.00	1,275.28	5.41%
Department of Juvenile Justice & Delinquency Prev	8.00	8.00	16.00	2,175.10	0.74%
Justice and Public Safety Total:	303.00	37.00	340.00	30,716.98	1.11%
Natural and Economic Resources					
Department of Agriculture & Consumer Services	37.00	4.00	41.00	1,405.25	2.92%
Department of Commerce	26.00	6.00	32.00	767.50	4.17%
Department of Environment & Natural Resources	106.00	11.00	117.00	3,600.81	3.25%
Department of Labor	15.00	1.00	16.00	463.01	3.46%
Employment Security Commission	109.00	12.00	121.00	1,937.25	6.25%
NC Wildlife Resources	13.00	0.00	13.00	533.00	2.44%
Office of Information Technology Services	309.00	52.00	361.00	463.00	77.97%
Natural and Economic Resources Total:	615.00	86.00	701.00	9,169.82	7.64%
Salaries Benefits Retirement					
Comprehensive Major Medical Plan	1.00	0.00	1.00	18.00	5.56%
Salaries Benefits Retirement Total:	1.00	0.00	1.00	18.00	5.56%
Transportation					
Department of Transportation	198.00	55.00	253.00	14,491.75	1.75%
Transportation Total:	198.00	55.00	253.00	14,491.75	1.75%
Total:	3,816.12	692.18	4,508.30	111,619.24	3.88%

Project Based Expenditures

To further comply with SB222 requirements, OSC implemented the project accounting functionality within NCAS to capture specific costs by IT project/system. The need for capturing project specific costs is established by G. S. 143B-472.64 Financial Reporting and Accountability for IT Investments and Expenditures. Projects subject to this additional reporting are selected based on criteria established in a joint effort by the State Controller, State Budget Officer, and Chief Information Officer. The criteria includes:

- An application development project with a budget estimate of $2 million or more that is submitted to the Information Resource Management Commission (IRMC). This includes all projects on the IRMC Statewide Projects List at July 1, 1999 as well as any new projects coming before the IRMC for certification since that date.
- An application existing prior to fiscal year 2000 that was determined to be "mission critical" by the State Auditor and selected for the Y2K audit review process.

Based on these criteria, 108 significant projects/systems have been identified to date. Agencies are identifying costs of these IT projects/systems within NCAS. However, many agencies find identifying costs for the ongoing maintenance of IT projects/systems difficult. Once an IT project/system is fully implemented and incorporated into the ongoing operations of an agency, some costs such as personnel costs and supplies are difficult to allocate without a formal costing process. Of the 108 projects identified, 84 have identifiable, reportable costs posted within NCAS during this report period. The remaining projects appear either to have no identifiable costs during this period, or are PC-based systems that do not have significant maintenance costs.

Table 7-1 IT Projects/Systems Selected for Special Reporting lists by agency all projects meeting the above criteria as of December 31, 2000. A project type of Maintenance indicates that this project/system is fully implemented and is part of the agency's ongoing operations. A project type of Development indicates this project/system is not yet complete.

This report does not include the actual amounts posted to NCAS by these specific project/systems. OSC is continuing to work with agencies to insure that all identifiable costs are being posted. Please contact OSC if additional information is required.

Table 7-1 IT Projects/Systems Selected for Special Reporting		
Agency Name	**Project/System Name**	**Project Type**
Administrative Office of the Courts	CIVIL CASE PROCESSING SYSTEM	Maintenance
	CIVIL-JUDGEMENT ABSTRACTING	Development
	CRIMINAL/INFRACTION SYSTEM	Maintenance
	END USER TECHNOLOGY	Development
	MAGISTRATE WARRANT CONTROL MODULE	Development
Department of Administration	COURIER MANAGEMENT SYSTEM	Maintenance
	MOTOR FLEET MANAGEMENT	Maintenance
Department of Agriculture & Consumer Services	FOOD DISTRIBUTION SYSTEM	Maintenance
Department of Commerce	ACCIDENT & COVERAGE, FORM LETTERS, ACCTS	Maintenance
	MEDICAL BILL APPROVAL	Maintenance
	STATE AGENCY MEDICAL BILL PROCESSING	Maintenance
Department of Community Colleges	DATA WAREHOUSE	Development
	INFORMATION SERVICES	Maintenance
	IS FOR THE FUTURE	Development
Department of Correction	BUSINESS IMPROVEMENT PROJECT	Development
	OPUS	Maintenance
Department of Crime Control & Public Safety	INFORMATION MANAGEMENT SYSTEMS	Maintenance
	MOBILE DATA NETWORK	Development
	VOICE TRUNKING NETWORK	On Hold
Department of Environment & Natural Resources	BASIN WIDE INFORMATION MANAGEMENT	Development
	FEDERAL TRUST FUND - LUST	Maintenance
	FISHERIES INFORMATION MANAGEMENT	Maintenance
	NC AGRICULTURE COST SHARE PROGRAM	Maintenance
	RADIATION TANNING	Maintenance
	RADIOACTIVE MATERIALS	Maintenance
	STATE TRUST FUND - LUST	Maintenance
	X-RAY EQUIPMENT SYSTEM	Maintenance
Department of Health and Human Services	ACCESS BROWSER LOOKUP (N-ABLE)	Maintenance
	AUTOMATED COLLECTION/TRACKING (ACTS)	Maintenance
	BUSINESS PROCESS IMPLEMENTATION	Development
	CHILD WELFARE INFORMATION SYSTEM	Development
	CONSOLIDATED CONTRACT DATA SYSTEM	Maintenance
	CSE CALL CENTER PROJECT	Development
	CYA-DSS CHILD ABUSE/NEGLECT/FATALITIE	Maintenance
	DFS MASTER FACILITY FILE REPORTING SY	Maintenance
	DMA - MMIS (DRIVE)	Maintenance
	DSS LOW INCOME HOUSING ENERGY ASSISTA	Maintenance
	ELECTRONIC BENEFITS TRANSFER	Maintenance
	ELECTRONIC INFORMATION OF NORTH CAROLINA	Development
	ENTERPRISE PROGRAM INTEGRITY CONTROL	Maintenance
	FOOD STAMP PROGRAM	Maintenance
	FRAUD AND ABUSE DETECTION SYSTEM	Development
	HEALTHQUEST	Maintenance
	HEALTHQUEST (HBOC) 2.0 SYSTEM (ARBS)	Maintenance
	HWA-THIRD PARTY QUERY (TPQ)	Maintenance
	ID TRACKING & MEASUREMENT ENHANCEMT	Development
	INTEGRATED PAYMENT REPORTING SYSTEM	Development
	MCC-MEDICAID CLAIMS PROCESSING SYS	Maintenance
	MCI-MASTER CLIENT INDEX	Maintenance
	MMIS (DMA)	Maintenance
	PQA-DSS CHILD PLACEMENT/PAYMENT SYSTE	Maintenance
	STATEWIDE CONNECTIVITY	Development
	TELECOMMUNICATIONS MODERNIZATION PROGR	Development
	VIA (SOCIAL SECURITY REIMBURSEMENT)	Maintenance
	VSD-SUPPLEMENTAL SOCIAL SEC DATA EXCH	Maintenance
Department of Health and Human Services	WDA-MEDICAID ACCOUNTING SYSTEM	Maintenance
	WORK FIRST AND MEDICAID (ELIG INFO SYS)	Maintenance
Department of Insurance	AGENT LICENSING/CONTINUING ED-SIPS	Maintenance
Department of Justice	AFIS/CCH DATA SHARING	Maintenance
	LEMS (DCI INFRASTRUCTURE)	Maintenance
	MIGRATION INITIATIVE (END USER TECH)	Development
	STATEWIDE AUTOMATED FINGERPRINT ID SYS	Development
	STATEWIDE NETWORK SECURITY INITIATIVE	Development
Department of Juvenile Justice & Deliquency Preventic	JUVENILE JUSTICE NETWORK	Development
Department of Labor	BOILER - AVION	Maintenance

Table 7-1 IT Projects/Systems Selected for Special Reporting		
Agency Name	**Project/System Name**	**Project Type**
	ELEVATOR - AVION	Maintenance
	OBSOLETE-OSHA INSP SCHEDULING & RER	Maintenance
Department of Public Instruction	(UERS) UNIFORM EDUCATION REPORTING SYS	Maintenance
	ABC TOOLS (A0003)	Maintenance
	BUDGET UTILIZATION & DEVELOPMENT	Maintenance
	BUDGETARY ALLOTMENT SYSTEM	Maintenance
	CASH MANAGEMENT	Maintenance
	CENTRAL OFFICE SIMS	Maintenance
	CHILD NUTRITION	Maintenance
	DUN & BRADSTREET-EXTERNAL	Maintenance
	DUN & BRADSTREET-INTERNAL	Maintenance
	EC HEADCOUNT REPORT	Maintenance
	PRINCIPALS MONTHLY REPORT (PMR01)	Maintenance
	SALARY ADMINISTRATION AND LICENSURE SYS	Maintenance
	STUDENT ACCOUNTING	Development
Department of Revenue	CLIENT SERVER	Maintenance
	DATA CAPTURE	Development
	ITAS	Maintenance
	NETWORK INFRASTRUCTURE	Maintenance
Department of the Secretary of State	CORP. INFORMATION MGMT & LLP	Maintenance
	INVESTMENT ADV REGIS	Maintenance
	NOTARY INFORMATION MGMT - SIPS	Maintenance
	UCC/FED TAX LIENS - SIPS	Maintenance
Office of Information Technology Services	ASSET MANAGEMENT SYSTEM	Development
	E-COMMERCE STATE PORTAL	Development
	IPX TO IP PROTOCOL MIGRATION	Development
	METRO AREA FIBER	Development
	STATEWIDE EMAIL SYSTEM	Maintenance
	VOTER REGISTRATION	Development
Office of the State Controller	CASH MANAGEMENT CONTROL SYSTEM	Maintenance
	CENTRAL PAYROLL SYSTEM	Maintenance
	NC ACCOUNTING SYSTEM (NCAS)	Maintenance
Office of the State Treasurer	BANK AND BUDGETARY CONTROL SYSTEM	Maintenance
	BANKING SYSTEM REPLACEMENT	Development
	EDMS - RETIREMENT IMAGING SYSTEM	Maintenance
	LOGICS - LOCAL GOVT INFO CONTROL SYST	Maintenance
	RETIREMENT BENEFIT PROCESSING SYSTEM	Maintenance
	RETIREMENT CONTRIB & MEMBER INFO SYST	Maintenance
	RETIREMENT PAYROLL INFORMATION SYSTEM	Maintenance
	RETIREMENT SYSTEM EDMS REPLACEMENT	Development
	TREASURY INVESTMENTS SYSTEM	Maintenance
	VSE-OS/390 SYSTEM MIGRATION	Development
	WARRANT - BANK IMAGING SYSTEM	Maintenance

AGENDA

JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

April 3, 2001

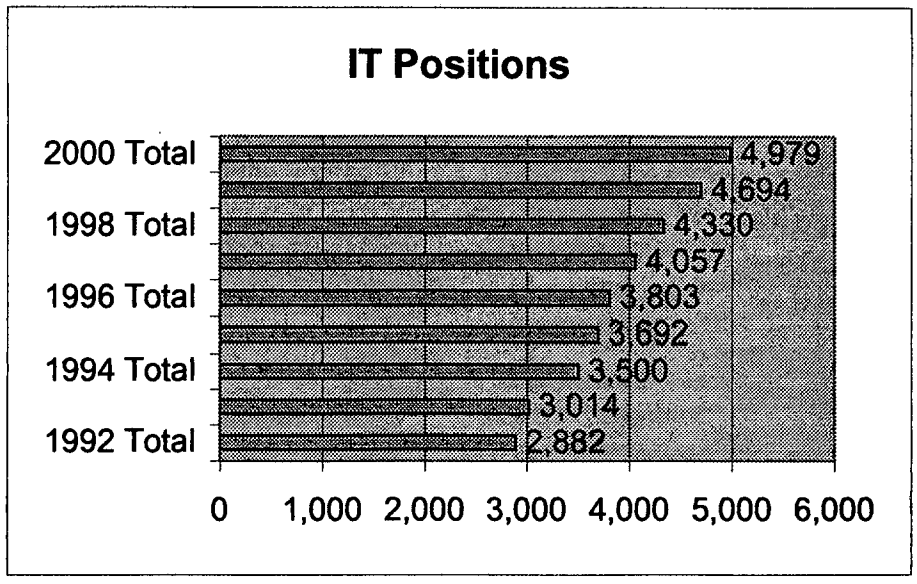
I. Information Technology Expenditures Report

II. Information Technology Personal Services Contracts (Preview)

Dwayne Pinkney
Fiscal Research Division

ATTACHMENT II

Calendar Year	Agency	#	Total
1992 Total		2,882	$91,622,516
1993 Total		3,014	$99,061,827
1994 Total		3,500	$119,557,327
1995 Total		3,692	$128,649,085
1996 Total		3,803	$138,624,756
1997 Total		4,057	$161,317,447
1998 Total		4,330	$182,821,059
1999 Total		4,694	$206,602,185
2000 Total		4,979	$228,339,044
Grand Total		34,951	$1,356,595,246



ATTACHMENT III

North Carolina Connectivity Council
Request for North Carolina Information Highway Funding
March 2001

Greetings,

On behalf of the North Carolina Connectivity Council I ask that you assist us in securing funding for the next fiscal year and beyond for the North Carolina Information Highway. In order to succeed we believe there must be agreement on a vision and purpose. The following is the Council's recommendation to you and to other members of the General Assembly:

> The North Carolina Connectivity Council is requesting 3.1 million recurring dollars to support North Carolina Information Highway video services. The Council, formerly known as the NCIH Policy Committee, is a body representing all the user groups, state agencies, and private sector partners that comprise the North Carolina Information Highway. The Council was created by Governor Hunt and has been in existence since 1994 providing guidance and support to NC ITS and NCIH sites during the evolution of the highway. The requested funds will support 47 community colleges, 9 correctional institutions, 15 health related sites, 82 high schools including 7 Cyber Campuses, 7 universities, and 30 special or state agencies. This request also supports the network backbone used by NC ITS, Administrative Office of the Courts, MCNC, libraries, Department of Public Instruction, North Carolina Community College System, Employment Security Commission and county governments across the state.
>
> This figure represents approximately one half of the funds required for network access charges for 231 sites (189 existing sites + 42 developing sites). The Council has previously endorsed a plan to share the networking charges between the state and sites. The Network Rate subcommittee endorsed this model to create funding parity and to present to the General Assembly a solution for long-term sustainability. The division of costs was based on the principle that the state would support those components of the expenses that provide for service and support of a ubiquitous, statewide network. The sites will provide the local networking costs, site operations costs, and staffing. It is recommendation of the Council that the appropriation be directed to NC ITS to provide these services.

If the NC Connectivity Council can assist you in any way please do not hesitate to contact Hunter Thompson, 910.962.3138, thompsonh@uncwil.edu.

Sincerely,

Hunter Thompson

Hunter Thompson, Chair
NC Connectivity Council

NORTH CAROLINA INFORMATION HIGHWAY FACTS

- **Operational sites 195**
- **Total Video Sessions for February 2,038**
- **Average session time is 1.48 hours/site**
- **Total session time is 3,031 hours**
- **Average number of sites per session 3**
- **Average number of students per site 11**
- **Number of student contact hours 300,023/month**
- **Total classroom 9,093 hours**
- **Monthly cost per site $2,244.38**
- **Monthly cost $2,245 x Number of sites 195 = $437,775/month**
- **Cost per month $437,775. /student contact hours 300,023 = $1.45/hr/student**
- **Video uses 768kbps of a ATM DS-1 Circuit the remainder may be used for data**
- **Data can be added to the NCIH circuit for $340.00/month**
- **SLD form 470 has been filed for every school system**

Information on NCIH can be found at **www.ncih.net**

VISITOR REGISTRATION SHEET

Information Technology — 4/3/01
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Minnich	OAO Corp. Durham, NC
BILL WADE	OAO Corp. Durham, NC
BRUCE GARNER	Sec of State
Bob Blackmon	NCCCS
Ben McLawhorn	OSC
Jim Maxwell	OSBPM
John Davis.	OSBPM
Bob Bellamy	DPI
Benny E. Hendrix	DPI
Ken Melton	Alley Associates
Lee Mandell	NCLM
John T. Kilbourne	MCNC
K Dan Moore	CACI
AL ADAMS	Parker, Poe, Adams, Bernstein LLP
A. Jami Craig	LCA
P. D. LaBarbera	ITS
B. Y. Justus	ACS
Ron Hawley	ITS
BILL COX	DHHS
Scott Peters	AOC
Don McConnaughhay	SAS
JACK BEST	KCI / KPMG
Emily Talcham	Smith Anderson
Fred Perkins	Dept of Corrections
DAVID M BARNES	Polyhill Spinnill
PAUL MAYER	NCACC
Alfred M Mays	UNC-GA
Doris Weaver	NC CWA Political Council
Heather Thompson	NC Connectivity Council

VISITOR REGISTRATION SHEET

Information Technology — 4-3-01

Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sheila McKenney	NC DOI

MINUTES

APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Thresday, April 5, 2001
8:30 a.m.
Room 1425, Legislative Building

The Appropriations Subcommittee on Information Technology met on Thursday, April 5, 2001, at 8:30 a.m. in Room 1425, Legislative Building. Senators Reeves, Hagan, Foxx, and Representatives Tolson, Tucker, Hensley, Hilton, Miller and Walend were present.

Representative Russell Tucker presided at the meeting. The chair recognized Senate Page Justin Williams, House Pages Warren Crider and J. R. Garner, Senate Sergeant at Arms Ron Spann and Ernie Sherrell, and House Senate at Arms Donnell Leathers.

Chairman Tucker recognized ITMAC chair, Fred Aikens, for a presentation. Aikens reviewed his North Carolina General Assembly staff experience and dealings with agencies including SIPS. He stated that in his position at DOT he learned SIPS played an important role in driver licensing legislation.

Department of Corrections Chief Information Officer, Bob Brinson, discussed the process consultants provide to the department. Responding to questions, Brinson indicated contractors are also used to get current department staff into new skills. He also stated the department does not have trouble keeping employees once they are trained. Contractors are paid $65. to $130 per hour with an average being $75. When positions are available and filled the state employee salary would be $65. an hour.

One concern expressed by the committee was that contracting should be looked at in order that contracting relationships do not last seven, eight or ten years. It was brought out during discussion that the department needs programming staff to become more efficient and that the department should look at contractors becoming employees.

General discussion further centered on the relationship with ITMAC and IRMS. Staff member Peter Capriglione was asked to compile a list of ITMAC and IRMC members for the committee.

The visitors present are reflected on the **Visitor Information** sheet, which is attached hereto and made a part of these minutes by reference.

The committee meeting adjourned at 9:40 AM.

Representative Russell Tucker, Co-Chair

VISITOR REGISTRATION SHEET

Appropriations Subcommittee on Information Technology 4-5-01

Name of Committee | Date

VISITORS PLEASE REGISTER AND RETURN TO COMMITTEE CLERK

Name	Title	Firm or Agency	Address	Email	Phone	Fax
Lee Mandell	Dir of IT	NCLM		lmandell@nclm.org	715.3933	
Ben McLawhorn	Int. Audit Mgr	DSC	3512 Bush St Ral, NC 27609	bmclawho@mail.state.nc.us	981-5409	981-5567
Gwen Canady	Chief Deputy	DSC	"	gcanadg@mail.state.nc.us	981-5405	981-5567
Brenda Rogers	Vice President of Administration	NC Community College System	200 W. Jones St.	rogersb@nccccs.cc.nc.us	733-7051	
Richard Little	Asst Deputy Director	AOC	2000 Yonkers Rd	richard.little@aoc.state.nc.us	7165011	7331103
ROBERT BRINSON	CIO, CORRECTION	DOC	2020 YONKERS RD; RALEIGH	bbrinson@doc.state.nc.us	716-3504	716-3972

Name	Title	Firm or Agency	Address	Email	Phone	Fax
Bruce Garner	Deputy Secretary	Sec of State	2 South Salisbury St ORB	bgarner@mail.secstate.state.nc.us	807-2195	807-2073
Caroline Jackson	IRM Planner	DHHS - DIRM	695 Palmer Dr Raleigh	caroline.jackson@nemail.net	715-1380	733-8871
B.S Blackmon	Assoc. VP Info. Resources & Technology	NC Community college	5006 Mail Service Ctr.	blackmonb@ncccs.cc.nc.us	733-7051	733-0680
Bill Kurdys	Director MIS	DOC	2020 Yonkers Rd Raleigh	bkurdys@doc.state.nc.us	716-3503	716-3972
Ken McHon		Alley Associates	840 Washington St.	kmchon@alleyinc.com	832-4771	
Margaret Westbrook		Kennedy Covington	PO Box 1070 Raleigh, NC 27602	mwestbrook@kennedycovington.com	743-7311	743-7358
Alfred Mays	Dir of Special Projects	UNC-GA IR	910 Raleigh Rd Chapel Hill, NC 27514	amays@northcarolina.edu	843-5909	962-4734
Jan Jones	Exec Dir	NCASA	214 New Bern Rd	JJones@NCASA.Net	828-1126	828-6099

Name	Title	Firm or Agency	Address	Email	Phone	Fax
JOHN DAVIS	IT MANAGER	OSBM	ADMIN. BLDG	JOHN.DAVIS@NCMAIL.DET	3-7061	
Cara Cobb		BPM HL	Raleigh			
Benny Hendrix	Director	DPI	301 N. Wilmington St Raleigh 27601	bhendrix@dpi.state.nc.us	807-3190	807-3421
Frances Bradburn	Director Instructional Technology	DPI	"	fbradburn@dpi.state.nc.us	807-3292	807-3290
JB Buxton	SBE	SBE	"	jbuxton@dpi.state.nc.us	807-3402	807-3198
Jami Craig	Sr. Policy Analyst	LCA	5 West Hargett Ral.	Rokajin@bellsouth.net	834-1211	834-4891
Bekie STREET		Parker Poe Adams & Bernstein	P.O. Box 389 Raleigh NC 27602	bps@ppab.com	828-0564	834-4564
BILL COX	DIRECTOR INFORMATION RESOURCE MGMT.	DHHS	695 PALMER DR. DRX CAMPUS	BILL.COX@NCMAIL.NET	733-8900	733-8871

Name	Title	Firm or Agency	Address	Email	Phone	Fax
AL ADAMS	PARTNER	PARKER, POE, ADAMS + BERNSTEIN LLP	1 UNION CAPITOL CENTER - STE 1400	[redacted] parkerpoe.com	828-0[illegible]4	834-4564
Crissy Porter	Lobbyist	Bone & Associates	PO Box 2586 Raleigh	Cporter[illegible] bellsouth.net	832-0207	821-9070

MINUTES

APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Tuesday, April 10, 2001
8:30 a.m.
Room 1425, Legislative Building

The Appropriations Subcommittee on Information Technology met on Tuesday, April 10, 2001, at 8:30 a.m. in Room 1425, Legislative Building. Senator Virginia Foxx, and Representatives Tolson, Tucker, Harrington, Hilton, Miller and Walend were present.

Representative Russell Tucker presided at the meeting. The chair recognized Senate Pages Steven Sulana and Richie Capps, House Page Christopher Dionne, Senate Sergeant at Arms Ron Spann and Mary Perry, and House Senate at Arms Donnell Leathers.

Chairman Tucker recognized Bob Bellamy, Department of Public Instruction for a presentation on NC WISE (North Carolina Window of Information on Student Education). His **presentation is attached hereto** and made a part of these minutes by reference.

During the presentation questions were asked concerning whether the project is on schedule. Mr. Bellamy responded it is 5 months behind schedule and over budget but moving well. Responding to questions on cost savings, Mr. Bellamy indicated that working with the community college and university system should eventually provide savings when data can be shared between systems. He confirmed the department's involvement with Information Technology Services, indicating ITS representatives were on the committee to design and implement the system and met on a regular basis.

Referring to page 8 of the presentation handout, Representative Paul Miller requested details of maintenance costs.

Chairman Tucker announced a tour of the Information Technology Services facility and urged members to attend.

Visitors present are reflected on the **Visitor Information** sheet, which is attached hereto and made a part of these minutes by reference.

The committee meeting adjourned at 9:50 AM.

Representative Russell Tucker, Co-Chair

PUBLIC SCHOOLS OF NORTH CAROLINA

NC WISE

North Carolina
Window of Information on Student Education

Presentation
to the
Joint IT Appropriations Subcommittee
April 10, 2001

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

The Key Objectives of NC WISE:

- **Provide comprehensive, integrated, easy-to-use system supporting day-to-day public school operations, classroom management, and instructional support.**
- **Deliver a flexible and easy to use information access, extraction, analysis, and decision-support capability that supports information sharing, program analyses, performance measurement, and decision making at all levels of the state public schools.**
- **Implement a system based on sound and up-to-date architecture that adheres to the principles and best practices of the North Carolina Statewide Technical Architecture, and is cost-effective to deploy, support, and maintain.**

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

The Current System

(Student Information Management System-SIMS)

- First Installed in SY 1984-85
- Currently installed in 2000+ schools
- Outdated Technology
  - Database developed in early 1980s; experiencing numerous problems
  - Designed on a DOS platform
  - Incompatible with Windows ME or 2000
  - Has difficulty with current Novell LAN environment
  - No support for Macintosh computers
  - Decentralized (each school has separate database)

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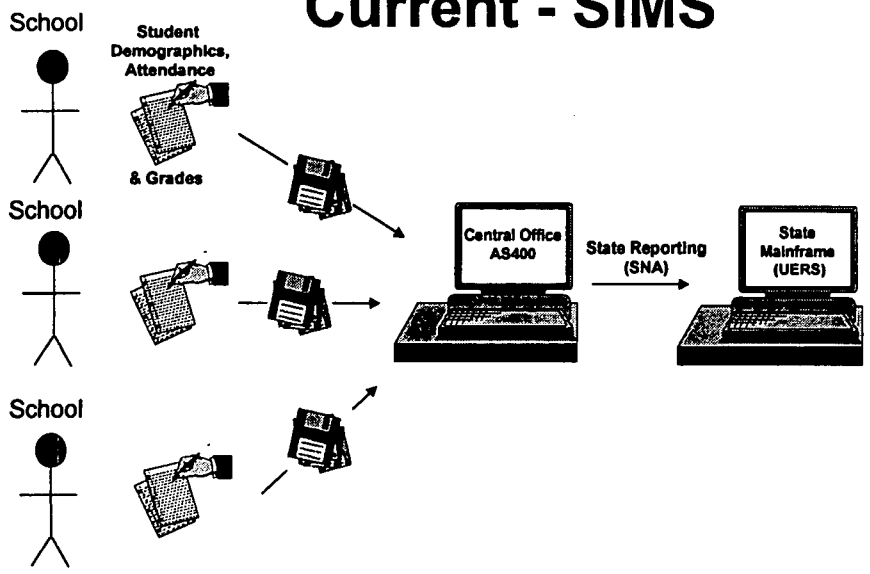
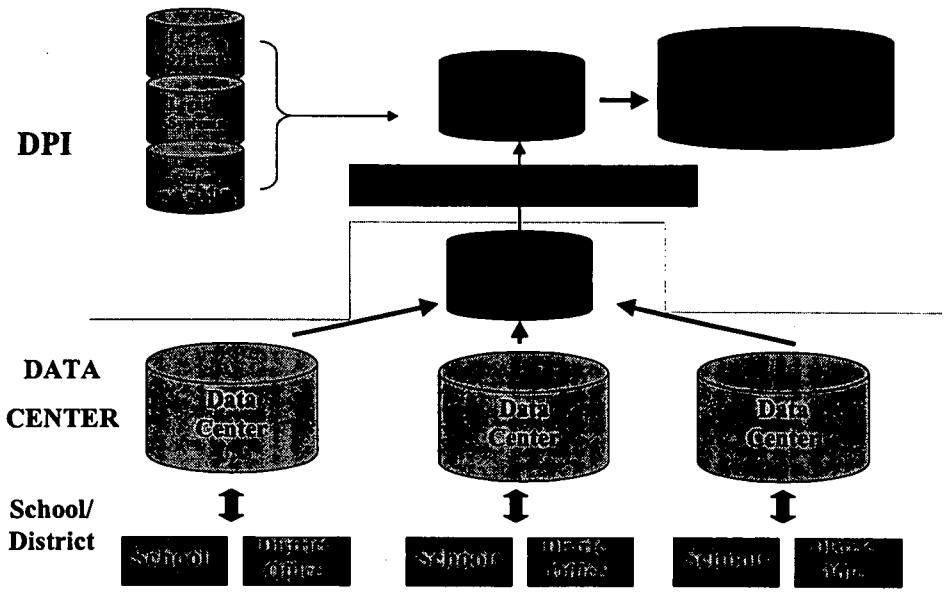
DEPARTMENT OF PUBLIC INSTRUCTION

Current - SIMS



NC WISE Solution



PUBLIC SCHOOLS OF NORTH CAROLINA

The Future System

NC WISE

- Built on Oracle relational database
- Full graphical user interface support for Windows and Macintosh
- Centralized - all users within an LEA sharing the same database
- Web-enabled - minimal workstation requirements
- Seamless electronic transfer of student records anywhere in the state
- Automated electronic transcripts
- Totally electronic student Cumulative Education Record

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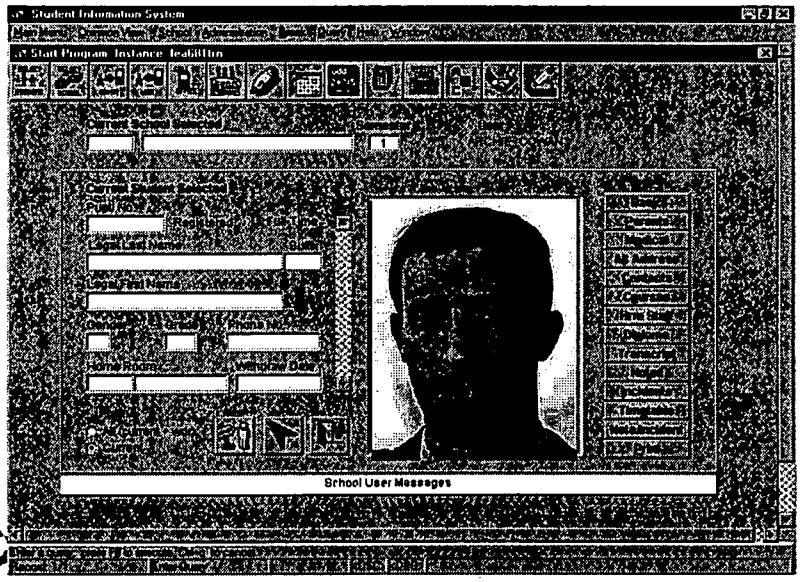
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

A New Look (NC WISE)



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DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

The Future (NC WISE)

More robust functionality than SIMS

- Electronic teacher attendance/gradebook
- Textbook and fees management
- Master schedule builder
- Detailed exceptional children and IEP data
- Detailed nurse's/medical information
- Free and reduced meals information
- Student photos
- Address verification and student assignment
- Safe schools and discipline tracking

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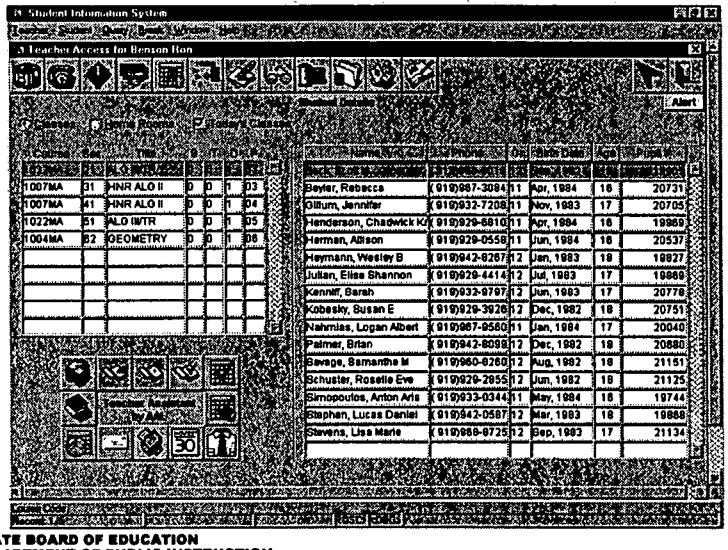
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

The Future (NC WISE)
Teacher Gradebook



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DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

NC WISE Support for Uniform Education Reporting System (UERS)

- Automated processing
- "Real-time" data
- More timely collection of data
- More accurate data
- Multilevel approval/verification process
  - School building (data manager, principal)
  - LEA (program directors, superintendent)
  - State (regional consultants, DPI staff)

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DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

NC WISE Support for UERS

Data is "warehoused" to support state-level decision-making processes

- Program planning and support
- Budgeting and finance
- Data analysis
- Long-range planning
- Federal and state reporting
- Public access (media, parents, general public)

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

NC WISE Support for UERS

- Principals Monthly Membership Report (PMR)
- Membership by Grade/Ethnicity/Sex
- Annual School Dropout Report
- Annual Vocational Education Report (VEIS)
- Exceptional Children Reporting (state & federal)
- School Activity Report (class size, personnel activities)
- Common Follow-Up (Employment Security Commission)
- Hope Scholarship data (General Assembly)

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DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

Phase I
Initial Development and Pilot

- Contract signed May 1999 - ends May 2001 (Certification)
- Expenditures
  - Contract: $6,685,636 + change orders
  - DPI hardware and infrastructure
  - DPI contracted support (training, network)
  - Projected total cost: $12,158,440.29

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

Phase II
Statewide Implementation

- Contingent on successful completion of Phase I ("certification")
- Eight data centers
- All public schools implemented in three waves (includes charter schools)
- Full implementation of state reporting system (UERS)
- Completion of data warehouse system and data marts

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

Phase II

Statewide System Implementation

- Contract ends May 2009
- Anticipated expenditures
  - Fixed-price contract: $32,928,684
  - Additional time and materials: $14,758,805
  - Anticipated change orders (10%)
  - DPI hardware
  - Infrastructure (communications, networks, connectivity)
  - Data center acquisition and support
- Projected cost of Phase II: $103,516,744

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

VISITOR REGISTRATION SHEET

Appropriations Subcommittee on Information Technology 4-10-01

Name of Committee — Date

VISITORS PLEASE REGISTER AND RETURN TO COMMITTEE CLERK

Name	Title	Firm or Agency	Address	Email	Phone	Fax
Jim Norvell		OSBPM				
[signature]		OSI				
Kathryn Wilson		ITS				
Ann Byrd		ITS				
GrantPair		DCR				
Pam Wescott		Sprint				

Name	Title	Firm or Agency	Address	Email	Phone	Fax
Benny Hendrix	Director	DPI	301 N Wilmington St Raleigh 27601	bhendrix@dpi.state.nc.us	807-3190	807-3421
Rufus L. Edmisten	Edmisten & Webb	Law Firm	1325 S. Salisbury St. Ral., N.C. 27601	Rufus@RufusEdmisten.com	829-1988	829-1983
BILL COX	DIRECTOR	DHHS	695 PALMER DIX CAMPUS	BILL.COX@NCMAIL.NET	733-8900	733-8871
TOM WARNER	DIRECTOR	UNC	910 RALEIGH RD CHAPEL HILL 27515	TWARNER@NORTHCAROLINA.EDU	485-5223	962-4734
[illegible]		Capitol [illegible]				
Jan Boyer	Director of Sales	EDS	4800 Six Forks Rd Raleigh #27609	jan.boyer@eds.com	784-8340	783-1000
Don McConnaughhay		SAS		don.mcconnaughhay@sas.com	531-1262	

Name	Title	Firm or Agency	Address	Email	Phone	Fax
A. Jami Craig	Sr. Pol. Anal.	LCA	5 W. Hargett		834-1211	834-4891
Rich Wilder	Office Mgr/Ed. Coord.	NCEITA				
Nic Heinke		NCEITA				
Jon		Sprint				
		SBE				
Linda Underwood	Section Chief	DPI	301 Wilmington	ldegrand@dpi.state.nc.us	807-3422	807-3421
Archie Conan	NCWISE Project Manager	DPI	301 N. Wilmington Raleigh NC	aconan@dpi.state.nc.us	807-3261	

Name	Title	Firm or Agency	Address	Email	Phone	Fax
Margaret Westbrook	Associate	Kennedy Covington	PO Box 1070 Raleigh, NC 27602	mwestbrook@kcln.com	743-7311	743-7358

Joint APPROPRIATIONS
Subcommittee on Information Technology

Minutes
April 11, 2001

The Joint APPROPRIATIONS/Subcommittee on Information Technology met on Tuesday, April 11, 2001, at 8:30 a.m. in Room 1425 in the Legislative Building. The following committee members were present: Senator Eric Reeves, Representatives Joe Tolson and Russell Tucker, cochairs; Senators Virginia Foxx, Kay Hagan,; Representatives Michael Harrington, Bob Hensley, Mark Hilton, Paul Miller and Trudi Walend. Staff present: Dwayne Pinckney, Fiscal Analysis; Peter Capriglione, IT Analysis; Phyllis Pickett, Counsel; and Gayle Christian, Committee Assistant.

Representative Joe Tolson, presiding chair, called the meeting to order and introduced the Sergeant of Arms: Donnell Leathers and Ernie Sherrell and Ronald Spann and Pages: Courtney Shafer, sponsored by Representative West; Meredith Hattcher sponsored by Representative Hensley; and Christopher Albert sponsored by Senator Reeves.

E-Rate - Bob Bellamy, NC Wise, explained E-Rate

One of the key issues with NC Wise is connectivity. Connecting the schools with the Internet and connecting the resources to the schools by way of the Internet. There are still the majority of the schools that are not connected and certainly not connected with bandwidth needed to take advantage of the Internet or that is needed to fully take advantage of NC Wise. One of the possible sources of funding for that connectivity is E-Rate. Power Point presentation becomes a part of these minutes by reference.

The meeting was adjourned.

Respectfully submitted,

Gayle W. Christian, Committee Assistant

Representative Joe Tolson, Presiding Chair

ATTACHMENT I

PUBLIC SCHOOLS OF NORTH CAROLINA

E-Rate

Federal Funding for School Telecommunications

Presentation
to the
Joint IT Appropriations Subcommittee
April 10, 2001

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

What is E-Rate?

- Funding created by the 1996 Telecommunications Act for discounted telecommunications services, Internet access, and internal connections in K-12 schools and public libraries
- Funded through fees paid by telecommunications companies to the Universal Service Fund
- Administered by the Schools and Libraries Division (SLD) within the FCC

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

Funding Categories

- Priority One: Telecommunications services & internet access
- Priority Two: Internal connections
- Discount formula:
  - Rural/Urban
  - Measure of poverty

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

National E-rate Applications

	Total Appls/$	Intern. Connect. Disc.	NC Total
•	Year 1- 30,000/$2.02B	70%	$25.5M
•	Year 2- 32,000/$1.9B	All funded	$37.6M
•	Year 3- 36,000/$4.72B	82%	$27.3M
•	Year 4- 37,188/$5.78B	90% est.	N/A

- Note: Annual program cap is $2.25 B
- NC Disc. Level - 60-67% range

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

Findings of Focus Groups

- Because the application process is so intensive, some LEAs have chosen not to apply for certain categories of service
- LEA staff turnover has caused a loss of continuity in effort

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

How to deal with:

- Internal Connection Discount - develop & use an alternative discount mechanism
- Administrative Overhead/Staff Turnover - hire state staff
  - More state leverage/management of contracts/applications, aligned with the e-rate program
  - More communication/support of LEAs

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

Will these actions increase NC funding?

- The federal cap to program funding will limit growth
- Increasing popularity of the program and competition with other states and their demographics will limit opportunities

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

PUBLIC SCHOOLS OF NORTH CAROLINA

Potential Impact of Additional E-Rate Funding

- Establishment of a baseline standard of connectivity for schools
- Establishment of adequate connectivity for delivery of instructional resources

STATE BOARD OF EDUCATION
DEPARTMENT OF PUBLIC INSTRUCTION

VISITOR REGISTRATION SHEET

Information Technology — 4/12/01
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ann Byrd	ITS
Kathryn Wilson	ITS
Jim Powell	OSBPM
John Davis	OSBPM
Ben McLawhorn	OSC
Nic Heinke	NCEITA
Caroline Jackson	DHHS
Sandy Cowan	DCR/State Library
Grant Pair	"
Lee Mandell	NCLM
BILL COX	DHHS
Marley Finch	Intern/Rep. Tolson
Pat LaBarbera	ITS
Nancy Atkins	ITS
STEVE STONEMAN	ITS
LINDA DE GRAND	DPI
Benny Hendrix	DPI
Kirsten Schroeder	PWC
[illegible]	SBE
ARCHIE COWAN	DPI
Alfred Marks	UNC-GA
AL ADAMS	Parker, Poe, Adams & Bernstein, LLP
BILL SCOGGIN	KENNEDY COVINGTON
Pam Wescott	Sprint
Ron Hawley	ITS
Connie Green	BPMHL
Mark Benson	Capitol Group

JOINT INFORMATION TECHNOLOGY APPROPRIATIONS SUBCOMMITTEE

MINUTES
APRIL 19, 2001

The Joint Information Technology Appropriations Subcommittee met on Thursday, April 19, 2001 in Room 1425 of the Legislative Building. Senate committee members present were: Senator Reeves, chairman; and Senator Foxx. House committee members present were: Representatives Tolson and Tucker, Co-Chairs; and Representatives Harrington, Hilton, Miller and Walend.

Senator Reeves, Senate Chair, presided at the meeting, and announced a presentation by Ralph Campbell, State Auditor, regarding "Information Systems Auditing: From a NC Statewide Perspective". Senate Bill 222 required the State Auditor to determine how much the state is investing in information technology. He found state government is currently investing about $801 million dollars every year in information technology. Mr. Campbell began by saying the information on the importance of information systems auditing had been presented to the Joint Select Committee on Information Technology, at least a year ago, on the importance of information systems auditing. The plan was endorsed by the Joint Select Committee on Information Technology. The General Assembly had asked the State Auditor several years ago to look at and report on a statewide perspective on information systems auditing, as far as where the state needs to heading in a 3-5 year migration plan. A copy of the handout covering his presentation is made a part of these minutes by reference. Mr. Campbell gave the background for his request for a 3-year staffing migration plan from 11 employees currently, to 51 employees by year 2004.

Mr. Campbell talked about identifying information systems auditing, types of information systems audits, his Information Systems Audit Plan Objectives, the Degree to Which Audit Objectives are Being Met Today, and ending with the additional resources that are needed.

Mr. Campbell pointed out that of the 8 information systems auditing objectives, there is only one area which even comes close to an acceptable level of performance. That is "objective 6" – providing support for computer assisted audit techniques used by financial, performance, and Smart Start auditors. He also referenced a GAO survey which states that government agencies are failing security reviews, citing the importance of Objective 7. In the referenced handout, there is further information about security breaches.

There being no further business before the committee, Senator Reeves adjourned the meeting.

Senator Eric Reeves, Senate Chair

Becky Hedspeth, Committee Clerk

Information Systems Auditing

From a North Carolina Statewide Perspective

North Carolina Office of the State Auditor

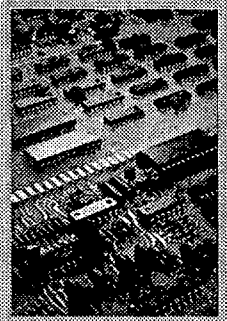
Ralph Campbell, Jr.

State Auditor

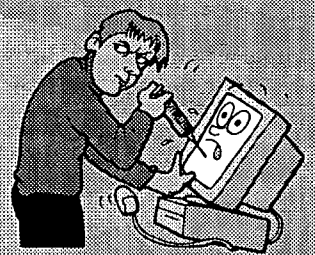
04/19/2001

Background

IT Risk Factors



- Rapidly changing IT
- High Reliance on IT
- High Expense of IT ($801 M in 2000)

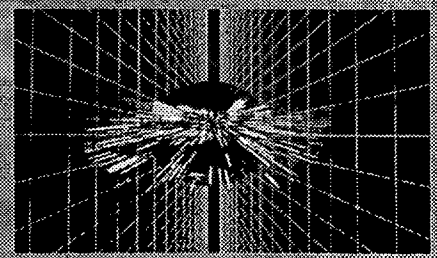


- Increasing IT Vulnerabilities

- High potential for IT to Improve NC Operations & Delivery of Services

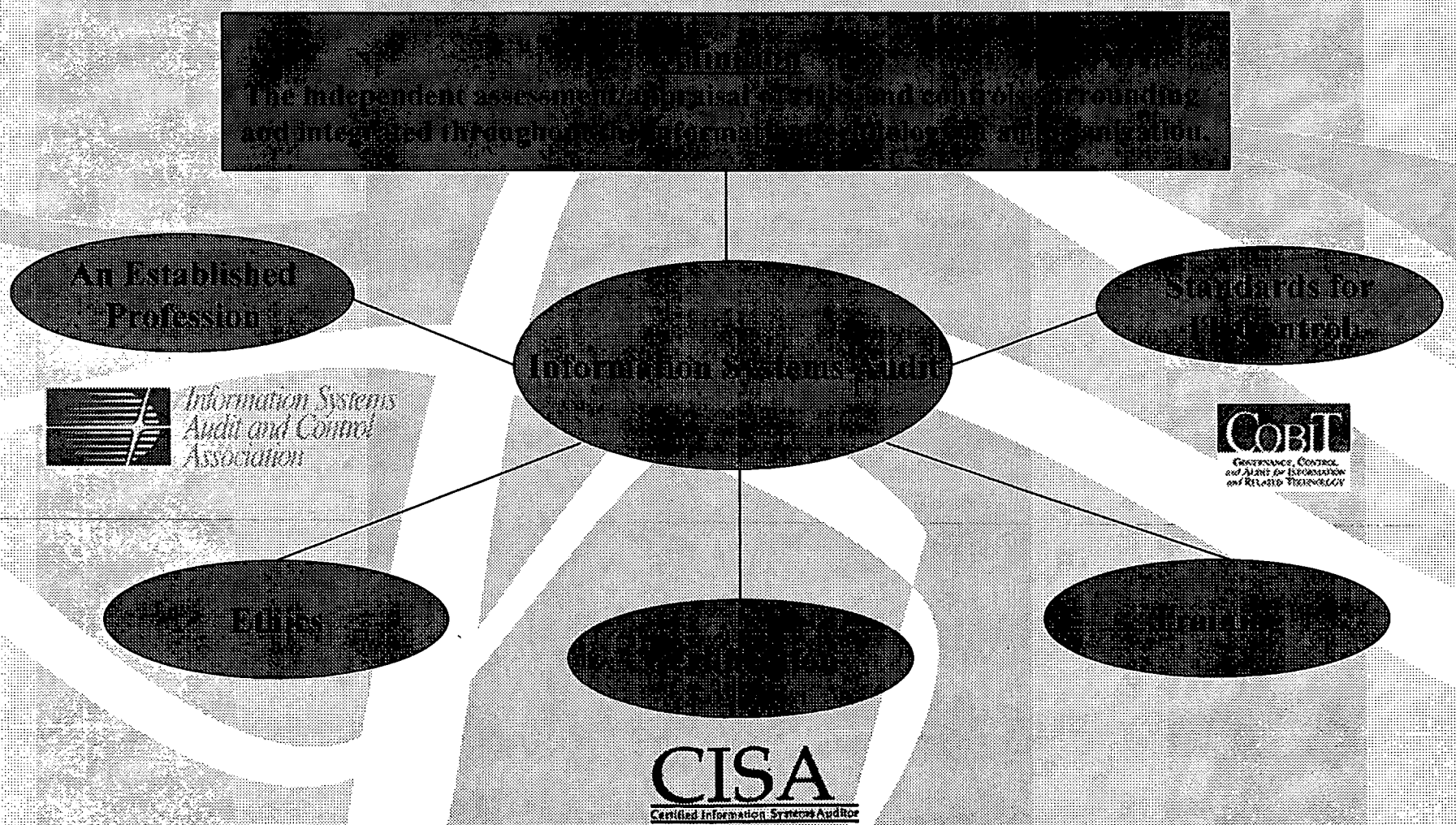
Mitigating NC Action

- Standing Technology Committees in NC Senate and House



- OSA Study on Information Systems Audit

What is Information Systems Audit?

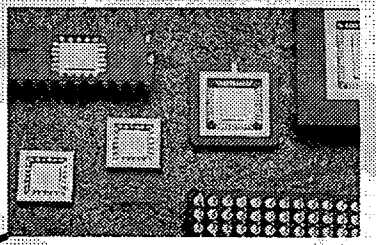


Types of Information Systems Audits

General Information Technology Controls Reviews
—Application Systems Audits

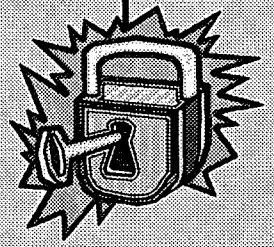
Computer Facility/ Data Center Audits

Technology Audits

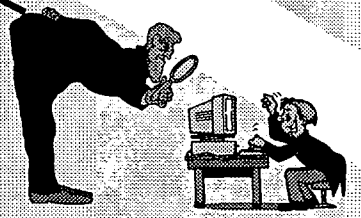


Information Systems Audits

- Special Requested Technology Reviews

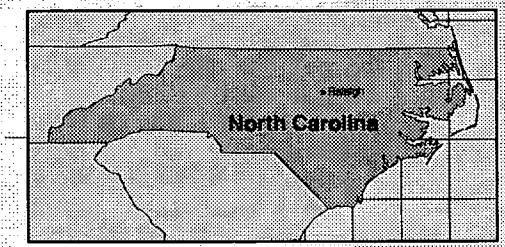


- Security Software Installation Audits

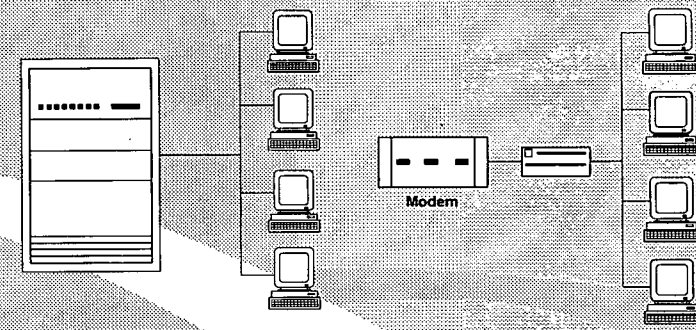


Information Resource Integrity Investigations

NC IS Audit Plan Objectives

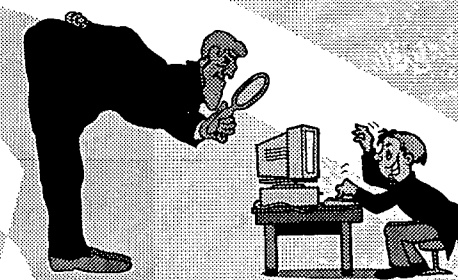


- General Information Technology Controls Audits
- 126 IV&V Mission Critical Applications (166Applications in 2001)



- Network penetration analysis (NCIIN & CJIN)
- Assess IT controls over Emerging Technologies

- Support for Financial, Smart Start, Performance Audits
- Computer Assisted Audit Techniques
- Special Requests

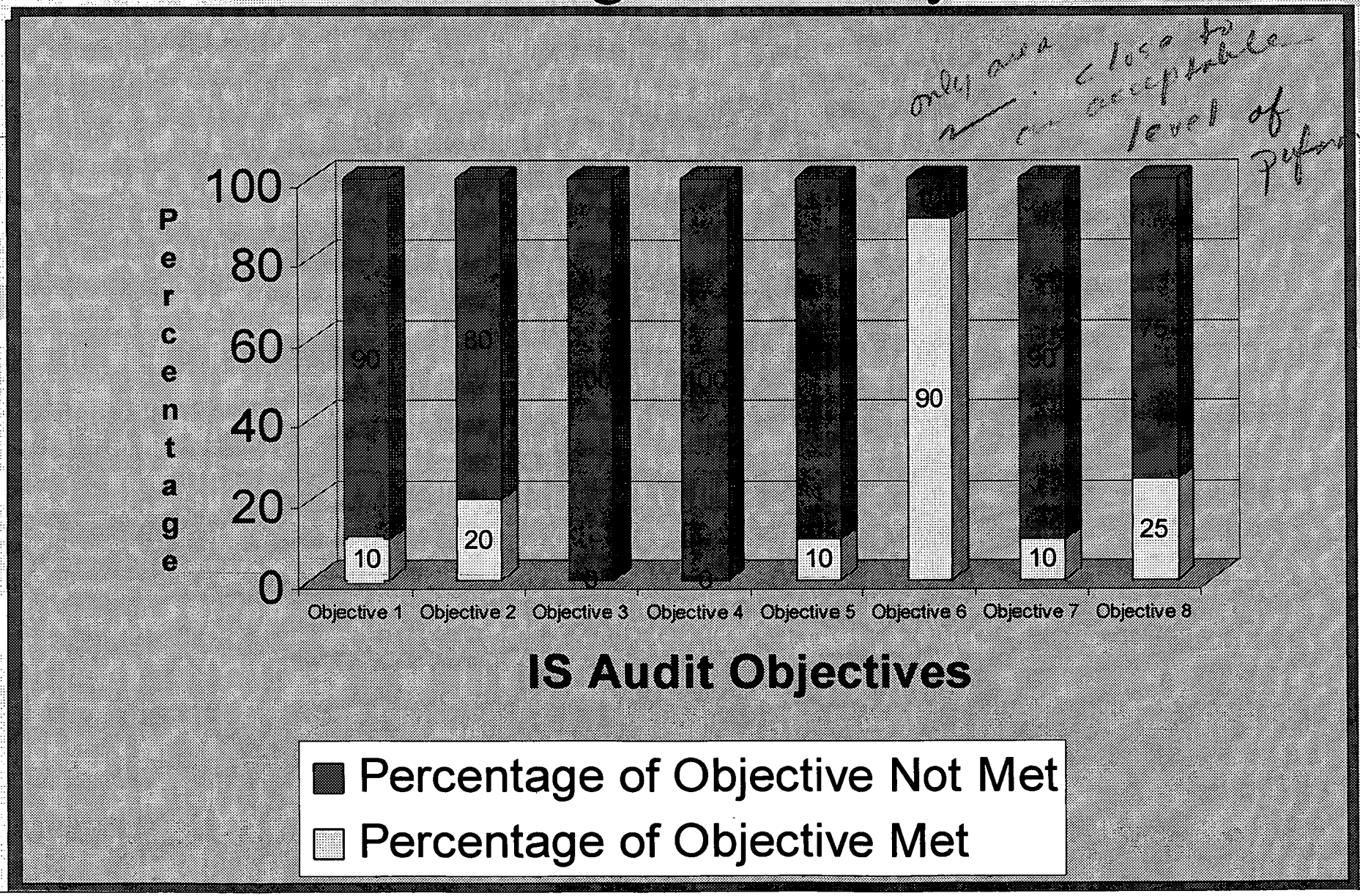


- Investigate reported IT security breaches

OSA IS Audit Objectives

1. Complete Application audits on the State's mission critical computer applications (166) every four years.
2. Conduct general IS controls reviews for all state information processing environments every four years.
3. Conduct thorough review and penetration analysis of the State's NC Integrated Information Network and Criminal Justice networks on an ongoing basis.
4. Conduct review of emerging technologies as needed.
5. Provide a minimum of 80 hours IS support for each financial and performance audit.
6. Provide support for Computer Assisted Audit Techniques used by financial, performance, and Smart Start auditors.
7. Investigate reported security breaches, cyber attacks, and cyber fraud.
8. Support special requests for assessment of risk and controls surrounding specified information technology environments.

Degree to Which IS Audit Objectives Are Being Met Today



We Need the Following Additional Resources

[redacted]

expansion of outside contracting

[redacted]

Networking & Vulnerability Assessment

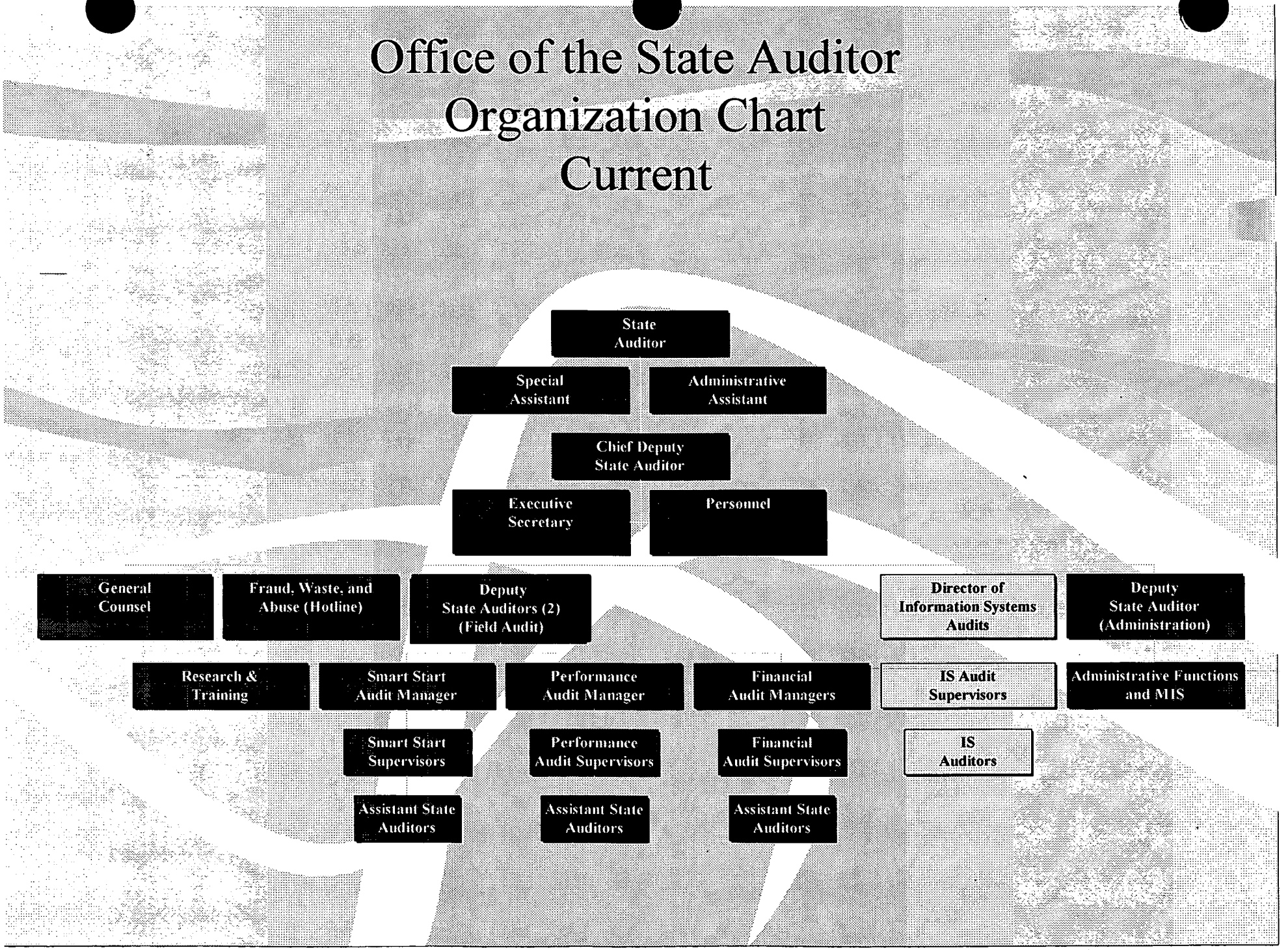
Emerging Technologies & Security Strategies

[redacted]

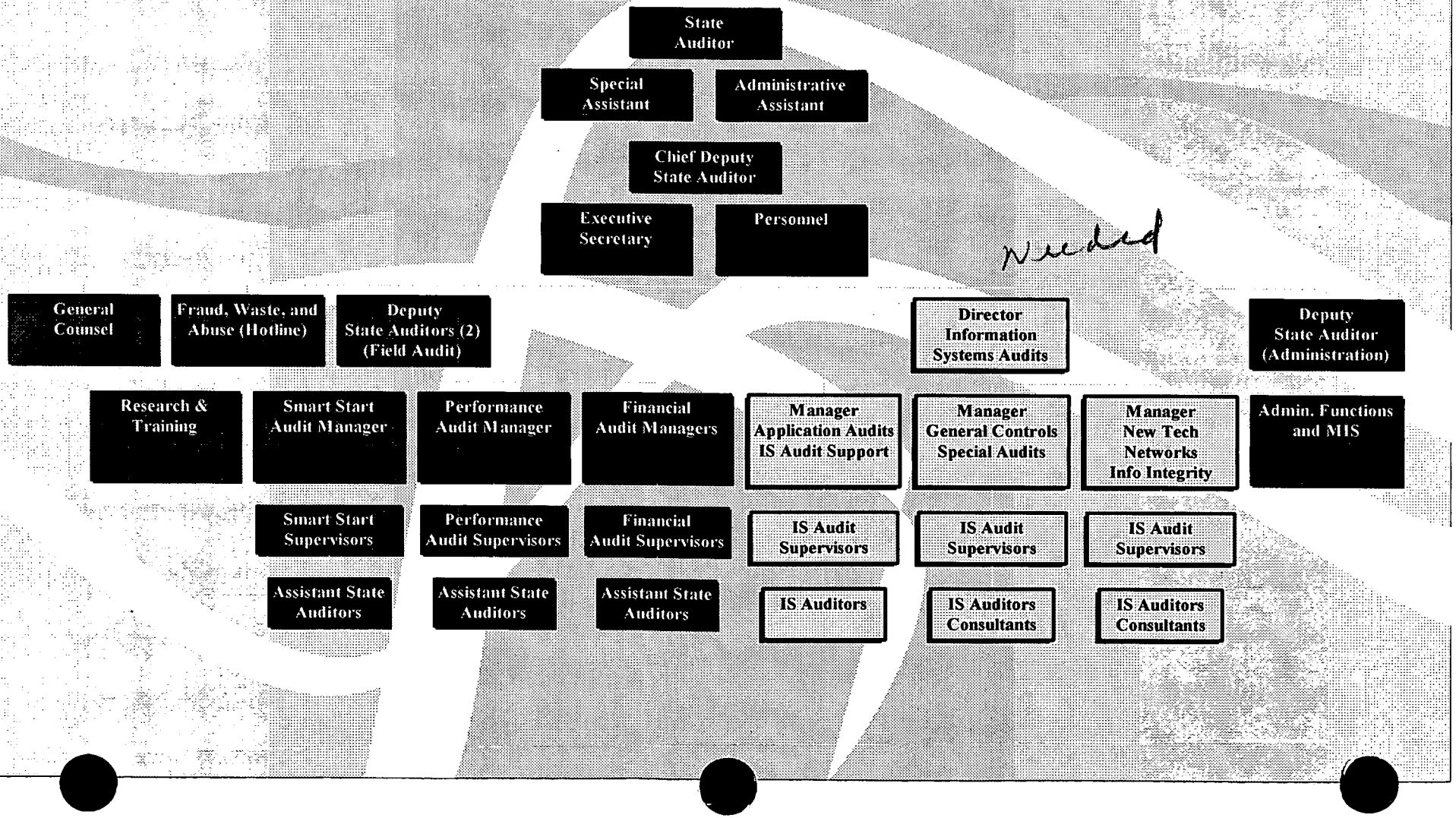
Firewall Technology

UNIX & NT

Office of the State Auditor
Organization Chart
Current

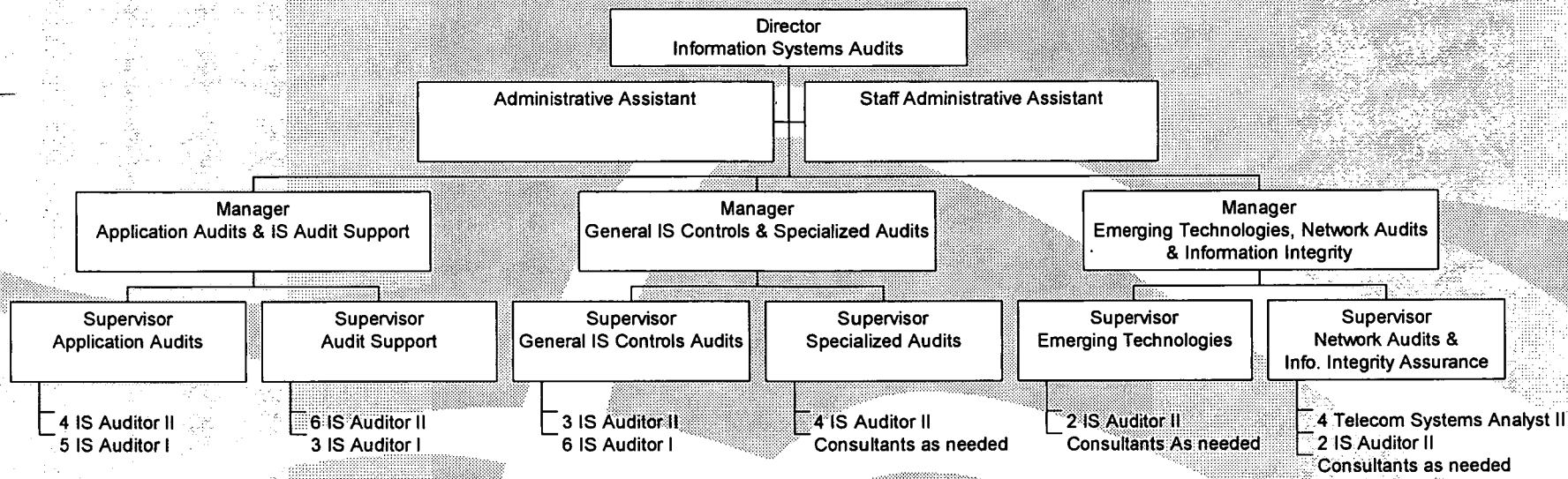


Office of the State Auditor
Organizational Chart
Proposed



Proposed IS Audit Organization

Office of the State Auditor
Proposed Information Systems Audit Organization



Function

Audit 165 mission critical applications on a 4 year cycle. Avg. 450 hours per audit. Audit new mission critical applications during development.

Function

Provide avg. of 80 hours support per audit to financial, performance, and smart start audits. Includes support for Computer Assisted Audit Techniques (ACL, AS2, and custom queries).

Function

Conduct General IS Controls Audits on all state IT processing environments on a cycle basis

Function

Conduct audits of specialized technology such as RACF installation and administration, reviews of MVS, UNIX, NT reviews, PBX audits, database management, Endevor Change Control, special request audits, etc.

Function

Assess state-wide risks/controls issues related to emerging technologies. Includes E-commerce, PKI, Digital Signatures, web development technologies, etc.

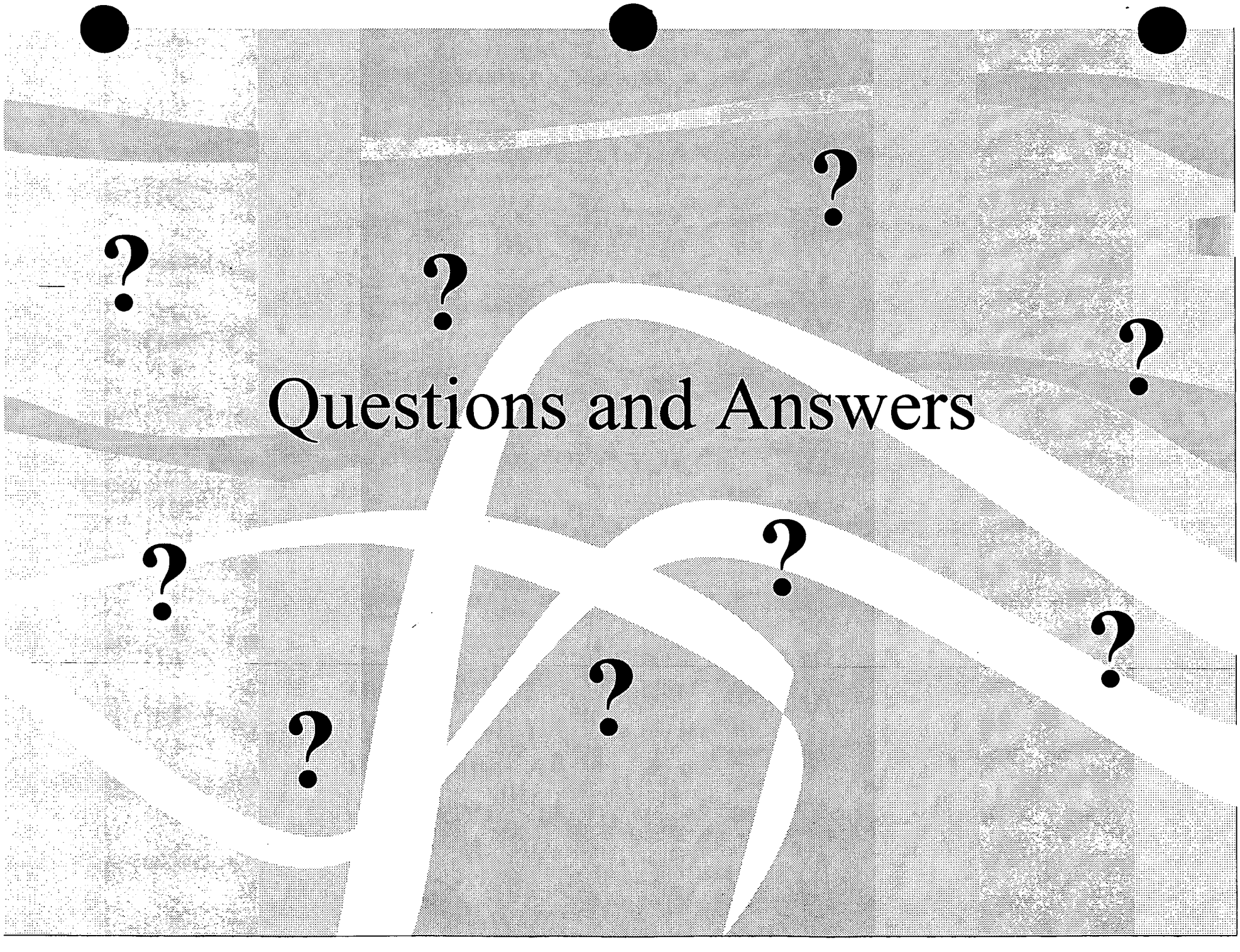
Function

Audits of the NCIIN and CJIN networks. Includes network vulnerability assessments. This group will also investigate alleged cyber crime or systems misuse.

51 positions

3 Year Staffing Migration Plan

Employees	*Today (2001)*	*Year 1 (2002)*	*Year 2 (2003)*	*Year 3 (2004)*
- Permanent	11	19	31	39
- Consultants	0	10 (33%)	10(24%)	10 (20%)
- Support Staff	0	1	1	2
Total	11	30	42	51


Questions and Answers

Government agencies fail security test

The first governmentwide evaluation of computer security reveals that hackers have easy access to sensitive information.

BY JESSE J. HOLLAND
The Associated Press

WASHINGTON — A fourth of the government's major agencies, including the departments of Justice, Labor, Interior, Agriculture and Health and Human Services, flunked a computer security review.

The F's given to seven of the 24 major agencies, based on agency-reported data and General Accounting Office and the Inspector General audits, led to a governmentwide grade of D-, said Rep. Stephen Horn, R-Ca., chairman of the House Government Reform Committee's technology subcom-

departments that flunked all keep important computer data, said Horn, who called the scores the first governmentwide assessment of computer security.

"The Department of Labor, charged with maintaining vital employment statistics, an F. The Department of the Interior, which manages the nation's public lands, an F," said Horn, as his staffers passed out fake report cards to the media.

"The Department of Health and Human Services that holds personal information on every citizen who receives Medicare, another F. Agriculture and Justice, the Small Business Administration and the

Please see **REVIEW,** *Page* **A4**

REVIEW

Continued from page A1

Office of Personnel Management, the personnel office for the entire federal government, all F's."

All 24 agencies have significant problems in allowing unauthorized access to sensitive information, said Joel Willemssen, director of the GAO's accounting and information management division. Auditors proved that point by trying to hack into government computers from remote locations.

"Our auditors have been successful, in almost every test, in readily gaining unauthorized access that would allow intruders to read, modify or delete data for whatever purpose they have in mind," the GAO report said.

The agencies aren't good at monitoring access inside their own work forces, either, the report said.

At one unnamed agency, all 1,100 computer users were granted access to sensitive system directories and settings, while at another agency, 20,000 users had been provided access to one system without written authorization, the GAO report said.

"Federal agencies have serious and widespread computer security weaknesses," Willemssen said.

The government's patchwork funding for computer security is partly to blame, said John Gilligan, the Energy Department's chief information officer and co-chairman of the Chief Information Officer Council Committee on Security, Privacy and Critical Infrastructure Protection.

"It is an area where the executive and legislature are failing," he said.

Some problems could be solved by simply changing passwords regularly or turning computers off after workers leave, Horn said. "That doesn't cost a thing," he said.

Grading all federal agencies with the same standards may not be the best way to get results, said John Spotila, administrator of the Office of Information and Regulatory Affairs in the president's Office of Management and Budget.

"Just as we must resist the simplicity of a one-size-fits-all security program for the vast variety of agency systems, we must also avoid a one-size-fits-all approach to measuring successes and shortfalls," he said.

Rep. Jim Turner, D-Texas, advocated the creation of a national Chief Information Officer position in the federal government to monitor and coordinate computer security issues, an issue the subcommittee will tackle today.

Grades for the 24 major government agencies

B: Social Security Administration

B-: National Science Foundation

C: Education Department, State Department

C-: House and Urban Development, Commerce Department, Agency for International Development

D+: Department of Defense.

D: Veterans Affairs Department, Treasury Department

D-: Environmental Protection Agency, General Services Administration, NASA

F: Office of Personnel Management, Health and Human Services Department, Agriculture Department, Small Business Administration, Justice Department, Labor Department, Interior Department

Incomplete: Energy Department, Nuclear Regulatory Commission, Transportation Department, Federal Emergency Management Agency

Source: The House Government Reform subcommittee on government management, information and technology

— *The Associated Press*

Hacker hits county site

By Elizabeth Hess
Gazette Staff Reporter

GASTONIA — Hackers invaded Gaston County's Web site over the weekend sending out e-mails plugging a get-rich-quick scheme.

With a subject line of "14000," the e-mail promised "the HOTTEST business opportunity" allowing people to make $1,000 to $14,000 a month.

The e-mail did not name a company except that the idea was twice voted as the No. 1 online business. Nor did the offer say how the money would be made. Readers were instructed to respond for more information or ask to be removed from the mailing list.

These kinds of offers show up in e-mail inboxes all the time. The difference is this one came from "gastongov.org" — Gaston County's domain name on the Internet.

"It's sad to say, but using gastongov.org, some folks planted stuff on the server," said Stanley Victrum, director of the county's Information Technology department.

The e-mails went out from success@trastad.com but routed through the county's server. Victrum does not know how many were sent out.

There's little to no way to trace the original sender because they used bogus e-mail addresses, he said.

"Do I wish we can catch these guys? I really do," Victrum said.

Information Technology officials are investing the incident and have tightened security measures to make sure the spams – e-mail similar to junk mail – are not sent again.

Victrum could not go into detail on how the problem will be fixed. He didn't want to release the information to others looking to hack into the county's server. But the county's Web site will not be shut down and employees will be able to send and receive e-mail.

"When there is an intrusion, we shut those folks down," he said.

For detailed news information pick-up a copy of today's Gazette

For Details, Contact:

Harold McKinney
Legal Counsel
Phone (502) 573-0050
Fax (502) 573-0067
Email: hmckinney@kyauditor.net

Edward B. Hatchett, Jr.
Auditor of Public Accounts
144 Capitol Annex
Frankfort, KY 40601
http://www.kyauditor.net/

News from State Auditor Ed Hatchett's Office

Identity Theft Advisory

Frankfort, KY. (March 7, 2001) Two incidents last week prompt Auditor of Public Accounts Ed Hatchett to issue this identity theft advisory to citizens and state government employees.

On February 28, auditors discovered a state government web site containing the names, social security numbers, addresses, and other personal information for thousands of professionals licensed by the Commonwealth. The eleven folders viewable in clear text contained data for every Kentucky veterinarian, social worker, psychologist, geologist, and occupational therapist, among others. Access to this personal, confidential information was easily gained by Internet users employing a common protocol. Following its discovery, the Auditor of Public Accounts notified the Governor's Office for Technology, and the site was shut down.

On March 2, auditors identified a file folder on another state government web site containing the Master Position Listing and Summary, a listing of the names, social security numbers, positions, salaries, and other personal information for all state employees. The confidential portions of these data were easily accessible both to users of the Commonwealth's network and Internet users. Upon advice of the Auditor of Public Accounts, the file was taken offline.

Two characteristics of Kentucky state government pose a serious risk to the security of the personal data of our citizens. The first is Kentucky's reliance on social security numbers as a unique identifier for government programs. The second is the vulnerability of state government's computer systems to attack. In combination, these characteristics greatly increase the threat of identity theft to our citizens.

The Office of Auditor of Public Accounts performs random testing of state government information systems in order to protect public assets and safeguard the personal, confidential data of citizens and public employees.

For Release (March 7, 2001)

more

Because government possesses personal, confidential information concerning our citizens, it has a fiduciary responsibility to handle that data carefully so as not to foster or facilitate identity theft. The Auditor of Public Accounts asks all state government agency heads and university presidents to evaluate the security of the Internet-accessible sites under their control in order to protect personal, confidential data.

Law enforcement agencies report that identity theft is the nation's fastest growing white-collar crime. Last year some 500,000 persons fell victim to this fraud, losing some $2,000,000,000.

This report is posted on the internet at the following site: www.KYAuditor.net

-30-

Published: Tuesday, December 12, 2000 8:57 a.m. EST

Man eyed in ID fraud

A grand jury adds charges to a growing list against a man accused of using other people's identities to open credit card accounts.

By ANDREA WEIGL, Staff Writer

printer friendly version
e-mail a friend

RALEIGH -- A Wake County grand jury issued 39 new charges Monday against an Elm City man accused of stealing people's identities to go on a $100,000-plus shopping spree.

Essam Helmi Elshami, who already faces three counts of financial identity fraud, was indicted on numerous charges of obtaining property by false pretenses. Investigators say the scheme involved the stolen identities of 41 people who were employees or students at N.C. State University and now live in North Carolina, Texas and the Midwest.

Elshami, 41, has been in Wake County jail since June. Bail was set at $1 million.

Authorities say identity theft is increasing across the country, victimizing as many as 500,000 people a year.

Long gone are the days of criminals rummaging through trash cans for credit-card receipts. Today, thieves dig through databases containing confidential financial information.

Raleigh Police Detective Patrick Niemann said Elshami worked as an electrical contractor at N.C. State University, where investigators suspect one of the school's databases was compromised.

The indictments charge Elshami with using people's Social Security numbers and other personal information to open checking accounts and obtain credit cards at eight banks between September 1999 and May 2000. Niemann said the suspect wrote hundreds of checks for more than $100,000 to various merchants. The suspect also used credit cards to spend between $10,000 and $20,000 for cell phones, jewelry and clothing, Niemann said.

Credit card accounts were opened at stores including Lowe's Home Improvement Warehouse, Zales Jewelers, Pier 1 Imports, and QVC Home Shopping Network, according to the indictments.

One of the 15 Lowe's credit cards was opened in the name of a Raleigh police

CURRENT: Overcast 46 °F

TODAY: High 57°F; Low 25°F. Some sun and windy.

TOMORROW: High 37°F; Low 32°F. Mostly cloudy and cold.

MORE STORIES

Fire guts Orange County church
School reassignments to affect fewer students
Durham family beats clock in effort to save farm
Barry Saunders: Stocking stuffers nice, but ...
School plan causes unease
Man eyed in ID fraud
Nation awaits Supreme Court ruling
Carruth defense: Witness's past revealed too late
Science-and-math school students' stellar work a winner
Road Worrier: Funding is the bump in the road to transportation upgrades
Quarry zoning request denied
School-space law gets OK of school board
Williamson denied unescorted movement
Driver in marathon accident to go to court
Durham and Orange Clubs
Wake Clubs
What's Happening...
Wake Briefs
Durham council panel gets lowdown on buried

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Letters to th
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Place a Clas
Contact The
About The N

University at I
jobs.tr
Trave RECRE
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jobs.trial
Real Est
New Hor
Apartme
Cars.co
Persona

power lines

Brinkhous, researcher who found hemophilia treatment, dies at 92

Dome: Carlisle will run rural fund

N.C. fishermen reeling in bluefin tuna bonanza

Farm delegation begins meetings in Cuba

Black claims edge in race

Trails are cleared as state prepares to open land claimed from developer

Three die in hybrid aircraft crash, one missing

N.C. Briefs

Death notices

Deaths, by community

captain, whom investigators haven't identified.

Police say they began to investigate the case after receiving complaints that someone with an address in the Hartford Hills apartment complex in West Raleigh was using credit cards in their names.

Elshami is charged with using the identity of an Ohio man to rent the apartment, which police say he used as a mail drop. But police say the suspect stopped picking up his mail there when he learned they were investigating him.

Police arrested Elshami in June after setting up a sting at an Oberlin Road post office, where they learned some of the fraudulent credit-card statements were being received.

Staff writer Andrea Weigl can be reached at 829-4848 or aweigl@nando.com

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VISITOR REGISTRATION SHEET

APPROP. SUB. ON INFORMATION TECHNOLOGY April 19, 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lee Mandell	NCLM
Von McConnaughe	SAS
Jeff Van Dyke	BellSouth
Nic Heinke	NCEITA
A. J Craig	LCA
Benny Hendrix	DPI
Tom Zalewski	Litton PRC
John Davis	OSBPM
Bruce Garner	Sec. of St.
Betsy Davis	ACS
Ed Turlington	Brooks Pierce

VISITOR REGISTRATION SHEET

APPROP. SUB. ON INFORMATION TECHNOLOGY April 19, 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Vicky Young	OSA
John Morgan	OSC
Pat LaBarbera	ITS
Bill Cox	DHHS
[illegible]	[illegible]
Abel Mayo	UNC-GA
Margaret Westbrook	Kennedy Covington
Emily Fulghum	Smith Anderson
Ken Melton	Alley Associates

Joint APPROPRIATIONS
Subcommittee on Information Technology

Minutes
May 1, 2001

The Joint APPROPRIATIONS/Subcommittee on Information Technology met on Tuesday, May 1, 2001, at 8:30 a.m. in Room 1425 in the Legislative Building. The following committee members were present: Senator Eric Reeves, chair; Representatives Joe Tolson and Russell Tucker, cochairs; Senators Virginia Foxx and Kay Hagan; Representatives Michael Harrington, Mark Hilton, Paul Miller and Trudi Walend

Representative Joe Tolson presiding chair called the meeting to order and made the following introductions:

Sergeant of Arms: Donnell Leathers, Mary Perry and Ronald Spann
Pages: Kathryn Cloniger-Kirk, sponsored by Senator Plyler
Lauren Jones, sponsored by Representative Fox

NC Net Report – Robyn Render – Information Technology Services (ITS)

The mission of NC Net is to develop an integrated planning process that results in evolving enterprising networking services that keep North Carolina competitive and serves the citizens of North Carolina. NC Net is striving to meet both unique and common units of all the agencies involved, to be able to adapt rapidly to routine and unpredictable technology changes, to operate in a most cost effective manner and to streamline services and improve education while promoting economic growth.

Ms. Render said NC Net seeks to build state network services through collaboration among all government and education sectors. It was created in the fall of 2000. She further gave the key requirements, key points and the progress to date. She also reviewed the network consolidation, integration and operational accountability. Attachments I-II become a part of these minutes by reference.

The meeting was adjourned at 9:30 a.m.

Respectfully submitted,

Gayle W. Christian, Committee Assistant

Representative Joe P. Tolson, Chair

VISITOR REGISTRATION SHEET

Information Technology — 5/1/01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ben McLawhorn	OSC
Tom Warner	UNC-GA
Bob Blackmon	NC Community Colleges
Brenda Rogers	NC Community Colleges
Alfred M Mays	UNC-GA
Amanda Mancuso	UNC-GA
Bob Bellamy	NC DPI
Benny Hendrix	NC DPI
Nic Heinke	NCEITA
Ed Burlington	Brooks, Pierce
Wendy Kuntz	IOS

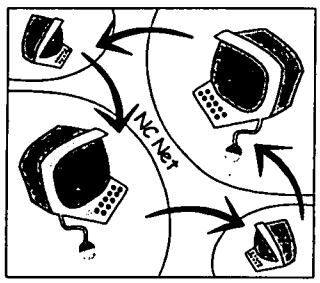
VISITOR REGISTRATION SHEET

Information Technology — May 1, 2001
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Dr Lee Mandell	NC LM
Becki Strut	Parker Poe Adams & Bernstein
Mark Beason	Capitol Group
Ken Melton	Allen Associates
Rebecca Troutman	NCATC

NC Net Presentation to the Joint IT Appropriations Committee



Mission: Develop an integrated planning process that results in evolving enterprise networking services that keep North Carolina competitive and serves the citizens of North Carolina

Ronald P. Hawley and Robyn R. Render
May 1, 2001

1

NC Net Message

- NC Net seeks to build state network services through collaboration among all government and education sectors to:
  - meet both unique and common needs,
  - adapt rapidly to both routine and unpredictable technology changes
  - operate in the most cost effective manner
  - streamline government services, expand and improve education, and promote economic growth in North Carolina

2

Background

- NC Net was established in Fall 2000 in recognition of the:
  - Lack of overall coordinated approach to network planning in the state
  - Increasing importance of networks
  - Limited resources
  - Changing technology
  - Growing concerns about networks
- Legislative Impetus
  - In October 2000, the Joint Select Committee on IT requested that the executive branch create a centralized governance structure to work with the Information Technology Appropriations Committees, and to cure issues of fragmentation and coordination.
  - In March 2001, Senator Reeves wrote to the state CIO expressing support for the initiative and requesting a presentation to the IT Committees.

3

Key Requirements

- Accommodate differing application requirements within an enterprise networking model
- Define acceptable minimum standards
- Communicate to and educate audiences with an accurate and clear message
- Establish cost-effective measures

4

Progress to date

- Established Coordinating Council and expanded goals and objectives
- Strong commitment by major participants
- Response to Legislative Committee challenges
  - Network Consolidation and Integration
  - Network Security
  - Operational Accountability
  - Cost Containment
  - Communications and Education

5

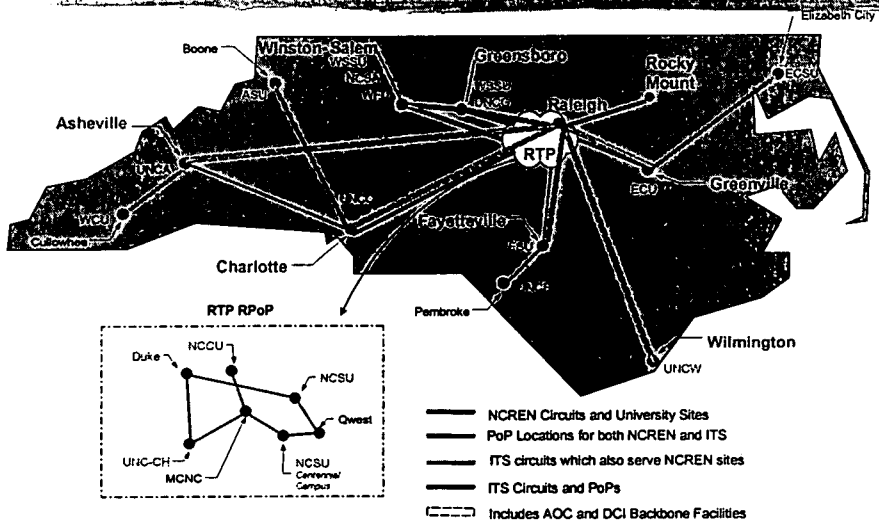
Progress to date (continued)

- Some sharing of existing networks already exists
  - Backbone Circuits, Internet Access, Wireless tower locations
- Eight initial opportunities for additional sharing have been identified
  - Co-location, shared circuits, and shared end user locations where feasible and appropriate
- Approved a Raleigh co-location opportunity between ITS and MCNC
  - Saving $96,000 annually

6

Network Consolidation

Overlay of ITS Network with NCREN Network - Today



7

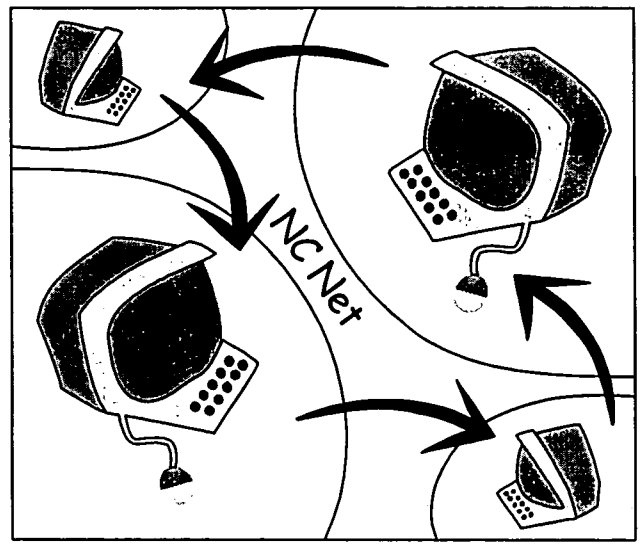
Next Steps

- Complete assessment of remaining seven sharing opportunities
- Work together within the education sectors on security and encryption standards, building upon the CJIN model
- Develop recommendations for school connectivity in the requirements subcommittee
- Establish service level agreements for implemented opportunities within the Operations and Assessment subcommittee
- Assess the difference in costs between various co-location alternatives
- Improve the availability of important networking information for all stakeholders

8

NC Net Report to the Joint IT Appropriations Committees

May 1, 2001



Mission: Develop an integrated planning process that results in evolving enterprise networking services that keep North Carolina competitive and serves the citizens of North Carolina

NC Net

NC Net Message

- NC Net seeks to build state network services through collaboration among all government and education sectors to:
  - meet both unique and common needs,
  - adapt rapidly to both routine and unpredictable technology changes
  - operate in the most cost effective manner
  - streamline government services, expand and improve education, and promote economic growth in North Carolina

Background

- NC Net was established in Fall 2000 in recognition of the:
  - Lack of overall coordinated approach to network planning in the state
  - Increasing importance of networks
  - Limited resources
  - Changing technology
  - Growing concerns about networks
- Legislative Impetus
  - In October 2000, the Joint Select Committee on IT requested the executive branch create a centralized governance structure to work with the Information Technology Appropriations Committees, and to cure issues of fragmentation and coordination
  - In March 2001, Senator Reeves wrote to the state CIO expressing support for the initiative and requesting a presentation to the IT Committees.

Key Requirements

- Accommodate differing application requirements within an enterprise networking model
- Define acceptable minimum standards
- Communicate to and educate audiences with an accurate and clear message
- Establish cost-effective measures

Key Points

- Strong commitment exists among stakeholders
- Building on existing relationships
- Common technical architecture exists today
  - Local and regional communities of interest
  - Backbone design
- Strategic plans of involved organizations have common designs and goals
- Shared investment builds capacity for improved services and minimizes future costs
- Emerging technology often enables business requirements to be consolidated into a single solution

Progress to date

- Established Coordinating Council and expanded goals and objectives
- Strong commitment by major participants
- Identified eight sharing opportunities for improved networking efficiency and cost effectiveness
- Planning implementation of first approved co-location site

Response to Legislative Committee Challenges

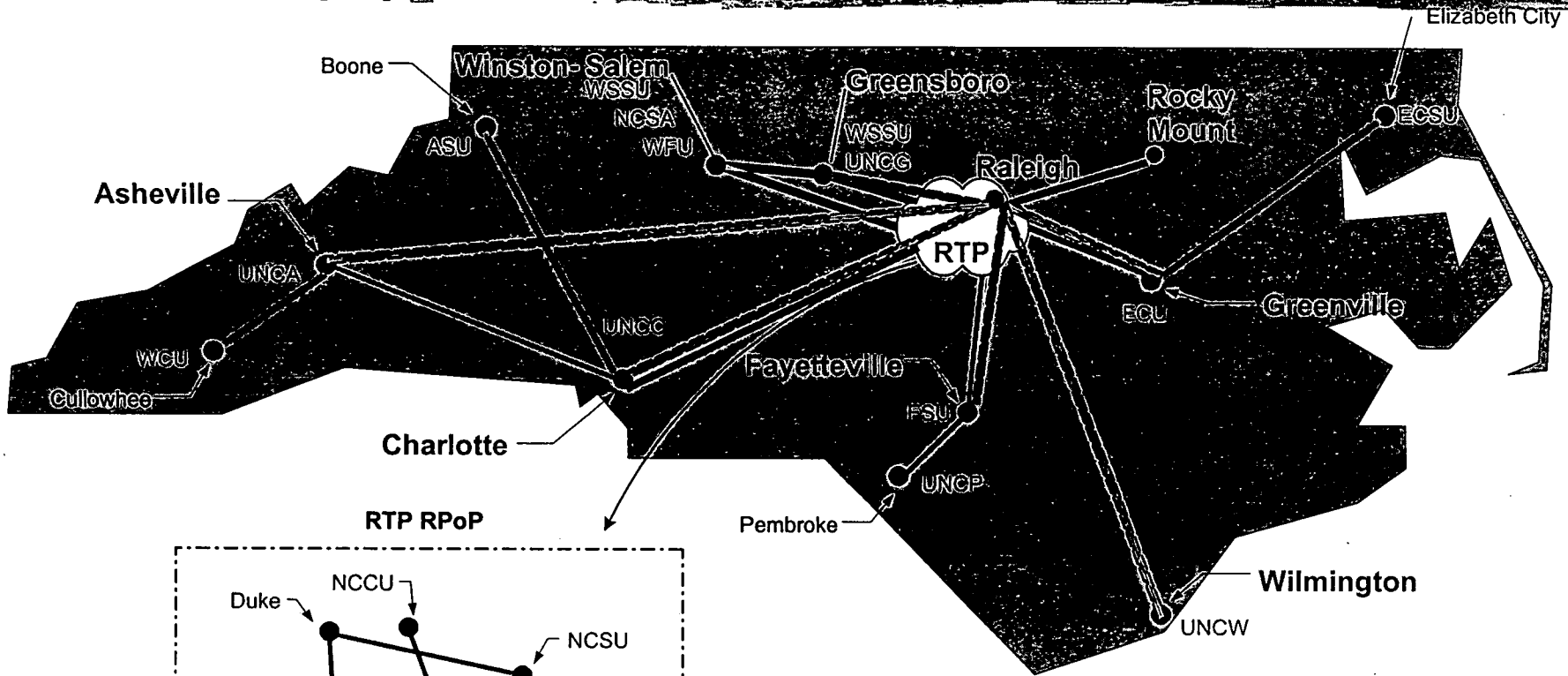
- Network Consolidation and Integration
- Network Security
- Operational Accountability
- Cost Containment
- Communications and Education

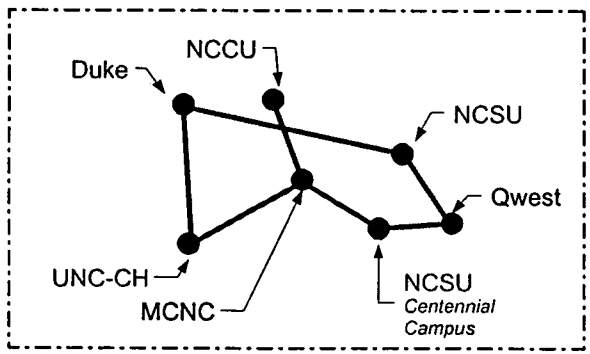
Network Consolidation and Integration

- Some sharing of existing networks already exists
  - Backbone Circuits, Internet Access, Wireless tower locations
- Eight initial opportunities for additional sharing have been identified
  - Co-location, shared circuits, and shared end user locations where feasible and appropriate
- Approved a Raleigh co-location opportunity between ITS and MCNC
  - Saving $96,000 annually

Network Consolidation

Overlay of ITS Network with NCREN Network - Today





NCREN Circuits and University Sites

PoP Locations for both NCREN and ITS

ITS circuits which also serve NCREN sites

ITS Circuits and PoPs

Includes AOC and DCI Backbone Facilities

Network Consolidation and Integration

- Opportunities being considered for FY02
  - Charlotte co-location sharing
  - Greensboro co-location sharing
  - Raleigh-North Harrington Street co-location sharing
  - Raleigh-Wilmington circuit sharing
  - Raleigh-Greensboro circuit sharing
  - Raleigh Charlotte circuit sharing
  - ITS, AOC, DOJ, SHP local access sharing, where appropriate
  - ITS WAN customers local access sharing

Network Security

- Advancing technology enables diverse security requirements to be met with shared networks
  - CJIN agencies require the ability to transmit sensitive data appropriately
  - Education institutions require public access to certain services
  - Security protects data and filters it appropriately
    - Prevents willful damage to the assets
    - Ensures, for example, that data, such as the payroll system, are not compromised.
    - Provides filtering so children cannot access inappropriate Internet content.

Operational Accountability

- Operational accountability is increasingly critical
  - Reliance of business lines and education on technology to conduct daily business, teach, or provide learning opportunities
  - Accountability for the network components will be clearly assigned through the Coordinating Council
  - Service Level Agreements will be in place
  - Metrics will be closely tracked, monitored, and assessed
  - The operations assessment sub committee is responsible for establishing appropriate procedures

Cost Containment

- Networking requirements are spiraling upwards as increased efficiencies become possible with technology and the reliance on connectivity to meet business needs increases exponentially
- To effectively meet the state's connectivity needs while containing costs, sharing opportunities and possibilities for consolidation need to be thoroughly explored and evaluated
- The NC Net Fiscal Committee will evaluate each sharing opportunity to determine its cost effectiveness and identify avoided costs

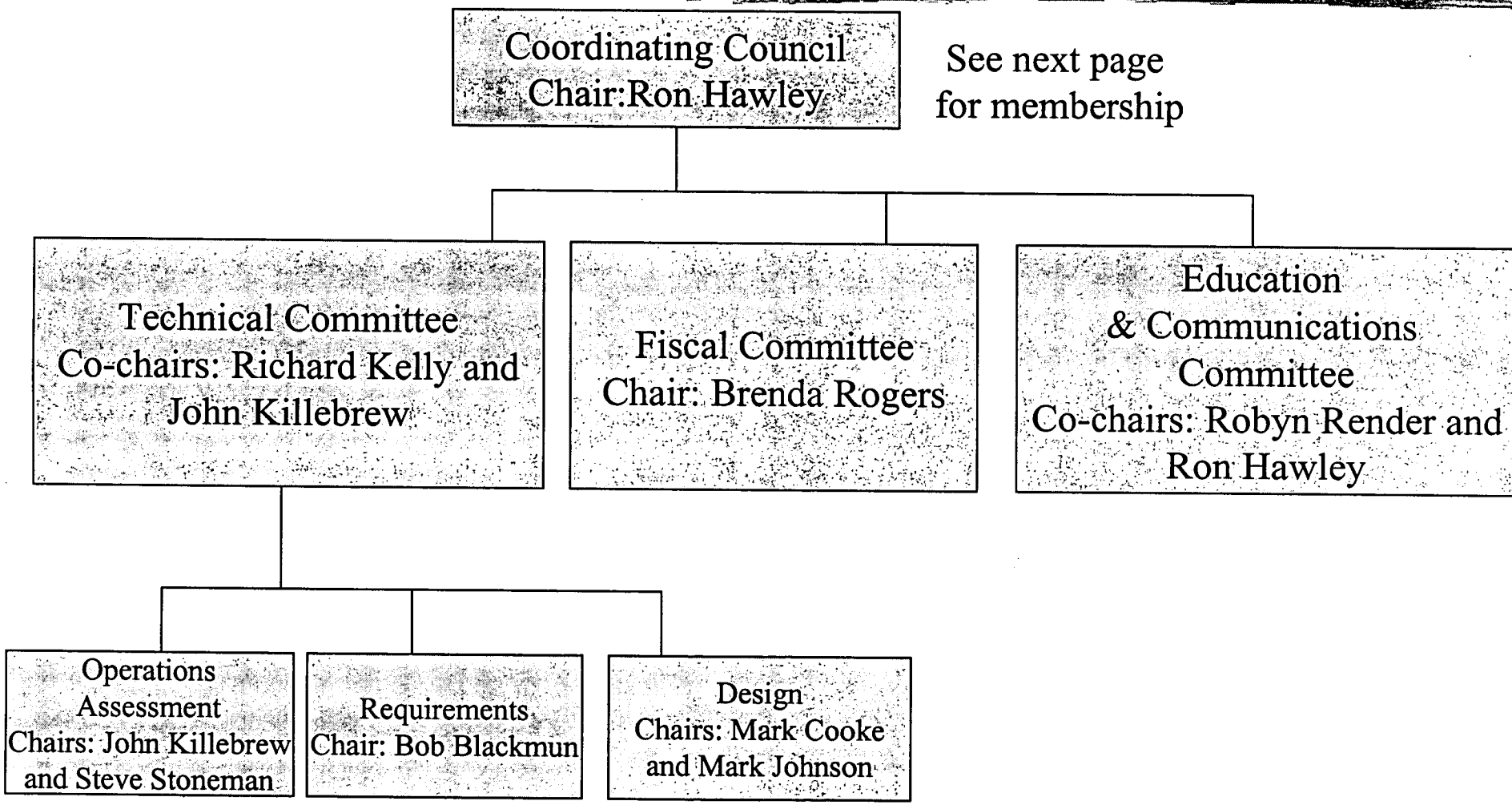
Communication and Education

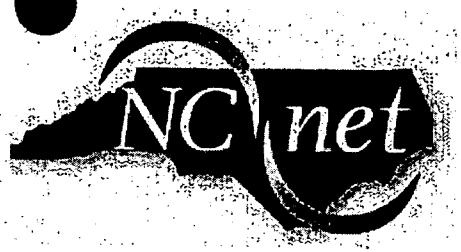
- Responsibility to effectively communicate plans and strategies for NC Net
- Facilitate educating and informing stakeholders and community at large about activities and progress
  - Ensure communications on this subject improve and are as inclusive as possible
  - Improve the availability of important networking information for all stakeholders

Next Steps

- Complete assessment of remaining seven sharing opportunities
- Work together within the education sectors on security and encryption standards, building upon the CJIN model
- Develop recommendations for school connectivity in the requirements subcommittee
- Establish service level agreements for implemented opportunities within the Operations and Assessment subcommittee
- Assess the difference in costs between various co-location alternatives
- Improve the availability of important networking information for all stakeholders

NC Net Organizational Structure



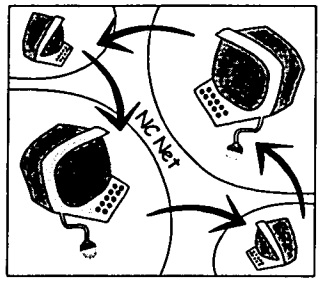


NC Net Coordinating Council

Chair: Ron Hawley

Agency or Institution	Representative
NC Administrative Office of the Courts	Richard Little
NC Office of Information Technology Services	Ron Hawley, Richard Kelly
Department of Public Instruction	Linda DeGrand, Benny Hendrix
LEA Representative (app. by Superintendent)	TBA
NC Community College System	Brenda Rogers, Bob Blackmun
Community Colleges Representative (app. by President's Assoc.)	TBA
University of North Carolina – Office of the President	Robyn Render, Alfred Mays
NCNI Representative (research extensive)	Sam Averitt
NCREN	John Killebrew
RPoP Operators' Representative	Jay Dominick WFU (pending)
NC League of Municipalities	Dr. Lee Mandell
Association of County Commissioners	Rebecca Troutman
Rural Internet Access Authority	Jane Smith Patterson
Criminal Justice Information Network Board Representative	Carol Morin
Association of Independent Colleges and Universities	Hope Williams
North Carolina Local Gov. Information System Assoc. (NCLGISA)	Dick Taylor
Office of State Budget, Planning, and Management	Sheron Morgan, Anne Bander
State Highway Patrol	TBA
University of North Carolina Television	TBA

NC Net Presentation to the Joint IT Appropriations Committee



Mission: Develop an integrated planning process that results in evolving enterprise networking services that keep North Carolina competitive and serves the citizens of North Carolina

Ronald P. Hawley and Robyn R. Render
May 1, 2001

1

NC Net Message

- NC Net seeks to build state network services through collaboration among all government and education sectors to:
  - meet both unique and common needs,
  - adapt rapidly to both routine and unpredictable technology changes
  - operate in the most cost effective manner
  - streamline government services, expand and improve education, and promote economic growth in North Carolina

2

Background

- NC Net was established in Fall 2000 in recognition of the:
  - Lack of overall coordinated approach to network planning in the state
  - Increasing importance of networks
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  - In October 2000, the Joint Select Committee on IT requested that the executive branch create a centralized governance structure to work with the Information Technology Appropriations Committees, and to cure issues of fragmentation and coordination.
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3

Key Requirements

- Accommodate differing application requirements within an enterprise networking model
- Define acceptable minimum standards
- Communicate to and educate audiences with an accurate and clear message
- Establish cost-effective measures

4

Progress to date

- Established Coordinating Council and expanded goals and objectives
- Strong commitment by major participants
- Response to Legislative Committee challenges
  - Network Consolidation and Integration
  - Network Security
  - Operational Accountability
  - Cost Containment
  - Communications and Education

5

Progress to date (continued)

- Some sharing of existing networks already exists
  - Backbone Circuits, Internet Access, Wireless tower locations
- Eight initial opportunities for additional sharing have been identified
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- Approved a Raleigh co-location opportunity between ITS and MCNC
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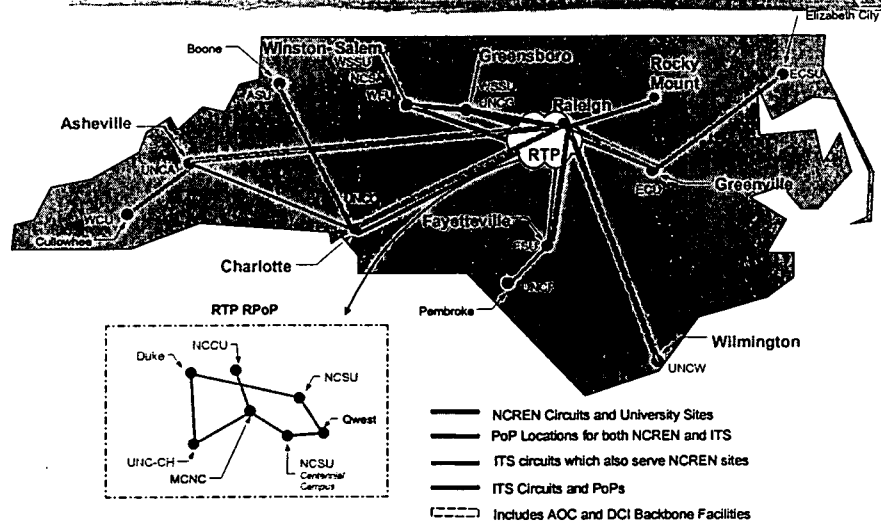
Network Consolidation

Overlay of ITS Network with NCREN Network - Today



7

Next Steps

- Complete assessment of remaining seven sharing opportunities
- Work together within the education sectors on security and encryption standards, building upon the CJIN model
- Develop recommendations for school connectivity in the requirements subcommittee
- Establish service level agreements for implemented opportunities within the Operations and Assessment subcommittee
- Assess the difference in costs between various co-location alternatives
- Improve the availability of important networking information for all stakeholders

8

RURAL INITIATIVES
NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, INC.

RURAL INTERNET ACCESS AUTHORITY

Background

The digital revolution is driving today's economy. Information technology accounts for a sixth of the total U.S. economy and is creating jobs five times faster than the rest of the economy.

As a state with major research institutions and cutting edge companies, North Carolina has emerged as a national leader in high-tech enterprises. By 2005, projections show, computer scientists, computer engineers and systems analysts will account for three of four of the fastest growing occupations in the state.

Rural North Carolina stands to gain immensely from this digital revolution. Information technology offers increased economic opportunities, higher living standards, more individual choices, and wider and more meaningful participation in government and public life. Information technology can make distance far less important than it used to be. Entrepreneurs can choose to live in small towns and rural communities and still engage in the global data-transmission marketplace.

Yet, that dream is far from realized. The recent U.S. Commerce Department study, "Falling Through the Net," reports that North Carolina ranks 45th among the states in households with computers and 46th in the percentage of households using the Internet. The computer "have-nots" are often rural, minority, undereducated and poor.

The kind of infrastructure necessary for widespread growth and development is severely lacking in rural areas. As with other utilities and services, rural areas are often the last to be served because of the higher price of doing business. Rural subscribers in North Carolina pay roughly $230 per month for a 128K Internet connection compared to $50 per month in the state's urban areas, according to a study by the state Department of Commerce's Office of Information Technology Services.

Understanding that advanced information technology is vital if rural people are to survive and prosper in the global economy. The Governor's Rural Prosperity Task Force and the Vision 2030 project recommended the creation of an organization that would address information and communication technology issues in rural areas.

Project Plan

The North Carolina General Assembly in its 2000 session approved the creation of a new organization, the Rural Internet Access Authority, to oversee efforts to provide rural areas with high-speed broadband Internet access.

The authority's main goals are ambitious: to provide local dial-up Internet access from every telephone exchange in North Carolina within one year; and to provide high-speed Internet access at competitive prices (at least 128K for residential customers and at least 256K for business customers) to all North Carolinians within three years.

The authority is established within the state Department of Commerce, with the Rural Center providing administrative and professional staff support. The authority is governed by a 21-member commission, which includes members of state government, business and education leaders, members of the Microelectronics Center of North Carolina (MCNC) and representatives from the state's telecommunications companies, including Internet service providers, rural telephone cooperatives, local telephone exchange and independent telephone companies, commercial wireless communications carriers, and the cable industry.

Other goals of the Rural Internet Access Authority include:

- Increasing the ownership of computers, related Web devices, and Internet subscriptions throughout the state.
- Providing two model Telework Centers to be established by January 2002 (Only one-fourth of

4021 Carya Drive, Raleigh, NC 27610 919·250·4314 Fax: 919·250·4325 Email: info@ncruralcenter.org

the state's telephone central offices are located in the most economically distressed areas.)

- Providing accurate and current information via the Internet to state residents concerning the availability of telecommunications and Internet services. Also providing updates on future telecommunications and Internet services.
- Developing Internet applications for government agencies that will make receiving services easier and more convenient. These applications can also facilitate the delivery of more comprehensive government programs, including training, education, and health care.
- Employing open-technology approaches that encourage all potential providers to participate in the implementation of high-speed Internet access.
- Coordinating activities, conducting and sponsoring research, and recommending and advocating actions, including regulatory and legislative actions, to achieve the authority's goals and objectives.

Funding

Funding for the Rural Internet Access Authority will come from a variety of different sources.

Next Steps

The 21-member Internet Access Commission was named in early December 2000. Because of the 36-month time frame for the authority's main initiatives, the group will meet frequently to work toward these goals.

One of the commission's first tasks is the inventory of Internet providers and equipment in the state's rural areas, to be conducted during the fall/winter of 2000-2001.

Members

Dr. Jim Leutze, Chairman, Wilmington
Bill Kress, Research Triangle Park
Bo McNeil, Lake Waccamaw
Cecil L. Groves, Sylva
Curtis Wynn, Ahoskie
Don Altieri, Polkton
Don Hathcock, Charlotte
Ed Turlington, Raleigh
Edwin F. McDaries, Jr., Fayetteville
Joe W. Foster, Durham
John Carringer, Murphy
John R. Hamm, Wake Forest
Kelly S. King, Winston-Salem
L.S. Guy, Jr., Faison
Oppie Jordan, Rocky Mount
Patricia Ferguson, Colerain
Paul Ridgeway, Raleigh
Rick Carlisle, Raleigh
Robert O. Wells, Raleigh
Ron Hawley, Raleigh
Wally Bowen, Asheville

Rural Center Contact:

Jane S. Patterson, Executive Director
Rural Internet Access Authority
N.C. Rural Economic Development Center
4021 Carya Drive
Raleigh, NC 27610
Telephone: 919-250-4314
Fax: 919-250-4325
E-Mail: jane@ncruralcenter.org

Rural Internet Access AUTHORITY *Goals*

1. Local dial-up Internet access provided from every telephone exchange within one year.

2. High-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina.

3. Two model Telework Centers in either enterprise tier one or enterprise tier two area established by January 1, 2002. To the extent practicable, the centers should be established in existing facilities.

4. Significant increases in ownership of computers, related web devices, and Internet subscriptions promoted throughout North Carolina.

5. Accurate, current, and complete information provided through the Internet to citizens about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet services.

6. Development of government Internet applications promoted to make citizen interactions with government agencies and services easier and more convenient and to facilitate the delivery of more comprehensive programs, including training, education, and health care.

7. Open technology approaches employed to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias.

8. To coordinate activities, conduct and sponsor research, and recommend and advocate actions, including regulatory and legislative actions to achieve its goals and objectives.

The Rural Center

— Excerpted from Senate Bill 1343 —

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 2000-149
SENATE BILL 1343

AN ACT TO CREATE THE NORTH CAROLINA RURAL INTERNET ACCESS AUTHORITY AND TO DIRECT THE REGIONAL PARTNERSHIPS, WITH THE ASSISTANCE OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, TO STUDY AND REPORT ON THE INFORMATION TECHNOLOGY INFRASTRUCTURE AND INFORMATION TECHNOLOGY NEEDS OF THE STATE.

The General Assembly of North Carolina enacts:

Section 1. Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 2E. North Carolina Rural Internet Access Authority.

"**§ 143B-437.40. Short title and intent.**

This Part is the `North Carolina Rural Internet Access Authority Act.' The General Assembly finds as follows:

(1) Access to computers and the Internet, along with the ability to effectively use these technologies, are becoming increasingly important for full participation in America's economic, political, and social life.

(2) Affordable, high-speed Internet access is a key competitive factor for economic development and quality of life in the New Economy of the global marketplace.

(3) In the digital age, universal connectivity at affordable prices is a necessity for business transactions, education and training, health care, government services, and the democratic process.

(4) Unequal access to computer technology and Internet connectivity by income, educational level and/or geography could deepen and reinforce the divisions that exist in our society.

(5) The intent of the Rural Internet Access Authority is to close this digital divide for the citizens of North Carolina.

"**§ 143B-437.41. Definitions.**

The following definitions apply in this Part:

(1) Authority. -- The North Carolina Rural Internet Access Authority.

(2) Commission. -- The governing body of the Authority.

(3) High-speed broadband Internet access. -- Internet access with transmission speeds of at least 128 kilobits per second for residential customers and at least 256 kilobits per second for business customers.

(4) Regional partnership. -- Defined in G.S. 143B-437.21.

(5) Rural county. -- A county with a density of fewer than 200 people per square mile based on

the 1990 United States decennial census.

"§ 143B-437.42. Creation of Authority and Commission.

(a) Creation. -- The North Carolina Rural Internet Access Authority is created within the Department of Commerce and, notwithstanding any other provision of law, is subject to the direction and supervision of the Secretary of Commerce only with respect to the management functions of coordinating and reporting. These functions of the Secretary of Commerce are ministerial and shall be performed only pursuant to the direction and policy of the Commission.

The purpose of the Authority is to manage, oversee, and monitor efforts to provide rural counties with high-speed broadband Internet access. The Authority shall also serve as the central rural Internet access policy planning body of the State and shall communicate and coordinate with State, regional, and local agencies and private entities in order to implement a coordinated rural Internet access policy.

(b) Commission. -- The Authority is governed by a Commission that consists of 21 members, six members appointed by the Governor, six members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, six members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and the following three ex officio, voting members: the State's Chief Information Officer, the chair of the North Carolina Rural Economic Development Center, and the Secretary of Commerce.

It is the intent of the General Assembly that the appointing authorities, in making appointments, shall appoint members who represent the geographic, gender, and racial diversity of the State, members who represent rural counties, members who represent regional partnerships, and members who represent the communications industry, which may include local telephone exchange companies, rural telephone cooperatives, Internet service providers, commercial wireless communications carriers, and other communications businesses.

(c) Oath. -- As the holder of an office, each member of the Commission must take the oath required by Section 7 of Article VI of the North Carolina Constitution before assuming the duties of a Commission member.

(d) Terms; Commencement; Staggering. -- Except as provided in subsection (f) of this section, all terms of office shall commence on August 1 of the year the appointment is made. The appointing officers shall designate one-half of their appointees to serve one-year terms; members may serve up to four consecutive one-year terms. The appointing officers shall designate their remaining appointees to serve three-year terms; members may serve up to two consecutive three-year terms.

(e) Chair. -- The Governor shall designate one of the members appointed by the Governor as the Chair of the Commission. The Governor shall convene the first meeting of the Commission.

(f) Vacancies. -- All members of the Commission shall remain in office until their successors are appointed and qualify. A vacancy in an appointment made by the Governor shall be filled by the Governor for the remainder of the unexpired

term. A vacancy in an appointment made by the General Assembly shall be filled in accordance with G.S. 120-122. A person appointed to fill a vacancy must qualify in the same manner as a person appointed for a full term.

(g) Removal of Commission Members. -- The Governor may remove any member of the Commission for misfeasance, malfeasance, or nonfeasance in accordance with G.S. 143B-13(d). The Governor or the person who appointed a member may remove the member for using improper influence in accordance with G.S. 143B-13(c).

(h) Compensation of the Commission. -- No part of the revenues or assets of the Authority shall inure to the benefit of or be distributable to the members of the Commission or officers or other private persons. The members of the Commission shall receive no salary for their services but may receive per diem and allowances in accordance with G.S. 138-5.

(i) Staff. -- The North Carolina Rural Economic Development Center, Inc., shall provide administrative and professional staff support for the Authority under contract.

(j) Conflicts of Interest. -- Members of the Authority shall comply with the provisions of G.S. 14-234 prohibiting conflicts of interest. In addition, if any member, officer, or employee of the Authority is interested either directly or indirectly, or is an officer or employee of or has an ownership interest in any firm or corporation, not including units of local government, interested directly or indirectly, in any contract with the Authority, the member, officer, or employee must disclose the interest to the Commission, which must set forth the disclosure in the minutes of the Commission. The member, officer, or employee having an interest may not participate on behalf of the Authority in the authorization of any contract.

"§ 143B-437.43. Powers, duties, and goals of the Authority.

(a) Powers. -- The Authority shall have the following powers:

(1) To employ, contract with, direct, and supervise all personnel and consultants.

(2) To apply for, accept, and utilize grants, contributions, and appropriations in order to carry out its duties and goals as defined in this Part.

(3) To enter into contracts and to provide support and assistance to local governments, nonprofit entities, and regional partnerships, in carrying out its duties and goals under this Part.

(4) To review and recommend changes in all laws, rules, programs, and policies of this State or any agency or subdivision thereof to further the goals of rural Internet access.

(b) Duties. -- The Authority shall have the following duties:

(1) To develop and recommend to the Governor, the General Assembly, and the North Carolina Rural Redevelopment Authority a plan to provide rural counties with high-speed broadband Internet access.

(2) To propose funding that may be needed from the North Carolina Rural Redevelopment Authority established in Part 2D of this Article and from other appropriate sources for incentives for the private sector to

make necessary investments to achieve the Authority's goals and objectives.

(3) To set specific targets and milestones to achieve the goals and objectives set out in subsection (c) of this section.

(c) Goals. -- The goals and objectives of the Authority are:

(1) Local dial-up Internet access provided from every telephone exchange within one year.

(2) High-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina.

(3) Two model Telework Centers in either enterprise tier one or enterprise tier two area established by January 1, 2002. To the extent practicable, the Centers should be established in existing facilities.

(4) Significant increases in ownership of computers, related web devices, and Internet subscriptions promoted throughout North Carolina.

(5) Accurate, current, and complete information provided through the Internet to citizens about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet services.

(6) Development of government Internet applications promoted to make citizen interactions with government agencies and services easier and more convenient and to facilitate the delivery of more comprehensive programs, including training, education, and health care.

(7) Open technology approaches employed to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias.

(8) To coordinate activities, conduct and sponsor research, and recommend and advocate actions, including regulatory and legislative actions to achieve its goals and objectives.

(d) Limitations. -- The Authority does not have the power of eminent domain or the power to levy any tax.

(e) Reports. -- The Authority must submit quarterly reports to the Governor, the Joint Select Committee on Information Technology, and the Joint Legislative Commission on Governmental Operations. The reports must summarize the Authority's activities during the quarter and contain any information about the Authority's activities that is requested by the Governor, the Committee, or the Commission."

Section 2. G.S. 120-123 is amended by adding a new subdivision to read:

"(71) The North Carolina Rural Internet Access Authority created in Part 2E of Article 10 of Chapter 143B of the General Statutes."

Section 3. Each regional partnership, as defined in G.S. 143B-437.21, shall, with the assistance of the North Carolina Rural Economic Development Center, study the information technology infrastructure and information technology needs of

each county within its particular region. Each study shall include an inventory of existing information technology infrastructure, an inventory of information technology needs, an analysis of how the information technology needs affect industrial and business recruitment, and recommendations that address the information technology needs of each region. In conducting the studies required by this section, the regional partnerships shall consider the findings of the Connect NC study. The regional partnerships may contract with the North Carolina Rural Economic Development Center as needed to undertake these studies. No later than November 1, 2001, each regional partnership shall report the results of its study, including any legislative proposals, to the Joint Select Committee on Information Technology.

Section 4. This act does not obligate the General Assembly to appropriate funds.

Section 5. This act is effective when it becomes law. The North Carolina Rural Internet Access Authority created in this act is dissolved effective December 31, 2003. This act is repealed effective December 31, 2003. Part 2E of Article 10 of Chapter 143B of the General Statutes and G.S. 120-123(71), as enacted by this act, are repealed effective December 1, 2003.

In the General Assembly read three times and ratified this the 10th day of July, 2000.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 9:24 a.m. this 2nd day of August, 2000

North Carolina Rural Internet Access Commission

Membership: 3 by Ex-officio,
6 by Governor,
6 by Speaker of the House,
6 by Senate Pro-Tem,
21 Total

Chairman: by Governor

Term Length: 1 Year / 3 Year

Cite: General Statute 143B-437.42

Department: Independent

Ethics: Y

Purpose:

The purpose of the Authority is to advise and make recommendations to the Governor, the General Assembly, ar the North Carolina Rural Redevelopment Authority, regarding efforts to provide rural counties with high-speed broadband internet access.

Leutze, James R. Dr. **County:** New Hanover **Date Appt:** 10/18/2000 **Term Exp:** 7/31/2003

Call Name: Jim
UNC Wilmington
Chancellor
601 South College Road
Wilmington, NC 28403-3297
Home: (910) 962-3662
Business: (910) 962-3030
Position: 1 At Large **Appointed by:** Governor
Description: Chair
Race: Caucasian Sex: M

Turlington, J. Edwin Mr. **County:** Wake **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2003

Call Name: Ed
Brooks, Pierce, McLendon, Humphrey &
PO Box 1800
Raleigh, NC 27602
Home:
Business: 919-839-0300
Position: 2 At Large **Appointed by:** Governor
Description:
Race: Caucasian Sex: M

Foster, Joe W. Mr. **County:** Durham **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2003

Call Name: Joe
7 South Poston Court
Durham, NC 27705
Home: 919-419-0433
Business: 919-317-5100
Position: 3 At Large **Appointed by:** Governor
Description:
Race: Caucasian Sex: M

Guy, Leonard S. Mr.Jr. **County:** Duplin **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2001

Call Name: L.S.
P.O. Box 55
Faison, NC 28341
Home: 910-267-6441
Business:
Position: 4 At Large **Appointed by:** Governor
Description: Race: Caucasian Sex: M

Wynn, Curtis Mr. **County:** Hertford **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2001

Call Name: Curtis
Roanoke Electric Cooperative
Executive Vice President & CEO
PO Box 440
Rich Square, NC 27869
Home: 252-209-0333
Business: 252-539-3024
Position: 5 At Large **Appointed by:** Governor
Description: Race: African American Sex: M

Carringer, John B. Mr. **County:** Cherokee **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2001

Call Name: John
52 Boulevard
Murphy, NC 28906
Home: 828-837-2940
Business:
Position: 6 At Large **Appointed by:** Governor
Description: Race: Unknown Sex: M

McDaries, Edwin F. Mr.Jr. **County:** Cumberland **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2001

Call Name: Edwin
105 Peachtree Street
Fayetteville, NC 28305
Home:
Business:
Position: 7 Member **Appointed by:** Senate Pro-Tem
Description: Race: Unknown Sex: M

Altieri, Donald P. Dr. **County:** Anson **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2001

Call Name: Donald
Piedmont Community College
Post Office Box 126
Polkton, NC 28135
Home: (704) 694-3363
Business: (704) 272-7635
Position: 8 Member **Appointed by:** Senate Pro-Tem
Description: Race: Caucasian Sex: M

Ferguson, Patricia The Honorable **County:** Bertie **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2001

Call Name: Patricia
116 Luther Brown Road
Colerain, NC 27924
Home: (252) 332-1059
Business: (252) 332-6484
Position: 9 Member **Appointed by:** Senate Pro-Tem
Description:
Race: African American Sex: F

Bowen, Wally Mr. **County:** Buncombe **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2003

Call Name: Wally
Mountain Area Information Network
34 Wall Street
Suite 407
Asheville, NC 28801
Home:
Business: 828-255-0182
Position: 10 Member **Appointed by:** Senate Pro-Tem
Description:
Race: Unknown Sex: M

Kress, William Mr. **County:** Wake **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2003

Call Name: Bill
MCNC
President
3021 Cornwallis Road
RTP, NC 27709
Home: (919) 845-1620
Business: (919) 248-1811
Position: 11 Member **Appointed by:** Senate Pro-Tem
Description:
Race: Caucasian Sex: M

Ridgeway, Paul Mr. **County:** Wake **Date Appt:** 12/1/2000 **Term Exp:** 7/31/2003

Call Name: Paul
Everett, Gaskins, Hancock & Stevens
Attorney-at-Law
PO Box 911
Raleigh, NC 27602
Home: 919-828-4942
Business: 919-755-0025
Position: 12 Member **Appointed by:** Senate Pro-Tem
Description:
Race: Caucasian Sex: M

Hathcock, C. Don Mr. **County:** Mecklenburg **Date Appt:** 12/5/2000 **Term Exp:** 7/31/2003

Call Name: Don
BellSouth Telecommunications
300 South Brevard Street
Room 1522 BSP
Charlotte, NC 28202
Home:
Business: 704-417-8764
Position: 13 Member **Appointed by:** Speaker of the House
Description: Race: Unknown Sex: M

Hamm, Jon R. Mr. **County:** Wake **Date Appt:** 12/5/2000 **Term Exp:** 7/31/2003

Call Name: Jon
Sprint
3516 Pine Warbler Court
Wake Forest, NC 27587
Home:
Business: 919-554-3714
Position: 14 Member **Appointed by:** Speaker of the House
Description: Race: Unknown Sex: M

Jordan, Oppie Ms. **County:** Nash **Date Appt:** 12/5/2000 **Term Exp:** 7/31/2003

Call Name: Oppie
Carolina`s Gateway Partnership
President
427 Falls Road
Rocky Mount, NC 27804
Home:
Business: 252-442-6224
Position: 15 Member **Appointed by:** Speaker of the House
Description: Race: Unknown Sex: F

Groves, Cecil L. Dr. **County:** Jackson **Date Appt:** 12/5/2000 **Term Exp:** 7/31/2001

Call Name: Cecil
Southwestern Community College
President
477 College Drive
Sylva, NC 28779
Home:
Business: 1-800-447-4091
Position: 16 Member **Appointed by:** Speaker of the House
Description: Race: Unknown Sex: M

Wells, Robert O. The Honorable **County:** Wake **Date Appt:** 12/5/2000 **Term Exp:** 7/31/2001

Call Name: Bob
The Alliance
3733 Glenwood Avenue
Suite 100
Raleigh, NC 27612
Home: 919-787-6737
Business: 919-831-8715
Position: 17 Member **Appointed by:** Speaker of the House
Description: Race: Unknown Sex: M

McNeill, Bolling Gray Mr.Jr. **County:** Columbus **Date Appt:** 12/5/2000 **Term Exp:** 7/31/2001

Call Name: Bo
2212 Canal Cove Rd.
Lake Waccamaw, NC 28450
Home: 910-646-4991
Business: 910-640-3377
Position: 18 Member **Appointed by:** Speaker of the House
Description: Race: Caucasian Sex: M

Hawley, Ronald P. Mr. **County:** Wake **Date Appt:** 12/8/2000 **Term Exp:**

Call Name: Ron
State Bureau of Investigation
407 N. Blount Street
Raleigh, NC 27601
Home:
Business: (919) 733-3171
Position: 19 Ex-officio **Appointed by:** Ex-officio
Description: State's Chief Information Officer Race: Caucasian Sex: M

King, Kelly S. Mr. **County:** Forsyth **Date Appt:** 12/6/2000 **Term Exp:**

Call Name: Kelly
BB&T
Banking Manager
P.O. Box 1250
Winston-Salem, NC 27102-1250
Home:
Business: (336) 733-2311
Position: 20 Ex-officio **Appointed by:** Ex-officio
Description: Chair of the North Carolina Rural Economic Development Center Race: Caucasian Sex: M

Carlisle, Richard E. Mr. **County:** Wake **Date Appt:** 12/6/2000 **Term Exp:**

Call Name: Rick

Department of Commerce
4301 Mail Service Center
Raleigh, NC 27699-4301

Home:

Business: (919) 733-4962

Position: 21 Ex-officio **Appointed by:** Ex-officio

Description: Secretary of Commerce Race: Caucasian Sex: M

RIAA LEGAL, LEGISLATIVE AND REGULATORY COMMITTEE

Purpose and Composition

The Legal, Legislative and Regulatory Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all applications activities relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop a coordination plan for legislative and utilities commission activities for the Authority that is necessary to meet the goals of the Authority.
- Develop and make recommendations for a plan to provide network services for individuals who meet a certain criteria and cannot afford network services and to assist the Outreach Committee as it works to develop increases in ownership of computers, related web devices and internet subscriptions throughout North Carolina.
- Assist with managing the legislative activities that the Authority must initiate or assist with information that the Authority must deliver to the Legislature.
- Assist the Authority in the development of its Conflict of Interest policies.
- To assist the Authority as it reviews and recommends changes in any laws, rules, programs and policies of the State or any agency of subdivision thereof to further the goals of rural internet access.
- Develop specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA TECHNICAL COMMITTEE

Purpose and Composition

The Technical Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review all technical issues relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop recommendations for a technical plan that will make possible high-speed affordable Internet access to citizens and businesses of rural North Carolina by December 31, 2003.
- To develop technical plans that will encourage Local dial-up access to citizens and businesses of rural North Carolina by August of 2001.
- To recommend contracts, and work with the Applications Committee to provide support and assistance to local governments, nonprofit entities, and regional partnerships to carry out goals of the Authority.
- To assist the Telework Committee with technical specifications of the Telework Center.
- To provide guidance, structure and deliverance to the process of the inventory of network and subscriber infrastructure.
- To provide advice and guidance to the various committees of the Authority when requested.
- To develop research proposals that will assist the goals of the Authority and this specific committee.
- To assist the communications committee in its work to deploy web site information relating to the availability of present telecommunications and Internet services with updates on future deployment of telecommunications technologies and Internet services.
- Utilization of open technology approaches to encourage all potential providers to participate in the implementation of these goals with no technology bias.
- To establish appropriate technical standards when necessary.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority and the Chair of the Authority.

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chairman may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA TELEWORK COMMITTEE

Purpose and Composition

The Telework Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all activities relating to the establishment of Telework Centers. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop a process that will ensure that at least two model Telework Centers are established prior to January of 2002, in Tier One or Tier Two counties. Centers should be established in existing buildings.
- This will include development of the definition and design of sustainable Telework Centers.
- This will include development of a program of operation for the Telework Centers.
- Development of a grants process for the establishment of Telework Centers, which will include criteria for selection of the recipients of Telework Center grants.
- Development of a plan for monitoring the Centers and an interim evaluation report by August of 2002.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA OUTREACH COMMITTEE

Purpose and Composition

The Outreach Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all Outreach activities relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop recommendations for an Outreach plan that will make possible a greater knowledge about high-speed affordable internet access to citizens and businesses of North Carolina, with emphasis on rural counties. This plan may include:
    - Assisting the Communications Committee in the development of its work.
    - Assisting the Applications Committee in the process of its work.
- Work with the staff to develop the regional and state meetings that the Authority will hold.
- Define for other committees the appropriate strategies to be inclusive in the work of their committee's deliberations and recommendations.
- Work with the Technical, Communications and LLR Committees to develop a plan to provide access devices to citizens who cannot afford such internet devices.
- Develop and manage a training plan for Internet Literacy for all North Carolinians.
- Develop a plan for significant increases in ownership of computers. Work with Technical Committee to develop a plan for increases in ownership of web devices and internet subscriptions throughout North Carolina, with emphasis on rural counties.
- Evaluate the possible grants programs for use with the Outreach plan, and develop a grants program where necessary.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties and responsibilities as assigned by the Authority.

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA APPLICATIONS COMMITTEE

Purpose and Composition

The Applications Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review and recommend all applications activities relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- Develop a process that will ensure that the development of government Internet applications is promoted to assist citizen interactions with government agencies at all levels.
- Develop a plan and process to make certain that more applications are available in eLearning, eHealth and eCommerce throughout all the rural regions of North Carolina.
- Develop a process and work with all appropriate government authorities, educational and health care institutions, chambers of commerce, libraries, nonprofits and any other necessary individuals or entities to see that applications are developed throughout rural North Carolina to serve the citizens of rural North Carolina.
- Assist the Outreach Committee in the development of its Committee responsibilities.
- Work with all Committees of the Authority to carry out the goals of this Committee.
- Develop a research, implementation, and evaluation plan that will assist in carrying out the development of applications.
- To develop an ongoing mechanism to evaluate and communicate the availability of grants programs for use with e-applications.
- Develop a grants program to apply for and distribute funds.
- Develop specific targets and milestones to achieve goals listed above.
- Perform other duties as assigned by the Authority

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chair may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

RIAA COMMUNICATIONS COMMITTEE

Purpose and Composition

The Communications Committee shall be a standing committee of the Rural Internet Access Authority. The Committee shall review all communications issues relating to the goals of the Authority. Committee members shall be appointed by the Authority members upon recommendation of the Chair of the Authority, normally at the first meeting of the calendar year. The Authority shall designate one of the members as the Committee Chairman, who shall preside over the Committee meetings and report their recommendations to the Authority.

Duties and responsibilities of the Committee shall include, but not be limited to the following:

- The Committee shall be responsible for assisting with the development of the communications plan, including marketing and public relations plans, which define the Rural Internet Access Authority in its public role. This plan may include, but is not limited to all brochures, stationary, web site information, as well as sign off on the presentation materials of the Authority.
- Develop a plan to ensure that information is provided to citizens through the Internet, and other media, about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet service.
- Develop communication pieces that brand the Authority.
- Develop a speakers group for the Authority and the presentation piece this group would use in discussing the Authority across North Carolina.
- Development of specific targets and milestones to achieve goals listed above.
- Other duties as assigned by the Authority.
- Work with all committees regarding their public relations and communications needs.

In working on the communications plan, the Committee will be assisted by the Authority staff but shall also work with the Rural Center Communications Staff.

Meetings

The Committee shall normally hold meetings as necessary each year in order to accomplish their duties and responsibilities. The Committee's chairman may call additional meetings as appropriate. Staff of the Authority or other persons assigned shall provide staff to the Committee.

Standard Operating Procedures for Authority Committees

1. Committee meetings will be held 1-2 weeks prior to monthly board meeting.

2. Authority staff will be responsible for committee meeting logistics. Meeting logistics will include scheduling, setting up teleconference/videoconferences, communication of logistics to committee members, distribution of agenda and other meeting materials to committee members, recording and distribution of minutes.

3. Staff will take names of people interested in serving on committees. Names will be given to Chair/Vice-Chair and committee for approval. Staff will be responsible for maintaining list of committee members and contact information.

4. Chair and Vice-Chair will be responsible for setting the agenda and dictating any necessary materials to be provided at meetings. The staff of the Authority will work with the Chair and Vice-Chair to complete this task.

5. Chair and Vice-Chair or their designee from the Committee Authority members will be responsible for reporting to the Board.

6. Volunteer committee members are those individuals not serving on the Commission of the Rural Internet Access Authority. Volunteer committee members may not participate in official votes of the Committee.

7. Input from all committee members will be encouraged. Committees will recognize that the thoughts and concerns of all members are valid and welcome. The majority of consensus opinion on an issue will be reported to the Board as such. If there is a significant minority (20% of the Committee in disagreement) that will be reported from the Committee also.

8. Volunteer committee members cannot miss two consecutive committee meetings without an excuse. These members must attend 70% of committee meetings on an annual basis.

9. Teleconferences will be held for committee members over NCIH sites whenever possible. Audio conferencing will be made to all other committee members.

10. Reimbursement for Committee Authority members for any reasonable costs incurred for attendance virtually at meetings will be the standard. Attempts will be made to use NCIH video sites to reduce travel and distance time to meetings. If Authority members attend committee meetings in person, they will be reimbursed for the normal "state" rates for travel.

11. All communications will be over e-mail when possible. Individuals receiving e-mail should acknowledge receipt of e-mail when requested by sender.

Rural Internet Access Authority - DRAFT

Board Members	Committee Members - (List in Progress)											
	LLR		Outreach		Technical		Telework		App.		Comm.	
Don Altieri	Ed Turlington	*A	Oppie Jordan	*A	Ron Hawley	*A	Patricia Ferguson	*A	Cecil Groves	*A	Kelly King	*A
Wally Bowen	Robert Wells	**A	Don Altieri	**A	Don Hathcock	**A	Curtis Wynn	**A	L.S. Guy	**A	Ed McDaries	**A
John Carringer	Bo McNeill	A	Barbara Boyce	#	Andy Billingsley	#	Barbara Weaver	#	John Carringer	**A	Arlen Holt	#
Patricia Ferguson	Dave Holec	#	Betty Mangum	#	Benny Hendrix	#	Billy Ray Hall	A	Arnold Kennedy	#	Billy Ray Hall	#
Joe Foster	David Hutto	#	Bill Kress	A	Bill Kress	A	Bob Sams	#	Bob Blackmun	#	Brenda Dougherty	#
Cecil Groves	Don Altieri	A	Bonnie Moore	#	Bo McNeill	A	David Short	#	Carl Classen	#	Dan McAuley	#
L.S. Guy	Don Hathcock	A	Brenda Williamson	#	Charlie Clark	#	Ed Shearin	#	Carol Stern	#	Ed Turlington	A
Jon Hamm	Eugene Russell	#	Cecil Groves	A	Curtis Wynn	A	Henry Morton	#	Carolyn Argentati	#	Elaine Mathews	#
Don Hathcock	Jerry Weikle	#	David Meacham	#	David Hutto	#	John Whitehurst	#	Chris Wease	#	Kathrine Joyce	#
Ron Hawley	Joe Foster	A	Doris Brown	#	Dick Taylor	#	Kathryn Lawrence	#	David Edwards	#	Margot Christensen	#
Oppie Jordan	Karen Long	#	Gayle Harvey	#	Don Altieri	A	L.S. Guy	A	David Short	#	Mari Trosclair	#
Kelly King	Lee Mandell	#	Greg Griggs	#	Gary Steeley	#	Mary Sue Brown	#	Don Adams	#	Stuart George	#
William Kress	Linda DeGrand	#	Herb Crenshaw	#	Jim Northrup	#	Peggy Manring	#	Dwayne Campbell	#	Susan Moran	#
James Leutze	Mary Ann Hinshaw	#	Hunter Thompson	#	John Isenhour	#	Rebecca Troutman	#	Emmett Patterson	#		
Ed McDaries	Oppie Jordan	A	James Andrews	#	Jon Hamm	A	Scott Ralls	#	Gail Findlay	#		
Bo McNeill	Patricia Ferguson	A	Joe Freddoso	#	Mary Sue Brown	#	Sharon Craig	#	Gary Steppe	#		
Paul Ridgeway	Paul Ridgeway	A	John Carringer	A	Michael Taylor	#	Tim Rhodes	#	Geoff Honaker	#		
Ed Turlington	Rebecca Troutman	#	John Herrara	#	Richard Kelly	#	Timmy Baynes	#	Holt Anderson	#		
Robert Wells	Rick Happ	#	Joyce Eliot	#	Steve Lane	#	Wally Bowen	A	Hunter Thompson	#		
Curtis Wynn	Ron Hawley	#	June Atkinson	#	Steve Wagner	#	Will Johnson	#	Jeff Spade	#		
	Steve Parrott	#	June Brotherton	#	Thomas Parrish	#			Jesse Mayo	#		
	Wally Bowen	A	Karin Pettit	#	Tom Foss	#			John Killebrew	#		
	Wendy Kuhn	#	Kathy Garner	#	Tom Gray	#			Jon Hamm	A		
			Kelly King	A	Tom Mims	#			Katherine Joyce	#		
			Kim McGuire	#	Vickie Lonker	#			Keith Cochran	#		
			Les Twible	#	Wally Bowen	A			Kevin Fitzgerald	#		
			Mari Trosclair	#	Wendy Kuhn	#			Lee Mandell	#		
			Marion Altman	#					Les Twible	#		
			Mary Holmes	#					Linda DeGrand	#		
			Mary Siedow	#					Mary Sizemore	#		
			Melanie Collins	#					Mary Sue Brown	#		
			Nolo Martinez	#					Sandy Babb	#		
			Parks Todd	#					Scott Cline	#		
			Paula Stewart	#					Scott Ralls	#		
			Peggy Graham	#					Sherry McCuller	#		
			Peter Tavernise	#					Stacy J. Guffey	#		
			Robert Burgin	#					Terry Grunwald	#		
			Ronnie Harrell	#					Thomas Parrish	#		
			Sharon Greig	#					Tim Rhodes	#		
			Shirley Dove	#					Timothy Trull	#		
			Stephanie Deese	#					Tom Foss	#		
			Susan Markam	#					Tom Gray	#		
			Tammy Childers	#					Wallace McLendon	#		
			Terry Grunwald	#					Wally Bowen	A		
			Terry Shank	#					Will Johnson	#		
			Tom Fife	#								
			Kevin Fitzgerald									

Legend

* - Committee Chair
** - Committee Vice Chair
# - Non-Authority Committee Member
A - Authority Member

Staff Contact	**Angie Bailey**	**Sandy Babb (and Beth Murphy)**	**Dan McAuley**	**Sandy Babb (and Angie Bailey)**	**Beth Murphy**	**Beth Murphy**

Upcoming RIAA Board and Committee Meetings - 2001

	Group	Date	Time	Location	Dial-in #
January	**Board**	**16-Jan-01 Tuesday**	**10:00am-4:00pm**	**RC-Board Room**	**n/a**
	Telework	29-Jan-01 Monday	10:00am-12:00	RC-Board Room	919-733-2451
	LLR	30-Jan-01 Tuesday	4:00pm-6:00pm	RC-Exec Conf Rm	919-733-2451
	Outreach	30-Jan-01 Tuesday	1:00pm-3:00pm	RC-Exec Conf Rm	919-733-2429
February	Technical	1-Feb-01 Thursday	10:00am-12:00	RC-Board Room	919-733-2429
	Conflict of Interest	1-Feb-01 Thursday	3:30pm-5:00pm	RC-Board Room	919-715-1062
	Applications	8-Feb-01 Thursday	1:30pm-3:30pm	RC-Exec Conf Rm	919-733-2416
	Communications	8-Feb-01 Thursday	9:00am-11:00am	RC-Exec Conf Rm	919-733-2429
	Board	**15-Feb-01 Thursday**	**10:00am-1:00pm**	**RC-Board Room**	**n/a**
	Telework	19-Feb-01 Monday	3:00pm-5:00pm	RC-Board Room	919-733-2441
	LLR	28-Feb-01 Wednesday	4:00pm-5:00pm	RC-Board Room	
March	Communications	1-Mar-01 Thursday	8:00am-10:00am	RC-Exec Conf Rm	919-733-2439
	Technical	1-Mar-01 Thursday	3:00pm-5:00pm		
	Conflict of Interest	6-Mar-01 Tuesday	3:30pm-5:00pm		
	Applications	*7-Mar-01 Wednesday*	*1:30pm-3:00pm*	*RC-Board Room*	*919-733-2439*
	Outreach	12-Mar-01 Monday	3:00pm-5:00pm		
	Board	**16-Mar-01 Friday**	**10:00am-1:00pm**	**Wilmington**	
	Telework	26-Mar-01 Monday	3:00pm-5:00pm		
April	LLR	4-Apr-01 Wednesday	4:00pm-5:00pm		
	Communications	12-Apr-01 Thursday	8:00am-10:00am		
	Technical	12-Apr-01 Thursday	3:00pm-5:00pm		
	Telework	16-Apr-01 Monday	3:00pm-5:00pm	off site?	
	Applications	19-Apr-01 Thursday	3:00pm-5:00pm	GTP	
	Outreach	24-Apr-01 Tuesday	3:00pm-5:00pm		
	Board	**26-Apr-01 Thursday**	**10:00am-1:00pm**	**RC-Board Room**	
May	Communications	3-May-01 Thursday	8:00am-10:00am		
	Technical	3-May-01 Thursday	3:00pm-5:00pm		
	LLR	9-May-01 Wednesday	4:00pm-5:00pm		
	Applications	10-May-01 Thursday	3:00pm-5:00pm	in Alleghany	
	Outreach	*11-May-01 Friday*	*10:00pm-12:00pm*	*in Alleghany*	
	Board	**17-May-01 Thursday**	**10:00am-1:00pm**	**Sylva**	
	Telework	21-May-01 Monday	3:00pm-5:00pm	RC	
	Communications	31-May-01 Thursday	8:00am-10:00am		
	Technical	31-May-01 Thursday	3:00pm-5:00pm		
June	LLR	6-Jun-01 Wednesday	4:00pm-5:00pm		
	Applications	7-Jun-01 Thursday	9:00am-11:00am		
	Outreach	7-Jun-01 Thursday	3:00pm-5:00pm		
	Board	**14-Jun-01 Thursday**	**10:00am-1:00pm**	**RC-Board Room**	
	Telework	25-Jun-01 Monday	3:00pm-5:00pm	off site?	
July	LLR	18-Jul-01 Wednesday	4:00pm-5:00pm		
	Communications	12-Jul-01 Thursday	8:00am-10:00am		
	Technical	12-Jul-01 Thursday	3:00pm-5:00pm		
	Applications	19-Jul-01 Thursday	3:00pm-5:00pm		
	Outreach	23-Jul-01 Monday	3:00pm-5:00pm		
	Board	**27-Jul-01 Friday**	**10:00am-1:00pm**	**Ahoskie**	

*Dates in italics have been changed. Please make sure you have noted these changes.

JANE SMITH PATTERSON

THE RURAL CENTER

jane@ncruralcenter.org

919-250-4314 Ext. 241

www.ncruralcenter.org RIAA Information

March 2001 **Rural Internet Access Authority**

How Do I Access the "Digital Economy"?

- The ***Internet*** !
  - Government Services
  - Buying and Selling
  - Education and Training
  - Finding a Doctor
  - Listening to music
  - Boring other family members with baby pictures!

Access Issues in Rural NC

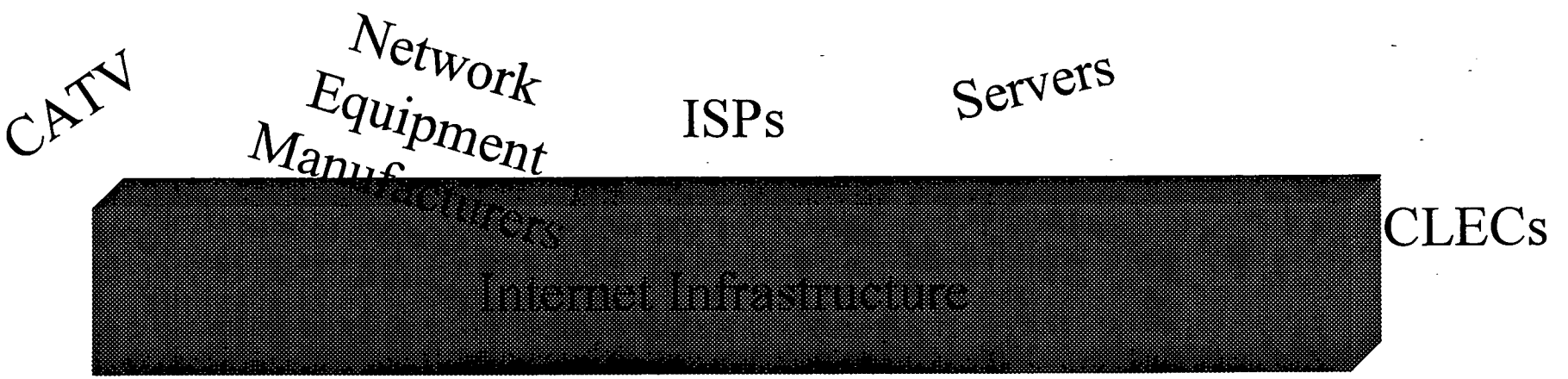
- Broadband Access
- ISP Access
- Costs of Connectivity
- Internet-capable Devices
- Training
- Application Access

What are the Roadblocks?

- Basic, affordable access
  - Affordable basic Internet access
  - Affordable high speed Internet access
  - Affordable Internet-capable device
  - Training
  - Applications

"Digital Opportunities"

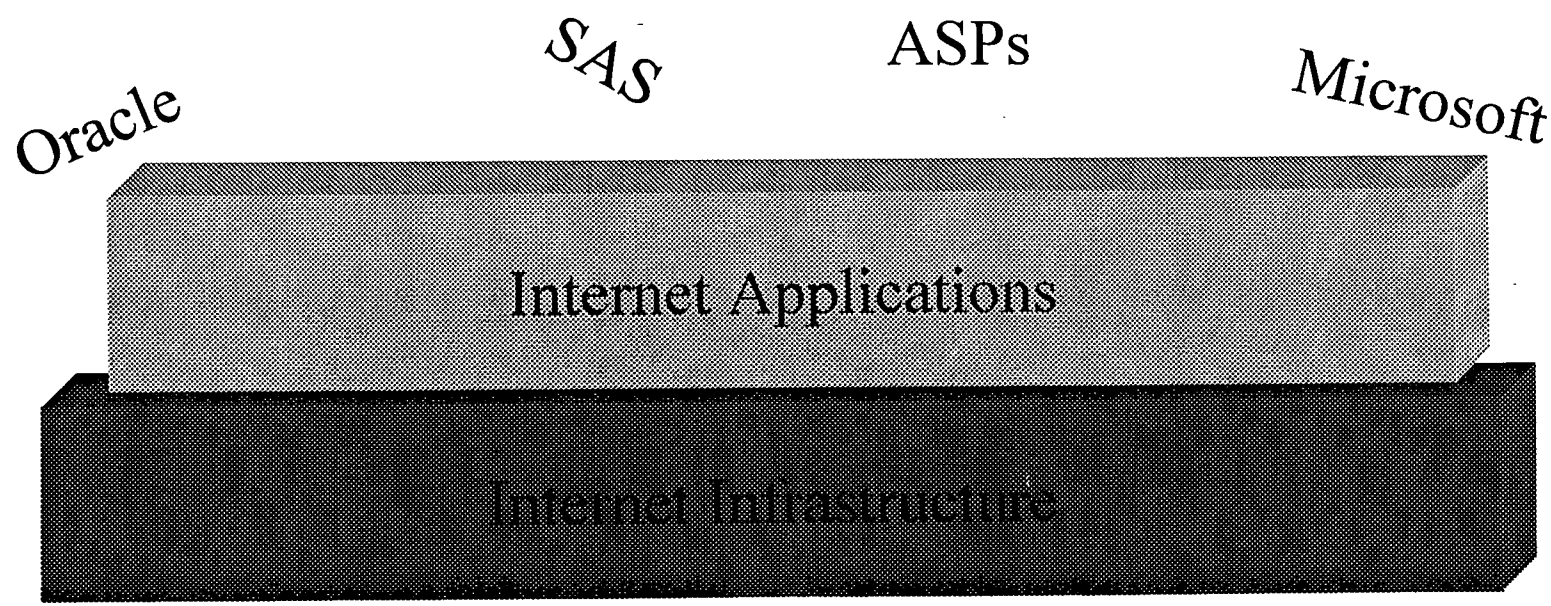
The Digital Economy



March 2001

Rural Internet Access Authority

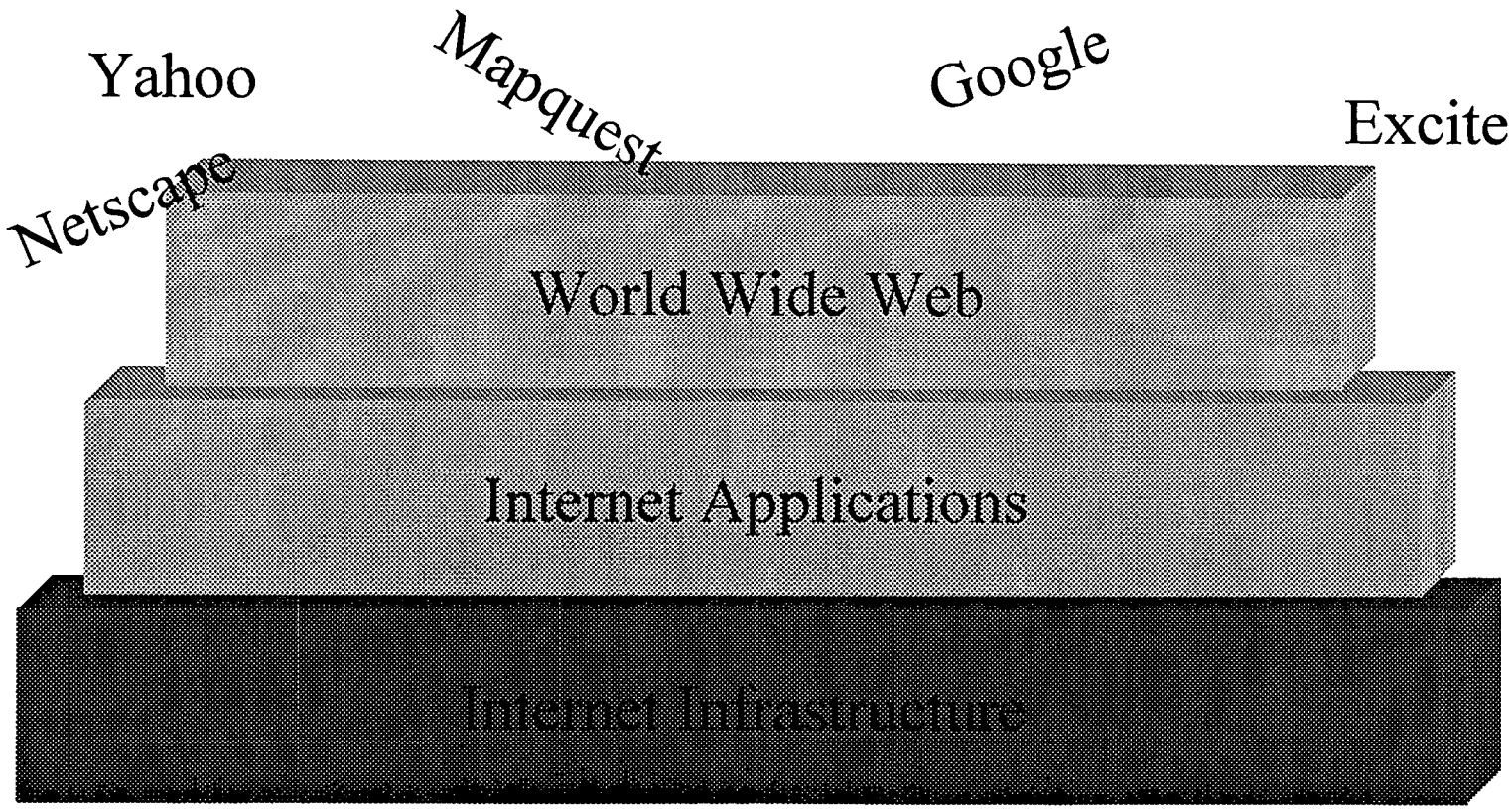
The Digital Economy



March 2001

Rural Internet Access Authority

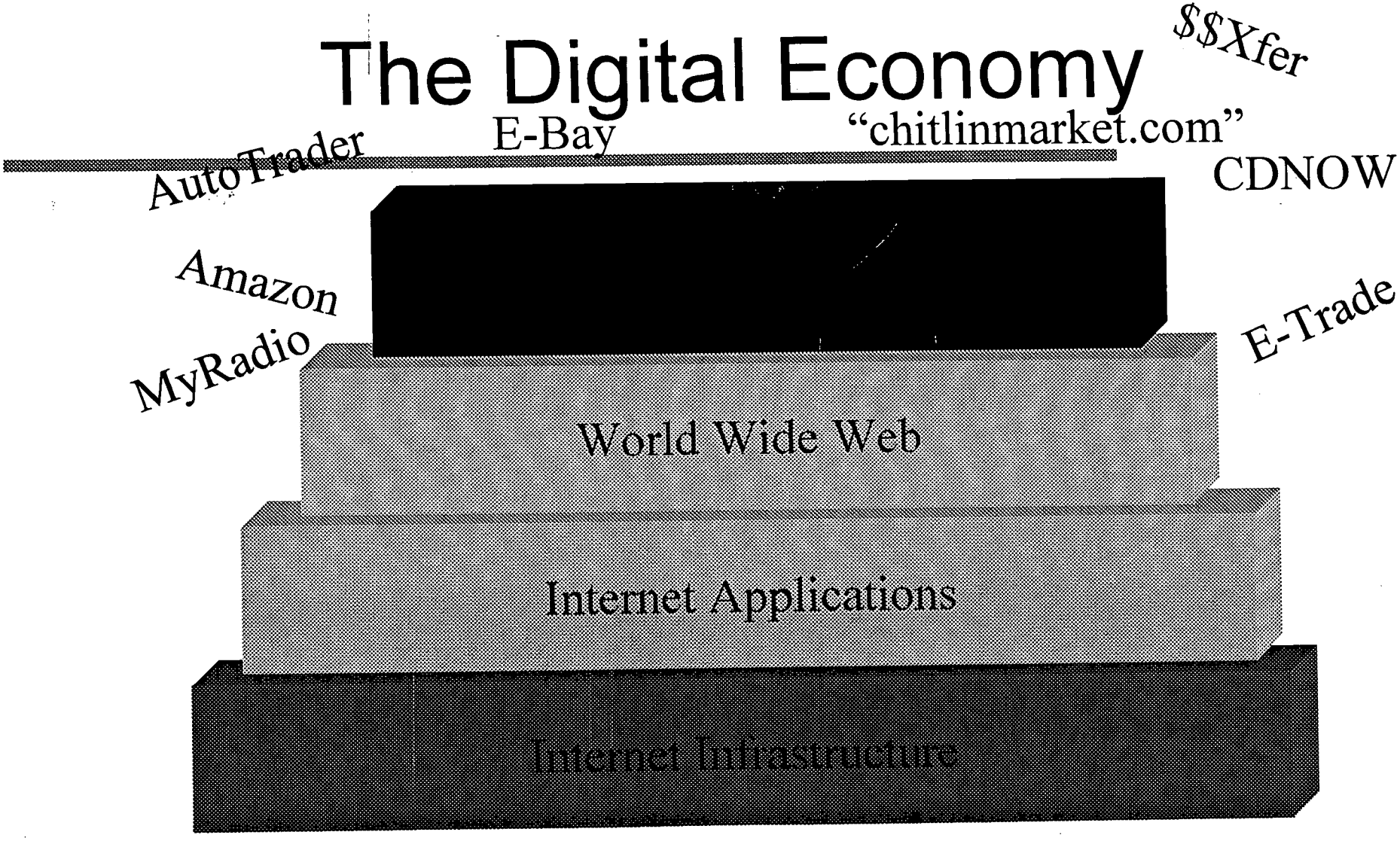
The Digital Economy



March 2001

Rural Internet Access Authority

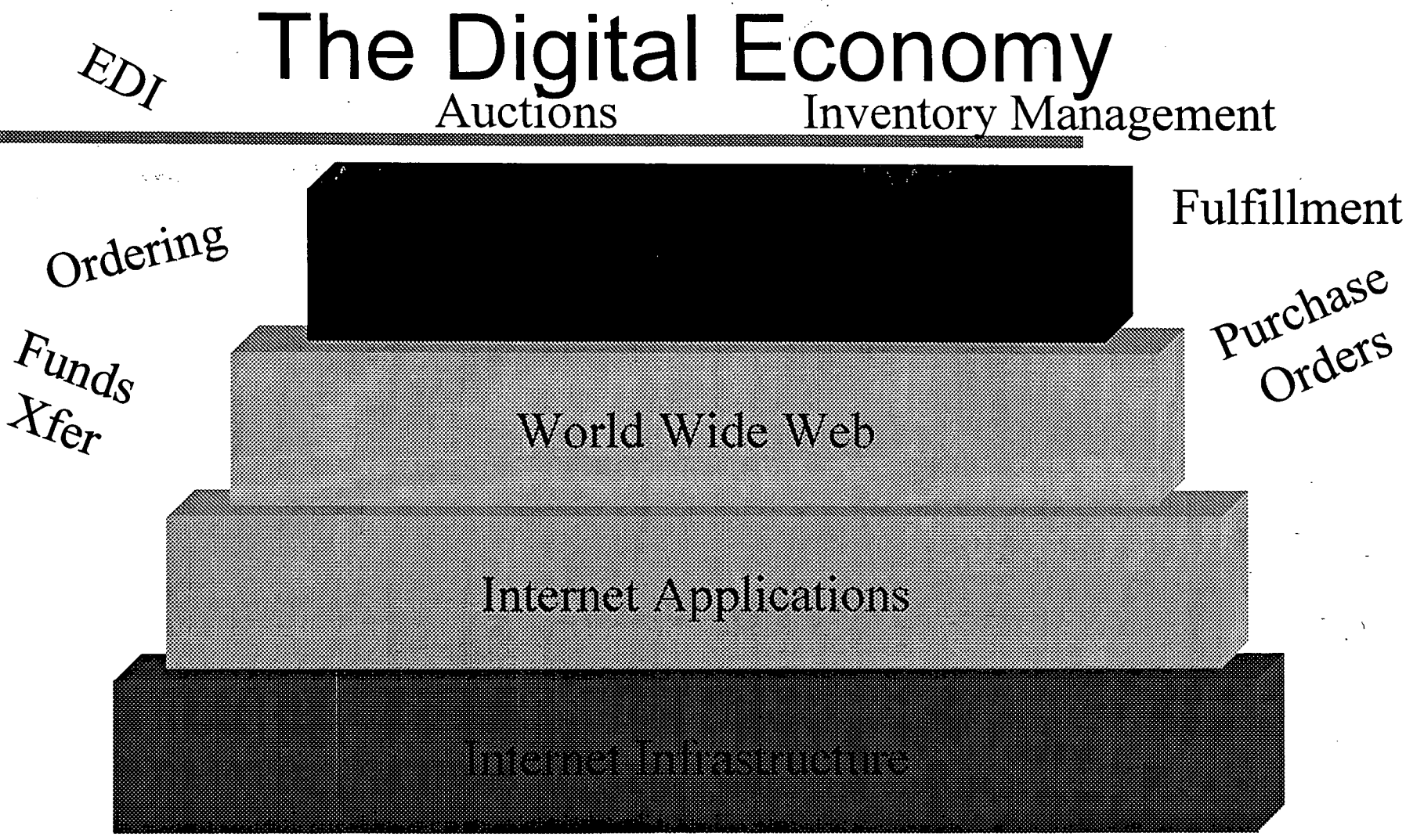
The Digital Economy



March 2001

Rural Internet Access Authority

The Digital Economy



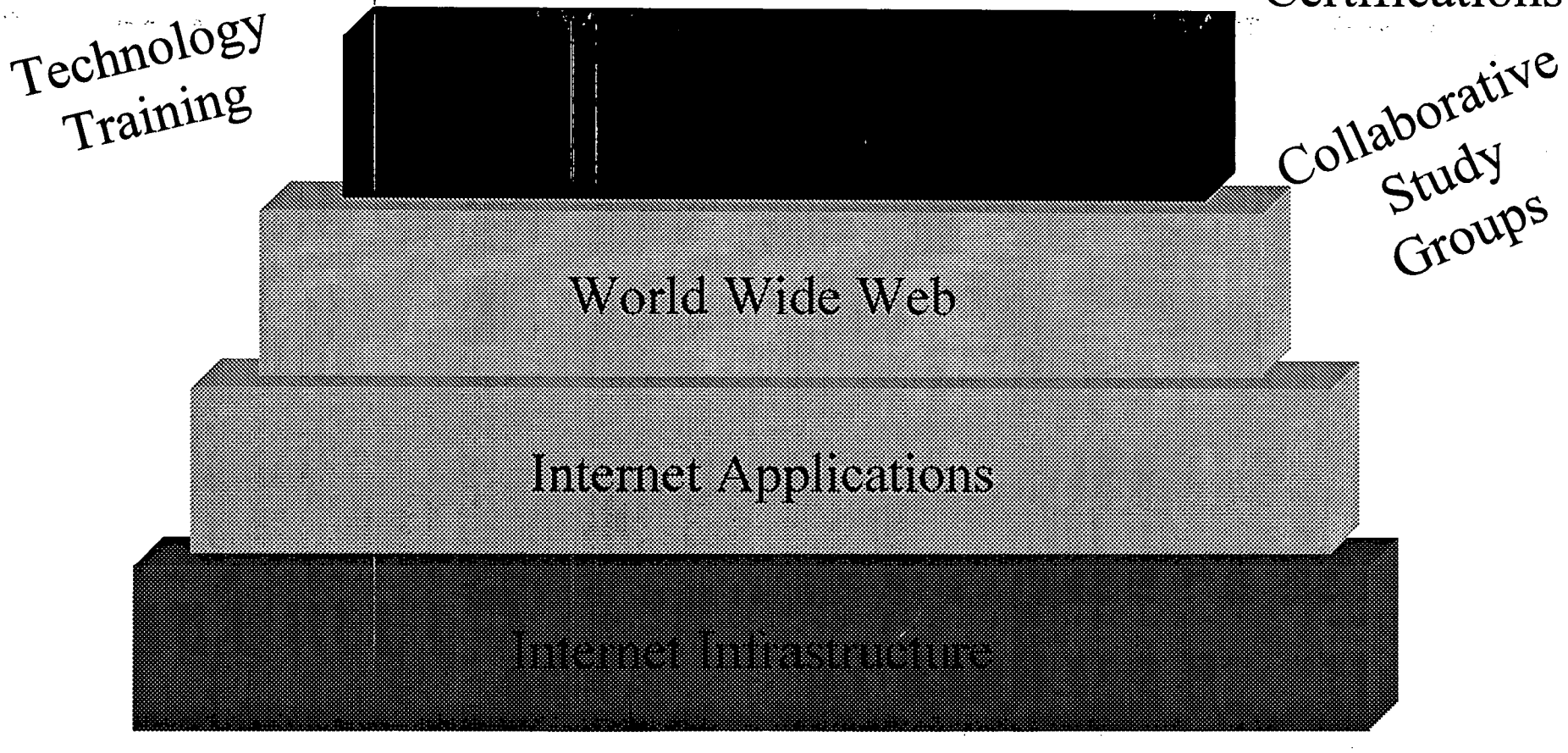
March 2001

Rural Internet Access Authority

GED

The Digital Economy

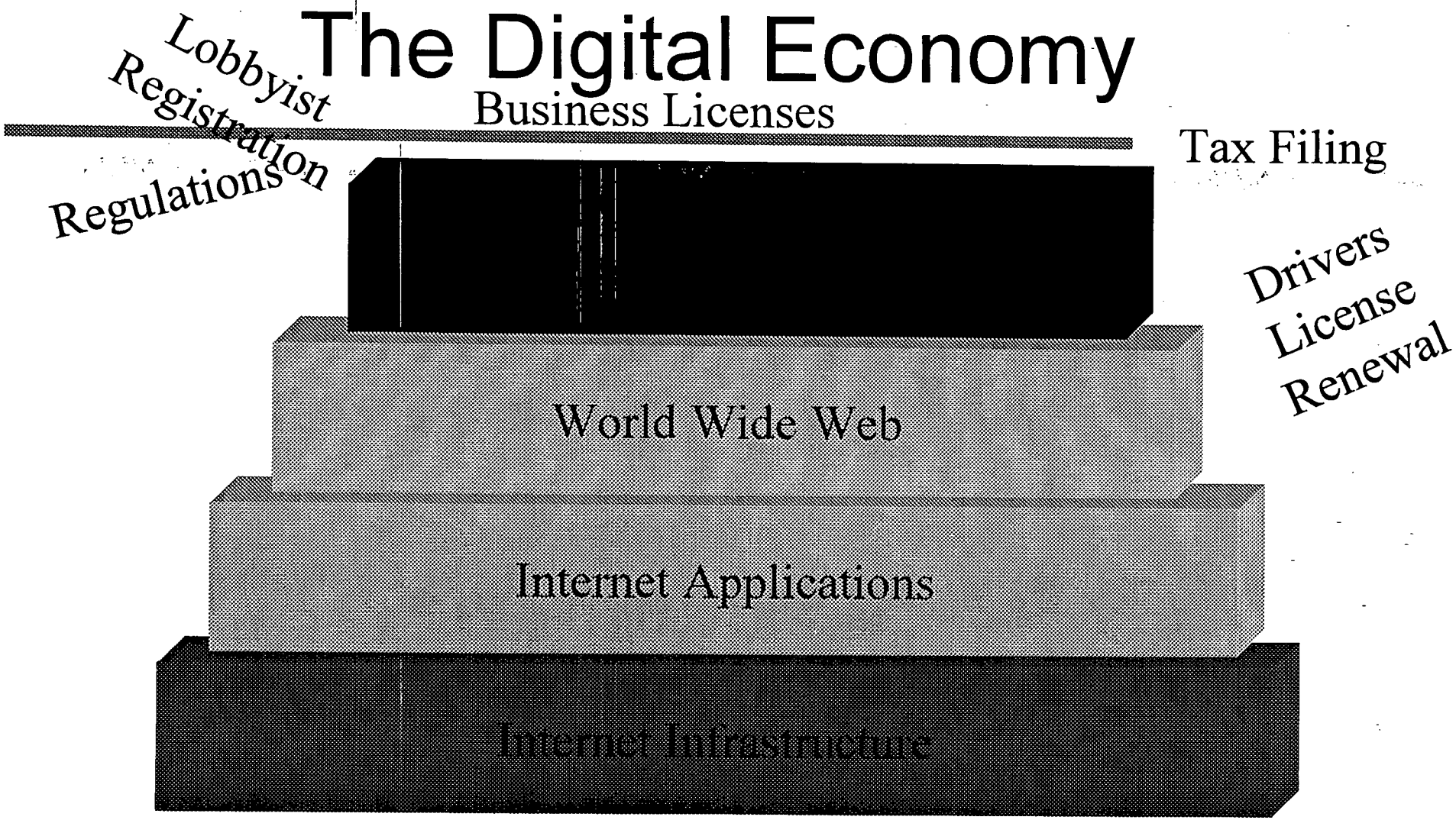
Virtual Learning Communities



March 2001

Rural Internet Access Authority

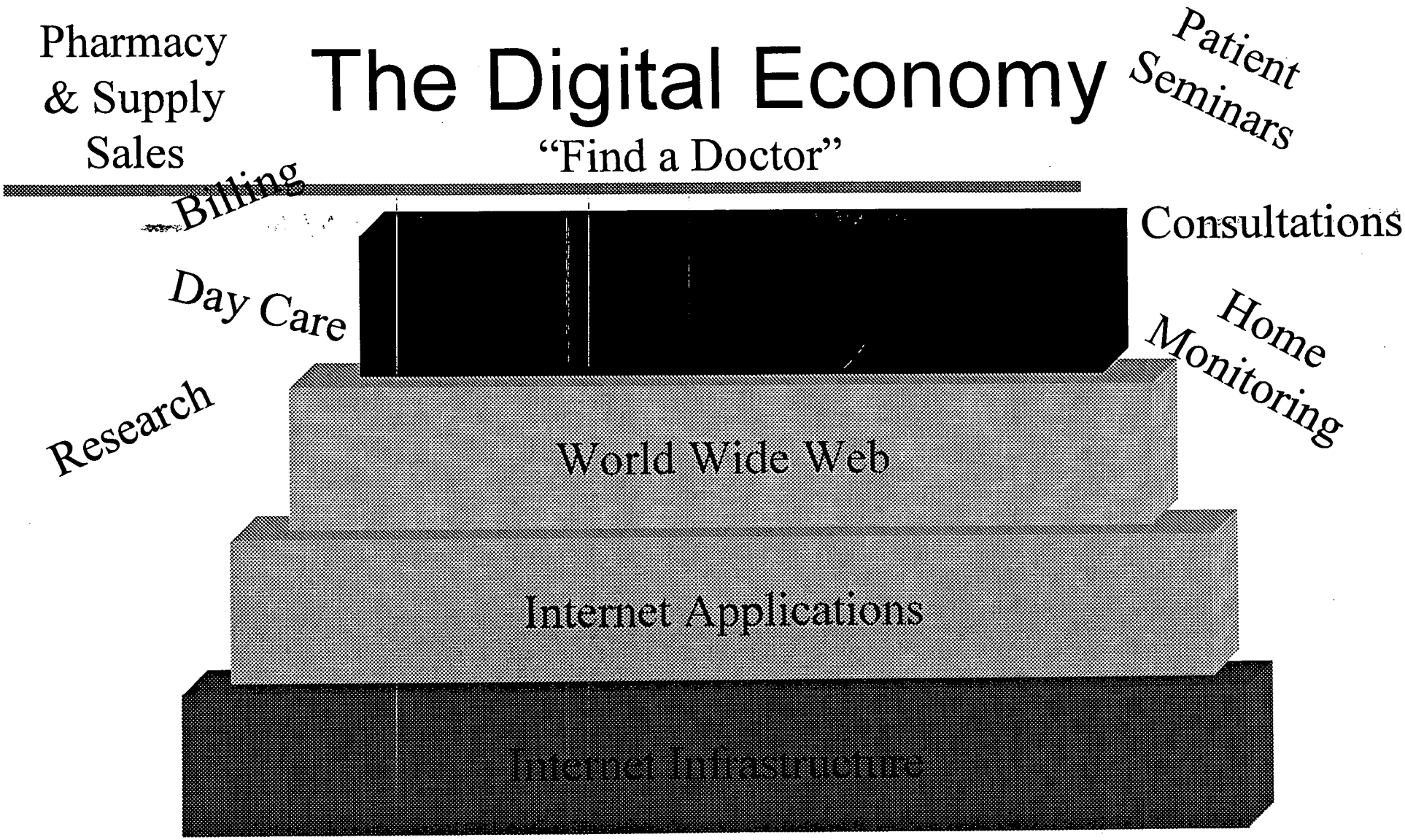
The Digital Economy



March 2001

Rural Internet Access Authority

The Digital Economy



March 2001

Rural Internet Access Authority

- *Given some states' reputation as technology-based, New Economy states, their scores seem surprising at first. For example, Georgia and North Carolina rank 25th and 30th respectively, in spite of the fact that the regions around RTP and Atlanta boast top universities, a highly educated workforce, cutting-edge technology companies, and global connections. In both cases, however, the parts of the state outside these metropolitan regions are rooted in the old economy ...* State New Economy Index, Progressive Policy Institute, July 1999

Digital Economy Success Factors

- Access … Available and Affordable
- Applications … Meeting the Needs
- Appliances … Internet, that is
- Acceptance … The Internet Can Work For All
- Training … Our Kids Already Know How

History of Rural Internet Access Authority

- RURAL PROSPERITY TASK FORCE
- NC BOARD OF SCIENCE & TECHNOLOGY – VISION 2030 PROJECT
- RURAL CENTER – CLAIMING THE FUTURE
- SENATE BILL 1343
- RURAL INTERNET ACCESS AUTHORITY

Goals and Objectives

- Local dial-up internet access in one year
- High-speed access in three years
- Two pilot telework centers in 18 months
- Significant increase in ownership of computers, devices, internet access
- Information on WWW regarding availability of services
- Development of e-applications

Beginning a List of Principles...

- Technology neutral
- Encourage local solutions
- Use private sector to the maximum extent
- Avoid "extra special" regulations
- Avoid "same solution for all"
- Other...

Tool Kit for Communities

- Demand Aggregation
- Anchor Tenant
- Community Internet Access
- Training
- New Economy Readiness

Implementation Actions

- Develop organization
- Explore basis for incentives for private sector
- Seek funding from public and private sources
- Develop website to provide information on availability of services
- Establish regional effort with Economic Development Commissions, universities and community colleges

Issues – All in Parallel

- Connectivity Infrastructure
- Applications
- Access Devices
- Network Charges
- Training
- Readiness for New Economy

County Tier Designations

2001 North Carolina County Tier Designations

TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
ALLEGHANY	ANSON	AVERY	BRUNSWICK	ALAMANCE
ASHE	BLADEN	CASWELL	BURKE	ALEXANDER**
BEAUFORT	DUPLIN*	CHOWAN	CALDWELL	BUNCOMBE
BERTIE	HOKE	CLEVELAND	CARTERET	CABARRUS
CAMDEN	MADISON	CUMBERLAND	CRAVEN	CATAWBA
CHEROKEE	MITCHELL	CURRITUCK	DARE**	CHATHAM
CLAY	MONTGOMERY	GASTON*	FRANKLIN	DAVIDSON**
COLUMBUS	ONSLOW	GATES	GRANVILLE	DAVIE
EDGECOMBE	PAMLICO	GREENE	HARNETT	DURHAM
GRAHAM	PASQUOTANK	HAYWOOD	LINCOLN	FORSYTH
HALIFAX	ROBESON	JACKSON	MACON**	GUILFORD
HERTFORD	VANCE	LENOIR	NASH	HENDERSON
HYDE		MCDOWELL	PENDER	IREDELL
JONES		PERSON*	PITT	JOHNSTON
MARTIN		POLK	ROWAN	LEE
NORTHAMPTON		ROCKINGHAM	SAMPSON**	MECKLENBURG
PERQUIMANS		RUTHERFORD**	STOKES*	MOORE
RICHMOND		STANLY	SURRY	NEW HANOVER
SCOTLAND		WATAUGA	WILKES	ORANGE
SWAIN		WAYNE	YADKIN*	RANDOLPH
TYRRELL		WILSON		TRANSYLVANIA
WARREN				UNION
WASHINGTON				WAKE
YANCEY				

* The county's 2001 Tier designation is one one tier lower than its 2000 designation

** The county's 2001 Tier designation is one one tier higher than its 2000 designation

March 2001

Rural Internet Access Authority

Authority Members & Committees

*Committee Chair
**Committee Vice-Chair
#Non-Commission Member

Board Members	Committee Members - (List in Progress)															
	LLR		Outreach		Technical		Telework		App.		Comm.	
Don Altieri	Ed Turlington	*	Oppie Jordan	*	Ron Hawley	*	Patricia Ferguson	*	Cecil Groves	*	Kelly King	*
Wally Bowen	Robert Wells	**	Don Altieri	**	Don Hathcock	**	Curtis Wynn	**	L.S. Guy	**	Ed McDaries	**
John Carringer	Bo McNeill		Barbara Boyce	#	Andy Billingsley	#	Barbara Weaver	#	John Carringer	**	Arlen Holt	#
Patricia Ferguson	Dave Holec	#	Bill Kress		Benny Hendrix	#	Billy Ray Hall	#	Bob Blackmun	#	Billy Ray Hall	#
Joe Foster	David Hutto	#	Bonnie Moore	#	Bill Kress		Bob Sams	#	Carl Classen	#	Brenda Dougherty	#
Cecil Groves	Don Altieri		Cecil Groves		Bo McNeill		Ed Shearin	#	Carol Stem	#	Ed Turlington	
L.S. Guy	Don Hathcock		David Meacham	#	Charlie Clark	#	Henry Morton	#	Carolyn Argentati	#	Elaine Mathews	#
Jon Hamm	Eugene Russell	#	Doris Brown	#	Curtis Wynn		John Whitehurst	#	Chris Wease	#	Kathrine Joyce	#
Don Hathcock	Jerry Weikle	#	Herb Crenshaw	#	David Hutto	#	Kathryn Lawrence	#	David Edwards	#	Margot Christensen	#
Ron Hawley	Joe Foster		Hunter Thompson	#	Dick Taylor	#	L.S. Guy		Don Adams	#	Mari Trosdair	#
Oppie Jordan	Lee Mandell	#	Joe Freddoso	#	Don Altieri		Linda DeGrand	#	Dwayne Campbell	#	Stuart George	#
Kelly King	Linda DeGrand	#	John Carringer		Gary Steeley	#	Mary Sue Brown	#	Emmett Patterson	#	Susan Moran	#
William Kress	Mary Ann Hinshaw	#	June Brotherton	#	Jim Northrup	#	Peggy Manring	#	Gail Findlay	#		
James Leutze	Oppie Jordan		Kelly King		John Isenhour	#	Rebecca Troutman	#	Gary Steppe	#		
Ed McDaries	Patricia Ferguson		Mari Trosdair	#	Jon Hamm		Scott Ralls	#	Geoff Honaker	#		
Bo McNeill	Paul Ridgeway		Marion Altman	#	Mary Sue Brown	#	Sharon Craig	#	Holt Anderson	#		
Paul Ridgeway	Rebecca Troutman	#	Melanie Collins	#	Michael Taylor	#	Tim Rhodes	#	Hunter Thompson	#		
Ed Turlington	Rick Happ	#	Parks Todd	#	Richard Kelly	#	Timmy Baynes	#	Jeff Spade	#		
Robert Wells	Ron Hawley	#	Paula Stewart	#	Steve Lane	#	Wally Bowen		John Killebrew	#		
Curtis Wynn	Steve Parrott	#	Peggy Graham	#	Steve Wagner	#	Will Johnson	#	Jon Hamm			
	Wally Bowen		Peter Tavernise	#	Thomas Parrish	#			Katherine Joyce	#		
			Robert Burgin	#	Tom Foss	#			Kevin Fitzgerald	#		
			Ronnie Harrell	#	Tom Gray	#			Lee Mandell	#		
			Sharon Craig	#	Tom Mims	#			Linda DeGrand	#		
			Tom Fife	#	Vickie Lonker	#			Mary Sizemore	#		
					Wally Bowen				Mary Sue Brown	#		
					Wendy Kuhn	#			Sandy Babb	#		
									Scott Cline	#		
									Scott Ralls	#		
									Sherry McCuller	#		
									Stacy J. Guffey	#		
									Thomas Parrish	#		
									Tim Rhodes	#		
									Tom Foss	#		
									Tom Gray	#		
									Wallace McLendon	#		
									Wally Bowen			
									Will Johnson			
Staff Contact	Angie Bailey		Sandy Babb (and Beth Murphy)		Dan McAuley		Sandy Babb (and Angie Bailey)		Beth Murphy		Beth Murphy	

March 2001

Rural Internet Access Authority

Authority Staff List

Rural Internet Access Authority			
Staff	**Title**	**E-mail**	**Phone**
			(919) 250-4314
Jane Smith Patterson	Executive Director	jane@ncruralcenter.org	X241
Dan McAuley	Subscriber Network Technologist	dan@ncruralcenter.org	X245
Charles Stanback	Outreach Director	cstanback@ncruralcenter.org	X256
Charlie Clark	Network Access Technologist	cclark@ncruralcenter.org	X234
Beth Murphy	Program Associate	beth@ncruralcenter.org	X224
Angie Bailey	Executive Assistant	angie@ncruralcenter.org	X269
Mark Walters	Intern	mark@ncruralcenter.org	

WE NEED YOU TO SIGN ON AND HELP US!

CONNECTING NC

Send your e-mail volunteering to jane@ncruralcenter.org

March 2001

Rural Internet Access Authority

Rural Internet Access Authority

Share Point Intranet Site

An overview of how it works

Beth Murphy

Program Associate

Rural Center

Home - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Search Favorites History

Address http://riaa.hostwithait.com/

Go

Team Web Site

Home

Quick Launch

- Shared Documents
- General Discussion
- Contacts
- Tasks
- Technical Committee
- Telework
- Outreach
- LLR
- Communications
- Applications
- Board Minutes
- RIAA Name
- Statewide Survey

Search Documents

Announcements

Add new announcement

Need to select a name and logo for the RIAA 2/8/2001 11:12 AM

by SPHOST01\emcdaries1

The communications committe will present a menu of options for potential names for the RIAA at the next full meeting.

Events

Add new event

2/15/2001 10:00 AM	Board Meeting **February Board Meeting**
2/19/2001 3:00 PM	Telework Committee Meeting! NEW
2/26/2001 4:00 PM	LLR Committee Meeting! NEW
3/1/2001 8:00 AM	Communications Committee Meeting! NEW
3/1/2001 3:00 PM	Technical Committee Meeting! NEW
3/6/2001 3:30 PM	Conflict of Intrest Subcommittee Meeting! NEW
3/8/2001 3:00 PM	Applications Committee Meeting! NEW
3/12/2001 3:00 PM	Outreach Committee Meeting **March Meeting**
3/16/2001 10:00 AM	Board Meeting **March Board Meeting**
3/26/2001 3:00 PM	Telework Committee Meeting! NEW

Microsoft

SharePoint Team Services

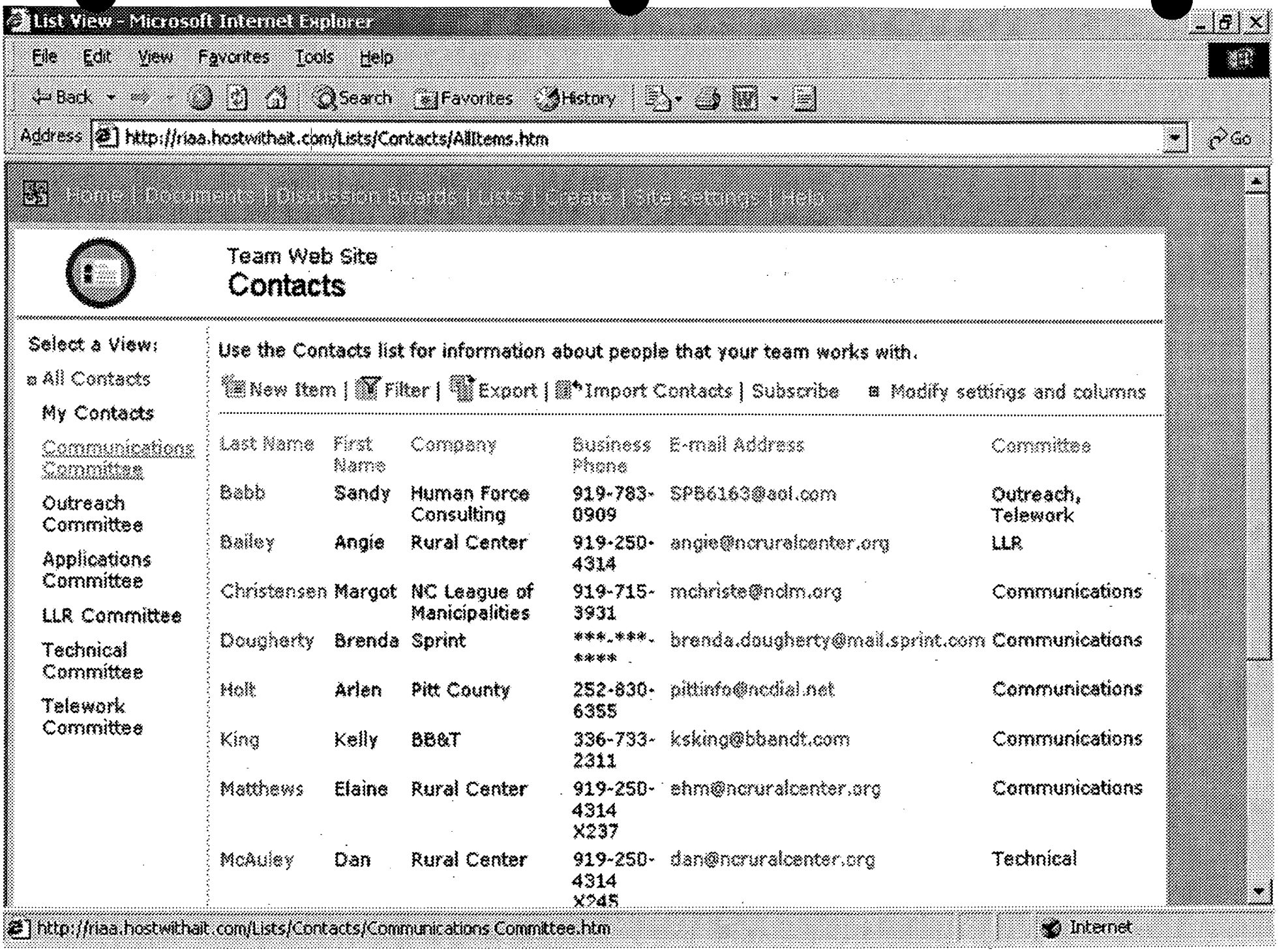
Links

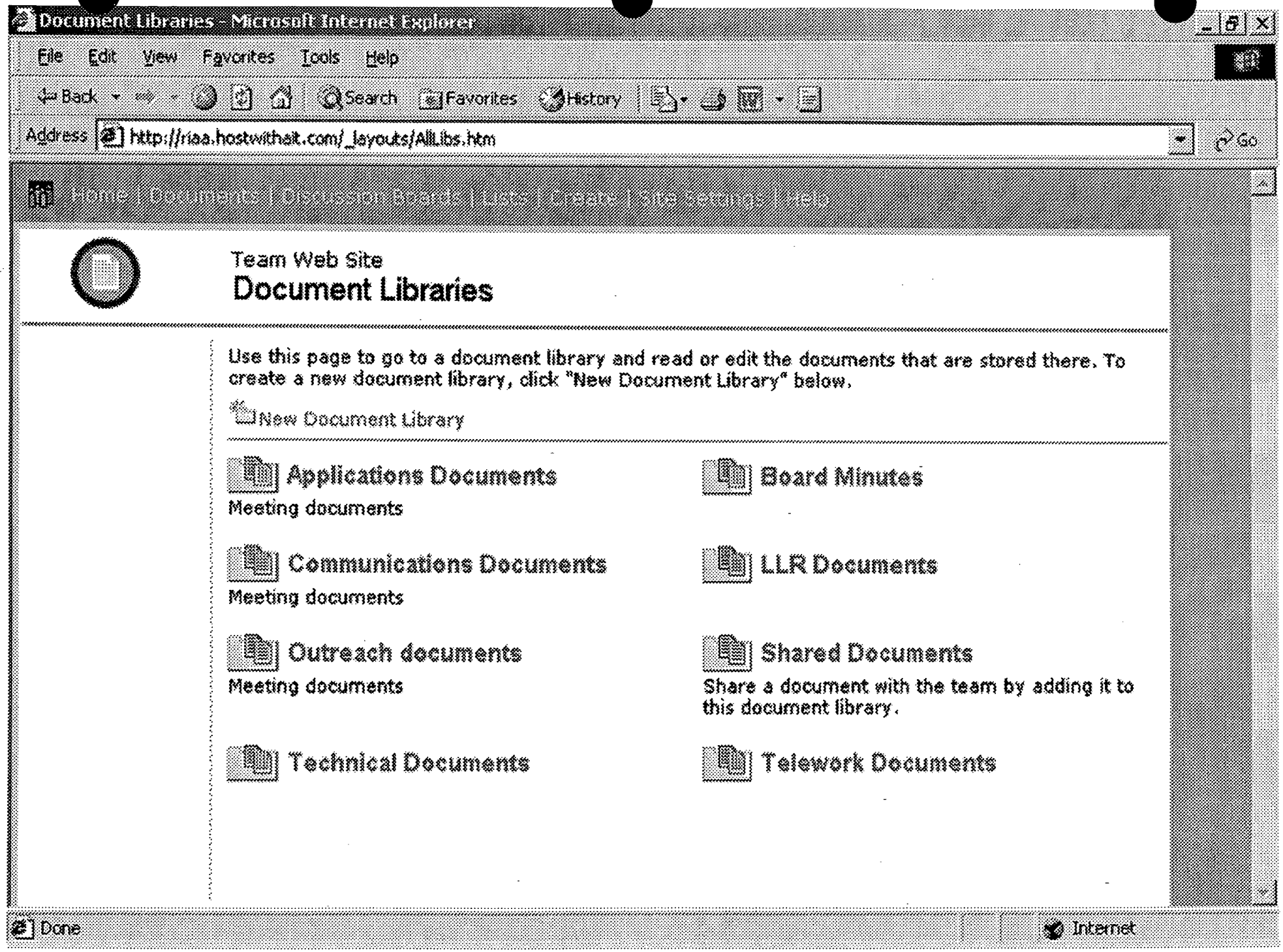
Add new link

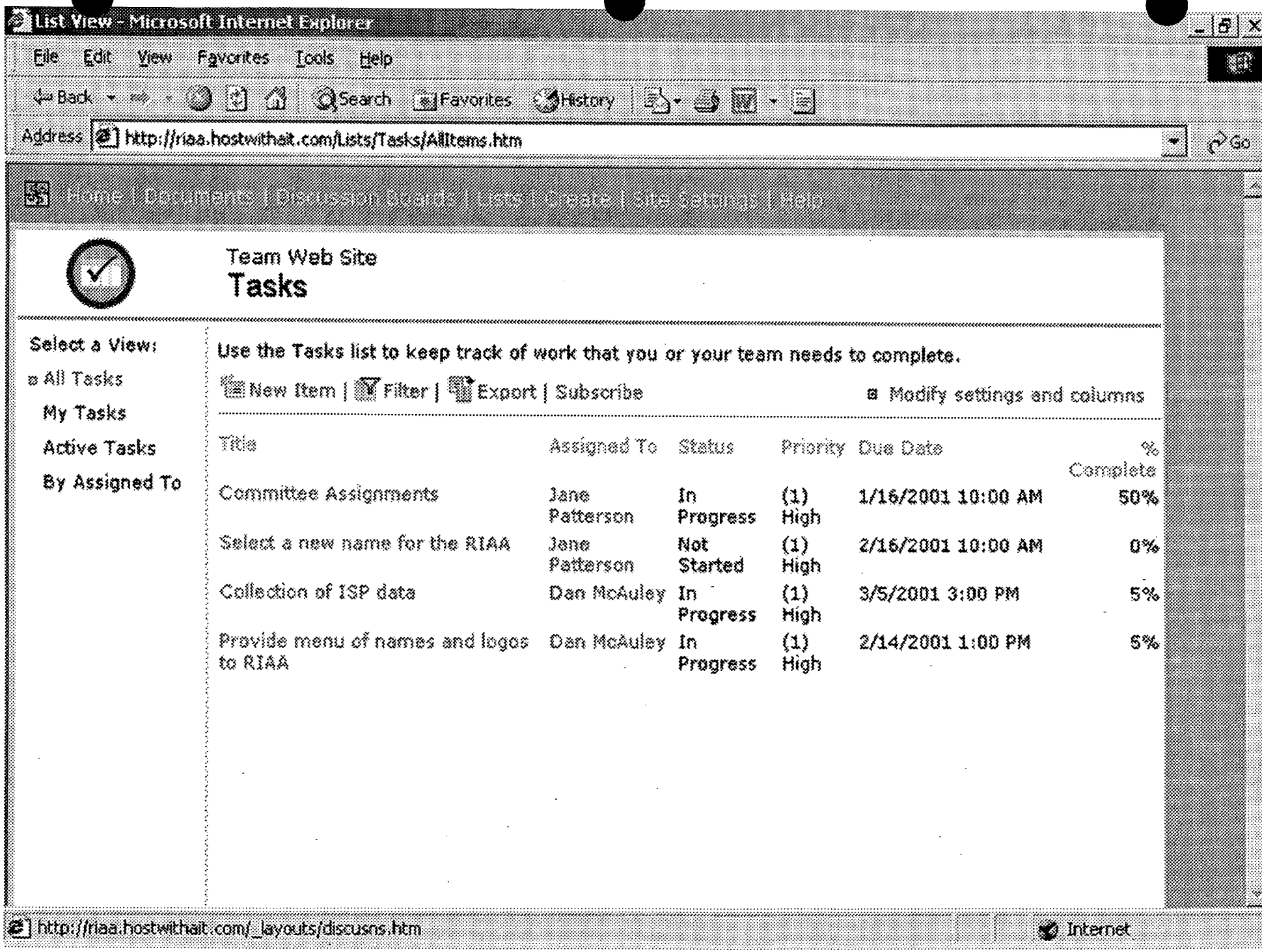
http://ncruralcenter.org

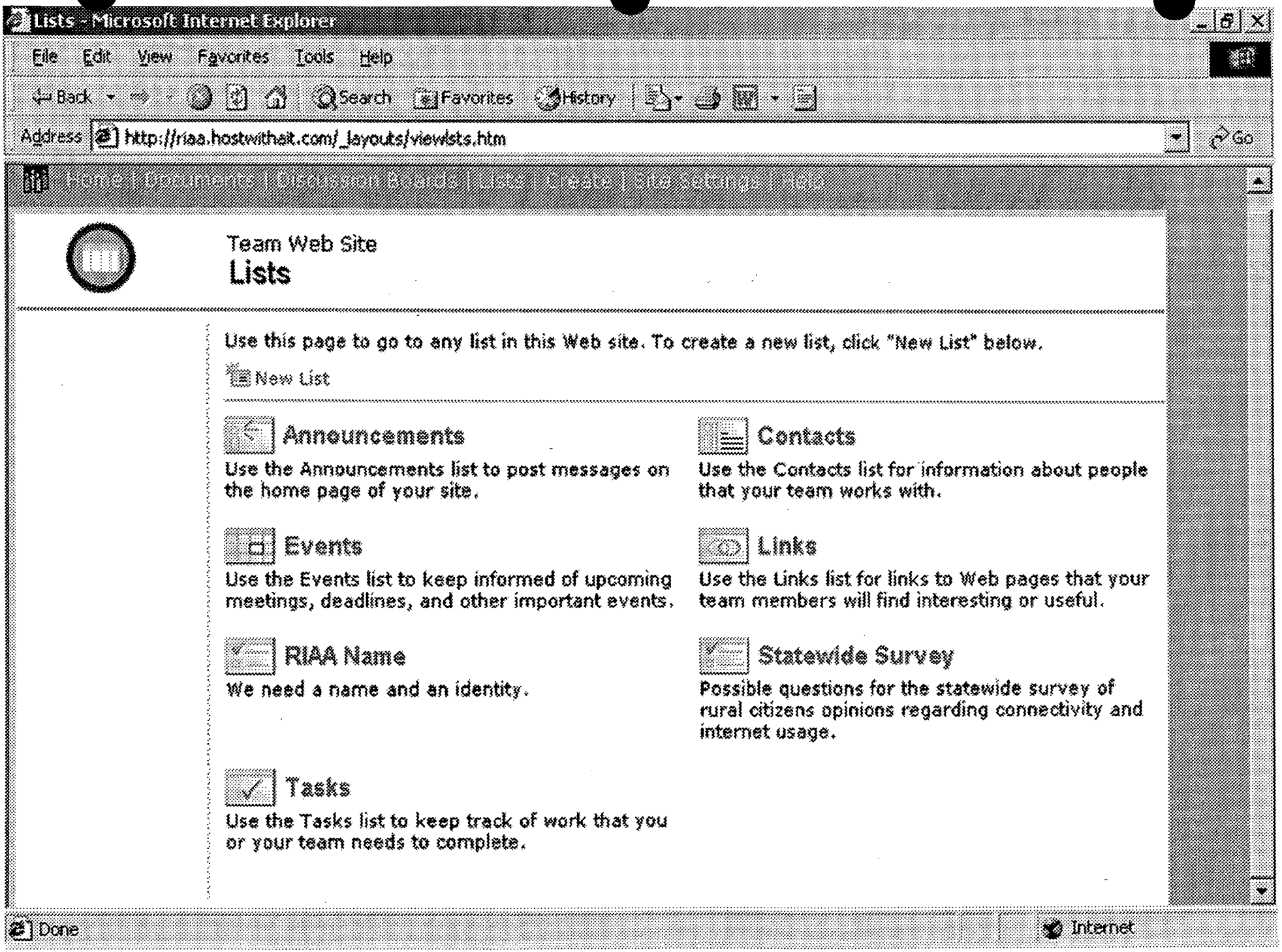
Done

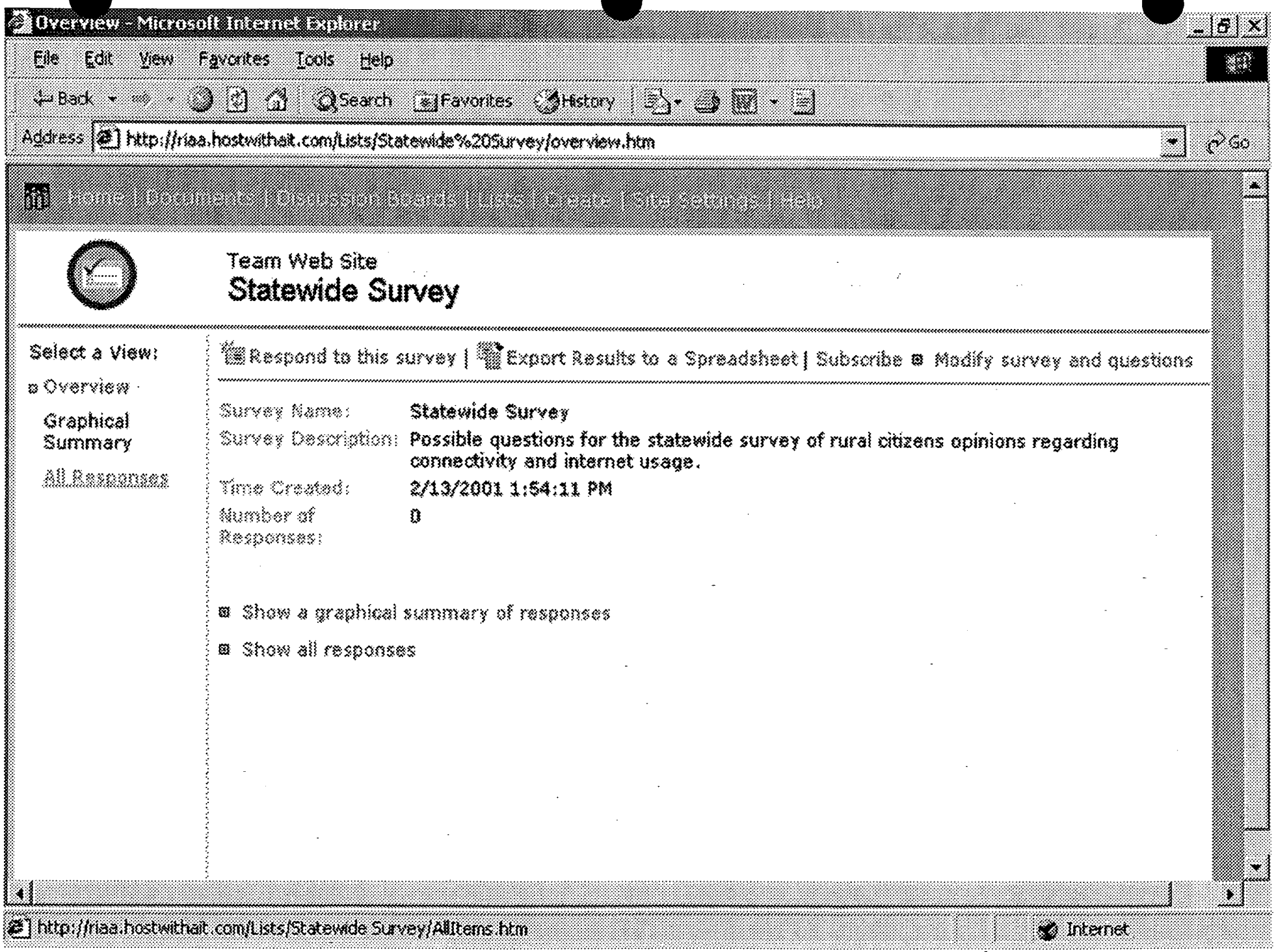
Internet


List View - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithait.com/Lists/Contacts/AllItems.htm
Go
Team Web Site
Contacts
Select a View:
All Contacts
My Contacts
Communications Committee
Outreach Committee
Applications Committee
LLR Committee
Technical Committee
Telework Committee
Use the Contacts list for information about people that your team works with.
New Item | Filter | Export | Import Contacts | Subscribe
Modify settings and columns
Last Name First Name Company Business Phone E-mail Address Committee
Babb Sandy Human Force Consulting 919-783-0909 SPB6163@aol.com Outreach, Telework
Bailey Angie Rural Center 919-250-4314 angie@ncruralcenter.org LLR
Christensen Margot NC League of Manicipalities 919-715-3931 mchriste@nclm.org Communications
Dougherty Brenda Sprint ***.***.**** brenda.dougherty@mail.sprint.com Communications
Holt Arlen Pitt County 252-830-6355 pittinfo@ncdial.net Communications
King Kelly BB&T 336-733-2311 ksking@bbandt.com Communications
Matthews Elaine Rural Center 919-250-4314 X237 ehm@ncruralcenter.org Communications
McAuley Dan Rural Center 919-250-4314 dan@ncruralcenter.org Technical
http://riaa.hostwithait.com/Lists/Contacts/Communications Committee.htm
Internet


Document Libraries - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithsit.com/_layouts/AllLibs.htm
Go
Home | Documents | Discussion Boards | Lists | Create | Site Settings | Help
Team Web Site
Document Libraries
Use this page to go to a document library and read or edit the documents that are stored there. To create a new document library, click "New Document Library" below.
New Document Library
Applications Documents
Meeting documents
Board Minutes
Communications Documents
Meeting documents
LLR Documents
Outreach documents
Meeting documents
Shared Documents
Share a document with the team by adding it to this document library.
Technical Documents
Telework Documents
Done
Internet


List View - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithait.com/Lists/Tasks/AllItems.htm
Go
Team Web Site
Tasks
Select a View:
All Tasks
My Tasks
Active Tasks
By Assigned To
Use the Tasks list to keep track of work that you or your team needs to complete.
New Item | Filter | Export | Subscribe
Modify settings and columns
Title
Assigned To
Status
Priority
Due Date
% Complete
Committee Assignments
Jane Patterson
In Progress
(1) High
1/16/2001 10:00 AM
50%
Select a new name for the RIAA
Jane Patterson
Not Started
(1) High
2/16/2001 10:00 AM
0%
Collection of ISP data
Dan McAuley
In Progress
(1) High
3/5/2001 3:00 PM
5%
Provide menu of names and logos to RIAA
Dan McAuley
In Progress
(1) High
2/14/2001 1:00 PM
5%
http://riaa.hostwithait.com/_layouts/discusns.htm
Internet


Lists - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithhait.com/_layouts/viewlsts.htm
Go
Team Web Site
Lists
Use this page to go to any list in this Web site. To create a new list, click "New List" below.
New List
Announcements
Use the Announcements list to post messages on the home page of your site.
Contacts
Use the Contacts list for information about people that your team works with.
Events
Use the Events list to keep informed of upcoming meetings, deadlines, and other important events.
Links
Use the Links list for links to Web pages that your team members will find interesting or useful.
RIAA Name
We need a name and an identity.
Statewide Survey
Possible questions for the statewide survey of rural citizens opinions regarding connectivity and internet usage.
Tasks
Use the Tasks list to keep track of work that you or your team needs to complete.
Done
Internet


Overview - Microsoft Internet Explorer
File Edit View Favorites Tools Help
Back Search Favorites History
Address http://riaa.hostwithait.com/Lists/Statewide%20Survey/overview.htm
Go
Team Web Site
Statewide Survey
Select a View:
Overview
Graphical Summary
All Responses
Respond to this survey | Export Results to a Spreadsheet | Subscribe Modify survey and questions
Survey Name: Statewide Survey
Survey Description: Possible questions for the statewide survey of rural citizens opinions regarding connectivity and internet usage.
Time Created: 2/13/2001 1:54:11 PM
Number of Responses: 0
Show a graphical summary of responses
Show all responses
http://riaa.hostwithait.com/Lists/Statewide Survey/AllItems.htm
Internet

State of North Carolina
Office of Information Technology Services

James B. Hunt, Jr., Governor

Ronald P. Hawley, State Chief Information Officer

November 17, 2000

Mr. Billie Ray Hall, President
N. C. Rural Economic Development Center
4021 Carya Drive
Raleigh, North Carolina 27610

RE: Rural Internet Access High-Speed Connectivity Agreement

Dear Mr. Hall:

Enclosed please find the original signed copies of the High-Speed Internet Connectivity Agreement which was negotiated last spring among the North Carolina Department of Commerce, BellSouth, GTE (now Verizon) and Sprint telecommunication companies. I believe that these agreements will be important to the work of the Rural Internet Access Authority.

By copy of this letter, I am supplying one copy of the agreement and copies of all the signature pages to the signing entities listed above, as well as to the Chair of the Governor's Rural Prosperity Task Force. As you know, the Rural Prosperity Task Force's recommendations started the dialogue which resulted in this agreement.

Please do not hesitate to call me if you have questions.

Sincerely,

Ronald P. Hawley

Enclosure

Cc: Mr. Erskine Bowles, N.C. Rural Prosperity Task Force
Secretary Rick Carlisle, N.C. Department of Commerce
Mr. Joe Foster, Verizon
Mr. Jon Hamm, Sprint
Ms. Krista Tillman, BellSouth

NC SCHOOLS FIRST IN AMERICA 2010

P.O. Box 17209 • Raleigh, North Carolina 27619-7209
Tel: 919.981.5555 • fax: 919.981.2548 • State Courier 51-01-11
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High-Speed Internet Connectivity Agreement

Preamble

Access to computers and the Internet, along with the ability to use these technologies effectively, are becoming increasingly important for full participation in America's economic, political and social life. Affordable, high-speed Internet access is a key competitive factor for economic development and quality of life in the New Economy of the global market place. In the digital age connectivity at affordable prices is a necessity for business transactions, education and training, health care, government services and the democratic process.

With this in mind, the undersigned agree that affordable, high-speed Internet access is instrumental to the economic growth of the State and important for citizens to be able to take full advantage of the Internet and the digital economy. We further agree that equal access to computer technology and Internet connectivity for all income and educational levels and geographic regions could reduce and help eliminate the divisions that exist in our society.

We agree that the definition of high-speed Internet connectivity in this document is a minimum, and we will strive to increase those speeds as technology and economics allow. We also agree that we will work to include all stakeholders in the Internet arena in the pursuit of the goals of this initiative.

Goals and Objectives

Following are the goals upon which the above-listed parties could agree:

1. Provide local dial-up Internet access from every telephone exchange within one year.

2. Make available affordable[1] high-speed[2] Internet access to every citizen of North Carolina within three years.

3. Establish two pilot Telework Centers in either Tier 1 or Tier 2 counties within the next 18 months.

4. Promote significant increases in ownership of computers, related web devices, and Internet subscriptions throughout North Carolina.

5. Provide through the Internet, accurate, current and complete information to citizens on the availability of present telecommunication and Internet services with periodic updates as new telecommunications and Internet services are deployed.

6. Promote the development of e-government Internet applications to make citizen interactions with government agencies and services easier, more convenient and facilitate the delivery of more comprehensive programs including training, education and health care.

7. Consider "open technology approaches" to encourage all potential providers to participate in the implementation of high speed Internet access with no technology bias.

---

[1] No significant difference in prices between rural and urban customers for similar technologies and classes of service.

[2] As a minimum, 128 kilobits per second for residential customers; 256 kilobits per second for business customers

Implementation Approach

To carry out these goals, the Governor would establish by Executive Order, or the General Assembly would create by legislation, a formal, on-going non-profit entity charged with overseeing efforts to accomplish these goals. The board of directors for the non-profit entity would contain representatives of each of the stakeholders from the provider community including representatives from state and local governments.

This board should be action oriented, results focused and non-bureaucratic, and its duties and responsibilities include:

- Develop organizational structures, action plans and performance measures for achieving the goals, including a system for periodic progress and accountability reporting to participants and governing oversight bodies.

- Explore and quantify the basis for incentives for private investments in high cost areas that would otherwise not be served.

- Develop and maintain a North Carolina Telecommunications and Internet Access Web site under the direction of the Office for Information Technology Services. The initial development and implementation will be funded by the service providers. Subsequent maintenance and update will be provided by ITS. This web site will provide accurate, current and complete information to citizens on the availability of present telecommunication and Internet services with periodic updates as new telecommunications and Internet services are deployed.

- Establish and manage regional Internet deployment teams, as needed, to implement Internet connectivity goals within regions of the state.

- Seek funding from public and private sources to develop programs to encourage the acquisition of personal computers and Internet related devices and access to the Internet access for low-income individuals.

- Promote pilot Telework Centers in economically distressed counties where residents could go to conduct business over high speed Internet connections at affordable rates. Telework Centers would also provide training and technical advice for e-commerce.

- Develop, with the assistance of the NC Progress Board, metrics and measurements to determine the success of any particular Internet access goal or objective.

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 16th day of November 2000.

Signature

Rick E. Carlisle
Printed Name

N.C. Dept. of Commerce
Company or Agency Name

301 N. Wilmington St
Street Address

Raleigh, NC 27601
City, State and Zip code

(919) 733-3449
Telephone number

EIN

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 7 day of November, 2000.

Krista S Tillman
Signature

Krista S. Tillman
Printed Name

BellSouth Telecommunications, Inc.
Company or Agency Name

300 S. Brevard Street, Suite 1522 BellSouth Plaza
Street Address

Charlotte, North Carolina 28202
City, State and Zip Code

704-417-8798
Telephone number

EIN

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 25th day of ~~June~~ August 2000.

Signature

Dwight W. Allen
Printed Name

Sprint
Company or Agency Name

14111 Capital Blvd.
Street Address

Wake Forest, NC 27587
City, State and Zip Code

(919) 554-7843
Telephone number

EIN

High-Speed Internet Connectivity Agreement
Signature Sheet

The undersigned hereby represents that he or she has the authority to sign this agreement and that by his or her signature, the Company or State government agency that he or she represents agrees to abide by the terms of this agreement.

This the 4th day of August 2000.

Woodrow W. Williams
Signature

Woodrow W. Williams
Printed Name

Verizon South Inc.
Company or Agency Name

4100 N. Roxboro Road
Street Address

Durham, NC 27704
City, State and Zip Code

919/317-7755
Telephone number

EIN

MINUTES

APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

Tuesday, May 8, 2001
8:30 a.m.
Room 1425, Legislative Building

The Appropriations Subcommittee on Information Technology met on Tuesday, May 8, 2001, at 8:30 a.m. in Room 1425, Legislative Building. Senator Virginia Foxx, and Representatives Tolson, Tucker, Harrington, Hensley, Hilton, Miller and Walend were present.

Representative Russell Tucker presided at the meeting. The chair recognized Senate Pages Steven Sulana and Richie Capps, House Pages Larry Holloway and Sandra Bratcher, Senate Sergeant at Arms Ron Spann and House Senate at Arms Donnell Leathers.

Chairman Tucker recognized Karen Tomczak, DHHS HIPAA DMO Director for a presentation of the Health Insurance Portability and Accountability Act Enterprise Approach. Her **report is attached hereto** and made a part of these minutes by reference. The report contained a **budget summary, which is attached hereto** and made a part of these minutes by reference.

DDHHS Secretary Carmen Hooker Buell was recognized for comments and explanations during the presentation. Questions directed at Ms. Tomckaz and Secretary Buell centered on the issues of privacy, patient identifiers, pilot programs and costs to local governments during implementation.

The visitors present are reflected on the **Visitor Information** sheet, which is attached hereto and made a part of these minutes by reference.

The committee meeting adjourned at 9:50 AM.

Representative Russell Tucker, Co-Chair

HIPAA ENTERPRISE APPROACH

Presented by North Carolina Department of Health and Human Services

PRESENTATION OBJECTIVES

- HIPAA Definition
- DHHS Approach
- Proposed Statewide Collaboration
- Statewide Assessment
- Budgetary Requirements

HIPAA REGULATIONS

- Healthcare Insurance Portability and Accountability Act (**HIPAA**) enacted in 1996
  - Establishes national standards for:
    - Electronic (EDI) transactions
    - Security and privacy of healthcare information
    - National identifiers for providers, payers, and employers
  - Will improve efficiency of processing healthcare information

FAILURE TO COMPLY

- Denied and delayed reimbursements
- Imposes severe penalties for non-compliance
  - Civil Penalties
    - $100 **per person per violation** of a provision
    - Not more than $25,000 **per person per violation**
  - Criminal Penalties (Privacy)
    - Up to 10 years and/or $250,000 fine **per occurrence**

HIPAA MANDATED TIMELINES

Final Standards:		
EDI Transaction and Codes Sets	Published: 8/17/2000	Final compliance: 10/16/2002
Privacy	Published: 12/28/2000	Final compliance: 4/14/2003
Proposed Rules:		
Security	Draft published: 8/12/1998	Scheduled final rule: Q2-Q4/2001
National Provider Identifier	Draft published: 5/07/1998	Scheduled final rule: Q3/2001
National Employer Identifier	Draft published: 6/16/1998	Scheduled final rule: Q3/2001

Proposed Rules not yet published:

National Health Plan Identifier
Claims Attachments
Enforcement
First Report of Injury
National Individual Identifier

HIPAA IMPACT ON DHHS

- The following agencies will be directly impacted by HIPAA
  - Public Health
  - Mental Health, Developmental Disabilities, and Substance Abuse Services
  - Medical Assistance (Medicaid program)
  - Early Intervention and Education
  - Vocational Rehabilitation
  - Social Services
  - Services for the Blind

HIPAA IMPACT ON DHHS

- Anticipate following agencies to be indirectly impacted by HIPAA (e.g., no currently known systems impact, but business operations will be impacted)
  - Research, Demonstrations, and Rural Health Development
  - Facility Services
  - Human Resources
  - Internal Auditor
  - Public Affairs

DHHS REACTION

- Centralized Management Response
  - Establishment of Program Management Office (PMO)
  - Establishment of DHHS HIPAA web site (i.e., information clearinghouse)
  - Establishment of HIPAA Infrastructure Advisory Group (DHHS and ITS Participation)
  - Establishment of DHHS Focus Groups
- Assess and Implement Changes
  - Business operations
  - Impacted information systems

DHHS HIPAA PMO FUNCTIONS

- Perform all traditional PMO duties

PLUS....

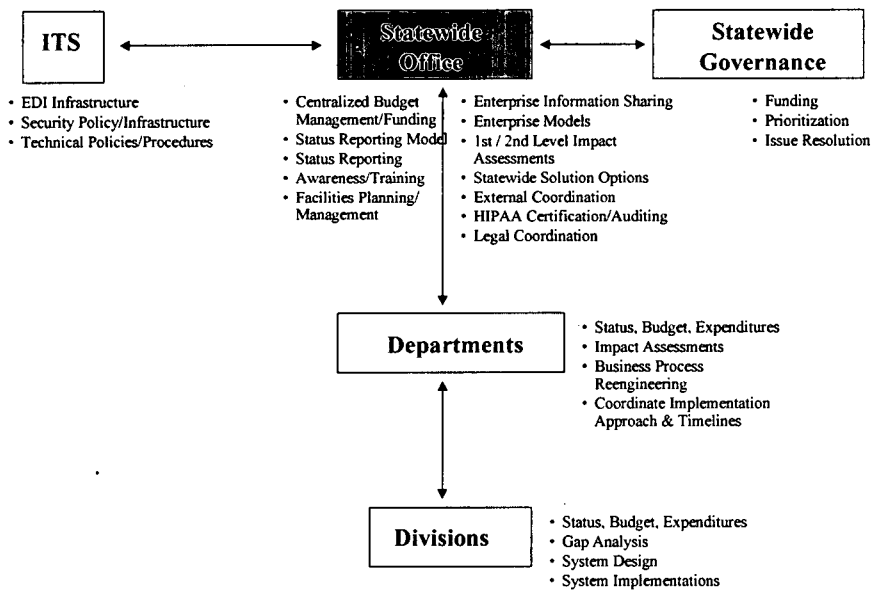
- Provide HIPAA Awareness Training
- Provide expertise in EDI, Privacy, Security, and Business Operations
- Provide guidance on HIPAA regulations
- Provide guidance/assistance with impact assessments
- Develop automated tools/aids for assessment/implementation activities
- Evaluate software/hardware solutions
- Develop "enterprise" policies/procedures

and MORE....

EXTERNAL COORDINATION

- Partner with Other Organizations/States
  - NC Healthcare Information and Communications Alliance (NCHICA)
  - Government Information Value Exchange for States (GIVES)
    - Provide a forum for states to discuss and resolve issues related to HIPAA implementation
    - Minimize state governments HIPAA compliance efforts by establishing a national web site for the exchange of project deliverables
    - 19 states currently participating
      - Alaska, Arizona, California, Colorado
      - Georgia, Indiana, Maryland, Massachusetts
      - Minnesota, Nebraska, New Hampshire
      - New Jersey, New Mexico, New York, North Carolina
      - North Dakota, Utah, Virginia, Washington

PROPOSED STATEWIDE ORGANIZATIONAL STRUCTURE



STATEWIDE OFFICE FUNCTIONS

- Centralized Budget Management/Funding
  - Management
  - Expenditure Tracking,
  - Reporting
- Disadvantages
  - No current statewide infrastructure available
- Additional Costs
  - 4 FTEs, 6/2001-6/2003

- Status Reporting Model
  - Define Requirements for Status Reporting, Issues Logs, Risk Management
- Advantages
  - Consistency, DHHS has developed automated processes that could be shared
- Additional Costs
  - 2 FTEs, 6/2001-8/2001

STATEWIDE OFFICE FUNCTIONS

- Status Reporting
  - Collect, Interpret, Monitor, and Report Project Status
- Disadvantages
  - Liability
- Additional Costs
  - 2 FTEs, 9/2001-6/2003

- Awareness/Training
  - Develop Communications Plans
  - Develop Training Plans
  - Develop/Deliver Presentations
- Advantages
  - Consistency /sharing of existing methodology/ tools
- Additional Costs
  - 4 FTEs, 6/2001-6/2003
  - Travel Costs

STATEWIDE OFFICE FUNCTIONS

- Facilities Planning /Management
  - Locate/Procure Facility/Equipment
  - Maintain Facility
- Advantages
  - Staff in centralized location will provide for better management of activities
- Additional Costs
  - 1 FTE, 6/2001-6/2003
  - Facility Costs
  - Software/Hardware Costs

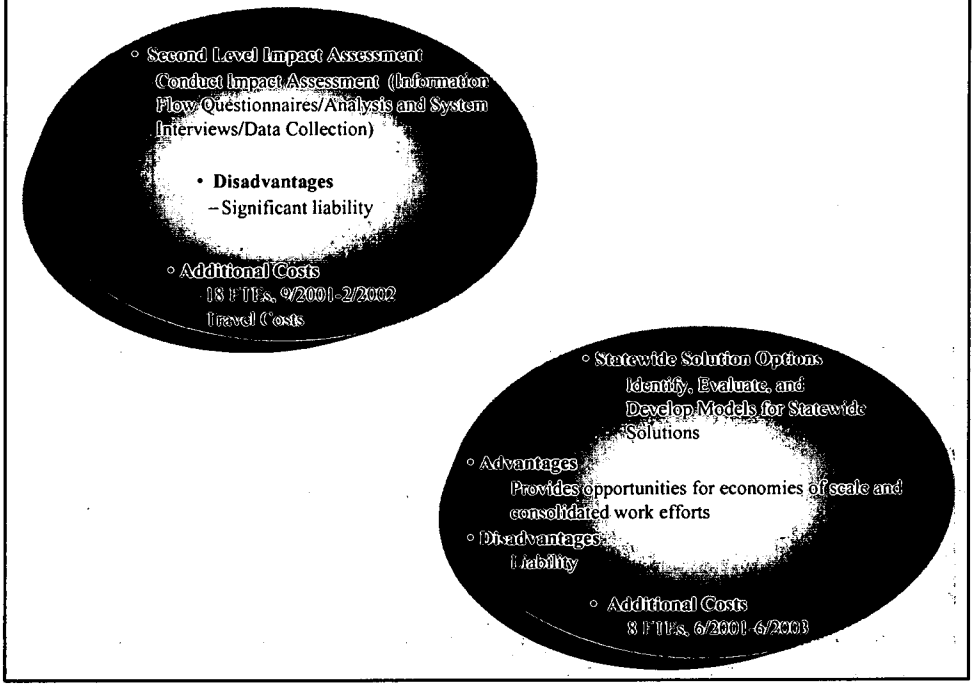
- Enterprise Information Sharing
  - Coordinate/ Plan Statewide Efforts
  - Create Interagency Organization Structure, Committees, and Meetings
  - Develop Web Site Requirements
  - Implement Web Site
- Advantages
  - Provides opportunities for economies of scale and consolidated work efforts
- Additional Costs
  - 2 FTEs, 62001-6/2003
  - Involvement from Departments

STATEWIDE OFFICE FUNCTIONS

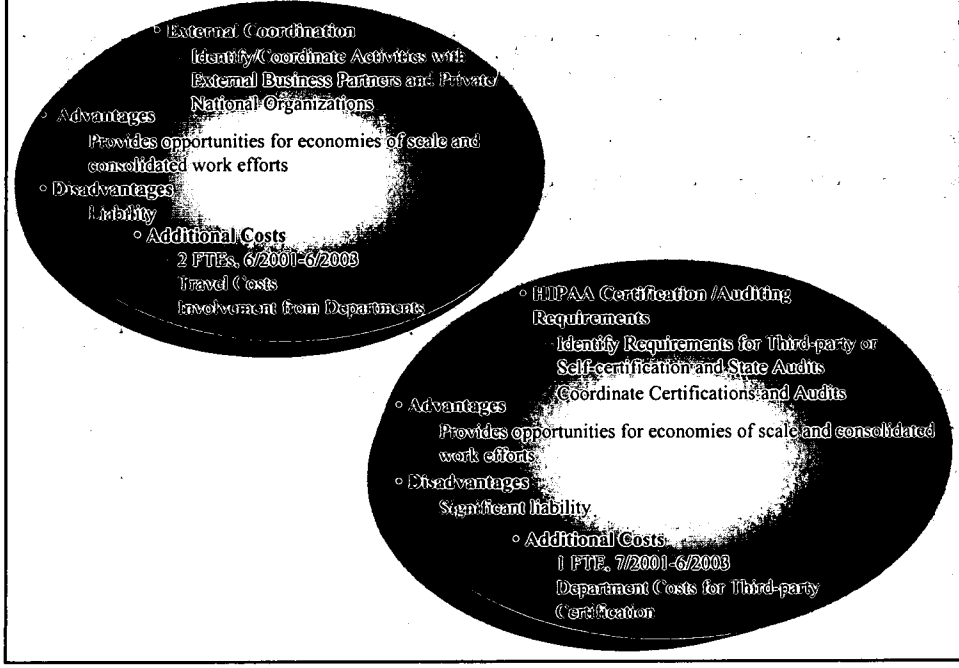
- Enterprise Models
  - Identify, Develop, Evaluate, and Provide Consultation for Tools, Questionnaires, and Templates
  - Provide Consultation on Regulations
- Advantages
  - Consistency, some DHHS tools are already available
- Disadvantages
  - Liability
- Additional Costs
  - 4 FTEs, 6/2001-6/2003

- First Level Impact Assessment
  - Conduct Assessment to Determine which Departments and Systems are Impacted
- Advantages
  - Consistency, some DHHS tools are already available
- Disadvantages
  - Liability
- Additional Costs
  - 6 FTEs, 6/2001-8/2001
  - Travel Costs

STATEWIDE OFFICE FUNCTIONS



STATEWIDE OFFICE FUNCTIONS



STATEWIDE OFFICE FUNCTIONS

NEXT STEPS - STATEWIDE FIRST LEVEL IMPACT ASSESSMENT

- Statewide Governance Responsibilities
  - Determine who should be included in assessment
  - Send a memorandum to all state agencies to ensure that they understand the effort and that their commitment is required
  - Send a memorandum to all state agencies stating that the agencies have a responsibility for completing the assessment and validating/verifying results in a timely fashion in order to determine if they are required by law to move forward with HIPAA compliance
- DHHS HIPAA PMO Responsibilities
  - Conduct awareness training for all department leadership
  - Develop a scope document for statewide assessment team through ITS Technical Services Contract
  - Provide statewide assessment team with DHHS tools/information developed to date
- Statewide Assessment Team Responsibilities
  - Directly manage assessment activities under the direction of the DHHS HIPAA PMO
  - Provide training as required to complete assessment
  - Conduct face-to-face interviews
  - Compile/analyze all data
  - Develop a statewide go forward action plan

BUDGET SUMMARY

	FY 2000-2001			FY 2001-2002			FY 2002-2003			Totals
	Actual Expenditures as of 1/31/01 *	Projected Expenditures 2/01-6/30/01	Total	Federal**	State**	Total	Federal**	State**	Total	
DHHS HIPAA EFFORTS										
	$495,700		$495,700							$495,700
Division of Information Resource Management - Applications Development (DIRM - App Dev)		$903,079	$903,079	$2,657,233	$19,008,508	$21,665,741	$1,188,618	$13,884,271	$15,072,889	$37,641,709
Networking Services (NWS)		$201,446	$201,446		$1,185,763	$1,185,763		$1,928,186	$1,928,186	$3,315,395
Program Management Office (PMO)		$836,958	$836,958		$4,540,647	$4,540,647		$4,732,471	$4,732,471	$10,110,076
Business Divisions				$15,305,466	$22,063,048	$37,368,514	$7,711,879	$15,868,440	$23,580,319	$60,948,833
Subtotal	**$495,700**	**$1,941,483**	**$2,437,183**	**$17,962,699**	**$46,797,966**	**$64,760,665**	**$8,900,497**	**$36,413,368**	**$45,313,865**	**$112,511,713**
ADDITIONAL COSTS FOR STATEWIDE HIPAA OFFICE										
NWS***						$3,511,927			$3,723,879	$7,235,806
PMO/DIRM - App Dev****						$10,520,266			$7,964,011	$18,484,277
Subtotal (Additional Costs for Statewide)						**$14,032,193**			**$11,687,890**	**$25,720,083**
TOTAL COSTS (DHHS and Additional Statewide Costs)			**$2,437,183**			**$78,792,858**			**$57,001,755**	**$138,231,796**

* Actual expenditures have been combined for DIRM, NWS, and the PMO.

** Federal/State cost breakdown is identified within the expansion budget. These amounts could shift as we identify more information about program areas impacted.

*** Includes estimates for additional NWS staff as well as additional facility, hardware, and software costs.

**** Include estimates for additional PMO and DIRM - Applications Development assessment staff as well as additional travel, facilities, hardware, and software costs.

VISITOR REGISTRATION SHEET

Appropriations Subcommittee on Information Technology 5-8-01

Name of Committee | Date

VISITORS PLEASE REGISTER AND RETURN TO COMMITTEE CLERK

Name	Title	Firm or Agency	Address	Email	Phone	Fax
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Stan Pace	Govt Affairs	VERIZON	Raly Dlvs		317-7656	
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Joy Barbour		Concerned Bikers Assoc/ ABATE of N.C.				
Evelyn Hawthorne	UNC Chapel Hill Assoc. Vice Chancellor					
Bob Holyfield	Director AOC					
Donna Gregory	Manager DHHS/DIRM					

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Deborah McSwain	Agency Legal Specialist	DOC/DOP	Randall Bldg		733-3226	733-8272
Rebecca Trantham	Research & IT Director	NCACC				
Ann Lore	Leg Asst	DOHS				

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Charles Easley		OAO Corp.				
Ben McLawhorn	Internal Audit mgr	OSC	3512 Bush St Raleigh 27609	bmclawho@controller.osc.state.nc.us	981-5409	981-5567
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Hal Miller	Assoc Exec Director	NCACCT	Cary	hmncacct@bellsouth.net	467-9754	481-8548
John McHugh		Office of Gov	Cary			
Emily Fulghum		Smith Anderson				
Kevin Howell		Gov's Office	Ral.			

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Teri Lewis		Keane, Inc				
Michelle Frazier		NC Bar Assoc.				
Frank Lewis		OSBPM				
Wayne Williams		OSBPM				
John Davis		OSBPM				
Don McCorquodale		SAS				
Tom Richardson		OSBPM				
Mary Brenn		OSBPM				
Damico		WS Journal				

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Katherine Joyce	Gov. Affairs Specialist	NC Assoc. of Electric Cooperatives		Katherine.joyce@ncemcs.com	919-645-2431	

JOINT INFORMATION TECHNOLOGY APPROPRIATIONS SUBCOMMITTEE

MINUTES
MAY 24, 2001

The Joint Information Technology Appropriations Subcommittee met on Thursday, May 24, 2001, in Room 1425 of the Legislative Building. Senate committee member present was Senator Reeves, Senate chair; House committee members present were Representatives Tolson and Tucker, House co-chairs, and Representative Miller.

Senator Reeves presented the Information Technology Services recommended budget, which shows an $11 million reduction in telephone and computer data processing services, which is made a part of these minutes by reference. He then moved onto the Special Provisions, also made a part of these minutes by reference. The first section deals with "intellectual property and nongovernmental organizations". A standard of practice is being created, which in no way interrupts what is currently going on at the tier 1 and 2 research institutions. If any other institution within the University system does not have a policy, this directs them to do so. It also has some provisions to deal with ethical obligations in nongovernmental entities that are receiving state monies.

The next section deals with "Security Standards for State Information Technology", with the basic thrust being that each agency is responsible for creating and maintaining a standard of practice with regard to security standards. The provision provides that if there is a substantial breach of security, if the entity fails to adhere to security standards and there is an absence of adequate remedial action taken, then upon 30 days notice, the CIO may assume the direct responsibility of providing the security for those entities. It also provides that the Auditor will do periodic assessments to make sure that the entities are maintaining security protocol.

The next provision regards the "Executive Budget Act Information Technology Provisions". Ms. Pickett, of staff, explained this provision adds a requirement in the Executive Budget Act accounting process to have the CIO take a look at financial aid requests involving information technology put forth by state agencies. The CIO reviews and makes recommendations to the Governor regarding the merits of requests. This shall not apply to requests for appropriations of less than $100,000.

The budget classification adopted by the State Controller and the forms prescribed by the Director shall include budget account codes relating specifically to information technology to allow reliable and meaningful analysis of information technology funding and expenditures throughout State government. The provision goes on to provide that in making departmental operations plans, the Director of State Budget shall also include a

separate plan regarding the function of state technology including personnel count and costs.

The next provision provides the "Office of State Controller to Establish Accounts for Computer Networking/Telecommunications Service Billing for State Agencies". One of the difficulties has been gaining insight into these types of expenditures due to their not being accounted for in an easily identified way. This provision is a recommendation coming from Committee Fiscal staff, allowing him a greater way to get at this information. Dr. Pinkney stated that the CIO, working with the NC Networking group, was already moving in this direction, so this provision will complement those efforts.

The next provision is "Study State Agency Use of Contractors for Information Technology". This provision directs the Office of State Personnel, the Office of Information Technology Services, the Office of State Budget, and the Office of the State Controller to study the issue of state-agency use of information technology contractors and bring a report to the Joint Legislative Commission on Governmental Operations and the Joint Select Committee on Information Technology by the end of this year. This will probably be a major issue for the short session next year.

The next provision deals with the "Procurement Card Program". The Department of Administration has been operating the procurement card pilot project for a number of years with great success. It is the intent with this provision to grow this out, and this is a direction to the Secretary of Administration to adopt rules and procedures to use the procurement card. The key provision is that with a purchase of goods utilizing a procurement card of over $250, that purchase has to go through the electronic procurement system. This covers everyone except for the University system.

The last provision relates to the "Information Highway". This will be continued to be funded out of operating cash at ITS, but there is a direction in the provision that in the 2001-2001 fiscal year the Joint House and Senate Appropriations Subcommittees on Education will take over the budget review and analysis to make sure this is fitting in with the overall education direction for the state with regard to connectivity and usage of technology.

There being no further business before the committee, the meeting was adjourned.

Senator Eric Reeves, Chairman

Becky Hedspeth, Clerk

Information Technology Services

INTERNAL SERVICE FUND

	FY 2001-02		FY 2002-03	
Recommended Budget	$0		$0	
Legislative Changes				
Services Division				
1 **ITS Reductions** The Office of Information Technology Services shall provide rate reductions in telephone and computer data processing services.	($11,000,000)	R	($11,000,000)	R
Total Legislative Changes	**($11,000,000)**	R	**($11,000,000)**	R
Total Position Changes				
Revised Budget	**($11,000,000)**		**($11,000,000)**	

SPECIAL PROVISIONS

SENATE INFORMATION TECHNOLOGY APPROPRIATIONS SUBCOMMITTEE

May 24, 2001

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-S1

Information Technology
Senate Appropriations Committee on Information Technology

Requested by: Senator Reeves

STATE INTELLECTUAL PROPERTY ASSETS/NONGOVERNMENTAL ORGANIZATIONS

SECTION #.(a) Chapter 66 of the General Statutes is amended by adding a new Article to read:

"Article 11C.

"State Intellectual Property Assets.

"§ 66-58.21. Definitions.

The following definitions apply in this Article:

(1) Copyrighted materials. – Includes any of the following:

a. Books, journal articles, texts, glossaries, bibliographies, study guides, laboratory manuals, syllabi, tests, and proposals.

b. Lectures, musical or dramatic compositions, and unpublished scripts.

c. Video and audio tapes or cassettes.

d. Films, film strips, charts, transparencies, and other visual aids.

e. Live video and audio broadcasts.

f. Programmed instructional materials.

g. Other materials or work which qualify for protection under the patent laws of the United States or other protective statutes, whether or not registered under those laws or statutes.

(2) Intellectual property. – Patentable materials and copyrighted materials, whether or not formal protection is sought. The term also includes a patentable plant and a novel plant variety.

(3) Inventor. – Any person who conceives a new concept that may result in a proprietary product.

(4) Novel plant variety. – A novel variety of sexually reproduced plant.

(5) Patentable materials. – Items other than software which reasonably appear to qualify for patent protection under the patent laws of the United States.

(6) Patentable plant.—An asexually reproduced distinct and new variety of plant.

(7) Royalties. – All things of value received by an inventor in connection with the licensing, assignment , or sale of intellectual property.

"§ 66-58.22. State intellectual property assets.

(a) Intellectual property developed by a State employee within the scope of the employee's employment shall be the property of the State.

(b) Intellectual property developed by a local government employee, including public school personnel, within the scope of the employee's employment shall be the property of the employing local government or local school administrative unit.

(c) The State may hold a security interest in royalties from any intellectual property developed by any person, as provided by the express terms of a contract conveying the security interest, where the person uses State or local funds or facilities to develop the intellectual property.

(d) The Governor shall set policies that he or she deems necessary to implement the provisions of this section.

(e) The University of North Carolina and its constituent institutions, and the Community Colleges System, shall adopt and from time to time revise intellectual property and inventor policies for their respective State supported institutions of higher education.

(f) The Department of Public Instruction shall adopt and from time to time revise intellectual property and inventor guidelines applicable to local school administrative units.

(g) The governing board of each unit of local government shall adopt and from time to time revise intellectual property and inventor guidelines applicable to local government employees and contractors.

(h) The provisions of subsections (a) and (c) of this section shall not apply to The University of North Carolina and its constituent institutions, or to the Community Colleges System, or to employees of these respective institutions who are subject to the intellectual property and inventor policies of the institutions employing them."

SECTION #.(b) G.S. 55A-13-01 reads as rewritten:

"§ 55A-13-01. Prohibited distributions.

(a) Except as authorized by G.S. 55A-13-02 or Article 14 of this Chapter, a corporation shall not make any distributions.

(b) A corporation shall not:

(1) Make distributions to its members, directors, and officers derived from royalties or gains arising from intellectual property assets developed by the corporation with funding from the State or a governmental subdivision.

(2) Transfer any asset to its members, directors, and officers derived from intellectual property assets developed by the corporation with funding from the State or a governmental subdivision.

(c) For the purposes of this section, the term "intellectual property" includes copyrights, patents, and trademarks."

SECTION #.(c) G.S. 55A-8-31 is amended by adding a new subsection to read:

"(f) It shall be a conflict of interest transaction for a director of a corporation to be an employee of the corporation, or to receive any asset or direct financial benefit from the corporation, where the employment, asset, or benefit is derived from royalties, assets, or gains arising from intellectual property assets developed by the corporation with funding from the State or a governmental subdivision. A conflict of interest

transaction under this subsection shall not be authorized, approved, or ratified by the members or the board of directors of the corporation and violation of this subsection shall constitute a breach of duty. For the purposes of this subsection, the term "intellectual property" includes copyrights, patents, and trademarks.

SECTION #.(d) G.S. 55A-8-42 is amended by adding a new subsection to read:

"(f) It shall be a conflict of interest for an officer to be an employee of the corporation, or to receive any asset or direct financial benefit from the corporation, where the employment, asset, or benefit is derived from royalties, assets, or gains arising from intellectual property assets developed by the corporation with funding from the State or a governmental subdivision. A conflict of interest under this subsection shall not be authorized, approved, or ratified by the members or the board of directors of the corporation and violation of this subsection shall constitute a breach of duty. For the purposes of this subsection, the term "intellectual property" includes copyrights, patents, and trademarks."

SECTION #.(e) Chapter 55A of the General Statutes is amended by adding a new Article to read:

"Article 16.

"Miscellaneous.

"§ 55A-16-01. Enforcement of State remedies for certain violations.

(a) It is unlawful for a corporation or its members, directors, or officers to violate the provisions of G.S. 55A-8-31(f), G.S. 55A 8-42(f), or G.S. 55A-13-01(b).

(b) In any case in which the Attorney General has reason to believe that there has been a violation of G.S. 55A-8-31(f), G.S.55A-8-42(f), or G.S. 55A-13-01(b) by a corporation or its members, directors, or officers, the Attorney General may bring a civil action on behalf of the State or the corporation in Superior Court to:

(1) Enjoin unlawful practices.

(2) Recover on behalf of the State or the corporation the value of unlawful distributions and the amount of salaries paid unlawfully.

(3) Obtain such other relief as the court may consider to be appropriate.

(c) Civil actions under this section shall be tried in the county where the violation occurred or in any county where the defendant resides or conducts, transacts, or has transacted business.

(d) It shall be against public policy for a corporation to indemnify any of its members, directors, officers, or agents who violate G.S. 55A-8-31(f), G.S. 55A 8-42(f), or G.S. 55A-13-01(b).

(e) The liabilities of this section are in addition to any other liabilities that may be imposed by law upon a corporation or its members, directors, officers, and agents for unlawful distributions or other actions unlawful under this Chapter."

SECTION #.(f) This section is effective when it becomes law and applies to State intellectual property assets developed on or after that date.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-S3

Information Technology
Senate Appropriations Committee on Information Technology

Requested by: Senator Reeves

SECURITY STANDARDS FOR STATE INFORMATION TECHNOLOGY

SECTION #.(a) G.S. 147-33.81 reads as rewritten:

"§ 147-33.81. Definitions.

As used in this Article:

(1) "Distributed information technology assets" means hardware, software, and communications equipment not classified as traditional mainframe-based items, including personal computers, local area networks (LANs), servers, mobile computers, peripheral equipment, and other related hardware and software items.

(2) "Information technology" means electronic data processing goods and ~~services and~~ services, telecommunications goods and services, security goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes.

(3) "Information technology enterprise management" means a method for managing distributed information technology assets from acquisition through retirement so that total ownership costs (purchase, operation, maintenance, disposal, etc.) are minimized while maximum benefits are realized.

(4) "Information technology portfolio management" means a business-based approach for analyzing and ranking potential technology investments and selecting those investments that are the most cost-effective in supporting the strategic business and program objectives of the agency.

(5) "Office" means the Office of Information Technology Services as established in this Article.

(6) "State agency" means any department, institution, commission, committee, board, division, bureau, office, officer, or official of the State. The term does not include any State entity excluded from coverage under this Article by G.S. 147-33.80, unless otherwise expressly provided."

SECTION #.(b) G.S. 147-33.82 reads as rewritten:

"§ 147-33.82. Powers and duties of the State Chief Information Officer and the Office of Information Technology Services.

(a) The Office of Information Technology Services shall:

(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.

(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.

(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.

(5) Assure that State agencies implement and manage information technology portfolio-based management of State information technology resources, in accordance with the direction set by the State Chief Information Officer.

(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.

(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.

(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.

(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.

(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Office. Any other State entities may also use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office.

(c) The State Chief Information Officer shall establish an enterprise-wide set of standards for information technology security to maximize the functionality, security, and interoperability of the State's distributed information technology assets, including communications and encryption technologies. As part of this function, the State Chief Information Officer shall review periodically existing security standards and practices in

place among the various State agencies to determine whether those standards and practices meet enterprise-wide security and encryption requirements. The State Chief Information Officer may assume the direct responsibility of providing for the information technology security of any State agency that fails to adhere to security standards adopted pursuant to this section. Any actions taken by the State Chief Information Officer under this subsection shall be reported to the Information Resources Management Commission at its next scheduled meeting.

(d) Notwithstanding G.S. 143-48.3 or any other provision of law, and except as otherwise provided by this subsection, all information technology security purchased using State funds, or for use by a State agency or in a State facility, shall be subject to approval by the State Chief Information Officer in accordance with security standards adopted under this section.

(1) If the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units as defined by G.S. 115C-5, or the Community College System develop their own security standards that are comparable to or exceed those set by the State Chief Information Officer under this section, then these entities may elect to be governed by their own respective security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. The State Chief Information Officer shall consult with the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units, and the Community College System in reviewing the security standards adopted by those entities. If there is a substantial breach of security and if any of these entities fail to adhere to security standards adopted pursuant to this subdivision, then in the absence of adequate remediation efforts and upon 30 days notice, the State Chief Information Officer may assume the direct responsibility of providing for the information technology security of the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units, and the Community College System.

(2) If the State Chief Information Officer certifies that a State agency has developed security standards that meet or exceed those set under this section, then the agency may elect to be governed by its own security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. This certification by the State Chief Information Officer is subject to annual renewal and may be revoked by the State Chief Information Officer at any time that a State agency's standards no longer exceed those set under this section.

(e) The State Chief Information Officer shall submit the enterprise-wide set of standards for the State's information technology security to the Information Resources Management Commission for approval. The Information Resources Management Commission shall report approval of the standards to the Joint Legislative Commission

on Governmental Operations prior to implementation of the standards. The State Chief Information Officer shall review and revise the standards at least annually, and the revisions shall be subject to approval by the Information Resources Management Commission, with the Commission reporting to the Joint Legislative Commission on Governmental Operations on the revisions.

(f) The head of each State agency shall cooperate with the State Chief Information Officer in the discharge of his or her duties by:

(1) Providing the full details of the agency's information technology and operational requirements.

(2) Providing comprehensive information concerning the information technology security employed to protect the agency's information technology.

(3) Forecasting the parameters of the agency's projected future information technology security needs and capabilities.

(4) Designating an agency liaison in the information technology area to coordinate with the State Chief Information Officer.

The information provided by State agencies to the State Chief Information Officer under this subsection is protected from public disclosure pursuant to G.S. 132-6.1(c)."

SECTION #.(c) G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(17) The Auditor shall assess, confirm, and report on the security practices of information technology systems. The Auditor's assessment of information security practices shall include an assessment of network vulnerability. The Auditor may conduct network penetration or any similar procedure, as the Auditor may deem necessary. The Auditor may investigate reported information technology security breaches, cyber attacks, and cyber fraud in State government."

SECTION #.(d) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-S4

Information Technology
Senate Appropriations Committee on Information Technology

Requested by: Senator Reeves

EXECUTIVE BUDGET ACT INFORMATION TECHNOLOGY PROVISIONS

SECTION #(a). G.S. 143-6 is amended by adding a new subsection to read:

"(b2) Any department, bureau, division, officer, board, commission, institution, or other State agency or undertaking desiring to request financial aid from the State for the purpose of acquiring or maintaining information technology as defined by G.S. 147-33.81(2) shall, before making the request for State financial aid, submit to the State Chief Information Officer (CIO) a statement of its needs in terms of information technology and other related requirements, and shall furnish the CIO with any additional information requested by the CIO. The CIO shall then review the statement of needs submitted by the requesting department, bureau, division, officer, board, commission, institution, or other State agency or undertaking and perform additional analysis, as necessary, to comply with G.S. 147-33.82. All requests for financial aid for the purpose of acquiring or maintaining information technology shall be accompanied by a certification from the CIO deeming the request for financial aid to be consistent with Article 3D of Chapter 147 of the General Statutes. The CIO shall make recommendations to the Governor regarding the merits of requests for financial aid for the purpose of acquiring or maintaining information technology. This subsection shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000)."

SECTION #.(b) G.S. 143-7 reads as rewritten:

"§ 143-7. Itemized statements and forms; exemptions from § 147- 64.6(c)(10).

(a) The statements and estimates required under G.S. 143-6 shall be itemized in accordance with the budget classification adopted by the State Controller, and upon forms prescribed by the Director, and shall be approved and certified by the respective heads or responsible officer of each department, bureau, board, commission, institution, or agency submitting same. Official estimate blanks which shall be used in making these reports shall be furnished by the Director of the Budget.

(b) The budget classification adopted by the State Controller and the forms prescribed by the Director shall include budget account codes relating specifically to information technology to allow reliable and meaningful analysis of information technology funding and expenditures throughout State government."

SECTION #.(c) G.S. 143-10.4 reads as rewritten:

"§ 143-10.4. Departmental operations plans.

(a) The Director, through the Office of State Budget, Planning, and Management and in conjunction with State agencies, shall have prepared biennially in the even-

numbered years, a comprehensive operations plan for each department, agency, and institution, for which the Director may recommend an appropriation of State funds in the next biennial period. The operations plans shall address the statewide and agency goals contained in the strategic plans developed in accordance with G.S. 143-10.3. The operations plans shall provide objectives, activities, and supporting statistics for the current biennium and for the following three biennial periods. The operations plans shall also provide clear, unambiguous performance measures and outcome indicators, which measures and indicators shall be used for program evaluation and shall be reported in the Governor's biennial budget submission.

The Director shall provide unified planning and budgeting instructions to the departments, agencies, and institutions for use in developing operations plans and biennial budgets.

(b) The Director shall include in the comprehensive operations plan required by subsection (a) of this section, or a separate plan, the operational functions for information technology, including personnel count and costs."

SECTION #.(d) G.S. 143-10.5 is amended by adding a new subsection to read:

"(f) In complying with the provisions of this section and with the requirements of G.S. 143-10.3 and G.S. 143-10.4, the Director shall include as a major program the operational costs and functions of information technology throughout State agencies, departments, and institutions."

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-S6

Information Technology
Senate Appropriations Committee on Information Technology

Requested by: Senator Reeves

OFFICE OF STATE CONTROLLER TO ESTABLISH ACCOUNTS FOR COMPUTER NETWORKING/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

SECTION #.(a) The Office of the State Controller, the Office of State Budget, Planning and Management, and the Office of Information Technology Services shall adopt a common definition for computer networking costs. The definition shall include a specific and detailed list of the separate components that comprise overall networking costs.

SECTION #.(b) The Office of the State Controller shall establish separate accounts within the Statewide Chart of Accounts to capture networking costs to State government. The accounts should include the hardware and software components and the staffing costs for operating and maintaining the State network.

SECTION #.(c) The Office of the State Controller, the Office of State Budget, Planning and Management, and the Office of Information Technology Services shall complete the definition by September 1, 2001. Information Technology Services shall implement its billing reforms by October 1, 2001. The Office of the State Controller shall establish the appropriate accounts by December 1, 2001

SECTION #.(d) The Office of Information Technology Services shall accurately identify and present State agencies with detailed information on the cost of ITS Services for telecommunications data and video services in a monthly bill. The bill should clearly indicate the usage and the rate for the service. Where applicable, the bill shall include information on hardware and software costs including maintenance and support costs for those services. To the extent that ITS bills agencies for networking costs, the bill shall clearly identify each element of that cost to facilitate each agency's ability to properly account for networking costs.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-S7

Information Technology
Senate Appropriations Committee on Information Technology

Requested by: Senator Reeves

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION #.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget, Planning and Management, and the Office of the State Controller shall study the issue of state-agency use of information technology contractors. The study shall report on the number of contractors currently in use by state agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

SECTION #.(b) The Office of the State Controller shall establish an account for IT Contractual Services. The account may consist of sub-accounts that specify the major categories of IT consulting, i.e. LAN/WAN management, web design, web hosting, applications development, applications hosting and others.

SECTION #.(c) The Office of State Personnel shall identify the results of market analyses comparing State information technology workers with private sector information technology workers. The Office shall review its current classification scheme for IT workers to determine its adequacy for capturing the range of IT activities within State government.

SECTION #.(d) The study report should recommend the most appropriate use of contractors (i.e. for discrete projects) and the most appropriate use of permanent employee (i.e. for ongoing activities such as Lan/Wan management.) In cases where the study indicates that permanent employees are best suited for a given task or activity, the Office of State Personnel is directed to identify effective mechanisms for recruiting and retaining employees.

SECTION #.(e) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-S9

Information Technology
Senate Appropriations Committee on Information Technology

Requested by: Senators Reeves;

PROCUREMENT CARD PROGRAM.

SECTION #.(a) Section 20.3 of S.L. 1998-212, Section 24(a) of S.L. 1999-237, and Section 21.3 of S.L. 2000-67 are repealed.

SECTION #.(b) G.S. 143-49 is amended by adding a new subdivision to read:

"(8) To establish and maintain a procurement card program for use by State agencies, community colleges, and local school administrative units in conjunction with the statewide electronic procurement service. The Secretary may adopt temporary rules for the implementation and operation of the program in accordance with the payment policies of the State Controller and the Office of Information Technology Services. Prior to implementing the program, the Secretary shall consult with the State Controller, the Community Colleges System Office, and the Department of Public Instruction. When the Statewide electronic procurement service is made available for goods and contractual services, all orders exceeding two hundred fifty dollars ($250.00) shall be issued electronically through the statewide electronic procurement service. The Secretary may periodically adjust the order limit set under this subdivision after consulting with the State Controller and the Office of Information Technology Services."

SECTION #.(c) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-S11

Information Technology
Senate Appropriations Committee on Information Technology

Requested by: Senator Reeves

NORTH CAROLINA INFORMATION HIGHWAY SITES

SECTION #.(a) Of the funds available in the Office of Information Technology Services operating cash, the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) shall be used for the 2001-2002 fiscal year to fund North Carolina Information Highway (NCIH) sites that received funding from ITS operating cash during the 2000-2001 fiscal year.

SECTION #.(b) The Joint House and Senate Appropriations Subcommittees on Education shall review the use of the North Carolina Information Highway and recommend a mechanism for funding the sites beyond the 2001-2002 fiscal year.

VISITOR REGISTRATION SHEET

APPROPRIATIONS INFORMATION TECHNOLOGY May 24, 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Poleschuk	AT&T
P. D. LaBarbera	ITS
Ron Hawley	ITS
Delna Dean	Bell South
Martin Vernon	OSA
Bob Bellamy	DPI
Benny E. Hendrix	DPI
Chris Law	KPMG Consulting
Robert Blackmon	NCCCS
CAROLINE JACKSON	DHHS
Ruth Sapphire	NCDOT
Bill Scoggin	Kennedy Covington

VISITOR REGISTRATION SHEET

APPROPRIATIONS INFORMATION TECHNOLOGY May 24, 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joan Myers	NCSITA
Mac Heinke	NCSITA
Emily Fulghum	Smith Anderson
Agness Gunter	OSBPM
Susan Harwood	WCPSS
Cam Cain	BPMIL

HOUSE APPROPRIATIONS
Subcommittee on Information Technology

Minutes
June 6, 2001

HOUSE APPROPRIATIONS/Subcommittee on Information Technology met on Tuesday, June 6, 2001, at 8:30am in Room 1425 in the Legislative Building. The following Committee members were present: Representatives Joe Tolson and Russell Tucker, Cochairs; Representatives Michael Harrington, Mark Hilton, Paul Miller and Trudi Walend

Representative Joe Tolson presiding chair, called the meeting to order and recognized the following:

Pages: Stacy Powell, Franklin County, Representative Creech
Leah Porter, Dare County, Representative Culpepper
Sergeant of Arms: Donnell Leathers

Purpose of the meeting was to give the committee an overview of the Senate budget that the Senate Information Technology Committee presented. Discussion will be given to these items at another meeting.

Representative Tolson said thought was being given to moving ExplorNet to the Information Technology Committee rather than the Education Committee. ExplorNet currently is funded through the Department of Public Instruction. There is discussion with one of the Education Chairs to move it to the Information Technology Committee. Since ExplorNet deals totally with information technology issues it may be better suited in the Technology Committee rather than in the Education Committee.

Representative Tolson told the Committee that the provisions presented would be for information only....no action would be taken at this meeting due to the uncertainty of where the budget cuts are going to be taken in the budget.

Dwayne Pinckney presented the budget

The Money item on page L1 of the blue money report directs the Office of Information Technology to transfer $11,000,000 from the Internal Service Fund that supports the operations of the Office of Information Technology Services (ITS) to the General Fund. The reduction would be achieved through rate reductions.

Provisions (page 44 of the Bill):

15.1(a). State Intellectual Property Assets to non-governmental organizations
This is one of the items that this Subcommittee was charged to look at. Essentially what this item would do is provide an interest for the State and/or Local Government in Intellectual Property developed using State funds or State resources.

15.2(a) Security Standards for State Information Technology
This item would give the Chief Information Officer the authority to establish security standards for state government and agencies. It would also give the Chief Information Officer the authority, in the event of a breach, to assume the security for an agency that had a breach and did not correct it within 30 days of a notice by the CIO. The CIO could then step in and assume the responsibility

for the agency security. The provision does make an exception for the Legislative Branch, Judicial Branch and the University and it allows those entities to establish their own standards if their standards exceed the ones set by the CIO. The current language does not include the 30-day notice. See page 48 line 8 of the Bill.

15.3(a) The Executive Budget Act Information Technology Provisions Section.
This item would require agencies and departments of state government to make requests for appropriations or financial aid except for the appropriations the agencies would have to make to the CIO. The CIO would certify the request and make recommendations to the government. Essentially the Governor's budget would include only those items that the State CIO has certified from the agencies warranting appropriations or financial assistance.

15.4(a) The Office of State Controller to Establish Accounts for Computer Networking/Telecommunications Service Billing for State Agencies
This addresses the frustration the subcommittee experienced early in the session when the discussion on the amount that the State spends on networking, telecommunications, information technology. It is a question that has begun to be sorted out and moves us along in that process by directing the State Controller to establish accounts that would allow agencies to track their expenditures by relevant categories. A group in State Government called NC Net with involvement with the CIO. Legislative Technologist Peter Capriglione has been involved with that group to establish relevant and meaningful categories for the controller to use as the yardstick to establish the accounts that would be necessary to track these cost. This provision simply directs the Controller and State budget to make that happen and they have the opportunity to work with NC Net and build on what has already been done by the group to make this happen.

Representative Tolson said miner changes would be presented at the next meeting.

15.5(a) Study of the Agency use of Contractors for Information Technology
This provision would direct the Office of State Personnel and the Office of Information Technology Services and the State Budget to study the issue of contractor - where, when, how and for how long they are used. It also directs the Office of State Personnel to make recommendations for the correct use of contractors and where it is determined that contractors are needed, to help agencies by developing mechanism to bring contractors on board. We hear the concerns from agencies over and over again that they can't hire staff in these critical position because of caps on salary. This would direct the Office of State Personnel to study the issue and make recommendation on how to address the problem.

Representative Tolson said there would be some minor language changes that will be presented for discussion at the next meeting.

15.6(a) E-Procurement/Procurement Card Program
This provision would move the Procurement Card Program, which is administered, by the Department of Administrations' Purchasing and Contract Division now. The program is in a pilot stage and has been for the last several sessions. This would allow it to move from the pilot stage to the agencies but also would tie the program in with E-Procurement Services. On line 47 see all procurement card orders that are $250.00 or more, except for orders by the University of North Carolina or UNC Health Care, shall be issued electronically when E-Procurement service is made available.

Representative Tolson requested the support of the committee for changes to this provision.

15.7(a) North Carolina Information Highway Sites
This provision would direct the Office of Information Technology Services to fund the Information Highway sites out of its reserve or out of its operating funds. Section 15.7(b) directs the APPROPRIATION/ Subcommittee on Education to take the issue of funding for the Information Highway sites beyond the 2001/2002 FY.

Representative Tolson said if the agencies want to maintain it after that, we would need to make sure they request the moneys for future years. He further said there would be changes to this provision at the next meeting.

15.8 Reduction in Expenditures Based on ITS Rate Reductions
This provision directs the Office of State Budget Management and ITS to match whatever rate reduction there would be to expenditure reductions that will happen in the agency line items for these services and it also puts in language that lacks flexibility. $6,000,000 is identified in the telephone telecommunications line and $5,000,000 in computer data processing. It gives State Budget the flexibility to change that allocation as conditions change within the Office of Information Technology Services but does not provide that flexibility to the Office of Information Technology.

Recommendation for changes will be made for this provision.

Information Technology Trust Fund
This provision is proposed to be established. The language will spell out how to establish the Information Technology Trust Fund and determine where the money will come from. The provision will also ask for a percentage of the reversion money at the end of the year starting at the end of 2002.

This item will be discussed further at a future meeting.

Meeting was adjourned at 9:50am

Respectfully submitted,

Gayle W. Christian, Committee Assistant

Representative Joe Tolson, Presiding Chair

AGENDA

Appropriations Subcommittee on Information Technology
June 12, 2001
1:00 p.m.

Representative Joe Tolson, Cochair
Representative Russell Tucker, Cochair

HB 414:	**Standards Division Tech. Improvement Funds – AB**	**Rep. Hill**
HB 1393:	**Traffic Simulation Software Funds**	**Rep. Miller**
HB 1394:	**IT Employee Reserve Funds**	**Rep. Miller**
HB 1354:	**ITS Data and Video Services Funds**	**Rep. Tolson**

HOUSE APPROPRIATIONS/ Subcommittee on Information Technology

MINUTES
June 12. 2001
8:30 a.m.

The House APPROPRIATIONS/Subcommittee on Information Technology met on Tuesday, June 12, 2001, at 8:30 a.m. in Room 1425 in the Legislative Building. The following members were present: Representatives Tolson and Tucker, cochairs, and Representatives Harrington, Hilton, Miller and Walend. Staff members that attended this meeting were Dwayne Pinckney, Fiscal Analysis; Peter Capriglione, Technology Analysis; Phyllis Pickett, Counsel; and Gayle Christian, Committee Assistant.

Pages: Savanna Crest, Wake County, sponsored by Rep. Art Pope.
Bill Parrish, Rockingham County, sponsored by Rep. Wayne Sexton.

Sgt. at Arms: Donnell Leathers

Representative Tolson, presiding chair, called the meeting to order.

15.6 (a) & (b) (pg. 51): E-PROCUREMENT/PROCUREMENT CARD PROGRAM – Budget Bill

Dwayne Pinckney, fiscal staff, explained this section. He said the procurement card section deals with moving the card program out into government and ties it in with the E-Procurement Service. (Beginning on line 48 – 15.7(b) language exempts UNC.)-

Representative Tolson said the system has worked well in a pilot program and is expected to work well if implemented.

No action was taken. Favorable recommendation to be given to full Appropriations Chairs.

15.7 (a) & (b) (pg. 52): NC INFORMATION SITES – Budget Bill

Mr. Pinckney explained that the Information Highway's 148 utilized sites was necessary and essential from a business standpoint. Organizations and companies should build this item into their budget so it becomes a reoccurring cost.

No action was taken. Favorable recommendation to be given to full Appropriations Chairs.

15.8 (pg. 52): REDUCTION IN EXPENDITURES BASED ON ITS RATE REDUCTIONS – Budget Bill

Mr. Pinckney said this section applies only to Information Technology Services.

No action was taken. Favorable recommendation to be given to full Appropriations Chairs.

(Senate Budget Bill becomes a part of these minutes by reference.)

AFTERNOON SESSION
1:00 p.m. – Room 1425

Representative Tolson reconvened the meeting at 1:05 p.m. The following bills were taken up:

HB 414: Standards Division Technology Improvements Funds
Representative Dewey Hill

Representative Hill said the bill was requested by the N.C. Department of Agriculture for the upgrading of the equipment and the technology used by the Department. The equipment is needed to enforce the Weights and Measures Act of 1975...Gasoline and Oil Act. It is for the protection of the consumer. The bill calls for $322,366 for 2001-2002 FY and $134,025 for 2002-2003 FY.

No action was taken. Recommended to full Appropriations Chairs.

HB 1394: IT Employee Reserve Funds - Representative Paul Miller

Representative Miller explained the concept of the bill. (Presentation to Explain the Concept of House Bill 1394 becomes a part of these Minutes by reference.)

No Action was taken. Recommended to full Appropriations Chairs

HB 1393: Traffic Simulation Software Funds – Representative Paul Miller

Representative Miller explained that the bill was to appropriate funds in the amount of $240,000 for the development and acquisition of traffic simulation software. It would transfer these funds from the 2001-2002 Highway Fund to the Department of Transportation.

The Committee suggested to Representative Miller that this bill was in the wrong Committee and that he should request a transfer to the Transportation Committee.

Representative Tolson relinquished the chair to Representative Tucker, cochair, to explain his bill.

HB 1354: ITS Data and Video Services Funds – Representative Joe Tolson

Representative Tolson explained that this bill would appropriate funds to the Office of Information Technology Services (ITS) to fund the portion of the statewide network supporting data and video services. It would appropriate $3,024,185 for 2001-2002 FY and $3,024,185 for 2002-2003 FY from the General Fund to ITS.

No action was taken. Recommended to full Appropriations Chairs.

The meeting was adjourned at 2:15 p.m.

Respectfully submitted,

Gayle W. Christian, Committee Assistant

Representative Joe Tolson, Cochair

RFP ITS-000048
Telecommunications Local Service and Long Distance Service for the State of North Carolina and State Institutions

As a result of the Telecommunications Act of 1996, competition in the local telephone service market has matured sufficiently whereby competitive service providers are viable. Since the State's local service agreements with the traditional telephone companies were ending, it was necessary in this environment to solicit competitive proposals through the Statewide IT Procurement Office in compliance with State statutes.

Milestones and highlights are outlined below.

03/31/00	Phase 1 Request for Proposal (RFP) ITS-000048, Technical Specification was released to more than 100 telecommunications companies with a bid closing date of 05/19/00. The procurement covered local and long distance services for approximately 70,000 telephone lines served from about 500 telephone company wire centers, and 12,000,000 minutes of long distance usage (per month).
04/18/00	Mandatory pre-bidders conference held to clarify questions raised by the twenty-four (24) companies represented.
04/28/00	Addendum 1 issued to answer the questions raised by the potential bidders at the pre-bidders conference.
05/08/00	Addendum 2, granting a request from BellSouth to delay bid closing from 05/19/00 to 06/02/00, issued.
06/02/00	Bid closing date. • Received Phase 1 responses from thirteen (13) bidders (16 volumes of data).
06/05/00	The evaluation team began analysis of all technical proposals. • With the large volume of information and detail submitted by the bidders, the evaluation team completed the first round of review in approximately 20 days.
07/03/00	Completed vendor clarification requests and began the process of setting up individual presentation meetings with the vendors for clarifications of their respective proposals.
07/11/00- 08/01/00	Vendor presentations.
08/14/00	Requests for BAFO-1s released to seven vendors.
08/18/00	BellSouth and AT&T requested and received extensions of the Phase 1 BAFO-1 due date from 08-22-00 to 08-29-00.
08/28/00	Requests for BAFO-1s released to the remaining six vendors.

09/01-
09/30/00 Additional meetings, clarifications, and requests for BAFOs/BAFOs exchanged with the vendors. Determination of technically compliant vendors made upon completion of the BAFO reviews.

10/03/00 Phase 2 Request for Cost Proposal drafted.

10/04/00 Eight vendors determined to be technically compliant and qualified for Phase 2 Request for Cost Proposal.

10/10/00 Phase 2 Request for Cost Proposal released to the eight technically compliant vendors.

- The proposal included CDs containing software developed in-house that allowed each bidder to submit rates unique to its capabilities.
- The software included the ability to select from approximately 150 rate elements for various telecommunications services and components.
- The software allowed bidders to propose any service in any of the 500 wire centers serving State agencies and affiliates located at more than 4,000 street addresses while streamlining the cost proposal completion and evaluation processes.

10/12/00 BellSouth requested an extension of the Phase 2 Cost Proposal from 10/25/00 to 11/08/00 and AT&T requested an extension of the Phase 2 Cost Proposal from 10/25/00 to 11/10/00.

- 11/10/00 was a State Holiday, thus, closing date moved to 11/13/00.

11/13/00 Phase 2 Cost Proposals received from the vendors (in 15 volumes) and the cost evaluation process began.

- The evaluation process involved extracting cost information from the bidder software supplied as part of the Phase 2 document.
- As part of the evaluation process, clarifications requested from vendors.

11/21/00 BellSouth requested and received an extension of their clarification response from 11/27/00 to 11/29/00.

12/01/00 Upon notification of a change in the e-rate state master contract procedure, it was determined that for the contract resulting from this procurement to be compliant with the Federal Schools and Libraries Division (SLD) E-Rate Program, ITS would have to re-open the entire specification to all vendors to allow additional responses. This necessitated suspending the next phase (negotiation) of the evaluation as well as suspending communications with vendors.

Note: Italicized and bolded items below are the result of the re-bid process

- While communications with the Phase 2 bidders was suspended, analysis continued.

12/04/00 ***RFP ITS-000048-A, Phase 1 Technical Proposal released.***

12/19/00 ***ITS-000048-A Addendum 1 released to provide responses to clarification questions submitted by the vendor.***

01/02/01 ***Closing date for RFP ITS-000048-A, Phase 1.***

01/03 – 02/05/01 Evaluation team continued with the evaluation of Phase 2 responses and developed agendas for vendor presentations and discussions.

01/03-1/11/01 ***Evaluation clarification questions issued and responses received. Vendor meetings requested.***

02/05-03/08/01 Vendor meetings held

02/09/01 ***Requests for BAFO-1 containing responses to the clarification questions released.***

02/19/01 ***BAFO-1 response evaluated.***

02/20-03/05/01 Internal meetings held to coordinate implementation impact issues.

03/06/01 To adhere to new budget constraints, it was determined to be necessary to request revised three year and five year pricing options that incorporated transition costs in the vendors' proposed rates. Previously, the plan had been for ITS to pay the transition costs up-front.

03/27/01 Requests for BAFOs released to the bidders with responses due by April 10, 2001.

04/10-
04/30/01 Evaluation of BAFOs.

- New pricing extracted and entered in the cost evaluation model.
- Multiple alternatives submitted by three of the vendors in both 3-year and 5-year contract options.
- All alternatives and options thoroughly evaluated.
- Additional questions generated by the BAFO responses. Clarification responses obtained from the vendors.
- After completion of the evaluation, determined that four of the eight vendors were not viable candidates for further negotiations based on the rates offered. Eliminated them from further consideration.

04/30/01 ITS requested extension of existing contracts affecting this procurement.

- Determined that negotiations would not be scheduled until completion of discussions about contract extensions.

05/11/01 Confirmation of completion of discussion of extension of existing contracts received.

05/11-
06/01/01 Developed negotiation agendas for the remaining four vendors and negotiated with vendors in preparation for final BAFOs.

Final Assessment Phase

06/02-06/03 Completed and approved request for BAFOs.

06/04 Released request for BAFOs

06/09 BAFOs submitted by 10:00 am, no extensions granted.

06/04-06/08 Status updates

06/09-06/13 Plan to begin review of all BAFOs.

- Verify calculations and prepare results.
- Extract data.
- Convert data to evaluation spreadsheets.

06/14 Plan to review with Legal counsel and Purchasing.

06/15 Plan to present findings to management.

06/15-06/22 Plan to address contingencies and determine recommendations.

06/22 Plan to make formal award.

ATTACHMENT

PRESENTATION TO EXPLAIN THE CONCEPT OF HOUSE BILL 1394

IT Employee Reserve Funds

GOAL

To Save Money

Within the Information Technology System

to make the IT organization stronger
and more efficient.

HOW?

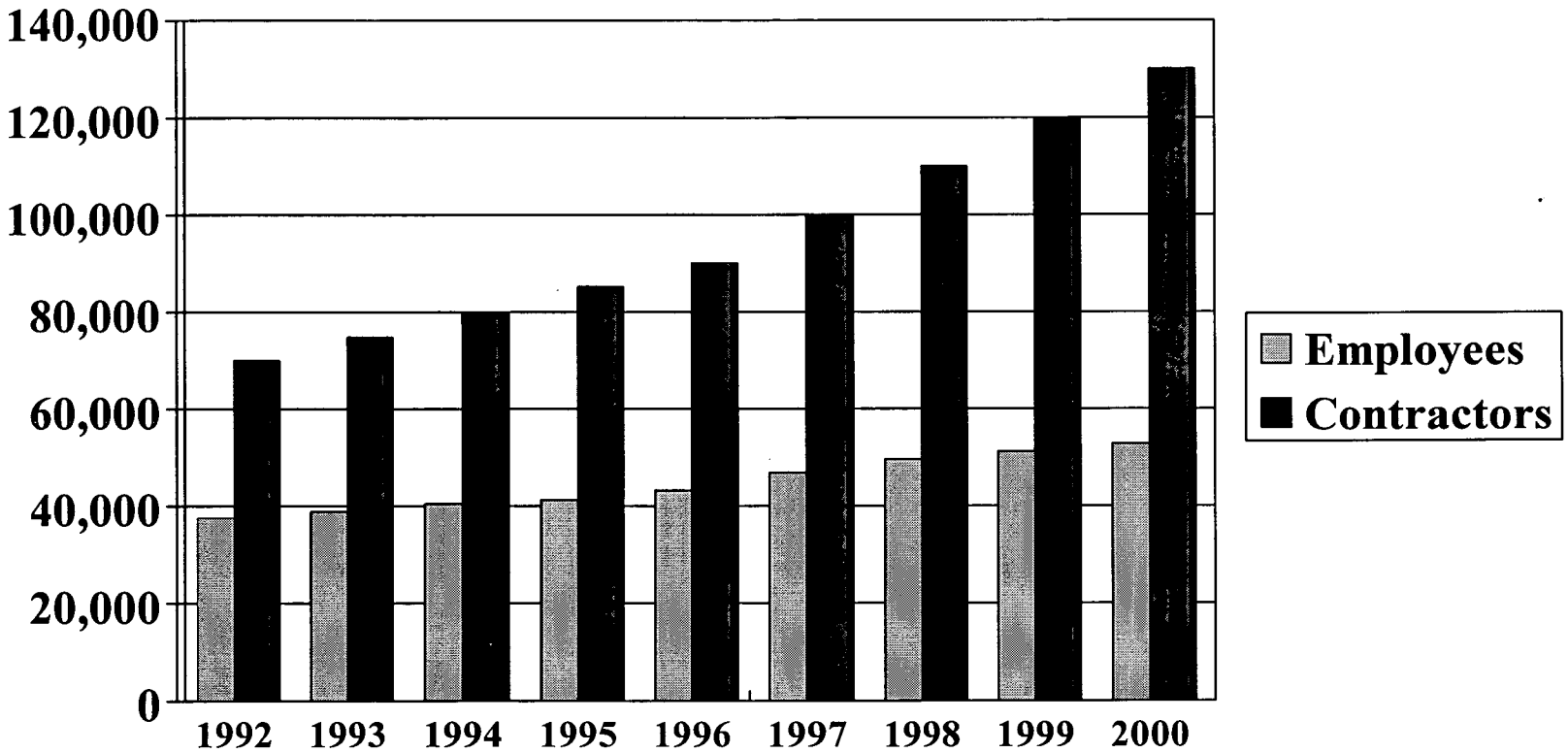
- Concept 1 – Provide incentives for managers to cut costs

- Concept 2 – Conduct new organizational structure

CURRENT PROBLEMS

- Contractors are more costly than employees
  - For example, one contractor may be equivalent to between 1.5 and 4 employees. Contractors on average make from $65 to $130 per hour. Over the course of a year the minimal cost would be $130,000. Whereas employees are paid about $53,000 (including benefits)
- The fixed positions established by the GA offers no incentive for cost reduction
  - Managers are in the best position to determine requirements for a job, i.e. length of job, employee vs. contractor.
  - By giving hiring and salary flexibility, managers will make the most cost efficient decisions.
- Turnover rate for IT employees is higher than other professions
  - Contractors are not given the opportunity (or incentive) to be hired
  - Employee see more profitability in contracting their services
  - Not having career development classes, prevents employees from being competitive in the IT market (for the state or otherwise)

Example of average salaries over the past 10 years



The cost of contract positions have increased at a greater rate than those of employees over the past 10 years. The growth of contract positions have increased, grossly increasing overall cost to the state.

INCENTIVES FOR MANAGERS

- Giving the flexibility to hire and establish salaries, managers are allowed to make the best judgment on the employment needs of each particular job.
- Managers will make the most cost efficient decisions based on the budget allowance they are given.
- Included as part of the incentive is the requirement that the manager show a direct cost savings for every contractor replaced by an employee.
- Five percent (5%) of savings may go to an educational fund for employee job training.

New Organizational Structure

- Create an internal contractual system
  - Have an agency that hires various contractors from different fields and backgrounds as permanent employees. The agency will contract these employees to other state agencies for less than what the private sector charges
- Beneficial in many aspects
  - The State saves money having permanent employees
  - The State recoups some of the money it expends on contractors
  - Other agencies save money by contracting "in-house"

NORTH CAROLINA HOUSE OF REPRESENTATIVES
NOTIFICATION TO BILL SPONSOR
2001-2002

BILL SPONSOR: **Rep. Miller**

OFFICE: **640**

NOTIFICATION DATE: **June 12, 2001**

The House Committee on Appropriations Subcommittee on Information Technology will meet as follows:

DAY & DATE: **June 12, 2001**

TIME: **1:00 p.m.**

LOCATION: **1425**

Your Bill (or Bills) will be discussed at this time:
HB 1393 Traffic Simulation Software Funds
HB 1394 IT Employee Reserve Funds

We would like to have you attend this meeting.

Representative Tolson and Tucker
Chairman

Gayle Christian (Committee Assistant)

NORTH CAROLINA HOUSE OF REPRESENTATIVES
NOTIFICATION TO BILL SPONSOR
2001-2002

BILL SPONSOR: **Rep.Hill**

OFFICE: **1309**

NOTIFICATION DATE: **June 12, 2001**

The House Committee on Appropriations Subcommittee on Information Technology will meet as follows:

DAY & DATE: **June 12, 2001**

TIME: **1:00 p.m.**

LOCATION: **1425**

Your Bill (or Bills) will be discussed at this time:
HB 414: Standards Div. Tech. Improvements Funds -AB

We would like to have you attend this meeting.

Representative Tolson and Tucker
Chairman

Gayle Christian (Committee Assistant)

NORTH CAROLINA HOUSE OF REPRESENTATIVES
NOTIFICATION TO BILL SPONSOR
2001-2002

BILL SPONSOR: **Rep. Miller**

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Chairman

Gayle Christian (Committee Assistant)

VISITOR REGISTRATION SHEET

Information Technology — 6/12/01
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ben McLawhorn	OSC
Jim Maxwell	OSBPM
John Davis	OSBPM
Karen Pemberton	OAO
Alfred M. Mays	UNC-CA IR
Doug Phillips	Crime Control & Public Safety
Bill WADE	OAO Corp. Durham, NC
Tom Warner	UNC
Penny Hendricks	DPI
Robert Blackmon	Community College System
Caroline Jackson	DHHS
Jim Edwards	Cii Associates
Scott Peters	AOC
Beckie Street	Parker Poe Adams & Bernstein
Lee Mandell	NCLM
Ron Hawley	ITS
Don McCorquodale	SAS
Rob Hillman	OSA
Emily Fulghum	Smith Anderson
Joan Myers	NCEITA
Alice Heindel	NCEITA
Margaret Westbrook	Kennedy Covington
Betsy Y. Justus	ACS
Teri Lewis	Keane, Inc.
P. W. LaBarbera	ITS
Pam Mz	NCACC
Fred Aikens	DOC/ITMAC
Woody Yates	IRMC
Kevin Fitzgerald	106

SUBJECT:

DATE:

Savannah Cress
Wake County
Art Pope

Bill Parrish
Rockingham County
Rep. Wayne Sexton

Donnell Lyerly

SUBJECT:

DATE:

VISITOR REGISTRATION SHEET

Information Technology — 6/12/01
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ben McLawhorn	OSC
Rob Hillman	OSA
Bob Bellamy	DPI
John Davis	OSBPM
Robert Blackmon	Community College System
Brady E. Hendrix	DPI
Emily Fulghum	Smith Anderson
Caroline Jackson	DHHS
Woody Yates	IRMC
Margaret Weatherly	Kennedy Covington
Rod Hawley	ITS
P. D. LaBarbera	ITS

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

HOUSE BILL 414

Short Title:	Standards Div. Tech. Improvement Funds-AB.	(Public)
Sponsors:	Representatives Hill; Jarrell, Warren, and Alexander.	
Referred to:	Appropriations.	

March 1, 2001

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR TECHNOLOGY IMPROVEMENTS FOR THE STANDARDS DIVISION OF THE DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Agriculture and Consumer Services the sum of three hundred twenty-two thousand three hundred sixty-six dollars ($322,366) for the 2001-2002 fiscal year and the sum of one hundred thirty-four thousand twenty-five dollars ($134,025) for the 2002-2003 fiscal year for the costs of upgrading the equipment and technology used by the Standards Division of the Department, which equipment and technology is needed to enforce the Weights and Measures Act of 1975, Chapter 81A of the General Statutes, and the Gasoline and Oil Inspection Act, Article 3 of Chapter 119 of the General Statutes.

SECTION 2. This act becomes effective July 1, 2001.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

H 1

HOUSE BILL 414

Short Title:	Standards Div. Tech. Improvement Funds-AB.	(Public)
Sponsors:	Representatives Hill; Jarrell, Warren, and Alexander.	
Referred to:	Appropriations.	

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SECTION 2. This act becomes effective July 1, 2001.

AGENDA

Appropriations Subcommittee on Information Technology
June 12, 2001
1:00 p.m.

Representative Joe Tolson, Cochair
Representative Russell Tucker, Cochair

HB 414:	Standards Division Tech. Improvement Funds – AB	Rep. Hill
HB 1393:	Traffic Simulation Software Funds	Rep. Miller
HB 1394:	IT Employee Reserve Funds	Rep. Miller
HB 1354:	ITS Data and Video Services Funds	Rep. Tolson

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

HOUSE BILL 414

Short Title:	Standards Div. Tech. Improvement Funds-AB.	(Public)
Sponsors:	Representatives Hill; Jarrell, Warren, and Alexander.	
Referred to:	Appropriations.	

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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

H 1

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Short Title:	Standards Div. Tech. Improvement Funds-AB.	(Public)
Sponsors:	Representatives Hill; Jarrell, Warren, and Alexander.	
Referred to:	Appropriations.	

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SECTION 2. This act becomes effective July 1, 2001.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

H 1

HOUSE BILL 1394

Short Title: IT Employee Reserve Funds. (Public)

Sponsors: Representative Miller.

Referred to: Appropriations.

April 26, 2001

A BILL TO BE ENTITLED

AN ACT ALLOWING FLEXIBILITY IN THE FUNDING OF INFORMATION TECHNOLOGY POSITIONS IN STATE GOVERNMENT; CREATING THE INFORMATION TECHNOLOGY EMPLOYEE RESERVE FUND; AND APPROPRIATING FUNDS TO THE RESERVE FUND.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143-23 is amended by adding a new subsection to read:

"(a5) Notwithstanding any other provision of this section, a department, institution, or other spending agency of the State may, with approval of the Director of the Budget, increase the amount of funds available for salaries, wages, and related expenses in connection with the hiring and retention of State employees to work in information technology positions, provided that there is a corresponding reduction in contracted personal services related to information technology."

SECTION 2.(a) Article 1 of Chapter 143 of the General Statutes is amended by adding a new section to read:

"**§ 143-34.8. Information Technology Employee Reserve Fund.**

(a) There is created the Information Technology Employee Reserve Fund. The fund shall be located in, and administered by, the Office of State Budget, Planning, and Management. The purpose of the fund shall be to provide to State agencies the flexibility required to hire and retain qualified information technology personnel in the most effective and efficient manner.

(b) The Office of State Budget, Planning, and Management shall adopt criteria to be used in administering the fund and allocating monies to State agencies that apply for these funds. The State Chief Information Officer shall, at the request of the Office of State Budget, Planning, and Management, provide technical assistance relative to the administration of the Information Technology Employee Reserve Fund.

(c) The head of each State agency, department, and institution shall provide quarterly to the Office of State Budget, Planning, and Management a detailed report on the following:

(1) The identity of every independent contractor working for the agency in an information technology capacity.

(2) The terms and conditions of all information technology personal services contracts that are in effect.

(3) Whether there is a need for the extension of any contract in effect for information technology personal services.

(4) Any other relevant information required by the Office of State Budget, Planning, and Management.

(d) The Office of State Budget, Planning, and Management shall report, by December 1 of each year, to the Joint Legislative Commission on Governmental Operations on the use of contracts for personal services related to information technology and the administration of the Information Technology Employee Reserve Fund."

SECTION 3. There is appropriated from the General Fund to the Office of State Budget, Planning, and Management the sum of twenty-five million dollars ($25,000,000) for the 2001-2002 fiscal year and the sum of twenty-five million dollars ($25,000,000) for the 2002-2003 fiscal year to fund the Information Technology Employee Reserve Fund created by this act.

SECTION 4. This act becomes effective July 1, 2001.

HOUSE BILL 1394

Short Title:	IT Employee Reserve Funds.	(Public)
Sponsors:	Representative Miller.	
Referred to:	Appropriations.	

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AN ACT ALLOWING FLEXIBILITY IN THE FUNDING OF INFORMATION TECHNOLOGY POSITIONS IN STATE GOVERNMENT; CREATING THE INFORMATION TECHNOLOGY EMPLOYEE RESERVE FUND; AND APPROPRIATING FUNDS TO THE RESERVE FUND.

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(3) Whether there is a need for the extension of any contract in effect for information technology personal services.

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SECTION 4. This act becomes effective July 1, 2001.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

HOUSE BILL 1393

Short Title:	Traffic Simulation Software Funds.	(Public)
Sponsors:	Representative Miller.	
Referred to:	Appropriations.	

April 26, 2001

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR THE DEVELOPMENT AND ACQUISITION OF TRAFFIC SIMULATION SOFTWARE.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the Highway Fund to the Department of Transportation the sum of two hundred forty thousand dollars ($240,000) for the 2001-2002 fiscal year for the development and acquisition of traffic simulation software. The Department shall make the software accessible to metropolitan planning organizations, counties, municipalities, and citizens.

SECTION 2. This act becomes effective July 1, 2001.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

HOUSE BILL 1393

Short Title:	Traffic Simulation Software Funds.	(Public)
Sponsors:	Representative Miller.	
Referred to:	Appropriations.	

April 26, 2001

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SECTION 2. This act becomes effective July 1, 2001.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

HOUSE BILL 1354

Short Title:	ITS Data and Video Services Funds.	(Public)
Sponsors:	Representatives Tolson, Redwine, Tucker, Saunders, Thompson; Alexander, Allen, Barefoot, Bell, Bonner, Fox, Haire, Hall, Harrington, Hill, Holliman, Hurley, Johnson, McLawhorn, Owens, Rogers, Sutton, Teague, Wainwright, Walend, Walker, Warner, Warren, and Yongue.	
Referred to:	Appropriations.	

April 16, 2001

A BILL TO BE ENTITLED

AN ACT APPROPRIATING FUNDS TO THE OFFICE OF INFORMATION TECHNOLOGY SERVICES TO FUND THE PORTION OF THE STATEWIDE NETWORK SUPPORTING DATA AND VIDEO SERVICES.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Office of Information Technology Services the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) for the 2001-2002 fiscal year and the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) for the 2002-2003 fiscal year to fund the portion of the statewide network that is supporting data and video services throughout the State (formerly known as the "North Carolina Information Highway").

SECTION 2. This act becomes effective July 1, 2001.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

HOUSE BILL 1354

Short Title:	ITS Data and Video Services Funds.	(Public)
Sponsors:	Representatives Tolson, Redwine, Tucker, Saunders, Thompson; Alexander, Allen, Barefoot, Bell, Bonner, Fox, Haire, Hall, Harrington, Hill, Holliman, Hurley, Johnson, McLawhorn, Owens, Rogers, Sutton, Teague, Wainwright, Walend, Walker, Warner, Warren, and Yongue.	
Referred to:	Appropriations.	

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SECTION 2. This act becomes effective July 1, 2001.

VISITOR REGISTRATION SHEET

Information Technology
Name of Committee

6/14/01
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
ED TURLINGTON	JOAN MYERS, INC.
Joan Myers	NCEITA
NIC HEINKE	NCEITA
WENDY KUHN	ITS
Pat LaBarbera	ITS
Karen Pemberton	OAO
Charles Fraley	OAO
John Davis	OSBPM
Johnny Gray	OSBM
Jim Newell	OSBM
Ben McLawhorn	OSC
Sam Taylor	NCBIO
Bob Bobbood	AOC
Becki Street	Parker Poe Adams & Bernstein
Rob Hillmon	OSA

VISITOR REGISTRATION SHEET

Appropriations / Subcommittee on — 6-14-01
Name of Committee — Date
Information technology -

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
Marion Vernon	OSA
Benny Hendrix	DPI
Robert Blackmond	Community College System
Whitney Obrig	OSBPM
Roy Hawley	ITS.
JC Munn	M+R
Don McConnaughey	SAS
Vicky Young	OSA
Alfred M Mays	VNC-CA IR
Woody Yates	IRMC
Bill Cox	DHHS
John McMillan	NFDSPA
Emily Feldhaus	Smith Anderson
Betsy Justus	ACS

House APPROPRIATIONS/Subcommittee on Information Technology

Minutes
June 19, 2001

The House APPROPRIATIONS/Subcommittee on Information Technology met on Thursday, June 19, 2001, at 8:30 a.m. in Room 1425 in the Legislative Building. The following members were present: Representatives Joe Tolson and Russell Tucker, cochairs; Representatives Michael Harrington, Mark Hilton, Paul Miller and Trudi Walend. Staff members present were Dwayne Pinckney, Fiscal Analysis, Peter Capriglione, Information Technologist Analysis, Phyllis Pickett, Committee Counsel and Gayle Christian, Committee Assistant.

Representative Tolson made the following introductions
Pages: Anna Parsons, Caldwell County, sponsored by Representative Edgar Starnes
Leigh Harris, Wake County, sponsored by Representative Dan Blue.
House Sgt-at-Arms: Richard Riddle and Donnell Leathers

Recommended Budget Cut

Dwayne Pinckney reviewed the $11 million proposed cut from the Information Technology Services (ITS) budget. (Attachment I becomes a part of these minutes by reference.)

Provisions:

Mr. Pinckney continued review of the Provisions.

Special Provision on Study State Intellectual Property Assets/Technology Transfer was postponed for further study.

15.2 (Security Standards for State Information Technology)
Remained essentially the same. Exceptions: Line 25 requires Auditor to make public reports and Line 30 exempts Auditor, giving flexibility to the Auditor

15.4 (Office of State Controller to Establish Accounts for Computer Networking/Telecommunications Service Billing for State Agencies.). It was decided that version two would actually be the wording that would go before the full chairs.

15.5 (Study State Agency Use of Contractors for Information Technology) There was four versions. The fourth version incorporated all of the others and, therefore, would be the one to go before the chairs.

15.6 (Procurement Card)
This provision would include the Community College System, Department of Public Instruction, The University System, and the use of procurement cards and e-procurement services, North Carolina Information Highway Sites, and ExploreNet/Education Programs

15.8 (Reduction in Expenditures Based on Its Rate Reductions) This provision ties in with the money report and assesses where to make the $11 million reduction.

Representatives Miller and Harrington moved to accept the money report and special provisions and to submit these items to the full chairs for consideration,. All members present voting aye, the motion adopted.

The meeting was adjourned at 9:50 a.m.

Respectfully submitted,

Gayle W. Christian, Committee Assistant

Representative Joe P. Tolson, Cochair

Information Technology Services

INTERNAL SERVICE FUND

	FY 2001-02		FY 2002-03
Recommended Budget	**$0**		**$0**
Legislative Changes			
Services Division			
1 ITS Reduction			
The Office of Information Technology Services Internal Service fund is reduced by eleven million dollars ($11,000,000). The eleven million dollar reduction ($11,000,000) is transferred from the Internal Service Fund to the General Fund based upon the following installments:	($11,000,000)	NR	
($3,000,000) November 3, 2001			
($4,000,000) February 4, 2002			
($4,000,000) May 4, 2002			
Total Legislative Changes	**($11,000,000)**	**NR**	
Total Position Changes			
Revised Budget	**($11,000,000)**		**$0**

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H15(S15.1)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE INTELLECTUAL PROPERTY ASSETS/TECHNOLOGY TRANSFER

SECTION 15.1(a) The Board of Science and Technology shall study the transfer and use of intellectual property developed with State resources, including State funds, State employees, or State facilities. The Board shall recommend to the Governor and the General Assembly legislation or other mechanisms to promote and regulate the transfer and use of intellectual property assets developed with State resources. In conducting the study required by this section, the Board of Science and Technology shall consider the following:

(1) Economic benefits, including accelerated State revenue growth, that result from the commercialization of intellectual property assets developed with State resources.

(2) Potential methods, benefits, and detriments of recouping costs incurred by the State in the development of intellectual property assets that are subsequently commercialized.

(3) Potential methods, benefits, and detriments of sharing between the public and private sectors the profits or losses resulting from the commercialization of intellectual property assets developed with State resources.

(4) Existing and potential mechanisms for assuring that intellectual property assets developed with state resources do not inappropriately inure to the benefit of individuals serving in an official capacity for the State, a state agency, or an entity receiving or using state resources.

(5) The current and potential interplay between State and federal law governing the use and transfer of intellectual property assets developed with state resources.

(6) The experience of other states in addressing the transfer and use of intellectual property assets developed using state resources.

(7) Any other factors that the Board considers appropriate.

SECTION 15.1.(b) In formulating its recommendations, the Board of Science and Technology shall solicit input from affected parties, including State agencies, public and private universities, businesses with experience in the development, financing, and valuation of intellectual property assets, and organizations representing information technology and biotechnology businesses.

SECTION 15.1.(c) By May 1, 2002, the Board of Science and Technology shall submit a final report of it recommendations to the Governor, the Joint Select Committee on Information Technology, the House of Representatives Appropriations Subcommittee on Information Technology, the Senate Appropriations Committee on Information Technology, and the Fiscal Research Division.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H6(S15.2)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

SECURITY STANDARDS FOR STATE INFORMATION TECHNOLOGY

SECTION 15.2.(a) G.S. 147-33.81 reads as rewritten:

"**§ 147-33.81. Definitions.**

As used in this Article:

(1) "Distributed information technology assets" means hardware, software, and communications equipment not classified as traditional mainframe-based items, including personal computers, local area networks (LANs), servers, mobile computers, peripheral equipment, and other related hardware and software items.

(2) "Information technology" means electronic data processing goods and ~~services and~~ services, telecommunications goods and services, security goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes.

(3) "Information technology enterprise management" means a method for managing distributed information technology assets from acquisition through retirement so that total ownership costs (purchase, operation, maintenance, disposal, etc.) are minimized while maximum benefits are realized.

(4) "Information technology portfolio management" means a business-based approach for analyzing and ranking potential technology investments and selecting those investments that are the most cost-effective in supporting the strategic business and program objectives of the agency.

(5) "Office" means the Office of Information Technology Services as established in this Article.

(6) "State agency" means any department, institution, commission, committee, board, division, bureau, office, officer, or official of the State. The term does not include any State entity excluded from coverage under this Article by G.S. 147-33.80, unless otherwise expressly provided."

SECTION 15.2.(b) G.S. 147-33.82 reads as rewritten:

"**§ 147-33.82. Powers and duties of the State Chief Information Officer and the Office of Information Technology Services.**

(a) The Office of Information Technology Services shall:

(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.

(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.

(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.

(5) Assure that State agencies implement and manage information technology portfolio-based management of State information technology resources, in accordance with the direction set by the State Chief Information Officer.

(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.

(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.

(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.

(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.

(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Office. Any other State entities may also use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office.

(c) The State Chief Information Officer shall establish an enterprise-wide set of standards for information technology security to maximize the functionality, security, and interoperability of the State's distributed information technology assets, including communications and encryption technologies. As part of this function, the State Chief Information Officer shall review periodically existing security standards and practices in

place among the various State agencies to determine whether those standards and practices meet enterprise-wide security and encryption requirements. The State Chief Information Officer may assume the direct responsibility of providing for the information technology security of any State agency that fails to adhere to security standards adopted pursuant to this section. Any actions taken by the State Chief Information Officer under this subsection shall be reported to the Information Resources Management Commission at its next scheduled meeting.

(d) Notwithstanding G.S. 143-48.3 or any other provision of law, and except as otherwise provided by this subsection, all information technology security purchased using State funds, or for use by a State agency or in a State facility, shall be subject to approval by the State Chief Information Officer in accordance with security standards adopted under this section.

(1) If the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units as defined by G.S. 115C-5, or the North Carolina Community Colleges System develop their own security standards, taking into consideration the mission and functions of that entity, that are comparable to or exceed those set by the State Chief Information Officer under this section, then these entities may elect to be governed by their own respective security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. The State Chief Information Officer shall consult with the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units, and the North Carolina Community Colleges System in reviewing the security standards adopted by those entities.

(2) If the State Chief Information Officer certifies that a State agency has developed security standards that meet or exceed those set under this section, then the agency may elect to be governed by its own security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. This certification by the State Chief Information Officer is subject to annual renewal and may be revoked by the State Chief Information Officer at any time that a State agency's standards no longer exceed those set under this section.

(e) The State Chief Information Officer shall submit the enterprise-wide set of standards for the State's information technology security to the Information Resources Management Commission for approval. The Information Resources Management Commission shall report approval of the standards to the Joint Legislative Commission on Governmental Operations prior to implementation of the standards. The State Chief Information Officer shall review and revise the standards at least annually, and the revisions shall be subject to approval by the Information Resources Management Commission, with the Commission reporting to the Joint Legislative Commission on Governmental Operations on the revisions.

(f) The head of each State agency shall cooperate with the State Chief Information Officer in the discharge of his or her duties by:

(1) Providing the full details of the agency's information technology and operational requirements.

(2) Providing comprehensive information concerning the information technology security employed to protect the agency's information technology.

(3) Forecasting the parameters of the agency's projected future information technology security needs and capabilities.

(4) Designating an agency liaison in the information technology area to coordinate with the State Chief Information Officer.

The information provided by State agencies to the State Chief Information Officer under this subsection is protected from public disclosure pursuant to G.S. 132-6.1(c)."

SECTION 15.2.(c) G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(18) The Auditor shall assess, confirm, and report on the security practices of information technology systems. If an agency has adopted standards pursuant to G.S. 147-33.82(d)(1) or (2), the audit shall be in accordance with those standards. The Auditor's assessment of information security practices shall include an assessment of network vulnerability. The Auditor may conduct network penetration or any similar procedure as the Auditor may deem necessary. The Auditor may investigate reported information technology security breaches, cyber attacks, and cyber fraud in State government.

The State Auditor shall issue public reports on the general results of the reviews undertaken pursuant to this subdivision, but may provide agencies with detailed reports of the security issues identified pursuant to this subdivision which shall not be disclosed as provided in G.S. 132-6.1(c).

For the purposes of this subdivision only, the State Auditor is exempt from the provisions of article 3 of Chapter 143 of the General Statutes in retaining contractors."

SECTION 15.2.(d) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H7(S15.4)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

OFFICE OF STATE CONTROLLER TO ESTABLISH ACCOUNTS FOR COMPUTER NETWORKING/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

SECTION 15.4.(a) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall adopt a common definition for computer networking costs. The definition shall include a specific and detailed list of the separate components that comprise overall networking costs. These agencies shall define a process to capture all such costs without redundancy.

SECTION 15.4.(b) The Office of the State Controller shall establish separate accounts within the Statewide Chart of Accounts to capture networking costs to State government. The accounts should include the hardware and software components and the staffing costs for operating and maintaining the State network. These accounts shall be used by the Office of Information Technology Services to record statewide networking costs by components. These accounts shall also be used by each state entity to record costs of networking components for services not purchased from ITS.

SECTION 15.4.(c) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall complete the definition by September 1, 2001. ~~Information Technology Services shall implement its billing reforms by October 1, 2001.~~ The Office of the State Controller shall establish the appropriate accounts by December 1, 2001.

SECTION 15.4.(d) The Office of Information Technology Services shall accurately identify and present State agencies with detailed information on the cost of ITS Services for telecommunications data and video ~~services in a monthly bill.~~ services. Rates approved for networking services shall be broken down by component costs on an annual basis. The bill should clearly indicate the usage and the rate for the service. ~~Where applicable, the bill shall include information on hardware and software costs including maintenance and support costs for those services. To the extent that ITS bills agencies for networking costs, the bill shall clearly identify each element of that cost to facilitate each agency's ability to properly account for networking costs.~~

Version 1

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H7(S15.4)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

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Version 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H8(S15.5)i

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State-agency use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

SECTION 15.5.(b) The Office of the State Controller shall establish an account for IT Contractual Services. The account may consist of subaccounts that specify the major categories of IT consulting, i.e., LAN/WAN management, web design, web hosting, applications development, applications hosting, and others.

SECTION 15.5.(c) The Office of State Personnel shall identify the results of market analyses comparing State information technology workers with private sector information technology workers. The Office shall review its current classification scheme for IT workers to determine its adequacy for capturing the range of IT activities within State government.

SECTION 15.5.(d) The study report should recommend the most appropriate use of contractors (i.e., for discrete projects) and the most appropriate use of permanent employee (i.e., for ongoing activities such as LAN/WAN management.) In cases where the study indicates that permanent employees are best suited for a given task or activity, the Office of State Personnel is directed to identify effective mechanisms for recruiting and retaining employees.

SECTION 15.5.(e) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

Version 1

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H8(S15.5)iA

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State-agency use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

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SECTION 15.5.(e) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

SECTION 15.5.(f) G.S. 143-23 is amended by adding a new subsection to read:

"(a5) Notwithstanding any other provision of this section, a department, institution, or other spending agency of the State may, with the approval of the Director of the Budget, increase the amount of funds available for salaries, wages, and related expenses in connection with the hiring and retention of State employees to work in information technology positions, provided that there is a corresponding reduction, at a minimum, in the expenditures line item for purchased contractual services related to information

technology. Departments and entities of State government shall employ the mechanism provided for in this section exclusively to maximize cost savings to the State for information technology services.

Version 2

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H4(S15.5)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State-agency use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

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SECTION 15.5.(e) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

Version 3

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H4(S15.5)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State-agency use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

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SECTION 15.5.(e) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

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"(a5) Notwithstanding any other provision of this section, a department, institution, or other spending agency of the State may, with the approval of the Director of the Budget, increase the amount of funds available for salaries, wages, and related expenses in connection with the hiring and retention of State employees to work in information

technology positions, provided that there is a corresponding reduction, at a minimum, in the expenditures line item for purchased contractual services related to information technology. Departments and entities of State government shall employ the mechanism provided for in this section exclusively to maximize cost savings to the State for information technology services.

Version 4

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H9(S15.6)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

PROCUREMENT CARD PROGRAM

SECTION 15.6.(a) Section 20.3 of S.L. 1998-212, Section 24 of S.L. 1999-237, and Section 21.3 of S.L. 2000-67 are repealed.

SECTION 15.6.(b) G.S. 143-49 is amended by adding a new subdivision to read:

"(8) To establish and maintain a procurement card program for use by State agencies, community colleges, constituent institutions of The University of North Carolina, and local school administrative units. The Secretary may adopt temporary rules for the implementation and operation of the program in accordance with the payment policies of the State Controller and the Office of Information Technology Services. Prior to implementing the program, the Secretary shall consult with the State Controller, UNC General Administration, the Community Colleges System Office, and the Department of Public Instruction. When the statewide electronic procurement service is made available for goods and contractual services, all orders made pursuant to this subdivision exceeding two hundred fifty dollars ($250.00) shall be issued electronically through the statewide electronic procurement service. The Secretary may periodically adjust the order limit set under this subdivision after consulting with the State Controller and the Office of Information Technology Services."

SECTION 15.6.(c) This section is effective when it becomes law.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H10

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

NORTH CAROLINA INFORMATION HIGHWAY SITES

SECTION #.(a) Of the funds available in the Office of Information Technology Services operating cash, the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) shall be used for the 2001-2002 fiscal year to fund North Carolina Information Highway (NCIH) sites that received funding from ITS operating cash during the 2000-2001 fiscal year. In consultation with NCIH sites, the Department of Public Instruction, the Community College System Office, and other site-affiliated state offices, the Office of Information Technology Services will take appropriate action to ensure that the funds are efficiently utilized.

SECTION #.(b) The Joint House and Senate Appropriations Subcommittees on Education shall review the use of the North Carolina Information Highway and recommend a mechanism for funding the sites beyond the 2001-2002 fiscal year.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H5

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

EXPLORNET/EDUCATION PROGRAMS

SECTION #. Funds appropriated in this act to ExplorNet may be expended to work with and offer programs to the State's public schools and community colleges, and to other institutions and organizations including but not limited to alternative schools, Department of Juvenile Justice and Delinquency Prevention schools, Department of Corrections training programs, Community Learning and Technology Centers, community development programs, and programs for special populations.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H11(S15.8)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

REDUCTION IN EXPENDITURES BASED ON ITS RATE REDUCTIONS

SECTION 15.8. The Office of State Budget and Management shall administer reductions in the Telephone (532811), Telecommunications Data (532812), and Computer Data Processing (532821) expenditure accounts in an amount equal to eleven million dollars ($11,000,000) of General Fund appropriations through the allotment system established in G.S. 143-17. The reductions in expenditures shall be based on a percentage reduction in the rates for telephone/telecommunications and computer data processing services provided by the Office of Information Technology Services. ~~The telephone/telecommunications rate reduction shall reduce agency General Fund expenditures by six million dollars ($6,000,000). The computer data processing rate reduction shall reduce agency General Fund expenditures by five million dollars ($5,000,000).~~

The Office of Information Technology Services shall have flexibility in establishing the rate reductions based upon a clear showing of cost reductions achieved through operational efficiencies or cost reductions achieved through less costly contractual arrangements. Based upon the rate reductions established by the Office of Information Technology Services, the Office of State Budget and Management shall have flexibility in allocating the reduction amounts among the Telephone (532811), Telecommunications Data (532812), and Computer Data Processing (532821) expenditure accounts. During Fiscal Years 2001-2002 and 2002-2003 allotments to each spending agency shall be reduced by a percentage of the General Fund amounts appropriated to that agency for telephone/telecommunications and computer data processing services.

The ~~Office of Information Technology Services and the~~ Office of State Budget and Management shall coordinate the rate reductions and agency expenditure accounts reductions to ensure that expenditure reductions match rate reductions. The Office of Information Technology Services shall report the rate reductions to the Information Resources Management Commission, the Chairs of the House of Representatives and Senate Appropriations Committees, the Chairs of the Joint Appropriations Subcommittee on Information Technology, and to the Fiscal Research Division within 30 days of the certification of the 2001-2003 biennial budget.

HOUSE APPROPRIATIONS
Subcommittee on Information Technology

Minutes
June 22, 2001

The HOUSE APPROPRIATIONS/Subcommittee on Information Technology met on Thursday, June 22, 2001, at 8:30 a.m. in Room 1425 in the Legislative Building. The following committee members were present: Representatives Russell Tucker and Joe Tolson, Cochairs; Senators Virginia Foxx, Kay Hagan, and Brad Miller; Representatives Michael Harrington, Mark Hilton, Paul Miller and Trudi Walend

Representative Joe Tolson presiding chair, called the meeting to order.

Sergeant at Arms: Donnell Leathers and Thomas Wilder were recognized.

(All handouts become a part of these minutes by reference).

Reviewed Rules:

Representative Tolson reviewed the Rules for House APPROPRIATIONS Subcommittees meetings (See Attachment)

Reviewed Reports:

Dwayne Pinckney reviewed the Money Report - $11,000,000 in reduction has been requested in the Office of Information Technology Services (ITS). This money would be transferred from the internal service fund into the general fund. Reduction will be taken in the installments found in the report. (November 3, February 4, and May 4).

Provisions:

15.1. Intellectual Property Provision

Requires agencies or entities of State Government interested in transferring intellectual property for commercial purposes to appear before the Joint Legislative Commission on Government Operations and present its plan to the chairs of House Science and Technology and the Senate Technology committee before they actually transfer property.

Representative Tolson expressed that there are some who have concerns with this drafting. He asked them to present any amendments they might have at the Monday meeting. Until then he asked that this policy be accepted today. Representative Tolson said that this item is going to Conference and the House will try to get it into the study of intellectual property and bring forth a policy that the State can operate under. This provision is slightly different than the Senate's version.

Representative Tolson he did not see this as interfering with the process of transferring intellectual property. They have to report the transfers to the Government Operations Committee so that we are aware of what they are doing and we can protect the States' interest between now and the time the full policy is available. We have been assured this will happen in Conference to make sure this process will move forward. It provides us protection now and allows us to get the policy in place.

15.2 Security Standards Provision
One change in this provision is on page 5 line 16. It stipulates that the Auditor in consultation and coordination with the States Information Officer shall make the assessments and the security checks that the rest of the provision speaks to. This is a change in the provision since the last meeting.

15.3 Executive Budget Act Information Technology Provision
No changes to this provision

15.4 Computer Networking Costs/Telecommunications Service Billing for State Agencies
There is a name change in the title of this provision and some slight changes in the language. In discussions with the staff and the full Appropriations chairs there was a concern that the original provision would require the controller to change the chart of accounts but the way it is worded now takes that language out directing the controller to change the chart of accounts and gives them time to study the issue. They may determine that they need to change or revise the chart to include some of these items but that is the primary change. It also directs the Office of State Personnel to study its classification system for Information Technology workers and to make sure that there is industry related or industry relevant classifications for IT positions in State Government. So it is essentially a classification review for IT workers.

Representative Tolson said the chairs were concerned with how detailed we are asking for budget items so we asked the Office of State Controller to discuss this item with us. They were very supportive of the changes. The full chairs assured us they would come back with budget codes so we can get a better idea of what is happening. Rather than us dictate to them how detailed to get, we felt that since they were in charge of that responsibility, that they should have the opportunity to come forward with a recommendation.

15.5 Study State Agency Use of Contractors of Information Technology
Also had language that required the Controller to change chart of accounts or to add a chart of an account. We already have that language for sub accounts which agencies can establish now so we removed that language. Also, there were items that Representative Hilton and Representative Miller had in our original provision and those sections have been removed.

Representative Tolson said the comments they had from the chairs were that they were concerned that the language would make this a far reaching provision and would throw this provision into controversy and would, therefore be a contentious item when it went to Conference.

15.6 Procurement Card Program
No changes at this time. There are questions and concerns that will be addressed in Conference.

15.7 North Carolina Information Highway
This item will be transferred to the Education APPROPRIATION Subcommittee next year.

Representative Miller moved that all provisions and the money item be approved. All members of the Committee voting aye, the motion was adopted.

The meeting was adjourned at 9:50 a.m.

Respectfully,

Gayle W. Christian, Committee Assistant

Representative Joe P. Tolson, Cochair

RULES FOR HOUSE SUBCOMMITTEE APPROPRIATIONS MEETINGS

June 22, 2001

When amendments are offered, the following rules must be met in order for the amendment to be eligible for consideration.

1. Amendments cannot increase total spending within the proposed subcommittee report.

2. Amendments cannot spend reversions.

3. Nonrecurring reductions cannot be used to fund recurring items.

4. Neither expansion funding nor additional non-recurring funding is allowed in the second year of the biennium.

5. Amendments proposing to include material not directly related to the budget are not in order.

6. Amendments must be in writing, with 25 copies available for distribution. The Sergeant-at-Arms will distribute copies at the direction of the chairs.

7. No documents may be distributed to members except by prior arrangement with the chairs.

Information Technology Services

INTERNAL SERVICE FUND

	FY 2001-02	FY 2002-03
Recommended Budget	**$0**	**$0**
Legislative Changes		
Services Division		
1 **ITS Reduction** The Office of Information Technology Services Internal Service fund is reduced by eleven million dollars ($11,000,000). The eleven million dollar reduction ($11,000,000) is transferred from the Internal Service Fund to the General Fund based upon the following installments: ($3,000,000) November 3, 2001 ($4,000,000) February 4, 2002 ($4,000,000) May 4, 2002	($11,000,000) NR	
Total Legislative Changes	**($11,000,000)** **NR**	
Total Position Changes		
Revised Budget	**($11,000,000)**	**$0**

GENERAL ASSEMBLY OF NORTH CAROLINA

SPECIAL PROVISIONS
HOUSE APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY REPORT

JUNE 22, 2001

2001-IT-H15(S15.1)A 1
STATE AGENCIES TO REPORT ON INTELLECTUAL PROPERTY

2001-IT-H6(S15.2)A 2
SECURITY STANDARDS FOR STATE INFORMATION TECHNOLOGY

2001-IT-H14(S15.3)i 6
EXECUTIVE BUDGET ACT INFORMATION TECHNOLOGY PROVISIONS

2001-IT-H7(S15.4)A 7
COMPUTER NETWORKING COSTS/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

2001-IT-H4(S15.5)A 8
STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

2001-IT-H9(S15.6) 9
PROCUREMENT CARD PROGRAM

2001-IT-H13(S15.7) 10
NORTH CAROLINA INFORMATION HIGHWAY SITES

(a) The Office of Information Technology Services shall:

(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.

(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.

(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.

(5) Assure that State agencies implement and manage information technology portfolio-based management of State information technology resources, in accordance with the direction set by the State Chief Information Officer.

(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.

(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.

(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.

(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.

(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Office. Any other State entities may also use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office.

(c) The State Chief Information Officer shall establish an enterprise-wide set of standards for information technology security to maximize the functionality, security, and interoperability of the State's distributed information technology assets, including communications and encryption technologies. As part of this function, the State Chief Information Officer shall review periodically existing security standards and practices in

(f) The head of each State agency shall cooperate with the State Chief Information Officer in the discharge of his or her duties by:

(1) Providing the full details of the agency's information technology and operational requirements.

(2) Providing comprehensive information concerning the information technology security employed to protect the agency's information technology.

(3) Forecasting the parameters of the agency's projected future information technology security needs and capabilities.

(4) Designating an agency liaison in the information technology area to coordinate with the State Chief Information Officer.

The information provided by State agencies to the State Chief Information Officer under this subsection is protected from public disclosure pursuant to G.S. 132-6.1(c)."

SECTION 15.2.(c) G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(18) The Auditor shall, after consultation and in coordination with the State Chief Information Officer, assess, confirm, and report on the security practices of information technology systems. If an agency has adopted standards pursuant to G.S. 147-33.82(d)(1) or (2), the audit shall be in accordance with those standards. The Auditor's assessment of information security practices shall include an assessment of network vulnerability. The Auditor may conduct network penetration or any similar procedure as the Auditor may deem necessary. The Auditor may investigate reported information technology security breaches, cyber attacks, and cyber fraud in State government. The Auditor shall issue public reports on the general results of the reviews undertaken pursuant to this subdivision, but may provide agencies with detailed reports of the security issues identified pursuant to this subdivision which shall not be disclosed as provided in G.S. 132-6.1(c). For the purposes of this subdivision only, the Auditor is exempt from the provisions of Article 3 of Chapter 143 of the General Statutes in retaining contractors."

SECTION 15.2.(d) This section is effective when it becomes law.

DRAFT
SPECIAL PROVISION

2001-IT-H14(S15.3)i

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

EXECUTIVE BUDGET ACT INFORMATION TECHNOLOGY PROVISIONS

SECTION 15.3.(a) G.S. 143-6 is amended by adding a new subsection to read:

"(b2) Any department, bureau, division, officer, board, commission, institution, or other State agency or undertaking desiring to request financial aid from the State for the purpose of acquiring or maintaining information technology as defined by G.S. 147-33.81(2) shall, before making the request for State financial aid, submit to the State Chief Information Officer (CIO) a statement of its needs in terms of information technology and other related requirements, and shall furnish the CIO with any additional information requested by the CIO. The CIO shall then review the statement of needs submitted by the requesting department, bureau, division, officer, board, commission, institution, or other State agency or undertaking and perform additional analysis, as necessary, to comply with G.S. 147-33.82. All requests for financial aid for the purpose of acquiring or maintaining information technology shall be accompanied by a certification from the CIO deeming the request for financial aid to be consistent with Article 3D of Chapter 147 of the General Statutes. The CIO shall make recommendations to the Governor regarding the merits of requests for financial aid for the purpose of acquiring or maintaining information technology. This subsection shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000)."

SECTION 15.3.(b) G.S. 143-7 reads as rewritten:

"**§ 143-7. Itemized statements and forms; exemptions from G.S. 147- 64.6(c)(10).**

(a) The statements and estimates required under G.S. 143-6 shall be itemized in accordance with the budget classification adopted by the State Controller, and upon forms prescribed by the Director, and shall be approved and certified by the respective heads or responsible officer of each department, bureau, board, commission, institution, or agency submitting same. Official estimate blanks which shall be used in making these reports shall be furnished by the Director of the Budget.

(b) The budget classification adopted by the State Controller and the forms prescribed by the Director shall include budget account codes relating specifically to information technology to allow reliable and meaningful analysis of information technology funding and expenditures throughout State government."

DRAFT
SPECIAL PROVISION

2001-IT-H7(S15.4)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

COMPUTER NETWORKING COSTS/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

SECTION 15.4.(a) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall adopt a common definition for computer networking costs. The definition shall include a specific and detailed list of the separate components that comprise overall networking costs. These agencies shall define a process to capture all such costs without redundancy.

SECTION 15.4.(b) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall complete the definition by September 1, 2001. By December 1, 2001, the agencies shall provide an interim report to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology on the process to capture networking costs, with a final report by May 1, 2002.

SECTION 15.4.(c) The Office of State Personnel, in conjunction with the Office of Information Technology Services, shall devise a mechanism for identifying, by specific, industry-relevant categories State information technology positions across all relevant classifications in State government employment. By December 1, 2001, the Office of State Personnel shall report its plan to identify State information technology personnel to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology.

SECTION 15.4.(d) The Office of Information Technology Services shall accurately identify and present State agencies with detailed information on the cost of ITS Services for telecommunications data and video services. The bill should clearly indicate the usage and the rate for the service.

DRAFT
SPECIAL PROVISION

2001-IT-H4(S15.5)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State-agency use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

SECTION 15.5.(b) The Office of State Personnel shall identify the results of market analyses comparing State information technology workers with private sector information technology workers. The Office shall review its current classification scheme for IT workers to determine its adequacy for capturing the range of IT activities within State government.

SECTION 15.5.(c) The study report should recommend the most appropriate use of contractors (i.e., for discrete projects) and the most appropriate use of permanent employee (i.e., for ongoing activities such as LAN/WAN management.) In cases where the study indicates that permanent employees are best suited for a given task or activity, the Office of State Personnel is directed to identify effective mechanisms for recruiting and retaining employees.

SECTION 15.5.(d) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

DRAFT
SPECIAL PROVISION

2001-IT-H9(S15.6)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

PROCUREMENT CARD PROGRAM

SECTION 15.6.(a) Section 20.3 of S.L. 1998-212, Section 24 of S.L. 1999-237, and Section 21.3 of S.L. 2000-67 are repealed.

SECTION 15.6.(b) G.S. 143-49 is amended by adding a new subdivision to read:

"(8) To establish and maintain a procurement card program for use by State agencies, community colleges, constituent institutions of The University of North Carolina, and local school administrative units. The Secretary may adopt temporary rules for the implementation and operation of the program in accordance with the payment policies of the State Controller and the Office of Information Technology Services. Prior to implementing the program, the Secretary shall consult with the State Controller, UNC General Administration, the Community Colleges System Office, and the Department of Public Instruction. When the statewide electronic procurement service is made available for goods and contractual services, all orders made pursuant to this subdivision exceeding two hundred fifty dollars ($250.00) shall be issued electronically through the statewide electronic procurement service. The Secretary may periodically adjust the order limit set under this subdivision after consulting with the State Controller and the Office of Information Technology Services."

SECTION 15.6.(c) This section is effective when it becomes law.

DRAFT
SPECIAL PROVISION

2001-IT-H13(S15.7)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

NORTH CAROLINA INFORMATION HIGHWAY SITES

SECTION 15.7.(a) Of the funds available in the Office of Information Technology Services operating cash, the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) shall be used for the 2001-2002 fiscal year to fund North Carolina Information Highway (NCIH) sites that received funding from ITS operating cash during the 2000-2001 fiscal year. In consultation with NCIH sites, the Department of Public Instruction, the Community College System Office, and other site-affiliated State offices, the Office of Information Technology Services shall take appropriate action to ensure that the funds are efficiently utilized.

SECTION 15.7.(b) The Joint House and Senate Appropriations Subcommittees on Education shall review the use of the North Carolina Information Highway and recommend a mechanism for funding the sites beyond the 2001-2002 fiscal year.

Information Technology Services

INTERNAL SERVICE FUND

	FY 2001-02		FY 2002-03
Recommended Budget	**$0**		**$0**
Legislative Changes			
Services Division			
1 ITS Reduction			
The Office of Information Technology Services Internal Service fund is reduced by eleven million dollars ($11,000,000). The eleven million dollar reduction ($11,000,000) is transferred from the Internal Service Fund to the General Fund based upon the following installments:	($11,000,000)	NR	
($3,000,000) November 3, 2001			
($4,000,000) February 4, 2002			
($4,000,000) May 4, 2002			
Total Legislative Changes	**($11,000,000)**	**NR**	
Total Position Changes			
Revised Budget	**($11,000,000)**		**$0**

GENERAL ASSEMBLY OF NORTH CAROLINA

SPECIAL PROVISIONS
HOUSE APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY REPORT

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NORTH CAROLINA INFORMATION HIGHWAY SITES

(a) The Office of Information Technology Services shall:

(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.

(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.

(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.

(5) Assure that State agencies implement and manage information technology portfolio-based management of State information technology resources, in accordance with the direction set by the State Chief Information Officer.

(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.

(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.

(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.

(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.

(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Office. Any other State entities may also use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office.

(c) The State Chief Information Officer shall establish an enterprise-wide set of standards for information technology security to maximize the functionality, security, and interoperability of the State's distributed information technology assets, including communications and encryption technologies. As part of this function, the State Chief Information Officer shall review periodically existing security standards and practices in

(f) The head of each State agency shall cooperate with the State Chief Information Officer in the discharge of his or her duties by:

(1) Providing the full details of the agency's information technology and operational requirements.

(2) Providing comprehensive information concerning the information technology security employed to protect the agency's information technology.

(3) Forecasting the parameters of the agency's projected future information technology security needs and capabilities.

(4) Designating an agency liaison in the information technology area to coordinate with the State Chief Information Officer.

The information provided by State agencies to the State Chief Information Officer under this subsection is protected from public disclosure pursuant to G.S. 132-6.1(c)."

SECTION 15.2.(c) G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(18) The Auditor shall, after consultation and in coordination with the State Chief Information Officer, assess, confirm, and report on the security practices of information technology systems. If an agency has adopted standards pursuant to G.S. 147-33.82(d)(1) or (2), the audit shall be in accordance with those standards. The Auditor's assessment of information security practices shall include an assessment of network vulnerability. The Auditor may conduct network penetration or any similar procedure as the Auditor may deem necessary. The Auditor may investigate reported information technology security breaches, cyber attacks, and cyber fraud in State government. The Auditor shall issue public reports on the general results of the reviews undertaken pursuant to this subdivision, but may provide agencies with detailed reports of the security issues identified pursuant to this subdivision which shall not be disclosed as provided in G.S. 132-6.1(c). For the purposes of this subdivision only, the Auditor is exempt from the provisions of Article 3 of Chapter 143 of the General Statutes in retaining contractors."

SECTION 15.2.(d) This section is effective when it becomes law.

DRAFT
SPECIAL PROVISION

2001-IT-H14(S15.3)i

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

EXECUTIVE BUDGET ACT INFORMATION TECHNOLOGY PROVISIONS

SECTION 15.3.(a) G.S. 143-6 is amended by adding a new subsection to read:

"(b2) Any department, bureau, division, officer, board, commission, institution, or other State agency or undertaking desiring to request financial aid from the State for the purpose of acquiring or maintaining information technology as defined by G.S. 147-33.81(2) shall, before making the request for State financial aid, submit to the State Chief Information Officer (CIO) a statement of its needs in terms of information technology and other related requirements, and shall furnish the CIO with any additional information requested by the CIO. The CIO shall then review the statement of needs submitted by the requesting department, bureau, division, officer, board, commission, institution, or other State agency or undertaking and perform additional analysis, as necessary, to comply with G.S. 147-33.82. All requests for financial aid for the purpose of acquiring or maintaining information technology shall be accompanied by a certification from the CIO deeming the request for financial aid to be consistent with Article 3D of Chapter 147 of the General Statutes. The CIO shall make recommendations to the Governor regarding the merits of requests for financial aid for the purpose of acquiring or maintaining information technology. This subsection shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000)."

SECTION 15.3.(b) G.S. 143-7 reads as rewritten:

"**§ 143-7. Itemized statements and forms; exemptions from G.S. 147- 64.6(c)(10).**

(a) The statements and estimates required under G.S. 143-6 shall be itemized in accordance with the budget classification adopted by the State Controller, and upon forms prescribed by the Director, and shall be approved and certified by the respective heads or responsible officer of each department, bureau, board, commission, institution, or agency submitting same. Official estimate blanks which shall be used in making these reports shall be furnished by the Director of the Budget.

(b) The budget classification adopted by the State Controller and the forms prescribed by the Director shall include budget account codes relating specifically to information technology to allow reliable and meaningful analysis of information technology funding and expenditures throughout State government."

DRAFT
SPECIAL PROVISION

2001-IT-H7(S15.4)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

COMPUTER NETWORKING COSTS/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

SECTION 15.4.(a) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall adopt a common definition for computer networking costs. The definition shall include a specific and detailed list of the separate components that comprise overall networking costs. These agencies shall define a process to capture all such costs without redundancy.

SECTION 15.4.(b) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall complete the definition by September 1, 2001. By December 1, 2001, the agencies shall provide an interim report to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology on the process to capture networking costs, with a final report by May 1, 2002.

SECTION 15.4.(c) The Office of State Personnel, in conjunction with the Office of Information Technology Services, shall devise a mechanism for identifying, by specific, industry-relevant categories State information technology positions across all relevant classifications in State government employment. By December 1, 2001, the Office of State Personnel shall report its plan to identify State information technology personnel to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology.

SECTION 15.4.(d) The Office of Information Technology Services shall accurately identify and present State agencies with detailed information on the cost of ITS Services for telecommunications data and video services. The bill should clearly indicate the usage and the rate for the service.

DRAFT
SPECIAL PROVISION

2001-IT-H4(S15.5)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State-agency use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

SECTION 15.5.(b) The Office of State Personnel shall identify the results of market analyses comparing State information technology workers with private sector information technology workers. The Office shall review its current classification scheme for IT workers to determine its adequacy for capturing the range of IT activities within State government.

SECTION 15.5.(c) The study report should recommend the most appropriate use of contractors (i.e., for discrete projects) and the most appropriate use of permanent employee (i.e., for ongoing activities such as LAN/WAN management.) In cases where the study indicates that permanent employees are best suited for a given task or activity, the Office of State Personnel is directed to identify effective mechanisms for recruiting and retaining employees.

SECTION 15.5.(d) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

DRAFT
SPECIAL PROVISION

2001-IT-H9(S15.6)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

PROCUREMENT CARD PROGRAM

SECTION 15.6.(a) Section 20.3 of S.L. 1998-212, Section 24 of S.L. 1999-237, and Section 21.3 of S.L. 2000-67 are repealed.

SECTION 15.6.(b) G.S. 143-49 is amended by adding a new subdivision to read:

"(8) To establish and maintain a procurement card program for use by State agencies, community colleges, constituent institutions of The University of North Carolina, and local school administrative units. The Secretary may adopt temporary rules for the implementation and operation of the program in accordance with the payment policies of the State Controller and the Office of Information Technology Services. Prior to implementing the program, the Secretary shall consult with the State Controller, UNC General Administration, the Community Colleges System Office, and the Department of Public Instruction. When the statewide electronic procurement service is made available for goods and contractual services, all orders made pursuant to this subdivision exceeding two hundred fifty dollars ($250.00) shall be issued electronically through the statewide electronic procurement service. The Secretary may periodically adjust the order limit set under this subdivision after consulting with the State Controller and the Office of Information Technology Services."

SECTION 15.6.(c) This section is effective when it becomes law.

DRAFT
SPECIAL PROVISION

2001-IT-H13(S15.7)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

NORTH CAROLINA INFORMATION HIGHWAY SITES

SECTION 15.7.(a) Of the funds available in the Office of Information Technology Services operating cash, the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) shall be used for the 2001-2002 fiscal year to fund North Carolina Information Highway (NCIH) sites that received funding from ITS operating cash during the 2000-2001 fiscal year. In consultation with NCIH sites, the Department of Public Instruction, the Community College System Office, and other site-affiliated State offices, the Office of Information Technology Services shall take appropriate action to ensure that the funds are efficiently utilized.

SECTION 15.7.(b) The Joint House and Senate Appropriations Subcommittees on Education shall review the use of the North Carolina Information Highway and recommend a mechanism for funding the sites beyond the 2001-2002 fiscal year.

RULES FOR HOUSE SUBCOMMITTEE APPROPRIATIONS MEETINGS

June 22, 2001

When amendments are offered, the following rules must be met in order for the amendment to be eligible for consideration.

1. Amendments cannot increase total spending within the proposed subcommittee report.

2. Amendments cannot spend reversions.

3. Nonrecurring reductions cannot be used to fund recurring items.

4. Neither expansion funding nor additional non-recurring funding is allowed in the second year of the biennium.

5. Amendments proposing to include material not directly related to the budget are not in order.

6. Amendments must be in writing, with 25 copies available for distribution. The Sergeant-at-Arms will distribute copies at the direction of the chairs.

7. No documents may be distributed to members except by prior arrangement with the chairs.

GENERAL ASSEMBLY OF NORTH CAROLINA

SPECIAL PROVISIONS
HOUSE APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY REPORT

JUNE 22, 2001

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GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H15(S15.1)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STATE AGENCIES TO REPORT ON INTELLECTUAL PROPERTY

SECTION 15.1 Prior to the transfer of any intellectual property or the release of any State funds to non-State entities for purposes related to the development of intellectual property, each State department, agency, and institution or other entity of the State shall report to the Joint Legislative Commission on Governmental Operations and to the Chairs of the House of Representatives and Senate Science and Technology Committees on each of the following matters:

(1) Proposed or pending transfers to non-State entities of intellectual property developed with State funds or by State employees within the scope of employment.

(2) The State agency's consideration of the State's interest in the intellectual property asset and how to best protect that interest, as appropriate.

(3) The extent to which the transfer of intellectual property or the use of State funds may affect the public purpose of the State financial aid to the non-State entity.

DRAFT
SPECIAL PROVISION

2001-IT-H6(S15.2)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

SECURITY STANDARDS FOR STATE INFORMATION TECHNOLOGY

SECTION 15.2.(a) G.S. 147-33.81 reads as rewritten:

"**§ 147-33.81. Definitions.**

As used in this Article:

(1) "Distributed information technology assets" means hardware, software, and communications equipment not classified as traditional mainframe-based items, including personal computers, local area networks (LANs), servers, mobile computers, peripheral equipment, and other related hardware and software items.

(2) "Information technology" means electronic data processing goods and ~~services and~~ services, telecommunications goods and services, security goods and services, microprocessors, software, information processing, office systems, any services related to the foregoing, and consulting or other services for design or redesign of information technology supporting business processes.

(3) "Information technology enterprise management" means a method for managing distributed information technology assets from acquisition through retirement so that total ownership costs (purchase, operation, maintenance, disposal, etc.) are minimized while maximum benefits are realized.

(4) "Information technology portfolio management" means a business-based approach for analyzing and ranking potential technology investments and selecting those investments that are the most cost-effective in supporting the strategic business and program objectives of the agency.

(5) "Office" means the Office of Information Technology Services as established in this Article.

(6) "State agency" means any department, institution, commission, committee, board, division, bureau, office, officer, or official of the State. The term does not include any State entity excluded from coverage under this Article by G.S. 147-33.80, unless otherwise expressly provided."

SECTION 15.2.(b) G.S. 147-33.82 reads as rewritten:

"**§ 147-33.82. Powers and duties of the State Chief Information Officer and the Office of Information Technology Services.**

(a) The Office of Information Technology Services shall:

(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.

(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.

(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.

(5) Assure that State agencies implement and manage information technology portfolio-based management of State information technology resources, in accordance with the direction set by the State Chief Information Officer.

(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.

(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.

(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.

(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.

(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Office. Any other State entities may also use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office.

(c) The State Chief Information Officer shall establish an enterprise-wide set of standards for information technology security to maximize the functionality, security, and interoperability of the State's distributed information technology assets, including communications and encryption technologies. As part of this function, the State Chief Information Officer shall review periodically existing security standards and practices in

place among the various State agencies to determine whether those standards and practices meet enterprise-wide security and encryption requirements. The State Chief Information Officer may assume the direct responsibility of providing for the information technology security of any State agency that fails to adhere to security standards adopted pursuant to this section. Any actions taken by the State Chief Information Officer under this subsection shall be reported to the Information Resources Management Commission at its next scheduled meeting.

(d) Notwithstanding G.S. 143-48.3 or any other provision of law, and except as otherwise provided by this subsection, all information technology security purchased using State funds, or for use by a State agency or in a State facility, shall be subject to approval by the State Chief Information Officer in accordance with security standards adopted under this section.

(1) If the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units as defined by G.S. 115C-5, or the North Carolina Community Colleges System develop their own security standards, taking into consideration the mission and functions of that entity, that are comparable to or exceed those set by the State Chief Information Officer under this section, then these entities may elect to be governed by their own respective security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. The State Chief Information Officer shall consult with the legislative branch, the judicial branch, The University of North Carolina and its constituent institutions, local school administrative units, and the North Carolina Community Colleges System in reviewing the security standards adopted by those entities.

(2) If the State Chief Information Officer certifies that a State agency has developed security standards that meet or exceed those set under this section, then the agency may elect to be governed by its own security standards, and approval of the State Chief Information Officer shall not be required before the purchase of information technology security. This certification by the State Chief Information Officer is subject to annual renewal and may be revoked by the State Chief Information Officer at any time that a State agency's standards no longer exceed those set under this section.

(e) The State Chief Information Officer shall submit the enterprise-wide set of standards for the State's information technology security to the Information Resources Management Commission for approval. The Information Resources Management Commission shall report approval of the standards to the Joint Legislative Commission on Governmental Operations prior to implementation of the standards. The State Chief Information Officer shall review and revise the standards at least annually, and the revisions shall be subject to approval by the Information Resources Management Commission, with the Commission reporting to the Joint Legislative Commission on Governmental Operations on the revisions.

(f) The head of each State agency shall cooperate with the State Chief Information Officer in the discharge of his or her duties by:

(1) Providing the full details of the agency's information technology and operational requirements.

(2) Providing comprehensive information concerning the information technology security employed to protect the agency's information technology.

(3) Forecasting the parameters of the agency's projected future information technology security needs and capabilities.

(4) Designating an agency liaison in the information technology area to coordinate with the State Chief Information Officer.

The information provided by State agencies to the State Chief Information Officer under this subsection is protected from public disclosure pursuant to G.S. 132-6.1(c)."

SECTION 15.2.(c) G.S. 147-64.6(c) is amended by adding a new subdivision to read:

"(18) The Auditor shall, after consultation and in coordination with the State Chief Information Officer, assess, confirm, and report on the security practices of information technology systems. If an agency has adopted standards pursuant to G.S. 147-33.82(d)(1) or (2), the audit shall be in accordance with those standards. The Auditor's assessment of information security practices shall include an assessment of network vulnerability. The Auditor may conduct network penetration or any similar procedure as the Auditor may deem necessary. The Auditor may investigate reported information technology security breaches, cyber attacks, and cyber fraud in State government. The Auditor shall issue public reports on the general results of the reviews undertaken pursuant to this subdivision, but may provide agencies with detailed reports of the security issues identified pursuant to this subdivision which shall not be disclosed as provided in G.S. 132-6.1(c). For the purposes of this subdivision only, the Auditor is exempt from the provisions of Article 3 of Chapter 143 of the General Statutes in retaining contractors."

SECTION 15.2.(d) This section is effective when it becomes law.

DRAFT
SPECIAL PROVISION

2001-IT-H14(S15.3)i

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

EXECUTIVE BUDGET ACT INFORMATION TECHNOLOGY PROVISIONS

SECTION 15.3.(a) G.S. 143-6 is amended by adding a new subsection to read:

"(b2) Any department, bureau, division, officer, board, commission, institution, or other State agency or undertaking desiring to request financial aid from the State for the purpose of acquiring or maintaining information technology as defined by G.S. 147-33.81(2) shall, before making the request for State financial aid, submit to the State Chief Information Officer (CIO) a statement of its needs in terms of information technology and other related requirements, and shall furnish the CIO with any additional information requested by the CIO. The CIO shall then review the statement of needs submitted by the requesting department, bureau, division, officer, board, commission, institution, or other State agency or undertaking and perform additional analysis, as necessary, to comply with G.S. 147-33.82. All requests for financial aid for the purpose of acquiring or maintaining information technology shall be accompanied by a certification from the CIO deeming the request for financial aid to be consistent with Article 3D of Chapter 147 of the General Statutes. The CIO shall make recommendations to the Governor regarding the merits of requests for financial aid for the purpose of acquiring or maintaining information technology. This subsection shall not apply to requests for appropriations of less than one hundred thousand dollars ($100,000)."

SECTION 15.3.(b) G.S. 143-7 reads as rewritten:

"**§ 143-7. Itemized statements and forms; exemptions from G.S. 147- 64.6(c)(10).**

(a) The statements and estimates required under G.S. 143-6 shall be itemized in accordance with the budget classification adopted by the State Controller, and upon forms prescribed by the Director, and shall be approved and certified by the respective heads or responsible officer of each department, bureau, board, commission, institution, or agency submitting same. Official estimate blanks which shall be used in making these reports shall be furnished by the Director of the Budget.

(b) The budget classification adopted by the State Controller and the forms prescribed by the Director shall include budget account codes relating specifically to information technology to allow reliable and meaningful analysis of information technology funding and expenditures throughout State government."

DRAFT
SPECIAL PROVISION

2001-IT-H7(S15.4)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

COMPUTER NETWORKING COSTS/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

SECTION 15.4.(a) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall adopt a common definition for computer networking costs. The definition shall include a specific and detailed list of the separate components that comprise overall networking costs. These agencies shall define a process to capture all such costs without redundancy.

SECTION 15.4.(b) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall complete the definition by September 1, 2001. By December 1, 2001, the agencies shall provide an interim report to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology on the process to capture networking costs, with a final report by May 1, 2002.

SECTION 15.4.(c) The Office of State Personnel, in conjunction with the Office of Information Technology Services, shall devise a mechanism for identifying, by specific, industry-relevant categories State information technology positions across all relevant classifications in State government employment. By December 1, 2001, the Office of State Personnel shall report its plan to identify State information technology personnel to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology.

SECTION 15.4.(d) The Office of Information Technology Services shall accurately identify and present State agencies with detailed information on the cost of ITS Services for telecommunications data and video services. The bill should clearly indicate the usage and the rate for the service.

DRAFT
SPECIAL PROVISION

2001-IT-H4(S15.5)A

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

STUDY STATE AGENCY USE OF CONTRACTORS FOR INFORMATION TECHNOLOGY

SECTION 15.5.(a) The Office of State Personnel, the Office of Information Technology Services, the Office of State Budget and Management, and the Office of the State Controller shall study the issue of State-agency use of information technology contractors. The study shall report on the number of contractors currently in use by State agencies, the duration of the working period for individual contractors, and the length of the contracts. The purpose of the contracts should be clearly identified. The unit and actual costs of the contracts should be clearly identified.

SECTION 15.5.(b) The Office of State Personnel shall identify the results of market analyses comparing State information technology workers with private sector information technology workers. The Office shall review its current classification scheme for IT workers to determine its adequacy for capturing the range of IT activities within State government.

SECTION 15.5.(c) The study report should recommend the most appropriate use of contractors (i.e., for discrete projects) and the most appropriate use of permanent employee (i.e., for ongoing activities such as LAN/WAN management.) In cases where the study indicates that permanent employees are best suited for a given task or activity, the Office of State Personnel is directed to identify effective mechanisms for recruiting and retaining employees.

SECTION 15.5.(d) By December 1, 2001, the study group shall report its findings and recommendations to the Joint Legislative Commission on Governmental Operations and to the Joint Select Committee on Information Technology.

DRAFT
SPECIAL PROVISION

2001-IT-H9(S15.6)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

PROCUREMENT CARD PROGRAM

SECTION 15.6.(a) Section 20.3 of S.L. 1998-212, Section 24 of S.L. 1999-237, and Section 21.3 of S.L. 2000-67 are repealed.

SECTION 15.6.(b) G.S. 143-49 is amended by adding a new subdivision to read:

"(8) To establish and maintain a procurement card program for use by State agencies, community colleges, constituent institutions of The University of North Carolina, and local school administrative units. The Secretary may adopt temporary rules for the implementation and operation of the program in accordance with the payment policies of the State Controller and the Office of Information Technology Services. Prior to implementing the program, the Secretary shall consult with the State Controller, UNC General Administration, the Community Colleges System Office, and the Department of Public Instruction. When the statewide electronic procurement service is made available for goods and contractual services, all orders made pursuant to this subdivision exceeding two hundred fifty dollars ($250.00) shall be issued electronically through the statewide electronic procurement service. The Secretary may periodically adjust the order limit set under this subdivision after consulting with the State Controller and the Office of Information Technology Services."

SECTION 15.6.(c) This section is effective when it becomes law.

DRAFT
SPECIAL PROVISION

2001-IT-H13(S15.7)

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

NORTH CAROLINA INFORMATION HIGHWAY SITES

SECTION 15.7.(a) Of the funds available in the Office of Information Technology Services operating cash, the sum of three million twenty-four thousand one hundred eighty-five dollars ($3,024,185) shall be used for the 2001-2002 fiscal year to fund North Carolina Information Highway (NCIH) sites that received funding from ITS operating cash during the 2000-2001 fiscal year. In consultation with NCIH sites, the Department of Public Instruction, the Community College System Office, and other site-affiliated State offices, the Office of Information Technology Services shall take appropriate action to ensure that the funds are efficiently utilized.

SECTION 15.7.(b) The Joint House and Senate Appropriations Subcommittees on Education shall review the use of the North Carolina Information Highway and recommend a mechanism for funding the sites beyond the 2001-2002 fiscal year.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2001-IT-H12

Information Technology
House Appropriations Subcommittee on Information Technology

Requested by: Representatives Tolson, Tucker

REVISE CJIN BUDGET PROCESS

SECTION #.(a) G.S. 143-661(b) reads as rewritten:

"(b) The Board shall consist of ~~19~~ 20 members, appointed as follows:

(1) ~~Three~~ Four members appointed by the Governor, including one member who is a director or employee of a State correction agency for a term to begin September 1, 1996 and to expire on June 30, 1997, one member who is an employee of the North Carolina Department of Crime Control and Public Safety for a term beginning September 1, 1996 and to expire on June 30, 1997, ~~and~~ one member selected from the North Carolina Association of Chiefs of Police for a term to begin September 1, 1996 and to expire on ~~June 30, 1999.~~ June 30, 1999, and one member who is an employee of the North Carolina Department of Juvenile Justice and Delinquency Prevention.

(2) ~~Six~~ Four members appointed by the General Assembly in accordance with G.S. 120-121, as follows:

a. ~~Three~~ Two members of the general public, recommended by the President Pro Tempore of the ~~Senate, including two members of the general public for terms to begin on September 1, 1996 and to expire on June 30, 1997, and one member selected from the North Carolina League of Municipalities who is a member of, or an employee working directly for, the governing board of a North Carolina municipality for a term to begin on September 1, 1996 and to expire on June 30, 1999;~~ Senate; and

b. ~~Three~~ Two members of the general public, recommended by the Speaker of the House of ~~Representatives, including two members of the general public for terms to begin on September 1, 1996 and to expire on June 30, 1999, and one member selected from the North Carolina Association of County Commissioners who is a member of, or an employee working directly for, the governing board of a North Carolina county for a term to begin on September 1, 1996 and to expire on June 30, 1997.~~ Representatives.

(3) Two members appointed by the Attorney General, including one member who is an employee of the Attorney General for a term to begin on September 1, 1996 and to expire on June 30, 1997, and one

member from the North Carolina Sheriffs' Association for a term to begin on September 1, 1996 and to expire on June 30, 1999.

(4) Six members appointed by the Chief Justice of the North Carolina Supreme Court, as follows:

a. The Director of the Administrative Office of the Courts, or an employee of the Administrative Office of the Courts, for a term beginning July 1, 1997, and expiring June 30, 2001.

b. One member who is a district attorney or an assistant district attorney upon the recommendation of the Conference of District Attorneys of North Carolina, for a term beginning July 1, 1998, and expiring June 30, 1999.

c. Two members who are superior court or district court judges for terms beginning July 1, 1998, and expiring June 30, 2001.

d. One member who is a magistrate upon the recommendation of the North Carolina Magistrates' Association, for a term beginning July 1, 1998, and expiring June 30, 1999.

e. One member who is a clerk of superior court upon the recommendation of the North Carolina Association of Clerks of Superior Court, for a term beginning July 1, 1998, and expiring June 30, 1999.

(5) One member appointed by the Chair of the Information Resource Management Commission, who is the Chair or a member of that Commission, for a term to begin on September 1, 1996 and to expire on June 30, 1999.

(6) One member appointed by the President of the North Carolina Chapter of the Association of Public Communications Officials International, who is an active member of the Association, for a term to begin on September 1, 1996 and to expire on June 30, 1999.

(7) The Executive Director of the North Carolina League of Municipalities, or that person's designee.

(8) The Executive Director of the North Carolina Association of County Commissioners, or that person's designee.

The respective appointing authorities are encouraged to appoint persons having a background in and familiarity with criminal information systems and networks generally and with the criminal information needs and capacities of the constituency from which the member is appointed.

As the initial terms expire, subsequent members of the Board shall be appointed to serve four-year terms. At the end of a term, a member shall continue to serve on the Board until a successor is appointed. A member who is appointed after a term is begun serves only for the remainder of the term and until a successor is appointed. Any vacancy in the membership of the Board shall be filled by the same appointing authority that made the appointment, except that vacancies among members appointed by the General Assembly shall be filled in accordance with G.S. 120-122."

SECTION #.(b) G.S. 143-664 reads as rewritten:

"**§ 143-664. Election of officers; meetings; staff, etc.**

(a) The Governor shall call the first meeting of the Board. At the first meeting, the Board shall elect a chair and a vice-chair, each to serve a one-year term, with subsequent officers to be elected for one-year terms. The Board shall hold at least two regular meetings each year, as provided by policies and procedures adopted by the Board. The Board may hold additional meetings upon the call of the chair or any three Board members. A majority of the Board membership constitutes a quorum.

(b) The Board may hire an executive director. The executive director of the Board shall serve as its chief information officer and shall assist the Board in fulfilling the powers and duties of the Board. In particular, the executive director shall assure that the standards and information technology developed by the Board adhere to the standards, procedures, and policies of the Office of Information Technology Services and the Information Resources Management Commission. In addition, the executive director shall assist the Board in coordinating and prioritizing all requests for funding from the Criminal Justice Technology Fund for each agency and department that is a part of the Network. ~~Pending permanent staffing, the~~ The executive director may hire professional and clerical staff for additional support or, in the alternative, the Department shall provide the Board with professional and clerical staff and any additional support the Board needs to fulfill its mandate. The Board may meet in an area provided by the Department of Justice and the Board's staff shall use space provided by the Department."

SECTION #.(c) G.S. 143-663(a) reads as rewritten:

"(a) The Board shall have the following powers and duties:

(1) To establish and operate the Network as an integrated system of State and local government components for effectively and efficiently storing, communicating, and using criminal justice information at the State and local levels throughout North Carolina's law enforcement, judicial, and corrections agencies, with the components of the Network to include electronic devices, programs, data, and governance and to set the Network's policies and procedures.

(2) To develop and adopt uniform standards and cost-effective information technology, after thorough evaluation of the capacity of information technology to meet the present and future needs of the State and, in consultation with the Information Resource Management Commission, to develop and adopt standards for entering, storing, and transmitting information in criminal justice databases and for achieving maximum compatibility among user technologies.

(3) To identify the funds needed to establish and maintain the Network, identify public and private sources of funding, and secure ~~funding~~ State, federal, and private funding, including State appropriations, to:

a. Create the Network and facilitate the sharing of information among users of the ~~Network; and~~ Network;

b. Make grants to local government users to enable them to acquire or improve elements of the Network that lie within the responsibility of their agencies or State agencies; provided that the elements developed with the funds must be available for use by the State or by local governments without cost and the

applicable State agencies join in the request for ~~funding.~~ funding; and

c. Allocate funds from the Criminal Justice Technology Fund to the State agencies and departments that are part of the Criminal Justice Information Network, including the Departments of Correction, Crime Control and Public Safety, Juvenile Justice and Delinquency Prevention, and Justice and the Judicial Department.

(4) To provide assistance to local governments for the financial and systems planning for Network-related automation and to coordinate and assist the Network users of this State in soliciting bids for information technology hardware, software, and services in order to assure compliance with the Board's technical standards, to gain the most advantageous contracts for the Network users of this State, and to assure financial accountability where State funds are used.

(5) To provide a liaison among local government users and to advocate on behalf of the Network and its users in connection with legislation affecting the Network.

(6) To facilitate the sharing of knowledge about information technologies among users of the Network.

(7) To take any other appropriate actions to foster the development of the Network."

SECTION #.(d) Article 69 of Chapter 143 of the General Statutes is amended by adding the following new sections to read:

"**§ 143-665. Budget subcommittee created; powers and duties.**

(a) There is created the Criminal Justice Information Network Governing Board subcommittee on budget and funding issues. The subcommittee shall consist of the following members of the Board:

(1) The member who is a director or employee of a State correction agency appointed by the Governor pursuant to G.S. 143-661(b)(1).

(2) The member who is an employee of the North Carolina Department of Crime Control and Public Safety appointed by the Governor pursuant to G.S. 143-661(b)(1).

(3) The member who is an employee of the North Carolina Department of Juvenile Justice and Delinquency Prevention appointed by the Governor pursuant to G.S. 143-661(b)(1).

(4) The member who is an employee of the Attorney General appointed by the Attorney General pursuant to G.S. 143-661(b)(3).

(5) The member who is an employee of the Administrative Office of the Courts pursuant to G.S. 143-661(b)(4).

(6) The member who is the Chair of the Information Resource Management Commission or a member of that Commission appointed pursuant to G.S. 143-661(b)(5).

(7) Two members appointed by the Board, from among the Board membership, to represent the interests of local governments.

In addition to the subcommittee members who are members of the Board, the following persons shall serve on the subcommittee, ex officio:

(1) The Secretary of the Department of Correction, or that person's designee.

(2) The Secretary of the Department of Crime Control and Public Safety, or that person's designee.

(3) The Director of the Administrative Office of the Courts, or that person's designee.

(4) The Director of the State Bureau of Investigation, or that person's designee.

(5) The Attorney General, or that person's designee.

(6) The Secretary of the Department of Juvenile Justice and Delinquency Prevention, or that person's designee.

(b) Every two years, the subcommittee shall elect a chair from among its members to preside over meetings of the subcommittee, coordinate with the agencies and departments that are a part of the Network, and report recommendations of the subcommittee to the Board and General Assembly, as required by this section.

(c) The subcommittee shall review all requests for funding from the Criminal Justice Technology Fund for each agency and department in State government that is a part of the Criminal Justice Information Network, including the Departments of Correction, Crime Control and Public Safety, Juvenile Justice and Delinquency Prevention, and Justice and the Judicial Department. The subcommittee shall analyze the requests of each agency or department, determine how those requests impact the Criminal Justice Information Network as a whole, coordinate and prioritize those funding requests, and make recommendations regarding allocations from the Criminal Justice Technology Fund to each agency or department that is a part of the Network.

(d) The subcommittee shall report its recommendations to the Board for its review on or before December 31 each year. A copy of the report shall be submitted to the Joint Select Committee on Information Technology and the Fiscal Research Division.

"**§ 143-666. Criminal Justice Technology Fund.**

There is established in the office of the State Treasurer a nonreverting special fund, which shall be known as the Criminal Justice Technology Fund. All State funds appropriated for the Criminal Justice Information Network, all federal funds received by the Board, and all funds received by the Board from whatever sources shall be deposited to the credit of the Criminal Justice Technology Fund and made available to the Board until expended subject to this Article. The Criminal Justice Technology Fund shall be subject to the provisions of the Executive Budget Act, Article 1 of Chapter 143 of the General Statutes.

All moneys credited to the Criminal Justice Technology Fund shall be made available to carry out the intent and purposes of this Article in accordance with plans approved by the Criminal Justice Information Network Governing Board, and all such funds are hereby appropriated, reserved, set aside, and made available until expended, for the enforcement of this Article. The Board shall report to the Joint Legislative Commission on Governmental Operations before expending from the Criminal Justice

Technology Fund more than the amount authorized in the budget enacted by the General Assembly for the fiscal period.

In the event any uncertainty should arise as to the funds to be turned over to the Board, the Governor has full power and authority to determine the matter and his recommendation shall be final and binding to all parties concerned.

"**§ 143-667. Other agency technology needs; funding.**

Nothing in this Article shall be construed to affect the authority or responsibility of any agency or department that is part of the Network to identify and prioritize its own technology needs and to seek funding, including appropriations of State funds, to meet those needs from sources other than the Criminal Justice Technology Fund."

SECTION #.(e) G.S. 120-123 is amended by adding a new subdivision to read:

"(75) The Criminal Justice Information Network Governing Board, as established by G.S. 143-661."

SECTION #.(f) This act is effective when it becomes law.

VISITOR REGISTRATION SHEET

Information Technology — 6/22/01
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
Wendy Kuhn	ITS
Teresa Shingleton	OSC
Brenda Rogers	NCCCS
Bob Blackmun	NCCCS
Alfred Mays	UNC-OP
Rob Hillman	OSA
Woody Yates	IRMC
Benny Hendrix	DPI
Frances Bradburn	DPI
Emily Fulghum	Smith Anderson
Becky Stutz	Parker Poe Adams & Bernstein
P.W. LaBarbera	ITS
Tom Hawley	ITS

VISITOR REGISTRATION SHEET

Name of Committee _____ Date _____

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
Sam Taylor	NCBIO
Ed Turlington	Brooks, Pierce
John Myers	NCEITA
Lee Mandell	NCLM
Pam Wescott	Sprint
Fred Dikens	Department of Correction

2002

JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

MINUTES

MEMBERSHIP

THE JOINT APPROPRIATIONS SUBCOMMITTEE ON INFORMATION TECHNOLOGY

2002 SESSION

Chairs
Senator Eric Reeves
Representative Joe Tolson
Representative Russell Tucker

Senate Members
Senator Virginia Foxx
Senator Kay Hagan
Senator Brad Miller

House Members
Representative Rex Baker
Representative Michael Harrington
Representative Bob Hensley
Representative Mark Hilton
Representative Paul Miller
Representative Trudy Walend

MINUTES
Joint Appropriations Subcommittee on Information Technology
May 7-8, 2002

The Joint Appropriations Subcommittee on Information Technology met on Tuesday, May 7, 2002, in Room 1425 of the Legislative Building, and Senator Reeves presided. Nine subcommittee members were present. Staff members present were Doug Holbrook, Fiscal Research Analyst; Peter Capriglione, Information Technology Analyst; and Margie Penven, Committee Assistant. A roster of visitors is attached as Exhibit 1, a copy of the agenda is attached at Exhibit 2, and the provision from the 2002 Budget appropriating funds for HIPAA (Health Insurance Portability and Accountability Act of 1996) is attached as Exhibit 3.

The subcommittee was charged by the Joint Appropriations Chairs with determining the financial and policy impact of HIPAA implementation on North Carolina State government; determining the current projected costs of the North Carolina HIPAA program and whether those projected costs are a reasonable estimate; determining how well the administrative governance of North Carolina's HIPAA Implementation Program is functioning, and determining the impact on the state of proposals in Washington to change the existing federal HIPAA statutes.

Senator Reeves called the meeting to order at 10:20 a.m. He said the goal of the subcommittee was to make recommendations to the Budget Chairs by May 16th, and this meeting would be devoted to getting an overview of HIPAA. He recognized Ms. Karen Tomczak who is in charge of the DHHS HIPAA Office. She said she was also in charge of the statewide assessment to determine which entities or agencies in state government are covered under HIPAA, and she introduced her colleague Ron Lewis, also at DHHS, who is Project Manager of the statewide assessment.

Senator Reeves said HIPAA is huge undertaking that impacts a lot of agencies such as the Department of Corrections and every student health center at the UNC system. He said they searched wide and far to find someone who could give a real good overview of HIPAA and also give a perspective as to what is happening in Washington. He said Harry Reynolds of Blue Cross Blue Shield of North Carolina is considered a national expert.

Mr. Reynolds came forward to give his overview presentation. He said North Carolina's staff is already doing a good job in dealing with HIPAA, and he stressed the importance for those involved with HIPAA to get a good lawyer because so much in the regulation is left open to interpretation. In addition, he said it's like chasing a moving target because there are new changes coming down from Washington. (Outlines of Mr. Reynolds' presentations are attached as Exhibit 4 and Exhibit 4a.)

The subcommittee recessed for lunch at 11:30 to reconvene at 12:30 for a question and answer session.

* * * * * * * * *

The subcommittee reconvened at 12:30 p.m. in the afternoon on May 7th.

Mr. Harry Reynolds entertained questions and comments, and then Ms. Carol Scheele with the North Carolina Medical Society came forward for her presentation.

Ms. Scheele said the medical people of the state are confused by the unstable regulatory environment that HIPAA has created. She said there were 16,000 active physicians in the state—about 3,000 in university settings; 1,000-2,000 in group practices who have a dedicated HIPAA officer; and then everybody else. She said in the beginning most physicians were aware of HIPAA and were angry, but now they are beyond denial. Ms. Scheele said practice administrators are the unsung heroes who have already dealt with federal regulations and simply ask for the manual and forms.

She went on to say that NC has been a leader in privacy legislation, and in some cases our laws are more stringent that the HIPAA requirements. She said some doctors feel that all these regulations will interfere with the care of the patients.

Here are some of the concerns Ms. Scheele brought out:

1. What about sign-in sheets? Even if names are permitted on a sign-in sheet, certainly the patient's condition should not be visible to others. What if the doctor is an AIDS specialist?

2. How will people be called into the doctor's office?

3. The receptionist using the telephone should be behind a glass window and out of the earshot of others.

4. Lab results and medical records should be locked up and out of sight.

5. How do you make patients understand confidentiality policies, especially if they don't speak English?

6. Casual conversations about patients with relatives will cease.

7. There will be a need for extensive training and re-training of staff, and there will be a compliance manual, a training manual, and a policy manual in each practice office.

8. Every physician practice will have to have physician/associate agreements with all vendors, clearing houses, and copying services to ensure that they have appropriate privacy policies to ensure the protection of patient information.

Ms. Scheele said HIPAA has spawned an industry. There are manuals, on-line tutorials, and information websites. There are some people alarmed about the potential predatory practices of some HIPAA consultants who might inflate the complexity and come in from out of state offering seminars. In response, the NC Medical Society is developing a list of products and services and is credentialing the consulting groups to be sure they are in fact as close to a HIPAA expert as exists and that their prices are packaged rather than open-ended.

In closing, she said the doctors are supportive of patient privacy issues, and they expect to see cost savings at the end of the day.

Mr. Jim Hauge, Vice President of the North Carolina Hospital Association came forward for his presentation. (See Exhibit 5.) He thought that ultimately HIPAA regulations will improve the quality of care at origin and will reduce the cost of doing business.

The meeting recessed at 2:50 to reconvene at 9:00 a.m. on Wednesday, May 8th.

* * * * * * * * * *

The meeting of the Appropriations Subcommittee on Technology reconvened at 9:00 a.m. on Wednesday, May 8th. Eight subcommittee members attended, and Representative Joe Tolson presided. (Visitor Registration Sheet is attached as Exhibit 6.)

Exhibits 7 and 8 were furnished by Karen Tomczak, North Carolina Department of Health and Human Services.

The first speaker was Ms. Rachel Stiles, HIPAA Coordinator for Pathways. Pathways is the area program that serves the residents of Gaston, Lincoln, and Cleveland Counties—one of 39 area programs within the State of North Carolina. She was present on behalf the Council for Area Programs. (An outline of her presentation is attached as Exhibit 9.)

Following questions and discussion, the committee recessed at 9:45 a.m. to reconvene at 10:00 a.m.

The meeting reconvened at 10:00, and Paul Meyer from the County Commissioners Association made a presentation to inform the subcommittee on what steps the counties are taking to prepare for HIPAA's implementation in their public health and mental health operations.

Following questions and discussion, the meeting adjourned at 10:30 a.m.

Senator Eric Reeves
Co-Chair, presiding May 7th

Representative Joe P. Tolson
Co-Chair, presiding May 8th

Representative Russell E. Tucker
Co-Chair

Margie Penven
Committee Assistant

Attachments-9

Exhibit 1

VISITOR REGISTRATION SHEET

J+ Approp. Information Tech 5/7/02
Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
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Mark Stinnefora	BCBSNC
Kathryn Millican	BCBSNC
Ken McHan	Alley Associates, Inc.
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Ron Lewis	DHHS
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Marc Lodge	NC Attorney General Office
Aimee Wall	UNC Institute of Government
Danny Coates	ITS
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Macedonio Alanis	EEF
Hugh Tilson	NCHA
John Goodman	Mercer & Assoc.
Steve Keene	NC Medical Society
Carol Scheele	NC Medical Society

Amended Agenda
Appropriations Subcommittee on Information Technology

Tuesday, May 7, 2002

10:00	Welcome	Chairs
10:15	Overview of HIPAA	Harry Reynolds, Jr., Vice President Blue Cross/Blue Shield of NC
12:00	Lunch	
1:00	Question and Answer Session	Harry Reynolds
2:00	NC Medical Society	Carol Scheele Associate General Counsel
2:30	NC Hospital Assn.	Jim Hauge Vice President
3:00	NC Health Care Facilities Assn.	Stacy Flannery Director, Legislative Affairs
3:15	Adjourn	

Wednesday, May 8, 2002

9:00	Reconvene	
9:15	View from Washington	Harry Reynolds
10:00	Council of Community Programs (Area Mental Health)	Rachel Stiles Pathways Community Program
10:15	NC County Commissioners Assn.	Paul Meyer Associate Counsel
10:30	Committee Discussion	Chairs
11:30	Adjourn	

Requested by: Senators Plyler, Odom, Lee; Representatives Easterling, Oldham, Redwine, Thompson

RESERVE TO IMPLEMENT THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

SECTION 6.11.(a) Funds in the amount of fifteen million dollars ($15,000,000) are appropriated in this act to the Reserve to Implement HIPAA. This reserve shall be located in the Office of State Budget and Management.

SECTION 6.11.(b) The federal Health Insurance Portability and Accountability Act (HIPAA) was enacted in 1996 and set many goals for the health care industry. The act's primary purpose is to protect health insurance coverage for workers and their families when workers change or lose jobs. This new protection requires major administrative changes for health care programs. The most comprehensive changes include:

(i) moving from paper-based transactions to electronic transactions,

(ii) establishing national identifiers for providers, payers, and employers, and

(iii) upgrading security and privacy of health care information. Failure to implement HIPAA requirements may result in denied or delayed reimbursements and severe civil and criminal penalties.

SECTION 6.11.(c) The Office of State Budget and Management, in consultation with the State Chief Information Officer and the Secretary of Health and Human Services, shall develop a strategic plan to implement the requirements outlined in HIPAA. Specifically, the plan shall:

(1) Identify and document all requirements outlined in the federal HIPAA legislation as they relate to State agencies;

(2) Include an assessment of the State's existing administrative systems, policies, and information technology systems, as they relate to the requirements of HIPAA;

(3) Include a timeline for implementing all necessary administrative, policy, and technology changes to ensure compliance; and

(4) Provide a detailed cost and cash flow analysis for each State agency subject to compliance. The analysis shall include personnel requirements, information technology equipment needs, and other operating and start-up expenses needed to implement HIPAA requirements.

SECTION 6.11.(d) The Office of State Budget and Management shall report on the strategic plan developed pursuant to this section to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Information Technology, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division by October 1, 2001.

SECTION 6.11.(e) Funds spent to implement this section shall not exceed one million five hundred thousand dollars ($1,500,000) until the Office of State Budget and Management reports

to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Information Technology, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division on actual and proposed expenditures and actual and projected monthly cash requirements for the 2001-2002 fiscal year and beyond. After making this report, the Office of State Budget and Management shall report quarterly on its progress in implementing this section to the Chairs of the Senate and House of Representatives Appropriations Committees, the Chairs of the Senate and House of Representatives Appropriations Subcommittees on Information Technology, the Joint Legislative Commission on Governmental Operations, and the Fiscal Research Division.

HIPAA

Health Insurance Portability and Accountability Act of 1996

Presentation by Harry Reynolds, Vice President, HIPAA and Information Compliance, Blue Cross and Blue Shield of North Carolina

1

This document is for information purposes only and is not intended to be a substitute for advice from your legal counsel to interpret or implement HIPAA regulations.

2

Today's Messages

- What is HIPAA?
- Transactions and Code Sets
- Proposed Future Regulations
- Privacy

3

HIPAA – A Perspective

- Never before has the health care industry along with employers had to change, together and individually, the way they communicate, code and protect health information on such a large scale in a set timeframe.

4

HIPAA – A Perspective

- The HIPAA regulations are guidelines, not rules. Each affected entity is responsible for interpreting the regulations and deciding their approach to HIPAA. Aligning their approach with those of their business partners makes for a complex implementation.

5

Things to keep in mind

- HIPAA is a federal regulation passed by Congress.
- Privacy is effective in April 2003.
- Transactions and code sets are effective in October 2002, unless an entity files for an extension to October 2003.
- Even if an extension is requested, the entity must be "testing" by April 2003 for transactions and code sets.

6

Things to keep in mind

- The Secretary of HHS can implement HIPAA regulation changes once per year.
- Changes to regulations can be mandated for implementation not less than 180 days from approval.
- Any new regulations (not changes) must be implemented within 24 months of their approval.
- HIPAA will be an ongoing subject and line item in your budget for the foreseeable future at its current momentum.

7

Key Subjects

- Transactions and code sets
- Privacy
- Compliance dates and associated ramifications
- TPO (treatment, payment and health care operations)
- Minimum necessary
- Consent
- Authorization
- Confidential communications

8

Transactions

- Claims
- Eligibility inquiries/response
- Claims inquiries/response
- Claims remittances
- Authorizations/referrals
- Enrollment
- Premium payment
- COB (Coordination of Benefits)

9

Code Sets

- National standards
- Eliminates local codes

10

Privacy

- Defines health information
- Defines the protection of health information
- Defines the uses of health information
- Defines how employers must handle health information
- Doesn't have a security regulation to support it
- Requires the designation of a privacy official

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HIPAA History

- HIPAA was enacted by Congress in 1996. There are several components of HIPAA. The first was portability. Administrative simplification is what we're working on now.
- HIPAA originally required the implementation of national standards to regulate and protect electronically maintained or transmitted individual health information. However, subsequent changes have included both paper and oral communications.

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Administrative Simplification

Purpose:

- To reduce health care costs
- To improve efficiency
- To protect the security and confidentiality of electronic health information

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Administrative Simplification

Scope of HIPAA:

- EDI standards for transactions and code sets
- National identifiers
- Privacy standards
- Security standards

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Who sets the standards?

- National Standards Committees make recommendations to HHS about the format and content of HIPAA-related information.
- HIPAA is a federal law, documented in the Federal Register, and can only be changed through legislative process.

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How are standards set?

Legislative process:

- Health and Human Services publishes Notice of Proposed Rule Making (NPRM)
- There is a public comment period
- HHS publishes the final rule
- Rule becomes effective 2 months after publication
- Compliance is required 24 months after effective date

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Impact of HIPAA

HIPAA standards apply, unless otherwise specified, to the following:

- A health plan
- A health care clearinghouse
- A health care provider who transmits or maintains any health information in electronic form in connection with a covered transaction
- Vendors and business associates must be able to do business using the HIPAA privacy, transactions, code sets and identifiers

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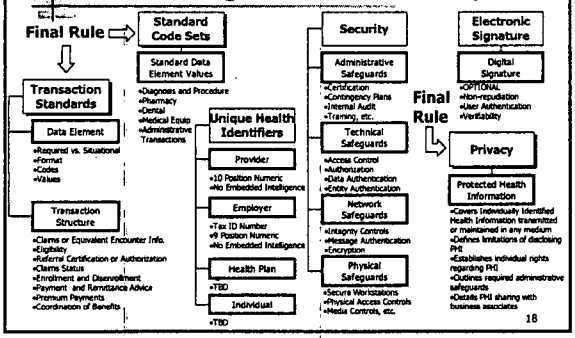
HIPAA Legislation – A Snapshot



18

HIPAA Implementation Dates

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Standard EDI Transactions

Transaction		Compliance Date*
837	Health Care Claim	October 16, 2002
837	Coordination of Benefit	October 16, 2002
835	Health Care Payment and Remittance Advice	October 16, 2002
834	Health Care Enrollment	October 16, 2002
820	Premium Payment	October 16, 2002
270/271	Health Care Eligibility and Response	October 16, 2002
276/277	Health Care Claim Status Inquiry	October 16, 2002
278	Health Care Service Review	October 16, 2002
Health Care Patient Information Request		TBD
Health Care Patient Information Attachment		TBD
First Report of Injury		TBD

* An extension to October 16, 2003 was granted by Congress for covered entities that formally request the extension.

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Standard Codes

Transaction	Compliance Date*
Change HCPCS Dental Code to CDT (ADA with a "D")	October 16, 2002
Change HCPCS Drug Code to NDC (eliminate "J" codes)	October 16, 2002
Eliminate local procedure codes	October 16, 2002
Replace specialty codes with provider taxonomy codes	October 16, 2002
Update ICD-9 to ICD-10	Delayed

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National Identifiers

Transaction	Compliance Date*
National Provider Identifier (NPI)	October 16, 2002
National Health Plan Identifier (Plan ID)	October 16, 2002
National Employer Identifier (EIN Number)	October 16, 2002
National Health Identifiers for Individuals	Delayed

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Standard Penalties

- Each violation of the standards to be enacted is punishable by a fine up to $100 per person per violation, not to exceed $25,000 per person per violation, in a calendar year for identical violations.
- Violations that the health plan or health care organization did not know existed and could not with reasonable diligence have discovered or violations that were reasonably caused, not due to willful neglect, and are cured within 30 days will not be penalized.
- HHS may waive a penalty for a violation that is reasonably caused and not due to willful neglect if a penalty would have been excessive in relation to the compliance failure.

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HIPAA Privacy Rule

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Privacy Rule

- Most health plans and health care providers that are covered by the HIPAA Privacy Rule must comply with the new requirements by April 2003. The Rule became final in April 2001.
- According to the Department of Health and Human Services, the Privacy Rule for the first time creates national standards to protect individuals' medical records and other personal health information.

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Privacy Rule

- It gives patients more control over their health information.
- It sets boundaries on the use and release of health records.
- It establishes appropriate safeguards that health care providers and others must achieve to protect the privacy of health information.
- It holds violators accountable with civil and criminal penalties that can be imposed if they violate a patient's privacy rights.
- It strikes a balance when public responsibility requires disclosure of some forms of data – for example, to protect public health.

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Privacy Penalties

HIPAA also provides for criminal liability for knowingly obtaining or disclosing individually identifiable health information.

- Wrongful Disclosure
  - Fined not more than $50,000
  - Imprisonment not more than 1 year
- False Pretenses
  - Fined not more than $100,000
  - Imprisoned not more than 5 years
- Intent to Sell, Transfer or Use
  - Fined not more than $250,000
  - Imprisoned not more than 10 years

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HIPAA Privacy Requirements

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Privacy Requirements

Key Definitions

Individually Identifiable Health Information

- Is created or received by a health care provider, health plan, employer or health care clearinghouse, and
- Relates to past, present or future physical or mental health or condition of an individual, the provision of health care to an individual, or the past, present or future payment for the provision of health care to an individual, and
  - Identifies the individual, or
  - Provides a reasonable basis to believe that the information can be used to identify the individual.

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Privacy Requirements

Key Definitions

Protected Health Information (PHI)

- Is individually identifiable health information that has been electronically maintained or transmitted by a provider, payer or other covered entity, in whatever form it exists:
  - **Health Information** includes health, treatment, outcome and payment
  - **Identifies an individual** includes reasonable ability to infer identity
  - **Maintained** includes storage in any electronic form
  - **Transmitted** includes either source or recipient being a computer
  - **In whatever form** includes paper or oral if information was ever electronic
  - **De-identified** (cannot reasonably infer individual) is not PHI

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What is PHI?

Protected Health Information (PHI) is individually identifiable health information that has been electronically maintained or transmitted by a provider, payer or other covered entity in whatever form it exists.

- Name
- Names of Relatives
- Birth Date
- Fax Number
- Social Security Number
- Account Number
- Web URL
- Finger or Voice Prints
- Address
- Names of Employers
- Telephone Number
- E-mail Address
- Medical Record Number
- Health Plan Beneficiary Number
- IP Address
- Photographic Images
- Certificate/License Number, vehicle or other device serial number

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Permitted Uses of PHI

- Normal operations (TPO)
- National priority activities
  - Law enforcement
  - Public health
  - Court order
- Authorized by the individual
  - Voluntary
  - Specific
  - Revocable

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Patient's Rights

- Right to access, inspect and copy PHI
- Right to written notice of information practices
- Right to request non-disclosure
- Right to request corrections and amendments
- Right to an accounting of disclosures

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Rules of Disclosure

- HHS has advised that the Rule was drafted so that the exchange of PHI should be relatively easy for health care purposes and more difficult for purposes other than health care.
- PHI may not be used or disclosed by covered entities except as authorized by the individual who is the subject of the information or as explicitly provided by the Privacy Rule.

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Rules of Disclosure

- Providers must obtain consent for use and disclosure of PHI for purposes relating to treatment, payment and health care operations (TPO). This is under consideration for change in Privacy revisions.
- Health plans are permitted to use and disclose PHI for TPO purposes without obtaining an individual's consent. Health plans can elect to obtain consent, but are not required to do so.
- The requirement for "minimum necessary" use and disclosure is applicable for all uses and disclosures of PHI. Under this requirement, the PHI used or disclosed must be restricted to the minimum necessary to accomplish the intended use or disclosure.

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Requirements for Consent

Health Care Providers

There is a difference under the Rule between "consent" and "authorization."

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Requirements for Consent

- **Consent** is a general document that gives health care providers which have a direct treatment relationship with a patient permission to use and disclose all PHI for TPO.
- Health care providers may condition the provision of the treatment on the individual providing this consent. This is under consideration for change in the Privacy revisions.

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Requirements for Consent

- Only doctors or other health care providers with a direct treatment relationship with the patient are required to obtain consent.
- Generally, a "direct treatment provider" is one who treats a patient directly rather than based on the orders of another provider. This is under consideration to change during Privacy revisions.

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Exceptions to Consent Requirement

- Before using or disclosing PHI to treat a patient, to obtain payment for that treatment or to carry out "health care operations" as defined in the Privacy Rule, a health care provider with a direct treatment relationship must obtain patient consent.
- However, the Privacy Rule contains a number of exceptions where consent is not required for providers with a direct treatment relationship. Consent regulations are under review.

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Exceptions to Consent Requirement

- A situation requiring emergency treatment, if the provider attempts to obtain consent as soon as reasonably possible after the treatment is provided.
- A situation in which the provider is required by law to treat the individual, and the provider attempts to obtain consent, but is unable to do so.
- A situation in which a provider attempts to obtain such consent, but is unable to do so due to substantial barriers to communicating with the individual, and the provider determines, in the exercise of professional judgment, that the individual's consent to receive treatment is clearly inferred from the circumstances.

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Authorization

- Authorization is a more customized document that gives covered entities permission to use specified PHI for specified purposes, which are generally other than TPO, or to disclose PHI to a third party specified by the individual.
- Covered entities may not condition treatment or coverage on the individual providing an authorization.

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Privacy Compliance Obligations

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Compliance Obligations

- Provide notice of privacy practices to patients about their privacy rights and how their information can be used by the covered entity consistent with the Privacy Rule.
- Adopt clear privacy procedures.
- Train employees so that they can understand the privacy procedures.

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Compliance Obligations

- Designate an individual to be responsible for seeing that privacy procedures are adopted and followed.
  - The privacy official may be the office manager in a small practice, or the privacy official may be a full-time position in a large health plan.
- Develop physical, administrative and technical safeguards for the protection of information (patient records) so that they are not readily available to those who do not need them.

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Security

The lock and key to ensure privacy policies are enforced

- **Administrative Procedure** – includes certification, contractual assurance of security of data in transit, contingency provisions, access control, internal security audit and personnel policies
- **Physical Safeguards** – an assigned security officer, media controls, physical access controls to buildings, space, files and workstations
- **Technical Safeguards** – for authorization, information access, authentication, data integrity and audit records
- **Communications Security** – governing protection of data communicated electronically, such as EDI and email, and a digital signature provision

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For Additional Information

- North Carolina Medical Society
  www.infomedtrics.com
- Department of Health and Human Services
  www.dhhs.gov
- American Medical Association
  www.ama-assn.org

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HIPAA

Health Insurance Portability and Accountability Act of 1996

Presentation by Harry Reynolds, Vice President, HIPAA and Information Compliance, Blue Cross and Blue Shield of North Carolina

Day Two – May 8, 2002

1

This document is for information purposes only and is not intended to be a substitute for advice from your legal counsel to interpret or implement HIPAA regulations.

2

Today's Messages

- What's Next from Washington?
- Practical Steps on HIPAA Compliance

3

HIPAA – A Quick Review

- HIPAA is a federal regulation passed by Congress.
- Privacy is effective in April 2003.
- Transactions and code sets are effective in October 2002, unless an entity files for an extension to October 2003.
- Even if an extension is requested, the entity must be "testing" by April 2003 for transactions and code sets.

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HIPAA – A Quick Review

- The Secretary of HHS can implement HIPAA regulation changes once per year.
- Changes to regulations can be mandated for implementation not less than 180 days from approval.
- Any new regulations (not changes) must be implemented within 24 months of their approval.
- HIPAA will be an ongoing subject and line item in your budget for the foreseeable future at its current momentum.

5

Washington – What's Next

- Momentum alone could deliver five or more new standards this year.
- HL7, X12, WEDI, etc., are organizations meeting monthly to create or modify standards for HIPAA.

6

Washington – What's Next

- There appears to be more of a focus on requesting HHS to hurry with the remaining regulations than any real cost-benefit review of industry impact of new regulations.

7

Washington – What's Next

- National Committee on Vital Health Statistics
  - Key HIPAA advisory group to the Secretary of HHS
  - Committee's input seems to carry the most weight without a large coalition position

8

Washington – What's Next

- The process to create new HIPAA regulations is established and must create further new regulations to sustain itself, in order to meet these goals:
  - To reduce health care costs
  - To improve efficiency
  - To protect the security and confidentiality of electronic health information

9

HIPAA Compliance

- The HIPAA enforcement process will be established and communicated at a date yet to be determined.
- These processes will be the decision point for evaluating their oversight – and your compliance.

10

HIPAA Compliance

- HIPAA has become an industry of its own with few experts, many novices, and – to date – no compliance.
- How the industry implements privacy (April 2003) and transactions and code sets (October 2003) will be the first real test of success.

11

Additional Resource

HIPAAdvisory (www.hipaadvisory.com) has updated compliance calendar for administrative simplification regulations.

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HOSPITAL COMPLIANCE WITH HIPAA ADMINISTRATIVE SIMPLIFICATION

May 7, 2002

North Carolina Hospital Association

The Concept of Administrative Simplification
Hospitals' Comments to Congress

- Hospitals saw the benefits of standards in the Banking Community
- Administrative Simplification in HIPAA was supported by hospitals in concept, because it was expected to
  - improve the quality of care at the point of delivery
  - ensure the privacy and security of patient information needed when HIPAA-mandated publicly available standard formats for electronic transmission of patient data replaced the current proprietary formats used for many years
  - reduce the cost of doing business

North Carolina Hospital Association

Hospitals' Comments to HHS

- When Congress failed to act within the legislated 3-year timeframe, HHS by the same legislation was required to write the rules implementing Administrative Simplification.
- Hospital advocates, including NCHA and the American Hospital Association, reviewed the rules and commented that they were too complex, onerous, costly, and beyond the scope of the legislation and the authority of HHS.
- HHS disagreed.

Hospitals' Action to Comply

- While hospitals continue to comment on HHS-issued guidances and rule modifications, hospitals are acting to comply with HIPAA Administrative Simplification rules.
- The three major rules implementing HIPAA are
  - Privacy
  - Transactions and Code Sets
  - Security
- While the first two rules are final, they are moving targets
- While the last rule, Security, is not final, it is not expected to change much from the published proposed rule

Hospitals' Action to Comply - Larger Hospitals

- Larger hospitals had for several years observed HIPAA's development and were in many cases actively testing and implementing changes to
  - technologies,
  - policies,
  - procedures, and
  - workplace culture, consistent with the future as forecast by HIPAA Administrative Simplification.
- Larger hospitals, whether or not they had made many changes before the Privacy and Transactions rules became final, generally had more resources than smaller hospitals to study and implement changes.

Hospitals' Action to Comply - Smaller Hospitals
NCHA HIPAA Initiative for Rural Hospitals

- Smaller hospitals, the majority of hospitals in North Carolina, had
  - limited resources
  - often suffered disproportionately from cuts in government and private payments for patient care services
- For these not-for-profit hospitals, NCHA through its foundation received a $1 million grant for North Carolina and South Carolina hospitals from The Duke Endowment for a HIPAA Initiative.
- North Carolina's share of the grant has been used to defray the costs of a gap analysis, such as the one the State has prepared, for 35 participating small rural hospitals.
- Approximately 50 hospitals in the two states have taken advantage of the program.

Hospitals' Action to Comply -
NCHA HIPAA Initiative for Rural Hospitals / 2

- The grant funds have also helped pay for
  - 2 multi-day educational programs
  - A state law preemption analysis
- We are confident that hospitals are moving forward with their gap analyses, and from them toward implementation of their individual, unique HIPAA implementation objectives.

North Carolina Hospital Association

Hospitals' Cost to Comply

- A gap analyses for one small hospital averages from $40,000 to $50,000, not including the cost of the necessary state law preemption analysis.
- Implementation costs vary widely, based on each hospital's current technologies and practices.
- Beyond implementation costs, hospitals must cover their litigation risk.

North Carolina Hospital Association

Hospitals' Cost to Comply 2

- Hospitals do not have any option other than to do all they can to comply, despite the complexity and cost of the rule.
- Hospitals are dependent on vendors for guidance on all aspects of HIPAA compliance.
- Hospitals hope that the eventual savings predicted from use of common standards will offset the initial and ongoing costs of compliance.

North Carolina Hospital Association

Hospitals' Situation Similar to State's

- Like hospitals, the state of North Carolina has completed a broad gap analysis
- Like hospitals, the gap analysis has produced a rough estimate of the state's cost to comply with HIPAA.
- Like hospitals, the state is under enormous financial pressure from reduced revenues. Like many hospitals, the state has more "outgo" than income.
- Hospitals must take necessary actions within available resources to comply.
- Medicaid cuts will reduce hospitals' resources needed for compliance.

North Carolina Hospital Association

State's Compliance Plan Mirrors Hospitals' Plans

- The strategic plan for complying with Administrative Simplification, Executive Summary, March 2002, was a gratifying if painful read.
- Gratifying because it was clear that staff had done the same type of homework hospitals are being forced to do.
- Painful because staff had to know the reaction its cost estimates would receive, especially in the current environment. Hospitals are going through the same difficulties, and getting the same reaction from their CEOs. For too many, it means substantial unreimbursed costs at a time when many hospitals are struggling financially.

North Carolina Hospital Association

Political Realities

- In Washington, the powers that be have spoken. They have heard the concerns about cost and short timeframe.
- The dominant voices in Washington on HIPAA tend to be the technology industry, and individual membership groups supporting issues such as privacy rights.
- What was once a law to simplify healthcare administration by focusing on several specific billing-related electronic transactions--and the security and privacy of the information in those transactions, became a set of rules governing nearly the whole of healthcare information in all its forms.

North Carolina Hospital Association

Prospects for Change?

- Change may come in the future as refinements of the rules.
- The rules may become less, or even more, burdensome.
- But for now, hospitals believe that our only option is compliance with the rules as they currently exist.
- As changes are made, hospitals will adjust their compliance plans and budgets, and will continue to request modifications to the rules as necessary.

North Carolina Hospital Association

State Government's Response

This Committee and the General Assembly are to be commended for their hard work on these very tough budget issues.

For hospitals, the risks of noncompliance are so great that hospitals cannot afford NOT to dedicate the minimum amount of funds necessary to ensure compliance.

North Carolina Hospital Association

Exhibit 6

VISITOR REGISTRATION SHEET

Appropriations Subcommittee / Technology. 5/8/02
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Bowdish	Alley Associates
Ron Lewis	DHHS
Marc Lodge	N.C.AG.
Aimee Wall	UNC Inst. of Govt
Denny McGuire	ITS
Roger Bone	Bone + Assoc
Deb McConnaughey	SAS
Karen Thomczak	DHHS

HIPAA ENTERPRISE APPROACH

Presented by North Carolina Department of Health and Human Services

PRESENTATION OBJECTIVES

- HIPAA Definition
- DHHS Approach
- Proposed Statewide Collaboration
- Statewide Assessment
- Budgetary Requirements

HIPAA REGULATIONS

- Healthcare Insurance Portability and Accountability Act (**HIPAA**) enacted in 1996
  - Establishes national standards for:
    - Electronic (EDI) transactions
    - Security and privacy of healthcare information
    - National identifiers for providers, payers, and employers
  - Will improve efficiency of processing healthcare information

FAILURE TO COMPLY

- Denied and delayed reimbursements
- Imposes severe penalties for non-compliance
  - Civil Penalties
    - $100 **per person per violation** of a provision
    - Not more than $25,000 **per person per violation**
  - Criminal Penalties (Privacy)
    - Up to 10 years and/or $250,000 fine **per occurrence**

HIPAA MANDATED TIMELINES

Final Standards:

EDI Transaction and Codes Sets	Published: 8/17/2000	Final compliance: 10/16/2002
Privacy	Published: 12/28/2000	Final compliance: 4/14/2003

Proposed Rules:

Security	Draft published: 8/12/1998	Scheduled final rule: Q2-Q4/2001
National Provider Identifier	Draft published: 5/07/1998	Scheduled final rule: Q3/2001
National Employer Identifier	Draft published: 6/16/1998	Scheduled final rule: Q3/2001

Proposed Rules not yet published:

National Health Plan Identifier
Claims Attachments
Enforcement
First Report of Injury
National Individual Identifier

HIPAA IMPACT ON DHHS

- The following agencies will be directly impacted by HIPAA
  - Public Health
  - Mental Health, Developmental Disabilities, and Substance Abuse Services
  - Medical Assistance (Medicaid program)
  - Early Intervention and Education
  - Vocational Rehabilitation
  - Social Services
  - Services for the Blind

HIPAA IMPACT ON DHHS

- Anticipate following agencies to be indirectly impacted by HIPAA (e.g., no currently known systems impact, but business operations will be impacted)
  - Research, Demonstrations, and Rural Health Development
  - Facility Services
  - Human Resources
  - Internal Auditor
  - Public Affairs

DHHS REACTION

- Centralized Management Response
  - Establishment of Program Management Office (PMO)
  - Establishment of DHHS HIPAA web site (i.e., information clearinghouse)
  - Establishment of HIPAA Infrastructure Advisory Group (DHHS and ITS Participation)
  - Establishment of DHHS Focus Groups
- Assess and Implement Changes
  - Business operations
  - Impacted information systems

DHHS HIPAA PMO FUNCTIONS

- Perform all traditional PMO duties

PLUS....

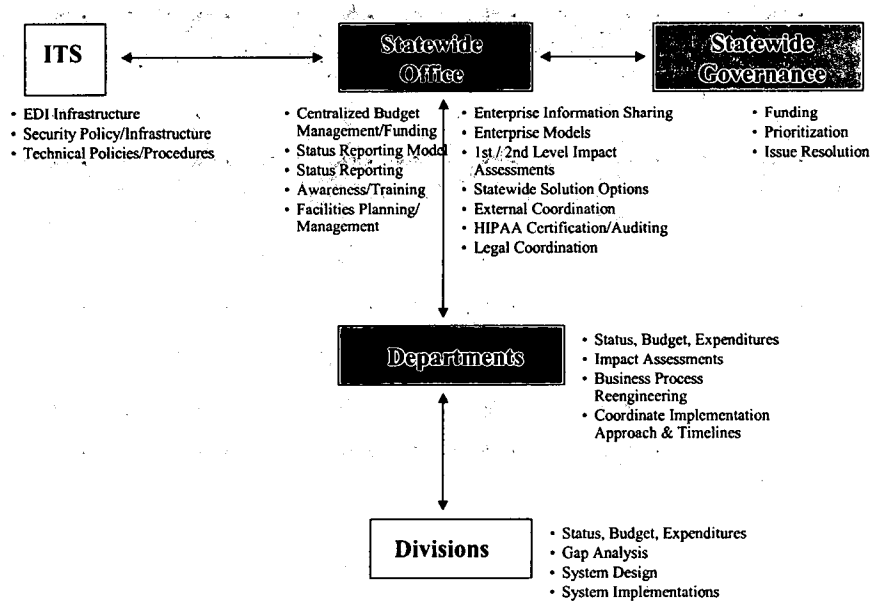
- Provide HIPAA Awareness Training
- Provide expertise in EDI, Privacy, Security, and Business Operations
- Provide guidance on HIPAA regulations
- Provide guidance/assistance with impact assessments
- Develop automated tools/aids for assessment/implementation activities
- Evaluate software/hardware solutions
- Develop "enterprise" policies/procedures

and MORE....

EXTERNAL COORDINATION

- Partner with Other Organizations/States
  - NC Healthcare Information and Communications Alliance (NCHICA)
  - Government Information Value Exchange for States (GIVES)
    - Provide a forum for states to discuss and resolve issues related to HIPAA implementation
    - Minimize state governments HIPAA compliance efforts by establishing a national web site for the exchange of project deliverables
    - 19 states currently participating
      - Alaska, Arizona, California, Colorado
      - Georgia, Indiana, Maryland, Massachusetts
      - Minnesota, Nebraska, New Hampshire
      - New Jersey, New Mexico, New York, North Carolina
      - North Dakota, Utah, Virginia, Washington

PROPOSED STATEWIDE ORGANIZATIONAL STRUCTURE



STATEWIDE OFFICE FUNCTIONS

- **Centralized Budget Management/Funding**
  - Management
  - Expenditure Tracking
  - Reporting
- **Disadvantages**
  - No current statewide infrastructure available
- **Additional Costs**
  - 4 FTEs, 6/2001-6/2003

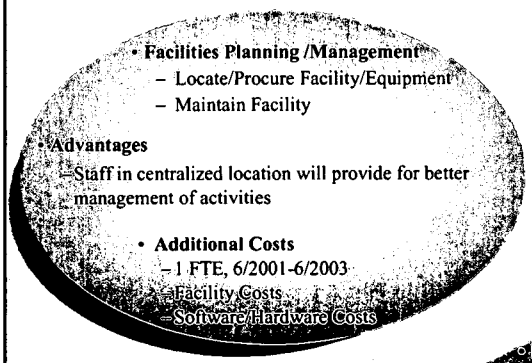
- **Status Reporting Model**
  - Define Requirements for Status Reporting, Issues Logs, Risk Management
- **Advantages**
  - Consistency, DHHS has developed automated processes that could be shared
- **Additional Costs**
  - 2 FTEs, 6/2001-8/2001

STATEWIDE OFFICE FUNCTIONS

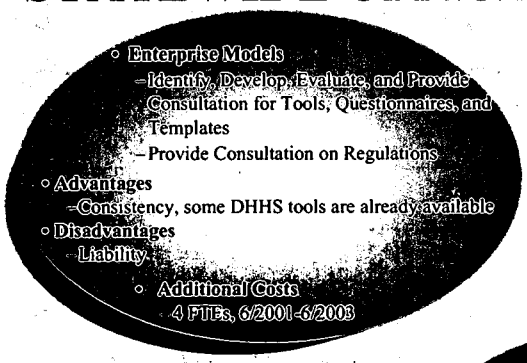
- **Status Reporting**
  - Collect, Interpret, Monitor, and Report Project Status
- **Disadvantages**
  - Liability
- **Additional Costs**
  - 2 FTEs, 9/2001-6/2003

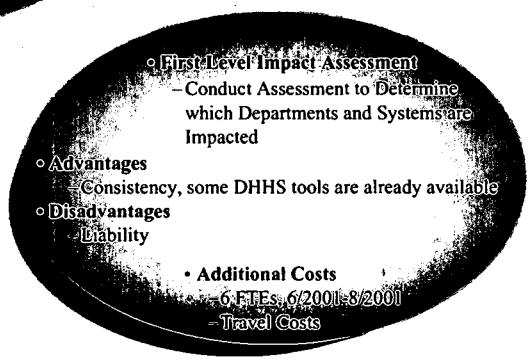
- **Awareness/Training**
  - Develop Communications Plans
  - Develop Training Plans
  - Develop/Deliver Presentations
- **Advantages**
  - Consistency /sharing of existing methodology/ tools
- **Additional Costs**
  - 4 FTEs, 6/2001-6/2003
  - Travel Costs

STATEWIDE OFFICE FUNCTIONS



STATEWIDE OFFICE FUNCTIONS





STATEWIDE OFFICE FUNCTIONS

- **Second Level Impact Assessment**
  - Conduct Impact Assessment (Information Flow Questionnaires/Analysis and System Interviews/Data Collection)
- **Disadvantages**
  - Significant liability
- **Additional Costs**
  - 18 FTEs, 9/2001-2/2002
  - Travel Costs

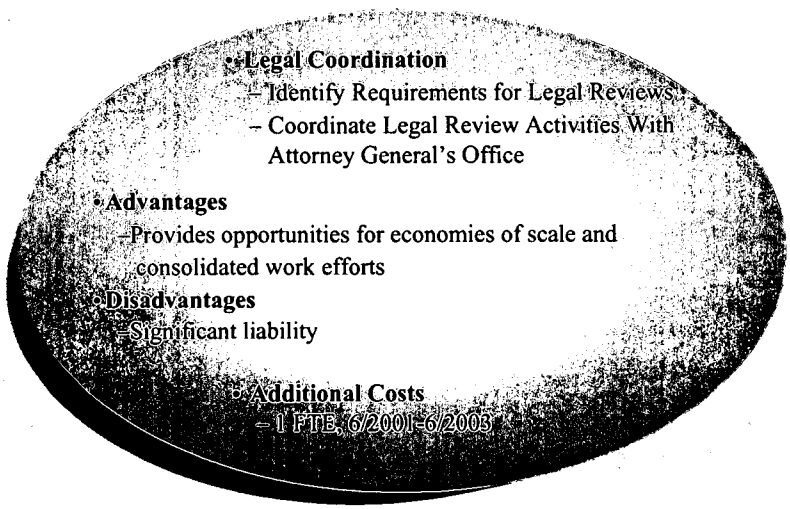
- **Statewide Solution Options**
  - Identify, Evaluate, and Develop Models for Statewide Solutions
- **Advantages**
  - Provides opportunities for economies of scale and consolidated work efforts
- **Disadvantages**
  - Liability
- **Additional Costs**
  - 8 FTEs, 6/2001-6/2008

STATEWIDE OFFICE FUNCTIONS

- **External Coordination**
  - Identify Coordinate Activities with External Business Partners and Private National Organizations
- **Advantages**
  - Provides opportunities for economies of scale and consolidated work efforts
- **Disadvantages**
  - Liability
- **Additional Costs**
  - 2 FTEs, 6/2001-6/2008
  - Travel Costs
  - Involvement from Departments

- **HIPAA Certification /Auditing Requirements**
  - Identify Requirements for Third-party or Self-certification and State Audits
  - Coordinate Certifications and Audits
- **Advantages**
  - Provides opportunities for economies of scale and consolidated work efforts
- **Disadvantages**
  - Significant liability
- **Additional Costs**
  - 1 FTE, 7/2001-6/2008
  - Department Costs for Third-party Certification

STATEWIDE OFFICE FUNCTIONS



NEXT STEPS - STATEWIDE FIRST LEVEL IMPACT ASSESSMENT

- Statewide Governance Responsibilities
  - Determine who should be included in assessment
  - Send a memorandum to all state agencies to ensure that they understand the effort and that their commitment is required
  - Send a memorandum to all state agencies stating that the agencies have a responsibility for completing the assessment and validating/verifying results in a timely fashion in order to determine if they are required by law to move forward with HIPAA compliance
- DHHS HIPAA PMO Responsibilities
  - Conduct awareness training for all department leadership
  - Develop a scope document for statewide assessment team through ITS Technical Services Contract
  - Provide statewide assessment team with DHHS tools/information developed to date
- Statewide Assessment Team Responsibilities
  - Directly manage assessment activities under the direction of the DHHS HIPAA PMO
  - Provide training as required to complete assessment
  - Conduct face-to-face interviews
  - Compile/analyze all data
  - Develop a statewide go forward action plan

BUDGET SUMMARY

	FY 2000-2001			FY 2001-2002			FY 2002-2003			Totals
	Actual Expenditures as of 1/31/01 *	Projected Expenditures 2/01-6/30/01	Total	Federal**	State**	Total	Federal**	State**	Total	
DHHS HIPAA EFFORTS										
	$495,700		$495,700							$495,700
Division of Information Resource Management - Applications Development (DIRM - App Dev)		$903,079	$903,079	$2,657,233	$19,008,508	$21,665,741	$1,188,618	$13,884,271	$15,072,889	$37,641,709
Networking Services (NWS)		$201,446	$201,446		$1,185,763	$1,185,763		$1,928,186	$1,928,186	$3,315,395
Program Management Office (PMO)		$836,958	$836,958		$4,540,647	$4,540,647		$4,732,471	$4,732,471	$10,110,076
Business Divisions				$15,305,466	$22,063,048	$37,368,514	$7,711,879	$15,868,440	$23,580,319	$60,948,833
Subtotal	**$495,700**	**$1,941,483**	**$2,437,183**	**$17,962,699**	**$46,797,966**	**$64,760,665**	**$8,900,497**	**$36,413,368**	**$45,313,865**	**$112,511,713**
ADDITIONAL COSTS FOR STATEWIDE HIPAA OFFICE										
NWS***						$3,511,927			$3,723,879	$7,235,806
PMO/DIRM - App Dev****						$10,520,266			$7,964,011	$18,484,277
Subtotal (Additional Costs for Statewide)						**$14,032,193**			**$11,687,890**	**$25,720,083**
TOTAL COSTS (DHHS and Additional Statewide Costs)			**$2,437,183**			**$78,792,858**			**$57,001,755**	**$138,231,796**

* Actual expenditures have been combined for DIRM, NWS, and the PMO.

** Federal/State cost breakdown is identified within the expansion budget. These amounts could shift as we identify more information about program areas impacted.

*** Includes estimates for additional NWS staff as well as additional facility, hardware, and software costs.

**** Include estimates for additional PMO and DIRM - Applications Development assessment staff as well as additional travel, facilities, hardware, and software costs.

State of North Carolina

Strategic Plan for Complying with Administrative Simplification

Health Insurance Portability and Accountability Act of 1996 (HIPAA) - Title II, Subtitle F, Administrative Simplification (Public Law 104-191)

Executive Summary

March 2002
v.02.1
(FY 02.First Installment)

Presented by:
Office of State Budget and Management
Department of Health and Human Services
Office of Information Technology Services

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Chapter I. Executive Summary

In 1996, the Congress of the United States enacted the *Health Insurance Portability and Accountability Act* (HIPAA), a legislative event that has far-reaching effects on both the availability of health insurance coverage and the handling of health care information during the conduct of health care related business. As part of the HIPAA Administrative Simplification initiative, the U.S. Department of Health and Human Services has issued regulations to standardize health care information processing in the areas of Privacy, Security and Electronic Signature, Electronic Transactions and Code Sets, and Identifiers. Mandatory implementation deadlines, beginning in October 2002, have been set and are associated with potentially severe civil monetary and criminal penalties for non-compliance.

Recognizing that State government has diverse health care program responsibilities and involvement, the North Carolina General Assembly in Session Law 2001-424 mandated that the Office of State Budget and Management (OSBM), in consultation with the State Chief Information Officer and the Secretary of the N.C. Department of Health and Human Services (DHHS), develop a Strategic Plan to guide the State in addressing HIPAA compliance. Four specific objectives were mandated:

1. Document HIPAA Administrative Simplification requirements as they relate to State government.
2. Conduct a high-level assessment of the State's administrative systems, policies, and information technology infrastructure as they relate to HIPAA requirements.
3. Identify the broad changes necessary, at the State government entity and enterprise levels, to achieve HIPAA-readiness and develop a timeline for implementation.
4. Develop a detailed preliminary cost and cash flow analysis for each State government entity impacted by HIPAA requirements.

To that end, DHHS was charged with the primary responsibility for conducting a Preliminary Statewide HIPAA Assessment and developing a Strategic Plan for HIPAA implementation throughout North Carolina State government. Management of this effort was assigned to the DHHS HIPAA Program Management Office under the direction of Karen Tomczak.

This Executive Summary examines, at a high level, the key information found in the Strategic Plan for Complying with Administrative Simplification which addresses the General Assembly's Request. After consideration of what HIPAA compliance will mean for the State government and the citizens of North Carolina, guidance should be provided to DHHS and other impacted State government entities going forward as outlined in I.K General Assembly Decisions Needed.

I.A Purpose and Scope

This Strategic Plan is intended to be a high-level guidance document that defines the broad scope of assessment and remediation activities and approximates overall budgetary requirements and time frames for conducting HIPAA-related implementation efforts. It establishes the framework for all future HIPAA compliance activities. Successful execution of the Strategic Plan will necessitate the conduct of additional detailed assessment, analysis, and implementation efforts throughout affected portions of State government to validate preliminary findings, refine recommended approaches, and perform more precise cost calculations. The scope of the Preliminary Statewide HIPAA Assessment Project covers all organizations within State government, including agencies, universities, community colleges, and selected independent boards and commissions.

Due to the abbreviated time frame available for conducting the Statewide HIPAA Assessment Project, modified approaches were used to assess the State's Universities, Community Colleges, and independent health care oriented Boards and Commissions. A subset of the 16 UNC Institutions, 59 Community Colleges, and 27 Health Care oriented Independent Licensing Boards and Commissions have been included in this Assessment. The sample size is as follows: 4 of 16 Universities in the UNC System were chosen by Senior Vice President for Academic Affairs in the UNC Office of the President, 6 of 59 Community Colleges were chosen by the Chief Financial Officer for the Community College System, and 12 of the 27 Boards were identified by the Assessment Team with consultation from the DHHS HIPAA Program Management Office and the Office of Attorney General.

The N.C. Statewide Assessment Team ("Assessment Team") informally defines *local agency* to mean a government organization that is not managed by State government, but rather by the counties in North Carolina. The assessment of these entities was outside of the scope of this project. In the course of its work, the Assessment Team encountered a number of State government organizations that are obligated to work with local agencies to ensure compliance with various State and Federal laws. Particularly with respect to HIPAA, the NC Department of Health and Human Services (DHHS) has dual roles examining HIPAA compliance within its own organization which includes State Owned and Operated Entities (SOEs) such as the Local Developmental Evaluation Centers (DECs) within the Division of Public Health, as well as across local government agencies such as County Public Health Departments. Although DHHS is not directly responsible for the compliance of local agencies,[1] there are interrelationships that make DHHS dependent upon the efficiencies and compliance of local agencies. A recommended Strategy to assess and provide resources to these local agencies is proposed in Chapter XXVII.

[1] This is the legal opinion of representatives in the Office of the Attorney General for the NC Department of Justice.

The Statewide HIPAA Assessment Team has performed a high level preliminary assessment in consult with the Department of Justice based on the information supplied by the government entities assessed. This Strategic Plan and Findings should not be solely relied on going forward without in-depth individual enterprise assessment and validation. Our analysis was performed at the charge of the General Assembly, intended to aid lawmakers in enabling the impacted State government entities to reach compliance. While the analysis represents our best judgment, HIPAA and the Regulations are subject to varying interpretation. Additionally, approximations of compliance costs are subject to changes in markets and the economy.

This assessment is based on information gather from July 2001 to February 2002 and on the then existing Federal HIPAA statute, regulations and collateral materials. Other regulations are expected, along with additional policy guidance from the federal Department of Health and Human Services. This opinion, therefore, is based on the present statute, regulations and accompanying materials. It is possible that future regulations or policy pronouncements could alter the conclusions stated below.

The Strategic Plan is not based on a comprehensive, comparative legal review because it covers only HIPAA and does not address other Federal or NC State law, administrative regulations or case law.

I.B HIPAA Overview

The *Health Insurance Portability and Accountability Act (HIPAA) of 1996*, Public Law 104-191, also known as the *Kennedy-Kassebaum Act*, amends the *Internal Revenue Service Code of 1986*. HIPAA was enacted by Congress to reform the insurance market and simplify health care administrative processes by:

- Improving the availability and continuity of health insurance coverage to individuals (i.e., portability).
- Promoting fraud and abuse detection/prevention, standardizing electronic transaction formats and processing, and ensuring the privacy and security of individual health information (i.e., accountability).

The Administrative Simplification portion of the Act (*Title II, Preventing Health Care Fraud and Abuse, Subtitle F)* addresses standardization of health care transaction processing and concurrent assurance of the privacy and security of individual health information. The following subsections summarize current HIPAA Administrative Simplification mandates. It must be noted that Administrative Simplification will be an on-going process, resulting in the issuance of new regulations and the adoption of additional standards over the next several years. Thus, although this briefing provides a realistic picture of current requirements, the HIPAA environment will be dynamic and require continual monitoring.

I.B.1 Administrative Simplification - Background

It is generally agreed in the health insurance industry that approximately 26 cents of each health care dollar are spent on administrative costs. Such expenses include billing for health care services, enrollment and disenrollment of individuals in health plans, insurance premium payment processing, referral and treatment authorizations, and eligibility verification and determination.

The goal of the Administrative Simplification initiative is to reduce these costs by fostering a uniform environment of standardized business practices (e.g., transaction formats, data specifications and codes, communications, and administrative practices and policies related to the management and utilization of information). In such an environment, health care administrators (i.e., payers, providers) will experience fewer barriers to communication and, thus, increase the efficiency and cost-effectiveness of their business processes. As an example, more than 400 proprietary formats are currently used to bill for health care services; this situation necessitates multiple redundant maintenance, translation, reformatting, interpretation, and management policies to be in effect across the health care industry. The advent of Administrative Simplification will reduce such administrative cost generators by mandating a single standard for all like communications.

Administrative Simplification also strives to establish and implement uniform privacy and security definitions and practices that will ensure the confidentiality of individuals' health information. While the proposed HIPAA security standards focus primarily on the protection of electronically-transmitted, stored or maintained information, the privacy requirements specifically address the confidentiality of all such information, regardless of its source or communications medium, and defines individuals' rights with regard to their access and management of that information.

I.B.2 Who is Affected?

HIPAA Administrative Simplification will have far-reaching effects throughout the health care industry, across both public and private sector programs. The regulatory definitions and terminology describing HIPAA applicability are defined below; key term are underlined. The regulations define the following specific health care industry elements as a Covered Entity that is subject to the HIPAA mandates:

- Health Plan (such as a Blue Cross Blue Shield Plan, a Health Maintenance Organizations (HMO), a Preferred Provider Organizations (PPO), a State Medicaid program, or the Medicare Program).
- Health Care Clearinghouse (such as a billing service or a repricing company).
- Health Care Provider (such as a doctor, hospital, clinic, laboratory, or durable medical equipment supplier) who electronically processes transactions covered by HIPAA.

These covered entities must comply with all HIPAA requirements and they must ensure that their Business Associates/Trading Partners (i.e., other organizations, contractors,

and their subcontractors) ensure the privacy and security of any individually-identifiable health information to which they have access during the conduct of business for, or on behalf of, the covered entity. This protection is afforded through the contractually-stipulated requirements defined in the covered entity's contracts with its Business Associates/Trading Partners.

Two additional organizational classifications apply to Covered Entities:

- Hybrid Entity – An organization whose primary function is not health care related, but which performs some health care function(s) that make it a Covered Entity.
- Health Care Component – The organizational part or parts of a Hybrid Entity that perform health care functions and conduct covered functions. Covered functions are those functions, performed by a Health Care Component or Covered Entity, that cause it to be a Covered Entity. For example, if a university operates a clinic that furnishes health care (i.e., provider) services for which it bills electronically, the clinic would be the Health Care Component, the university would be the Hybrid Entity, and the health care services that are billed electronically would be the covered functions.

I.B.3 Implementation Timeframes

The Secretary of the US Department of Health and Human Services ("the Secretary") is responsible for issuing HIPAA regulations. These regulations are initially published in draft form as Notices of Proposed Rule Making (NPRM). They are reviewed by the public, various departments within the US Department of Health and Human Services (HHS), and other affected Federal agencies. Comments are received, issues raised therein are analyzed, and final rules are developed. In general, standards must be implemented two years after the rules become final, which is usually two months after publication. Thus, Administrative Simplification mandates must be implemented 26 months after publication of final rules, unless otherwise determined. ***Figure I-1, HIPAA Timetable for Compliance***, summarizes the status and implementation dates for current HIPAA regulations.

Figure I-1, HIPAA Timetable for Compliance

NPRM	Draft Publication Date	Final Rule Publication Date	Mandated Compliance Date
Electronic Transactions & Code Sets	5/07/98	8/17/2000	10/16/2002 *10/16/2003
Privacy	11/03/99	12/28/2000	4/14/2003
Security and Electronic Signature	8/12/98		

National Employer Identifier	6/16/98		
National Provider Identifier	5/07/98		
National Health Plan Identifier	In development		
National Individual Identifier	On hold		

**Compliance date extended on condition of certain provisions being met. This includes submission of Compliance Plans to HHS assuring progress for completion. Specifically, entities must ensure that testing begins by April 16, 2003.*

The deadline for Privacy compliance has NOT changed.

Final rules have not been published for Security and Electronic Signature, National Employer Identifier, and National Provider Identifier. Implementation of the National Provider Identifier requires the development of a system for administering the identifier. HIPAA mandates that the Secretary of HHS develop national standards for Health Plan Identifiers and Individual Identifiers; however, draft regulations have not been published and the timeframe for future publication and implementation is uncertain.

I.B.4 Administrative Simplification Mandates

HIPAA requires the adoption of national uniform standards in four specific areas, summarized below. The detailed requirements have been documented and cross referenced to the Strategic Plan in ***Appendix 1, HIPAA Requirements Cross-Reference.*** Definitions and explanations related to HIPAA terminology are included in ***Appendix 2, HIPAA Glossary and Health Care Information.***

I.B.4.a Electronic Transactions (and Code Sets)

Electronic Data Interchange (EDI) refers to the electronic transfer of information in a standard format between business entities (trading partners). Electronic commerce allows business to be transacted more quickly and cost-effectively than via paper.

The HIPAA regulations establish standardized formats and data content for eight of the most commonly-used health care business transactions:

1. Claims/encounter data
2. Eligibility inquiry and response
3. Referrals and authorizations
4. Claim status inquiry and response
5. Enrollment and disenrollment in a health plan
6. Payment and remittance advice
7. Premium payments

8. Coordination of benefits.

As of October 16, 2002 (unless the covered entity has submitted a Compliance Plan in which case the date is October 16, 2003), these transactions must be conducted in the specific formats defined and described in the Implementation Specifications. Regulations governing the formats of two additional electronic transactions, First Report of Injury and Health Claim Attachments, are anticipated, but the NPRMs have not yet been published.

Covered entities also must adopt standard code sets for use in these transactions. Code sets are uniform designations of codes and their nomenclature (i.e., meaning) used to designate and encode data. HIPAA mandates address both medical and non-medical code sets. Medical code sets describe information related to the conditions and clinical services an individual receives to treat these conditions. Standard code sets have been mandated for the following medical information contained in health care transactions:

- Procedures
  - Current Procedural Terminology *(CPT-4) as maintained by the American Medical Association;*
  - HCFA Common Procedure Coding System *(HCPCS) Level I (i.e., CPT-4) and Level II;*
  - *International Classification of Diseases, 9th edition, Clinical Modification (ICD-9-CM, volume 3) as maintained by HHS.*
- Diagnoses (diseases, impairments, and the conditions that cause diseases)
  - International Classification of Diseases, 9th edition, Clinical Modification *(ICD-9-CM, volumes 1 and 2) as maintained by HHS.*
- Dental Services
  - Code on Dental Procedures and Nomenclature *(CDT) as maintained by the American Dental Association.*
- Drugs and biologics
  - National Drug Codes *(NDC) as maintained by HHS;*
  - *Consideration is also being given to maintaining HCPCS "J-Codes" for professional and institutional claims.*

Non-medical code sets describe information related to the processing of health care transactions, but unrelated to the condition or treatment. Examples of such codes include:

- Provider taxonomy (i.e., specialty)
- Location of service
- Remarks
- Adjustment reason
- Relationship of patient to subscriber.

Non-medical codes and their nomenclature are specified in Implementation Specification for each transaction type.

In addition to supporting the standardized formats for electronic transactions, the adoption of uniform code sets to describe the delivery of health care services will enhance the quality and availability of information, facilitate comparative analyses, and promote the identification of fraud and abuse. Implementation of standard Code Sets will require that all covered entities discontinue use of "local codes" and convert to standard codes. Local codes are developed and used by individual insurers, programs (e.g., Medicaid), or health plans to allow billing of health care services according to local medical or pricing policies. For example, a Blue Cross Blue Shield plan may wish to allow 10 visits to be billed per year for a specific service. If the only available national code for that service allows a maximum of six visits, the Blue Cross Blue Shield Plan might establish a local code for that service which allows 10 visits. Under HIPAA, organizations will have to replace their local codes with the closest matching standard code or petition the appropriate national standards maintenance organization to establish a new code.

I.B.4.b Privacy

The Final Rule for Privacy was published on December 28, 2000 and compliance is required by April 14, 2003. Privacy standards define the appropriate and inappropriate disclosures of individually-identifiable health information, patients' rights with respect to their access to and management of that information, and the manner in which patients' rights must be protected. Individually-identifiable health information (IIHI) is any data that can be traced back to a specific individual and that contains information about that individual's health care or health status. The presence of any of the following identifying elements associated with health information constitutes individually-identifiable health information:

1. Name
2. All address information
3. E-mail addresses
4. Specific Dates
5. Social Security Number
6. Medical record numbers
7. Health plan beneficiary numbers
8. Account numbers
9. Certificate numbers
10. License numbers
11. Vehicle identifiers
12. Facial photographs
13. Telephone numbers
14. Device identifiers

15. Web Universal Resource Locators (URLs)
16. IP addresses
17. Biometric identifiers

Privacy standards are applicable to all covered entities and their Business Associates and Trading Partners. Although Business Associates and Trading Partners are not directly subject to HIPAA regulations, Covered Entities are mandated under HIPAA to contractually require their Business Associates and Trading Partners to protect individually-identifiable health information released to them in order to perform their contracted business functions.

The Privacy standards limit the non-consensual use and release of protected health information (PHI), define patients' rights to access their medical records and to know who else has accessed them, restrict most disclosure of health information to the minimum needed for the intended purpose, establish new criminal and civil sanctions for improper use or disclosure, and establish new requirements for access to records by researchers and others. Privacy standards are divided into three sections, as summarized below:

1. Operational Requirements

Operational requirements define what information is protected, the circumstances in which it may be used or released, the types of consents or authorizations required in each circumstance, and the contents of the Notice of Privacy Practices.

2. Consumer Control Requirements

Consumer control requirements define individuals' rights to privacy protections including their rights to request privacy protection from the covered entity, request communication of health information from a provider, access and amend their individual information, and receive an accounting of the covered entity's disclosures of this information.

3. Administrative Requirements

Administrative requirements define the processes and procedures that covered entities must implement in response to the privacy standards. Such activities include designating a privacy official with responsibility for oversight of privacy protections and the complaint process, furnishing appropriate privacy training to all employees, implementing safeguards to protect individual information, establishing and operating an effective complaint process, employing sanctions against employees who violate privacy requirements, mitigating harmful effects resulting from privacy violations, and implementing policies and procedures and maintaining appropriate records.

I.B.4.c Security and Electronic Signature

Security standards define the administrative, technical, and physical vehicles for ensuring protection of health information from impermissible disclosures. Draft

regulations defining standards for security and electronic signatures were published on August 12, 1998, but final rules have not yet been released. Draft Security standards define a uniform level of protection for all health information that is housed or transmitted electronically and that pertains to an individual. In addition, organizations that use Electronic Signatures will have to meet a standard ensuring message integrity, user authentication, and non-repudiation.

The Security standard mandates safeguards for physical storage and maintenance, transmission, and access to protected health information. It applies not only to the information contained in electronic transactions adopted under HIPAA, but to all individual health information that is maintained or transmitted. The Electronic Signature standard, however, applies only to the transactions adopted under HIPAA; none of these currently requires an electronic signature.

At the time the Security regulations were drafted, they incorporated the intent of the Privacy regulations, which were still in draft form at that time. The draft Privacy standards applied only to electronic information. However, the Final Privacy regulations also incorporate rules pertaining to information in non-electronic media. Thus, the proposed Security standards pertain primarily to electronic information, but final regulations may contain an expanded scope that defines requirements for security of other information as well.

The Security standards do not specify the technologies to be used, but allow solutions to vary according to the needs of each organization. The proposed regulations are described in five categories, as summarized below:

1. Administrative Procedures

Administrative procedures guard health information integrity, confidentiality, and availability and constitute the formal and documented practices, policies, and procedures that are used to manage the selection and execution of security measures to protect data and manage the conduct of personnel in relation to the protection of data. Subject areas of administrative procedures include:

- Certification to establish the extent to which computer systems and networks meet security standards.
- Implementation of Chain of Trust Partner Agreements with business associates to protect electronically-exchanged data.
- Development and implementation of a comprehensive contingency plan to ensure the integrity of data and continuance of operations in an emergency; this plan must include applications and data criticality analyses, data backup plans, disaster recovery plan, emergency mode operation plan, and testing and revision procedures.
- Establishment of a formal mechanism for processing records.
- Implementation of formal information access controls that include access authorization, establishment, and modification.

- Internal audit capabilities to review data access activity and the occurrence and handling of security incidents.
- Establishment of comprehensive personnel security systems to manage employee access to information.
- Establishment of security configuration management practices and procedures to control information systems with respect to documentation, maintenance, testing, virus protection, security incident and management procedures, sanctions, termination procedures, and training.

2. Physical Safeguards

Physical safeguards ensure data integrity, confidentiality and availability by defining the physical computer system controls and building security features (e.g., locks) necessary to protect equipment from fire, environmental hazards, and intrusion. Physical safeguards include:

- Assignment of responsibility for the execution of security measures to protect data.
- Implementation of media controls that govern how hardware and software are received and removed from the facility.
- Implementation of physical access controls that determine how the facility may be accessed, both during normal business operations and during an emergency.
- Documentation of instructions as to the proper functions and usage of workstations and the location of workstations to ensure data security.
- Development and delivery of security awareness training to all appropriate employees.

3. Technical Security Services

Technical security services are processes that are implemented to protect information and control individual access to information; the following components are included:

- Implementation of procedures for emergency access control.
- Availability of audit mechanisms to record and examine system security.
- Implementation of authorization mechanisms (i.e., role or user-based access) to obtain consent or authorization for use and disclosure of health information.
- Methodology to authenticate data and corroborate that it has not been altered or destroyed in an unauthorized manner.
- Ability to corroborate that an entity accessing information is authentic and its identity verifiable.

4. Technical Security Mechanisms

Technical security mechanisms comprise the processes that are implemented to guard against unauthorized access to data that is being transmitted over a communications network and include:

- Definition and implementation of security standards for communication/network controls.
- Implementation of network controls that protect data transmitted electronically over an open network so that it cannot be easily intercepted and interpreted by unauthorized parties.

5. Electronic Signature

The electronic signature standard requires that when an entity elects to use an electronic signature in a HIPAA-covered transaction, it must use a digital signature. Electronic signatures are not currently part of any HIPAA-mandated transaction format.

I.B.4.d Identifiers

Administrative processing in the health care industry currently utilizes multiple identifiers across businesses, systems, and insurance products for the designation of providers, employers, health plans (i.e., payers) and individuals (i.e., subscribers, patients, and members). Each of these entities often has multiple, different identification numbers for use in the administration of health care services in varying situations. This multiplicity of identifiers generates redundancy, inefficiency, and cost by burdening the administrative process. To address these problems, the HIPAA legislation requires the Secretary to designate standard identifiers for providers, employers, health plans, and individuals, as described below.

1. National Provider Identifier

Public and private health plans, working independently of each other, have historically assigned identification numbers to health care providers. These identifiers, which are used for health insurance administration and claims payment purposes, are not standardized across payers or programs. Further, individual providers may have multiple identification numbers as a result of practicing in more than one state, participating in the programs of more than one payer (e.g., Blue Cross Blue Shield and Aetna), or participating in more than one program with the same payer (e.g., Blue Cross Blue Shield indemnity plan and Preferred Provider Organization). This situation significantly complicates the administrative process for both health plans which must deal with multiple numbering schemes in claims adjudication and provider network management, and for providers who must manage multiple identifiers when billing for their services.

To address this problem, draft rules were published on May 7, 1998 specifying a National Provider Identifier (NPI). This identifier was defined as an eight (8) position alphanumeric code that includes a check digit in the last position. This identifier would be obtained by provider application from a national registry. Each provider would receive only one identifier which would be required on all standard electronic health care transactions that include provider identification. The final rule has not been published.

2. National Employer Identifier

On June 16, 1998, draft regulations were published that propose the use of the Employer Identification Number (EIN) as the national standard to identify employers on

health care transactions. The EIN is proposed since it is already assigned to each employer for tax identification purposes and its adoption as the standard would not result in additional data collections or paperwork, thereby supporting Administrative Simplification objectives. The EIN is the taxpayer identifying number of an individual or other entity (whether or not an employer) that is assigned by the Internal Revenue Service, Department of the Treasury. The EIN is a nine (9) digit number in the format 00-0000000.

3. National Health Plan Identifier

Proposed rules have not been published defining a national standard health plan identifier. At the present time, health plans, or payers, use self-determined identifiers of varying formats for health insurance administration purposes.

4. National Individual Health Identifier

Similarly, proposed rules have not been published defining a national standard for an individual identifier. This subject has generated considerable discussion and attention because of several significant issues including confidentiality and privacy concerns, questions related to the potential use of the Social Security Number, the estimated costs associated with defining and implementing a new identifier, and the implementation and management processes. Many commentators think that this standard will never be implemented.

I.B.4.e Extension of Compliance Deadline for Electronic Transactions (and Code Sets): Federal Law H.R. 3323

President Bush signed the "Administrative Simplification Compliance Act" on December 27, 2001. If a covered entity (other than a small health plan) does not expect to meet the original compliance date (October 16, 2002) for the Standards for Electronic Transactions Final Rule, then it shall not be considered to be in noncompliance if, *before* October 16, 2002, the covered entity submits a plan to HHS for compliance not later than October 16, 2003.

This plan must summarize:

- an analysis reflecting the extent to which, and the reasons why, the person is not in compliance
- a budget, schedule, work plan, and implementation strategy for achieving compliance
- whether a contractor/vendor will or may be used to assist in achieving compliance
- a timeframe for testing the standards that begins no later than April 16, 2003.

NOTE: There has not been an extension to the Privacy compliance date.

I.C Project Approach and Methodology

The Preliminary Statewide HIPAA Assessment Project was conducted over an eight-month period by a six-member project team, directed by the DHHS HIPAA Program Management Office. For details on the Methodology, see Chapter VIII, and for Risks/Mitigation Strategies, see Chapter VI. The project was organized into three overlapping stages:

1. Stage One, HIPAA Coverage Determination – State government entities were identified, contacted, and meetings scheduled to present a HIPAA Overview and administer a Coverage Determination Questionnaire (CDQ). The CDQ was completed at the division level and enabled each division to self-determine, based on functions performed, whether or not the organization would be covered/impacted by HIPAA. Consultation and assistance in reaching these determinations were furnished by the Assessment Team and validated through the Attorney General (AG) review process.

2. Stage Two, Entity-Level HIPAA Impact Determination – Entities determined in Stage One potentially to be covered/affected completed a high-level assessment, gap identification, and remediation cost approximation process to determine HIPAA impact. These entities were contacted and scheduled for training meetings. The purposes of these meetings were to present HIPAA overview information, validate Stage One coverage determination (and excuse any entities deemed non-covered from further participation in the Stage Two process), present HIPAA requirements training, distribute informational materials, and instruct attendees regarding the assessment and approximation process. Two tools, developed by the Statewide Assessment Team, were used:

   - *An automated Impact Determination Questionnaire (IDQ), completed by impacted organizations to identify all major HIPAA compliance gaps in the areas of Privacy, Security and Electronic Signature, Electronic Transactions and Code Sets, and Identifiers.*
   - *An Approximation Model that enabled impacted organizations to approximate the resources and time necessary to implement HIPAA compliance in the identified gap areas; organizations were also asked to input remediation strategy information. Based on various assumptions and industry standard/best practice information, the Model used organizational input to calculate costs, cash flow, and time frames for each impacted entity. Approximation results are reported in the individual Entity Assessment chapters of the Strategic Plan.*

3. Stage Three, Enterprise Assessment – In addition to assessing HIPAA impact at the individual entity level, the General Assembly requested a deliverable that furnished an assessment of the State's overall technical and business infrastructure vis-à-vis HIPAA mandates. Accordingly, the Statewide Assessment Team completed an enterprise-level assessment (following the completion of Stage Two) that enabled the provision of optimal and cost-effective statewide recommendations. The Team analyzed Stage Two findings for each impacted entity and aggregated the findings to

produce the infrastructure assessment and statewide remediation needs summary. Additionally, during Stage Two, various remediation activities were identified as candidates for implementation at the State level, rather than by multiple individual entities; these recommendations were costed using the Approximation Model and presented for consideration. Finally, to construct the statewide Strategic Plan, financial information and implementation time frames were rolled-up from the individual entity findings into a statewide budget and timeline. The Plan also reflected the overall financial impact of adopting statewide remediation recommendations and performing these activities at the State, rather than the individual entity, level.

The results of these activities are presented in this North Carolina HIPAA Strategic Plan. Project results, as well as coverage issues identified during the assessment process, were submitted to the AG for review. Any AG findings or decisions are reflected in coverage determinations found in Part Three and Appendix 10 of this Strategic Plan.

I.D Assumptions

The conduct of the North Carolina Preliminary Statewide HIPAA Assessment Project and the information presented in this Strategic Plan are predicated upon the following major assumptions:

- Only the Administrative Simplification requirements, specified in Title II, Subtitle F, will be addressed in this Strategic Plan.
- The HIPAA final Security Regulations will match the current Proposed Security Rules.
- Electronic Signature capability, currently described in HIPAA Proposed Rules, will remain optional.
- The HIPAA Identifier Regulations will be implemented for Employers and Providers as specified in the Proposed Rules. Draft Regulations will be published at a later date that address standards for Health Plan and Individual Identifiers; costs for implementing these two identifiers are included, at each entity's discretion, if use of these identifiers was identified as a gap.
- All Compliance Gaps identified are based on information provided to the Assessment Team by the managers of HIPAA impacted entities regarding their current business and information technology environments and their applicability to the Federal Law.
- State government entities participating in the assessment are generally not familiar with the HIPAA Regulations.
- Non-covered entities with Individually-Identifiable Health Information (IIHI) may be subject to process changes; however, those changes will be absorbed by the entity as part of normal business and are not reflected in the proposed HIPAA budget.
- The Assessment is intended to be a high-level evaluation. Each entity affected by HIPAA is expected to undergo a subsequent detailed assessment.
- The North Carolina Office of Information Technology Services (ITS) will make a service available for electronic data interchange (EDI) in time for government

organizations to meet the compliance deadline for Electronic Transactions processing; contingency funding is included in individual component cost estimates.

- The HIPAA compliance requirements for a Business Associates /Trading Partner are dependent upon the requirements with which the Covered Entity must comply.
- Legal interpretations of regulations will be based solely on the opinion of the Office of the Attorney General.
- Each agency will determine whether the gap identification information for a vendor's system will be furnished by the agency or whether the agency will request that the vendor do so; however, the agency is responsible for the completeness and quality of the information.
- Within a Hybrid Entity, when the workforce of a non-covered component becomes covered because it is performing functions for a covered health care component, it is the responsibility of the health care component to ensure that this workforce observes HIPAA requirements. The health care component is also responsible for any additional costs associated with ensuring such compliance (e.g., cost of delivering HIPAA Privacy and Security training, monitoring, etc.)
- A subset of the 16 UNC Institutions, 59 Community Colleges, and 27 Health Care oriented Independent Licensing Boards and Commissions have been included in this Assessment. The sample size is as follows: 4 of 16 Universities in the UNC System were chosen by the UNC Office of the President, 6 of 59 Community Colleges were chosen by the Chief Financial Officer of the Community College System, and 12 of the 27 Boards were identified by the Assessment Team with consultation from the DHHS HIPAA Program Management Office and the Office of Attorney General.
- Non-State Operated Local health care organizations are not part of the Scope of this Assessment, however a proposal for assessment and limited support is included in the Strategic Plan. Non-State Operated Local health care organizations are managed by county governments but have State Government interrelationships that are dependent on the efficiencies and compliance with State and Federal Laws
- Cost, Cash Flow, Timeline, and Opportunity Cost Assumptions (in general terms):
  1. All costs, cash flow, timelines, and opportunity approximations are based on the information provided to the Assessment Team by managers from the HIPAA impacted entities.
  2. Covered health care organizations and business associates in State government will have access to the same resources. The only real variability in cost is located in the scale and type of resources applied.
  3. All of the resources needed to comply, fit into the resource categories provided in the Resource Requirements Worksheet.
  4. Covered health care organizations and business associates with compliance gaps will execute projects tracking a phased approach that includes the following eight phases: Project Management (extends over entire duration of the project), Project Initiation, Requirements Gathering, Design, Development, Internal QA, Integration, and Training.
  5. Covered health care organizations and business associates in State government will execute the eight phases of implementation linearly.

6. Covered health care organizations and business associates in State government will apply a schedule to expenditures similar to that formulated by the N.C. Statewide HIPAA Assessment Team.
7. Contingency Reserve - A contingency amount is included in the Cost Analysis. For DHHS the contingency amount is calculated at 10% of cost. For all other organizations, the amount is 25% of cost. DHHS is considered to be further along in implementation. The level of preciseness for the information that DHHS managers provided is presumed to be plus or minus 10%. As for the other entities, the higher contingency percentage is justified by the following considerations:
   - Detailed assessments of information systems and business processes may require a change in scope or remediation approach.
   - Some of the Electronic Transaction and Security concepts are new to managers in State government. Lack of experience in the area may have caused entities to underestimate effort.
   - Income streams are, at the time of this writing, unpredictable in the current economy. The estimated State share may be more if revenues are off target.
   - At the time of this writing, the economic condition of the State is resulting in layoffs. As knowledgeable personnel are terminated, the efforts of remaining personnel are redirected. Training and project duration are expected to increase as a result.
8. Cost Assumptions and Indices - Assumptions behind cost calculations and the indices used in the calculations are in Appendix 8.c.
9. Timeline Assumptions - Assumptions behind timeline calculations are in Appendix 8.e.
10. Cash Flow Assumptions - Assumptions behind cash flow calculations are in Appendix 8.f.
11. State Share of total cost requirements are for implementing all regulation areas.
12. Agency Non-Compliance Opportunity Costs – Assumptions behind Opportunity Costs calculations are in Appendix 11.

I.E Agency Assessment Results

The Statewide HIPAA Assessment Team in consultation with the DHHS HIPAA Program Management Office, the Office of State Budget and Management, and the Office of the Attorney General, identified 42 State government entity groups (Agency, Department, University, College, Board, or Commission) that required HIPAA coverage assessment and determination (this figure includes the project sample of six Community Colleges, four Universities, and a singly-counted entity that comprises the 12 participating independent health-care-oriented Boards and Commissions – *See I.A Purpose and Scope, I.D Assumptions for details*). The Stage One and Stage Two entity-level assessments yielded the following HIPAA coverage conclusions (*See Part 3 Entity Chapters and Appendix 10 for details)*:

♦ Number of HIPAA Covered or Hybrid Entities	9	(21%)
♦ Number of State Government Entities that are Business Associates/Trading Partners of HIPAA Covered Entities[2]	3	(7%)
♦ Number of State Government Entities Not Covered by HIPAA	30	(72%)

Figure I-2, State Government HIPAA Covered or Hybrid Entities

Agency Name/ Components	Coverage Type
1. Department of Administration	Hybrid
Division of Veterans Affairs - State Veteran's Home(s)	Health Care Provider
2. Department of Correction	Hybrid
Correction Enterprises	Indirect Treatment Provider
3. Department of Health and Human Services	Hybrid
Division of Medical Assistance (DMA)	Health Plan
Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (DMH/DD/SAS) - Psychiatric Hospitals (4) - Mental Retardation Centers (5) - Alcohol & Drug Abuse Treatment Centers (2) - NC Special Care Center	Health Care Provider & Business Associate
Division of Public Health (DPH) - State Laboratory of Public Health - Developmental Evaluation Centers (13)	Health Care Provider & Business Associate
Office of Education Services -Governor Morehead School	Health Care Provider

[2] Excludes Covered Entities that are also Business Associates/Trading Partners

Agency Name/ Components	Coverage Type
- Division of Budget and Analysis - Division of Information Resource Management (DIRM) - Office of the Controller - Office of the Internal Auditor - Office of Property and Construction	Hybrid Covered Service Providers
4. East Carolina University - Division of Health Sciences - Student Health Services - School of Health and Human Performance	Hybrid
5. Information Technology Services (ITS)	Hybrid*
Enterprise Solutions *Assumption is that ITS will establish a Clearinghouse / EDI service for the State. If not, then ITS is not Covered.	Clearinghouse*
6. State Health Plan - NC Teachers' & State Employees' Comprehensive Major Medical Plan - HealthChoice for Children	Health Plan
7. University of North Carolina at Chapel Hill	Hybrid
Health Services for Students	Health Care Provider
School of Dentistry	Health Care Provider
Information Technology Services (ITS) – Administrative Information Services (AIS)	Business Associate
School of Public Health	Business Associate
Sheps Center for Health Services Research	Business Associate
8. University of North Carolina at Greensboro	Hybrid
Student Health Services	Health Care Provider
Institute for Health Science and Society	Business Associate
Center for the Study of Social Issues	Health Care Provider

Agency Name/ Components	Coverage Type
9. University of North Carolina Health Care - UNC Hospitals - Physicians and Associates - UNC School of Medicine	Health Care Provider

Figure I-3,State Government Entities with Business Associate/Trading Partner Roles

Agency Name/ Components	Covered Entity for which Functions Are Performed
10. Department of Justice - Divisions performing Legal Services	Covered State government entities
11. Office of the State Auditor - Field Audit Division	Covered State government entities
12. Office of the State Controller - Financial Systems Division	Covered State government entities

Figure I-4, State Government Entities Not Covered by HIPAA

Agency, Department, University, College, Board, Commission
Administrative Office of the Courts
Asheville Buncombe Technical Community College
Brunswick Community College
Central Carolina Community College
Isothermal Community College
Montgomery Community College
Randolph Community College
Department of Agriculture and Consumer Services
Department of Environment and Natural Resources
Department of Commerce

Agency, Department, University, College, Board, Commission
Department of Crime Control and Public Safety
Department of Cultural Resources
Department of Insurance
Department of Juvenile Justice and Delinquency Prevention
Department of Labor
Legislative Services Commission
Department of Public Instruction
Department of Revenue
Department of the Secretary of State
Department of the State Treasurer
Department of Transportation
Employment Security Commission
Independent Boards and Commissions; Wildlife Resources Commission
Office of Administrative Hearings
Office of State Budget and Management
Office of State Personnel
Office of the Governor
Office of the Lieutenant Governor
University of North Carolina System
Winston-Salem State University

I.F Compliance Cost, Timeline, and Statewide Recommendations

Sections I.F.1 through I.F.5 presents the cost requirements for complying with Administrative Simplification, timeline for implementation, and statewide recommendations. Assumptions related to the data found in this section are identified in section I.D – Assumptions, and in Chapter IV. Of specific interest are the following sections with cost adjustments:

- Section I.F.1 / Figure I.5 – Total costs for implementation including aggregated share from all State, Federal, and Other funding sources;
- Section I.F.2 / Figure I.6 – Total cash flow needs for implementation plus annual ongoing costs for compliance;
- Section I.F.6 / Figure I.9 – State share to implement HIPAA with Federal and other sources of funding listed.

I.F.1 State Compiled Costs for Implementing Administrative Simplification

The Assessment Team has analyzed the gaps between the current environment and that required by HIPAA, and clearly, HIPAA has a considerable effect on organizations in State government. In short, the total effort to comply with the standards including the share for all State, Federal, and other funding sources will cost roughly $199,345,083.

Figure I-5, State Compiled Costs

Entity	Privacy	Security and Electronic Signature	Electronic Transactions - Including Code Sets	Identifiers	Total
Department of Administration	$ 28,837.27	$ 28,837.27	$ 28,837.27	$ 28,837.27	$ 115,349.09
Department of Correction	$ 286,475.51	$ 258,704.70	$ 100,457.64	$ 107,088.94	$ 752,726.78
Department of Health and Human Services	$ 16,382,978.63	$ 61,537,470.21	$ 42,525,890.98	$ 40,407,221.58	$ 160,853,561.39
East Carolina University	$ 1,188,867.36	$ 1,439,498.14	$ 355,963.48	$ 169,815.81	$ 3,154,144.79
Office of Information Technology Services	$ 101,013.37	$ 206,895.77	$ 277,501.68	$ -	$ 585,410.81
Office of the State Controller	$ 10,134.27	$ -	$ -	$ -	$ 10,134.27
State Health Plan	$ 5,970,959.78	$ 225,924.10	$ 23,392,491.30	$ 28,679.79	$ 29,618,054.97
UNC - Chapel Hill	$ 630,248.41	$ 501,574.45	$ 392,759.91	$ 250,376.97	$ 1,774,959.75
UNC - Greensboro	$ 668,851.16	$ 418,030.18	$ 291,072.09	$ 261,687.41	$ 1,639,640.84
UNC - Health Care	$ 841,100.00	$ -	$ -	$ -	$ 841,100.00
Total	$ 26,109,465.74	$ 64,616,934.82	$ 67,364,974.36	$ 41,253,707.77	$ 199,345,082.69

I.F.2 Total Cash Flow

The following Figure details the fiscal year cash flow requirements of each impacted State entity. Annual ongoing cash flow requirements are included as well.

Figure I-6, Cash Flow for State Compiled Costs and Annual Ongoing Costs

1		FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	Cumulative Total
2	**Implementation Costs**	**$ 37,789,586.61**	**$ 127,251,488.91**	**$ 33,841,434.27**	**$ 462,573.56**	**$ -**	**$ -**	**$ 199,345,083.35**
3	Department of Administration	$ -	$ 115,349.12	$ -	$ -	$ -	$ -	$ 115,349.12
4	Department of Correction	$ -	$ 565,862.27	$ 186,864.49	$ -	$ -	$ -	$ 752,726.76
5	Department of Justice	$ -	$ -	$ -	$ -	$ -	$ -	$ -
6	Department of Health and Human Services	$ 37,789,586.61	$ 93,563,731.97	$ 29,037,669.47	$ 462,573.56	$ -	$ -	$ 160,853,561.61
7	East Carolina University	$ -	$ 2,869,257.26	$ 284,887.81	$ -	$ -	$ -	$ 3,154,145.07
8	Office of Information Technology Services	$ -	$ 491,697.61	$ 93,713.21	$ -	$ -	$ -	$ 585,410.82
9	Office of the State Auditor	$ -	$ -	$ -	$ -	$ -	$ -	$ -
10	Office of the State Controller	$ -	$ 10,134.25	$ -	$ -	$ -	$ -	$ 10,134.25
11	State Health Plan	$ -	$ 25,533,141.82	$ 4,084,913.18	$ -	$ -	$ -	$ 29,618,055.00
12	UNC - Chapel Hill	$ -	$ 1,756,605.64	$ 18,354.14	$ -	$ -	$ -	$ 1,774,959.78
13	UNC - Greensboro	$ -	$ 1,504,608.97	$ 135,031.97	$ -	$ -	$ -	$ 1,639,640.94
14	UNC - Health Care	$ -	$ 841,100.00	$ -	$ -	$ -	$ -	$ 841,100.00
15	**Annual Ongoing Costs**	**$ -**	**$ -**	**$ 1,309,486.27**	**$ 5,203,186.27**	**$ 7,418,441.54**	**$ 7,418,441.54**	**$ 21,349,555.62**
16	Department of Administration	$ -	$ -	$ 2,500.00	$ 5,000.00	$ 10,000.00	$ 10,000.00	$ 27,500.00
17	Department of Correction	$ -	$ -	$ 22,000.00	$ 27,000.00	$ 35,000.00	$ 35,000.00	$ 119,000.00
18	Department of Justice	$ -	$ -	$ -	$ -	$ -	$ -	$ -
19	Department of Health and Human Services	$ -	$ -	$ 613,945.27	$ 3,592,645.27	$ 5,072,300.54	$ 5,072,300.54	$ 14,351,191.62
20	East Carolina University	$ -	$ -	$ 18,200.00	$ 215,200.00	$ 290,200.00	$ 290,200.00	$ 813,800.00
21	Office of Information Technology Services	$ -	$ -	$ 107,500.00	$ 344,750.00	$ 452,250.00	$ 452,250.00	$ 1,356,750.00
22	Office of the State Auditor	$ -	$ -	$ -	$ -	$ -	$ -	$ -
23	Office of the State Controller	$ -	$ -	$ -	$ -	$ 6,000.00	$ 6,000.00	$ 12,000.00
24	State Health Plan	$ -	$ -	$ 67,000.00	$ 484,000.00	$ 484,000.00	$ 484,000.00	$ 1,519,000.00
25	UNC - Chapel Hill	$ -	$ -	$ 157,450.00	$ 164,500.00	$ 342,200.00	$ 342,200.00	$ 1,006,350.00
26	UNC - Greensboro	$ -	$ -	$ 242,891.00	$ 292,091.00	$ 395,491.00	$ 395,491.00	$ 1,325,964.00
27	UNC - Health Care	$ -	$ -	$ 78,000.00	$ 78,000.00	$ 331,000.00	$ 331,000.00	$ 818,000.00

I.F.3 Implementation Timeline for State Government

Figure 1.7 provides a schedule for executing compliance projects statewide.

Figure I.7, Implementation Timeline for Impacted State Government Entities

Task	Start	Finish
NC Strategic Plan for Complying w/Administrative Simplification	Mon 7/1/01	Mon 5/2/05
Agency Compliance	Mon 7/2/01	Mon 5/2/05
Department of Administration	Mon 7/1/02	Fri 4/4/03
Department of Correction	Mon 7/1/02	Fri 4/30/04
Department of Health and Human Services	Mon 7/2/01	Mon 5/2/05
Division of Medical Assistance (DMA)	Mon 7/2/01	Mon 10/18/04
Division of Information Resource Management	Mon 7/2/01	Mon 5/2/05
Division of Property and Construction	Tue 7/2/02	Mon 5/3/04
Division of Budget, Planning & Analysis	Tue 7/2/02	Mon 5/3/04
Office of the Controller	Mon 7/2/01	Mon 5/3/04
Office of the Internal Auditor	Tue 7/2/02	Mon 5/3/04
Division of Public Health	Mon 7/2/01	Mon 5/3/04
Office of Education	Tue 7/2/02	Mon 5/3/04
Division of Mental Health	Mon 7/2/01	Mon 5/3/04
East Carolina University	Mon 7/1/02	Fri 8/22/03
Office of the State Controller	Mon 7/1/02	Fri 8/23/02
State Health Plan	Mon 7/1/02	Fri 4/30/04
University of NC - Chapel Hill	Mon 7/1/02	Fri 11/14/03
School of Dentistry	Mon 7/1/02	Fri 5/30/03
Information Technology Services	Mon 7/1/02	Fri 5/30/03
Cecil G. Sheps Center	Mon 7/1/02	Fri 5/30/03
Student Health Service	Mon 7/1/02	Fri 11/14/03
School of Public Health	Mon 7/1/02	Fri 7/25/03
UNC - Greensboro	Mon 7/1/02	Fri 4/30/04
Center for the Study of Social Issues	Mon 7/1/02	Fri 11/15/02
Institute for Health Science & Society	Mon 7/1/02	Fri 5/30/03
Student Health Services	Mon 7/1/02	Fri 4/30/04
UNC Health Care System	Mon 7/1/02	Fri 3/7/03

I.F.4 Suggested Statewide Action

Based on the findings from the individual entity-level preliminary assessments, common gaps that occurred across multiple agencies were identified. These gaps were analyzed to determine whether a statewide, rather than individual entity, remediation approach would be appropriate. The Assessment Team examined approximated cost savings and the benefit of fostering consistency in approach across multiple State government agencies. Recommendations are based on perceived overall benefit to the State in terms of financial savings, continuity and uniformity, and risk management. The following recommendations reflect industry standards and best practices, are submitted for consideration as statewide HIPAA initiatives.

1. Make funds available for implementation of HIPAA requirements.
2. Prioritize funding for implementation of Regulations in Final form.
3. Centralize Statewide HIPAA Coordination.
4. File Compliance Plan with the Federal Department of Health and Human Services for an extension for complying with the Electronic Transaction and Code Set Standards. This task will be required of all Covered Entities subject to the Rule and the process will begin in April 2002.
5. Aggressively pursue other funding sources.
6. Continue collaboration with national organizations focused on compliance.
7. Investigate alternatives for providing resources to address Privacy and Security Officers for Covered Entities.
8. Decide if the State will centralize processing of health care transactions.
9. Scrutinize the potential for prorated costs for complying related to fixing systems used nationwide by Blue Cross and Blue Shield - LRSP (State Health Plan) and by EDS - MMIS (Medicaid) – clarification is needed due to large cost estimates submitted to the State.

For expanded detail on each of these Statewide suggestions, please see Chapter X. For details on project and recommendation risks and mitigation strategies, see Chapter VI.

I.F.5 Timeline for Executing Statewide Action number 3

The schedule below outlines the Start and Finish dates for implementing Statewide Recommendations 3 from section I.F.4.

Figure I.8, Implementation Timeline for Statewide Action #3

Task	Start	Finish
Statewide Strategy	Mon 7/1/01	Fri 3/5/04
Prepare and Submit Electronic Transaction Extension Plans to US DHHS	Mon 7/2/01	Fri 10/12/02

I.F.6 Funding Allocation – State Share to Implement HIPAA

Figure I.9 details the State share of monies required for impacted Agencies to implement HIPAA requirements. The Federal Funding Participation and Other Sources of funding are noted as well.

Figure I.9, State Share of Implementation Costs

Entity	Privacy	Security and Electronic Signature	Electronic Transactions - Including Code Sets	Identifiers	Total	State*	Federal*	Other*
Department of Administration	$ 28,837.27	$ 28,837.27	$ 28,837.27	$ 28,837.27	$ 115,349.09	$ 115,349.09	$ -	$ -
Department of Correction	$ 286,475.51	$ 258,704.70	$ 100,457.64	$ 107,088.94	$ 752,726.78	$ 752,726.78	$ -	$ -
Department of Health and Human Services	$ 16,382,978.63	$ 61,537,470.21	$ 42,525,890.98	$ 40,407,221.58	$ 160,853,561.39	$ 134,756,932.16	$ 26,096,629.23	
East Carolina University	$ 1,188,867.36	$ 1,439,498.14	$ 355,963.48	$ 169,815.81	$ 3,154,144.79	$ 3,154,144.79	$ -	$ -
Office of Information Technology Services	$ 101,013.37	$ 206,895.77	$ 277,501.68	$ -	$ 585,410.81	$ 585,410.81	$ -	$ -
Office of the State Controller	$ 10,134.27	$ -	$ -	$ -	$ 10,134.27	$ 10,134.27	$ -	$ -
State Health Plan	$ 5,970,959.78	$ 225,924.10	$ 23,392,491.30	$ 28,679.79	$ 29,618,054.97	$ 21,983,557.69	$ 4,698,152.17	$ 2,936,345.11
UNC - Chapel Hill	$ 630,248.41	$ 501,574.45	$ 392,759.91	$ 250,376.97	$ 1,774,959.75	$ 1,774,783.49		$ 176.26
UNC - Greensboro	$ 668,851.16	$ 418,030.18	$ 291,072.09	$ 261,687.41	$ 1,639,640.84	$ 1,335,107.15	$ -	$ 304,533.69
UNC - Health Care	$ 841,100.00	$ -	$ -	$ -	$ 841,100.00	$ 841,100.00	$ -	$ -
Total	$ 26,109,465.74	$ 64,616,934.82	$ 67,364,974.36	$ 41,253,707.77	$ 199,345,082.69	$ 165,309,246.23	$ 30,794,781.40	$ 3,241,055.06

I.G Other State Efforts

50 States plus the District of Columbia and Puerto Rico are addressing Administrative Simplification, and they are at varying stages of assessment and implementation. Information regarding total projected costs is relatively limited at this point in time. Cost approximations for the entire health care industry to become compliant reach to over $40 billion for 5 years. The National Association of State Budget Officers has been collecting information regarding costs to the States, but concurs with the Assessment Team regarding the absence of comprehensive information.

Administrative Simplification does not have Federal Funding Participation (FFP) outside of Medicaid (90% for new development and reengineering / 75% for maintenance) and other select Federal Assistance programs. Implementation will be expensive for every State, not just North Carolina.

The following States are known by the Assessment Team to be pursuing compliance with this Federal Mandate:

Figure I.10,Other States and HIPAA

■ Alabama	■ Montana
■ Alaska	■ Nebraska
■ Arizona	■ Nevada
■ Arkansas	■ New Hampshire
■ California	■ New Jersey
■ Colorado	■ New Mexico
■ Connecticut	■ New York
■ Delaware	■ North Carolina
■ District of Columbia	■ North Dakota
■ Florida	■ Ohio
■ Georgia	■ Oklahoma
■ Hawaii	■ Oregon
■ Idaho	■ Pennsylvania
■ Illinois	■ Puerto Rico
■ Indiana	■ Rhode Island
■ Iowa	■ South Carolina
■ Kansas	■ South Dakota
■ Kentucky	■ Tennessee
■ Louisiana	■ Texas
■ Maine	■ Utah
■ Maryland	■ Vermont
■ Massachusetts	■ Virginia
■ Michigan	■ Washington
■ Minnesota	■ West Virginia
■ Mississippi	■ Wisconsin
■ Missouri	■ Wyoming

I.H Potential Effects of HIPAA Non-Compliance for State Government

I.H.1 Impacts of Non-Compliance

Since HIPAA is tied to upholding the Fiduciary duty of the State to its Citizens regarding the provision of responsible Health Care plus oversight and support, the State will need to take the following situations into account regarding compliance with the federal law:

- Federal Government could withhold Medicaid matching funds. This could severely affect the normal operations of the provider and payer infrastructure causing a ripple effect that could cost the public and private sector many millions of dollars. An example is the interrelationship DHHS has with Local Public Health Departments. If the Health Services Information System (HSIS), which is managed by DHHS – Division of Public Health and utilized by all Local Public Health Departments across the State, is not compliant and Federal Funds are stopped as a result, then billing to the Division of Medical Assistance and reimbursement for Medicaid Public Health Services would severely impact the ability of the Local Public Health Departments to provide health care to the neediest citizens in the State;
- Federal Government could withhold Medicare payments to the State, causing a cash balance crisis for the Mental Health System, at the very least;
- Health Plans - Medicaid and State Health Plan Fiscal Agents are moving toward compliance for Electronic Transactions on 10/16/2002 and Privacy for 4/14/2003, and the State will have to address the financial requirements associated with these efforts;
- State Providers, Health Plans, Clearinghouses, and Business Associates would have a limited capacity to interact with their Business Partners with the potential loss of revenue and that would affect the delivery of Health Care to the States Citizens;
- The Privacy Rule benefits every citizen in the State of North Carolina by defining the appropriate and inappropriate disclosures of individually-identifiable health information, patients' rights with respect to their access to and management of that information, and the manner in which patients' rights must be protected. Failure of the State to implement these new rights could open the State up to lawsuits.
- It is important for the State to signal the Health Care, Biotech, and University stakeholders that we are leaders along with them in advancing the industry.

I.H.2 Penalties Enumerated

HIPAA Enforcement: HHS Office for Civil Rights

A separate regulation will address how HIPAA rules will be enforced. This rule has not been published and therefore, the Assessment Team is not able to delineate all potential considerations. However, the following penalties are stipulated in HIPAA Law:

- Civil Monetary Penalties for Violations of each Standard.
  - $100 per person per violation, up to $25,000 per person for violations of same standard in a year

- Wrongful Disclosure of Protected Health Information.
  - Use of a non-standard code set, per instance, will result in fines of not more than $50,000, imprisonment of not more than 1 year, or both;
  - Each instance of obtaining a person's health information under false pretenses will result in fines of not more than $100,000, imprisonment of not more than 5 years, or both;
  - Each instance of disclosing a person's health information for financial gain will result in fines of not more than $250,000, imprisonment of not more than 10 years, or both.

I.H.3 "Preventing Health Care Fraud and Abuse"

Perhaps more important to the case of why the State should pursue compliance is the message behind the penalties. Protecting the confidentiality of health care information is necessary to the existence and continuance of health care programs in State Government. Hundreds of thousands, if not millions of citizens and State employees entrust the State with their personal health information daily. The message is that any entity that violates the confidence of individuals by failing to meet the minimum standards of HIPAA will be held accountable.

Not to devalue the potential impact of penalties and lawsuits, but those who would decide on how the State should approach this Federal Mandate, should also consider that fraud and abuse of Medicaid and other health care programs is rampant. While we cannot enumerate the cases of improper billing and what that activity is costing the State, it is suspected that much of the abuse goes undetected in the absence of the standards that are now and soon to be required.

Complying with HIPAA is not only a penalty deterrent, but also an opportunity for State government to honor the trust of citizens and employees and make greater progress toward combating fraud and abuse.

I.I Issues

The following issues have been identified as significant potential influences or barriers to the execution of the Assessment, Strategic Plan, and the conduct of future activities related to the statewide HIPAA compliance initiative:

1. Significant Resources Needs for FY02-03 and Beyond, and the Fiscal Environment

The State of North Carolina is experiencing receding government revenues and it is uncertain how the broad range of necessary remediation activities identified by this assessment will be funded. Acceptance and execution of the Strategic Plan recommendations are dependent upon the State's ability to secure adequate funding for this undertaking. For Fiscal Year 2002 (FY02), the General Assembly put $15 million in reserve for State government HIPAA implementation. Because of the projected deficit

for FY02 and FY03, only $1.5 million as permitted by the legislation for the Statewide Assessment will be spent this year with the remainder held in escrow to help in balancing the budget.

The State's Fiscal Agents for North Carolina Teachers' & State Employees' Comprehensive Major Medical Plan and HealthChoice for Children (Blue Cross Blue Shield of North Carolina), and Medicaid (EDS) are moving forward with their fiduciary duty to comply with the Electronic Transaction Rule by the compliance deadline of October 16, 2002. The State will have a budget impact for this fiscal year and next related to these efforts. *See Chapter XIV – Department of Health and Human Services (Division of Medical Assistance) and Chapter XX – State Health Plan for details.*

2. Proposed Regulations

As noted in *Chapter IV, Assumptions,* the regulations pertaining to Security and Electronic Signature, and Identifiers are not final. Although the Assessment Project has been conducted using the currently-published HIPAA requirements, significant changes in the final regulations in these three areas could substantially affect the scope of work to perform remedial activities and, thus, the estimates and recommendations presented in the Strategic Plan.

It should be noted that the proposed rules for Security were published two years before the final rules for Privacy; thus, the Security requirements, which are the vehicle for ensuring that Privacy requirements are met, do not reflect the final Privacy requirements. This observation is especially significant because the final Privacy Regulations extend safeguards of protected health information to information existing in any medium (not just in electronic format), while current proposed Security Regulations apply only to automated information storage and transmission. These rules apply to Covered Entities.

3. Misperception of Electronic Transactions and Code Set delay bill

Federal Law H.R. 3323 signed by President Bush on December 27, 2001 outlines the steps that must be taken by Covered Entities performing covered Health Care Transactions in order to obtain a 1 year extension for compliance. It must be understood that the compliance date is October 16, 2002. This 1-year extension is not automatic. It also does not affect or provide an extension to the Privacy Rule compliance date of April 14, 2003.

4. Dependency on Agency participation

During the execution of the Assessment's 3 Stages: Coverage Determination, Analysis, and Strategic Planning, the Assessment Team was dependent on the timely cooperation and involvement by Agency, University, Boards and Commissions, and Community College personnel. HIPAA Assessment was not the highest priority for the entities

involved in spite of State Law mandates and the Team's approach to gain executive-level sponsorship through the State Budget Officer with authority from the Governor. The inconsistent focus on the effort by the participating entities affected project planning timelines for completing the Strategic Plan, scheduling of meetings, and the level of accuracy for responses which required verification and validation of the information supplied. The level knowledge about the information systems and business processes of some managers was limited and may affect the accuracy of some approximations. Participants in the Assessment process were also subject to outside influences that furnished HIPAA guidance contrary to that of the Statewide HIPAA Assessment Team's (e.g., vendors recommended more extensive HIPAA remediation solutions than were deemed necessary by the Team).

5. Interpretation Issues

Scalability

The regulations are designed to integrate with one another. The technical nature of the Transactions rules make application efforts more self-evident than do the Privacy and Security rules. The Regulations and Implementation Guides prescribe what must be accomplished but not how to do it. The standard that will be applied to an entity's compliance efforts is reasonableness in light of the degree of risk and the business circumstances. The Privacy Rule provides the covered entity with substantial discretion as to how to implement the standards. There is no case law yet so agencies may lack knowledge of acceptable implementation strategies.

Preemption

The Federal requirements as they relate to State agency compliance deal directly with potential state-federal interfaces as well as conflicts. A variety of issues will need to be analyzed in order to ascertain those areas within the state government affected and not affected by HIPAA. Federal and State statutes, administrative regulations and case law that may be preempted by HIPAA and its regulations are not confined to those addressing uses and disclosures of individual health information held by covered entities. Other areas of potential conflict include patient access rights, public health, civil procedure and common tort law.

I.J Compliance Considerations

The following general compliance considerations should be considered as they may directly impact the Assessment, Strategic Plan, and the conduct of future activities related to the statewide HIPAA compliance initiative:

1. Entity Identification

Covered Entity Departments

HIPAA has regulatory jurisdiction only over covered entities: 'health plan', 'health care provider' and 'health care clearinghouse'. The statutory and regulatory

definitions regarding these key terms describe functions, not types of persons or entities. The Regulations do address inclusion and exclusion issues with respect to health related functions within State agencies.

The State

The concept of a hybrid entity lessens the impact of HIPAA in those situations in which the health care functions of the legal entity are not its dominant mission. The rules and commentary do not define the term legal entity but do offer the following nuance in the definition of hybrid entities.

> For example, for purposes of this *(privacy)* rule, a multinational corporation composed of multiple subsidiary companies would not be a single legal entity, but a small manufacturing firm and its health clinic, if not separately incorporated, could be a single legal entity. 65 Fed. Reg. 82502 (Dec. 28, 2000).

Following this logic, the State as a single political unit would not be considered a hybrid entity by virtue of HIPAA indices within State agencies. Application of the hybrid concept requires a single legal entity that cannot be further differentiated into units with their own legal identities. State agencies, like subsidiary companies, are separate legal entities not under the common ownership or control of the State as a political unit. As separate legal entities, State agencies can be classified as business associates of one another. This relationship introduces another set of responsibilities for the covered entity.

2. Relationships between agencies of the State

Business Associates

A business association occurs when the right to use or disclose the protected health information belongs to the Covered Entity and a person (or organization), not a member of the workforce of the covered entity, performs, or assists in the performance of, a function or activity involving the use or disclosure of individually identifiable health information. There are numerous examples within State government of one State agency providing services for a separate agency. Specifically services like legal, actuarial, accounting, consulting, management, administrative accreditation, data aggregation, and financial services. For example, attorneys of the Justice Department represent and advise a wide variety of state departments, boards and commissions. This legal representation may require the use or disclosure of PHI.

The Regulations require a Business Associate contract. The contract must contain the provisions laid out in §164.504(e). Because some federal and state laws do not allow standard legal contracts among governmental entities, there is a modification in §164.504(3) allowing government agencies to use a Memorandum of Understanding (MOU) that contain the same provisions required of business associate contracts. Government agencies can also meet the requirements if law or regulations adopted by the covered entity or its business associate impose requirements on business associates consistent with the requirements specified for business associate contracts.

The contract must include provisions that the business associate protect the PHI, honor the individuals access rights and cooperate with the Secretary. More significantly, the regulations impose a duty on the covered State agency to obtain satisfactory assurances that the business associate will appropriately safeguard the information. And a covered entity is not in compliance if the covered entity knew of a pattern of activity or practice of the business associate that constituted a material breach or violation of the business associate's obligation under the contract or other arrangement. The implication here is that covered agencies will be liable for non-compliant actions of the business associate agencies. It is not clear whether ignorance of noncompliance will be an excuse.

3. Other covered entity designations

The business associate relationship does not describe all relationships between covered entities and other persons or organizations that involve health information. Uses or disclosures of protected health information are permitted for a variety of purposes. Circumstances of the use or disclosure dictate the triggering of HIPAA impact.

Joint Administration

Where a public agency is required or authorized by law to administer a health plan jointly with another entity, both are considered covered requiring full HIPAA compliance. The public entity may be required or authorized to administer the program with another public agency or with a private entity. These joint administrations are business associate relationships. Examples of joint administration include state and federal administration of the Medicaid and SCHIP program, or joint administration of a Medicare+Choice plan by the Centers for Medicare and Medicaid Services and the issuer offering the plan.

If an Agency other than the agency administering a program providing public health benefits (e.g., Medicaid, SCHIP) is only required to determine eligibility or enrollment, it is neither a Covered Entity nor a Business Associate.

Organized health care arrangements (OHCA)

East Carolina University and University Health Systems, the University of North Carolina (UNC) at Chapel Hill and UNC Health Care Systems, and NCG and Guilford County Mental Health are examples of the many instances where State health care delivery systems take advantage of public/private endeavors to enhance the delivery of care.

Flexible approaches to compliance for these kinds of complicated health care delivery systems are allowed in the HIPAA Regulations. OHCA involve clinical or operational integration among legally separate covered entities in which it is necessary that protected health information be shared not only for treatment but also for joint activities such as utilization review, quality assessment/ improvement, payment activities with shared financial risk, or management of the operations of the arrangement. Regardless of legal structure, a key component of these arrangements is that individuals

who obtain services from them have an expectation that these arrangements are integrated and their operations jointly managed. §164.501

Indirect Treatment Relationship

Like the hybrid entity concept, the addition of the Indirect Treatment Relationship eases the compliance requirements for referral, laboratory and medical services facilities. It is defined as a relationship between an individual and a health care provider in which: (1) The health care provider delivers health care to the individual based on the orders of another health care provider; and (2) The health care provider typically provides services or products, or reports the diagnosis or results associated with the health care, directly to another health care provider, who provides the services or products or reports to the individual. Covered providers in indirect treatment relationships are excepted from requirements that apply to other providers regarding obtaining consent or furnish a Notice of Privacy Practices unless there is a specific request from a patient (§164.520(2)). In addition, these indirect covered providers may elect to reach agreements with other entities to distribute their notice, or to participate in an organized health care arrangement that produces a joint notice. See § 164.520(d).

4. Other Legal Issues Pertinent to State Agencies

Exceptions to Uses and Disclosure Rules

Multiple State agencies are involved in the health care system in important ways beyond being a covered entity or business associate. Many are charged to promote, protect and enhance the health of citizens in ways that require access to PHI. Others provide inspection, testing or investigation to ensure the quality of the system. Cognizant of these important benefits to the public, provision is made in § 164.512 to allow uses and disclosures by covered entities of PHI without permission:

a). When required by law
b). To a Public health authority defined as an agency with granted authority, that is responsible for public health matters as part of its official mandate (e.g. CDC)
c). Concerning abuse, neglect or domestic violence
d). To a Health oversight agency defined as an agency or authority that is authorized by law to oversee the health care system or government programs in which health information is necessary to determine eligibility or compliance, or to enforce civil rights laws for which health information is relevant (e.g. FDA)
e). In judicial or administrative hearings
f). For law enforcement purposes
g). Regarding decedents
h). For tissue donations
i). For research purposes
j). To avert serious threat to health and safety
k). For specialized government functions including public benefit programs
l). For workers' compensation

Internships

Student involvement in internships and practicum experiences do not create provider or business associate status for the Colleges and Universities. In this situation, the student becomes a member of the workforce of the covered entity with which they are placed. (Workforce means employees, volunteers, trainees, and other persons whose conduct, in the performance of work for a covered entity, and is under the direct control of such entity, whether or not they are paid by the covered entity.) The student is subject to the policies and procedures of the entity. The training is part of the health care operations of the covered entity. (see 164.501).

Research

In the final privacy standards, the use of identifiable health information requires, depending on circumstances, consents or authorizations from the individual whose information is to be used. For research that involves treatment or other active medical intervention, the "... covered entity that creates protected health information for the purpose, in whole or in part, of research that includes treatment of individuals must obtain an authorization for the use or disclosure of such information." §164.505(f)

For research using PHI when authorization can be waived or altered, the requirements are different. To be considered for waiver or alteration, an Institutional Review Board (IRB) or Privacy Board (PB) must approve the research. The plan must satisfy the rules and protocols prescribed by DHHS and Office of Human Research Protections (OHRP) as well as have "... an adequate plan to destroy the identifiers at the earliest opportunity consistent with conduct of the research, unless there is a health or research justification for retaining the identifiers, or such retention is otherwise required by law" (Part 164.512(i)).

Reviews preparatory to research require notification of the IRB or PB. Under the Common rule, the pilot studies themselves are considered research and would generally require expedited or full review by the IRB. The case finding approach used for research involving treatment should be included in the IRB or PB research protocol. (Part 164.512(i)(ii))

Human Resources Department (HR)

Generally, when the principal purpose of HR is other than providing or paying the cost of health care, performing only enrollment, disenrollment and eligibility transactions for Department employees does not make HR either a covered entity or business associate of the State Employees Health Plan. These transactions are among the standard transactions addressed by HIPAA involving "...the transmission of information between two parties to carry out financial or administrative activities related to health care." Also, the functions do require access to Individually Identifiable Health Information and when transmitted by a covered entity, must be in standard form. However, the Secretary indicates that these functions, unless performed by an entity with an in-house health plan, do not bring the entity within the scope of HIPAA. The principal purpose of a HR department is other than providing or paying the cost of health care and enrollment functions are simply services provided to the participants (employees) of the health plan.

I.K General Assembly Decisions Needed

The State will need to make a decision on the following items in regard to the information presented in the Strategic Plan for Complying with Administrative Simplification:

1. What are the State's goals in regard to HIPAA?
2. Will the State provide funding for HIPAA?
3. Which Agencies can expect funding and what percentage of needed resources will be provided?
4. What is the State's approach for compliance in regard to the recommendations found in the Strategic Plan Executive Summary – Section I.F.4 (page 25)?

It is critical that the General Assembly and the Office of the Governor formally communicate to all impacted Agencies what their plans/forecast are for funding HIPAA as soon as possible. These plans will not only affect State Government but will also have impact for local government, the private sector, and the citizens of North Carolina. Where do the leaders of the State see Compliance with Administrative Simplification fitting into the State's overall priorities, and what will be the percentage of funds appropriated by the State for compliance efforts? Specifically, State Agencies need this information for short-term and long-term planning.

I.L Conclusion

The primary intent of the Strategic Plan is for it to serve as a framework to guide the State in developing and executing its future HIPAA initiatives. Due to the complexity of the HIPAA mandates and the broad range of activities performed by impacted State government entities, the HIPAA compliance efforts will necessitate a thoughtful approach to project management that effects continuous evolution of the implementation plan. The following activities are recommended for consideration throughout the compliance implementation process:

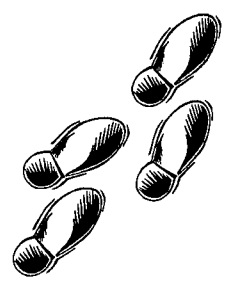
- Continuously refine and expand the base of business and technical information available to support implementation of effective HIPAA compliance measures.
- Diligently monitor the status of HIPAA regulations.
- Similarly, carefully monitor changes in State government's business environment.
- Evolve the Strategic Plan as a living document.
- Aggressively seek business and service improvement opportunities.
- Promote a shift in State government's corporate culture to embrace the HIPAA environment as a normal part of operations.

The State of North Carolina will face significant challenges in achieving HIPAA compliance, but will realize improvements in its overall health care related operations that will continuously enhance the level of service that State government is able to provide to its citizens.

The Approach to HIPAA

Rachel Stiles, HIPAA Coordinator
Pathways HIPAA Project

The Approach

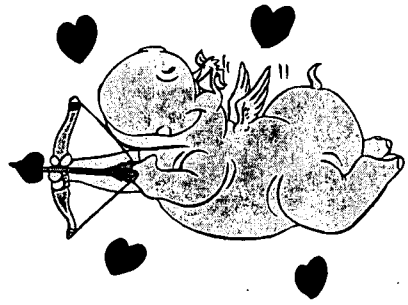


- **HIPAA Update**
- **The Steps**
  - **Understanding HIPAA**
  - **Baselining the Organization**
  - **Planning Compliance Strategies**
  - **Remediating the Organization**
  - **Validating Compliance**
  - **Maintaining Compliance**

HIPAA Update

- **Health Insurance Portability and Accountability Act**

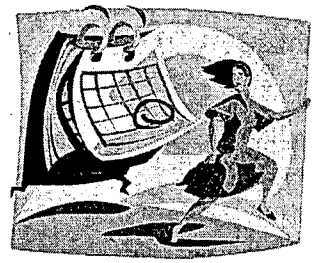
Public Law 104-191, 08/21/1996



What Does HIPAA Accomplish?

- **Guarantees Health Coverage When Job Changes**
- **Reduces Fraud and Abuse (Medicare/Medicaid)**
- **Administrative Simplification**
  - **Establishes national standards for:**
    - **Electronic (EDI) transactions**
    - **Security and privacy of health care information**
    - **Identifiers such as provider, payer and employer**
    - ***Improved efficiency of processing health care information***
  - **Ultimately should lower administrative overhead (currently estimated at $300 Billion per year nationwide)**
- **Preempts State Laws Unless More Stringent**

Timelines



- **Electronic Health Transactions Standards**
  - **October 16, 2002 -- or October 16, 2003 if compliance extension plan is submitted**
- **Privacy and Confidentiality Standards**
  - **April 16, 2003**
- **Other compliance dates not yet known -- including Security Standards and National Identifiers**

Ch-Ch-Ch-Changes (Already!)

- **March 27, 2002 - Privacy Rule Modifications Published - not yet finalized**
- **Future Revision/Modifications?**
  - **Electronic Transactions**
  - **Transaction and Code Set Standards for Electronic Transactions**

Understanding HIPAA

- **Education of HIPAA Coordinator**
- **Education of HIPAA Committee Members**
  - **Involves work in individual workgroups (EDI/TCI, Privacy and Security)**
- **Identify and Develop Awareness and Education for Area Program Staff**

Baselining the Organization

- **Conduct Gap Analysis**
  - **Where are we?**
    - **Review existing policies & procedures**
    - **Evaluate current IT infrastructure**
  - **What do we need to do?**
    - **Changes in policies & procedures**
    - **Changes in work processes**
    - **Develop Privacy Practice Notice.**
      - **and distribute to ALL consumers**

Planning Compliance Strategies

- **Design Solutions**
  - **How to implement in A/P work units**
- **Cost/Benefit Analysis**
  - **How much will it cost?**
    - **Training, changes in processes, changes in physical structures, IT changes, providing info to consumer**
- **Impact Analysis**
  - **The affect on the A/P as a whole, as well as individual work units, employees and consumers**
- **Prioritize Solutions**
  - **Begin with the most feasible**

Remediating the Organization

- **Apply Solutions**
  - **Pilot solutions in select units**
- **Test for Compliance**
- **Implement Solutions**
  - **Implement solutions throughout Area Program**

Validating Compliance

- **Develop Audit Process**
  - **Plan for certification and audit**
    - **Self-Verify compliance**
    - **Independently certify compliance**
- **Consult with Attorney**
- **Consult with Software Vendor**
- **Assurance of Compliance of Vendors, Providers and Business Associates**

Maintaining Compliance

- **Education & Awareness of Staff**
  - **New employee education and annual HIPAA training for all staff**
- **Ongoing Audit & Certification Process**
- **Manage Changes of HIPAA Requirements**

Summary

- Education ongoing
- Gap Analysis
  - Time Consuming
  - A lot of Unknowns
- Total Impact
  - Major
    - business practices
      - staff work processes
      - changes in IT security
      - changes in transmitting and receiving information related to payment
  - Costs Unknown

QUESTIONS?

MINUTES
Joint Appropriations Subcommittee on Information Technology
Tuesday, May 14, 2002

The Joint Appropriations Subcommittee on Information Technology met on Tuesday, May 14, 2002, in Room 1425 of the Legislative Building, and Senator Reeves presided. Eight committee members were present. Staff members present were Doug Holbrook, Fiscal Research Analyst; Peter Capriglione, Information Technology Analyst; and Margie Penven, Committee Assistant. A roster of visitors is attached as Exhibit 1, and a copy of the agenda is attached at Exhibit 2.

Senator Reeves called the meeting to order at 8:30 a.m. and introduced Ms. Karen Tomczak, HIPAA Compliance Director, Department of Health and Human Services, for her presentation. An outline of Ms. Tomczak's presentation, *HIPAA and the State FY 02-03*, is attached as Exhibit 3.

Representative Tolson asked for questions, and Senator Foxx asked for clarification on the implementation figures, which appeared to be lowered from $127 million to approximately $49.5 million. Ms. Tomczak said the cost figures had been deferred to a later fiscal year for the most part—not lowered. She said a few items had been lowered in DHHS, but she had not had enough time to address whether there would be lower costs on items in other agencies.

Representative Harrington asked for an explanation of what made up the $23.5 million in electronic transactions. He asked further whether temporary staff would be used to implement the changes. Ms. Tomczak said the major costs were to implement changes to put data into specified formats to submit claims and receive data back. She said the majority of the costs would be temporary, but since the program would be ongoing, some of the costs would never totally go away.

Representative Tolson asked Ms. Tomczak to poll the other agencies and get a new bottom line figure.

In regard to governance, Ms. Tomczak indicated that DHHS could not provide the level of state support needed to go forward. She advocated designating a separate authority to provide on-going direction, oversight, coordination, and reporting for State government and their interdependent partners in order to reasonably comply with the federal mandate. She emphasized that penalties and imprisonment could result from non-compliance. She also emphasized the point that Mr. Harry Reynolds had made in his presentation on May 7th—that *reasonable* compliance was required. She was worried that some agencies trying to interpret the regulations on their own would misconstrue what constituted *reasonable compliance* and go farther than necessary.

Senator Foxx questioned who would be liable for noncompliance with HIPAA. She pointed out that there were some agencies that had not even applied for their

automatic extensions. Ms. Tomczak replied that it is unclear who would be held accountable; the federal regulations do not speak to this issue yet.

Representative Baker asked what agencies had been considered to oversee HIPAA. Ms. Tomczak said the Controller and Auditor had been brought up because of the legal implications.

Representative Baker asked whether a new, free-standing agency had been considered. Representative Tolson replied in the negative.

Representative Harrington asked whether an office within the IT organization had been considered, and Ms. Tomczak said it was her personal opinion that it should be a non-IT agency because HIPAA is more a business issue than an IT issue.

Representative Walend asked what the timeline was in coming up with a HIPAA cost estimate for the budget, and Representative Tolson said the Senate was on a faster timeline than the House since the Senate would prepare its budget first and send it over to the House. He said the House could take more time to look at it.

Senator Foxx said she agreed with Ms. Tomczak that HIPAA was more business oriented than IT. Representative Harrington said he would like to hear from the IT Office.

Mr. George Bakolia, the State CIO of ITS was present and was recognized to speak. He said the HIPAA issue was far larger than Y2K with the one clear distinction that it was not going away. He said HIPAA was not an IT issue; IT was there to support the effort, but it was a business issue affecting all state government agencies and the private sector as well. He said he thought it would be best to outsource for governance or create a new entity.

In regard to the comments about HIPAA being more business than IT, Representative Harrington said it appeared that most of the actual cost and work had to do with security and transmission.

Mr. Bakolia said surely something of this magnitude should not go to one CIO.

Ms. Tomczak said the regulations and legal side of HIPAA were huge—especially the interpretation. She said business drove HIPAA, and IT was a piece of the result—not all of the result.

Representative Harrington said he wanted to avoid creating another big bureaucracy.

Representative Tolson said there would be cost savings at state and local level by coordinating statewide.

Representative Harrington asked about the potential for outside consulting.

Mr. Bakolia said they had created a request for information about IT services from the Gartner Group, an IT consulting firm, but discussions were not around governance.

Representative Tolson recognized Mr. Jim Johnson, Director of Fiscal Research with the General Assembly. Mr. Johnson said the Office of State Budget and Management under the Governor's Office was put in charge of governance by a special provision passed by the General Assembly last year.

Ms. Tomczak indicated that her organization had been making reports to and coordinating with the Office of State Budget and Management.

Representative Tolson said the committee would be getting together again soon to continue discussions before drafting recommendations, and he asked the committee to watch their e-mail for notices of meetings.

There being no further business, the meeting adjourned at 9:30 a.m.

Senator Eric Reeves
CoChair, presiding

Representative Joe P. Tolson
CoChair

Representative Russell E. Tucker
CoChair

Margie K. Penven
Committee Assistant

Attachments-3

Exhibit 1

VISITOR REGISTRATION SHEET

INFORMATION TECHNOLOGY 5-14-02
Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Karen Tomczak	NC DHHS
Tom Lewis	"
Rhonda Keyes	"
Gary Lewis	SHP
Jeff VanDyke	BST
Denny McGuire	ITS
Gary Hayes	ITS
Ben McLawhorn	OSC
Sharon Matthews	DOT - DMV
Lee Mandell	NCLM
Tracy Little	DOC
Linda Johnson	FRD
Danny Coates	ITS
George Millsaps	DOA
George Bakaris	ITS
Dwayne Pinkney	UNC
Jeanie Canale	DHHS
Rockie Abbott	Parker Poe
Charlie Smith	NC DVA
Mark Fleming	UNC System
Woody Yates	IRMC
Hugh Tilson	NCAHA
Alfred M. Mays	UNC OP/IR
Elizabeth Dalton	Roger Bome & Assoc

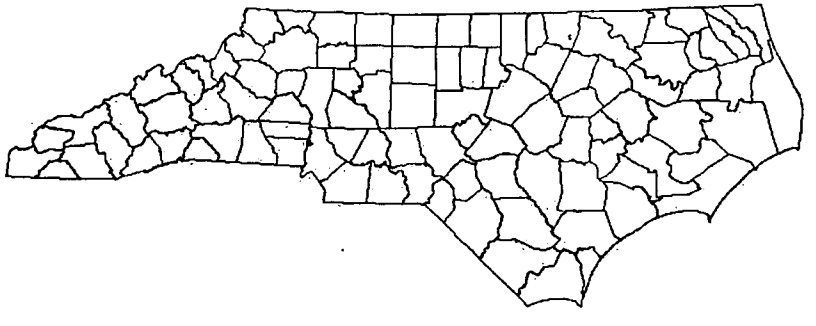
Agenda

Joint Appropriations Subcommittee on Information Technology

Tuesday, May 14, 2002
Room 1425

8:30	Welcome and Review Agenda	Chairs
8:45	NC HIPAA Agency Assessment and Budget Issues	Karen Tomczak HIPAA Compliance Director DHHS
9:30	HIPAA Governance Discussion	
9:45	Committee Discussion (Meeting Schedule)	
10:00	Adjourn	Chairs

HIPAA and the State FY 02-03



Agenda

- Strategic Plan
- Scope of Costs
- Proposal for Limited Scope
- Limited Scope Critical Budgetary Requirements
- Governance
- Centralized/Coordination Support

Exhibit 3

N.C. Strategic Plan for Complying with Administrative Simplification

Scope: Agencies, and representative number of 4 Universities, 6 Community Colleges, 12 Boards and Commissions

- Covered Entities - Providers, Health Plans, Clearinghouses
- Business Associates - Suppliers of HIPAA covered services

  - Department of Administration
  - Department of Correction
  - DHHS
  - ITS (only if state clearinghouse established)
  - ECU
  - UNC-CH
  - UNCG
  - State Health Plan (includes HealthChoice for Children)
  - UNC Health Care
  - Department of Justice
  - Office of the State Auditor
  - Office of the Controller

Assessment and Strategic Plan includes detail for each Agency and State:

Legal, Business, IT Assessment of Coverage

- Gap Analysis
- Compliance Strategy
- Total Costs for Compliance
- Schedule for Compliance
- Monthly Cash Flow Requirements
- Risks and Mitigation Strategies
- Efficiency Considerations

Scope of Costs in Strategic Plan

Cost Estimates Included for:

- DOA
- DOC
- DHHS
- ECU
- *ITS
- State Controller (Business Associate)
- State Health Plan
- UNC-CH
- UNCG
- UNC Health Care
- Non-State Operated Locals
- State HIPAA Office

*ITS will need funds only if it provides a clearinghouse service for the State

Cost Estimates Cover:

- All 4 Regulation Areas of HIPAA
- Implementation Costs
- Contingency Reserve
- Separate Annual On-going Costs
- Only includes Costs for 4 Universities fully assessed (i.e. included UNC Health Care for next FY)
- Limited support for Non-State Operated Locals (i.e. Training, Technical Assistance)
- Statewide Office proposal includes governance and centralized functions

Costs excluded from Totals:

- Other Universities that were not part of assessment
- UNC Health Care - Beyond next FY

Limited Compliance Scope for HIPAA due to Fiscal Environment

Pursue Next Fiscal Year - 2003

- Electronic Transactions & Code Sets - Assessment and Implementation with Federal extension
- Privacy - Assessment and Implementation
- Security Assessments
- Limited Support for Local Government
- Statewide Governance and Centralized Coordination of Compliance Efforts

Postpone to Subsequent FY

- Security Implementation – Rule not final, 2 years to comply
- Identifiers - Rule not final, 2 years to comply
- No Contingency Reserves
- State Clearinghouse - Customers and costs uncertain

Limited Scope Critical Requirements for FY03

Entity	Privacy	Security and Electronic Signature (Assessment Only)	Electronic Transactions - Including Code Sets	Identifiers	Total	Estimated Non-State Participation	Remaining Need	Available Funding Sources (Potential)
State Agencies								
Department of Administration	$ 23,292	$ 6,492	$ 22,252	$ -	$ 52,035	$52,035	$ 0	Vendor Responsible
Department of Correction	$ 221,127	$ -	$ 72,858	$ -	$ 293,984	$ -	$ 293,984	Operating Revenues
Dept of Health and Human Services	$ 9,366,314	$ 3,672,769	$ 23,565,167	$ -	$ 36,604,250	$ 12,688,357	$ 23,915,893	
Office of the State Controller	$ 8,185	$ -	$ -	$ -	$ 8,185	$ -	$ 8,185	
State Health Plan	$ 1,919,063	$ 33,596	$ 16,585,954	$ -	$ 18,538,613	$ 2,960,803	$ 15,577,810	Dependent Premiums
Subtotal	*$ 11,537,981*	*$ 3,712,856*	*$ 40,246,231*	*$ -*	*$ 55,497,068*	*$ 15,701,195*	*$ 39,795,873*	
Universities								
East Carolina University	$ 543,541	$ 138,763	$ 361,203	$ -	$ 1,043,507	$ -	$ 1,043,507	Fees, Revenues, Grants, Trusts
UNC Chapel Hill	$ 505,117	$ 96,187	$ 252,350	$ -	$ 853,654	$ -	$ 853,654	Fees, Revenues, Grants, Trusts
UNC Greensboro	$ 459,790	$ 91,097	$ 279,294	$ -	$ 830,181	$ 206,747	$ 623,434	Fees, Revenues, Trusts
UNC Health Care System	$ 679,350	$ -	$ -	$ -	$ 679,350	$ -	$ 679,350	Revenues, Grants, Trusts
Subtotal	*$ 2,187,798*	*$ 326,046*	*$ 892,847*	*$ -*	*$ 3,406,692*	*$ 206,747*	*$ 3,199,945*	
Other								
Statewide HIPAA Office	$ 1,824,164	$ 1,824,164	$ 1,824,164	$ -	$ 5,472,493	$ -	$ 5,472,493	
Non-State Operated Local Agencies	$ 538,587	$ -	$ 538,587	$ -	$ 1,077,174	$ -	$ 1,077,174	Taxes, Grants, Trusts, Revenues
Subtotal	*$ 2,362,751*	*$ 1,824,164*	*$ 2,362,751*	*$ -*	*$ 6,549,667*	*$ -*	*$ 6,549,667*	
Grand Total	**$ 16,088,530**	**$ 5,863,067**	**$ 43,501,830**	**$ -**	**$ 65,453,427**	**$ 15,907,942**	**$ 49,545,485**	

Governance

Governance Objective – Legislative and Executive Branches to assign or create a proper and practical authority to provide on-going direction, oversight, coordination, and reporting for State Government and their interdependent partners to reasonably comply with the Mandate.

Why should you consider HIPAA Compliance Governance?:

- One of the largest scale business and IT initiatives in history of State
- Multiple Agencies impacted
- Compliance efforts for Electronic Transactions, Privacy, Security directly and indirectly impact multiple business partners and IT technology projects
- Federally mandated deadline for compliance
- Risk of non-compliance audits resulting in penalties and imprisonment

Centralized Coordination/Support for HIPAA Compliance

Justification for Centralized Coordination

- 1 source for budgets, schedules, status
- Ensure Agencies file for extension
- Consistent legal interpretation of Rules
- Aggressively pursue other funding sources
- Avoid redundant efforts across the State
- Ensure reasonable compliance
- Economies of Scale– Security, MOUs, Policies, Procedure templates, etc.
- Work with Fiscal Agents to evaluate compliance strategy and cost estimates
- Coordinate w/ N.C. stakeholders, other States, and National organizations
- Availability of knowledge-base (i.e. HIPAA regulation technologies and expertise)
- Assessment/Implementation Support (i.e. Tools)
- Compliance verification

Functions of Centralized Coordination

- Create compliance deliverables for roll-out (tools, policies, procedures, templates, etc.)
- Statewide Master Schedule Monitoring
- Central Reporting
- Coordinate with Agencies
- Coordinate w/ Locals and Industry
- Work w/ OSBM–Budget Tracking
- Work w/ State Controller-Expenditures
- Work with Governor - Policy
- Work with IRMC for Standards
- Work with AG for Interpretation
- Work with OSP for Training
- Work with ITS for IT Architecture
- Work with Auditor for Validation

MINUTES
Senate Appropriations Subcommittee on Information Technology
Thursday, June 6, 2002

The Senate Appropriations Subcommittee on Information Technology met on Thursday, June 6, 2002, at 8:30 a.m. in Room 1425 of the Legislative Building with three members present. Senator Eric Reeves presided. Also present in an unofficial capacity were three members of the House Subcommittee on Information Technology. Staff members present were Doug Holbrook, Fiscal Research Analyst; Peter Capriglione, Information Technology Analyst; Mark Walters, Legislative Intern; and Margie Penven, Committee Assistant. A roster of visitors is attached as Exhibit 1, and a copy of the agenda is attached at Exhibit 2.

Senator Reeves called the meeting to order at 8:30 a.m. and introduced the State Controller, Mr. Robert Powell, for his presentation on "Implementing Computer Network Accounts."

Mr. Powell said last year's Appropriations Bill directed his office, working with the Office of State Budget and Management and the Information Technology Services Office, to conduct a study of, identify a definition for, and provide a mechanism to record networking costs for state government. He said Teresa Shingleton, who led the effort from his office, would be making a report to the committee. Also working on the report were Anne Bander, from the Office of State Budget and Management, and Steve Stoneman and George Bakolia, from Information Technology Services (ITS). He said they were fortunate in that the previous CIO of ITS, Mr. Ron Hawley, had established a group called NCNET that had done preliminary work on the project. He said he hoped the report would meet the expectations of the General Assembly.

Mr. Powell said the identified codes and account structure would be put into place on July 1, 2002, and would be reflected for the six-month period July 1 through December 31 on the Information Technology Expenditure Report, which is due the end of December. Mr. Powell said the final interim report had been submitted in December. He called on Ms. Teresa Shingleton to present the report and said he and the others involved would be available to answer questions. The report is attached as Exhibit 3.

Ms. Shingleton came forward and directed the committee's attention to Section 15.4(a) of the legislation that directed the report. (See Exhibit 4.)

Ms. Shingleton went over the report with the committee beginning with computer networking—wide-area networking, video, and other data-connectivity services. She said they had not captured the agencies' costs of local area networks, but rather, the cost of interconnectibility between the state agencies.

Senator Reeves asked for questions or comments from the committee and from interested or impacted groups outside of the committee. Being none, Senator Reeves said he had a comment and question. He said he had noticed from the third party contract reports that a lot of the LAN work was being done under personal service contracts. He said he had the

impression that there is more LAN work going on than WAN work. He wanted to know why they were not trying to capture the LAN detail also. He said that was something that he had expected when Section 15.4(a) was put into the budget last year.

Ms. Shingleton said she thought they were only looking at wide-area networking because the work fed off of the NCNET Committee, and the NCNET Committtee was just looking at enterprise-wide networking.

Mr. Stoneman said wide-area networking was something they could get their arms around and they could go ahead and crank it through ITS and MCNC. Local-area networks, on the other hand, is provided by many different contracts and vendors and some agencies provide it themselves with many different types of switches and hardware. He said trying to capture that type of information would be very problematic. He said it was something that they should go ahead and investigate but something that was going to have to be provided by each and every individual agency depending on how they do it. He added that they are doing it in many different ways.

Senator Reeves said he understood the difficulty of tracking the expenditures. He said an agency like DHHS operates statewide and has within their agency a blend of WAN people and LAN people. He said he understood what WAN and LAN meant, but he was not sure what they meant from the standpoint of expenditures and managing the networks within the agency. He said he applauded the efforts on getting the enterprise view because that had been a big drive of the Appropriations Subcommittee on IT for sometime; however, he said he was interested in trying to capture *all* the networking costs to the state. He said that in looking at all the consolidated figures since 1994, one of the largest areas of growth in the state was on telecommunications expenditures. He said if they were not going to get details in the LAN area, he was not sure how long-term fruitful the report would be. Senator Reeves said that before the long session began he would like to see some sort of plan on how they were going to start capturing those LAN costs?

Mr. Bridgeman recommended that the NCNET Committee conduct a feasibility study for getting that information and bringing it back to the subcommittee. Senator Reeves said that would be fine.

Mr. Bekolia said Senator Reeves had raised an excellent point. He said he had raised that issue when he first came on board. He said the truly major expenditures for the State are in the LAN distributed environment. He said it should be easy now to establish LAN costs because they have the codes and the processes established in the capture of WAN. He said all they would have to do is identify different accounting codes, and they are numbers that could easily be captured without training of any kind by any state agencies. He recommended looking at the LAN at the same time they are looking at the WAN.

Ms. Shingleton said accounts were now divided as WAN and non-WAN. She asked Mr. Stoneman if non-WAN meant LAN. She said they hadn't come up with a definition of LAN.

Senator Reeves said he didn't see how they could contract for WAN or LAN services and not have a definition for how to account for them.

Ms. Shingleton said they defined WAN as up to and including the router, but beyond that she didn't know whether all the rest of it would be LAN or whether it would stop at a particular point. Mr. Stoneman said the definition for WAN for the purpose of their exercise was the entrance to the physical building up to and including the piece of equipment called the router. He said LAN was all the way from the wall outlet to where the connection was provided to each PC within the building. Mr. Stoneman said there was very little WAN expertise within the agencies. He said there were many other communications networking connections such as dial-in access, remote access, DSL, or Road Runner; but the majority of the costs are WAN and LAN, which comprise about 95% of networking.

Senator Reeves said he and Representative Tolson chair the Legislature's Information Services Division Committee—a subcommittee on how the Legislature is managed—and the vast majority of the money spent on communications is on the local network. He said he wanted to applaud the efforts for getting where they are, but he wanted to urge them to go into more detail and capture all of the data so they would know what the state is spending on communications before January of 2003. He said the NCNET initiative was created because he and Representative Tolson began asking questions about the costs. He said they wanted to support the government in their desire to create an organic group to talk about this stuff, but he said they hadn't really seen a lot of results yet on getting the detailed costs that they would like to have.

Senator Reeves thanked the group for their presentation and asked whether there were other comments. There being none, he moved to the next item on the agenda—the AOC Warrant Repository Project—and asked Mr. Tom Andrews, General Counsel, Administrative Office of the Courts, to come forward.

Mr. Andrews said he appreciated the opportunity to share some things with the subcommittee. He said they were not there to ask for money or to ask for a vote on any legislation. He said they were there to share some good news about how they are using the information technology resources already at their disposal for two related projects in the area of criminal process. He said they were using technology to automate the process of issuing traffic citations and criminal warrants to make it more efficient, more effective, and less costly. He wanted to share with the committee legislation introduced in both houses on the recommendation of the Courts Commission that would put electronic process on the same legal footing as traditional paper process.

Mr. Andrews introduced the AOC's chief information officer, Mr. Cliff Layman, to make a PowerPoint presentation. A copy of that presentation is attached as Exhibit 5.

Mr. Layman said the advent of new technology is enabling the AOC to change the way they work, and he said it was important for legislators to understand that laws may have to be changed a little bit in order to adapt to the way technology is able to work for them. He said they had a couple of extremely innovate projects they were working on in the criminal justice community and especially in the court system.

The first was the E-Citation Project, which is a system designed to automate North Carolina's uniform citation process from the law enforcement officer's patrol vehicle all the

way to the court system. It is a collaborative partnership between criminal justice agencies at both the state and local level.

Under the present system, when someone is stopped for a traffic ticket on the highway, an officer has to handwrite a citation and then he has to get the citation to the courthouse. Depending on his schedule, the soonest that citation will get to the courthouse is the end of that business day, and sometimes it may be two or three days. Frequently people who are traveling through the state go to the courthouse to take care of the ticket before they go home, and there is often no record of it. When the clerks finally get the tickets from the patrol officers they have to key the information from the handwritten ticket into the computer system, and the quality of data entry is not perfect.

The new system allows the officer to enter the data on a mobile, wireless laptop computer in his car at the roadside. Edits are built into the system so it's hard for the officer to make a mistake. The citation is printed out for that exact citation and the defendant doesn't have to search through 27 different possible offenses to see what the infraction is. The citation is electronically transmitted through the state police switch to the AOC computer and is immediately on their mainframe and available for use. The data is transmitted directly to the court, and the court can print those tickets locally. The clerk does not have to re-key the information captured at the point of contact so it is accurate—no keying errors, and no one has to interpret the handwriting. Mr. Layman said they were working on an add-on to this project that will move the ticket right into the courtroom electronically so it does not even need to be printed electronically in the courthouse. He said this system will be faster, better, and cheaper

Before moving on to the next project, Senator Reeves pointed out that E-Citation has been in effect as a pilot project in Cumberland County for a number of years. He said that it was interesting to him from just a governance issue, that you have a technology solution that is cutting across agency boundaries that have been set up forever—the Highway Patrol, sheriffs, clerks of court, judges, and police agencies. He said there will be a net benefit gain for everybody, but initially the problem was that there was not enough agreement among all those groups to push this forward even faster. Senator Reeves said when he went to visit Cumberland County in the beginning the judges did not like the system because there wasn't a hard copy, and they were making their clerk print out the citations—like printing out your e-mails and putting them in a file—so the benefit of it wasn't really realized. They are now to the point that all are in agreement, and it is a very exciting time for the AOC to have something that goes all away across all of these agencies.

Mr. Layman said this was an extremely innovative program in North Carolina, and based on their analysis, they have not found any other law enforcement or criminal justice agency in the country using the same type of technology. Some law enforcement agencies are handing out parking tickets electronically, but citations on the road have not been attempted by any other state to their knowledge.

Mr. Layman said the second project that they are very proud of is one that is not only going to save time and money and be a better record system, it also has potential for saving the lives of law enforcement officers. He said the NCAWARE project is a statewide system for entering, communicating, serving, tracking, and archiving criminal processes such as

warrants and warrants for arrest. This, again, is a collaborative project between criminal justice agencies and both the state and local levels. It will allow judicial officials and law enforcement to have on-line access to warrants and orders for arrest across the entire state. After finding probable cause, a magistrate can compose, sign, and file a warrant electronically, and the warrant will exist in electronic form—there won't be a piece of paper. Traditionally at present you have to actually move that piece of paper physically from point A to point B to serve the warrant. Again, this is one of the key issues where technology has overtaken a traditional process, and it is much more efficient.

Mr. Layman went on to say that the NCAWARE system is going to reduce the time required to transport warrants across counties because it will be done electronically. He said some of the legislation that legislators will be looking at in the near future would provide the means to do that. One of the most important things will be providing mobile access to the processes by law enforcement officers across the state. Over 15,000 law enforcement agencies or individuals will be able to see the warrants. If they stop someone on the side of the road in the future, they are going to be able to see whether there is an outstanding warrant for that individual, and it may make a difference between life and death for an officer on the side of the road to have that capability. The identification of criminal suspects will be improved because there will be photo images on the warrants.

Mr. Layman said another advantage would be that all of the outstanding, unserved warrants would be available for service anywhere in the state, and they could be served whenever and wherever the defendant is taken into custody. This would help reduce jail time, again saving money and resulting in immediate updates. Also important, he said it would reduce the risk of improper arrests. For example, quite often warrants are served in one jurisdiction and another jurisdiction may not realize that warrant has been served yet, and then a person may be re-arrested who has been legally set free, thus opening up the state or local systems to lawsuits and other types of problems.

Mr. Layman said to make these electronic processes have the same legal effect as the traditional paper processes in terms of creating, signing, issuing, filing and transmitting, legislation will need to be passed to have the laws catch up with the technology.

In conclusion, Mr. Layman said the two new innovative systems would bring efficiency to both the court system and the criminal justice community and would save both money and lives.

Senator Reeves thanked Mr. Layman and asked Mr. Andrews if he would like to talk about the recently introduced legislation that come out of the Courts Commission.

Mr. Andrews distributed draft copies of Senate Bill 1257, introduced by Senator Odom on June 5, 2002, and its companion House Bill 1583, introduced by Representative Michaux on June 5, 2002. Senate Bill 1257 and House Bill 1583 are both entitled, "An Act to Establish the Legal Effect of the Use of Electronic Technology in Criminal Process and Procedure, as Recommended by the North Carolina Courts Commission," and they are attached as Exhibit 6 and 7, respectively.

As an overview of what the bills are trying to accomplish, Mr. Andrews said the key idea is to state as a matter of law that when things are done electronically, they have the same legal effect as if they were done by the traditional paper methods. To accomplish that, a number of terms which are found throughout the code of criminal procedure and criminal statutes are redefined, and it is stated a document may be issued electronically as well as by hand, or may be filed electronically as well as manually. He said an electronic signature is defined, and it is made clear that electronic signatures are as good as manual, handwritten signatures when they appear on a document.

Mr. Andrews went on to say the bills address electronic warrant repository and basically legalize the process that Mr. Layman described—that process may be composed, edited, signed, issued, filed and retained in this repository; and having been retained there, it may be printed on paper in any place in the state when it is needed to serve the defendant. If enacted, Mr. Andrews said the law would become effective next January 1, which is actually before the repository is fully effective and before the e-citations are statewide. He said it would, however, have some immediate benefit in that it will lay to rest for judges and others forever the question of whether when someone causes his or her signature to be printed on a document through the use of a computer, whether that document has really been signed. It will establish that the document is as signed when its done electronically as it is if it were done manually. He said the bills would also establish that the intermediate technology of faxing works as well for processing—that a faxed document is as good as an original of that document.

Mr. Andrews said this legislation would be good for both law enforcement and for civil liberties. For law enforcement it guarantees that if someone were charged with a serious crime in Avery County and were stopped at the roadside two days later on 42 outside of Pinetops, the officer would see the very warrant that was issued, know that it was outstanding, be able to print it, and could serve it on the defendant right then and there. It would also guarantee that when that happened the world would know it so that if that individual were released to go about his business, he wouldn't need to worry about being stopped, arrested, and put back in jail to make bail the second time. It would protect the citizen from unnecessary duplication in the arrest process, and it would give law enforcement a much more current and accurate database of all outstanding processes.

Senator Reeves said the legislation contained a lot of definitions, and the Commission made certain that all the definitions were consistent with all the definitions done in the last four years in those areas.

Senator Reeves recognized Senator Hagan for a question regarding time deadlines. She asked whether it was considered filed when it was sent or when it was received. Mr. Andrews said it would be considered filed when it was in the electronic repository—when the enter key had been pushed to upload the document. He said the deadlines were more of an issue on the civil side than on the criminal side, and at present this was all for criminal process. He said he would be coming back next year to ask the General Assembly for e-filing on the civil side.

Representative Tolson said he wanted to commend the AOC for the work they were doing, and he asked whether they had the funds to go statewide on the e-citations.

Mr. Layman said they were working with grant funds now, and they would be able to move it out with very low cost. He said they had purchased and own the software and most of the cost will be internal to the AOC in terms of training. He said there were costs associated with getting mobile data terminals in patrol cars throughout the state; but most of that had been done with the Highway Patrol through grant funds, and there would be very little state funding on this project. He said probably there would be some funding issues as they roll out across the state, but the Highway Patrol, at least, had those capabilities now.

Representative Tolson asked what the timetable was to have the program fully implemented, and Mr. Layman said they were in the process of developing a timetable but they were getting ready to move it out into a couple of new counties.

Senator Reeves thanked Mr. Andrews and Mr. Layman for their presentations and moved to the last item on the agenda. He asked Mr. Doug Holbrook from the Fiscal Staff to present his recommendations on the HIPAA Governance Special Provision (draft attached as Exhibit 8) that will be presented to the Budget Chairs, and he asked Mr. Holbrook to tell the subcommittee members why he was making those recommendations.

Mr. Holbrook said the purpose of writing the special provision was to establish a governance structure for implementation of HIPAA on the state level. He said there were about six state agencies covered under HIPAA because they have some involvement with the Division of Health Services. They range from the Department of Health and Human Services that has tremendous involvement up to the Department of Administration that might have involvement if there's a data warehouse. He said there needed to be a governance of the project at the state level to assure that stiff penalties do not fall upon the state for non-compliance with the act. He said based on the discussion the subcommittee had at the last meeting, the special provision was drafted to define and establish an office to be placed in the Department of Administration with powers and duties assigned to coordinate all communications with Washington relating to HIPAA. He said there was a federal rule-making process that required comment or allowed comments from the State level, and this office would coordinate the comments from North Carolina on any new federal rulemaking, and this office would be the repository of any legal interpretation.

Mr. Holbrook said there was concern that not only is it possible that some departments would fail to understand the requirements of the rules relating to HIPAA and not go far enough, but some might go actually go too far. So this office would be responsible for obtaining from the Institute of Government or the Attorney General's Office official answers on what constitutes "reasonable" compliance with HIPAA to prevent overextending. Also in the provision, responsibility would be assigned for administering the reserve fund, which was appropriated last year for HIPAA compliance, to make sure that money is used in proper ways. Similar to the IRNC, Mr. Holbrook said this office would have responsibility for approving any expenditure requests coming to the Office of State Budget related to HIPAA spending. An annual report would also be required on the state's status of compliance.

Senator. Reeves thanked Mr. Holbrook for his presentation and asked for questions from the committee.

Senator Reeves recognized Senator Hagan, and Senator Hagan directed the committee's attention to (3) on page 2 of the Special Provision Draft. She asked Mr. Holbrook to explain the wording allowing either the Attorney General *or* the Institute of Government to provide legal interpretations of federal rules pertaining to HIPAA compliance, implementation, and enforcement. Mr. Holbrook said that wording was there because the Attorney General and the Institute of Government both provide staffing and they have different expertise areas.

Senator Reeves said HIPAA is amazingly complex, especially from a rule-making and interpretation standpoint. He said the reason this committee ended up with this issue was because in March the HIPAA office was proposing a budget of $300 million. After several meetings on HIPAA, it was determined that the HIPAA experts in the state are at the Institute of Government and at the Attorney General's Office. He said there needs to be a consistency of interpretation throughout the enterprise, and one of the problems they noticed was that there is a process right now to extend a deadline from this October, and there was no coordination going on in the field. Some of the agencies were ready to make the application and some of them were not. Several states were making unified applications for an extension, and the HIPAA office in Washington upon receipt of a request was granting the extension. He said they were worried that one of our agencies might not file for an extension, so they wanted a coordination of efforts. He went on to say that there also seemed to be confusion about what the rules were, so they wanted this group to be able to contact Washington to determine the requirements.

In further response to Senator Hagan's question about why the wording, "from the North Carolina Institute of Government or the Attorney General's Office," Mr. Holbrook said there are HIPAA implications at both the state and local level. He said the Institute of Government typically is more involved in acting with local mental health agencies and county-level governments providing health services through contractual arrangements with the state than is the Attorney General's Office.

Senator Hagan said she was concerned that there might be differing opinions between the Institute of Government and the Attorney General's Office.

Senator Reeves said they could discuss the wording with the Attorney General's Office, but he said it was discussed with the people doing all the work and this language seemed to be workable.

Senator Reeves recognized Representative Miller for questions. Representative Miller asked how many people would be in the proposed office. Senator Reeves said the idea was that it would be one person, but it could be more.

Representative Miller asked if the cost of the office would be just the salary of the one person. Mr. Holbrook said there was an appropriated reserve currently in the Office of State Budget and Management that could remain there and be used, or a new appropriation could be sought.

Representative Miller asked whether it had been determined who would be responsible for overseeing HIPAA compliance outside of state government but inside North

Carolina. Senator Reeves said the subcommittee was only concerned and charged with dealing with the state's response on this. He said the committee would not be making rules relating to private hospitals.

Representative Miller asked who would handle those, and Senator Reeves said they were covered entities and would have to respond themselves.

Representative Miller asked who would determine whether they were in compliance, and Senator Reeves said that would be the Washington office's responsibility.

Senator Reeves said the chairs would go ahead and recommend the draft special provision to the budget chairs after Mr. Holbrook nailed down the issue between the Institute of Government and the Attorney General's Office.

The meeting adjourned at 9:30 a.m.

Senator Eric Reeves, Chair

Margie Penven, Committee Assistant

Attachments-8

Exhibit 1

VISITOR REGISTRATION SHEET

INFO. TECH
Name of Committee

6-6-03
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS	e-mail adr.
STEVE STONEMAN	ITS	STEVE.STONEMAN@
Cliff Laymon	AOC	CLIFF.LAYMON@AOC.STATE.NC.US
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Tom Lindsey	AOC	
Saundra Williams	NC Community College System	swilliams@nccces.cc.nc.us
Lee Mandell	NCLM, PO Box 3069, Raleigh 27602	lmandell@ncleague.org
Gwen Canady	OSC	gcanad@mail.osc.stat.nc.us
Teresa Shingleton	OSC	
Caroline Jackson	DHHS	
Denny Hendrix	DOT	
Bob Blackmon	NC Community College	
Terry Henderson	ACS	
Kenneth Craig	UNIVERSITY OF NORTH CAROLINA	
Ruth Sappie	NCDOT	
Richard Potter	AOC	
Ben McLawhorn	OSC	
BILL WADE	Lockheed Martin	
DENNY McGUIRE	ITS	
GEORGE BAKOLIA	ITS	
John Bowdish	Alley Associates	
Charles Frasley	OAG/LMIT	
[illegible]	Lockheed Martin	
Sol BURLINGTON	Booz Allen	
NIC HEINKE	NCEITA	
Christian Greve	State Senate Intern	

VISITOR REGISTRATION SHEET

Senate Approp on IT
Name of Committee

June 6, 2002
Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Dalton	Bond & Associates
Don McCorquodale	SAS
Ed Goldman	Parker Poe Goldman & Bernstein
Alfred Mays	UNC GA Info Resources
Barbara Canales	
John McKay	Gov Office
LORI FULLER	AGD
Woody Yates	IRMC
Susan Coward	NCDOT
Margaret McNary	Gov. Office
DL Derr	BellSouth
Sally Hunter	OSBM
Jeff Rau	
John McKnight	gov's office

Exhibit 2

Agenda
Senate Appropriations Subcommittee on Information Technology

Thursday, June 6, 2002
Room 1425

8:30	Welcome and Review Agenda	Sen. Eric Reeves, Chair
8:35	Implementing New Computer Network Accounts	Robert Powell, State Controller Teresa Shingleton, Office of State Controller
9:00	AOC Warrant Repository Project	Tom Andrews, General Counsel Cliff Layman, Chief Information Officer
9:30	HIPAA Governance Special Provision	Committee Discussion
10:00	Adjourn	

COMPUTER NETWORKING COSTS/TELECOMMUNICATIONS SERVICE BILLING FOR STATE AGENCIES

SECTION 15.4.(a) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall adopt a common definition for computer networking costs. The definition shall include a specific and detailed list of the separate components that comprise overall networking costs. These agencies shall define a process to capture all such costs without redundancy.

SECTION 15.4.(b) The Office of the State Controller, the Office of State Budget and Management, and the Office of Information Technology Services shall complete the definition by December 15, 2001. By January 1, 2002, the agencies shall provide an interim report to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology on the process to capture networking costs, with a final report by May 1, 2002.

SECTION 15.4.(c) The Office of State Personnel, in conjunction with the Office of Information Technology Services, shall devise a mechanism for identifying, by specific industry-relevant categories, State information technology positions across all relevant classifications in State government employment. The Office of State Personnel shall identify the results of market analyses comparing State information technology workers with private sector information technology workers. By January 1, 2002, the Office of State Personnel shall report on the results of the market analyses and its identification of State information technology personnel to the Joint Select Committee on Information Technology and to the Chairs of the House of Representatives Appropriations Subcommittee on Information Technology and the Senate Appropriations Committee on Information Technology.

SECTION 15.4.(d) The Office of Information Technology Services shall accurately identify and present State agencies with detailed information on the cost of the ITS services for telecommunications data and video services. The bill should clearly indicate the usage and the rate for the service.

SECTION 15.4.(e) By January 15, 2002, the Office of State Budget and Management shall conduct a detailed and comprehensive study of the costs of all information technology networks operated by or for the Administrative Office of the Courts and report the results of the study to the Joint Select Committee on Information Technology.

Requested by: Senators Reeves, Hagan, Miller, Plyler, Odom, Lee; Representatives Tolson, Tucker, Russell, Miner, Easterling, Oldham, Redwine, Thompson

State of North Carolina
Office of the State Controller

Michael F. Easley, Governor

Robert L. Powell, State Controller

May 1, 2002

MEMORANDUM

TO: The Honorable Eric Reeves
Senate Appropriations Committee on Information Technology, Chair
Joint Select Committee on Information Technology, Co-Chair

The Honorable Joe Tolson
House Appropriations Subcommittee on Information Technology, Co-Chair
Joint Select Committee on Information Technology, Co-Chair

The Honorable Russell Tucker
House Appropriations Subcommittee on Information Technology, Co-Chair

FROM: Robert Powell, State Controller
David McCoy, State Budget Officer
George Bakolia, Chief Information Officer

SUBJECT: Final Report -- Implementing New Computer Networking Accounts

In the 2001 Appropriations Bill, section 15.4(a) and 15.4(b) "Computer Networking Costs/Telecommunications Service Billing for State Agencies," the Legislature directed the Office of the State Controller (OSC), the Office of State Budget and Management (OSBM), and the Office of Information Technology Services (ITS) to adopt a common definition for computer networking costs and to define a process to capture all such costs. As reported to you in an interim report on December 14, 2001, "Defining and Capturing Computer Networking Costs," our offices have defined computer networking and have identified the major cost categories.

Computer Networking is wide area networking (WAN), video, and data connectivity services that are provided up to and including the router at a particular end user site, excluding Local Area Networks (LANs).

Four major cost categories make up computer networking costs.

A) Network Service Providers Expenses – Purchased Services

These are the services provided by "value added resellers." For many state agencies, the "reseller" is ITS that provides state networking services to a wide number of governmental entities. This category also includes payments to Internet Service Providers for those entities that contract directly. For the UNC System, this category includes payments to MCNC. For the network providers, primarily ITS, this category includes the charges paid to other network service providers for services and facilities. Detail accounts within this category are

MAILING ADDRESS
1410 Mail Service Center
Raleigh, NC 27699-1410

Telephone: (919) 981-5454
Fax Number: (919) 981-5567
State Courier: 56-50-10
Website: www.osc.state.nc.us

LOCATION
3512 Bush Street
Raleigh, NC

An Equal Opportunity/Affirmative Action/Americans With Disabilities Employer

- 532812 Telecommunications Data Charge - to record data transmission costs (WAN charges) such as shared data charges, point-to-point data charges, and NCREN Gateway internet fees.
- 532816 Video Transmission Charge - to record video transmission costs such as NCIH charges.
- 532817 Internet Service Provider Charge - to record dial-up or direct service link costs when the service is provided by a non-state entity (e.g. AOL, RoadRunner, GTE, Earthlink).

B) WAN Hardware, Software, and Tools

These are the costs incurred for hardware, software, and tools associated with wide area network management. It includes lease, rental, purchases, maintenance, and other expenses. Detail accounts within this category are

- 532442 Maintenance Agreement for WAN Software - to record costs of a maintenance agreement on wide area network software.
- 532444 Maintenance Agreement for WAN Equipment - to record costs of a separate maintenance agreement on wide area network equipment. The maintenance agreement is not part of an equipment lease agreement.
- 532445 Maintenance Agreement for Video Transmission Equipment - to record costs of a separate maintenance agreement on video transmission equipment. The maintenance agreement is not part of an equipment lease agreement.
- 532531 Rent/Lease of WAN Equipment - to record charges for wide area network data processing equipment including software and maintenance as set forth in a rent/lease agreement.
- 532532 Rent/Lease of Video Transmission Equipment - to record charges for video transmission equipment including software and maintenance as set forth in a rent/lease agreement.
- 534531 WAN Equipment Purchases - to record charges for wide area network data processing equipment including bundled software.
- 534532 Video Transmission Equipment Purchases - to record charges for video transmission equipment including bundled software.
- 534712 WAN Computer Software Purchases- to record charges for software purchased separately from a wide area network equipment purchase.

C) Wide Area Network Direct Support Expenses

These costs cover the personnel who support the wide area network and work (either directly or as contractors) for the state network service providers. Personnel costs include staff directly involved in supporting the wide area network, such as technicians and network administrators. Contracted service cost is captured in the following account

- 532141 WAN Support Services - to record services purchased from independent contractors and/or external organizations for analyzing, designing, implementing, and/or supporting a wide area network.

No detail accounts exist to capture state employee salary costs in supporting a wide area network. Salary expense accounts are based on position status, such as time-limited, temporary, exempt, or subject to the State Personnel Act. The salary accounts do not indicate the type of work performed by a staff position and revamping the account structure based on type of work performed is not cost effective.

Only network service providers are expected to have significant state employee salary costs for wide area network support. ITS, Administrative Office of the Courts (AOC), and the Department of Justice (DOJ) are network service providers. ITS identifies wide area

network related salary costs through their cost center structure. In its recent studies of AOC and DOJ, OSBM has identified the positions supporting wide area networking at both of these agencies. ITS, AOC, and DOJ can provide this cost data as needed.

OSC is working with UNC General Administration to determine if the UNC System has material costs to report in this category.

D) Indirect Support Expenses (Overhead)

These are the indirect costs associated with A, B, and C above. Therefore, this category includes indirect personnel costs, indirect facilities charges, and indirect wide area network hardware and software expenses. These charges cannot be allocated to a particular activity and, therefore, are typically spread across all costs – referred to as overhead. Indirect expenses may be charged to multiple accounts throughout the statewide chart of accounts.

Only network service providers are expected to have significant overhead costs for wide area network support. ITS, Administrative Office of the Courts (AOC), and the Department of Justice (DOJ) are network service providers. ITS identifies wide area network related overhead costs through their cost center structure. In its recent studies of AOC and DOJ, OSBM devised a methodology for both of these agencies to calculate overhead costs. ITS, AOC, and DOJ can provide this cost data as needed.

OSC is working with UNC General Administration to determine if the UNC System has material costs to report in this category.

Since issuing the interim report, our offices have completed the following tasks:

- Assigned North Carolina Accounting System (NCAS) codes to the new networking accounts
- Informed agencies of the new NCAS codes and the requirement to begin posting to the new codes by July 1.
- Trained OSBM staff on the new NCAS account codes.
- Notified ITS billing staff to update the ITS billing codes to reflect the new NCAS accounts.

In the upcoming weeks, our staff will continue to assist agencies in transitioning to these new codes so that networking costs will be readily available within the statewide chart of accounts beginning with fiscal year 2003 activity. The OSC Information Technology Expenditures report covering July 1 through December 31, 2002 activity will report networking costs separately from other information technology costs.

Please contact any of our offices if additional information is needed.

cc: CIO Council, Chief Fiscal Officers

Joint Appropriations Sub-Committee
On Information Technology

Administrative Office of the Courts

June 6, 2002

Cliff Layman, CIO
Tom Andrews, AOC General Counsel

Topics of Discussion

- E-Citation
- Warrant Repository (NCAWARE)
- Proposed Legislation

E-Citation

- A system designed to automate the North Carolina Uniform Citation process, from a law enforcement officer's patrol vehicle all the way to the courts.
- A collaborative initiative of the Criminal Justice Information Network (CJIN), partnering agencies at the state and local levels:

State Agencies:	Local Agencies:
AOC	Sheriffs
NC SHP	Local Police
DMV	Clerks of Superior Court
Others (Wildlife Enforcement, ALE)	

E-Citation

The Citation Process - Now

Officer hand-writes a citation at roadside. → Hardcopy citations are sent to the Clerk of Superior Court. → Clerk manually collects citations, assigns case numbers, and creates case files. →

→ Clerk keys citation data into AOC's Automated Criminal/Infraction System (ACIS) from the hand-written citation. → ... and keys ... → After all data entry is complete, citation cases are filed away for their court dates.

A process of **DAYS**, with redundant data entry.

E-Citation

The Citation Process- with E-Citation

Officer creates the electronic citation on a laptop computer, at roadside.

→

While still at roadside, the defendant's hardcopy citation is printed in the car and handed to the defendant.

→

→

Citation data is transmitted from the officer's car, directly to the AOC mainframe.

→

Next day: The Clerk prints an entire day's citations in one batch.

→

→

Clerk stamps the electronically-assigned file numbers on the case files, and files the cases away for their court dates.

A process of **MINUTES**, with no duplication of work.

E-Citation Benefits

- Faster
  - Faster citation production in the patrol car
  - Immediate citation data transfer from officer to the courts
- Better
  - No more handwriting interpretation
  - Increases record accuracy (the data that the officer entered becomes the court record)
  - Increases court efficiency when court dates are more legible to the defendants
  - Improved audit capability; fewer sources of information, more easily accessed
  - Easier for defendant since only relevant information is printed
- Cheaper
  - Reduced recurring material costs (i.e. citation books)
  - Fewer personnel hours consumed by the citation process

NCAWARE
Description and Purpose

- A statewide, web-based system for entering, communicating, serving, tracking, and archiving criminal processes. Will simplify the process of determining outstanding processes by providing a complete and effective statewide repository including Warrants and Orders for Arrest, while providing automation of criminal processes to all public safety personnel in all counties of North Carolina.
- A collaborative initiative of state and local agencies consisting of:

Local Agencies:	State Agencies:
Local Police	AOC
Clerks of Superior Court	SBI/DCI
Magistrates	
District Court Judges	
District Attorneys	
Sheriff Departments	

Technology

- All Judicial Officials and Law Enforcement have on-line access
- After magistrate finds probable cause, magistrate will compose sign, issue, and file the warrant electronically
- Warrant will exist only in electronic form until copy is needed for service
- Printed in paper form, anywhere
- Officer makes his/her return electronically

NCAWARE Benefits

- Reduce and/or eliminate the time required to transport warrants across counties providing immediate access of officers to processes (enabled by electronic signature legislation)
- Mobile access to processes by NC Law Enforcement Officers improving public safety and providing heightened protection of the lives of 15,000 LEO's
- Reduce the occurrence of multiple apprehensions of the same individual due to previous service of warrants not being communicated adequately
- Improved identification of criminal suspects through the improved use of photo images

NCAWARE Advantages

- All outstanding unserved warrants are available immediately for service
- Warrants can be served whenever and wherever defendant is taken into custody
- Reduces jail-time
- Immediate update
- Reduces risk of improper arrest

Proposed Legislation
Main Features

- Electronic process has the same legal effect as traditional paper process for:
  - Creating
  - Signing
  - Issuing
  - Filing
  - Transmitting
- No change in legal requirements for:
  - Valid issuance or service of process; or
  - For valid arrest

Joint Appropriations Sub-Committee

On Information Technology

Administrative Office of the Courts

June 6, 2002

Cliff Layman, CIO

Tom Andrews, AOC General Counsel

Proposed Legislation Summary
Section 1

- Provides new definition of commonly used terms so as to include electronic means
- Definitions apply throughout code of criminal procedure and all related GS Chapters

Proposed Legislation Summary
Section 1 (Cont'd)

- New terms defined
  - Copy
  - Document
  - Electronic
  - Electronic Repository
  - Electronic Signature
  - Enter
  - Filing and Filed
  - Issued
  - Original
  - Signature, Signed

Proposed Legislation Summary
Section 2

- Adds a new section GS 15A-301.1 to Article 17 of Code of Criminal Procedure
- Authorizes and directs AOC to create electronic repository
- Allows process to be created, signed, issued, filed electronically, and retained in electronic form

Proposed Legislation Summary
Section 2 (Cont'd)

- Allows for filing after a process issue in paper form
- Allows any process in electronic repository to be printed anywhere, delivered, and served on defendant
- Sets requirements for tracking paper copies and entering service information
- Clarifies when an electronic warrant becomes a public record
- Plus miscellaneous provisions

Proposed Legislation Summary
Section 3

- Makes conforming changes
- Preserves all existing paper procedures for paper process
- Recognizes electronic procedures for electronic processes
- Specifies procedures for recalling process

Proposed Legislation Summary
Section 4

- Effective Date: January 1, 2003
- Act will provide clarification before electronic repository is operational

Joint Appropriations Sub-Committee

On Information Technology

Administrative Office of the Courts

June 6, 2002

Cliff Layman, CIO

Tom Andrews, AOC General Counsel

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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

S

SENATE DRS6827-RVz-18* (04/26)

Short Title: Electronic Criminal Process. (Public)

Sponsors: Senator Odom.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE LEGAL EFFECT OF THE USE OF ELECTRONIC TECHNOLOGY IN CRIMINAL PROCESS AND PROCEDURE, AS RECOMMENDED BY THE NORTH CAROLINA COURTS COMMISSION.

The General Assembly of North Carolina enacts:

SECTION 1. Article 1 of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-101.1. Electronic technology in criminal process and procedure.**

As used in this Chapter, in Chapter 7A of the General Statutes, in Chapter 15 of the General Statutes, and in all other provisions of the General Statutes that deal with criminal process or procedure:

(1) "Copy" means all identical versions of a document created or existing in paper form, including the original and all other identical versions of the document in paper form.

(2) "Document" means any pleading, criminal process, subpoena, complaint, motion, application, notice, affidavit, commission, waiver, consent, dismissal, order, judgment or other writing intended in a criminal or contempt proceeding to authorize or require an action, to record a decision or to communicate or record information. The term does not include search warrants. A document may be created and exist in paper form or in electronic form or in both forms.

(3) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, Internet or similar capabilities.

(4) "Electronic Repository" means an automated electronic repository for criminal process created and maintained pursuant to G.S. 15A-301.1.

(5) "Electronic signature" means any electronic method of signing a document that meets each of the following requirements:

a. Identifies and authenticates a particular person as the signer of the document, is unique to the person using it, is capable of certification, and is under the sole control of the person using it.

b. Is attached to or logically associated with the document in such a manner that if the document is altered in any way without authorization of the signer, the signature is invalidated.

c. Indicates that person's intent to issue, enter or otherwise authenticate the document.

(6) "Entered" means signed and filed in the office of the clerk of superior court of the county in which the document is to be entered. A document may be entered in either paper form or electronic form.

(7) "Filing" or "filed" means:

a. When the document is in paper form, delivering the original document to the office where the document is to be filed. Filing is complete when the original document is received in the office where the document is to be filed.

b. When the document is in electronic form, creating and saving the document, or transmitting it, in such a way that it is unalterably retained in the electronic records of the office where the document is to be filed. A document is "unalterably retained" in an electronic record when it may not be edited or otherwise altered except by a person with authorization to do so. Filing is complete when the document has first been unalterably retained in the electronic records of the office where the document is to be filed.

(8) "Issued" applies to documents in either paper form or electronic form. A document that is first created in paper form is issued when it is signed. A document that is first created in electronic form is issued when it is signed, filed in the office of the clerk of superior court of the county for which it is to be issued, and retained in the Electronic Repository.

(9) "Original" means:

a. A document first created and existing only in paper form, bearing the original signature of the person who signed it. The term also includes each copy in paper form that is printed through the facsimile transmission of the copy bearing the original signature of the person who signed it.

b. A document existing in electronic form, including the electronic form of the document and any copy that is printed from the electronic form.

(10) "Signature" means any symbol, including but not limited to the name of an individual, which is executed by that individual, personally or

through an authorized agent, with the intent to authenticate or to effect the issuance or entry of a document. The term includes an electronic signature. Each signature shall include the full first and last name, and any middle initial, of the individual. A document may be signed by the use of any manual, mechanical or electronic means that causes the individual's signature to appear in or on the document. Any party challenging the validity of a signature shall have the burden of pleading, producing evidence and proving the following:

a. The signature was not the act of the person whose signature it appears to be.

b. If the signature is an electronic signature, the requirements of subdivision (5) of this section have not been met."

SECTION 2. Article 17 of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-301.1. Electronic Repository.**

(a) The Administrative Office of the Courts shall create and maintain, in cooperation with State and local law enforcement agencies, an automated electronic repository for criminal process (hereinafter referred to as the Electronic Repository), which shall comprise a secure system of electronic data entry, storage and retrieval that provides for creating, signing, issuing, entering, filing and retaining criminal process in electronic form, and that provides for the following with regard to criminal process in electronic form:

(1) Tracking criminal process.

(2) Accessing criminal process through remote electronic means by all authorized judicial officials and employees and all authorized law enforcement officers and agencies that have compatible electronic access capacity.

(3) Printing any criminal process in paper form by any authorized judicial official or employee or any authorized law enforcement officer or agency.

The Administrative Office of the Courts shall assure that all electronic signatures effected through use of the system meet the requirements of G.S. 15A-101.1(5).

(b) Any criminal process may be created, signed and issued in electronic form, filed electronically in the office of a clerk of superior court, and retained in electronic form in the Electronic Repository.

(c) Any process that was first created, signed and issued in paper form may subsequently be filed in electronic form and entered in the Electronic Repository by the judicial official who issued the process or by any person authorized to enter it on behalf of the judicial official. All copies of the process in paper form are then subject to the provisions of subsections (i) and (k) of this section.

(d) Any criminal process in the Electronic Repository shall be part of the official records of the clerk of superior court of the county for which it was issued, and shall be maintained in the office of that clerk as required by G.S. 15A-301(a).

(e) Any criminal process in the Electronic Repository may, at any time and at any place in this State, be printed in paper form and delivered to a law enforcement agency or officer by any judicial official, law enforcement officer or other authorized person.

(f) When printed in paper form pursuant to subsection (e) of this section, any copy of a criminal process in the Electronic Repository confers the same authority and has the same force and effect for all other purposes as the original of a criminal process that was created and exists only in paper form.

(g) Service of any criminal process in the Electronic Repository may be effected by delivering to the person to be served a copy of the process that was printed in paper form pursuant to subsection (e) of this section.

(h) The tracking information specified in subsection (i) of this section shall promptly be entered in the Electronic Repository when one or both of the following occurs:

(1) A process is first created, signed and issued in paper form and subsequently entered in electronic form in the Electronic Repository as provided in subsection (c) of this section.

(2) A copy of a process in the Electronic Repository is printed in paper form pursuant to subsection (e) of this section.

(i) The following tracking information shall be entered in the Electronic Repository in accordance with subsections (c) and (h) of this section:

(1) The date and time when the process was printed in paper form.

(2) The name of the law enforcement agency by or for which the process was printed in paper form.

(3) If available, the name and identification number of the law enforcement officer to whom any copy of the process was delivered.

(j) The service requirements set forth in subsection (k) of this section shall apply to:

(1) Each copy of a criminal process that is first created in paper form and subsequently entered into the Electronic Repository as provided in subsection (c) of this section.

(2) Each copy of a criminal process in the Electronic Repository that is printed in paper form pursuant to subsection (e) of this section.

(k) Service Requirements for Process Entered in the Electronic Repository. – The copy of the process shall be served not later than 24 hours after it has been printed. The date, time and place of service shall promptly be recorded in the Electronic Repository and shall be part of the official records of the court. If the process is not served within 24 hours, that fact shall promptly be recorded in the Electronic Repository and all copies of the process in paper form shall be destroyed. The process may again be printed in paper form at later times and at the same or other places. Subsection (f) of this section applies to each successively printed copy of the process.

(l) A law enforcement officer or agency that does not have compatible remote access to the Electronic Repository shall promptly communicate, by any reasonable means, the information required by subsection (k) of this section to the clerk of superior

court of the county in which the process was issued or to any other person authorized to enter information into the Electronic Repository, and the information shall promptly be entered in the Electronic Repository.

(m) Failure to enter any information as required by subsection (i) or (k) of this section does not invalidate the process, nor does it invalidate service or execution made after the period specified in subsection (k) of this section.

(n) A warrant created and existing only in paper form is returned within the meaning of G.S. 132-1.4(k) when it is returned as provided in G.S. 15A-301(d). A warrant that exists only in electronic form in the Electronic Repository is returned within the meaning of G.S. 132-1.4(k), when the information specified in subsection (k) of this section is first entered in the Electronic Repository."

SECTION 3. G.S. 15A-301 reads as rewritten:

"**§ 15A-301. Criminal process generally.**

(a) Formal Requirements. –

(1) A record of each criminal process issued in the trial division of the General Court of Justice must be maintained in the office of the ~~clerk.~~ clerk in either paper form or in electronic form in the Electronic Repository as provided in G.S. 15A-301.1.

(2) Criminal process, other than a citation, must be signed and dated by the justice, judge, magistrate, or clerk who issues it. The citation must be signed and dated by the law-enforcement officer who issues it. Each signature shall include the full name of the signer, spelled out in legible characters.

(b) To Whom Directed. – Warrants for arrest and orders for arrest must be directed to a particular officer, a class of officers, or a combination thereof, having authority and territorial jurisdiction to execute the process. A criminal summons must be directed to the person summoned to appear and must be delivered to and may be served by any law-enforcement officer having authority and territorial jurisdiction to make an arrest for the offense charged, except that in those instances where the defendant is called into a law-enforcement agency to receive a summons, any employee so designated by the agency's chief executive officer may serve a criminal summons at the agency's office. The citation must be directed to the person cited to appear.

(c) Service. –

(1) A law-enforcement officer or other employee designated as provided in subsection (b) receiving ~~criminal process~~ for service or execution a criminal process that was first created and exists only in paper form must note thereon the date and time of its receipt. A law enforcement officer receiving a copy of a criminal process that was printed in paper form as provided in G.S. 15A-301.1 shall cause the date of receipt to be recorded as provided in that section. Upon execution or service, a copy of the process must be delivered to the person arrested or served.

(2) A corporation may be served with criminal summons as provided in G.S. 15A-773.

(d) Return. –

(1) The officer or other employee designated as provided in subsection (b) who serves or executes a criminal process that was first created and exists only in paper form must enter the date and time of the service or execution on the process and return it to the clerk of court in the county in which issued. The officer or other employee designated as provided in subsection (b) of this section who serves or executes a copy of a criminal process that was printed in paper form as provided in G.S. 15A-301.1 shall promptly cause the date of the service or execution to be recorded as provided in that section.

(2) If criminal process that was created and exists only in paper form is not served or executed within a number of days indicated below, it must be returned to the clerk of court in the county in which it was issued, with a reason for the failure of service or execution noted thereon.

a. Warrant for arrest – 180 days.

b. Order for arrest – 180 days.

c. Criminal summons – 90 days or the date the defendant is directed to appear, whichever is earlier.

(3) Failure to return the process to the clerk as required by subdivision (2) of this subsection does not invalidate the process, nor does it invalidate service or execution made after the period specified in subdivision (2).

(4) The clerk to which return of a criminal process that was created and exists only in paper form is made may redeliver the process to a law-enforcement officer or other employee designated as provided in subsection (b) for further attempts at service. If the process is a criminal summons, he may reissue it only upon endorsement of a new designated time and date of appearance.

(e) Copies to Be Made by Clerk. –

(1) The clerk may make a certified copy of any criminal process that was created and exists only in paper form filed in his office pursuant to subsection (a) when the original process has been lost or when the process has been returned pursuant to subdivision (d)(2). The copy may be executed as effectively as the original process whether or not the original has been redelivered as provided in G.S. 15A-301(d)(4).

(2) When criminal process is returned to the clerk pursuant to subdivision (d)(1) and it appears that the appropriate venue is in another county, the clerk must make and retain a certified copy of the process and transmit the original process to the clerk in the appropriate county.

(3) Upon request of a defendant, the clerk must make and furnish to him without charge one copy of every criminal process filed against him.

(4) Nothing in this section prevents the making and retention of uncertified copies of process for information purposes under G.S. 15A-401(a)(2) or for any other lawful purpose.

(f) Protection of Process Server. – An officer or other employee designated as provided in subsection (b), and serving process as provided in subsection (b), receiving under this section or under G.S. 15A-301.1 criminal process which is complete and regular on its face may serve the process in accordance with its terms and need not inquire into its regularity or continued validity, nor does he incur criminal or civil liability for its due service.

(g) Recall of Process – Authority. – A criminal process that has not been served on the defendant, other than a citation, shall be recalled by a judicial official or by a person authorized to act on behalf of a judicial official as follows:

(1) A warrant or criminal summons shall be recalled by the issuing judicial official when that official determines that probable cause did not exist for its issuance.

(2) Any criminal process other than a warrant or criminal summons may be recalled for good cause by any judicial official of the trial division in which it was issued. Good cause includes, without limitation, the fact that:

a. A copy of the process has been served on the defendant.

b. All charges on which the process is based have been disposed.

c. The person named as the defendant in the process is not the person who committed the charged offense.

d. It has been determined that grounds for the issuance of an order for arrest did not exist, no longer exist or have been satisfied.

(3) The dismissal of all charges on which a process is based shall effect the recall, without further action by the court, of that process and of all other outstanding process issued in connection with the charges, including all orders for arrest issued for the defendant's failure to appear to answer the charges.

When the process was first created and exists only in paper form, the recall shall promptly be communicated by any reasonable means to each law enforcement agency known to be in possession of the original or a copy of the process, and each agency shall promptly return the process to the court, unserved. When the process is in the Electronic Repository, the recall shall promptly be entered in the Electronic Repository, and no further copies of the process shall be printed in paper form. The recall shall also be communicated by any reasonable means to each agency that is known to be in possession of a copy of the process in paper form and that does not have remote electronic access to the Electronic Repository."

SECTION 4. This act becomes effective January 1, 2003, and applies to all acts done on and after that date.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

H 1583 D

HOUSE DRH6407-RVz-18A (04/26)**

Short Title: Electronic Criminal Process. (Public)

Sponsors: Representative Michaux.

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE LEGAL EFFECT OF THE USE OF ELECTRONIC TECHNOLOGY IN CRIMINAL PROCESS AND PROCEDURE, AS RECOMMENDED BY THE NORTH CAROLINA COURTS COMMISSION.

The General Assembly of North Carolina enacts:

SECTION 1. Article 1 of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-101.1. Electronic technology in criminal process and procedure.**

As used in this Chapter, in Chapter 7A of the General Statutes, in Chapter 15 of the General Statutes, and in all other provisions of the General Statutes that deal with criminal process or procedure:

(1) "Copy" means all identical versions of a document created or existing in paper form, including the original and all other identical versions of the document in paper form.

(2) "Document" means any pleading, criminal process, subpoena, complaint, motion, application, notice, affidavit, commission, waiver, consent, dismissal, order, judgment or other writing intended in a criminal or contempt proceeding to authorize or require an action, to record a decision or to communicate or record information. The term does not include search warrants. A document may be created and exist in paper form or in electronic form or in both forms.

(3) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, Internet or similar capabilities.

(4) "Electronic Repository" means an automated electronic repository for criminal process created and maintained pursuant to G.S. 15A-301.1.

(5) "Electronic signature" means any electronic method of signing a document that meets each of the following requirements:
a. Identifies and authenticates a particular person as the signer of the document, is unique to the person using it, is capable of certification, and is under the sole control of the person using it.
b. Is attached to or logically associated with the document in such a manner that if the document is altered in any way without authorization of the signer, the signature is invalidated.
c. Indicates that person's intent to issue, enter or otherwise authenticate the document.

(6) "Entered" means signed and filed in the office of the clerk of superior court of the county in which the document is to be entered. A document may be entered in either paper form or electronic form.

(7) "Filing" or "filed" means:
a. When the document is in paper form, delivering the original document to the office where the document is to be filed. Filing is complete when the original document is received in the office where the document is to be filed.
b. When the document is in electronic form, creating and saving the document, or transmitting it, in such a way that it is unalterably retained in the electronic records of the office where the document is to be filed. A document is "unalterably retained" in an electronic record when it may not be edited or otherwise altered except by a person with authorization to do so. Filing is complete when the document has first been unalterably retained in the electronic records of the office where the document is to be filed.

(8) "Issued" applies to documents in either paper form or electronic form. A document that is first created in paper form is issued when it is signed. A document that is first created in electronic form is issued when it is signed, filed in the office of the clerk of superior court of the county for which it is to be issued, and retained in the Electronic Repository.

(9) "Original" means:
a. A document first created and existing only in paper form, bearing the original signature of the person who signed it. The term also includes each copy in paper form that is printed through the facsimile transmission of the copy bearing the original signature of the person who signed it.
b. A document existing in electronic form, including the electronic form of the document and any copy that is printed from the electronic form.

(10) "Signature" means any symbol, including but not limited to the name of an individual, which is executed by that individual, personally or

through an authorized agent, with the intent to authenticate or to effect the issuance or entry of a document. The term includes an electronic signature. Each signature shall include the full first and last name, and any middle initial, of the individual. A document may be signed by the use of any manual, mechanical or electronic means that causes the individual's signature to appear in or on the document. Any party challenging the validity of a signature shall have the burden of pleading, producing evidence and proving the following:

a. The signature was not the act of the person whose signature it appears to be.

b. If the signature is an electronic signature, the requirements of subdivision (5) of this section have not been met."

SECTION 2. Article 17 of Chapter 15A of the General Statutes is amended by adding a new section to read:

"**§ 15A-301.1. Electronic Repository.**

(a) The Administrative Office of the Courts shall create and maintain, in cooperation with State and local law enforcement agencies, an automated electronic repository for criminal process (hereinafter referred to as the Electronic Repository), which shall comprise a secure system of electronic data entry, storage and retrieval that provides for creating, signing, issuing, entering, filing and retaining criminal process in electronic form, and that provides for the following with regard to criminal process in electronic form:

(1) Tracking criminal process.

(2) Accessing criminal process through remote electronic means by all authorized judicial officials and employees and all authorized law enforcement officers and agencies that have compatible electronic access capacity.

(3) Printing any criminal process in paper form by any authorized judicial official or employee or any authorized law enforcement officer or agency.

The Administrative Office of the Courts shall assure that all electronic signatures effected through use of the system meet the requirements of G.S. 15A-101.1(5).

(b) Any criminal process may be created, signed and issued in electronic form, filed electronically in the office of a clerk of superior court, and retained in electronic form in the Electronic Repository.

(c) Any process that was first created, signed and issued in paper form may subsequently be filed in electronic form and entered in the Electronic Repository by the judicial official who issued the process or by any person authorized to enter it on behalf of the judicial official. All copies of the process in paper form are then subject to the provisions of subsections (i) and (k) of this section.

(d) Any criminal process in the Electronic Repository shall be part of the official records of the clerk of superior court of the county for which it was issued, and shall be maintained in the office of that clerk as required by G.S. 15A-301(a).

(e) Any criminal process in the Electronic Repository may, at any time and at any place in this State, be printed in paper form and delivered to a law enforcement agency or officer by any judicial official, law enforcement officer or other authorized person.

(f) When printed in paper form pursuant to subsection (e) of this section, any copy of a criminal process in the Electronic Repository confers the same authority and has the same force and effect for all other purposes as the original of a criminal process that was created and exists only in paper form.

(g) Service of any criminal process in the Electronic Repository may be effected by delivering to the person to be served a copy of the process that was printed in paper form pursuant to subsection (e) of this section.

(h) The tracking information specified in subsection (i) of this section shall promptly be entered in the Electronic Repository when one or both of the following occurs:

(1) A process is first created, signed and issued in paper form and subsequently entered in electronic form in the Electronic Repository as provided in subsection (c) of this section.

(2) A copy of a process in the Electronic Repository is printed in paper form pursuant to subsection (e) of this section.

(i) The following tracking information shall be entered in the Electronic Repository in accordance with subsections (c) and (h) of this section:

(1) The date and time when the process was printed in paper form.

(2) The name of the law enforcement agency by or for which the process was printed in paper form.

(3) If available, the name and identification number of the law enforcement officer to whom any copy of the process was delivered.

(j) The service requirements set forth in subsection (k) of this section shall apply to:

(1) Each copy of a criminal process that is first created in paper form and subsequently entered into the Electronic Repository as provided in subsection (c) of this section.

(2) Each copy of a criminal process in the Electronic Repository that is printed in paper form pursuant to subsection (e) of this section.

(k) Service Requirements for Process Entered in the Electronic Repository. – The copy of the process shall be served not later than 24 hours after it has been printed. The date, time and place of service shall promptly be recorded in the Electronic Repository and shall be part of the official records of the court. If the process is not served within 24 hours, that fact shall promptly be recorded in the Electronic Repository and all copies of the process in paper form shall be destroyed. The process may again be printed in paper form at later times and at the same or other places. Subsection (f) of this section applies to each successively printed copy of the process.

(l) A law enforcement officer or agency that does not have compatible remote access to the Electronic Repository shall promptly communicate, by any reasonable means, the information required by subsection (k) of this section to the clerk of superior

court of the county in which the process was issued or to any other person authorized to enter information into the Electronic Repository, and the information shall promptly be entered in the Electronic Repository.

(m) Failure to enter any information as required by subsection (i) or (k) of this section does not invalidate the process, nor does it invalidate service or execution made after the period specified in subsection (k) of this section.

(n) A warrant created and existing only in paper form is returned within the meaning of G.S. 132-1.4(k) when it is returned as provided in G.S. 15A-301(d). A warrant that exists only in electronic form in the Electronic Repository is returned within the meaning of G.S. 132-1.4(k), when the information specified in subsection (k) of this section is first entered in the Electronic Repository."

SECTION 3. G.S. 15A-301 reads as rewritten:

"**§ 15A-301. Criminal process generally.**

(a) Formal Requirements. –

(1) A record of each criminal process issued in the trial division of the General Court of Justice must be maintained in the office of the ~~clerk.~~ clerk in either paper form or in electronic form in the Electronic Repository as provided in G.S. 15A-301.1.

(2) Criminal process, other than a citation, must be signed and dated by the justice, judge, magistrate, or clerk who issues it. The citation must be signed and dated by the law-enforcement officer who issues it. Each signature shall include the full name of the signer, spelled out in legible characters.

(b) To Whom Directed. – Warrants for arrest and orders for arrest must be directed to a particular officer, a class of officers, or a combination thereof, having authority and territorial jurisdiction to execute the process. A criminal summons must be directed to the person summoned to appear and must be delivered to and may be served by any law-enforcement officer having authority and territorial jurisdiction to make an arrest for the offense charged, except that in those instances where the defendant is called into a law-enforcement agency to receive a summons, any employee so designated by the agency's chief executive officer may serve a criminal summons at the agency's office. The citation must be directed to the person cited to appear.

(c) Service. –

(1) A law-enforcement officer or other employee designated as provided in subsection (b) receiving ~~criminal process~~ for service or execution a criminal process that was first created and exists only in paper form must note thereon the date and time of its receipt. A law enforcement officer receiving a copy of a criminal process that was printed in paper form as provided in G.S. 15A-301.1 shall cause the date of receipt to be recorded as provided in that section. Upon execution or service, a copy of the process must be delivered to the person arrested or served.

(2) A corporation may be served with criminal summons as provided in G.S. 15A-773.

(d) Return. –

(1) The officer or other employee designated as provided in subsection (b) who serves or executes a criminal process that was first created and exists only in paper form must enter the date and time of the service or execution on the process and return it to the clerk of court in the county in which issued. The officer or other employee designated as provided in subsection (b) of this section who serves or executes a copy of a criminal process that was printed in paper form as provided in G.S. 15A-301.1 shall promptly cause the date of the service or execution to be recorded as provided in that section.

(2) If criminal process that was created and exists only in paper form is not served or executed within a number of days indicated below, it must be returned to the clerk of court in the county in which it was issued, with a reason for the failure of service or execution noted thereon.

a. Warrant for arrest – 180 days.

b. Order for arrest – 180 days.

c. Criminal summons – 90 days or the date the defendant is directed to appear, whichever is earlier.

(3) Failure to return the process to the clerk as required by subdivision (2) of this subsection does not invalidate the process, nor does it invalidate service or execution made after the period specified in subdivision (2).

(4) The clerk to which return of a criminal process that was created and exists only in paper form is made may redeliver the process to a law-enforcement officer or other employee designated as provided in subsection (b) for further attempts at service. If the process is a criminal summons, he may reissue it only upon endorsement of a new designated time and date of appearance.

(e) Copies to Be Made by Clerk. –

(1) The clerk may make a certified copy of any criminal process that was created and exists only in paper form filed in his office pursuant to subsection (a) when the original process has been lost or when the process has been returned pursuant to subdivision (d)(2). The copy may be executed as effectively as the original process whether or not the original has been redelivered as provided in G.S. 15A-301(d)(4).

(2) When criminal process is returned to the clerk pursuant to subdivision (d)(1) and it appears that the appropriate venue is in another county, the clerk must make and retain a certified copy of the process and transmit the original process to the clerk in the appropriate county.

(3) Upon request of a defendant, the clerk must make and furnish to him without charge one copy of every criminal process filed against him.

(4) Nothing in this section prevents the making and retention of uncertified copies of process for information purposes under G.S. 15A-401(a)(2) or for any other lawful purpose.

(f) Protection of Process Server. – An officer or other employee designated as provided in subsection (b), and serving process as provided in subsection (b), receiving under this section or under G.S. 15A-301.1 criminal process which is complete and regular on its face may serve the process in accordance with its terms and need not inquire into its regularity or continued validity, nor does he incur criminal or civil liability for its due service.

(g) Recall of Process – Authority. – A criminal process that has not been served on the defendant, other than a citation, shall be recalled by a judicial official or by a person authorized to act on behalf of a judicial official as follows:

(1) A warrant or criminal summons shall be recalled by the issuing judicial official when that official determines that probable cause did not exist for its issuance.

(2) Any criminal process other than a warrant or criminal summons may be recalled for good cause by any judicial official of the trial division in which it was issued. Good cause includes, without limitation, the fact that:

a. A copy of the process has been served on the defendant.

b. All charges on which the process is based have been disposed.

c. The person named as the defendant in the process is not the person who committed the charged offense.

d. It has been determined that grounds for the issuance of an order for arrest did not exist, no longer exist or have been satisfied.

(3) The dismissal of all charges on which a process is based shall effect the recall, without further action by the court, of that process and of all other outstanding process issued in connection with the charges, including all orders for arrest issued for the defendant's failure to appear to answer the charges.

When the process was first created and exists only in paper form, the recall shall promptly be communicated by any reasonable means to each law enforcement agency known to be in possession of the original or a copy of the process, and each agency shall promptly return the process to the court, unserved. When the process is in the Electronic Repository, the recall shall promptly be entered in the Electronic Repository, and no further copies of the process shall be printed in paper form. The recall shall also be communicated by any reasonable means to each agency that is known to be in possession of a copy of the process in paper form and that does not have remote electronic access to the Electronic Repository."

SECTION 4. This act becomes effective January 1, 2003, and applies to all acts done on and after that date.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

DRAFT
SPECIAL PROVISION

2002-GEN-S4

General

Requested by: Senator

HIPAA GOVERNANCE STRUCTURE

SECTION #.(a) Chapter 143 of the General Statutes is amended by adding the following new Article to read:

"Article 36B

"North Carolina Office of

Health Insurance Portability and Accountability Act (HIPAA) Compliance and Implementation.

"**§ 143-346.1. North Carolina Office of Health Insurance Portability and Accountability Act (HIPAA) Compliance and Implementation established.**

(a) Definitions. As used in this Article, unless the context clearly requires otherwise, the term:

(1) 'Director' means the Director of the Office.

(2) 'HIPAA' means the Health Insurance Portability and Accountability Act of 1996, and amendments thereto.

(3) 'Office' means the North Carolina Office of Health Insurance Portability and Accountability Act (HIPAA) Compliance and Implementation.

(b) Office established. There is established the North Carolina Office of Health Insurance Portability and Accountability Act (HIPAA) Compliance and Implementation. The Office is established in the Department of Administration for organizational and budgetary purposes only and shall exercise all of its statutory powers in this Article independent of control by the Department of Administration. The purpose of the Office is to monitor and oversee statewide implementation of and State agency compliance with requirements of the federal Health Insurance Portability and Accountability Act (HIPAA) of 1996, and amendments thereto. All State agencies shall comply with directives and requests made by the Office for the purpose of ensuring State compliance with federal law and regulations promulgated under HIPAA. The Governor shall appoint the Director of the Office.

(c) Powers and duties. The Office shall have the following powers and duties:

(1) Initiating and responding to all correspondence between the State and the United States government on all matters relating to HIPAA.

(2) Coordinating official State comments on proposed federal regulations and the federal rulemaking process pertaining to HIPAA.

(3) Obtaining from the North Carolina Institute of Government or the North Carolina Attorney General legal interpretations of federal rules pertaining to HIPAA compliance, implementation, and enforcement.

(4) Administering funds from the State's Reserve for HIPAA Compliance, as established in Section 6.11 of S.L. 2001-424.

(5) Contracting for consultative and other professional services, as needed to carry out the responsibilities of the Office.

(6) Reviewing State agency requests for funding to comply with HIPAA requirements. State agencies shall submit requests for funding to the Director for review prior to submission to the Office of State Budget and Management.

(d) Reports. The Director of the Office shall submit a report of its activities by May 1 of each year to the Senate Appropriations Committee on Health and Human Services, the House of Representatives Appropriations Subcommittee on Health and Human Services, and the Fiscal Research Division of the Legislative Services Office."

SECTION #.(b) The Reserve for Health Insurance Portability and Accountability Compliance as established in Section 6.11 of S.L. 2001-424 is transferred to the Office of Health Insurance Portability and Accountability Act Compliance and Implementation.

MINUTES
Senate Appropriations Subcommittee on Information Technology
Tuesday, June 11, 2002

The Senate Appropriations Subcommittee on Information Technology met at 10:00 a.m. on Tuesday, June 11, 2002, in Room 1027 of the Legislative Building. Two Senate members were present, and Senator Reeves presided. Staff members present were Doug Holbrook, Fiscal Research Analyst, and Peter Capriglione, Information Technology Analyst. A roster of visitors is attached as Exhibit 1, and a copy of the agenda is attached at Exhibit 2.

Senator Reeves called the meeting to order and said there were only two proposals to look at—a Special Provision to the Budget (Exhibit 3) and an ITS Rate Reduction (Exhibit 4). He asked Mr. Doug Holbrook to explain them.

Mr. Holbrook said the Special Provision before the committee, "Electronic Procurement and State Information Technology Procurement by the Secretary of Administration," combined a couple of different activities in terms of organizational movement. He said the statutes related to electronic procurement would be modified to make clear that the Department of Administration would be responsible for the development and maintenance of electronic procurement in consultation with the State Controller's Office, the Office of Information Technology, and other State agencies. The statute would make it clear that the responsibility of the Office of Information Technology Services would be to act as the application service provider and actually do the work of keeping the computer running as well as performing the technical side of running e-procurement. The provision would also require that the Department of Administration comply with the standards of the Information Resource Management Commission in performing IT activities.

Mr. Holbrook went on to say that the provision would move responsibility for information technology procurement from the Office of Information Technology Services to the Department of Administration without implying where within the department it should be moved. IT procurement would simply be assigned to the direction of the Secretary, basically bringing back all procurement responsibilities to the Department of Administration rather than having one sub-set of procurement off by itself in another agency. In all cases the State CIO would be available and would be directed to assist the Department of Administration in making any decisions in an advisory or consulting capacity.

Mr. Holbrook said the provision would also require the CIO to report to the DOA and to Gov Ops on any activities relating to electronic procurement.

Senator Reeves explained the reason for the provision coming forth. He said several years ago when Senate Bill 222 was passed, the standard across the country was to move IT purchasing out of the established way and get it over to the IT shops because there was a feeling that the Departments of Administration were purchasing technology

in much the same way they would purchase a chair. The problem that occurred from moving it over to ITS is that ITS is using and contracting all at the same time, and therefore, there is no check and balance. He said he thought there was a lot of wisdom in how it used to be, so the provision before the committee would move it back to DOA. He said there would be oversight, however, as to the rules on how DOA purchases IT because it should not be cumbersome; it should be as quick as possible, but it should have the checks and balances.

Senator Reeves said the governance of technology within the state is very fragmented, and one of the goals is to get the controls in place so the IT infrastructure can be better managed. He said in the last budget, the General Assembly amended the Executive Budget Act and inserted the State's Chief Information Officer into the budget before going to the Budget Office. Sen. Reeves said he felt like the change in the Executive Budget Act puts the CIO in a position to start managing the purchasing and the strategy; therefore, he said it made sense to have the Department of Administration doing the functions of purchasing for a check and balance.

Senator Reeves asked for questions and recognized Senator Foxx.

Senator Foxx asked whether the presumption wouldn't be that the function would go to Purchase and Contract, even though the provision does not tell the Secretary of Administration where to put it, since Purchase and Contract is in the Department of Administration. Senator Foxx asked whether it might be a stand-alone operation.

Senator Reeves said he did not feel comfortable making that decision for the Secretary; he wanted to provide the Secretary flexibility. He said there was an obvious need a short time ago to separate IT from the rest of procurement because IT is just different than a lot of other things. Senator Reeves said the Secretary of Administration could make a determination as to the best way to handle it within her organization. He said it was not something he felt qualified to recommend to the Secretary.

Senator Foxx asked whether there is a reporting back mechanism, and Mr. Holbrook said the final page of the provision required reporting to the Governmental Operations Committee.

Senator Foxx asked Senator Reeves whether he thought they should report to his oversight committee, and he said he didn't see the need.

Senator Foxx moved to approve the Special Provision, and the motion carried unanimously.

Senator Reeves asked Mr. Holbrook to explain the numbers within the budget.

Mr. Holbrook said the Governor's proposed budget contained a 7.5 percent rate reduction for ITS amounting to $2.4 million. That reduction would require a reduction in the ITS internal service fund, which would result in reductions across State agencies. In

conversation with the State Budget Office, Mr. Holbrook said a rate reduction of between ten and eleven percent was an available option as well, so the $2.4 million was elevated to $3.4 million at the direction of the Appropriations Chairs, with a check off from State Budget, to reflect an approximately eleven percent rate reduction for ITS.

Mr. Holbrook said this is something of a double cut because it reduces the General Service Fund at ITS, and it also reduces the IT budget of every agency that contracts for services at ITS.

Senator Reeves asked Mr. George Bakolia, CIO, whether he had any comments on the proposals.

Mr. Bakolia said his conversations with the Budget Office up until the preceding week had been that the recommendation was going to be seven percent, and that was acceptable to him. He said eleven percent was not a figure he felt they could afford.

Senator Foxx made a motion to approve the recommendation, and the motion carried unanimously.

The meeting was adjourned at 10:10 a.m.

Senator Eric Reeves, Chair

Margie Penven

Margie Penven, Committee Assistant

Exhibit 1

VISITOR REGISTRATION SHEET

INFOMATION + TECHNOGY — 6-11-02
Name of Committee — Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS E-mail adr.
Lee Mandell	NCLM, PO Box 3069, Raleigh 27602, lmandell@nclm.org
Bob Rhinehardt	DOA P&C
John Leaston	DOA P&C
George Bakolia	ITS
Sharon Hayes	ITS
WENDY KUHN	ITS
Ed TURLINGTON	Brooks Pierce
Ben McLawhorn	OSC
Cliff Layman	AOC
Caroline Jackson	DHHS
Christian Greve	Senate Intern
Gwynn T. Swinson	Dept. of Administration
Carlton Myrick	DOA
Smitty Locklear	DOA - MLS
Doris Weaver	NC CWA Political Council
Robert Powell	OST

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
Patti Bowers	ITS
Paul Meyer	NLACC
Ken Melton	Alley Associates
Susan Valauri	Nationwide
Mike Muirhead	NC DOT
Danny Gates	ITS

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK.

NAME	FIRM OR AGENCY AND ADDRESS
Gary Hayes	ITS

Exhibit 2

Agenda
Senate Appropriations Subcommittee on Information Technology
Thursday, June 11, 2002
Room 1027
10:00 a. m.

Welcome	Senator Eric Reeves, Chair
Special Provision	Mr. Doug Holbrook, Staff
ITS Rate Reduction	Mr. Doug Holbrook, Staff

PART XXV. INFORMATION TECHNOLOGY

Special Provision 2002-IT-S1-P [v12], Modified 6/8/02 6:59 PM
Requested by: Senator Reeves, Plyler, Odom, Lee

ELECTRONIC PROCUREMENT AND STATE INFORMATION TECHNOLOGY PROCUREMENT BY SECRETARY OF ADMINISTRATION

SECTION #.(a) G.S. 143-48.3(a) reads as rewritten:

"(a) The Department of Administration ~~and the~~ shall develop and maintain electronic or digital standards for procurement. The Department of Administration shall consult with the Office of the State Controller, ~~in conjunction with~~ the Office of Information Technology Services (ITS), the Department of State Auditor, the Department of State Treasurer, The University of North Carolina General Administration, the Community Colleges System Office, and the Department of Public ~~Instruction shall collaborate to develop electronic or digital procurement standards.~~Instruction."

SECTION #.(b) G.S. 143-48.3(c) reads as rewritten:

"(c) The Department of Administration shall utilize the Office of Information Technology Services ~~shall act~~ as an Application Service Provider for an electronic procurement ~~system and shall establish, manage, and~~ system. The Office of Information Technology Services shall operate this electronic procurement system, through State ownership or commercial leasing, in accordance with the requirements and operating standards developed by the Department of ~~Administration, the Office of the State Controller, and ITS.~~Administration and the financial reporting and accounting procedures of the Office of the State Controller."

SECTION #.(c) G.S. 143-48.3 is amended by adding a new subsection to read:

"(a1) The Department of Administration shall comply with the State government-wide technical architecture for information technology, as required by the Information Resources Management Commission."

SECTION #.(d) G.S. 143-129(e)(7) is repealed.

SECTION #.(e) Part 4 of Article 3D of Chapter 147 of the General Statutes, being G.S. 147-33.95 through G.S. 147-33.103, is repealed.

SECTION #.(f) G.S. 147-33.82(a) reads as rewritten:

"(a) The Office of Information Technology Services shall:

~~(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.~~

(1a) Assist the Department of Administration specifically, and State agencies generally, with technological review and cost analysis relative to the State's information technology needs.

(1b) Establish processes, specifications, and standards relating to information technology that assist the Department of Administration to purchase, license, or lease information technology for State agencies.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.
(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.
(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.
(5) Assure that State agencies implement and manage information technology portfolio-based management of State information technology resources, in accordance with the direction set by the State Chief Information Officer.
(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.
(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.
(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.
(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.
(10) Maintain the confidentiality of trade secrets, test data, similar proprietary information, and security information protected under G.S. 132-6.1(c)."

SECTION # .(g) G.S. 147-33.82(b) reads as rewritten:

"(b) ~~Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office.~~ Local governmental entities may use the information technology services and programs offered by the Office, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. ~~Local governmental entities are not required to comply with otherwise applicable competitive bidding requirements when using contracts established by the Office.~~ Any other State entities may also use the information technology ~~programs, services, or contracts~~ services and programs offered by the ~~Office, including~~

~~information technology procurement,~~ Office in accordance with the statutes, policies, and rules of the Office."

SECTION #.(h) G.S. 147-33.82(e) reads as rewritten:

"(e) The State Chief Information Officer shall submit the enterprise-wide set of standards for the State's information technology security to the Information Resources Management Commission for approval. The Information Resources Management Commission shall report approval of the standards to the Department of Administration and to the Joint Legislative Commission on Governmental Operations prior to implementation of the standards. The State Chief Information Officer shall review and revise the standards at least annually, and the revisions shall be subject to approval by the Information Resources Management Commission, with the Commission reporting to the Joint Legislative Commission on Governmental Operations on the revisions."

Senate Subcommittee on Information Technology

Information Technology Services

INTERNAL SERVICE FUND

FY 02-03

Budget Changes

1	**ITS Rate Reduction** Reduction in ITS service rates charged on CPU and disk storage to state agencies reflecting an approximate 11% reduction.	($3,414,318)	R

Budget Changes	**($3,414,318)**	**R**
Total Position Changes		
Revised Total Budget		

MINUTES
Senate Appropriations Subcommittee on Information Technology
Tuesday, June 18, 2002

The Senate Appropriations Subcommittee on Information Technology met at 8:30 a.m. on Tuesday, June 18, 2002, in Room 1027 of the Legislative Building, and Senator Reeves presided. One Senate member was present. Staff members present were Doug Holbrook, Fiscal Research Analyst, and Peter Capriglione, Information Technology Analyst. A roster of visitors is attached as Exhibit 1. The only item on the agenda was consideration of the subcommittee's report to the full Appropriations Committee. (See Exhibit 2.)

Senator Reeves called the meeting to order at 8:40 and asked Mr. Doug Holbrook to explain the proposed report.

Mr. Holbrook said the Special Provision that the subcommittee went over the previous week (June 11) had not changed except in a couple of places. The overall intent was to move the governance of electronic procurement and information technology procurement into the Department of Administration (DOA) from the Office of Information Technology Services.

The first change was in Section (d). That section had been repealed in the last version of the provision, but after discussion with the League of Municipalities about the technicalities, it was put back in; however, the word "established" was replaced by the word "offered." He said the same language was used on the third page of the provision on line 1. Again, ITS will no longer establish contracts, but ITS will be able to enter into contracts through DOA, and they will offer those contractual services to local governmental entities.

Mr. Holbook said the last change was in Section (i), a new section. The change would require DOA to report quarterly on the status of the implementation of this provision and on the transition of electronic and IT procurement to the Department of Administration.

Upon a motion by Senator Reeves, the provision was approved unanimously, and the meeting was adjourned at 8:45 a.m.

Senator Eric Reeves, Chair

Margie Penven

Margie Penven, Committee Assistant

VISITOR REGISTRATION SHEET

INFORMATION Technology — 6-18-02
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Lee Mandell	NCLM, PO Box 3069, Raleigh
Cameron Pattiff	Statewatch NC
Ed Turlington	BPMHL
WENDY KUHN	ITS
Caroline Jackson	DHHS
Ben McLauchlan	OSC

PART XXVII. INFORMATION TECHNOLOGY

Special Provision 2002-IT-S1A [v6], Modified 6/13/02 3:06 PM
Requested by: Senators Reeves, Plyler, Odom, Lee

ELECTRONIC PROCUREMENT AND STATE INFORMATION TECHNOLOGY PROCUREMENT BY SECRETARY OF ADMINISTRATION

SECTION #.(a) G.S. 143-48.3(a) reads as rewritten:

"(a) The Department of Administration ~~and the~~ shall develop and maintain electronic or digital standards for procurement. The Department of Administration shall consult with the Office of the State Controller, ~~in conjunction with~~ the Office of Information Technology Services (ITS), the Department of State Auditor, the Department of State Treasurer, The University of North Carolina General Administration, the Community Colleges System Office, and the Department of Public ~~Instruction shall collaborate to develop electronic or digital procurement standards.~~Instruction."

SECTION #.(b) G.S. 143-48.3(c) reads as rewritten:

"(c) The Department of Administration shall utilize the Office of Information Technology Services ~~shall act~~ as an Application Service Provider for an electronic procurement ~~system and shall establish, manage, and~~ system. The Office of Information Technology Services shall operate this electronic procurement system, through State ownership or commercial leasing, in accordance with the requirements and operating standards developed by the Department of ~~Administration, the Office of the State Controller, and ITS.~~Administration and the financial reporting and accounting procedures of the Office of the State Controller."

SECTION #.(c) G.S. 143-48.3 is amended by adding a new subsection to read:

"(a1) The Department of Administration shall comply with the State government-wide technical architecture for information technology, as required by the Information Resources Management Commission."

SECTION #.(d) G.S. 143-129(e)(7) reads as rewritten:

"(e) Exceptions. - The requirements of this Article do not apply to:

(7) Purchases of information technology through contracts ~~established~~ offered by the State Office of Information Technology Services as provided in G.S. 147-33.82(b) and G.S. 147-33.92(b)."

SECTION #.(e) Part 4 of Article 3D of Chapter 147 of the General Statutes, being G.S. 147-33.95 through G.S. 147-33.103, is repealed.

SECTION #.(f) G.S. 143-33.82(a) reads as rewritten:

"**§ 147-33.82. Powers and duties of the State Chief Information Officer and the Office of Information Technology Services.**

(a) The Office of Information Technology Services shall:

~~(1) Procure all information technology for State agencies, as provided in Part 4 of this Article.~~

(1a) Assist the Department of Administration specifically, and State agencies generally, with technological review and cost analysis relative to the State's information technology needs.

(1b) Establish processes, specifications, and standards relating to information technology that assist the Department of Administration to purchase, license, or lease information technology for State agencies.

(2) Submit for approval of the Information Resources Management Commission all rates and fees for common, shared State government-wide technology services provided by the Office.

(3) Submit for approval of the Information Resources Management Commission recommended State government-wide, enterprise-level policies for information technology.

(4) Develop standards, procedures, and processes to implement policies approved by the Information Resources Management Commission.

(5) Assure that State agencies implement and manage information technology portfolio-based management of State information technology resources, in accordance with the direction set by the State Chief Information Officer.

(6) Assure that State agencies implement and manage information technology enterprise management efforts of State government, in accordance with the direction set by the State Chief Information Officer.

(7) Provide recommendations to the Information Resources Management Commission for its biennial technology strategy and to develop State government-wide technology initiatives to be approved by the Information Resources Management Commission.

(8) Develop a project management, quality assurance, and architectural review process that adheres to the Information Resources Management Commission's certification program and portfolio-based management initiative.

(9) Establish and utilize the Information Technology Management Advisory Council to consist of representatives from other State agencies to advise the Office on information technology business management and technology matters.

(10) Maintain the confidentiality of trade secrets, test data, similar proprietary information, and security information protected under G.S. 132-6.1(c)."

SECTION #.(g) G.S. 147-33.82(b) reads as rewritten:

"(b) Notwithstanding any other provision of law, local governmental entities may use the information technology programs, services, or contracts offered by the Office, including information technology procurement, in accordance with the statutes, policies, and rules of the Office. For purposes of this subsection, "local governmental entities" includes local school administrative units, as defined in G.S. 115C-5, and community colleges. Local governmental entities are not required to comply with otherwise

applicable competitive bidding requirements when using contracts ~~established~~ offered by the Office. Any other State entities may also use the information technology ~~programs, services, or contracts~~ services and programs offered by the ~~Office, including information technology procurement,~~ Office in accordance with the statutes, policies, and rules of the Office."

SECTION #.(h) G.S. 147-33.82(e) reads as rewritten:

"(e) The State Chief Information Officer shall submit the enterprise-wide set of standards for the State's information technology security to the Information Resources Management Commission for approval. The Information Resources Management Commission shall report approval of the standards to the Department of Administration and to the Joint Legislative Commission on Governmental Operations prior to implementation of the standards. The State Chief Information Officer shall review and revise the standards at least annually, and the revisions shall be subject to approval by the Information Resources Management Commission, with the Commission reporting to the Joint Legislative Commission on Governmental Operations on the revisions."

SECTION #.(i) Beginning October 15, 2002, and quarterly thereafter, the Department of Administration shall report to the Chairs of the Senate Appropriations Committee on Information Technology and the House of Representatives Appropriations Subcommittee on Information Technology, to the Chairs of the Joint Select Committee on Information Technology, and to the Fiscal Research Division on the status of electronic procurement.

MINUTES
Joint Appropriations Subcommittee on Information Technology
Wednesday, July 10, 2002

The Joint Appropriations Subcommittee on Information Technology met on Wednesday, July 10, 2002, in Room 1425 of the Legislative Building to receive an update on the activities of the Rural Internet Access Authority (RIAA). Representative Joe Tolson presided. Six committee members were present. Staff members present were Doug Holbrook, Fiscal Research Analyst, and Peter Capriglione, Information Technology Analyst. A roster of visitors is attached as Exhibit 1, and a copy of the agenda is attached as Exhibit 2.

Representative Tolson called the meeting to order and introduced Dr. James Leutze, Chairman of the RIAA, for his presentation. Members were given a packet of information, attached hereto as Exhibit 3.

Dr. Leutze introduced RIAA members who were present, including Commissioner Billy Ray Hall, Ed Turlington, Oppie Jordan, Executive Director Jane Patterson, and John Killebrew who represented MCNC.

Dr. Leutze said having the state connected to the Internet would be absolutely essential for North Carolina to be competitive in the 21st Century. He said it was important for education, economics, health information, and for quality of life.

Dr. Leutze said the RIAA was established by the General Assembly and its work would sunset December 31, 2003, leaving just one and one-half years to complete a very full agenda. He said the RIAA had worked very hard and had made impressive accomplishments.

Dr. Leutze said the RIAA was a hybrid organization of providers, recipients, customers, and citizens who know the importance of being connected to the Internet. He said the RIAA was staffed by the Rural Center and their offices were at the Rural Center. The Rural Center acts as the RIAA's fiscal agent, and the Attorney General acts as its legal counsel.

Dr. Leutze called attention to the handout showing the organizational chart of the RIAA and the handout showing the goals of the RIAA, both included in the handout packet. He said by the end of 2001, three of their goals had been met. The first goal was to show North Carolinians where local dial-up access was available. RIAA set up a web page that allows citizens to simply place their phone number on a form to be shown what providers they have in their local areas.

The second goal was to develop a listing of telecommunications infrastructure and telecommunications services available. Dr. Leutze said this information also is available at their website and should be of great use as far as economic development is concerned

because it uses global information services technology to tell groups coming into North Carolina what systems are available, where they are located, the height of the towers, etc. Dr. Leutze said the third goal was to develop two model telecenters, but they actually developed four. The handout map shows them in Williamston, Sparta, Murphy, and Kenansville.

Dr. Leutze said the General Assembly also asked for data on the number of computers and Internet subscribers existing in North Carolina and for proposals as to how that stance could be improved. He said the RIAA worked on that survey through East Carolina University, and figures are now available for 1999. Current figures are being worked on.

Further, Dr. Leutze said the General Assembly asked that the RIAA work toward getting more government applications for services that citizens might want. He said in a joint study with the Institute of Government they were looking at the capabilities of local governments to use information technology in making government and business interaction with citizens available over the Internet.

Dr. Leutze asked Mr. Billy Ray Hall to give the committee an update on the E-communities effort.

Mr. Hall said the goal was to connect all of rural North Carolina by engaging local people at the local level. Each of the 85 rural counties was asked to designate an individual to lead the local effort in setting up an overall plan for their county. The RIAA started working with the counties, particularly those in Tier 1 and Tier 2 counties, which are the thirty-three most distressed counties as designated by the Department of Commerce. In those thirty-three counties the RIAA provided grants of $3,300 to $5,000 to engage the public in beginning to understand not only the need for IT but the many applications that are underlying those needs, such as help in education, training, and government services. Once the public engagement grants were started, they immediately asked the county commissioners in each of the 85 counties to serve as the fiscal staff in conjunction with the Rural Center to provide a minimal funding grant of $10,000 to each county to do a plan.

Mr. Hall said the RIAA has been working with the eighty-five counties plus the Eastern Band of the Cherokees, so there actually eighty-six E-community efforts underway. That planning process began with training sessions, and on May 31 of 2002, the RIAA received plans from 81 counties plus the Eastern Band of Cherokees. Each has taken an aggressive effort with a local community planning group, each has reached out to the community and held public meetings, and each has developed a plan that looks at their needs as well as the applications they want to pursue in the short term. Mr. Hall said the RIAA is now full partners with each of those counties. The RIAA will assist them in finding the resources to implement their plans. He said the first step would be looking at grants for public access centers so that citizens who cannot afford home computers or hookups can go to a public site, such as a library, and be connected.

Mr. Hall said through building a good working relationship with Dr. Lee Mandell, the League of Municipalities, and the Association of County Commissioners, RIAA's training and other efforts to build knowledge about information technology are available to all of the counties—not just the eight-five rural counties that the RIAA is charged to help.

Mr. Hall said he hoped the committee had been seeing or hearing the public service announcements made by Capital Broadcasting, the Curtis Media Group, Time Warner, or other cable services to get the public to think about their involvement in information technology.

Mr. Hall said the Techforce program was started to take advantage of the volunteer services of young people, who have a better understanding of technology than their elders. He said there were Techforce groups in twenty-nine counties that are open to students in high schools, community colleges and universities. They are working with their libraries, their community colleges, and their public agencies to actually set them up on the Internet and develop their web pages. They also help train citizens to use the Internet. Although the students work as volunteers, RIAA is trying to put resources together so they can compete for scholarships.

In conclusion, Mr. Hall said there was a conscious and aggressive effort by communities to address their information technology needs by bringing together their educational system, health providers, training, government, and business communities to look at their IT needs. Mr. Hall said the local folks appreciate the legislation that the General Assembly passed, and they appreciate the financing that the Microelectronics Center and the Authority are providing at the local level.

Representative Tolson asked for questions, and Representative Walend asked where North Carolina stands on public access—how many of the 85 counties still do not have public access.

Mr. Hall said as far as he knew all counties had some public access, but with the public access grants the RIAA was trying to assess the needs for additional public access.

Mr. Ed Turlington was recognized to address high-speed access in rural North Carolina. Mr. Turlington said he thought it was important that the RIAA was before the committee at the middle of the statutory period granted to it by the General Assembly. He said, having served on the Authority since its beginning one and one-half years ago, he had watched it grow like a startup company. He said he wanted to speak about some of the results.

Mr. Turlington said he and other commission members had been deliberate in taking time to look at a snapshot of what exists in North Carolina—where the holes are—before going about using state, federal and private resources to encourage further broad-band deployment.

He said the RIAA commissioned a study that was completed late last year by KPMG to look at the relevant telecommunications infrastructure in the state. He referred to maps in the handout materials (see Exhibit 3) that reflect their findings and also reflect information provided by many of the providers.

Mr. Turlington said there were various ways to get broadband deployment, but the two that are most widely deployed in North Carolina today are cable modem and DSL. One of the maps in the packet shows availability of DSL deployment by county. He said the way DSL works, you have to live within a certain distance of the relevant equipment—usually about three miles, unless there is some mobile source that can be moved around a community.

In tandem with that map, cable modem service is shown by zip code on the next map in the handout materials. The way most cable systems work, if wire or equipment passes your house, most cable operators have upgraded so you can have broadband access. He said some of the information on the map was incomplete because they were still gathering information, but the map gives a feel for where cable modem service is.

Mr. Turlington said they were not ignoring wireless or satellite, but those sources were not as widely deployed as DSL and cable today. He said RIAA would use funds as an incentive to provide those services because in some parts of the state cable and broadband may never be available, thus making wireless or satellite relevant.

On the third handout map, broadband is shown by median household income by county. Mr. Turlington said the demand for service was income elastic since the demand was stronger in areas where the income was highest.

In conclusion, Mr. Turlington said RIAA is always looking for creative strategies to serve those places where broadband could have a tremendous impact.

Representative Tolson asked for questions; and being none, Ms. Oppie Jordan came forward for her presentation on the framework being used by RIAA for distribution of money.

Ms. Jordan said she was covering the information for Mr. Paul Ridgeway, Chairman of the Ad Hoc Incentives Committee. She said the Ad Hoc Incentives Committee was created in January to develop methods for distributing the dollars, and it went through three phases. First the committee engaged in a self-education process. Members collected information from jurisdictions including foreign nations and other states to determine what was the best practice out there. In addition, the committee reviewed the specific mandate of the session laws and enabling legislation of the RIAA. In the second phase, the committee solicited ideas for incentive models from its membership and incorporated these ideas along with the ideas of others. The third phase was recognizing that incentive models were generally subject to classification as demand oriented—incentives designed to increase demand and supply for broadband. So the

Committee broke down into two subcommittees—one Supply and one Demand—looking at what the issues were.

As part of their process, Ms. Jordan said the Committee released a request for information in March, 2002, and asked public and private organizations throughout the state to provide any information they had concerning Internet services in rural areas. They also sought information regarding major applications being developed, such as websites.

Ms. Jordan said the Supply side of the proposals included projects such as the First Mile Transport, the Middle Mile, and the Last Mile Transport. The Demand side looked at E-agricultural, E-business, E-government, E-health, E-learning, and other miscellaneous applications. The connectivity proposals were received on July 8th, and there were about eighty-eight proposals with a dollar figure in the neighborhood of $90 million to $100 million. She said the RIAA had only $8 million to distribute, so the process of distribution was just beginning.

Ms. Jordan said the Telecommunications Infrastructure study was conducted by KPMG, and their data is on the RIAA website. The citizens survey was conducted by East Carolina University, and an E-government survey was conducted by the Institute of Government. Still underway was an E-agriculture survey.

Ms. Jordan gave a synopsis of how much money had already been allocated to each grant program:

The Telecenter Grant Program—16 applicants—5 awarded—total distributed was $2.7 million, approximately $650,000 per award.

Public Engagement Grant—39 applicants—33 awards made representing 34 counties.

E-Communities Planning Grant—85 rural communities and the Eastern Band of Cherokees—total award $860,000 ($10,000 per community).

Public Access Site Grant—64 applicants representing 62 counties. Awards up to $12,000 per award to be awarded July 26th for a total of $950,000.

Digital Internet Literacy Training Grant also to be awarded July 26th in the amount of $670,000—up to $20,000 per award.

Connectivity Incentive Grant for Supply and Demand—$8 million to be awarded August 22nd.

Ms. Jordan said another $3 million was being held in reserve for a second round of funding for existing projects, or for expanding other projects, or for matching grants

for applicants—this sum to be awarded no later than Spring, 2003. Another $2.5 million was being reserved for Implementation Grants.

Total grants: approximately $19 million.

Representative Tolson recognized Dr. Leutze for closing comments. Dr. Leutze said the low-income counties were least likely to have services provided, and the RIAA was intent on addressing those counties.

Dr. Leutze said when the RIAA began their process, their first inclination to look at how they could get supply to people and how they could convince companies to go into thinly populated areas and provide them access. They came to realize, however, that it is also necessary to encourage government and other agencies to put information on the Internet so there will be reasons for people to go to the Internet for information. He said many people in urban areas know that they can go to the Internet for all kinds of information, but people in rural counties don't; and some of the information people in the rural counties want is different from what the people in urban counties want.

Dr. Leutze said there was more public interest than they initially thought. When the RIAA set out to establish two Telecenters, they were overwhelmed with the number of places that wanted Telecenters, so they ended up with four. He pointed out that the local areas getting the Telecenters put up matching funds to get their centers. And when they went about beginning the Techforce, they were also surprised at the level of interest. On the recent Connectivity Grants requests, Dr. Leutze said he expected about twenty-five grant applications for the $8 million to be given; however, they received eighty-eight requests for over $100 million.

Dr. Leutze said the interest implied to him that there should be an extension of the RIAA when their three years runs out because they cannot do all that needs to be done in the time remaining to fulfill the needs and desires of the public for Internet access.

Senator Hagan asked about the cost for DSL, and Ed Turlington said the average cost for cable and DSL were roughly the same—about $45 to $55 per month with some variations across the state. In follow up, Senator Hagan asked if prices were comparable in rural areas, and Mr. Turlington said one of the statutory charges given the RIAA was to do everything they could to push out service at prices that were comparable in rural and urban areas. He said they were having a debate within the commission, however, as to how to define "comparable."

Mrs. Jane Patterson of the RIAA agreed that they were trying to determine what comparable meant—whether it meant the same or within a percentage range—but she said there is not a large disparity between urban and rural charges across the state. She said the "middle mile" really does add to the cost in rural areas. She said, however, the telephone cooperatives had done an incredible job in getting DSL out to rural areas, and the cable companies had moved quickly as well to deploy high-speed access.

Dr. Leutze said part of the grants given are to provide incentives for companies to provide services in areas where they are not currently provided, and that might affect the price in those areas. He said that was part of the intent—to encourage them to come into areas and provide the services at a comparable or reasonable price.

Senator Reeves said a couple of years ago when the General Assembly was creating the legislation for the RIAA, they were basically shooting in the dark. He said it was amazing to him how much information the RIAA had been able to collect and put in usable documents in just a year and a half. He said he was sure the information would create a much more vibrant debate on how the General Assembly would deal with technology disparities across the state. He said he encouraged the RIAA to have an agenda for the long session. He said the legislators would need information and recommendations from their board and other resources to make their decisions.

Touching on Senator Hagan's question regarding rates, Senator Reeves said it was a complicated area because the FCC controlled most of the rates. He said the House had passed the universal services re-definition bill recently, allowing the Utilities Commission to look at the rate disparities, if they exist, in concert with the E-North Carolina project.

Representative Miller asked Dr. Leutze what RIAA services he thought would be needed after 2003.

Dr. Leutze said the information they have gathered would have to be put to use, and someone would have to oversee the continuing expenditures for the ongoing projects. He said he assumed that the Telecenters would not go out of business when the RIAA stopped. He said perhaps another organization could be formed to take on the oversight.

Representative Tolson commended the people with the RIAA for doing a tremendous job in reaching out to the rural areas, finding what the needs were, and trying to put together the data and information that would help the General Assembly focus on how to make the rural areas of the state active players in the technology age. Representative Tolson said North Carolina is setting on the verge of a rapid growth in the biotech industry and must have the Internet access and technology out in the rural areas to prevent a divide from developing. He encouraged the RIAA to stay in close contact with the Bio-tech Center and to reach out in trying to get the biotech industries to locate here in North Carolina where the biotech research is being done. Further, he asked the RIAA to continue their good work and asked them to let the members of the General Assembly know what they could do to help in their efforts.

Senator Hagan asked whether there would be locations in very rural areas where people could go to use a computer twenty-four hours a day. She said she asked that because when she traveled she and her children found access in some third world countries.

Mr. Hall said there were approximately 500,000 people living in poverty in the eighty-five rural counties and approximately 400,000 in the fifteen urban counties. The question for those roughly one million people was how they would get access and where. He said the state was going to have to be very committed to making access available as more and more government services become available on line.

Representative Tolson said there was a prime example in Edgecombe County where a program called Work Central was using state-of-the-art technology to serve nine counties in helping people who come off of Work First to find a job and keep it. He said this program was a nationally recognized model that has been helping people in working out problems such as transportation or childcare. He said they were getting people to start looking at banking as opposed to using pay-day lenders, and new figures had shown that one thousand people that Work Central put into jobs were now banking even though they had never used a bank before. He said IRS was coming in and helping people fill in their income tax and file electronically. Representative Tolson said this was a way that technology could work across the state to help its most vulnerable citizens.

Representative Tolson thanked the RIAA for coming to give their report, and he said if the work of the RIAA were not completed by the time established in the statute, he would be there to help to see that their work was continued.

The meeting was adjourned at 9:30 a.m.

Representative Joe Tolson, presiding Co-Chair

Senator Eric Reeves, Co-Chair

Representative Russell Tucker, Co-Chair

Margie Penven, Committee Assistant

Attachments-3

Exhibit 1

VISITOR REGISTRATION SHEET

JT APPRV. SubComm. of INF. Tech. 7-10-02
Name of Committee — Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Robert Blackmon	NC Community College System
Saundra Williams	NC Community College System
Milton Aleford	OSBM
RON KENNEDY	AOC
Woody Lyles	ERMC
LINDA DE GRAND	NCDPI
Anthony Powell	NC Rural Economic Development Ctr
Caroline Jackson	DHHS
Ben McLawhorn	OSC
WENDY KUHN	ITS
Deborah Watts	RIAA.
Lee Mandell	NCLM
Robert Cohen	Consultant to RIAA
Katie Hunt	NC State Wake
John McKay	Law office
Jaclyn Boyarsky	Alley Associates Inc
Becki Strut	PDAB
Susan Markham	Prof Educators of NC
John T. Killebrew	MCNC
Ed TURLINGTON	Brooks Pierce
Billy BAGWELL	N.C. Rural Center
Ms. Oppie N. Jordan	RIAA Commission Member, Carolinas Gateway Partnership
Jane A Patterson	RIAA Staff
James Lewis	RIAA
Barbara Levine	NC Connectivity Council
Robert Powell	OSC
Jay Runsc	NCAEC

VISITOR REGISTRATION SHEET

Name of Committee

Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Elizabeth Dalton	Bain & Associates
Don McCarguodale	SAS

JOINT APPROPRIATIONS SUBCOMMITTEE
ON INFORMATION TECHNOLOGY
Presentation of the Rural Internet Access Authority
AGENDA

8:30 a.m.
July 10, 2002
1425 Legislative Building

Legislative Goals for the RIAA	*Dr. James Leutze*
E-communities & Tech Force	*Billy Ray Hall*
Findings to Date on High Speed DSL/Cable Modem Pricing Comments	*Ed Turlington*
Incentives $$$$$ Dollars Distributed: TeleCenters, Public Engagement, E-communities Planning, Public Access, Digital Literacy, Incentives E-government Survey E-business Workshops Agriculture Survey Health Survey	*Oppie Jordan*
Conclusion	*Dr. James Leutze*

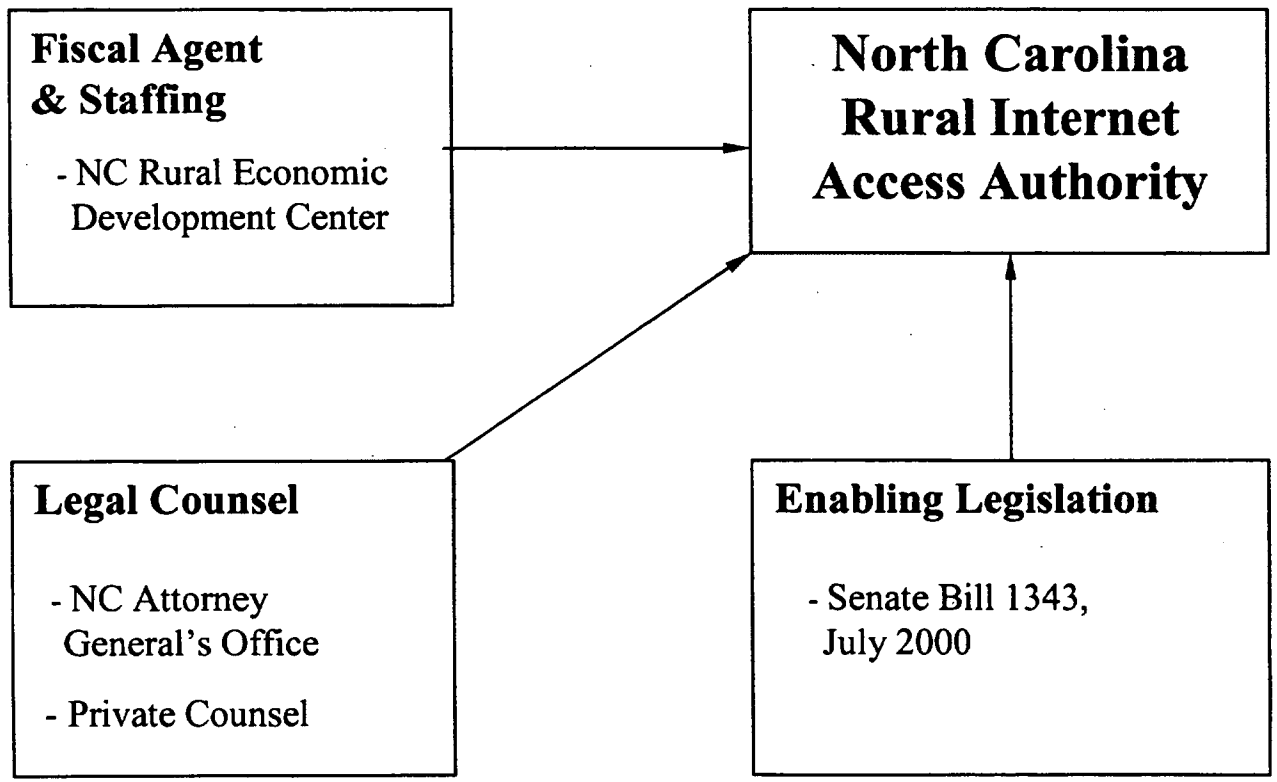
QUESTIONS FROM LEGISLATORS

Exhibit 3

Connecting North Carolina to a Better Future

RURAL INTERNET ACCESS AUTHORITY

Organization of the Authority
(Hybrid Organization)



Connecting North Carolina to a better future

E-NC Progress Toward Goals

Goal	Progress
☑ Provide local dial-up Internet access from every telephone exchange by August 2001	*Completed: July 2001*
☑ Complete a study of technology infrastructure statewide by November 2001	*Database completed; Final report completed: spring 2002*
☑ Provide North Carolina citizens with accurate, current and complete information through the Internet about the availability of telecommunications and Internet services	*Internet Service Provider database completed: June 2001*
☑ Establish two model telecenters in two of the most rural and underdeveloped counties by January 2002	*Five telecenters funded: September 2001; Goal met: January 2002*
☑ Promote significant increases in ownership of computers, related Web devices and Internet subscriptions throughout North Carolina	*Public awareness campaign launched: September 2001*
☑ Promote the development of government Internet applications to make citizen interactions with government services easier and more convenient, and to facilitate the delivery of more comprehensive programs, including training, education and health care	*Summary of local government report completed: spring 2002*
➢ Employ open technology approaches to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias	*Ongoing*
➢ Coordinate activities, conduct and sponsor research, and advocate actions, including regulatory and legislative actions, to achieve goals and objectives	*Ongoing*
➢ Make high-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina	*Summary of gaps to be completed in summer 2002*

May 2002

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 2000-149
SENATE BILL 1343

AN ACT TO CREATE THE NORTH CAROLINA RURAL INTERNET ACCESS AUTHORITY AND TO DIRECT THE REGIONAL PARTNERSHIPS, WITH THE ASSISTANCE OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, TO STUDY AND REPORT ON THE INFORMATION TECHNOLOGY INFRASTRUCTURE AND INFORMATION TECHNOLOGY NEEDS OF THE STATE.

The General Assembly of North Carolina enacts:

Section 1. Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 2E. North Carolina Rural Internet Access Authority.

"**§ 143B-437.40. Short title and intent.**

This Part is the `North Carolina Rural Internet Access Authority Act.' The General Assembly finds as follows:

(1) Access to computers and the Internet, along with the ability to effectively use these technologies, are becoming increasingly important for full participation in America's economic, political, and social life.

(2) Affordable, high-speed Internet access is a key competitive factor for economic development and quality of life in the New Economy of the global marketplace.

(3) In the digital age, universal connectivity at affordable prices is a necessity for business transactions, education and training, health care, government services, and the democratic process.

(4) Unequal access to computer technology and Internet connectivity by income, educational level and/or geography could deepen and reinforce the divisions that exist in our society.

(5) The intent of the Rural Internet Access Authority is to close this digital divide for the citizens of North Carolina.

"**§ 143B-437.41. Definitions.**

The following definitions apply in this Part:

(1) Authority. -- The North Carolina Rural Internet Access Authority.

(2) Commission. -- The governing body of the Authority.

(3) High-speed broadband Internet access. -- Internet access with transmission speeds of at least 128 kilobits per second for residential customers and at least 256 kilobits per second for business customers.

(4) Regional partnership. -- Defined in G.S. 143B-437.21.

(5) Rural county. -- A county with a density of fewer than 200 people per square mile based on

the 1990 United States decennial census.

"§ 143B-437.42. Creation of Authority and Commission.

(a) Creation. -- The North Carolina Rural Internet Access Authority is created within the Department of Commerce and, notwithstanding any other provision of law, is subject to the direction and supervision of the Secretary of Commerce only with respect to the management functions of coordinating and reporting. These functions of the Secretary of Commerce are ministerial and shall be performed only pursuant to the direction and policy of the Commission.

The purpose of the Authority is to manage, oversee, and monitor efforts to provide rural counties with high-speed broadband Internet access. The Authority shall also serve as the central rural Internet access policy planning body of the State and shall communicate and coordinate with State, regional, and local agencies and private entities in order to implement a coordinated rural Internet access policy.

(b) Commission. -- The Authority is governed by a Commission that consists of 21 members, six members appointed by the Governor, six members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, six members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and the following three ex officio, voting members: the State's Chief Information Officer, the chair of the North Carolina Rural Economic Development Center, and the Secretary of Commerce.

It is the intent of the General Assembly that the appointing authorities, in making appointments, shall appoint members who represent the geographic, gender, and racial diversity of the State, members who represent rural counties, members who represent regional partnerships, and members who represent the communications industry, which may include local telephone exchange companies, rural telephone cooperatives, Internet service providers, commercial wireless communications carriers, and other communications businesses.

(c) Oath. -- As the holder of an office, each member of the Commission must take the oath required by Section 7 of Article VI of the North Carolina Constitution before assuming the duties of a Commission member.

(d) Terms; Commencement; Staggering. -- Except as provided in subsection (f) of this section, all terms of office shall commence on August 1 of the year the appointment is made. The appointing officers shall designate one-half of their appointees to serve one-year terms; members may serve up to four consecutive one-year terms. The appointing officers shall designate their remaining appointees to serve three-year terms; members may serve up to two consecutive three-year terms.

(e) Chair. -- The Governor shall designate one of the members appointed by the Governor as the Chair of the Commission. The Governor shall convene the first meeting of the Commission.

(f) Vacancies. -- All members of the Commission shall remain in office until their successors are appointed and qualify. A vacancy in an appointment made by the Governor shall be filled by the Governor for the remainder of the unexpired

term. A vacancy in an appointment made by the General Assembly shall be filled in accordance with G.S. 120-122. A person appointed to fill a vacancy must qualify in the same manner as a person appointed for a full term.

(g) Removal of Commission Members. -- The Governor may remove any member of the Commission for misfeasance, malfeasance, or nonfeasance in accordance with G.S. 143B-13(d). The Governor or the person who appointed a member may remove the member for using improper influence in accordance with G.S. 143B-13(c).

(h) Compensation of the Commission. -- No part of the revenues or assets of the Authority shall inure to the benefit of or be distributable to the members of the Commission or officers or other private persons. The members of the Commission shall receive no salary for their services but may receive per diem and allowances in accordance with G.S. 138-5.

(i) Staff. -- The North Carolina Rural Economic Development Center, Inc., shall provide administrative and professional staff support for the Authority under contract.

(j) Conflicts of Interest. -- Members of the Authority shall comply with the provisions of G.S. 14-234 prohibiting conflicts of interest. In addition, if any member, officer, or employee of the Authority is interested either directly or indirectly, or is an officer or employee of or has an ownership interest in any firm or corporation, not including units of local government, interested directly or indirectly, in any contract with the Authority, the member, officer, or employee must disclose the interest to the Commission, which must set forth the disclosure in the minutes of the Commission. The member, officer, or employee having an interest may not participate on behalf of the Authority in the authorization of any contract.

"§ 143B-437.43. Powers, duties, and goals of the Authority.

(a) Powers. -- The Authority shall have the following powers:

(1) To employ, contract with, direct, and supervise all personnel and consultants.

(2) To apply for, accept, and utilize grants, contributions, and appropriations in order to carry out its duties and goals as defined in this Part.

(3) To enter into contracts and to provide support and assistance to local governments, nonprofit entities, and regional partnerships, in carrying out its duties and goals under this Part.

(4) To review and recommend changes in all laws, rules, programs, and policies of this State or any agency or subdivision thereof to further the goals of rural Internet access.

(b) Duties. -- The Authority shall have the following duties:

(1) To develop and recommend to the Governor, the General Assembly, and the North Carolina Rural Redevelopment Authority a plan to provide rural counties with high-speed broadband Internet access.

(2) To propose funding that may be needed from the North Carolina Rural Redevelopment Authority established in Part 2D of this Article and from other appropriate sources for incentives for the private sector to

make necessary investments to achieve the Authority's goals and objectives.

(3) To set specific targets and milestones to achieve the goals and objectives set out in subsection (c) of this section.

(c) Goals. -- The goals and objectives of the Authority are:

(1) Local dial-up Internet access provided from every telephone exchange within one year.

(2) High-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina.

(3) Two model Telework Centers in either enterprise tier one or enterprise tier two area established by January 1, 2002. To the extent practicable, the Centers should be established in existing facilities.

(4) Significant increases in ownership of computers, related web devices, and Internet subscriptions promoted throughout North Carolina.

(5) Accurate, current, and complete information provided through the Internet to citizens about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet services.

(6) Development of government Internet applications promoted to make citizen interactions with government agencies and services easier and more convenient and to facilitate the delivery of more comprehensive programs, including training, education, and health care.

(7) Open technology approaches employed to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias.

(8) To coordinate activities, conduct and sponsor research, and recommend and advocate actions, including regulatory and legislative actions to achieve its goals and objectives.

(d) Limitations. -- The Authority does not have the power of eminent domain or the power to levy any tax.

(e) Reports. -- The Authority must submit quarterly reports to the Governor, the Joint Select Committee on Information Technology, and the Joint Legislative Commission on Governmental Operations. The reports must summarize the Authority's activities during the quarter and contain any information about the Authority's activities that is requested by the Governor, the Committee, or the Commission."

Section 2. G.S. 120-123 is amended by adding a new subdivision to read:

"(71) The North Carolina Rural Internet Access Authority created in Part 2E of Article 10 of Chapter 143B of the General Statutes."

Section 3. Each regional partnership, as defined in G.S. 143B-437.21, shall, with the assistance of the North Carolina Rural Economic Development Center, study the information technology infrastructure and information technology needs of

each county within its particular region. Each study shall include an inventory of existing information technology infrastructure, an inventory of information technology needs, an analysis of how the information technology needs affect industrial and business recruitment, and recommendations that address the information technology needs of each region. In conducting the studies required by this section, the regional partnerships shall consider the findings of the Connect NC study. The regional partnerships may contract with the North Carolina Rural Economic Development Center as needed to undertake these studies. No later than November 1, 2001, each regional partnership shall report the results of its study, including any legislative proposals, to the Joint Select Committee on Information Technology.

Section 4. This act does not obligate the General Assembly to appropriate funds.

Section 5. This act is effective when it becomes law. The North Carolina Rural Internet Access Authority created in this act is dissolved effective December 31, 2003. This act is repealed effective December 31, 2003. Part 2E of Article 10 of Chapter 143B of the General Statutes and G.S. 120-123(71), as enacted by this act, are repealed effective December 1, 2003.

In the General Assembly read three times and ratified this the 10th day of July, 2000.

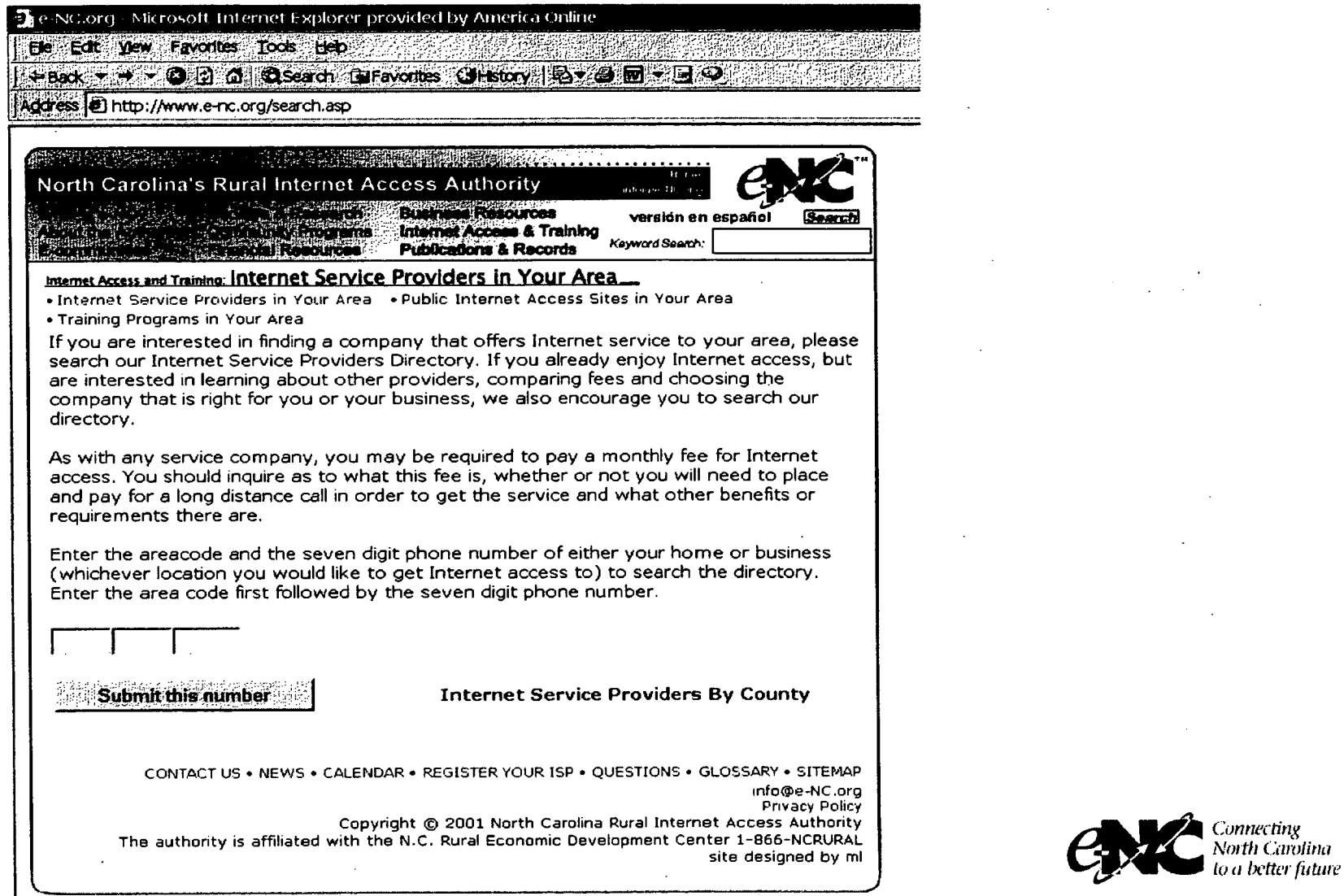
s/ Marc Basnight
President Pro Tempore of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 9:24 a.m. this 2nd day of August, 2000

Local Dial-up Service



e-NC Connecting North Carolina to a better future

Telecommunications Infrastructure Inventory

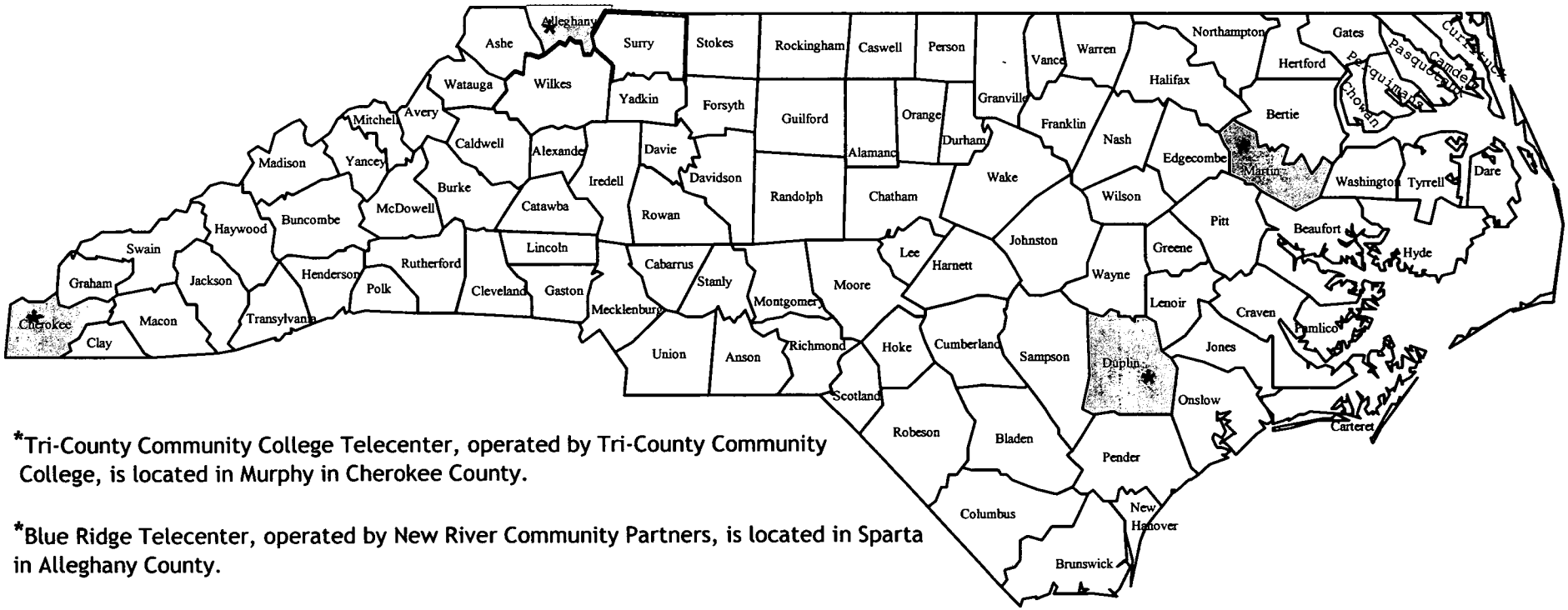
Entity	Key Inventory Elements*	
Telephone	• Wire Center Locations / Boundaries	• Fiber Optic Connections • Data Services Offered
Cable Television	• Distribution Locations • Franchise Area	• Service Areas • Data Services Offered
Mobile Wireless (Cellular)	• Methods of Access • Licensed Areas	• Coverage Areas • Data Services Offered
Fixed Wireless	• Methods of Access • Service Areas	• Data Services Offered • Unlicensed Services Offered
Broadcasters (Television and Radio)	• Data Capabilities	• Service Areas
ITFS	• ITFS License Holders	• Usage / Services Offered
Satellite	• Coverage Areas	• Data Services Offered
Federal, State, or Local Governments	• Networks, applications, and access locations that can be used or made available to the public	
All	• Aerial Antenna Structure Locations • Fiber Optic Routes	

e-NC Connecting North Carolina to a better future

*** Some inventory elements may be considered proprietary and will not be reported by their respective entities.**

Rural Internet Access Authority

e-NC Telecenters



*Tri-County Community College Telecenter, operated by Tri-County Community College, is located in Murphy in Cherokee County.

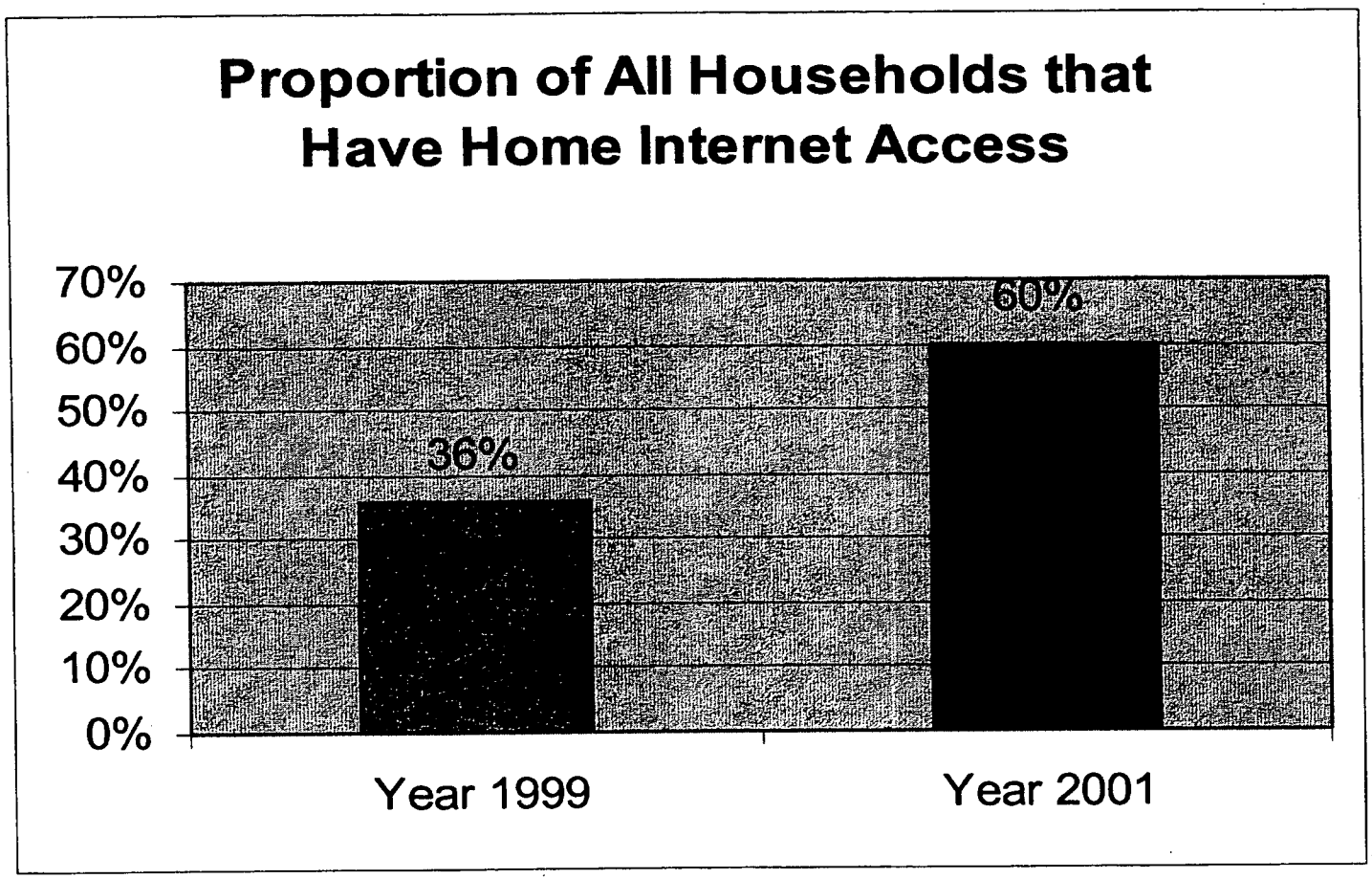
*Blue Ridge Telecenter, operated by New River Community Partners, is located in Sparta in Alleghany County.

*E-NC Telecenter, operated by the Duplin County Economic Development Commission, is located in Kenansville in Duplin County, with satellite sites in Onslow and Jones counties.

*The Northeast Technology and Business Center, operated by North Carolina's Northeast Partnership, is located in Williamston in Martin County.

June 25, 2002

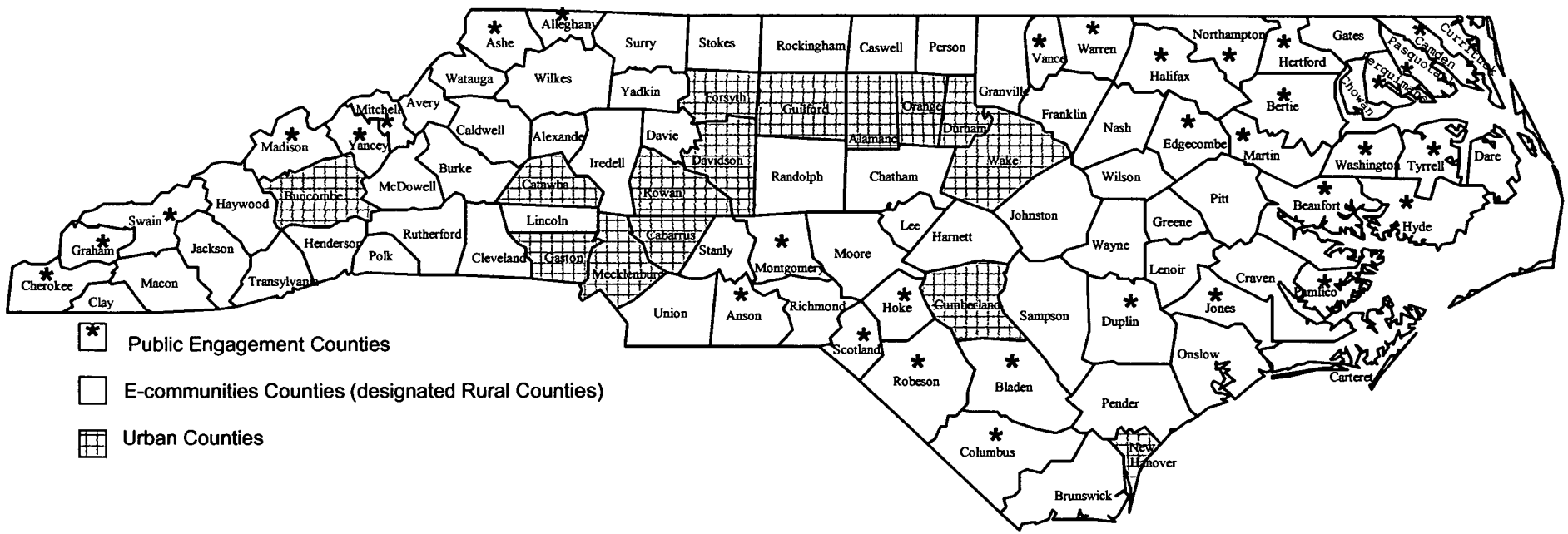
Home Internet Access



eNC Connecting North Carolina to a better future

Rural Internet Access Authority

North Carolina E-communities

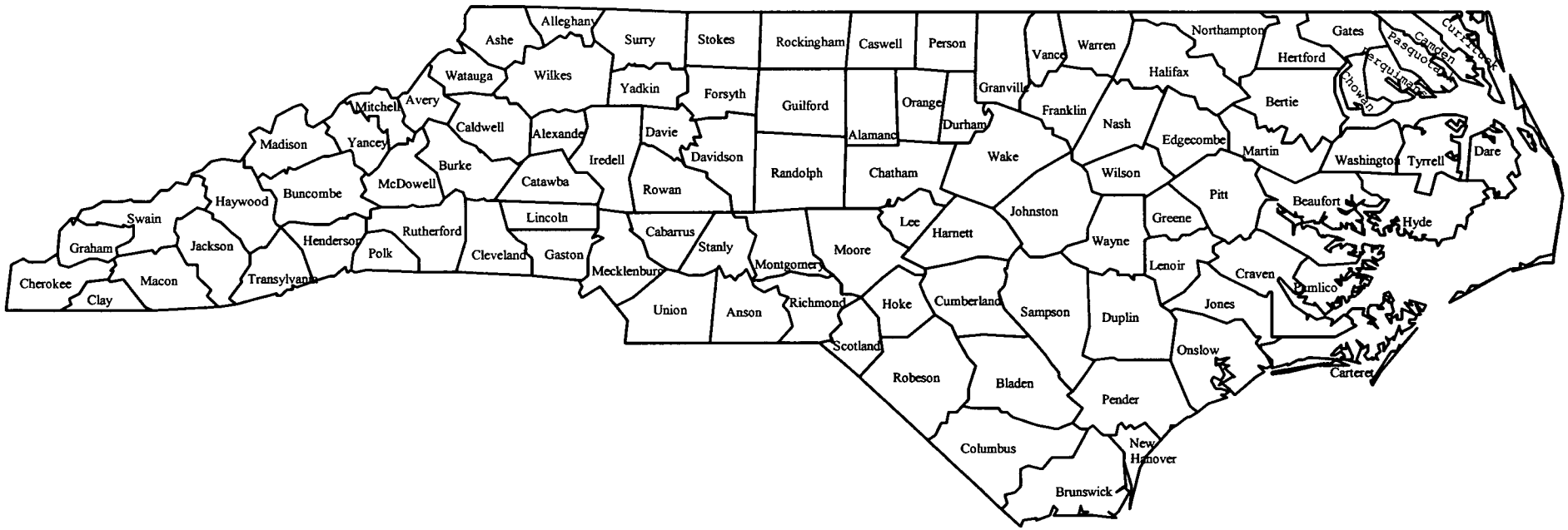


Rural: A county with a density of fewer than 200 people per square mile based on the 1990 U.S. Census.
-as defined in N.C. Senate Bill 1343

June 25, 2002

Rural Internet Access Authority

North Carolina Techforce Counties



June 25, 2002

NANA

BEFORE THE INTERNET:
SAW GRANDKIDS DURING THE HOLIDAYS

AFTER THE INTERNET:
SEES THEM EVERY NIGHT

To find out more about getting connected, visit www.e-nc.org or call 1-866-NCRURAL.

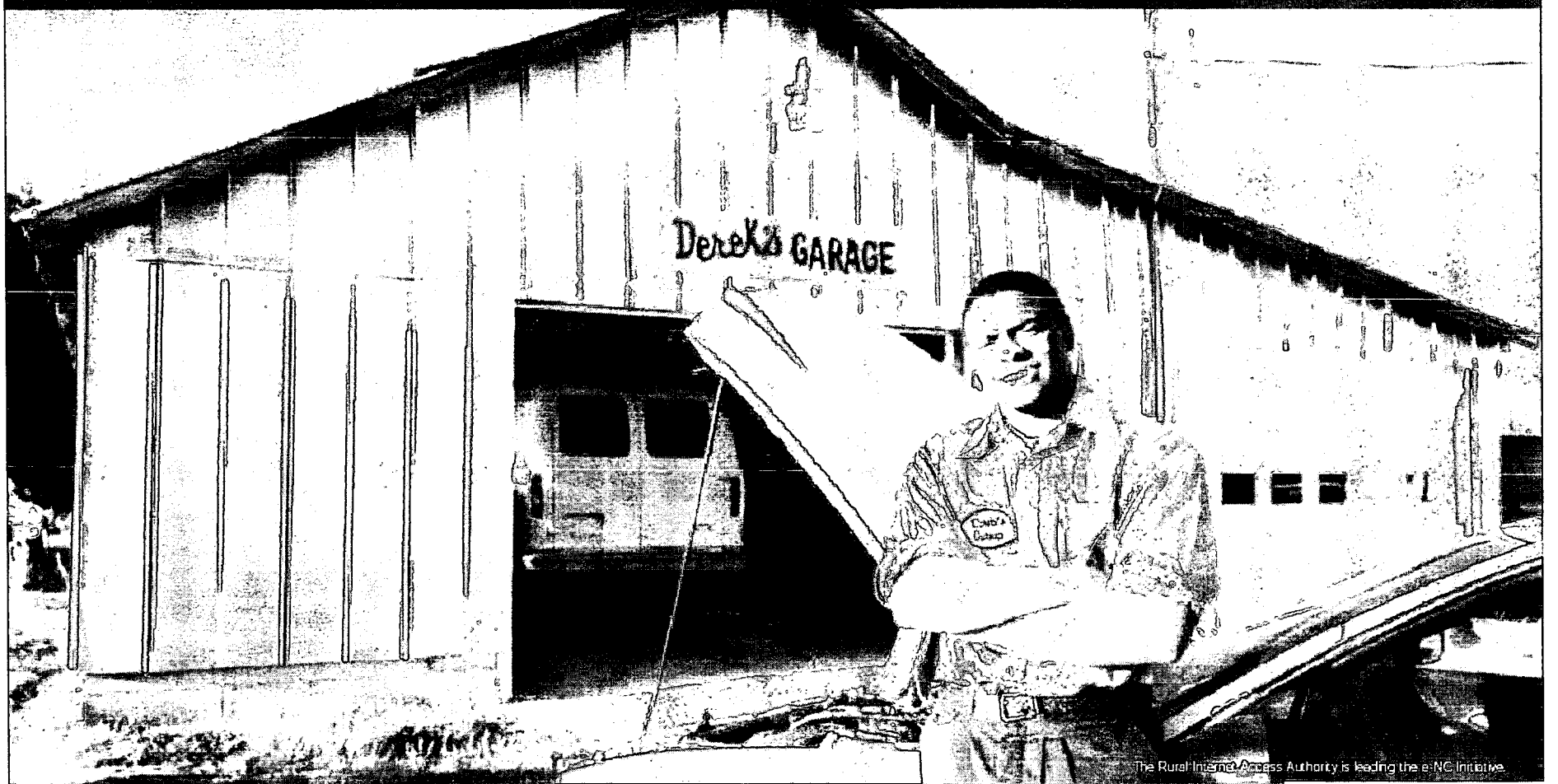
You can do just about anything over the Internet: get an education, grow a business, search for jobs or communicate with family members – once you log on. The e-NC Initiative is here to bring affordable Internet access to all North Carolinians. e-NC is here to help people like Nana take full advantage of everything the Internet has to offer. e-NC and the Internet, connecting North Carolina to a better future.

e-NC

DEREK

BEFORE THE INTERNET:
WAS A MECHANIC WITH A BOSS

AFTER THE INTERNET:
ONLINE BUSINESS COURSES HELPED HIM BECOME HIS OWN BOSS



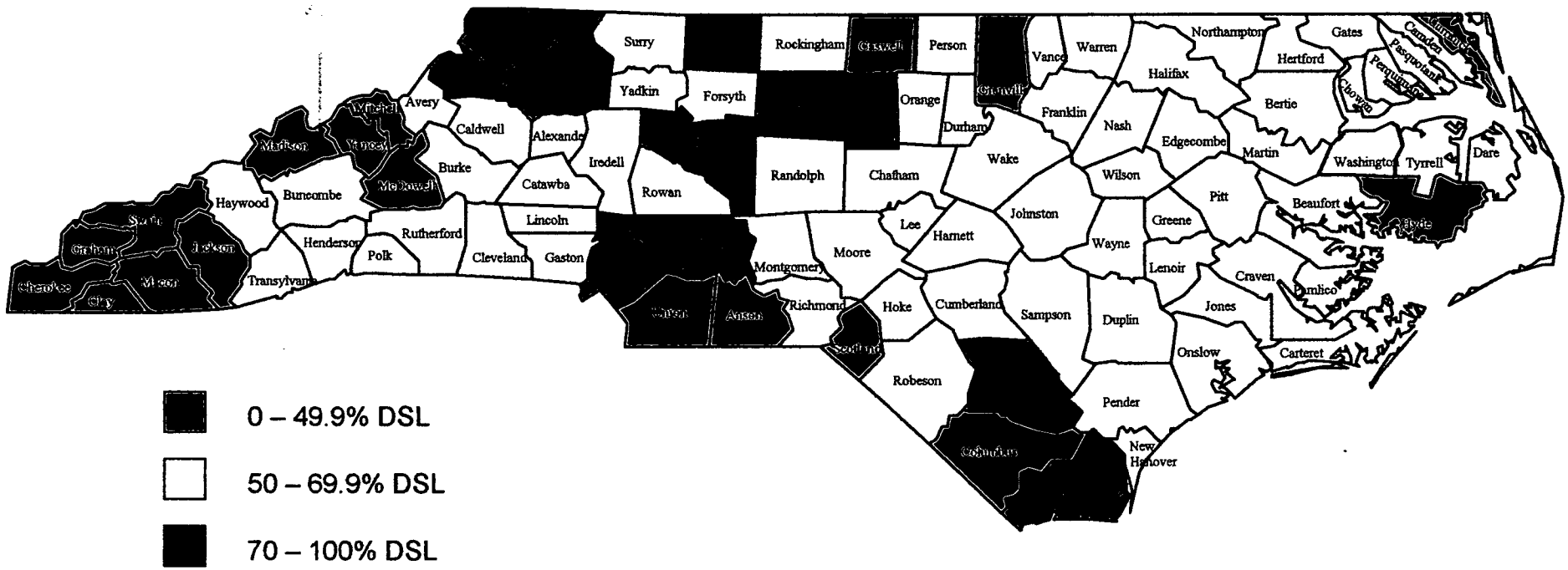
The Rural Internet Access Authority is leading the e-NC Initiative.

To find out more about getting connected, visit www.e-nc.org or call 1-866-NCRURAL.

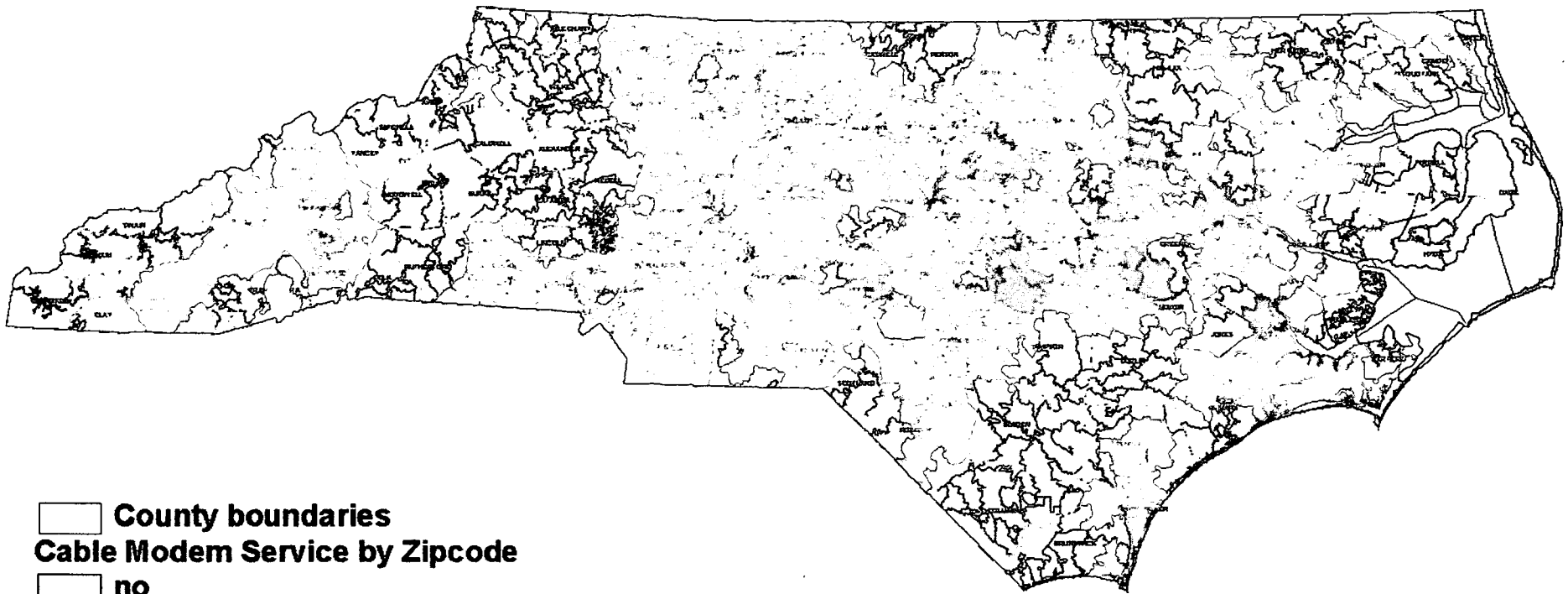
You can do just about anything over the Internet: search for jobs, communicate with family members, get an education or grow a business - once you log on. The e-NC Initiative is here to bring affordable Internet access to all North Carolinians. e-NC is here to help people like Derek take full advantage of everything the Internet has to offer. e-NC and the Internet, connecting North Carolina to a better future.

e-NC

Percentage of DSL Deployment by County



Cable Modem Service by Zip Code Area



County boundaries

Cable Modem Service by Zipcode

no

yes

yes multiple

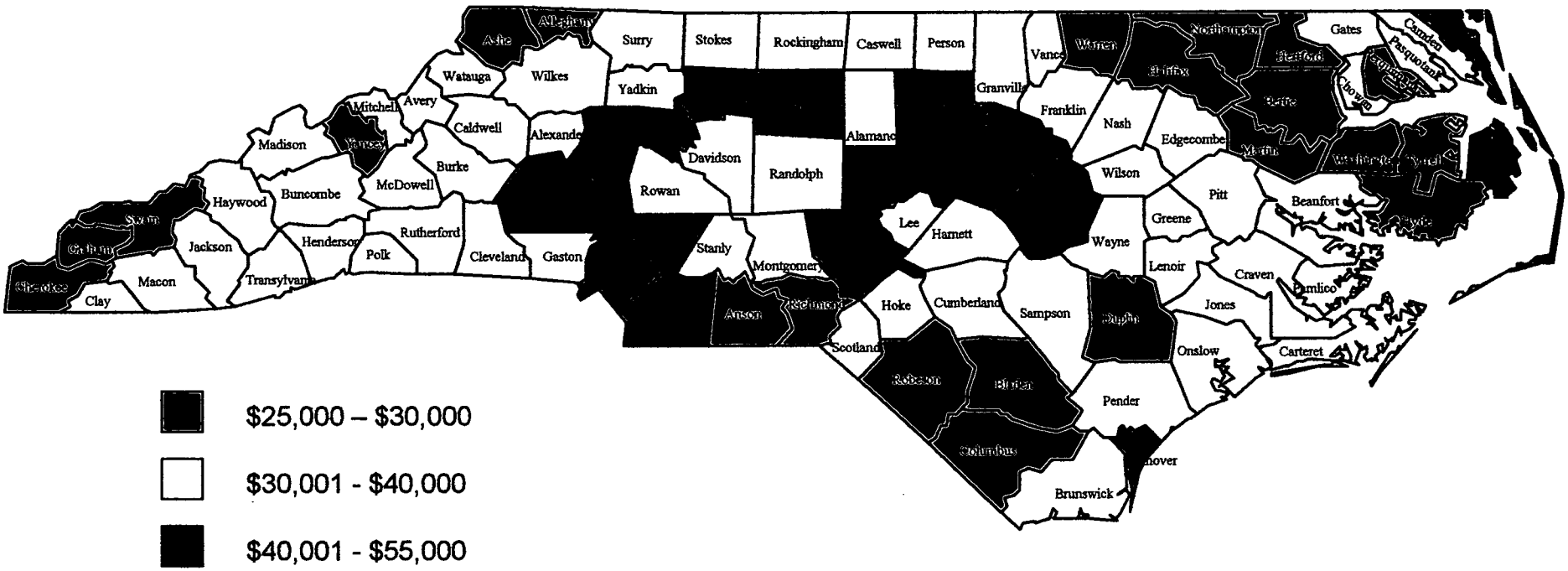
N

W E

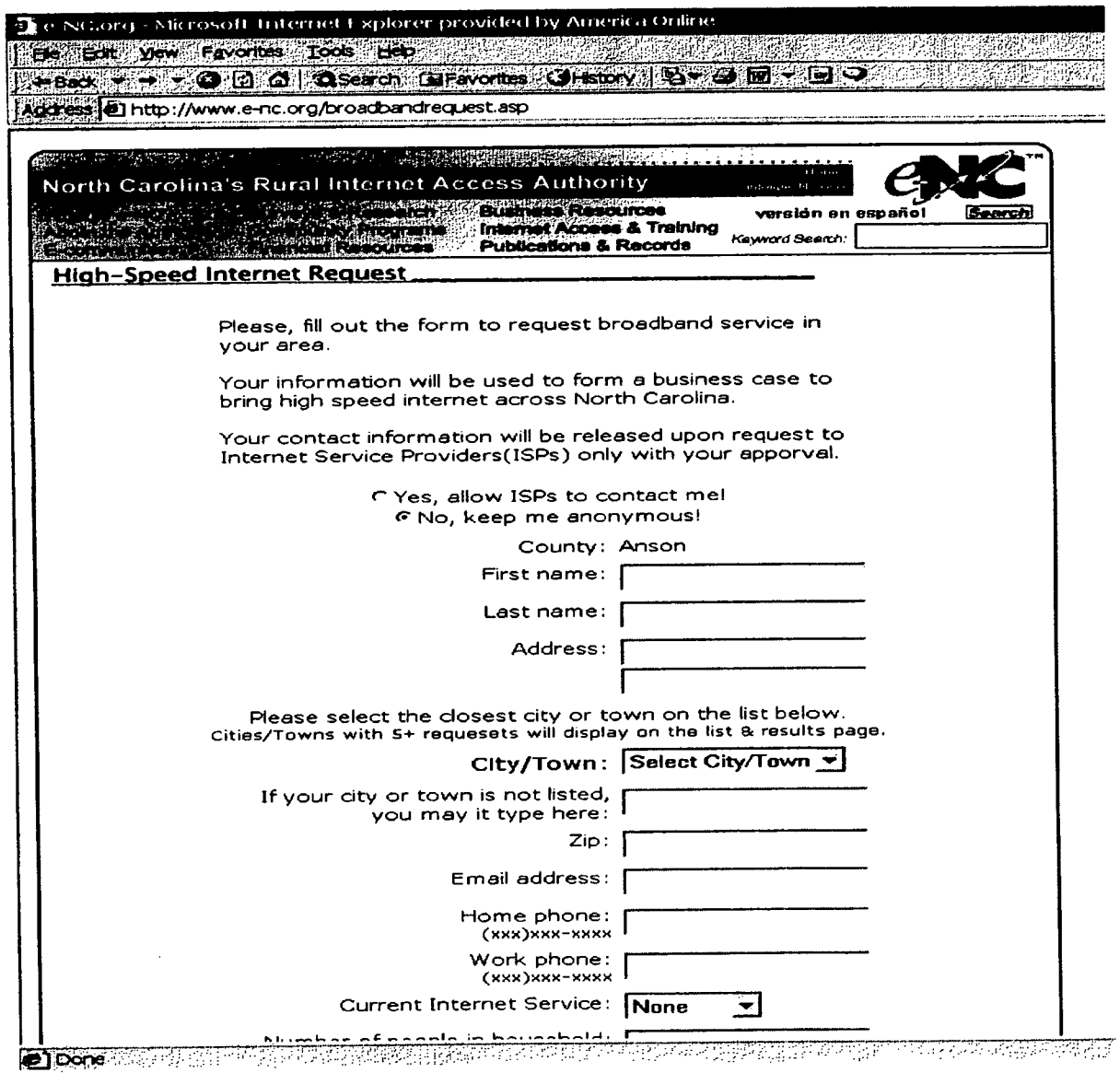
S

0 200 Miles

Median Household Income by County



Requests for Broadband Access



e-NC Connecting North Carolina to a better future

Rural Internet Access Authority
Grant Monies Awarded & Reserved to Date

TELECENTER GRANTS
Eligible Applicants: Tier 1 & 2 counties only
16 applicants
5 awards made
Total amount awarded: **$2,799,804 (up to $650,000 per award)**
Grant Period: October 1, 2001 – December 31, 2002
Note: one of the 5 awards has been terminated. This $500,000 award will not be paid out in full.

PUBLIC ENGAGEMENT GRANTS
Eligible Applicants: Tier 1 & 2 counties only
39 applicants representing 34 counties
33 awards made, representing 34 counties
Total amount awarded: **$164,860, (up to $5000 per award)**
Grant Period: December 1, 2001 – May 31, 2002

E-COMMUNITIES PLANNING GRANTS
Eligible Applicants: 85 rural counties & Eastern Band of the Cherokee
86 awards made
Total amount awarded: **$860,000, ($10,000 per award)**
Grant Period: December 1, 2001 – May 31, 2002, with some extensions through July 31, 2002

PUBLIC ACCESS SITE GRANTS
Eligible Applicants: Counties who have successfully completed the e-communities planning grants, including the EBCI
64 applicants representing 62 counties
Amount reserved for awards: **$950,000 (up to $12,000 per award)**
To be awarded: July 25, 2002
Grant Period: approx. September 2002 – September 2003

DIGITAL INTERNET LITERACY TRAINING GRANTS
65 applicants representing 74 counties
Amount reserved for awards: **$670,000 (up to $20,000 per award)**
To be awarded: July 25, 2002
Grant Period: approx. September 2002 – September 2003

CONNECTIVITY INCENTIVES GRANTS (for Supply & Demand Projects)
Amount reserved for awards: **$8 million**
Proposals due: July 8, 2002
To be awarded: August 22, 2002
*Plus, **$3 million** earmarked for second round funding, expansion of existing projects or providing matching grants for applicants. To be awarded no later than Spring 2003.*

E-COMMUNITIES IMPLEMENTATION GRANTS
Amount reserved for awards: **$2.5 million**
RFP to be released August 28, 2002
To be awarded: approx. Nov 2002

TOTAL: Approximately $19 million

6-25-02

Motions for consideration from the Ad Hoc Incentives Committee

1. The Committee recommends that the Commission accept the Report of the Ad Hoc Incentives Committee as revised and unanimously adopted by the Committee.

2. The Committee recommends that the Commission earmark 2.5 million dollars of the 13.5 million incentives budget to be set aside for the e-communities implementation grants. These grants would be evaluated through the current e-communities structure on a competitive basis. The Committee also recommends that the evaluation of grant requests be consistent with the evaluation criteria and priorities established by the Incentives Committee.

3. The Committee recommends that the Commission earmark 3 million dollars of the 13.5 million incentives budget for any of the following purposes:

- Second round funding to be awarded no later than Spring 2003;
- Expansion of existing projects; or
- Providing matching grants for applicants pursuing other funding sources

All funds must be expended no later than December 31, 2003.

4. The Committee recommends that the Commission designate the remaining 8 million dollars of the 13.5 million dollars incentives budget as first round funding and authorize the Ad Hoc Incentives Committee to proceed for creating a framework for evaluating and granting proposals for the these funds.

Passed by the Rural Internet Access Authority on May 16, 2002.

FOR IMMEDIATE RELEASE

Press Contact
Kathryn Viets, (919)754-9831
kviets@e-nc.org

REQUEST FOR INFORMATION ON INTERNET PROJECTS IN NORTH CAROLINA

Rural Internet Access Authority Gathers Information for $13.5 Million Incentives Program

RALEIGH, N.C. (March 18, 2002) – The Rural Internet Access Authority requests information from all private and public organizations in North Carolina planning to deploy new fiber, wireless or cable networks, or begin providing high-speed Internet services in rural areas. The authority also seeks information on major applications being developed, such as Web sites that automate government or business services. The findings from this request for information, which are due by April 15, 2002, will help the authority develop a process for awarding as much as $13.5 million in incentive funds.

The Rural Internet Access Authority was created by the N.C. General Assembly to spread Internet education and access across the state. The authority's goal is to make affordable, high-speed Internet access available statewide by December 2003.

The authority has earmarked more than $13.5 million of its $30 million budget for incentives. The incentives are intended to speed the introduction of broadband throughout the state, particularly into rural areas. The current call for information is not a formal grant application process. Groups responding to the request for information will have the advantage of making the authority aware of connectivity plans they have prior to the development of a process for dispersing the incentive funds. The incentives will be available to public, non-profit and private organizations throughout North Carolina to enhance both supply- and demand-building activities.

Groups interested in submitting information can do so online at www.e-nc.org or via standard mail. All responses must be received by April 15, 2002, and must include the organization's name and identification as a non-profit, for-profit or public entity; contact information; name and brief description of the project; cost of the project and current funds available; status and timeline for the project; and a list of counties that will be served by the project. As part of the request for information, the authority also is seeking any legislative or regulatory ideas that could enhance the possibility for faster deployment of high-speed Internet services across the state. For more information, submit questions by e-mail to info@e-nc.org or via standard mail to 4021 Carya Drive, Raleigh, NC 27610.

To submit a response:

1. Visit the "What's New" section of the authority's Web site, www.e-nc.org, click on "Request for Information," and enter a response into the automated form, OR
2. Send a hard copy response to Jane Patterson at the Rural Internet Access Authority's headquarters at 4021 Carya Drive, Raleigh, NC, 27610.

About the e-NC Initiative and the Rural Internet Access Authority:
The e-NC Initiative, a grassroots effort to connect all North Carolinians to the Internet and a better future, is led by the Rural Internet Access Authority, which was created Aug. 2, 2000, by the N.C. General Assembly. E-NC has supported all projects to date through $30 million in funding committed by MCNC (formerly the Microelectronics Center of North Carolina), a private, non-profit organization based in Research Triangle Park, N.C., and cash or in-kind contributions from more than 52 other public and private entities. The initiative and the authority are housed within the N.C. Rural Economic Development Center. For more information, visit **www.e-nc.org** or call 1-866-NCRURAL.

###

Connectivity Incentive Grants

- **Request for Proposals - $8 M**
  - Supply Side
    - First Mile Transport
    - Middle Mile Transport
    - Last Mile Transport (Local Loop, ISP Transport)
  - Demand Side
    - E-Agriculture
    - E-Business Applications
    - E-Government Applications
    - E-Health Applications
    - E-Learning Applications
    - Other Miscellaneous applications that are scaleable statewide

e-NC Connecting North Carolina to a better future

SURVEYS AND RESEARCH

- Telecommunications Infrastructure Inventory
- Citizens Survey
- Digital Literacy Training Survey
- Local Government Survey
- E-agriculture Survey
- E-health Survey

Connecting North Carolina to a better future

Connecting
North Carolina
to a Better Future

www.e-nc.org
1·866·NCRURAL

E-communities

The e-communities program is a $6.3 million community outreach effort to galvanize community support for and involvement in bringing high-speed Internet access and training to all areas of the state.

Background
In developing the e-communities program, members of the e-NC Initiative conducted extensive research, looking at similar programs in other states and countries, from Virginia to Canada and from Alaska to Australia. Through this research, they learned that grassroots efforts, led by local champions, which reflected the needs, values and relationships existing within a specific community, were critical to each program's success in achieving local connectivity, access and adoption. As a result, e-NC created the e-communities program with a careful emphasis on local involvement.

Leaders of e-NC launched the e-communities program on Nov. 30, 2001. As part of the program, local technology champions are working with e-NC and county steering committees to transition each county in North Carolina to a state of fuller participation in the Internet economy. The ultimate goal is a fully connected state – an "e-NC" made of e-communities.

Drivers
There are four main groups driving the e-communities program:

- **E-champions, or local technology champions:** marshal community support, lead technology needs assessment and planning efforts, and work to implement necessary changes to meet community needs
- **Commission and staff of the e-NC Initiative:** organize the state, and act as a resource for local communities by providing training and data
- **Steering committees:** work with e-champions in their counties and e-NC to develop county-wide plans for extending high-speed Internet access and training
- **County officials:** chose to identify their counties as e-communities, designated e-champions, and act as fiscal agents for grants

Components
The e-communities program addresses four primary issues: connectivity, applications, training and public access.

Timeline

- November 2001 – E-champions named by county managers in 85 rural counties, several urban counties and the Eastern Bank of the Cherokee; first training session
- December 2001 – Steering committees named in each participating county
- January-April 2002 – Training continues; summaries of survey data available on a county-by-county basis
- May 2002 – Strategic plans due
- June 2002 – Public access grant applications due
- July 2002 – Public access grants announced
- August 2002 – Further funding announcements

Funding
E-NC efforts, including those above, are funded entirely or partially through $30 million committed by the board of MCNC (formerly the Microelectronics Center of North Carolina) in May 2000. The e-NC Initiative has designated $6.3 million to the e-communities program, of which $4.75 million is grant money for community planning and implementation.

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

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Members of the E-NC Initiative

A 21-member commission, the Rural Internet Access Authority guides the work of the e-NC Initiative. Appointed by leaders in state government, commission members were chosen for their expertise in such areas as technology, education, and economic and community development. They represent communities from across North Carolina and volunteer their time for the purpose of linking those communities and others like them to the Internet.

COMMISSION MEMBERS

Donald P. Altieri
South Piedmont Community College, *Polkton*

George Bakolia
N.C. Office of Information Technology Services, *Raleigh*

Wally Bowen
Mountain Area Information Network, *Asheville*

John Carringer
Murphy Electric Power Board, *Murphy*

Jim Fain
N.C. Department of Commerce, *Raleigh*

Patricia Ferguson
Bertie County Board of Commissioners, *Colerain*

Joe W. Foster
Verizon, *Durham*

Cecil L. Groves
Southwestern Community College, *Sylva*

L.S. Guy, Jr.
Duplin County Board of Commissioners, *Faison*

Billy Ray Hall
N.C. Rural Economic Development Center, *Raleigh*

Jon R. Hamm
Sprint, *Wake Forest*

C. Don Hathcock
BellSouth Telecommunications, *Charlotte*

Oppie N. Jordan
Carolinas Gateway Partnership, *Rocky Mount*

John Killebrew *
MCNC, *Research Triangle Park*

Dr. James Leutze (Chairman)
University of North Carolina at Wilmington, *Wilmington*

Bo McNeill
City Council of Lake Waccamaw, *Lake Waccamaw*

Brad Phillips
Time Warner Cable, *Raleigh*

Paul C. Ridgeway
Everett, Gaskins, Hancock & Stevens, *Raleigh*

Ed Turlington
Brooks, Pierce, McLendon, Humphrey & Leonard, *Raleigh*

Billy Wellons, Jr.
Faynet, *Fayetteville and Spring Lake*

Curtis Wynn
Roanoke Electric Cooperative, *Ahoskie*

** temporarily sitting in while appointment is being approved*

Please see reverse for information on the committees working on the e-NC Initiative.

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

May 2002

COMMITTEES

Commission members and individuals from across the state volunteer their time on seven committees that develop plans for outreach and action. Plans are approved by the commission and implemented by staff members.

For more information, please visit www.e-nc.org.

Applications Committee — The applications committee is looking at the development of Internet applications that will connect North Carolinians with online government, education, business, health care and agricultural resources.

Budget & Finance Committee — The budget and finance committee monitors all of the money that comes in and out of the authority.

Communications Committee — The communications committee helps to ensure that people know about e-NC. The committee is responsible for developing plans for media relations, the Web site and major reports.

Legal, Legislative & Regulatory Committee — The primary purpose of the legal, legislative and regulatory committee is to provide legal guidance to the authority. Among its responsibilities, the committee assists in coordinating activities with the state legislature and N.C. Utilities Commission on behalf of the authority.

Outreach Committee — The outreach committee is responsible for developing plans to reach local communities, getting them interested in and educated about the Internet. The committee develops training and support services and creates plans to increase ownership of computers and use of the Internet by North Carolina citizens.

Technical Committee — The primary purpose of the technical committee is to create plans to ensure that all citizens of North Carolina have local, dial-up and eventually high-speed access to the Internet. The committee is responsible for creating a directory of Internet Service Providers, conducting an inventory of the state's telecommunications infrastructure, and recommending ways to speed the rate at which rural areas get high-speed Internet access.

Telecenter Committee — The telecenter committee is responsible for creating plans to establish at least two telecenters, or technology hubs within communities.

All committees meet approximately once a month. Committee membership is re-opened to new volunteer members at the beginning of each year.

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Leaders of the E-NC Initiative

Three distinguished leaders, each recognized for their commitment to improving North Carolina and educating its people, spearhead the e-NC Initiative and the work of the Rural Internet Access Authority.

Dr. James Leutze
Chairman

Dr. James Leutze is chancellor of the University of North Carolina at Wilmington. Under his leadership, UNCW has become one of the top 10 regional public universities in the South and is taking on a primary role in the field of education and technology. UNCW places a distinct emphasis on regional and global outreach and has developed several technological initiatives in global learning, including a virtual university pilot project with Japan. Governor Jim Hunt appointed Leutze in August 2000 as chair of the commission that guides the e-NC Initiative.

Jane Smith Patterson
Executive Director

Jane Smith Patterson is an international commentator on information infrastructure policy and applications. She has consulted with more than 20 countries and nearly 40 states regarding the design and operation of information networks. Patterson has worked for Governor Jim Hunt and the State of North Carolina, ITT Corporation, ITT-Alcatel, Alcatel N.A. and the University of North Carolina at Wilmington. Her career has focused on the current and potential impacts of information technology on government, industry and education. She joined the authority in January 2001.

Billy Ray Hall
Communications Committee Chair

A long-time champion and advocate for rural North Carolina, Billy Ray Hall has served for more than 14 years as president of the N.C. Rural Economic Development Center. The non-profit organization serves the state's 85 rural counties, working to develop, promote and implement sound economic strategies to improve the quality of life for rural North Carolinians. During former Governor Hunt's administration, Hall was often tapped to lead statewide initiatives such as the disaster recovery efforts for Hurricanes Fran and Floyd. Hall began work as the communications committee chair for the authority and the e-NC Initiative in May 2001.

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

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Staff of the E-NC Initiative

The staff of the Rural Internet Access Authority and the e-NC Initiative is housed within the N.C. Rural Economic Development Center in Raleigh. E-NC also has five regional program officers stationed across the state.

STAFF MEMBERS AT STATE HEADQUARTERS

Raleigh staff can be reached by phone at (919) 250-4314 or fax at (919) 250-4322.

Jane Smith Patterson
Executive Director
jpatterson@e-nc.org

Angie Bailey
Executive Assistant
abailey@e-nc.org

Shaheen Bandukwala
Program Associate
sbandukwala@e-nc.org

Charlie Clark
Network Access Technologist
cclark@e-nc.org

Chuck Clark
Cisco Fellow
chclark@e-nc.org

Dan McAuley
Subscriber Network Technologist
dmcauley@e-nc.org

Charles Stanback
Outreach Director
cstanback@e-nc.org

Mark Walters
Legal Intern
mwalters@e-nc.org

Deborah Watts
Grants/Research Officer
dwatts@e-nc.org

REGIONAL PROGRAM OFFICERS

Ashlie Lefko
Phone: (828) 310-2259
Fax: (828) 654-0924
alefko@e-nc.org
Western counties served: Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Gaston, Graham, Haywood, Henderson, Jackson, Lincoln, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Swain, Transylvania, Watauga, Wilkes and Yancey

George Ponder
Phone: (252) 521-4604
Fax: (252) 523-9017
gponder@e-nc.org
North central counties served: Alamance, Caswell, Chatham, Davidson, Davie, Durham, Forsyth, Franklin, Granville, Greene, Guilford, Iredell, Johnston, Lenoir, Nash, Orange, Person, Randolph, Rockingham, Rowan, Stokes, Surry, Vance, Wake, Warren, Wayne, Wilson and Yadkin

Will Johnson & Jerald Perry
Phone (Will): (252) 789-4915
Phone (Jerald): (252) 789-4914
Fax: (252) 482-3366
wjohnson@e-nc.org, jperry@e-nc.org
Northeastern counties served: Beaufort, Bertie, Camden, Carteret, Chowan, Craven, Currituck, Dare, Edgecombe, Gates, Halifax, Hertford, Hyde, Jones, Northampton, Martin, Pamlico, Pasquotank, Perquimans, Pitt, Tyrrell and Washington

Joanna Wright
Phone: (910) 620-2125
Fax: (910) 962-4067
jwright@e-nc.org
Southeastern and south central counties served: Anson, Bladen, Brunswick, Cabarrus, Columbus, Cumberland, Duplin, Harnett, Hoke, Lee, Mecklenburg, Montgomery, Moore, New Hanover, Onslow, Pender, Richmond, Robeson, Sampson, Scotland, Stanly and Union

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

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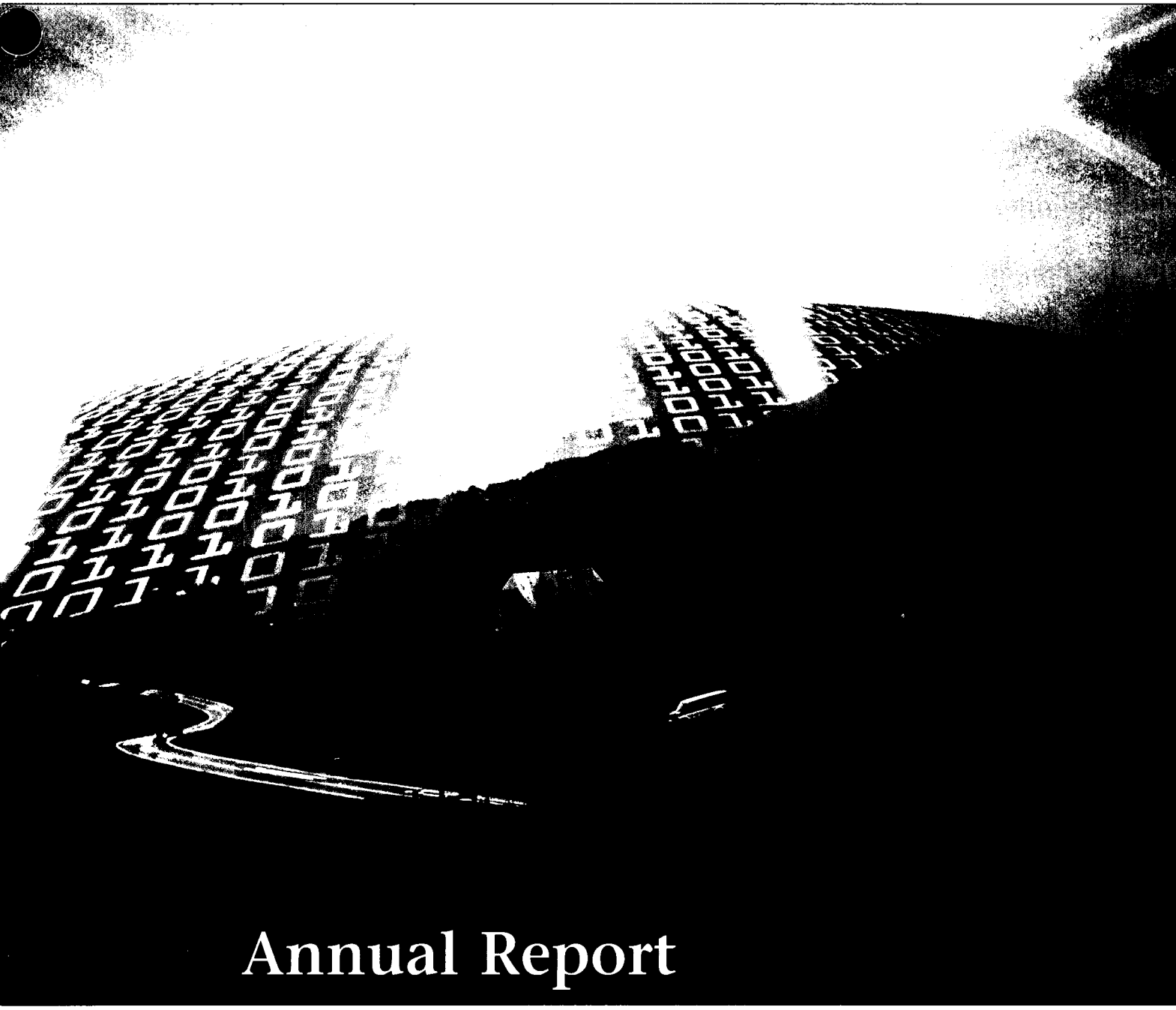
2001 E-NC Supporters

Alcatel
BB&T
BellSouth
Brody School of Medicine at East Carolina University
Capitol Broadcasting Company Inc.
Cavanaugh & Associates, PA
Centura Bank
Cisco Systems Inc.
Compaq Computer Corporation
Crestline Homes
ElectriCities of NC
ExplorNet
Family Dollar Stores Inc.
First Citizens Bank
First Union Inc.
GlaxoSmithKline
Global Systems Inc.
Green Engineering
Hobbs, Upchurch & Associates
IBM
Jordan Lumber & Supply Inc.
KPMG Consulting Inc.
McDavid & Associates Inc.
McGill Associates
McKim & Creed, PA
MCNC (formerly the Microelectronics Center of North Carolina)
Microsoft Corporation
Miller Brewing Company
Mountain Area Information Network
N.C. Cable Telecommunications Association
N.C. Department of Public Instruction
N.C. Electronics and Information Technologies Association
N.C. Farm Bureau
N.C. League of Municipalities
N.C. Office of Information Technology
N.C. Telephone Alliance
N.C. Telephony Industry Association
Nortel Networks
North Carolina Rural Economic Development Center
North Carolina's electric cooperatives
Philip Morris U.S.A.
Progress Energy
Rivers and Associates
Roanoke Electric Cooperative
SAS inSchool
SAS Institute
Southern Bank Foundation
Sprint
Syngenta
The S.T. Wooten Corporation
Verizon
Wachovia Corporation
Wachovia Foundation

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

May 2002



Annual Report

Rural Internet Access Authority

To ensure that all North Carolina citizens, businesses and communities are aware of, know how to use, and have access to high-speed Internet services at affordable prices.

2001

Connecting North Carolina to a Better Future

2001 Rural Internet Access Authority Commission Members

The Rural Internet Access Authority, established by Senate Bill 1343 and comprised of 21 commission members, guides the work of the e-NC Initiative. Commission members are volunteers and are chosen by state government leaders.

Commission Members:

Donald P. Altieri
South Piedmont Community College, Polkton
Wally Bowen
Mountain Area Information Network, Asheville
John Carringer
Murphy Electric Power Board, Murphy
Jim Fain
N.C. Department of Commerce, Raleigh
Patricia Ferguson
Bertie County Board of Commissioners, Colerain
Joe W. Foster
Verizon, Durham
Cecil L. Groves
Southwestern Community College, Sylva
L.S. Guy, Jr.
Duplin County Board of Commissioners, Faison
Billy Ray Hall
N.C. Rural Economic Development Center, Raleigh
Jon R. Hamm
Sprint, Wake Forest
C. Don Hathcock
BellSouth Telecommunications, Charlotte
Ronald P. Hawley
N.C. Office of Information Technology Services, Raleigh
Oppie N. Jordan
Edgecombe County Economic Development, Rocky Mount
William R. Kress
MCNC, Research Triangle Park
Dr. James Leutze (Chairman)
University of North Carolina at Wilmington, Wilmington
Ed McDaries
Advanced Internet Technologies Inc., Fayetteville
Bo McNeill
City Council of Lake Waccamaw, Lake Waccamaw
Paul C. Ridgeway
Everett, Gaskins, Hancock & Stevens, Raleigh
Ed Turlington
Brooks, Pierce, McLendon, Humphrey & Leonard, Raleigh
Robert O. Wells
N.C. Telephone Alliance, Raleigh
Curtis Wynn
Roanoke Electric Cooperative, Ahoskie

2001 Supporters

The e-NC Initiative thanks the many organizations that have supported the goal of connecting all North Carolinians to the Internet and a better future.

Alcatel
BB&T
BellSouth
Brody School of Medicine at East Carolina University
Cavanaugh & Associates, PA
Centura Bank
Cisco Systems Inc.
Compaq Computer Corporation
Crestline Homes
ElectriCities of NC
ExplorNet
Family Dollar Stores Inc.
First Citizens Bank
First Union Inc.
GlaxoSmithKline
Global Systems Inc.
Green Engineering
Hobbs, Upchurch & Associates
IBM
Jordan Lumber & Supply Inc.
KPMG Consulting Inc.
McDavid & Associates Inc.
McGill Associates
McKim & Creed, PA
MCNC (formerly the Microelectronics Center of North Carolina)
Microsoft Corporation
Miller Brewing Company
Mountain Area Information Network
N.C. Cable Telecommunications Association
N.C. Department of Public Instruction
N.C. Electronics and Information Technologies Association
N.C. Farm Bureau
N.C. League of Municipalities
N.C. Office of Information Technology
N.C. Telephone Alliance
N.C. Telephony Industry Association
Nortel Networks
North Carolina's electric cooperatives
Philip Morris U.S.A.
Progress Energy
Rivers and Associates
Roanoke Electric Cooperative
SAS inSchool
SAS Institute
Southern Bank Foundation
Sprint
Syngenta
The S.T. Wooten Corporation
Verizon
Wachovia Corporation
Wachovia Foundation

Dear Friends,

Investments in technology and training are investments in North Carolina's economic future. At a time when the state's unemployment rate has crept to its highest level in nearly 20 years–largely due to job losses in the manufacturing sector–we need to ensure citizens are prepared to compete in today's global economy.

Access to the Internet is one step toward strengthening North Carolina's economy. Through the Internet, businesses have the ability to speed and streamline processes, exchange information, conduct competitive research and make themselves more accessible to customers. By automating their services, North Carolina businesses enable themselves to compete in a tough economy locally, nationally and globally. This is particularly important for small businesses, which create the most jobs for rural North Carolina.

We can use the Internet to bring economic and social opportunity to every North Carolinian's doorstep so that citizens can prosper in communities they love. By retraining displaced workers, we can empower them to obtain better, higher paying jobs. Through the Internet, citizens can gather information on medical conditions, learn about educational opportunities, and keep in touch with family and friends across the state and around the globe.

During the last year, e-NC has come a long way in reaching the vision of a fully connected state, but we also have a long way to go. The year 2002 will be pivotal in working toward a better future for all North Carolinians, and it is through the continued commitment of citizens and leaders across the state that our goals ultimately will be realized. After reviewing our accomplishments and goals on the pages that follow, we hope you will partner with us this year as we work to connect North Carolina to a better future.

Sincerely,

Dr. James R. Leutze
Chairman
Rural Internet Access Authority

Chairman Leutze addresses participants at the 2001 Rural Partners Forum regarding the benefits of the Internet to the state of North Carolina.

Dear Supporters of Statewide Internet Access,

Thank you for your contributions this past year to the Rural Internet Access Authority and the e-NC Initiative. It is with pride that I look back on 2001. When the North Carolina General Assembly passed Senate Bill 1343 establishing the authority in August 2000, they charged the authority with increasing the adoption of technology and Internet use, particularly in rural areas. Since initiating operations in January 2001, we have worked rapidly toward this ultimate goal.

We accomplished a great deal in 2001, from announcing the availability of local, dial-up access statewide to conducting surveys to measure the state's Internet readiness on multiple levels; and from initiating programs like NC TechForce to reaching out to communities across the state. We laid the groundwork for a successful 2002.

Looking ahead, the list of projects that need to be accomplished can be daunting. There is much work left to be done. However, I am filled with hope and belief in the dedication of my fellow North Carolinians. In nearly every county of the state, volunteers are working to extend Internet access and training. The drive, excitement and determination of these volunteers is inspiring; each one is working to bring economic prosperity and a better quality of life to North Carolina citizens.

The e-communities program, launched at the Rural Partners Forum in November 2001, will help to link every county to the Internet. Through nearly 100 local technology champions working to enact change on the local level, we are moving toward creating one connected state, an e-NC made up of e-communities.

As you did in 2001, I hope you join us in 2002 for another exciting year, filled with meaningful work and a sincere belief in the potential of the great state of North Carolina.

Sincerely,

Jane Smith Patterson
Executive Director
Rural Internet Access Authority

Jane Patterson speaks with Rick Carlisle and authority staff member Shaheen Bandukwala at the Technology 2001 exhibit in November.

Goals and Progress

In 2001, e-NC achieved two of its major goals and laid the groundwork for several more. For a complete listing of the goals as set by the North Carolina legislature, please visit www.ncleg.net and view Senate Bill 1343.

Goal:
Make local, dial-up Internet access available statewide by August 2001.

Progress:

Goal Exceeded – On July 9, 2001, after months of research, leaders of e-NC announced the goal had been achieved: all citizens in North Carolina could access the Internet by making a local telephone call.

In January 2001, the e-NC Initiative began an intensive study to document all companies in the state that provide Internet services. The study revealed that, as of June 30, 2001, 120 Internet service providers served every telephone exchange in North Carolina. Reports six months earlier indicated there were people in rural areas that remained unserved.

Using this information, e-NC created a searchable database of ISPs on its Web site, www.e-nc.org. Citizens can search the database for providers in their areas by entering their phone numbers.

Goal:
Inventory the state's telecommunications infrastructure and services by November 2001.

Progress:

Goal Achieved – As of November 2001, the process of gathering data was complete. A summary of results and recommendations will be shared statewide in early 2002.

Goal:
Establish two model telecenters by January 2002.

Progress:

Will Exceed Goal – On Sept. 27, 2001, the commission of the Rural Internet Access Authority voted to distribute $2.8 million in grants among five counties to develop telecenters. The telecenters serve as technology hubs within communities and offer a combination of services, including training in computer and Internet use, serving as a technical resource center for communities, and acting as a business incubator.

Senate Bill 1343, which established the authority, mandated the establishment of two telecenters by January 2002. Three of the five telecenters are expected to be operational in January 2002.

Goal:
Provide public Internet access and computer training for citizens.

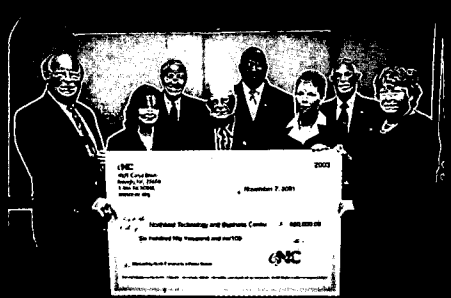
Progress:
The telecenters being developed will provide citizens with public access and training sites in five locations across the state. As part of the statewide infrastructure inventory, e-NC has identified sites across North Carolina where public access is currently available. A searchable database is under construction and will be shared in early 2002. In spring 2002, local technology champions are expected to present county-by-county plans, which may call for public access sites in unserved areas if appropriate.

Goal:
Promote increased Internet use and ownership of computer devices.

Progress:
To educate citizens about the positive impact the Internet can have on their quality of life, e-NC kicked off a public awareness campaign with six regional meetings held concurrently across the state in September 2001. Outreach activities planned for 2002 and beyond will continue to reinforce the benefits of the Internet and give citizens a chance to test-drive the Internet in their communities.

Goal:
Make affordable, high-speed Internet access available statewide by December 2003.

Progress:
With the launch of the e-communities program in late 2001, e-NC took a major step in empowering communities to work toward high-speed Internet access in unserved areas of their counties. To meet needs, e-NC also is working at the state level with Internet service providers.



Commission member Billy Ray Hall (far left) and Executive Director Jane Patterson (far right) present a check to members of the Northeast Technology and Business Center committee in September 2001.

Telecenter Grants Awarded:

Blue Ridge Telecenter
Opening January 2002
Alleghany County
$650,000
Additional Counties Served: Ashe, Surry, Wilkes

Tri-County Community Colleg Telecenter
Cherokee County
$473,000
Additional Counties Served: Clay, Graham

e-NC Duplin Telecenter
Duplin County
$526,804
Additional Counties Served: Jones, Onslow

Northeast Technology and Business Center
Opening January 2002
Martin County
$650,000
Additional Counties Served: Bertie, Washington

Rural Broadband Technology Center
Opening January 2002
Robeson County
$500,000
Additional Counties Served: Bladen, Columbus, Cumberland, Hoke, Richmond, Scotland

E-communities

On Nov. 30, 2001, leaders of e-NC announced the launch of the **e-communities program** at the 2001 Rural Partners Forum. A $6.3 million community outreach effort, the program is intended to galvanize community support for and commitment to bringing high-speed Internet access and training to all areas of the state. The ultimate goal of the program is to create a fully connected state – an e-NC comprised of e-communities.

The effort includes surveys to determine needs, awareness and training projects, support services, and grants to assist with planning and implementation. Local technology champions, or **e-champions**, lead the efforts in each county.

In November 2001, e-NC awarded **public engagement grants** to 32 of the state's most economically distressed counties. The grants, which ranged from $3,300 to $5,000 per county, paved the way for distressed counties to effectively prepare for, seek and utilize e-communities planning grants. The public engagement grants provided financial support for community meetings where citizens and leaders could begin discussing local needs and the ways technology could meet those needs.

Following the public engagement grants, e-NC committed to providing $10,000 **e-communities planning grants** to each of the state's 85 rural counties and the Eastern Band of the Cherokee. The funds will support the development of county-by-county plans for extending high-speed Internet service and training to underserved areas.

Counties / Areas Receiving E-communities Planning Grants:

Alexander
Alleghany*
Anson*
Ashe*
Avery
Beaufort*
Bertie*
Bladen*
Brunswick
Burke
Caldwell
Camden*
Carteret
Caswell
Chatham
Cherokee*
Chowan
Clay
Cleveland
Columbus*
Craven
Currituck
Dare
Davie
Duplin*
Eastern Band of the Cherokee
Edgecombe*
Franklin
Gates
Graham*
Granville
Greene
Halifax*
Harnett
Haywood
Henderson
Hertford*
Hoke*
Hyde*
Iredell
Jackson
Johnston
Jones*
Lee
Lenoir
Lincoln
Macon
Madison*
Martin*
McDowell
Mitchell*
Montgomery*
Moore
Nash
Northampton*
Onslow
Pamlico*
Pasquotank*
Pender
Perquimans*
Person
Pitt
Polk
Randolph
Richmond
Robeson*
Rockingham
Rutherford
Sampson
Scotland*
Stanly
Stokes
Surry
Swain*
Transylvania
Tyrrell*
Union
Vance*
Warren*
Washington*
Watauga
Wayne
Wilkes
Wilson
Yadkin
Yancey*

***Also received a public engagement grant.**

E-commerce

Dan Williams has poured more than 20 years of his life into Louis Williams & Sons, the hardware store his grandfather founded to serve Hendersonville, N.C. When giant retailers began moving into the area in 1996, Dan knew he had to look for a way to compete. He developed a Web site, **www.makita-direct.com**, to increase the reach of his business, which focuses on Makita power tools. Five years later, Louis Williams & Sons is one of the Southeast's largest distributors of Makita power tools. Thanks to forward thinking and the Internet, Dan was able to save the family business and continue to serve his community.

E-champions

In late 2001, the initiative announced that local technology champions had been named in all 85 rural counties, 9 urban counties and the Eastern Band of the Cherokee. As part of the e-communities program, the e-champions are working with steering committees in their counties to develop plans for educating local populations about technology and increasing public access to high-speed Internet service.

County officials designated the e-champions, who attended a training session in Raleigh in late November. The e-champions are charged with marshalling community support, leading countywide needs assessments, and working to implement changes to meet community needs. During winter and spring 2002, the e-champions will attend additional training and information sessions as they prepare their counties for high-speed Internet access.

County/Area	E-champion	County/Area	E-champion	County/Area	E-champion
Alamance*	Jeff Causey	Gates	Reba Green-Holley	Orange*	Dick Taylor
Alexander	Dwaine Coley	Graham	Donna Tipton	Pamlico	Ann Holton
Alleghany	Chris Robinson	Granville	Doug Colquitt	Pasquotank	Marion Sofield
Anson	Chris Wease	Greene	Sandra Warren	Pender	Martin Beach
Ashe	John Weatherspoon	Guilford*	Bill Nash	Perquimans	Victor Eure
Avery	Randy Baird	Halifax	Willa Dickens	Person	James Owen
Beaufort	Penny Sermons	Harnett	Paula Stewart	Pitt	Michael Taylor
Bertie	Marshall Cherry	Haywood	Richard Honeycutt	Polk	Mark Pumphrey
Bladen	Chuck Heustess	Henderson	David Nicholson	Randolph	Jeff Hurley
Brunswick	Cynthia Tart	Hertford	Brewster Brown	Richmond	Jimmy Quick
Burke	Steve Farlow	Hoke	Carolyn Olivarez	Robeson	Sylvia Pate
Cabarrus*	Steve Hicks	Hyde	Alice Keeney	Rockingham	Ginger Waynick
Caldwell	John Thuss	Iredell	Kenneth Vance	Rowan*	David Boling
Camden	Carl Classen	Jackson	Larry Tucker	Rutherford	Richard Burke
Carteret	Dave Inscoe	Johnston	Darryl McGraw	Sampson	J.W. Simmons
Caswell	Thomas J. Edmonds	Jones	Larry Meadows	Scotland	Bob Kendall
Chatham	Bret Pedigo	Lee	Nancy Turner	Stanly	Eddie Goss
Cherokee	Jim Bell	Lenoir	David Edwards	Stokes	Ron Morgan
Chowan	Bill Miller	Lincoln	Audrey Setzer	Surry	David Adkisson
Clay	Andy Gibson	Macon	Andy Muncey	Swain	John Tyndal
Cleveland	Scott Fite	Madison	Anita Davie	Transylvania	Larry Moss
Columbus	Beverlee Nance	Martin	Dennis Griffith	Tyrrell	Brenda Mixon
Craven	Kenneth Wallace	McDowell	Virginia Mitchell	Union	Charlene Broome
Cumberland*	Juanita Pilgrim	Mecklenburg*	Tracy Greene	Vance	Rick Seekins
Currituck	Tina Scanlon	Mitchell	Kathy Young	Wake*	Bob Sams
Dare	Tom Gray	Montgomery	Judy Stevens	Warren	Shelley Fearn
Davie	Neal Smith	Moore	Marilyn Neely	Washington	Tracy Phillips-Berk
Duplin	Lynn Lucas	Nash	Hope Lynch	Watauga	Paul Combs
E Band of the Cherokee	Henry Chiltoskie	New Hanover*	Mark Boyer	Wayne	Sharon Syck
Edgecombe	Larry Flowers	Northampton	Willa Dickens	Wilkes	Tom Caudill
Franklin	Lucy Allen	Onslow	Mona Padrick	Yadkin	Chuck Goad
				Yancey	Steve Gouge

***Urban county**

Joshua, a high school student from Bertie County, helped start the Techforce chapter in his area.

NC TechForce

Announced at the Rural Partners Forum in November 2001, NC TechForce is a statewide effort to involve students in helping their communities get online. High school, community college, college and university students will work with a TechForce coordinator to build grassroots Internet awareness in their communities.

Members of NC TechForce will act as Internet and technology resources for their counties. These Community Internet Specialists will work with businesses, local government, non-profits and individuals on technical tasks ranging from computer application requirements and design to basic e-mail setup and use.

By December 2002, NC TechForce hopes to have trained and dedicated students in every county. As of Dec. 31, 2001, there were 13 TechForce chapters in the state and fifty Community Internet Specialists in the program.

Regional Meetings September 26, 2001

The e-NC Initiative officially kicked off its public awareness campaign at six meetings held concurrently across the state. The meetings, which were in Boone, Elizabeth City, Fayetteville, Greenville, Raleigh and Waynesville, were linked through a morning satellite broadcast from the main location in Raleigh. The broadcast featured local and national leaders, including Dr. James Leutze, Governor Mike Easley and keynote speaker Mike Nelson, director of Internet technology and strategy for IBM Corporation. The leaders called on North Carolinians to be catalysts for local change and identified the Internet as a powerful economic and social force.

Following the broadcast, discussion sessions with panelists and moderators were held at each site. Panelists shared personal stories regarding the Internet's positive impact on their lives, businesses and communities. Approximately 500 kick-off participants took part in discussions. The e-NC Initiative also launched its Web site, www.e-nc.org, during the meetings.

Panelists in Waynesville speak to the Internet's potential to help businesses survive, compete and grow.

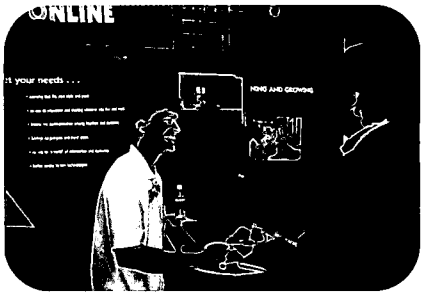
2001 Rural Partners Forum: Rural NC Goes ONLINE November 29-30, 2001

More than 700 people attended the 2001 Rural Partners Forum, held in Raleigh. Participants checked out the latest developments in information technology and the immense potential these innovations offer for North Carolina's communities, particularly rural areas.

Presented jointly by the N.C. Rural Economic Development Center and e-NC, the forum focused on the human side of the digital equation – what technology can mean for lifelong learning, for business growth and expansion, for improved health care, and for better access to government services and the democratic process. A Technology 2001 exhibit and a Smart House delighted participants, who learned hands-on how technology could improve their quality of life.

Sen. John Edwards headlined the forum, delivering the banquet address on Nov. 29. Speakers included Jeffrey A. Rhoda, director of IBM's global e-government initiative; Governor Mike Easley; Lieutenant Governor Beverly Purdue; and Gary Wood, director of Connect NB Branché, a highly successful rural Internet program in New Brunswick, Canada.

At the forum, e-NC leaders launched the $6.3 million e-communities program and formally voted to award public engagement grants. Overall, e-NC engaged citizens in promoting Internet and technology awareness across the state, and counties received necessary funds to start bridging the digital divide.



At the 2001 Rural Partners Forum, participants learned about e-government, e-health, e-learning and e-commerce at the Technology 2001 exhibit.

E-government

The N.C. Department of Transportation wanted to take advantage of the Web to better serve citizens and streamline operations. The department tapped Maggie Peterson Thomas to direct the creation and implementation of online vehicle registration renewal. Today, citizens across the state can save valuable time by renewing their vehicle registration over the Internet at **www.dmv.dot.state.nc.us**.

With the success of the state's first e-government application under its belt, the department – and Maggie Peterson Thomas – is developing other online vehicle registration and titling applications.

Financial Information

These condensed, unaudited financial statements have been prepared by management of the Rural Center in its capacity as the fiscal fiduciary, staffing agent and contractor for the purpose of procuring services and supplies for the Rural Internet Access Authority. These statements reflect the financial activity of the RIAA from inception of the initiative through Dec. 31, 2001. Such financial activity through June 30, 2001, was subject to audit in the financial statements of the Rural Center upon which the Rural Center received an unqualified opinion.

Rural Internet Access Authority Condensed Financial Statements

Statement of Financial Position December 31, 2001

Assets:	
Cash and cash equivalents	$ 1,437,765
Prepaid expenses	3,634
Total assets	$ 1,441,399
Liabilities and net assets:	
Liabilities:	
Accrued leave	$ 17,485
Deferred revenue	1,423,914
Total liabilities	1,441,399
Net assets:	
Unrestricted	–
Total net assets	–
Total liabilities and net assets	$ 1,441,399

Statement of Activities Year Ended December 31, 2001

Revenues:	
Contract revenue recognized	$ 3,091,389
Interest income	149,562
Total revenues	3,240,951
Expenses:	
Education, awareness and outreach	426,977
Development of telecommunications infrastructure inventory	821,074
Telecenter grants	462,412
General operations	1,530,488
Total expenses	3,240,951
Change in net assets:	–
Net assets, beginning	–
Net assets, ending	$ –

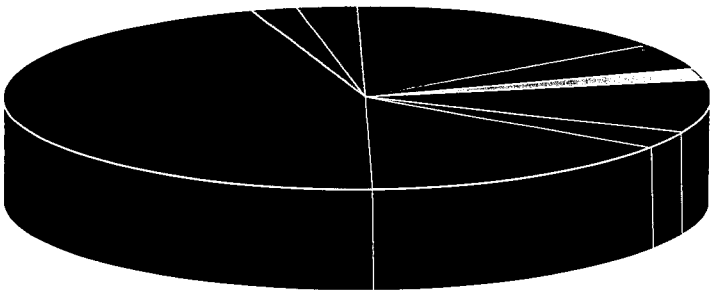
Financial Information

Rural Internet Access Authority Budgeted Expenditures

	2001	2002	2003	Total
		(in thousands)		
General operations	$ 1,474	$ 1,684	$1,594	$4,752
Web site development and maintenance	94	30	30	154
Marketing and communications	249	500	500	1,249
Surveys	425	–	–	425
E-communities initiative	2,850	–	–	2,850
Development of telecommunications infrastructure inventory	1,000	–	–	1,000
Telecenter grants	2,800	1,680	–	4,480
Incentives	2,250	6,250	5,000	13,500
Overhead	274	221	212	707
Contingency	299	308	276	883
Total budgeted expenditures	$11,715	$10,673	$7,612	$30,000

Budgeted expenditures for three years of operations of the Rural Internet Access Authority were approved by the Authority's board at a meeting on September 26, 2001.

Total Budgeted Expenditures By Category



- Incentives
- Overhead
- Contingency
- General Operations
- Web site Development and Maintenance
- Marketing and Communications
- Surveys
- E-communities Initiative
- Development of Telecommunications Infrastructure Inventory
- Telecenter Grants

E-culture

Betty Smith is a folk singer by trade. She reaches audiences all over the state, country and globe through her Web site, **www.bettysmithballads.com**. A member of the Mountain Area Information Network, Betty sells her music over the Web, drumming up a healthy following through both her Web site and performances. As a grandmother, Betty also has seen the value of the Internet as she e-mails her grandchildren frequently. Betty is one of many citizens across the state that has taken advantage of the Internet to further her artistic and business pursuits, and enrich her personal relationships.

Looking Ahead to 2002

E-champions

In early 2002, e-NC will provide each e-champion with the results of the four research initiatives that were undertaken in 2001 to assess counties' technology readiness. The results will provide a county-by-county picture of what technology infrastructure is available and how citizens, local governments and health care organizations are using the Internet. The information from the surveys will help e-champions lead their counties in identifying local needs and developing strategic plans for extending high-speed access and training in their communities. The e-champions are expected to complete the strategic plans for their counties by May 2002.

Grants and Incentives

The year 2002 brings with it the promise of additional grants and new incentives from the e-NC Initiative to help communities get high-speed Internet access.

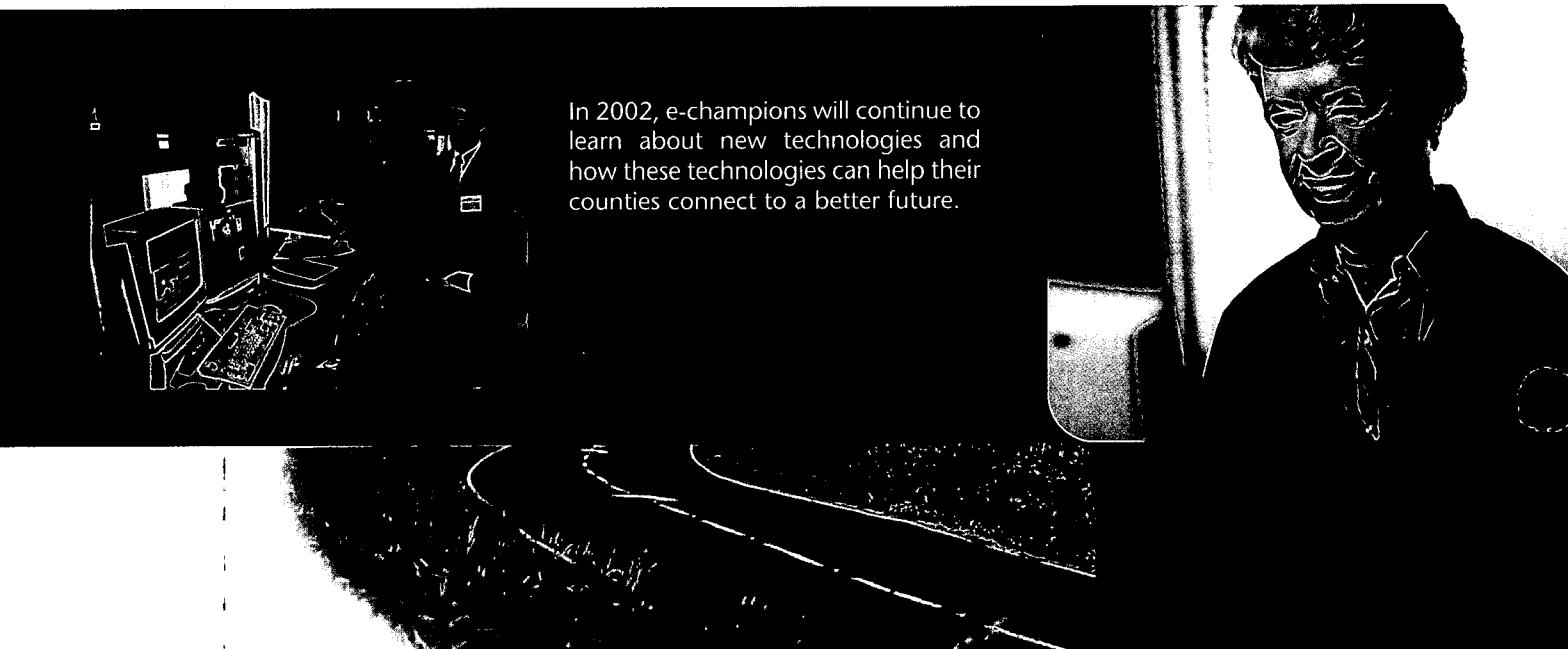
- In June 2002, rural counties will be eligible for grant funds to implement their strategic plans for extending high-speed access and training in their counties.
- Current telecenters can apply for a second round of funding in late 2002.
- Digital literacy training grants will be available mid-year 2002 to improve and create training programs across the state.
- Approximately $15 million in incentives is budgeted for disbursal in 2002. Monies will be used to speed the rate at which private companies are reaching into and serving communities that currently are without access.

Surveys

In an effort to assess the state's technology readiness, e-NC tackled four major research projects during 2001. The results will be available in 2002 and will help identify where each county stands in terms of Internet availability and access.

- An **infrastructure inventory** and assessment project will determine what telecommunications technology and other support infrastructure exists statewide. This infrastructure, which includes telephone, fiber optic and cable lines; transmission satellites and towers; and other equipment, makes Internet access possible. Through the inventory, e-NC will be able to offer citizens a comprehensive look at what technology infrastructure is in place and highlight pockets of need. These results will be made available on the e-NC Web site, www.e-nc.org, and will be displayed using searchable, Geographic Information System (GIS) maps.
- Conducted by East Carolina University's Survey Research Laboratory, the **citizen survey** will provide a benchmark for how citizens use and feel about the Internet.
- An **e-government survey** will measure the electronic readiness of local governments and governmental entities, as well as their use of computer networks and applications. The survey is being completed by the Institute of Government at the University of North Carolina at Chapel Hill.
- An **e-health** survey will be completed as a joint venture between e-NC and the North Carolina Health Care Information Communications Alliance Inc. The survey will assess the online readiness of hospitals, and public and private health care groups.

The infrastructure inventory results will be available by early 2002. Results from the citizen, e-government and e-health surveys will be complete in spring 2002.



In 2002, e-champions will continue to learn about new technologies and how these technologies can help their counties connect to a better future.

Volunteers

The Rural Internet Access Authority and the e-NC Initiative rely on assistance from dedicated volunteers who represent the many groups and business sectors making e-NC possible. In 2001, the authority had seven active committees. The active membership for 2001 is listed below.

Applications

Chair: Cecil Groves

Vice-Chairs: L.S. Guy and John Carringer
Committee Members: Holt Anderson, Chris Beacham, Bob Blackmun, Lynda Booker, Wally Bowen, Brian Briggs, Mary Sue Brown, Linda DeGrand, David Edwards, Gail Findlay, Kevin Fitzgerald, Tom Foss, Peggy Graham, Tom Gray, Jon Hamm, Geoff Honaker, Richard Hunter, Katherine Joyce, Lee Mandell, Louis Peaden, Scott Ralls, Tim Rhodes, Shannon Schelin, Jeff Spade, Nancy Stallings, Hunter Thompson, Parks Todd, Chris Wease, Jim White and Kay Zimmerman

Budget & Finance

Chair: Dr. James Leutze
Committee Members: Jim Fain, Billy Ray Hall and Paul Ridgeway

Communications

Chair: Billy Ray Hall
Committee Members: Roy Adams, Margot Christensen, Keith Clark, Herb Crenshaw, Lynn Davis, Brenda Dougherty, Stuart George, Arlen Holt, Oppie Jordan, Katherine Joyce, Wendy Kuhn, Amanda Mancuso, Elaine Matthews, Ed McDairies and Elvis Oxley

Legal, Legislative and Regulatory

Chair: Ed Turlington

Vice-Chair: Robert O. Wells
Committee Members: Lynda Booker, Wally Bowen, Linda DeGrand, Joe Foster, Jon Hamm, Rick Happ, Ron Hawley, Mary Ann Hinshaw, Dave Holec, Katherine Joyce, Wendy Kuhn, Lee Mandell, Bo McNeill, Steve Parrott, Paul Ridgeway, Eugene Russell and Jerry Weikle

Outreach

Chair: Oppie Jordan

Vice-Chair: Don Altieri
Committee Members: Lynda Booker, Barbara Boyce, June Brotherton, Robert Burgin, Pat Cabe, Rhonda Conlon, Herb Crenshaw, Pat Elmore, Bob Emeigh, Tom Fife, Kevin Fitzgerald, Joe Freddoso, Peggy Graham, Stephanie Grice, Greg Griggs, Terry Grunwald, Nicole Hare, Katherine Joyce, Maria Kaml, Amanda Mancuso, Alfred Mays, Becky McLain, Elvis Oxley, Mike Pittman, Scott Ralls, Wynn Smith, Paula Stewart, Hunter Thompson, Parks Todd, Les Twible, Jeff Weinstock, Jeanne Whisnant, Wayland Whitley and Brenda Williamson

Technical

Chair: Ron Hawley

Vice-Chair: Don Hathcock
Committee Members: John Barker, Andy Billingsley, Kathy Blake, Alan Blatecky, Lynda Booker, Wally Bowen, Keith Clark, Greg Coltrain, Tom Foss, Joe Foster, Tom Gray, Larry Grovenstein, Jon Hamm, Benny Hendrix, John Isenhour, Katherine Joyce, Richard Kelly, John Killebrew, Wendy Kuhn, Steve Lane, Satchell Loftis, Vickie Lonker, Bo McNeill, Tom Mims, Jim Northrup, Thomas Parrish, Brad Phillips, Charles Pittman, Bowen Ross, Raney Roswell, Bruce Shirder, Gary Steeley, Dick Taylor, Michael Taylor, Marcus Trathen, Wendell Troy, Calvin Umphlett, Steve Wagner, Robbie Walker, Mark Watt and Rick Zimmerman

Telecenter Committee

Chair: Patricia Ferguson

Vice-Chair: Curtis Wynn
Committee Members: Michael Aheron, Ebonie Alexander, Timmy Baynes, Wally Bowen, Mary Sue Brown, Sharon Greig, L.S. Guy, Billy Ray Hall, Katherine Joyce, Mary Kirk, Peggy Manring, Virginia Mitchell, Scott Ralls, Tim Rhodes, Brenda Rogers, Bob Sams, Ed Shearin, David Short, Lavoy Spooner, Dick Starling, Teresa Triplett, Rebecca Troutman, Les Twible, John Whitehurst, Wayland Whitley, Thomas Williams and Mary Wood

2001 Staff of the Rural Internet Access Authority

Jane Patterson
Executive Director

Angie Bailey
Executive Assistant

Shaheen Bandukwala
Program Associate

Charlie Clark
Network Access Technologist

Chuck Clark
Cisco Fellow

Will Johnson
Regional Program Officer – Northeast

Ashlie Lefko
Regional Program Officer – West

Dan McAuley
Subscriber Network Technologist

Jerald Perry
Regional Program Officer – Northeast

George Ponder
Regional Program Officer – North Central

Charles Stanback
Outreach Director

Mark Walters
Legal Intern

Deborah Watts
Grants/Research Officer

Joanna Wright
Regional Program Officer – Southeast and South Central

Contractors:

Albert Azzam
Sandy Babb
Keith Clark

Former Staff:

Many thanks to Beth Murphy, former program associate, for her contributions during 2001.

"Start simple, think big and grow fast. The Internet is not just for an engineer. It's for a farmer or someone working at a bed and breakfast in the mountains – it's for anyone and everyone."

– Mike Nelson, Internet technology and strategy director at IBM, in his keynote address at e-NC regional meetings, September 2001

"The e-NC Initiative is important because it will help to get our rural areas wired for the future. Internet access allows our rural areas to be players in the economic development of the whole state."

– Rep. Joe Tolson, Co-Chairman, Joint Select Committee on Information Technology

"We all cherish the rural areas of our state and want to see them prosper. The e-NC Initiative will help rural areas to retain the character that makes them wonderful while providing enhanced economic opportunity."

– Sen. Virginia Foxx, Ranking Minority Member, Appropiations Commitee on Information Technology

"As the economy of rural North Carolina visits fundamental change upon our citizens, the e-NC Initiative stands like the Hatteras Lighthouse, pointing the way to a safe harbor. It is my hope that e-NC will strengthen rural North Carolina and lead it toward more and better jobs."

– Sen. Eric Reeves, Co-Chairman, Joint Select Committee on Information Technology

"Rural development and rural high-speed access are absolutely critical, not only for businesses, but also for the growth of our schools, universities, community colleges, medical facilities and for familes."

– Gov. Mike Easley on Internet expansion

"It's up to you in our counties to make it happen, to draw that picture for our future. Leadership and vision, that is what we want from you... Leadership and vision to move every county into the 21st century with a focused, strategic plan based on the new economy."

– Lt. Gov. Beverly Purdue in a speech to participants in the 2001 Rural Partners Forum

The Rural Internet Access Authority is leading the e-NC Initiative to connect all North Carolinians to the Internet and a better future. The authority is housed in and staffed by the N.C. Rural Economic Development Center.

Connecting North Carolina to a Better Future

e-NC Initiative
c/o Rural Internet Access Authority
4021 Carya Drive
Raleigh, NC 27610

1-866-NCRURAL
www.e-nc.org

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E-NC Fact Sheet

E-NC: Connecting North Carolina to a Better Future
By educating North Carolinians about the positive impact the Internet can have on their lives, the e-NC Initiative seeks to increase the adoption of technology and Internet use, particularly in rural areas.

The Rural Internet Access Authority
The Rural Internet Access Authority is leading the e-NC Initiative. In August 2000, the N.C. General Assembly created the authority, which has 21 members that are named by elected and appointed leaders in state government.

E-NC Mission
To ensure that all North Carolina citizens, businesses and communities are aware of, know how to use, and have access to high-speed Internet services at affordable prices

E-NC Goals
E-NC's main goals are to make local, dial-up Internet access available statewide; inventory the state's telecommunications infrastructure and services; establish model telecenters; provide public Internet access and computer training; promote increased Internet use and ownership of computer devices; and make affordable, high-speed Internet access available statewide.

Timeline
Organization of the effort began in January 2001 with the initiation of operations.

Significance of the Effort
- High-speed Internet access and computer training offer new opportunities to rural North Carolinians affected by the economic downturn. As of mid-January 2002, the Associated Press reported that North Carolina's unemployment rate had climbed to its highest level in nearly 20 years, largely due to job losses in the manufacturing sector. Through Internet access and training, displaced workers will have the opportunity to obtain higher paying, more stable jobs in a variety of industries.
- Access to computers and the Internet, along with the ability to effectively use these technologies, is important for full participation in America's economic, political and social life.

Contact Information
The e-NC Initiative and the authority are housed within the N.C. Rural Economic Development Center, 4021 Carya Drive, Raleigh, N.C., 27610. For more information, visit www.e-nc.org, send an e-mail to info@e-nc.org or call 1-866-NCRURAL (627-8725).

Press Contact
Susannah Smoot, 919-754-9831, ssmoot@e-nc.org
Kathryn Viets, 919-754-9831, kviets@e-nc.org

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

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E-NC Economic Impact Statement

Dan Williams, grandson of Louis Williams, has poured more than 20 years of his life into Louis Williams & Sons, a third generation, family-owned hardware store that has served Hendersonville, N.C., since 1928. He took over the business from his father Sam in 1985. The store has seen many changes over the years, and when giant retailers began moving into the area in 1996, Dan knew that he had to look for a way to compete. He developed a Web site, www.makita-direct.com, to increase the reach of his business, which focuses on Makita power tools. Five years later, Louis Williams & Sons is one of the Southeast's largest distributors of Makita power tools. Thanks to his forward thinking and the Internet, Dan was able to survive the competition of retail giants, save the family business, and continue to serve his community.

The Internet: a Tool for Accessing Economic Potential

Like Williams, many people live in rural areas because they love the lifestyle. The serene landscapes and friendly folk make rural North Carolina inviting – a wonderful place to raise a family or retire. At the same time, these areas don't always have the same opportunities as the state's urban areas, largely because many are not connected. The e-NC Initiative is working to change this by introducing the Internet – its availability, benefits and uses – to rural areas. The Internet can bring a world of economic opportunity to every citizen, businessperson and farmer's doorstep so that they, too, can prosper in communities they love.

For more information on the economic differences between North Carolina counties, please visit the North Carolina Department of Commerce's Web site at www.commerce.state.nc.us or the N.C. Rural Economic Development Center at www.ncruralcenter.org.

Economic Impact of High-speed Access and Training for Citizens

Retraining: Better Jobs, A Brighter Future

High-speed Internet access and computer training has much to offer rural North Carolinians. According to the Employment Security Commission, North Carolina companies announced more than 63,000 layoffs in 2001. More than 42,500 of these layoffs were in manufacturing and more than 11,500 were in textiles. In April 2002, the Associated Press reported that in March North Carolina's unemployment rate had risen to 6.6 percent, its highest level since 1984, and the furniture, apparel and wholesale goods industries had reported the largest job losses. For many, the Internet can present an opportunity to begin again. Through training, it can empower individuals, especially displaced workers, to obtain higher paying, skilled work in a variety of industries. These jobs may prove to be more stable, and people with strong computer skills can better compete for jobs in a tough economy.

Community colleges across the state offer online courses. Visit the North Carolina Community College System's Web site at www.ncccs.cc.nc.us for more information.

Please see reverse for more information on economic impact.

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

Telecommuting: The Best of Both Worlds

Access to the Internet and proficiency in the use of computers and the Web also can help individuals to obtain jobs, particularly in technology, which may allow them to telecommute, or work from home using the Internet and the telephone to communicate with their co-workers and customers. Telecommuting can enable citizens to enjoy a rural lifestyle while working for large companies and garnering higher salaries as a result.

For instance, according to Salary.com (www.salary.com), a low-level software engineer in Gastonia, N.C., can expect to earn between $48,000 and $61,000 per year, and a network administrator in Amity, N.C., can expect to earn about $48,500 annually. This could mean a significant jump in income for some citizens, particularly since 1998 income data suggests that the average, annual income in rural North Carolina was $20,571. Telecommuting also can eliminate the cost of commuting to work, both in gas and mileage, and decrease the cost of child care as the time normally spent commuting instead can be spent caring for children.

Educated Decisions Save Money: Finding a Fair Price

Having access to the Internet also allows citizens to make more educated decisions and save money by researching prices online, particularly for large purchases such as cars or farm equipment. In March 2000, CarMax (www.carmax.com) announced that it had rolled out an improved version of its Web site to offer consumers "the best possible information for making an online car-buying decision." The site offers customers access to complete pricing information on every car in CarMax's inventory across the country. Visitors can search for a particular vehicle, see what is on the lot at the nearest CarMax location, or estimate the trade-in value of their current vehicle through a link to the Kelley Blue Book site. Customers can even use the site's payment calculator to get an idea of what their monthly payments would be for a certain vehicle. CarMax.com is just one of thousands of Web sites that can provide citizens with pricing information. Armed with this knowledge, individuals can ensure that the price they pay for different goods or services is a fair one.

Economic Impact of High-speed Access and Training for Business

Competing in a Tough Economy

The Internet holds much promise for businesses large and small. As the economy becomes increasingly global, competition becomes fiercer. According to the Governor's Annual State of Small Business report (www.sbtdc.org/publications/publications.htm) released in 2001, North Carolina supports more than 370,000 full-time businesses, roughly 1.7 percent of the nation's 22 million businesses. At a time of national economic turbulence – in what was already a competitive environment – companies must be able to automate their services to keep up. Doing so will allow North Carolina businesses to better compete with other companies locally, nationally and internationally.

Growing Small and Mid-sized Businesses

According to the December 1999 N.C. Rural Economic Development Center report, "Choices for a New Century," (www.ncruralcenter.org/pubs/choices.htm) small businesses create the most jobs for rural North Carolina. These small businesses need the necessary support to be competitive because as they continue to grow, so will opportunities for people in their communities. The Internet can assist small business owners. Through the Internet, they can access business resources such as the Council for Entrepreneurial Development (www.cednc.org) and the N.C. Community College Small Business Center Network (www.ncccs.cc.nc.us/Business_and_Industry/sbcnmainpage.htm). They also can network with people in their field, contact new customers, and maintain relationships with their customer base.

Please see attached page for more information on economic impact.

Economic Impact of High-speed Access and Training for Farmers

As with other businesses, farms have much to gain from the Internet, and North Carolina farmers have already begun to recognize this. A September 2000 survey by the N.C. Farm Bureau (www.ncfb.com) of its membership indicated that 47 percent of the state's farmers are online. Having access can provide a cost-effective way for farmers to expand and develop new markets. They can market traditional or specialty farm products statewide, nationally and internationally through the Internet rather than having to rely solely on the local market. The Internet can open a world of resources, including information on innovative growing techniques, machinery and types of farm products. This information can help farmers to diversify their agricultural products, helping to create a more stable agriculture economy in the state. Farmers also can create online farming communities to trade tips and cross-market products, and they can have greater access to information on grants and regulations that will affect them.

"Farming's changed. We can't just grow, grow, grow anymore. We need to do careful market analysis and development and put together strategic business plans that help us decide what we grow, where we grow it best and who we sell it to." – Larry Wooten, N.C. Farm Bureau president

Economic Impact of High-speed Access and Training for Communities

Offering both a solid technology infrastructure and a trained workforce makes rural areas more attractive to businesses looking to relocate. Like many North Carolina communities today, La Grange, Ga., (www.lagrange-ga.org) faced significant downsizing in the textile industry in the late 1960s. Community leaders recognized the need to diversify the economy and worked to improve their offerings to attract business and industry. Over time, the community built an impressive system of technology infrastructure and created a technology-savvy workforce. By the beginning of 2000, more than 11,000 workers were employed in 40 major industries throughout La Grange.

Investments in technology and training are investments in communities' economic futures. Attracting businesses adds to the tax base, giving rural communities additional revenue to improve citizens' quality of life. Having the necessary infrastructure in place also can enable rural communities to be more selective about which businesses they allow into their areas.

New Brunswick, Canada, (www.cnbb.nb.ca) is another success story. In 1995, the local economy was overwhelmingly resource-based. About that time, a group of forward-thinking individuals began to create public access centers to train citizens in Internet and computer use. Nearly seven years and 230 public access centers later, 30 percent of the population is participating in the knowledge economy.

We Rise and Fall as One State

Rural and urban North Carolina are intimately linked. The Rural Prosperity Task Force (ruraltaskforce.state.nc.us) final report, released in February 2000, recognized this special, co-dependent relationship, stating, "rural North Carolina matters – to our entire state...Our state's leaders grow up there. People across the state drive through, vacation and retire there. Much of the food we eat is grown there. Many of the products we use are made there. And if we neglect it, we all eventually will pay for it. If our rural citizens thrive, our state thrives; if they suffer, they will either eventually move out or need a handout." The economic plight of rural areas does not end where the fields meet the asphalt – it extends deeply into all parts of the state. However, high-speed Internet access and training, while not a cure-all, does present some real and tangible economic benefits for rural communities.

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E-NC Progress Toward Goals

Goal	Progress
➢ Provide local dial-up Internet access from every telephone exchange by August 2001	*Completed: July 2001*
➢ Complete a study of technology infrastructure statewide by November 2001	*Database completed; Summary due: spring 2002*
➢ Provide North Carolina citizens with accurate, current and complete information through the Internet about the availability of telecommunications and Internet services	*Internet Service Provider database completed: June 2001*
➢ Establish two model telecenters in two of the most rural and underdeveloped counties by January 2002	*Five telecenters funded: September 2001; Goal met: January 2002*
➢ Promote significant increases in ownership of computers, related Web devices and Internet subscriptions throughout North Carolina	*Public awareness campaign launched: September 2001*
➢ Promote the development of government Internet applications to make citizen interactions with government services easier and more convenient, and to facilitate the delivery of more comprehensive programs, including training, education and health care	*Summary of local government survey due: spring 2002*
➢ Employ open technology approaches to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias	*Ongoing*
➢ Coordinate activities, conduct and sponsor research, and advocate actions, including regulatory and legislative actions, to achieve goals and objectives	*Ongoing*
➢ Make high-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina	*Summary of gaps to be completed in summer 2002*

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

May 2002

Connecting North Carolina to a Better Future

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E-NC History and Background

Many milestones led to the creation of the e-NC Initiative, which is building on the efforts of several pioneering studies and organizations.

1999

North Carolina's technology needs recognized

Three influential groups issued reports in 1999, pointing to North Carolina's need for advanced information technology. The reports included *Falling Through the Net* by the U.S. Department of Commerce; a series of *Vision 2030* reports by the N.C. Board of Science and Technology; and *Choices for a New Century* by the N.C. Rural Economic Development Center. Though issued by different entities, the reports carried a common theme: to prosper as a people and to strengthen our economy, North Carolinians must have access to Internet opportunities.

2000

Findings of the Rural Prosperity Task Force

Appointed by Governor Jim Hunt and chaired by former White House chief of staff Erskine Bowles, the Rural Prosperity Task Force issued a report in February 2000 that called for the development of affordable, high-speed Internet access for all North Carolinians.

Support from communications companies

The state's three largest communications companies, BellSouth, Sprint and Verizon (formerly GTE), signed an agreement in April 2000 pledging to work with others in the communications industry to provide high-speed Internet access statewide within three years. Former Governor Jim Hunt and President Clinton announced the agreement in Whiteville, N.C.

Funding to achieve statewide Internet access

To jumpstart the effort, MCNC (formerly the Microelectronics Center of North Carolina) pledged $30 million in May 2000.

Enabling Legislation

On Aug. 2, 2000, the N.C. General Assembly created the Rural Internet Access Authority through Senate Bill 1343. The assembly designated the authority as the central planning body for rural Internet access policy in North Carolina and called on it to study and report on North Carolina's telecommunications infrastructure and to increase Internet use. There are five main goals that the authority is charged with meeting:

August 2001	Local, dial-up Internet access available statewide
November 2001	Inventory of state's telecommunications infrastructure completed
January 2002	Model telecenters established
December 2003	High-speed Internet access available statewide
Ongoing	Promote increases in use of computer devices and the Internet

Please see reverse for additional milestones.

E-NC is a grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

May 2002

2000 (continued)

Authority leadership selected

Following passage of Senate Bill 1343, Governor Jim Hunt appointed University of North Carolina at Wilmington Chancellor James Leutze to serve as chairman of the commission. Other appointments to the commission followed during the fall. In December, the commission held its first meeting and named Jane Smith Patterson, senior advisor to the governor for science and technology, as the authority's executive director.

2001

The authority moves into the Rural Center

In January 2001, the Rural Internet Access Authority moved into the N.C. Rural Economic Development Center located in Raleigh. The Rural Center, as required by the General Assembly, provides operational and program staff support to the authority.

Work gets under way

Working through seven program committees, the commission launched projects on several fronts, all designed to increase Internet access and participation. Its first priorities included identification and registration of Internet service providers statewide; development of a telecenter grants program; research efforts to assess the state's technology readiness; creation of an NC TechForce; and development of computer and Internet training resources.

First goal achieved: Local, dial-up access available statewide

In July 2001, the Rural Internet Access Authority announced that all North Carolina citizens now have local, dial-up access to the Internet, thereby meeting the first goal set by the N.C. General Assembly. Following the announcement, hundreds of citizens called the authority to receive the names of Internet service providers in their areas.

E-NC Initiative officially launches statewide

In September 2001, the e-NC Initiative officially launched at regional meetings held concurrently in six locations across the state. Participants included members of the N.C. Rural Economic Development Center; state government officials; community leaders from rural areas; captains of business and industry, especially those in telecommunications; small business owners and Internet service providers; public and private organizations; and individuals.

Telecenters Chosen

At the end of September 2001, the e-NC Initiative awarded grants to five counties for the development of telecenters. Alleghany, Cherokee, Duplin, Martin and Robeson counties received grants ranging from $473,000 to $650,000.

E-communities Program Announced

Leaders of e-NC announced the launch of the e-communities program on Nov. 30, 2001, at the 2001 Rural Partners Forum. A $6.3 million community outreach effort, the program is intended to galvanize community support for and commitment to bringing high-speed Internet access and training to all areas of the state. The ultimate goal of the program is to create a fully connected state – an "e-NC" made of e-communities.

2002

Telecenters Open

As of January 2002, three telecenters were open and two were under continued development.

Connecting
North Carolina
to a Better Future

www.e-nc.org
1·866·NCRURAL

Overview of Statewide E-NC Projects

The projects that make up the e-NC Initiative fall into five categories: research, public engagement, grants, training, and business and economic development.

RESEARCH PROJECTS

Citizen Survey
Conducted by East Carolina University's Survey Research Laboratory, the citizen survey provided a benchmark for how citizens use and feel about the Internet.

E-government Survey
Conducted by the Institute of Government at the University of North Carolina at Chapel Hill, the e-government survey measured electronic readiness of local governments and governmental entities, as well as their use of computer networks and applications.

E-health Survey
The e-NC Initiative is working with the North Carolina Health Care Information and Communications Alliance Inc. to develop a survey that will assess the online readiness of hospitals, and public and private health care groups.

Infrastructure Inventory
Initiated in September 2001, the infrastructure inventory and assessment project has determined what telecommunications technology and other support infrastructure exists statewide. This infrastructure, which includes telephone, fiber optic and cable lines; transmission satellites and towers; and other equipment, makes Internet access possible. Through the inventory, the authority can offer citizens not only a comprehensive look at what technology infrastructure is in place but also highlight pockets of need.

PUBLIC ENGAGEMENT PROJECTS

Co-sponsorship of America Connects Consortium Conference
On Sept. 20, 2001, the e-NC Initiative co-sponsored an America Connects Consortium conference. The consortium is working to bring information, training, technical assistance, public attention and new resources to community technology centers across the country.

E-NC Public Awareness
In September 2001, e-NC launched a grassroots effort to educate North Carolinians about the positive impact the Internet can have on their lives and on North Carolina's economy by increasing technology services and Internet use, particularly in rural areas.

Please see reverse for additional initiatives.

E-NC, the grassroots initiative to link all North Carolinians to the Internet, is led by the Rural Internet Access Authority.

May 2002

Regional Meetings

Regional meetings will be held annually in September to draw together leaders and citizens from across the state. The purpose of the meetings is to inform people of the status of the initiative, encourage them to share their experiences with the Internet, and discuss innovative ways of increasing Internet use.

GRANT PROJECTS

Public Engagement Grants

In December 2001, $3,300 to $5,000 public engagement grants were awarded to North Carolina's most economically distressed counties. Funds were used to organize community meetings to prepare for participation in the e-communities program.

E-Communities Grants

Announced in November 2001, e-communities grants are part of the larger e-communities program and will help citizens to organize their communities and work toward Internet expansion. Technology champions, who will use the funds for planning, have been named in all 85 rural counties, 9 urban counties and the Eastern Band of the Cherokee.

TRAINING PROJECTS

NCTechForce

NCTechForce is made up of student volunteers from communities across North Carolina with an interest in the Internet and computers. NCTechForce offers technical assistance that might not be available otherwise, especially in rural areas. The goal of the group is to help people learn about the Internet and use it more effectively.

Internet Literacy Training and Public Access

E-NC is surveying the state and compiling a list of training programs and public access centers. The list will be made available to the public in spring 2002.

Telecenters

E-NC has opened five model telecenters in North Carolina's most rural areas. The centers serve as technology hubs within communities, offering one of three services or combinations of services, including training in computer and Internet use, providing a technical resource center for communities, and acting as a business incubator.

BUSINESS AND ECONOMIC DEVELOPMENT PROJECTS

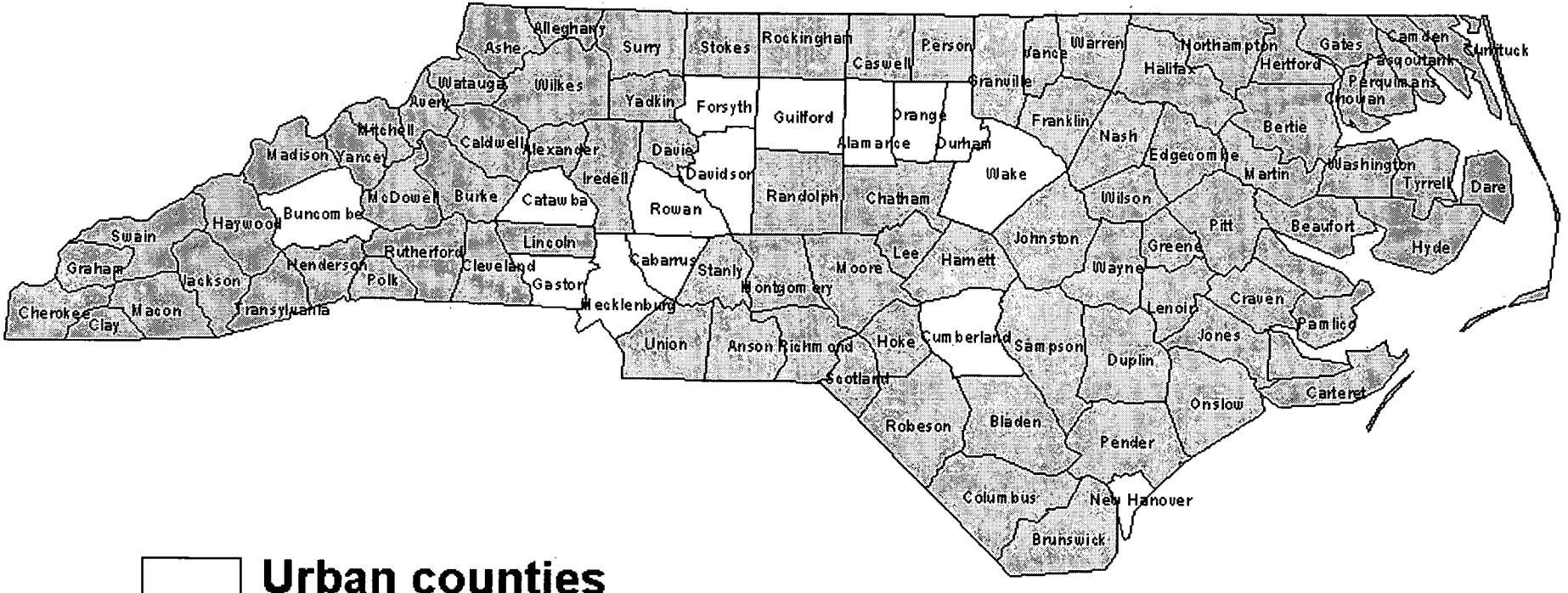
Business and Economic Development Activities

Currently under development, these activities will foster the active participation and close cooperation of the state's business and economic development communities in achieving Internet access and expansion.

Regional Technology Councils

The purpose of creating regional technology councils is to promote, support and nurture the incorporation of technology into the business, government and community life of rural regions. The e-NC Initiative will move forward with plans for these councils in 2002.

Rural and Urban Counties in North Carolina



May 2002

e-Business Connections

A HANDBOOK for business connectivity

RURAL INTERNET ACCESS AUTHORITY

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Chapter Two identifies the kinds of information available on the Web and the many kinds of "communities" located there.

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Chapter Three explains the different methods of searching for information on the Web and offers tips for effective searches.

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Chapter Four identifies the different ways a business can use the Internet without having a Web site, including e-mail, mailing lists, purchasing, research, and portal marketing.

Chapter Five — **Getting a Web Presence** 22
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E-Commerce

In the new digital economy, access to the Internet and other information technologies are as vital to prosperity and a good quality of life as having good roads, water and sewer, and a good educational system. Both access and ability to use technology for learning, institution building, community organization and delivery of government and health services, as well as e-commerce are issues. The challenge is one of increasing awareness and the ability to capture the benefits of connectivity.

The Rural Internet Access Authority (RIAA) is heading an effort to bring connectivity to rural North Carolina. Specifically, the RIAA is seeking to ensure Internet access to every citizen at reasonable rates, to promote widespread understanding of the potential benefits of connectivity and the Internet, and to substantially increase the use and quality of Digital/Internet literacy skills among all North Carolinians. As part of this goal, RIAA is seeking to help small rural businesses find ways to use Internet technology to increase business, save time, and save money.

The global adoption of the Internet continues to change long-standing business paradigms—"the rules" that determine how companies compete—have changed almost overnight. Companies have entered the new millennium confronted with the realities of an increasingly networked world and a growing information revolution.

A new way to do business, a new way to use technology, and a new way to build companies—e-business is all of these. Online businesses designed to create competitive advantages through these technologies have changed the way some industries function.

E-business is the use of Internet technology to help businesses streamline processes, improve productivity and increase efficiencies. It enables companies to communicate more easily with partners, vendors and customers, connect back-end data systems and transact commerce in a secure manner. The portion of e-business that focuses on the process of electronic transactions, such as: online order entry, inventory tracking, order fulfillment, and post-sales support is referred to as e-commerce. E-business delivers an entirely new customer experience by leveraging and bringing together the Internet, phone, fax, and e-mail, as well as face-to-face communication. Customers conduct business by many means, moving across communication channels and receiving service on their own terms, when and where they desire it.

The diverse and growing opportunities being created by e-business are no longer limited to dot.com IPO Companies. Traditional "brick and mortar" businesses have found creative ways to use the Internet and smaller businesses have found ways to level the playing field through the Internet as well.

Products and services can be sold via a well-designed, informative Web site. The Web can also be used to save money and operate efficiently—from finding rooms at discounted rates to just-in-time delivery of products. The Web affords less expensive means to deliver education or training materials to employees and customers. For example, Web-based customer support has reduced cost and improved customer satisfaction for some businesses. Using e-commerce can improve existing inventory, manufacturing, marketing and negotiation processes.

E-business is more than just building a Web site. Building a Web site is only one part of an overall business plan that incorporates the following principles:

- Adapting internal business processes
- Planning integrated marketing and advertising across multiple mediums
- Identifying target customers and planning how best to serve and support them
- Working with key business partners to integrate and share technologies and processes

This guide is designed to assist individuals and businesses of all sizes in understanding the opportunities available through joining the online community.

For more information on the Rural Internet Access Authority or our e-business initiative, log on to www.e-nc.org or call 866.NCRURAL.

Chapter One

This Thing Called the Internet

Just What is "the Internet"?

The Internet is an interconnected network of computers enabling computers of all kinds to directly communicate and share services throughout much of the world. Because these computers share or "serve- up" the information on them, the computers are called servers. When someone "logs on" to the Internet, the person has access to the information on the servers as well as the chance to upload information and use other services such as e-mail.

The Internet is an enormously valuable tool that is easily accessible to any one with a computer and an Internet connection. Because of its connectivity, the Internet represents a shared global resource of information and knowledge. It has the capacity to be a means of communication, collaboration, and cooperation among countless diverse communities, organizations, businesses, and individuals. You can retrieve documents, view images, animation, and video, listen to sound files, speak and hear voice, and view programs that run on practically any software in the world, provided your computer has the hardware and software to do these things.

Because of the ease of connectivity, the Internet can be used for many types of communications and services. The World Wide Web is one such application.

And the "World Wide Web"?

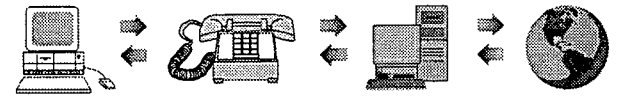
A library is a good way to illustrate what the World Wide Web represents. Libraries are places where information is stored in the form of books, newspapers, magazines, and other media. Libraries track where the information is located through a standard numbering system. Now, imagine the picture of a globe with each individual library in the world connected to every other library. The image of all these connections would resemble a gigantic spider web—hence the name World Wide Web, or Web for short. (We will just call it "the Web" from now on.)

What is an ISP?

In order to connect to the Web, you will need an Internet Service Provider. An Internet Service Provider (ISP) is a company that provides access to the Internet. Their customers can be businesses, individuals or organizations. The advent of ISPs has made connecting to the Internet affordable and convenient. An ISP provides software, e-mail, access to the Internet, and a user name and password. They may also provide additional services such as Web site hosting and directory listings. ISPs usually have different access numbers according to where their customers are located — these are sometimes called POPs or points of presence. ISPs are also sometimes referred to as Internet Access Providers.

What Are the Different Ways that I Can Connect to the Internet?

The most common way to access the Internet is a dial-up connection. A computer uses a modem to connect over the normal telephone line to an Internet Service Provider. Your computer connects via modem to the ISP, which in turn is connected to the Internet with a high-speed link. This can be done through your existing telephone line. If you wish to use your telephone and connect to the Web at the same time via a dial-up connection, you will have to have a second phone line for your computer.



A Digital Subscriber Line (DSL) is a special telephone line that offers the advantages of higher speed access and the ability to use the same line for both your telephone and Internet connection at the same time. An inexpensive networking card and a modem designed with DSL capability is necessary to use this technology.

Another option may be the use of your cable provider for Internet connection. A cable modem hooks into your cable TV line to give you high speed Internet access. In this way, your cable company becomes your ISP.

In addition to cable services, subscribers to certain satellite dish networks may be a source of connecting to the Web. Satellite Internet access allows for high-speed data transfers from the Internet to your computer via a satellite orbiting the earth. The data signal travels from your computer to the satellite, then from the satellite to your Internet Service Provider, where the request is processed. Then the signal is sent back to you in the reverse order.

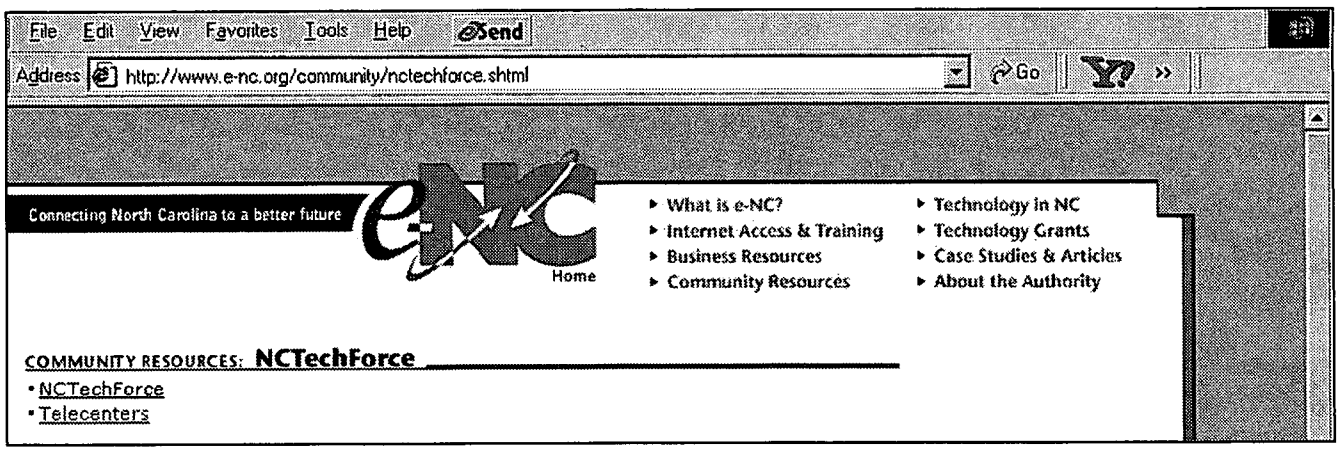
Wireless Internet access provides high-speed access to the Internet without the use of a phone line. Much like a radio signal, data is transmitted to and from your computer via antennas. The data travels from your computer to an antenna mounted outside your residence or business, and then proceeds through a series of antennas placed every three to five miles until it gets to your Internet provider.

This Thing Called the Internet

Type of Internet Connection	Advantages	Disadvantages
Dial Up	• Least expensive • Most computers have the necessary modems	• Your actual speeds may be slower than that offered by the ISP providers due to limitations of the telephone system • Dial up line may not be available due to demand of other users • Slower speeds
DSL	• Faster speed • Choose from a range of speeds based on your needs and budget • Reduce costs for businesses by avoiding a second phone line • Can be connected all the time	• Additional equipment is needed • It is currently only available in close proximity to certain telephone equipment • Quality of service may be affected by phone line
Cable	• Provides high speed access • Reduces costs by eliminating the need for a phone line • Quality of telephone service does not affect Internet service • Can be connected all the time	• Connection speed is a factor of how many other subscribers are accessing the net (the more using the connection the slower it will be) • Special hardware
Satellite	• Provides higher speed access • No need for phone line • Can be connected all the time • Can be offered anywhere	• Service can be affected by the atmospheric conditions • Dial up account may be required to upload and send messages • Set up requires special equipment and professional installation
Wireless	• Access is mobile • Always connected • High speed	• Slow data transfer speeds • Dropped connections • Providers are slow to adopt better wireless technology due to cost of infrastructure

How Does My Computer Locate the Information I Need?

The primary tool for accessing the Web is called a browser. Browsers such as Microsoft's Internet Explorer and Netscape's Communicator are software programs that reside on your computer. A Web browser is like a window in a library. Just as a window is not the outdoors — it lets you view the outdoors; a Web browser is not a Web site — it lets you view sites on the Web. By entering the Universal Resource Locator (URL) address (also called the Web address) into a browser, the information at that location will be displayed in your window. Just as libraries have some standards that make it possible to identify the location of resources, the Internet has a system for uniquely



identifying each page of information stored on the Web. In this browser system the URL functions as a detailed address that tells your computer which "library" has the information and how the information is filed. To illustrate, consider the URL found in the address box of the Web site depicted below.

Just as your own address has different parts including your house number, street, city, and state, a URL has different sections as well. Here is how to interpret the various parts of a URL:

- http://www.e-nc.org/community/nctechforce.shtml
- http:// — Short for Hypertext Transfer Protocol, this indicates a hypertext document or directory.
- www. — This indicates a page on the World Wide Web. (Sometimes "www" is missing.)
- e-nc.org— Called the domain name, it often tells you the name of a company, university, or organization. It can also tell you the country of origin.
- www.e-nc.org — Together, these indicate the Web server name.
- community/ — This is a directory or folder on the Web server that contains a group of related Web pages within the Web site.
- nctechforce.shtml — This is a Web page inside the folder. A URL doesn't always include the name of the Web page.

What are Some Widely Used Applications of the Web?

By far, the most widely used capability on the Internet is e-mail. Fast, cheap and efficient, e-mail on the Web is not just limited to text: you can send and receive graphics and multimedia files and set up videoconferencing links as well. It is easier and since the cost is included in your monthly ISP charge, more cost-effective to send an e-mail message than a letter or fax — just type your message and the address, click a button to send it and within seconds it arrives at its destination. Replies are simple as well — click a reply button, write your message, and it is automatically addressed and sent back. Everyone with an Internet connection has a unique address and can exchange mail with any other Internet user in the world.

Discussion groups are also found on the Web. These groups, also known as usenet newsgroups, are groups formed around a particular topic such as small business or agriculture. A usenet newsgroup is a bit like a public notice board on the Internet. When you send (post) a message to a newsgroup, everyone who reads that group can see it. They can then contribute to the discussion publicly by posting a reply and/or contact you privately by e-mail. One example of a place where you can find and join discussion groups is http://groups.google.com/. You can then read the contributions, add your own ideas, or request help or information.

Chapter Two

Information on the Web

What Will I Find on the Web?

The World Wide Web provides access to more information than any library in the world. It is, however, better suited for accessing certain types of information than for others. The kinds of media you can find include text, images, audio, video, software, 3-D models, animations, and others. You can use the Web to visit museums, and art galleries. You can access the Library of Congress, science resources, stock prices, journals, marketing opportunities, book reviews, business statistics, geological survey maps, product information, United Nations papers, music, French language press reviews, crop prices, software archives, information on your competition, sports databases, suppliers, and magazine archives. You can obtain weather details for most of the globe, images of outer space; the Bible, all the novels of Mark Twain, and the plays of Shakespeare.

What Won't I Find on the Web?

Any type of information that can be stored in electronic format could be found on the Web. The information available on the Web, however, is limited by factors other than technology. The most important of these is copyright—the exclusive right of the creator or publisher of an original document to distribute and/or reproduce it. Only those owning these rights can decide to make them available on line. As a result, most works for which you would expect to pay are not available on the Web.

SOME WEB INFORMATION CATEGORIES

- *e-business* (Business Information), for example, company press releases, stock quotes, product information
- *e-government* (Government Information), for example current policies, laws, debates, court decisions, press releases, online transactions such as changing the address on your drivers license or paying license fees.
- *e-agriculture* (Agriculture Information), for example, agricultural products, new standards, publication listings, cultivation guides
- *e-learning* (Courses offered on the Web), for example, courses, certificate programs, degrees
- *e-news* (Current events), for example, today's news, the latest trends, newsletters, the weather
- *e-health* (Health Information), for example, code of ethics, telemedicine, prescription information, provider locations
- *e-community* (Popular Culture and Interest groups), for example, movies, popular music, television, professional sports

The World of E-Business

The act of conducting parts of the business process through business via the Internet is referred to as e-business. It is the use of information technology to exchange information, execute transactions among businesses and individuals, service customers, and collaborate with business partners.

As a business person in North Carolina, you will want to be able to check on state regulations, taxes, required forms, insurance requirements, or a host of other topics related to doing business in this state. You may also want to know about product information, your competition, or the value of stocks in your business' category.

Some of this information can be received through the e-news channels or by searching the Web using specific keywords associated with your topic of interest. For specific North Carolina e-business regulations, visit http://www.state.nc.us/business/ or http://www.sba.gov/nc/.

The World of E-Government

Government at all levels is increasing its use of the Internet and Web to exchange information and conduct transactions with citizens, businesses, employees, and other governments. Referred to as e-government, these changes are improving the efficiency and effectiveness of government processes.

Most e-government is conducted through portals. Three main types of e-government portals exist: Citizen to Government (C2G) which allows citizens to interact with their government, Business to Government (B2G) which is designed to allow businesses to interact with the government and other businesses, and Government to Government (G2G) which allows government agencies to streamline their interactions with one another.

NC @ YOUR SERVICE

- ➤ Get General Business License Information
- ➤ Pay unemployment insurance tax
- ➤ Register as a state vendor
- ➤ Search for open NC bids
- ➤ View a list of available names for new companies
- ➤ Apply for jobs
- ➤ Renew motor vehicle registrations
- ➤ Get local weather reports, send e-mail, find stock quotes, use personalized calendar services
- ➤ Access hurricane relief information
- ➤ Read local newspapers
- ➤ View fishing reports
- ➤ View a state transportation map

Through an innovative Citizen-to-Government (C2G) Web portal called NC @ Your Service (http://www.ncgov.com/), more than eight million people in the State of North Carolina can now go online instead of standing in line. NC @ Your Service offers a common entry point to three separate portals: one for businesses, one for state employees, and one for citizens. Visitors to the site can click on one of three option buttons on the home page, then have access to almost 1,200 specific services and information sources from the State of North Carolina. You can personalize the NC @ Your Service Portals at www.ncgov.com to reflect your needs and interests.

Information on the Web

NC @ Your Service is reducing bureaucratic barriers, increasing efficiency, improving flexibility, and adding convenience. The portal is helping North Carolina expand the level of government services it provides to its citizens. It has also established the infrastructure needed to attract and retain companies that create wealth in today's economy.

The World of E-Agriculture

Making the commitment to bring a new generation onto the farm is not easy. The cost of government regulations, availability of land and other resources, urban encroachment, competition from corporate farms, tax burdens, labor availability, financing, and health care are just a few of the challenges to the profitability of North Carolina agriculture. Those in agriculture have questions such as: How do I market my business? Where do I sell my crops? What are the latest advances? What are the forecasts? Which automated systems best meet my needs? What are the latest government regulations? What is the most important factor to crop profitability?

Agricultural portals, also known as "vortals" since they are windows to information on a specific subject, are addressing these questions and concerns. They offer directories, newsletters, and discussion groups on subjects such as breeding, distribution, fairs, equipment, jobs, publications, services, crops, education, livestock, organizations, seeds, chemicals, and technology. These vortals provide the ability to locate products and services such as transportation, managers, products, etc, as well as up to date news stories relating to the agriculture business. These vortals can also provide an avenue to purchasing the products you need or to selling the products you have grown.

NORTH CAROLINA HAS TWO EXCELLENT AGRICULTURAL SITES MEETING THE SPECIFIC NEEDS OF AREA FARMERS

- North Carolina Cooperative extension http://www.ces.ncsu.edu/
- The North Carolina Department of Agriculture http://www.afr.state.nc.us/

Agriculture is constantly changing due to new technology that is continually updating older practices. Using the Web to get agricultural news, join discussion groups, and search through vortals will give you the latest information on advances and newer trends in agriculture. This information includes precision farming that uses remote sensing, geographic information systems (GIS) and global positioning systems (GPS) or biotechnology which is the use of microorganisms, and plant and animal cells, to produce materials that are useful to mankind.

Other technologies such as e-mail, Web home pages, cell phones, online purchases, fax, and pagers are saving North Carolina farmers time and money as well.

EXAMPLES OF AGRICULTURE VORTALS

- http://agriculture.tradeworlds.com/
- http://www.agrisurf.com/agrisurfscripts/agrisurf.asp?index=_25
- http://dmoz.org/Business/Industries/Agriculture_and_Forestry/
- http://www.focusbest.net/agriculture/
- http://www.agriculture.com/

The World of E-Learning

Instructional content delivered over the Internet is referred to as e-learning. The World Wide Web can bring educational resources into your home, office or military base anytime you wish to use them, regardless of your location. Someone in rural North Carolina can still take courses from schools and universities across the country on the Web. Therefore, opportunities previously off limits to many individuals are now available online.

E-learning is a way for individuals or groups to acquire knowledge and skills using technology. This technology provides the user with text, sound, video, simulations, and opportunities to collaborate with other learners across North Carolina, the nation, and the world. Methods of e-learning delivery include the World Wide Web, cable TV, CD ROMs, satellite systems, and videos.

In North Carolina, e-learning is an important resource that offers citizens the ability to update their skills at their own convenience and at a price that can be more affordable than traditional educational programs. As the world continues to change quickly with each technological advance, it will be imperative for us to work smarter and to constantly update our skills to remain competitive.

Do you want to learn how to use your word processing program? Do you want to finish your GED? Do you want to become certified in a specific field? Do you want to get an MBA? Everything from a simple course in just about any subject to an advanced degree is offered through e-learning.

The North Carolina University system offers many courses online for their students, including many degree programs through Carolina Online (http://www.fridaycenter.unc.edu/cco/). Many North Carolina Community Colleges offer anytime, anywhere learning through distance education classes. You can find a listing of Community Colleges at http://www.ncccs.cc.nc.us/colleges_map.htm. These are accredited programs that offer flexibility so that you can earn a degree or college credits while remaining employed, and living in your current town. Class attendance is not required, but students are able to communicate with classmates and their instructor via e-mail and discussion forums.

E-LEARNING AND YOUR COMPANY

- Companies can use e-learning to train employees, customers, and business partners.
- Training delivered to employees' desktops can be a very efficient use of resources, saving a company time and money while increasing employee skills.
- Human resources, traditional trainers, marketing and sales staff can all use e-learning.
- A company's Web site can benefit by using e-learning to develop compelling content.

Chapter Two

Information on the Web

The World of E-Health

The Web is always available when people are seeking information on health issues, fitness, and nutrition. The Web is also a good source of support for those who wish to make a lifestyle change. Just as in other areas, e-health also offers vortals such as www.webmd.com or www.drkoop.com. These vortals can provide you with the latest health headlines, provide symptom checkers, fitness and nutrition information, ideal weight calculator, body mass index calculator, target heart rate calculator, diet profile, drug interaction tables, and much more. You can also find online health communities to offer support for your particular health concern and locate specialists in your area.

The World of E-News

News is one of the most popular features online. With the Web's clear presentation styles and the ability to update news stories almost immediately, it is a very efficient and effective news medium. Many newspapers and other print publications have a companion Web site that contains the full text of its print edition. In addition to newspapers, there are thousands of news-related Web sites containing daily news on a variety of subjects.

With the popularity of e-news, you can design your own personalized daily "newspaper" through several Web sites that allow you to customize your own page on their site. By choosing options on the page, you can select which kind of news headlines or articles you prefer such as international, national, state, and/or local news, stocks, sports, weather, and even comic strips. This saves you time and money and allows you to stay on top of the news that matters most to you. Some excellent customizable sites include: AOL at www.aol.com, CNN Interactive at http://my.netscape.com/index2.psp, Excite at http://my.excite.com/myexcite/my.jsp, My Yahoo at http://my.yahoo.com/, and Personalized Lycos at http://my.lycos.com/.

E-mail news is another common way to receive news online. You can use e-mail-based subscriptions to receive specialized news on areas of interest to you. Most news-related Web sites provide e-mail news or updates of some kind, ranging from daily headlines to full news articles delivered to your e-mail address.

You can also set up a clipping service or an article profile that can retrieve news regularly on topics of continuing interest. These are custom "news agents" that track specific topics in hundreds of newspapers. For example, Excite.com offers an excellent tracking service.

The World of E-Communities

You can find things on the Web about the local community where you live. It is possible to obtain weather forecasts, local news, local TV listings, and which movies are playing at your local theater. Most local newspapers also offer their content online.

Groups of individuals who share a common interest can use the Internet to become e-communities. Vortals around your hobby, your occupation, your health issues, your interest, etc can be a specialized gateway into e-communities that can be found on the Web.

Chapter Three

Searching the Web

Looking for a new supplier or wanting to learn more about the trends in a customer's industry? With just a little knowledge and effort, the Web can become the quickest and least expensive way to find the information you need.

What are the Different Ways to Find What I Need?

There are four main ways to find information on the Web. One way is knowing the specific URL or Web address of what you want to find. This is the easiest. You just type the URL into the address box of your browser and you will be transported to a server — somewhere in the world — that matches that URL.

Another way is by using a search engine. Going back to the library illustration, a search engine is similar to a reference librarian. You can "ask" a search engine to retrieve Web sites with the type of information you want.

The third way is through a directory. Directories function like the yellow pages of a telephone book. In the yellow pages, businesses are listed by category such as restaurants, banks, hardware stores, etc. Web directories organize information in much the same manner.

The fourth way to find information via the Web is through hyperlinks. Once you have found a particular Web site, you can then look at the links provided by that site. This is a good way to find similar sites with information targeted at your interest.

Using a Search Engine

Whenever you search the Web using a search engine, you are asking the engine to match your keywords with those in the texts of documents within the engine's database. Keywords are a short name for the information you want to locate. The more precisely you can "name" your information, the more likely you are to find relevant information.

Search engines provide access to a large portion of the publicly available pages on the Web and are the best means devised yet for searching the Web. They can, however, return lengthy documents in which your keyword appears only once.

Search engines are best at finding unique keywords, phrases, quotes, and information buried in the full-text of Web pages. If you want a wide range of responses to specific queries, use a search engine.

INDIVIDUAL SEARCH ENGINES

- Alta Vista at http://www.altavista.com/sites/search/power
- Excite at http://search.excite.com/
- Fast Search at http://www.alltheweb.com/
- Google at http://www.google.com
- HotBot at http://hotbot.lycos.com/
- Northern Light at http://www.northernlight.com/

Chapter Three

Searching the Web

What is a Metasearch Engine?

Metasearch engines do not scan the Web compiling their own databases. Instead, they search the databases of multiple sets of individual search engines simultaneously. Metasearchers provide a quick way of finding out which engines are retrieving the best results for you in your search.

Metasearch engines do not return all the results retrieved from the individual engines they search. However, the searches they do return are drawn from the top of each engine's list, and therefore tend to be quick and relevant. Metasearch engines are useful in obtaining a quick overview on a subject and/or unique term or when you are not having a lot of luck finding documents in your search.

METASEARCH ENGINES

- Ixquick at http://www.ixquick.com/
- MetaCrawler at http://www.metacrawler.com/
- Metor at http://www.metor.com/
- Profusion at http://www.profusion.com/
- qbSearch at http://www.qbsearch.com/
- Vivisimo at http://vivisimo.com/

What is a Directory?

Subject directories are created and maintained by human editors rather than electronic means. The editors review and select sites based on previously selected criteria. Unlike a traditional search engine, a Web directory only has the title of a Web site and a short (usually 25 words or less) description of the Web site. When you search in a directory, you are searching for keywords that appear in the title and description only.

There are general directories, academic directories, commercial directories, portals and vortals. Portals are directories that have been created as gateways to the Web. Many commercially sponsored portals compete to be your window to the Internet by offering search capabilities, e-mail, personal Web pages, news, shopping guides, and links to the popular subject categories. They also offer additional services such as e-mail, current news, stock quotes, travel information and maps. Most of these enable you to customize your own personal portal by choosing various options. Examples of such options are getting the local weather forecast, choosing the type of news you want to see displayed, and tracking the fortunes of your favorite sport team.

Some portals take another approach to attracting visitors. These sites focus narrowly on specific industries or interests. Such sites are sometimes called vortals, or vertical portals.

Directories are best for browsing and for searches of a more general nature. They are good sources for information on popular topics, organizations, commercial sites and products. When you want to know what kind of information is available on the Web in a particular field or area of interest, go to a directory and browse through the subject categories.

POPULAR DIRECTORIES

General Directories

- Look Smart at http://www.looksmart.com/
- Magellan at http://magellan.excite.com/
- Open Directory Project at http://dmoz.org/
- Yahoo at http://www.yahoo.com/

Portals

- Excite at http://www.excite.com/
- MSN at http://www.msn.com/

Vortals

- CutComp at http://www.cutcomp.com/links.htm (An insurance and business related Vortal)

Five Steps to Searching the Web

Remember, the purpose is finding, not searching, so it is always a good idea to think about your search before you begin your search process on the Web.

Step #1: Analyze your topic to decide where to begin:

Create a search strategy in your head by asking yourself this question:

- What do I want to do?
  1. Browse?
  2. Locate a specific piece of information?
  3. Retrieve everything I can on the subject?
- What do I know about my topic?
  1. What unique words, distinctive names, abbreviations, or acronyms are associated with my topic?
  2. What societies, organizations, or groups might have information on my subject via their Web pages?
  3. What other words are likely to be in any Web documents on my topic?
  4. Do any of the words in 1, 2, or 3 belong in phrases or strings —together in a certain order, as does a cliché?
  5. For any strings of words, can I think of synonyms, variant spellings, or equivalent terms I would also accept in relevant documents?
  6. What broader terms could cover my topic?

TIPS FOR CREATING A SEARCH STATEMENT

- ➤ Be specific.
- ➤ Whenever possible, use nouns and objects as keywords.
- ➤ Type keywords and phrases in lower case to find both lower and upper case versions. Typing capital letters will usually return only an exact match.
- ➤ Combine keywords, whenever possible, into phrases enclosed in parenthesis. Most search engines assume you mean AND when you list words together and look for documents including all of those words but not just as a phrase.
- ➤ Avoid common words, such as a, the, of, for, etc unless they are part of a phrase.

Step #2: Picking the right starting place:

Your answers to the questions in Step #1 will determine how you conduct your search and what tools you will use.

1. If you're browsing and trying to determine what's available in your subject area, start out by selecting a subject directory. Then, enter your search keyword(s) into one of the mega-search engines just to see what's out there.
2. If you're looking for a specific piece of information, go to a major search engine.
3. If you want to retrieve everything you can on a subject, try the same search on several search engines.

Once you have decided which tool to use to begin your search, you need to create a search statement using the distinct names, unique words, and word phrases you decided upon in Step #1.

Searching the Web

Step #3: Learn as you go and vary your approach with what you learn.

Step #4: Don't bog down in any strategy that doesn't work.

Step #5: Return to previous strategies better informed.

ADVANCED SEARCHES

- You can exclude terms by putting a minus sign with no space (-) before a word. You can include terms by putting a plus sign with no space (+) before a word. For example: +Internet+business-taxes, will retrieve documents with the words Internet and business but not the word taxes.
- You can exclude terms by putting AND NOT in all capitals before a word. You can include terms by putting AND in all capitals before a word. For example: Internet AND business AND NOT taxes works the same way as using the plus and minus signs.
- Combine phrases with keywords, using the double quotes and the plus (+) and/or minus (-) signs. For example: +"e-business startups"+forms-taxes.
- Combine phrases with keywords, using the double quotes and the word AND or AND NOT. For example: "e-business Startups" AND forms AND NOT taxes.
- Each search engine and directory has different advanced search techniques.

SEARCH TIP

Go directly to one of the many conveniently located news sources for late breaking news. Search Engines do not update their databases as quickly as news is released.

What Do I Do If...

- *My search returns too many documents:* Think of some synonyms. Try adding more specific terms to your string
- *My search returns too few documents:* Try omitting some of your search items. Try your search on another engine, metasearch engine, or directory.
- *My search returns a "404 — File Not Found" message:* This message tells you that the file you are seeking has been moved, removed, or renamed. Go back to the search engine and do a phrase search on the title. Try shortening the URL to see if the file might still be on the same server.
- *My search returns a "server error" or "server is busy" message:* The server you are attempting to contact may be offline, may have crashed, or may be very busy. Try again later.

How Do I Know That the Information I Find is Valid?

You can expect to find almost anything on the Web: personal pages, silly sites, commercials, hoaxes, reviews, articles, full-text documents, academic courses, scholarly papers, reference sources, and scientific reports. You can tell a lot about the authenticity of a page by finding out about its author/publisher. On the Web, anyone can be his/her own publisher. Do not accept everything you read just because it is printed on a Web page.

Ask yourself this: Who is responsible for the page I am accessing? Do they have the date of the last update and a mail-to link for questions and comments? Are the name, address, telephone number, and e-mail address of the page owner provided? Is it a governmental agency or other official source? A university? A business, corporation or other commercial interest? An individual? Do they have a bias? Is the information up to date? It is up to you to decide which sites are providing you with reputable information.

WHERE CAN I LEARN MORE

Finding Information on the Internet, by Joe Barker, Instruction Program Coordinator, University of California Berkeley

http://www.lib.berkeley.edu/TeachingLib/Guides/Internet/FindInfo.html

✦

Pandia Goalgetter: Short and Easy Internet Search Tutorial, by Pandia Search Engine Training and Education

http://www.pandia.com/goalgetter/

Chapter Four

My Business on the Internet

What is an ISP?

In order to benefit from the Web, you must have Internet access. Most people and businesses get this access through a provider company known as an Internet Service Provider (ISP). For a monthly fee, the service provider gives you a software package, username, password and access phone number. Equipped with a modem you can then log onto the Internet, browse the World Wide Web or send and receive e-mail.

How Do I Choose an ISP?

There are many factors to consider when choosing the best ISP for your needs. The most important issue when choosing an ISP is to find one with a local phone number for you to dial. The North Carolina Rural Internet Access Authority has determined that one or more ISP's serve every telephone exchange in North Carolina, ensuring local dial-up access to the Internet in every county in North Carolina. This listing can be obtained by visiting http://www.e-nc.org/search.asp. Once you determine which ISP's can provide you with a local access number, there are other factors to consider:

Cost: Internet Service Providers typically offer several pricing plans for dial-up service. Some plans charge for the actual time you are connected to the Internet. These hourly plans are designed for users who expect to access the Internet only a few hours per week. These plans can get expensive, however, if you use it more than a few hours per week so be sure to compare the plans and choose the one that is right for your situation and needs. Other plans provide unlimited access for a flat monthly fee.

Area of service: Some ISPs have dial up Internet access numbers, called points-of-presence (POPs), located beyond your local calling area. If you travel and want to access your ISP from other locations, you should consider the availability of these points-of-presence.

TEN QUESTIONS TO ASK YOUR ISP

- Do you have telephone-access numbers in my local calling area?
- Do you offer toll-free phone access in case I am on the road and not near a point of presence? How much extra do you charge for this service?
- Do you have a fixed monthly price for unlimited use? What is it?
- Which browser and e-mail reader do you provide?
- Can I use another browser and e-mail reader of my own choosing?
- Do you offer more than one e-mail account per subscription? How many?
- Do you offer 56-Kbps access? Do you charge a premium?
- Is your 56-Kbps access based on the x2 or K56flex standard, and will it work with my modem?
- Do you offer free Web page postings? How many megabytes of server space do I get?
- Do you offer wizards or other software to help me set up a home page?
- Do you provide e-mail aliases?

Availability: If the ISP does not have sufficient technical capacity to serve the customer base, you can be confronted with annoying busy signals and unable to access the Internet at your convenience. The best way to determine if this is a problem is to check with someone you know who uses the service on a frequent basis.

Account/Billing: The first time you call or contact the company, ask about billing options. As an alternative to a monthly billing, most ISPs will automatically debit charges from your checking account or charge the fee automatically to a credit card.

Technical support: It is essential that an ISP provide you with the technical information you need to determine whether your computer meets their system requirements and to connect to their service. Do they have online documentation or Frequently Asked Questions (FAQs) on a Web site? Do they provide on-site consulting or training? Do they have a toll-free 800 number or a local number you can call 24 hours a day, 7 days a week when you need help? Also, find out whether the ISP delivers support via e-mail and/or fax.

What E-mail Can Do for My Business

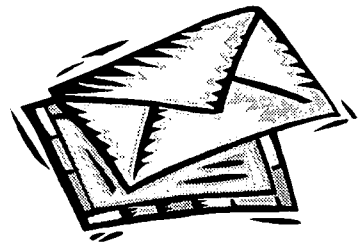
The most frequently used function of the Internet is known as e-mail. E-mail (electronic mail sent by Internet) provides a powerful way to send and receive communications almost instantly to suppliers and customers. Other documents such as spreadsheets, graphics and word-processing documents attached to your message can be transmitted with an e-mail. Many companies now list their e-mail address next to their telephone and fax numbers on all their business stationary and promotional material, further increasing awareness and contact opportunities.

In addition to increasing the speed of business communication, you can easily distribute information to large numbers of people at the same time. Most e-mail software will offer a simplified version of this capability. It is important to use this ability carefully so that your messages are not viewed as junk mail or "spam" by those who read them. You can find out more about these services by searching for 'e-mail newsletter publishing' using a search engine.

What Software Do I Need to Have an E-mail Account?

Web mail and Post Office Protocol mail are the two most popular forms of e-mail software. Web mail gives you access to your e-mail from any computer anywhere in the world— all you need is a Web browser and an Internet connection. Several sites on the Web offer free e-mail service on the Web. These include www.hotmail.com, www.email.com, and www.yahoo.com.

Post Office Protocol mail provides a store-and-forward service, which means that mail is delivered to a shared (intermediate) server. E-mail is then moved (on demand) from an intermediate server to your computer. Outlook Express (included with Internet Explorer) and Eudora (available free at www.eudora.com) provide this type of e-mail capability.



Just like the US Mail, e-mail can be forwarded to a new e-mail address. If you currently have a free e-mail address through your existing ISP, you may want your business mail redirected to your existing e-mail address.

How Do I Use Mailing Lists?

One way for your business to use the Internet without having a Web site is through a mailing list. A mailing list allows many individuals to communicate as a group via e-mail. It's called a mailing list because anyone who is on the subscription list can send an e-mail to a particular e-mail address and the letter will automatically be delivered to all subscribers. You will sometimes hear mailing lists referred to as a listserv. Listserv is a popular program used to operate mailing lists, and the name has stuck as a kind of synonym. Many listservs have an "-L" at the end of their mailing address to indicate they are a mailing list, such as "Titanic-L", "Shoes-L", "Movies-L", etc.

The specific purposes of mailing lists are extremely varied. Mailing lists are a great way to disseminate information or meet people with common interests. Some mailing lists are used as discussion groups and as a tool for a variety of things such as trading recipes, coordinating business projects, announcing software updates to customers, providing marketing tips, or as digital newsletters. They are a great

My Business on the Internet

example of how the Internet can be used to save time and money because you can post questions that can be answered by other users. Mailing lists can be small, intended for private discussion between close friends. Others are large and corporate and may have thousands of subscribers.

The lists are moderated, topic specific and a useful tool for "knowledge share" among users. Because there are such a wide variety of mailing lists, there's no single method of joining and participating. The directions for getting on and off lists, as well as the guidelines for participation are entirely up to the maintainer of the list. Generally, however, subscribing and unsubscribing is an automated function of the list. In fact, for most mailing lists, you can subscribe simply by sending an e-mail to a special administrative address requesting that you be added.

FINDING A MAILING LIST

- http://www.liszt.com. This site has over 90,000 mailing lists from which to choose
- Directory of Publicly Accessible Mailing Lists at http://paml.net/.
- Perform a search for your area of interest + "mailing lists" in your favorite search engine.

Buying on the Web

Another benefit of the Web is the ability to buy needed products online for your business. In offline transactions, buyers and sellers typically exchange faxes, compare data printouts, and negotiate over the phone. These fragmented processes and systems create high administrative costs and errors. The Internet can greatly reduce the repetitive layer of cost associated with purchasing business supplies, resulting in lower costs to customers and higher profits to your company.

SOME BENEFITS OF ONLINE SUPPLY BUYING INCLUDE:

- Reduced operating costs
- Increased purchasing control
- Reduced spending due to negotiated volume discounts
- Consolidated buying power across departments or enterprises
- Large selection
- Price comparisons: Reviews for products and services with a business focus, from phone systems to benefits packages can be found at http://www.buyerzone.com/index.html. Other good price comparison sites are: http://www.bottomdollar.com, http://www.MySimon.com, and http://www.PriceSCAN.com.

Competitive Research

The key to successful marketing is identifying what business you are in and what motivates customers to buy. The most successful business is one that has carved out a "market niche" or unique benefit for its customers. Good marketing is determining what customers need and want, then fulfilling that need better than your competition. To do this, you need to compare your own product to that of your competition. The Internet provides a wealth of information about your business, and your competitors. You can use the Internet to find the similarities, the differences, and the ways in which your product is unique. It will help you develop reasons why customers should choose your product over that of another company. It also helps you identify what they're doing right — models.

An effective marketing strategy cannot be developed without a thorough knowledge of the competition. To obtain this knowledge, read all annual reports, newspaper articles, advertising, company literature, and published statistics related to the competition. Start with your competitor's Web site then read third party information on the company. Often, these can be found on the Web through simple searching techniques. Some useful sites would be the Dun and Bradstreet (D&B) at www.dnb.com, Hoover's Online at http://www.hoovers.com/ or Edgar's http://www.edgar-online.com/. You can also find trade associations by looking up "your industry" + "trade association" in a search engine.

Portal Marketing Through a Virtual Mall

If you have a product or products that you would like to sell via the Internet, but a completely interactive, e-commerce enabled Web site is not part of your business plan at this time, a virtual mall may be a good alternative. A virtual mall is a group of Internet businesses grouped together under one domain name such as www.thisvirtualmall.com. Then each individual business in the mall is assigned to a directory, such as technology, medical, or crafts. A company that joins a well-received virtual mall gets business exposure and traffic. Although becoming part of a virtual mall is not free, it can be very cost effective.

The best way to join a cyber mall would be to visit several different locations and compare hosting rates. Each mall has directions on how to join but in nearly every case you will need to contact the company by e-mail or phone to get specific rates and services.

One such virtual mall is the Blue Ridge Web Market (http://www.brwm.org/main.html) operated and hosted by Mountain Area Information Network (MAIN), the nonprofit community network of Western North Carolina. This free, public, online market is a showcase of goods and services from small businesses and micro-enterprises in the mountains of western North Carolina. Other virtual malls can be located by searching for "virtual mall" in a search engine.

THINGS TO LOOK FOR WHEN PICKING A VIRTUAL MALL TO JOIN:

- A v-mall's front page should be very attractive, professional, and easy to use.
- The domain name should be simple and easy to remember.
- The front page should include a listing of all businesses included within the domain, and/or a search engine to search for a specific product.
- Look at the number of hits per month and how they promote their site so you can see what kind of traffic is coming to it.
- A v-mall should have the capability to be transactional.

Chapter Five

Getting a Web Presence

Protecting My Turf

A large number of businesses have a computer and many use the Internet. Even if e-commerce is not something you foresee in your business future, you need to go ahead and protect your business identity by establishing a virtual name. With recently released additional domain names, now is a good time. Once you get a virtual name (known as a Domain Name), you have the option of 1) finding a hosting service that will "park" your name so that you can use it at a later time; 2) finding an inexpensive hosting service (some start as low as $9.95/month) that provides your company with a business card type Web site and an e-mail service; or 3) creating a comprehensive Web site that is fully integrated with your business model.

Having a Web site does not make your business an e-business. Think of a Web site as a business phone line plus a listing in the phone directory except it also provides a means of communicating with your existing and prospective customers. There are a variety of other benefits as well:

First, Web sites are a way more people are finding or checking out vendors, whether they are restaurants, contractors or any type of service provider. Chances are, your competitors have or will soon get their own Web sites and may lure away customers who could have been yours.

A Web site can communicate far more information than any ad can. Even a full-page ad in the Yellow Pages cannot display testimonial letters, color product photos, moving images and sound—but your Web site can. And while your competition may be able to afford a bigger Yellow Pages ad than you, your Web site can be just as effective as theirs.

Second, think of your Web site as an electronic brochure. You can direct people to it on your business card, on a magnetic sign on your vehicle, in your store window and in any print, radio or TV advertising you do. Web sites provide more up-to-date and extensive information than brochures at far less cost. Phone-in customers can see firsthand what you're talking about if you suggest they log on to your Web site.

Third, if you have a local service business, a Web site may allow you to increase your earnings by selling online to existing or new customers. Say you have a catering service and you have recipes people rave about—you can sell an e-book of "secret" recipes via your site.

Fourth, having a Web site means you have a place to refer customers to for after-sale support. For example, if you have a landscaping service and your customer forgets what you told him or her about watering Australian pines or loses the instructions, you can provide detailed information on your site.

Fifth, you can strengthen your company image online by:

- Increasing company awareness
- Creating a Web brand
- Enhancing brand loyalty of your existing brands
- Provide Web-based press releases
- Reach and attract new business partners since most new business partners look at your Web site before they call you.

What is a Domain Name?

As more and more businesses and individuals use the Web, your business may find that the time has come to establish a Web presence. And you will want to have an address of your own and ideally one that relates directly to your business. To protect your business name or brand you need to secure a name before someone else does. The way to protect your turf is by establishing your own domain name right away! Your Domain Name or URL is your business identity and address on the Internet.

A domain name is not just your address on the Internet; it is also your e-business brand name. You need to think about the name of your e-business carefully. A good name will distinguish your site from all the others.

Nine Tips for Choosing a Domain Name

Make it Memorable: Your Domain Name should be easily memorized from casual conversation. Hear it once, and know it forever. Successful domain names stick in your mind. Unsuccessful domain names require a lot of advertising.

Keep it Simple: The spelling should be obvious from the spoken word. The Domain Name should only convey one idea.

Go for the .COM: The .COM extension is destined to remain the standard default extension for commercial Web sites for years.

Market the Benefit: If your company's name is taken, try registering your benefit. One example, a company called Resort Sports Network registered their benefit, www.fasttravel.com, instead of their full name or an RSN acronym.

Register Multiple Extensions: Register various Domain Name extensions. People often type in the wrong extension, because they really don't pay attention to anything after the "dot". So, if you own www.boatreference.com, you may wish to also buy www.boatreference.org then point one site to the other. This guarantees that you do not lose traffic to a mistaken extension.

Don't use Acronyms or Abbreviations: Acronyms are too difficult to remember.

VERBALIZE THE URL

!	Bang
.	Dot
@	At
-	Dash
^	Caret
/	Slash
\	Backslash
~	"tilde" (till-dah)

TOP LEVEL DOMAIN NAMES

- **.edu** — educational site (usually a university or college)
- **.com** — commercial business site
- **.gov** — U.S. governmental/non-military site
- **.mil** — U.S. military sites and agencies
- **.net** — networks, internet service providers, organizations
- **.org** — U.S. non-profit organizations and others
- **.aero** — restricted use by air transportation industry
- **.biz** — general use by businesses
- **.coop** — restricted use by cooperatives
- **.info** — general use by both commercial and non-commercial sites
- **.museum** — restricted use by museums
- **.name** — general use by individuals
- **.pro** — restricted use by certified professionals and professional entities

Don't use Numbers: Numbers are too difficult for most people to remember.

Don't use Free Hosting: Most free hosting does not allow you to actually use your own domain name. If you use free site hosting, your domain name will be buried under the service provider's domain name (for example: www.isp.com/yourcompany.htm). Spend the money to have your own Domain Name hosted.

Register Misspellings: People type in the wrong URL all the time. Think of the possible misspellings of your domain name and register them also.

Chapter Five

Getting a Web Presence

How Do I Register My Domain Name?

Registering your domain name is a straightforward process. To find out whether the domain name you want to register is available there are numerous places to register. These sites allow you to search, register and lease a domain name online. They also offer expert information and advice on all aspects of domain name registration.

Registration fees vary widely from company to company. Some Domain registries offer registration fees for a year and others up to ten years. Shop around. You can find sites by entering "domain registration" as a key word phrase in your favorite search engine or directory.

If you do not plan to use your domain immediately, look for a registration site that will allow you to "park it", until you are ready to establish your own Web site.

What is a Web Host Service?

If you set up a Web site, you will need to use a Web hosting service. A Web host is a third party that sells you space on its Web server(s) where you can post your site.

It is important to choose your Web host carefully and consider your needs. If you want a business card type Web presence, finding a Web hosting company that offers low rates and templates for creating your Web site would be beneficial. If you are using your Web site as part of your overall business plan or for e-commerce then download times, order processing, and working links are all important issues.

How Do I Choose a Web Hosting Service?

To help choose a good Web hosting service, here are key questions to ask, answers to insist on and information on how to get them.

1. ***"How reliable is your service?"*** Surveys show reliability is e-businesses' main concern. Look for at least a 95 percent uptime guarantee, and find out what that guarantee means.
2. ***"What kind of performance do you offer?"*** An ideal host has one or more T3 lines connected directly to the Internet, not through someone else's network operations center. Servers should be fast Pentium Pros or Sun SparcStations, running Windows NT, Linux or another operating system. Let your host know if you use features such as streaming audio and video.
3. ***"How good is your support?"*** Look for 24/7 phone support available from a live person. Then check it. Call or e-mail the tech support line at 9 p.m. on a Sunday and expect it to be answered.
4. ***"What will it cost?"*** Entry-level service with a single domain name, 20MB hard-drive space, e-mail service and up to 1GB of monthly data transfer (which may also be expressed as hits) should cost no more than $50.
5. ***"How do you handle security?"*** Passwords should be required to control the host and manage or modify your site. All files should be backed up daily. Always look for a host that offers secure transactions.
6. ***"How much control do I have?"*** You want to be able to use a variety of background applications, including online forms tailored for your business.
7. ***"Can you handle the technology I'm using?"*** If your site's software runs on Microsoft Internet Information Server under Windows NT, look for a host that supports that configuration.
8. ***Ask around.*** A personal referral makes this an easier process.

What is a Web Developer?

Integrating your Web site into your overall business plan will require you to hire a Web developer. Suppose for a moment that you have decided to build a store. You are not going to do the actual work yourself because you are going to hire a contractor. Your contractor will design and construct your store for you. When completed, he will give you the keys to your new store. A Web developer has a similar function as the contractor. The developer will design and construct your Web site and let you focus on the management of your business.

How will the site development evolve? If you were building a store, would you simply say to the contractor "Build me a 4000 sq. ft. store. How much will it cost?" Would you leave such things as the layout of the store and other design elements like the colors, textures and lighting to the contractor? No, it is likely you would not. The same should be true of how you work with your Web designer.

You know your business better than anyone. So provide your Web page contractor with information about your goals for the site, what it should contain, and how it should interact with your customers. Also establish ways to measure your site objective at the start of the process.

The more input you provide, the more effective your designer is able to meet your hopes and dreams for your site. You provide the building blocks the designer uses. If you provide the right input, you are assured that your Web site will truly be what it is you wanted. Communication between you and your Web developer is important.

You should provide the developer with input about how your site should look, feel, react, communicate with others and then it gets built the way you want it. It says what you want it to say. It is comfortable, easy to navigate, provides your customers with the services or products you offer, and it looks good.

Some Web developers also act as a business consultant (advising their clients of how they can best profit from the endless possibilities of the Internet in relationship to their business' Web site). Some developers provide graphic design and color coordination of the client's Web site. Some developers provide the best quality Web host for the best price and pursue the necessary registration procedures. Some developers advise their clients of promotional techniques and offer services such as search engine registration. All of these job functions make a quality Web developer's services quite valuable.

The main role of a developer is to design a site that is highly functional, accessible, navigational, easy to promote, attractive and quick to load. The success of your site is primarily your responsibility. Your Web site is an extension of your marketing process. It is developed to market your business in a different direction. Your responsibility of promoting and advertising your site on a regular basis is vital, just as any other means of marketing in the real world. To expect your site to get tons of traffic just because it is there in cyberspace is not realistic nor does it necessarily reflect bad Web design. You should negotiate a clause in your contract that states you will receive a discount if there are delays in the site development that are the fault of the developer. You should also be prepared to pay a certain amount up front before the developer gets started — usually 50%.

How Do I Choose a Web Developer?

1. Know what you want to buy before you go looking for a Web developer. Before you interview your first candidate, ask yourself these questions:
   - What do we hope to accomplish with an Internet presence?
   - What is the most significant value we provide our customers, and can we provide more of it across a Web site?
   - What do we want visitors to our Web site to do on our behalf?
   - What is the biggest problem with the flow of information between our trading partners and us?
   - What knowledge commanded by the company can be presented on the Internet to form an online community?

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Summarize the answers, present them to the candidate, and ask, "How would you address these questions?"

2. Have the candidates show you Web sites they have created that demonstrate how they would achieve your objectives. Candidates should be able to provide URLs of previous work. This is the equivalent of a portfolio.
3. Get references from previous clients or employers. Was this person easy to work with? Did he or she produce a fast-loading, well-functioning site that met the client's goals and objectives?
4. Check to see if a graphic artist is either on the staff or available to your Web designer. The Web is a visual medium, and the quality of your site depends on these talents. Technical knowledge alone is not enough.
5. Evaluate the kinds of services the firm or person offers. E-commerce enablement? Logo design? Database development? Content generation? Animation? User testing? Site hosting? Promotion? Make sure they offer the services you need to meet your Web site goals.

Once you choose a developer and sign a contract, you will need to provide several items to your developer including your goals and the information you want to include on your site. You will also be reviewing the progress along the way and will want a basic understanding of what makes a good Web site.

How Do I Define My Web Site Goals?

Without a set of clear goals, your Web developer will have a more difficult time producing an effective Web site for your company. There are many reasons to have a Web site, from providing an online listing similar to a yellow page ad, or offering an online catalogue, to becoming fully e-commerce enabled.

POSSIBLE WEB SITE GOALS

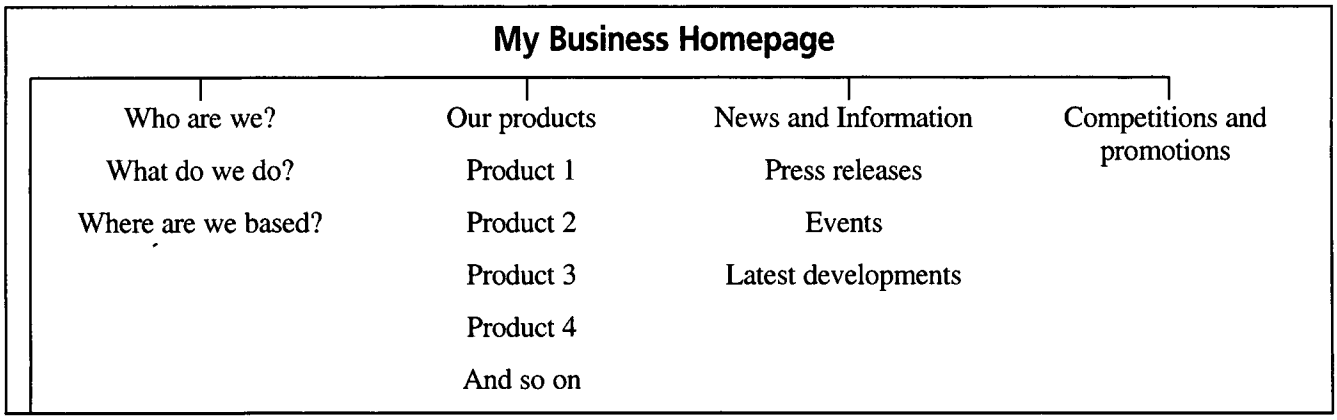
- *Online sales:* If your primary business is selling physical goods, focus on creating an online store that gives visitors a sense of place (so they can easily find what they are looking for) and makes purchasing simple and easy.
- *Promoting Your Company:* If your primary business is delivering an offline service, you may want an online brochure.
- *Distributing Company Information:* This sort of Web site can deliver useful, practical information about your company and enable you to develop your image while building trust and customer loyalty.
- *Improving Internal Business Processes:* You could use it for order processing, and online inventory control.
- *Improving Customer Satisfaction:* One way of doing this is by providing superior customer support.

Regardless of the primary purpose of your Web site, a number of design fundamentals apply broadly to all good Web site design.

Providing a Sitemap to Your Developer

Having figured out what your priorities are, sketch out a sitemap or flowchart so that you can determine what the navigation will be, how the content will flow and how the different pages will fit together.

A site map is an overview of your site. It shows the major areas of your site so your visitors can quickly get going in the right direction. The Site Map page gives you a visual representation of this site. It is arranged a bit similarly to 'Store Guide' to give an instant overview of all the topics listed under each category. Having an idea of how you



want your site to flow will give your Web developer a sense of how you want your site to look and the pieces of information you choose to include.

The Structure of a Web Site

As your Web developer completes the different stages of building your site, you will provide feedback and sign off on the completed milestones. You need to be aware of structural and contextual concepts that apply to good Web sites. Here are some basic structure tips to keep in mind:

1. Phone numbers need to be easily accessible to visitors on each page.
2. Navigation is user friendly and the user can move easily through the site, control the flow of information and return to a central home page when necessary.
3. Pages do not appear confusing or cluttered.
4. Graphics are simple, well-placed and fast loading.
5. Phrases are catchy and well placed.
6. Colors selected look good on all browsers.
7. A map and a search are provided. Many experienced surfers use site maps and keyword searches to find information in one click.
8. Hyperlinks to other pages and to other related sites are used throughout the content. The ability to link is what gives the Web its power and flexibility.

Good Web Site Content

Content varies widely, depending on your company's image and the products and services you offer. It can be as simple as a company brochure or employee-written articles. Here are a few pointers for good Web site copy.

1. Focus is on benefits, not on features. For example, the specialty pet bed you're selling might have a durable polar fleece lining. That's a feature. The benefit is that it will keep your pet warm, snuggly, and happy on cold nights. Another benefit would be that it saves you money because it can withstand considerable wear & tear from your bouncy pet.
2. Focus is on your customer — not yourself. Prospective customers want to hear about how your product is going to help or benefit them personally.
3. Emotionally charged action verbs are used where appropriate. Strong words that evoke images and emotions are great at getting a prospect to respond to your ad.
4. Unnecessary text has been edited. You want tight copy that leads your prospect to complete an action. That could be signing up for your newsletter, filling out a form, or ordering a product.
5. No misleading material. Be honest about what your business can offer.
6. CAPS and exclamation marks are not overused. It looks unprofessional. Use CAPS or the occasional

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single exclamation mark for emphasis. In the online world, all caps often mean that you are yelling at the reader. You do not want your readers to misinterpret your intentions and think that you are yelling or over-expressing your statement.

7. Inclusion of a "call to action". Never assume that your prospect knows what to do next. Tell them what you want them to do — how to order, e-mail you, whatever it is you want them to do.
8. Content is not repeated. If you have to say something twice, make a hyperlink to where it is already written.
9. Key concepts are kept within the first 50 words of your site. Many search engine spiders use the first words to load their indexes.

TIPS FOR CREATING A GOOD WEB SITE

1. *Set Goals:* know what you want to achieve and who your audience is.
2. *Be Realistic:* consider whether your product or service will work online. The Web works for things that already sell well directly or via catalogues, or niche products such as those that customers can't find locally.
3. *Be Committed:* prepare to update your site on a regular basis to encourage your customers to revisit.
4. *Be Responsive:* make your site as interactive as possible, so you can capitalize on customer feedback.
5. *Keep it Relevant:* put more than the contents of your company brochure onto the Web. Your copy should be short, sharp and easy to understand.
6. *Make It Enjoyable:* make it easy to navigate, easy to understand and visually appealing.

CHECKING THE LAYOUT

- ➤ Use Big Text: small text is hard to read on computer screens.
- ➤ Colors kept to a minimum. For text, black on white is easiest to read. Red makes a good highlight.
- ➤ Fast loading.
- ➤ Fresh content at the beginning of the page.
- ➤ Short pages that do not require scrolling, which most readers avoid.
- ➤ Purpose stated up front.
- ➤ Write with small screens in mind. Display settings and browser version dictates what your page looks like on your visitor's screen.
- ➤ Limit layout to two fonts to avoid a patchwork appearance.
- ➤ Use pale, subtle backgrounds that do not compete with your text for attention.
- ➤ Selective use of white space and minor font changes for visual effect.

Making My Web Site Interactive

According to McKinsey and Company, in a January 2002 report, sites that promote a sense of community among visitors by soliciting feedback and other content have a better chance at success. Those visitors that use the interactive features of Web sites generate two-thirds of the sales despite accounting for only one-third of the visitors. Interactive features help to convert browsers to buyers, encourages visitors to return more often, offers the chance to sell upgraded services, and provides better data collection opportunities.

- Ask your visitor to register their name, sign the guest book, or comment about your site. Never ask your visitor to provide personal information without giving them something in return — a

subscription to your newsletter, a frequent flier cyberbuck to spend somewhere, or a useful nugget of wisdom. And never require your visitors to register on your site before being allowed to enter the site.

- Allow your visitor to order a product or service directly from your Web site.
- Offer your visitor the ability to take an interactive test. Make sure that they can receive an instant response with an interpretation of their results. With an instant response, they learn something new and value is perceived.
- Provide a way for people to register and match themselves with others of similar interests.
- Host a Web discussion group on a special interest topic. Let the visitors decide on the topics. Use a program to automate the discussions and display the threads. This service can be handled for free through a Web based service such as www.yahoogroups.com.
- Use an autoresponder to quickly e-mail a response to simple e-mail requests. Autoresponders are unique e-mail accounts that serve the purpose of replying automatically to requests for information that are directed at them. Whenever someone e-mails an autoresponder, the autoresponder will automatically reply to the sender with a pre-written message. This can be a vacation reply, sales letter, confirmation notice, newsletter, general information, or a response to a Web form submission.
- Announce a contest — name my company, design my new Web site, write a tag line, submit your best joke, etc
- Vote in a Poll
- Allow customers to track their own orders by providing them their shipping tracking #s and having an area of your site that links to the tracking page on the UPS or FedEx Web site.

Evaluating the Success of My Web Site

What you measure is determined by your site's goals. Most sites have several jobs, such as distributing product info, handling tech support, and selling products and services. Establish your site's main goals and then create metrics that allow you to measure your site's performance.

SUCCESSFUL SITES ACCORDING TO USERS

- ➤ 43% Useful Information
- ➤ 38% Easy to Navigate
- ➤ 28% Well Designed
- ➤ 17% Loads Quickly
- ➤ 7% Timely Information
- ➤ 6% Fun things to do

Distributing Company Information

- Log files showing the number of product info or file downloads.
- Measure the percentage of users that have viewed a page or file.
- Track whether distributing info online reduces support line calls.

Improving Internal Business Processes

- Track increases in productivity.
- Determine if your site improves timeliness of delivery.
- Does it allow your company to meet deadlines more often?
- Track costs the Web site eliminates, such as printing, overnight mail, or phone lines.

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Improving Customer Satisfaction

- Use Web surveys and other tools to determine customer satisfaction.
- Track the number of customer feedback forms generated online.
- Measure the number of returning users.

Promoting Your Company

- Track references to your site in online and offline media.
- Track the number and type of references by using clipping services.
- Use log files to determine site traffic and number of visitors.
- Use search engines to determine your site popularity, or links to your site.

Sales

- Track revenue generated from online sales, or revenue resulting from the Web site.
- Measure the increases or decreases in the number of online buyers over time.
- Track the percentage of returns. Is your site creating informed buyers?

WHERE CAN I FIND MORE?

Connecting Main Street to e-Street: An e-Business Primer

http://www.councils.cit.org/MS2ES/DOcs/E-ResourcePrimerEarly.pdf

This *Primer* introduces businesses to the planning process for integrating e-business practices into their business models. It gives an overview of the various stages of e-business and presents a number of tools for assessing a business' needs, selecting the appropriate levels of telecommunications and development services, hardware, software, staffing, etc.

Online Support

- Track the total cost of support to see if site reduces other costs.
- Measure how long it takes to resolve issues.
- Compare customer satisfaction with online service to traditional support.

Chapter Six

Promoting My Business Via the Web

THE STRENGTHS OF INTERNET MARKETING

- The Internet allows direct communication and direct interaction with real time customers.
- The Internet is ideal for direct targeting of specific marketing messages to specific customers.
- The Internet lets users choose the marketing messages that they want to see.
- The Internet allows for instant customer feedback.
- Internet demographics are upscale with the average income of $65K and with most over $40K.
- Web sites can provide much more in-depth product information than print or broadcast media.
- Web site ads can be changed immediately.
- Direct online selling is possible. I am looking for X, I found X, I buy X — all in the same motion.
- Global Marketing is simple.
- Electronic media is cheaper than traditional print options.

Strategies for Promoting Your Business Online

If people can't find you, they can't benefit from your business. Consistent, dedicated marketing will help you to draw interested prospects to your business. Here are a few online marketing strategies.

1. ***Search engines.*** How can your potential visitors hear about you? They might search for you in a search engine or a directory. In order to be listed you need to manually submit your site's URL by visiting each major directory site. If you're able to rank within the top 10 or 20 sites for a particular key phrase, you'll be treated to a steady stream of targeted traffic. Getting listed with the Web's key directories is very important, because many people see their listings. In addition, if you are listed with them, the search engines are more likely to find your site and add it to their listings for free.

LIST OF MAJOR DIRECTORIES

Look Smart at
www.looksmart.com

Open Directory Project at
dmoz.org

Yahoo at
www.yahoo.com

You should prepare a written 25 word or less description of your entire Web site. That description should contain the two or three key terms that best describe your business and that people would be searching for if trying to find a company like yours. Do not use marketing language. Simply write the facts.

If you submit your site to the major directories and get listed with one or more of them, then the individual search engines will pick up the URL that was listed. This means you may not need to do additional work to get listed with them. A good web developer will do this for you — this service can be negotiated in your contract.

You can improve your search engine rankings by:

- Loading your keyword list with multiple word combinations, common misspellings, plurals, gerunds, and your company name mixed in with words and phrases. Also, put the most common searched words at the front of the list.
- Choose title words carefully.

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- If your content varies from page to page, then it is to your advantage to separately submit individual pages of your site.
- Study the keywords, titles, URL, etc of your competitors that show up on a search.
- Look for specialty search engines in your industry. Many of the smaller search engines specialize in a specific area.
- Re-submit often. You should resubmit monthly to maintain your ranking in the various search engines.
- Don't Repeat Keywords. Many search engines actually penalize you if you repeat words. This is a counter tactic to the early sites that loaded repeated words in their sites.
- Don't Add Unrelated Keywords. This is called spamdexing.

A good place to learn more about search engine optimization is http://www.searchenginewatch.com/

2. ***Targeted link exchanges.*** Find other good sites within your market and offer to trade links. You and your 'link partner' will both benefit from each other's traffic. One good way to find such sites would be to go to a search engine and type in one of your keywords. The sites that appear at the top of the search results page would be good prospects. Bear in mind that your site must contain interesting and useful information in order for others to agree to trade links with you.

3. ***Build your own opt-in newsletter (e-zine).*** Your own newsletter gives you the opportunity to build your credibility and keep in touch with your customers. You'll be able to market your own products or services to them as well and even earn some extra income from advertising sales. Unlike traditional newsletters, there are no printing or postage costs. Since your own cost is zero, except for the time it takes for you to produce the newsletter, you can offer free subscriptions.

To get started publishing your own e-zine, you do not need to pay for list management. You can manage and deliver your e-zine yourself with a good e-mail program such as Eudora (free at www.eudora.com) or Peagaus (free at www.pmail.com). These are the best e-mail programs available on the Internet and they can be downloaded free. Once you have your e-mail program installed, practice mailing to a few people at once by using the BCC (blind carbon copy) feature. It's important to use the BCC field when mailing to a list. This insures that everyone on the list does not see other e-mail addresses on the list. This protects privacy while eliminating the need to scroll through hundreds of e-mail addresses while reading the newsletter.

After you've perfected your e-mailing skills, all you need are subscribers. Get these by posting a message announcing your newsletter to the NewList Announcement List http://listserv.classroom.com/archives/

Find a quick tutorial on starting your own newsletter at http://www.buildyourhomebiz.com/e-zine/

4. ***E-zine advertising.*** E-zines are online newsletters. E-zines are sometimes called 'opt-in' lists because everyone who receives an e-zine has chosen to do so. And that's why e-zine advertising gets results. If you have matched the e-zine to your business products and services, you will be reaching your target audience. There are currently around 90,000 e-zines being published every month on the Internet. This means that there is probably an e-zine that will take your ad straight to the audience you want to reach.

E-zines are a very affordable way to reach thousands of targeted prospects for just a few dollars.

Here are some tips for successful e-zine advertising

- **Track your Ads:** The simplest method is to place a key or a code at the end of your e-mail address: yourname@yourdomain.com?subject=e-zineA Then, when you get a reply with 'e-zineA' in the subject field, you'll know which e-zine it came from.
- **Target your audience.** Use the 'subject categories' in any e-zine directory to find e-zines that relate to the product you're selling. You can find a list of 56 e-zine directories in 'The Free Directory of E-zines' at: http://www.freezineweb.com/
- **Once you've chosen a number of e-zines that target your audience, subscribe to them and examine the ads closely.** If you see an ad that keeps repeating issue after issue, you can be pretty sure that it's getting results. You've found a good e-zine to advertise in.
- **Check to see how many ads are in the e-zine.** The less ads the better. Too many ads and the reader will just skip over them.
- **Check to see if the e-zine publisher has a policy of never running ads for two similar products in the same issue.** Your ad will be much more effective if it's the only one of it's kind in that particular issue.
- **Small e-zines can be more effective.** Small e-zines with only a few hundred subscribers often have a much more targeted audience than the big e-zines.
- **Repeat your ads.** Research shows an ad has to be seen about 9 times before a person will act on it. If your budget allows, try and have your ad repeated at least three times in a particular e-zine. Most e-zines offer discount packages for bulk advertising.
- **Provide an e-mail address.** The advantage of giving an e-mail address is that it gives you the opportunity to send a powerful sales letter to the person who responded to your ad. It also allows you to track your ads. You should also provide your site's URL.
- **Offer something free in your ad copy.**
- **Keep your ads short, even if you're not using the number of words you're allowed.** Short ads are more likely to be read. Keep your sentences short. Use the word 'You'. Don't describe your product but tell the reader what your product can do for them.

A great place to pick up deals on advertising is http://www.ezineadauction.com/.

5. ***Network through discussion groups.*** Join a discussion group where potential customers or partners may congregate. Become a contributing and respected member by offering help and support by leaving a message on the message board. A message board is similar to a notice board that is on the Internet for everyone to read. Leave your link at the bottom of your posts. People who have come to know you will click on your link for more information about you and your business. Conversely, if you fill online discussions with sales announcements, participants will get angry and drive traffic away from you. Search for appropriate forums at ForumOne, http://www.forumone.com/index/index.php.
6. ***Referral marketing.*** Encourage your customers to refer others to you. You may want to give them an incentive to do so — for example, provide them with a discount on their next order, or offer a quality free gift.
7. ***Press Releases.*** Magazines and online publications are always looking for new and interesting stories. Mention of your site in such publications can produce many visitors. The way to be included here is to send announcements and press releases upon launching your new Web site and whenever you have something new that people might want to hear about.
8. ***Article submissions.*** Write about what you know and offer your articles to other editors and Webmasters in your market. Offer the article for reprint in exchange for an author byline. Some sites also run syndication networks, where your article may appear on dozens or even hundreds of sites!

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There's always a demand for fresh, original articles. E-zine directories such as http://buildyourhomebiz.com/directory.html are a good source for finding editors that accept articles.

9. ***Create a free e-book, or online book.*** Give it away to your visitors and to other editors or Webmasters within your market. Encourage them to pass it on. Your business will profit from the free publicity. Be sure to provide real content and valuable information to your reader. This will capture their interest and build your credibility. You can use already available information. For example, you could put together a related group of articles and simply add a few comments or an introduction. Or if you get a lot of questions about a particular topic, pick some of them and put together an e-book that offers the answers to these questions. Be sure that your e-book is attractive and easy to read. Keep the graphics to a minimum to keep the file small. This will keep the download time short and keep from frustrating your customers. Most importantly, provide links back to your site and your products!!

10. ***Joint ventures.*** Partner with other editors or Webmasters within your market to help promote each other's businesses. This is one of the easiest and most profitable marketing methods. Examples of joint ventures include: Ad swaps, newsletter co-opts, barter agreements, special affiliate commissions, and offering discounts of your own products/services to each other's customers.

11. ***Banner Advertising.*** A banner ad is a special sort of hypertext link. Banner ad links are displayed as a box containing graphics (usually with textual elements) and sometimes animation. Because of its graphic element, a banner ad is somewhat similar to a traditional ad you would see in a printed publication such as a newspaper or magazine, but it has the added ability to bring a potential customer directly to your Web site by providing a direct link to your Web site. A banner ad differs from a print ad in its dynamic capability. It stays in one place on a page, like a magazine ad, but it can present multiple images, include animation and change appearance in a number of other ways.

There are 3 main ways to advertise using a banner.

- Arrange to display other Web sites' banner ads in exchange for them displaying your ad.
- Pay publisher sites to post your banner.
- Pay an organization, usually a banner network such as DoubleClick at www.doubleclick.net to post the banner on a number of targeted publisher sites.

These three arrangements take many forms and you must choose the specific arrangement that best suits you. Your Web developer should assist in banner ad creation — there is an art to this and novices will not achieve appropriate results. Here are some tips on how to design effective banners:

- **Keep your message short and simple.**
- **Produce your banner in GIF format since it compresses better.**
- **Do not use Java or Flash banners since many people don't have these plug ins.** This would keep your banner ad from being seen.
- **Use a large font size for your message text.**
- **Use attractive images to grab the viewer's attention.**
- **Use attention-grabbing words such as "free" and "now".** "Free" is a very powerful incentive for the viewer to click on the button.
- **Convey your "Unique Selling Point" of**

your Web site in the banner. e.g. "Nobody Sells Cheaper Than Us", "We Offer The Widest Selection With Over 10 Million Books".

- Don't use bold bright colors, such as bright yellow, bright red, lime green, etc.
- **Encourage action from the viewer.** Put "Click Here!" somewhere on the banner—usually in the bottom right hand corner. Use a smaller font size, so that it doesn't distract the viewer from your main advertising message.
- **Create different versions of the banner.** Test different banners to see which version gets the most hits.
- **Animate your banner, but use as few frames as possible to convey your message.** No one is going to wait to read through 10 frames of animation just to find out what your banner is about.
- **Add a border to your banner to make it stand out from the page.** Most people use a blue or black border.
- **Although most sites accept a maximum file size of 10kb or 12kb, keep the file size as small as possible.** The quicker the download, the more likely your banner will be seen, before they have scrolled down the page.
- **And finally, try using humor to convey your message.**

12. ***Promote your site URL offline everywhere you can.*** Promote your URL on buses, billboards, t-shirts, TV commercials, letterhead, business cards, and checks—anyplace you print a phone number. Make sure all your employees include your Web address in their e-mail signature files.

13. ***E-mail Marketing.*** Formerly, if you wanted to inform your customers of new developments or make them a tactical offer, you would mail them a printed flyer. In the process, you would incur the cost of list management, design, artwork, print, enveloping, postage and fulfillment. Now thanks to e-mail you can send thousands of customers e-mail at the touch of a button. But be aware that this type of e-mail can be regarded as 'junk mail' and deleted without reading. So if you do use this type of marketing, be sure that you target your audience carefully and effectively. Many companies are successfully maintaining large opt-in mailing lists for customers and other consumers to provide them with up-to-date information on products and services. By using personalized e-mail software they are able to send only the most relevant information to each individual, and thus create a business relationship of mutual benefit.

Direct e-mail marketing is successful only when the recipient is moderately to highly interested in the mail's subject. It is difficult to capture a person's attention if the match is not right (e.g. "Free pet grooming!" or, worse, the vague "Big Discounts!"). For this reason it's important to begin any e-mail marketing campaign by researching a targeted base of individuals that are interested specifically in your company's products or services. Opt-in mailing lists are widely available for purchase, but you are likely to get even better results in the long run by starting an opt-in mailing list of your own.

Tips on using e-mail marketing software:

- **To maximize your chances of being seen by the right people, make each e-mail marketing campaign unique to a set number of recipients.** Use e-mail software to filter and send only to those of specified interests (customers who have bought a certain product in the past, etc.).
- **Personalize each message.** Use e-mail marketing software to merge information from that person's record into their direct e-mail. Go beyond simply "Dear {name}" — insert demographic and other information into each message to capture their attention.

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- **Be courteous and always provide a way for recipients to unsubscribe from your e-mail marketing opt-in list.**
- **Make your ad brief and to the point.** Pick the most important benefits of your product and let your prospect know what they are and how they'll solve their problems. Make sure your ad gets directly to the point about your offer. Don't make your prospect guess about what you're offering.
- **Include a strong call to action.** Make sure your prospect knows exactly what to do if they want more details. You can have them send an e-mail, visit your Web page, call a phone number or any other method of delivery you've chosen, just make sure you give your prospect some options and make the call to action strong.
- **Follow up with every response to increase your sales.** An acceptable response time frame is 12 hours.
- **Expect questions from your prospects.** No matter how well your ads and sales letters are written, you'll still get questions. Online prospects are more educated and want more information before they make their buying decision so be prepared to answer their questions and assist them through the buying process
- **Set reasonable and achievable goals.** In most e-mail marketing campaigns, a 1% to 3% response rate is considered very good.

14. ***One of the most cost-effective and successful means of promoting online is through targeted, paid listings on other sites.*** For example, if you have a hotel in North Carolina, you want to be found on www.visitnc.com where people search for information on vacationing in North Carolina. These aren't link exchanges because they are paid listings but they also aren't "ads" — they are often simply a link with a couple of sentences of information back to your site.

    The key here is consistency. Writing an occasional article or placing an ad once in a while isn't enough to give you solid, steady targeted traffic. Take some time, develop a well-rounded and researched marketing plan and follow through with those efforts.

Chapter Seven

The Benefits of E-Commerce

Although e-commerce, the process of managing online financial transactions, may seem to be a fairly new trend, electronic transactions have been occurring for years. Over two decades ago, large companies started using a system called EDI (Electronic Data Interchange) and financial institutions began moving assets electronically. These first generation electronic systems had one major drawback: they were expensive to use and to put into operation. The success of e-commerce today is due to the success of the Internet: a cheap, worldwide network, connecting millions of individuals and businesses, thus creating, a truly "global marketplace".

Today's businesses can use the Internet across all their operations: to attract new customers and to manage existing customer relationships; to streamline supply chains, procurement and manufacturing systems; to automate business processes; and to refine raw data into valuable business intelligence.

As part of your overall business plan, e-commerce can provide you with a way to instantly satisfy each individual customer's demand for products, services, and information. It offers your customers convenience, variety, cost savings, and anonymity. Essentially, e-commerce provides a way for you to do business, either as a merchant or as a customer, with anyone, anywhere, anytime.

You can enable your business or organization to reach larger numbers of customers over the Web, seeking out potential markets that were once outside the traditional boundaries of your business. Because small businesses can use the same technologies as their larger counterparts, e-commerce is a means of "leveling the playing field" for these smaller businesses. Business done over the Internet can be transacted without face-to-face contact allowing businesses in rural areas to compete on a national, or even an international scale.

What Are My Advantages to Selling Online?

Use of e-commerce is increasingly becoming the 'normal' way of doing business. Many new companies are emerging on the Internet and are using the advantages of this new medium to develop more rapidly than their traditional competitors. Companies gain six main advantages from selling their products online:

1. ***Reduces Costs:*** E-commerce reduces costs on marketing, advertising, printing, information distribution, and order processing. It also reduces staff and overhead costs since your storefront can be "virtual" with no need for outside office space or a large team of employees.
2. ***Increases Customer Intimacy:*** By providing service 24 hours a day, 7 days a week, 365 days a year, your customers can learn about your company and/or purchase your products at their own convenience. You will also be able to get instant customer feedback.
3. ***Faster Transaction Time:*** Traditional selling takes more time to complete and receive sales revenue than with e-commerce. Your business will get paid faster also.
4. ***Eliminates Errors:*** Electronic selling virtually eliminates processing errors, which in turn makes online selling cheaper, more convenient and faster.
5. ***No Physical Space Limitations:*** You can offer more products than you can physically stock on the shelves of a store.
6. ***Increases Your Sales:*** You can reach new customers in new geographic markets and expand distribution channels into new markets.

Chapter Seven

The Benefits of E-Commerce

Why Do Customers Love E-commerce?

As an owner of a business, you understand the value of good customer relationships. Pleasing your customers, meeting their needs, and providing for an enjoyable experience within the walls of your business or organization will provide you with a large customer base and allow your business to grow. Two types of e-commerce customer relations are B2C and B2B. B2C stands for business to consumer, where your business sells its goods and services to an individual consumer. B2B stands for business to business, where your business sells its goods and services to another business. B2B is the fastest growing sector of e-commerce.

Today, consumers, both individuals and businesses, are turning to the Web more and more to conduct their business. Research has shown that customers enjoy the online shopping experience because of the:

1. ***Convenience and Ease of Use:*** Consumers can literally shop in the convenience of their home or office at any time of day or night.
2. ***Variety and Larger Selections:*** With the Internet consumers have access to companies worldwide offering products or services, allowing them access to a wider variety of choices.
3. ***Cost Savings:*** Consumers can compare and contrast more products more quickly ensuring that they will receive the best value for their money.
4. ***No Sales Pressure:*** Customers who dislike dealing with a salesperson can avoid the experience all together.

How Do I Use the Web for My Existing Business?

For companies that are already conducting business, there are many aspects of electronic commerce that can be put into practice by extending existing business expertise. Listed below are some successful Web based strategies. Your business can take advantage of any of these approaches.

1. Create an Electronic Brochure
2. Streamline Order Processing: More customers are ordering products/services over the Web, bypassing traditional telephone ordering. This will free up your other staff for other more important work.
3. Provide Extra Service in the Form of Online Information
4. Offer a Convenient Way to Buy a Product
5. Offer Order Tracking or Account Tracking
6. Offer Online Technical Support
7. Offer Comprehensive Product Selection
8. Cut Out the Middleman to Sell Directly to Customers. This is often called "disintermediation" in which businesses use the Web to bypass distributors and retailers to sell directly to consumers.
9. Offer More Selection than a Physical Store Possibly Can

What Strategies are Available for a New Web-based Business?

In addition to putting your brick and mortar business online, some people opt to start a new Web-based business. Here are some examples of different approaches to Web-based businesses:

1. ***Host a Virtual Auction by providing a person-to-person trading community on the Internet where buyers and sellers are brought together.*** Online sellers list an item for sale to be sold to the highest bidder. Online bidders compete for the item and the highest bidder wins. The best-known virtual auction house is eBay at www.ebay.com. To find out more, search your favorite engine or directory using the key words "online auction house".
2. ***Collect enough buyers for the same product to drive down the price.***
3. ***Collect the best products available, then sell direct to buyers.*** For example, www.delidirect.com doesn't have a single product in stock. They have arrangements with the best delicatessens around the world to ship fresh product immediately to consumers.
4. ***Collect qualified buyers and sell the sales leads to sellers.***
5. ***Become a Link Aggregator to draw traffic.*** Compile the most comprehensive list of links related to your customer's interests, then people will start to use your site as a start page.
6. ***Build an e-community around a topic to draw repeat traffic.***
7. ***Offer free information organization tools to draw traffic.*** Many people have discovered that Web based information tools are very handy because they can be accessed from anywhere.
8. ***Create a new Web-based service business model.*** For example, Callwave (www.callwave.com) permits a user to download free software that serves as an answering machine while connected to the Web. Banner ads are included when the user retrieves messages.
9. ***e-community + e-commerce.*** For example, DrKoop.com's consumer healthcare site offers medically sound information and also sells related drugs and healthcare items directly to the consumer.
10. ***Vertical Portal strategy.*** Provide specific content that other businesses will pay to access. For example, Weather.com draws 33,000,000 unique visitors per month. They dominate their specific content area — weather. Other businesses pay for access to weather.com rather than "invent" the content again.

Chapter Eight

Selling Online

Your business will need very little equipment and in-house expertise to enter into e-commerce. Essential equipment includes one standard PC and modem for Internet access. Expertise is widely available from a variety of sources including consultants, software suppliers and Internet Service Providers (ISPs). Your local Chamber of Commerce can provide advice or direct you to someone based locally who can offer help and guidance. This chapter will help you understand the e-commerce process and help you determine what you will need to begin.

Picking Software for E-Commerce

There are 3 main software options for businesses wanting to sell their products online:

1. Buy a ready-made commercial solution
2. Rent space in a network-based e-commerce solution
3. Build a system from scratch with components and parts.

If you set up correctly now, when your company grows and expands, you can add on to the original foundation without wasting your previous efforts.

Effective E-Commerce Solutions:

1. ***Are easy to use***, simplifying business operations and processes
2. ***Are affordable***, including software, personnel and network costs
3. ***Are accessible anytime and anywhere***, ideally leveraging the Internet for more efficient e-business capabilities
4. ***Provide real-time access to complete business information***, for better decision-making capabilities
5. ***Create integrated solutions***, to eliminate redundant business processes

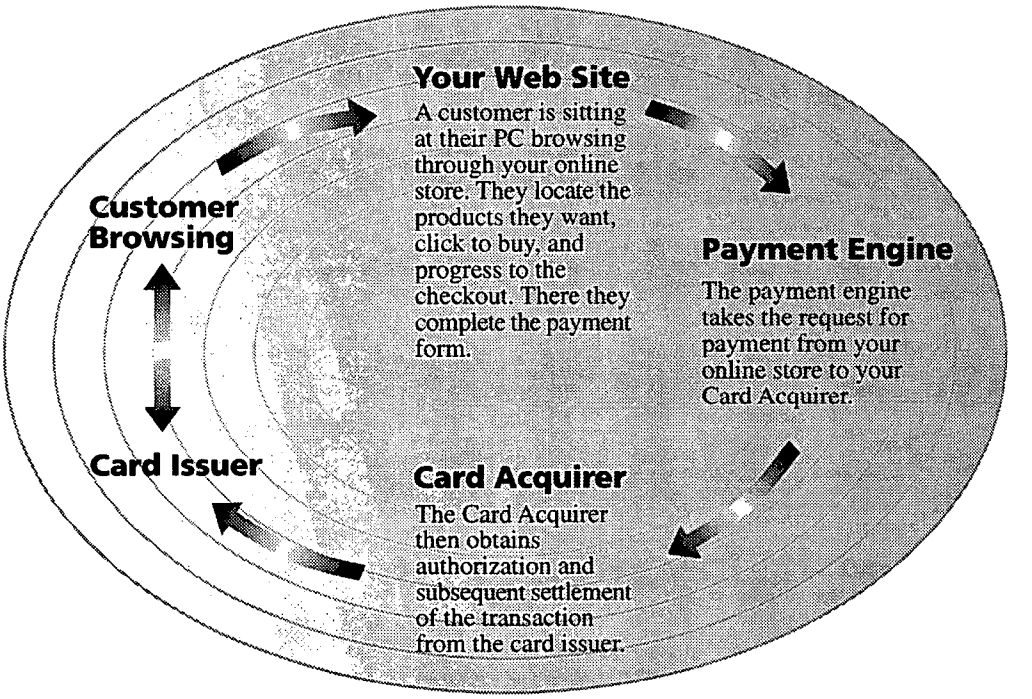
For most small businesses, finding a ready-made commercial solution is the easiest and least expensive way to begin selling online.

The software you choose should allow your customers to browse through your stock, place items in a virtual shopping basket, search for specific items, total the cost of their purchase, let them choose a payment method, give an order reference number, and calculate any required taxes. These programs can be linked to your company's existing databases and stock-control systems, and help you to build a profile of your customers and their interests. The chart (opposite page) shows you how the e-commerce process flows.

As your customers enter your site, they will want to see which products you have to offer. Therefore, the product catalog is very important. This is where you display product pictures, descriptions, and prices.

Once you have set up your product catalog, you want the customer to be able to purchase with ease. Typically, when a customer shops in your online store, products are put into a "shopping cart/basket". These product selections are stored in a database so the customer can review what they selected before checking out. The customer should also be able to change the quantity of items or to even delete items in their cart.

Many consumers are still wary about entering their personal information into a Web based form. No matter how much security technology you implement, you still need to give your customers a sense of psychological security. It is not the logic — it is psychological. Some sites provide a graphic link to VeriSign's verification service, for example. When a customer clicks on the link, VeriSign will indicate whether the site is secure. You should also include a privacy statement on your site that outlines why you collect certain information and what you do with that information to assure your visitors that you never sell or lease the information to third parties at anytime.



Finally, customers must be able to select payment type and the e-commerce software must verify their ability to pay. This can involve credit cards, electronic cash, or purchase orders. The e-commerce solution you choose should support third-party shipping modules and tax calculation packages.

Collecting Money

After your customer has ordered a product, you will need to be able to collect the money. There are many categories of payment services for transactions through the Web. No solution is perfect and each comes with its own set of pros and cons. The right choice for you depends upon your specific business requirements. Here are the main types of payment services available to you:

1 ***Merchant Internet Account:*** If you have a merchant status, you can take credit card payments over the Web. You will need to consider the following factors:

Pros:

- Consumers are familiar with credit cards
- With credit card transactions, consumers do not have to download and install special programs.
- Credit card sales lend itself to impulse buying.
- You have customers' contact information for follow up sales and marketing purposes.
- Transactions are "real time" so you know immediately that the card is approved and the money will be deposited.

Cons:

- Consumers still have concerns about providing financial information online.
- Not everyone has a credit card.
- This method does not lend itself well to the purchase of down loadable soft goods, such as software, art, graphics, etc.
- You will have to deal with charge backs.

Selling Online

2. ***Electronic Fund Transfers:*** Funds are transferred electronically from the customer's bank account to yours. The best-known method is the issuing of electronic checks.

ELECTRONIC CHECKS

Pros:

- ➤ No credit card worries
- ➤ Available to people who don't have credit cards

Cons:

- ➤ A very new technology that some perceive as being less secure than other forms of e-commerce
- ➤ Many customers aren't set up to issue electronic checks
- ➤ Time required to make arrangements eliminates impulse buying
- ➤ May not be available to international consumers

Customers pay for merchandise by writing an electronic check that is transmitted by e-mail, fax or phone. The "check" is a message that contains all of the information that is found on an ordinary check, but it is signed digitally, or indorsed. The digital signature is encoded by encrypting with the customer's secret key. When the check is processed, the resulting message is encoded with the bank's secret key, thus providing proof of payment.

3. ***Telephone Billing Systems:*** Another approach, telephone transactions, allows the customer to purchase an item or service, and the amount is billed to his or her telephone bill. To date, this is being used for the sale of soft items such as downloads, time measured services (i.e. time spent at a Web site) or for making charitable donations online.

Pros

- ◗ Eliminates worries about credit cards
- ◗ Safeguards soft merchandise — no possibility of theft or pirating.
- ◗ Available to customers without credit cards
- ◗ Coverage includes the US and points in Europe. Canadian coverage is expected soon.

Cons

- ◗ Customer is required to download and install a special program
- ◗ Currently only available for soft merchandise
- ◗ Not currently available for Mac users.
- ◗ Currently available for sales using telephone modems, and will not work for transactions over cable modems and ISDN lines.

4. ***Person-to-Person Technologies:*** The accounts, often free to open, require your contact information, credit or debit card information and your bank account information. When a customer initiates a transaction from your Web site, they will be required to open an account. According to the customer's instructions, the money for the purchase will then be charged to their credit card and the merchant will receive an e-mail saying that the money is ready to be picked up. Depending on the service's options, you could opt to have the money transferred into your bank account, credited to your charge card or you could request that the service cut a paper check. Paypal at www.paypal.com is one such company offering these services.

The Order Process

The next step in e-commerce is processing the order. To process your orders effectively, you will need to consider each stage:

- **Inventory:** Are you only willing to supply items in stock or can you afford to order items from a supplier?
- **Out of Stock:** When should you inform customers if an item is out of stock or likely to take extra delivery time?
- **Back Orders:** When should you notify visitors of a back order? When they are checking out? After they have placed an order? Or would you prefer to recommend an alternative solution?
- **Controls:** If your inventory is at a minimum, will you put up a barrier to say products cannot be offered? Will this policy apply to all products or be different for different products?
- **Partial Orders:** What will you do if part of an order is returned to you?
- **More than just inventory** — you need to provide quality customer service and have an efficient processing system that quickly and accurately fulfills orders. You can automate the ordering system but fulfillment still involves the human touch.

The Delivery Process

In most cases, consumers will buy products from your site if you offer a secure and reliable service. Managing customers' expectations is vital. The following issues are crucial to making your customers loyal customers.

1. ***Payment:*** Do not charge the customers' card until the products are shipped or delivered. In the mail-order business, the merchant is not allowed to move money immediately unless the product is delivered or shipped on the same day.
2. ***Manage Customer Expectations:*** Only make promises you can keep, and keep the promises you make!
3. ***Delivery Charges:*** The cost is what it costs you to deliver a convenient customer service. This includes the actual shipping charge as well as any handling and customer service.
4. ***Timing:*** make sure you ask your customers exactly when they want their product delivered, and charge accordingly.
5. ***Allow the customer to include a gift card or special instructions if they choose.***

What Kind of Legal Issues Will I Encounter?

Legal issues that apply to your current business practices will also apply to your online business. There are, however, issues that must be looked into since e-commerce does not limit your business to certain times of the day nor to certain areas of the country or world.

- What policies and disclaimers must be made available to customers?
- What is our return policy?
- Will you offer guarantees or limited warranties?
- Are there any locations where a retailer cannot legally sell your products?
- Do I have to charge taxes?

All legal issues should be discussed with an Internet savvy attorney to ensure that state and local laws are met.

How Do I Make My Site Secure?

Confidence is key to the success of any e-commerce initiative. In the virtual world of e-commerce, it may be difficult to convince a potential customer that you can offer a reliable and flexible service. In the virtual world, consumers cannot use their usual techniques to assure themselves of the credibility of those with whom they wish to conduct business.

To address these security issues, you will need to use a merchant provider that performs address verifications, checking each customer's information against what a credit card processor has on file. You will have to provide a secure server that offers encryption—the conversion of data into unreadable

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code— that allows customers to enter credit-card data safely. If you are using a hosting company, be sure it offers 128-bit encryption. Be sure that your hosting company has the proper firewalls in place. These security systems make it virtually impossible for hackers to sneak in and disrupt your server. And most importantly, you will need to let your customers know about the security measures you have taken so that they will feel secure.

DIFFERENT SECURITY MEASURES ARE REQUIRED TO SUPPORT E-COMMERCE AND THE ISSUES TO BE COVERED INCLUDE:

- **Authentication** — an assurance that the party is who it claims to be
- **Privacy** — that personal details cannot be disclosed or accessed by third parties without consent
- **Integrity** — that once information is sent, it cannot be altered
- **Confidentiality** — transaction details, especially sensitive ones, are not disclosed
- **Non-repudiation** — that an order or payment, once provided, cannot be denied

Chapter Nine

Doing Business with the Federal Government

Small Business and Government Contracts

Each year, our government spends billions of dollars in goods and services purchased from private firms by establishing purchase contracts. The government is particularly interested in establishing contacts with small business firms. To help small businesses get involved in government contracts federal agencies conduct a variety of procurements that are reserved exclusively for small business participation. These transactions are called "small business set-asides".

DESIGNATED GOALS FOR AWARDING PRIME CONTRACTS TO SMALL BUSINESSES

- 23% to small businesses
- 5% to small disadvantaged businesses
- 5% to small women-owned businesses
- 3% to small disabled-owned service businesses

There are two basic areas in which the government spends its contract dollars: the Department of Defense (DoD) and civilian agencies, such as the Veterans Administration and Health and Human Services. There are few differences between your commercial business and selling your products or services to the various government organizations. Two principles especially appropriate in establishing and keeping a working relationship with government purchasing activities are:

- Learn both the needs and the buying practices of your potential customer.
- Follow leads on where buying is done, and seek sales opportunities throughout the government agencies.

What Can Getting a Government Contract Do For My Business?

Gaining a government contract can level out the hills and valleys during the business year. The usual margin of profit is never large, but if you use the portion of your business with the government for paying the overhead (i.e. lights, heat, a/c, etc.), you will find that the other contracts you have will be much more profitable. This is a very basic principle: if you can pay your costs with a government contract, which always remains stable, you can be more selective with other, higher margin contracts.

Local Purchases

In addition to government contracting, there is a new area of credit card buying, often referred to as "micro-purchasing." Although the biggest credit card users are the Department of Defense and the Veterans Administration, every government office utilizes the credit card for almost everything it needs.

To benefit from the government's micro purchasing program, your business will have to offer credit card purchasing as part of your business strategy.

EXAMPLES OF PRODUCTS AND SERVICES PURCHASED LOCALLY:

- Office supplies
- Automotive spare parts
- Tools and equipment
- Perishable food items for troop meals
- Laundry and dry cleaning
- Refuse collection
- Job lot printing
- Repair and maintenance

Chapter Nine

Doing Business with the Federal Government

Subcontracting

Performing work on government contracts does not have to mean working directly with a government agency. You can do work for a government prime contractor as a subcontractor. The prime contractor is a commercial company that has won a contract with the federal government for a product or service.

There is an entire market available to you as a subcontractor for a prime contractor. Primes are always looking for "good" vendors. You can find information about subcontracting opportunities with prime contractors who work for the Department of Defense (DoD) in a publication by the DoD entitled "Subcontracting Opportunities with DoD Major Prime Contractors." It is issued annually and lists, by state, those DoD prime contractors with established plans and goals for subcontracting with small businesses and small disadvantaged businesses. You can download this publication by going to the OSD site (http://www.acq.osd.mil/sadbu/) and clicking on "Publications."

Can My Business Get a Government Contract?

Technology: You need to be capable of doing business using Electronic Data Interchange (EDI) or some kind of e-commerce. EDI is the paperless, computer-to-computer exchange of business information using electronic tools such as e-mail, Electronic Funds Transfer (EFT), and the Internet. In an effort to go paperless, the law requires the government to use electronic means to issue and award small business contracts, specifically those between $2,500 and $100,000.

To be EDI-capable, you need to have the following:

- A personal computer, Pentium or higher, using a Windows 95/98/2000 or Macintosh operating system.
- A modem with a minimum speed of 56K that uses V.90 technology.
- A connection to the Internet.

Understand the Internet: Know how to use search engines, download and upload files, use viewers such as Adobe Acrobat, and communicate via e-mail. You also need to know how to access a CD-ROM file so you can look at government bids.

Size: Any business, regardless of size, has the potential to get a contract with the government. However, your business must sell a product or service and be:

- Responsible
- Competitive
- Patient in dealing with the bureaucratic process
- Committed to invest and apply the resources that are needed to market to the government.

To be awarded one of the small business set aside contracts, you will have to fit the small business requirements. The Small Business Administration is responsible for setting size standards, based on industry. The SBA size standards are available on the Internet at the SBA site (http://www.sba.gov/regulations/siccodes/).

Finances: What is the financial situation of your business? Is your business financially stable or are you just starting out and short on cash flow? Are you able to make payroll and other payments without problem? A government contract will not pay a percentage up front and all initial costs must be able to be born by the contracting business. If you are in financial trouble, a government contract would be more likely to put you out of business than to save your business.

Quality: The terms of a government contract generally require you to assure the quality of the product or service that your business will be providing. To do that, you need to show that you have some kind of formal, documented quality

control plan in place. Your plan could consist of anything from a general quality assurance manual to a full quality assurance program that complies with a recognized commercial quality standard, a government standard, or the international ISO standard for your industry.

Office Skills: To be ready for government business, you need to be sure you have the proper office skills. You need to be organized, maintain accurate files and records, document important transactions and meetings, know where everything is, and generally be able to keep things humming.

Basic Contracting Rules

The basic contracting rules for all Federal Government agencies are set forth in the Federal Acquisition Regulation (FAR). The FAR is divided into 53 parts, each part dealing with a separate aspect of the acquisition process. Relevant parts for small businesses include Part 19, Small Business Programs, and Part 52, which contains the standard terms and conditions contained in a government contract. The FAR and other supplements are available on the OSD SADBU Web site (http://www.acq.osd.mil/sadbu) under "Links", or the particular agency's Web site.

Nine Steps to Successful Bids

1. ***Think Like the Government:*** When the government buys, it thinks in terms of the end item that it needs; for example, a can, a spring, a bolt, a pencil, etc. Think of your business in terms of your output; the products or items that you make and, perhaps more importantly, the items that you are capable of making. Think of how you can use your same equipment and process to make things that the government needs and wants; perhaps things you never even considered before. If you think in terms of your process, for example, if you think of your company as a screw machine shop, you will be facing a much bigger challenge in trying to find government opportunities because the government does not purchase items described as "screw machine products," it buys nuts, bolts and screws.
2. ***Identify buyers and get bid leads:*** There are a number of ways to find the appropriate buying offices:
   - **Commerce Business Daily (CBD):** This paper, published every working day by the Department of Commerce, lists all proposed government procurements estimated to exceed a purchase price of $25,000. It also lists major prime contract awards that have potential subcontracting opportunities. The CBD is available electronically on the CBD Web site at: (http://cbdnet.gpo.gov/).

SEARCHING THE CBD ONLINE

1. Go to the http://cbdnet.gpo.gov/.
2. Arrow down to "Simple Search of the CBD" and click
3. Click on "Simple-Search."
4. Change "Maximum Records Returned" from 40 to 350
5. Next to "Database to Search," check "Archive of Notices" as well as "Active Notices."
6. Move down further to the "Search Terms" box. Here is where you will type the keywords that describe your product or service
7. Click "SUBMIT". As you go through the documents on your list, you should be able to identify a buying office and possibly a contact person.
8. Finally, contact the buying office(s) that you have identified as prospects for buying your product or service and talk to them about how you can receive opportunities to bid.

Doing Business with the Federal Government

- **Solicitation Mailing Lists:** Every government purchasing activity maintains lists of prospective suppliers that have indicated their desire to sell their products or services to that activity. When your name is placed on a solicitation mailing list, most solicitations for that product or service will automatically be issued to you. You must submit a separate application to each activity you hope to sell to. The small business specialist at any activity will furnish the forms free and will help you with their preparation.
- **Bid Boards:** Every government purchasing activity maintains, in a public place, a bulletin board on which is displayed a notice or copy of each proposed contract action between $10,000 to $25,000.
- **The personal touch:** One way to locate government buying offices is to pick up your local phone book, search the blue or yellow pages under "Government, federal," and then look for a listing for the purchasing office or small business office. If neither of these offices is identified, then call the office(s) listed and make an appointment to meet with them. Once there, introduce yourself and your company, and provide the buyer with your business card and a listing of the supplies and services you can offer. If you have one, also provide the URL of your business Web page. This gives buyers another opportunity to see who you are and what you can do.
- **Procurement Technical Assistance Center (PTAC):** Stop in the Procurement Technical Assistance Center nearest you (see Appendix 2 for a complete listing of North Carolina PTACs), sign up to be a client, and get your prospective buyers and bid leads through the PTAC. As you go through the process, the PTAC will be available to answer your questions or will refer you to someone who can. It can also get copies of specifications and standards for you at minimum cost and do some market research. In addition, it offers training in government procurement practices through seminars and conferences and assistance in understanding e-commerce.

3. ***Get Registered:*** Before you can start bidding on contracts, the government needs to know who you are and what you do. You must register your company with various agencies and programs within the federal government. There are two primary places, both Internet databases, at which you must register:
   - Central Contractor Registration (CCR) at http://www.ccr2000.com/
   - PRO-Net at http://pro-net.sba.gov/

   In order to register, you must use a personal computer and have access to the Internet.
4. ***Get the Bid Package:*** Once you have found a bid that you are interested in, the next step is to get the bid package (it is also sometimes referred to as a solicitation package). You can often get the bid package by downloading it off the Internet.
5. ***Review the Bid:*** You need to understand what is in the bid package because it is more than a solicitation for a bid. If the government signs it, your bid becomes the binding contract. That means that you must carefully check out all portions of the contract, not just the description and specification portion.
6. ***Get Technical Data:*** To successfully complete your bid, you will need to do some research. Learn what types of specifications may apply and how to get the correct data to comply with the order. Technical data is comprised of the specifications and standards, such as engineering

design and manufacturing documents and drawings, which describe the requirements for a material, product or service. It also includes the criteria for determining whether those requirements are met.

7. ***Price It Out:*** In a competitive bidding process, price is the determining factor. Here are some things to consider in determining your price:
   - **Consider Pricing History:** You can often get pricing history from the buying office by asking the Point of Contact identified in the contract.
   - **Cost Out All Special Requirements:** The buyer may ask for many costly extras. Especially watch out for packaging requirements, they can be expensive. Do not just stick on a percentage of the cost of the item to cover packaging.
   - **Think Carefully about Quality Requirements:** Will any of the certifications and acknowledgments add on extra costs?
   - **Factor in Bidding Costs:** As a general rule, you can estimate that the cost of putting together an offer will run 3 to 4 percent of the value of the proposed contract. Make sure current finances can handle that cost.
   - **Do Not Forget Overhead and Profit:** Make sure your profit is reasonable. Remember that the bidding process is very competitive.
8. ***Write Your Proposal:*** This is a formal procedure that must be completed exactly. It is a good idea to attend a proposal-writing workshop offered by your local PTAC.
9. ***Submit Your Bid:*** If you are bidding through the e-commerce method, your submission will be via the Web. Other bids must be sent via the U.S. mail, UPS, or another carrier. However, it is important to keep in mind that if your bid is late and is the fault of the carrier, the U.S. mail is the only carrier that the government will recognize for consideration of a late bid.

WHERE CAN I LEARN MORE?

The North Carolina Small Business Technology and Development Center Web site offers several documents to learn about governmental contracts at http://www.sbtdc.org/publications/publications.htm

You can also find guidance in every aspect of federal, state, and local government contracts at your local PTAC (see Appendix 2).

Appendix 1

Glossary of Terms

Address: An address is a unique identifier assigned to a Web page. The address is more commonly referred to as the URL (Uniformed Resource Locator).

Attachments: Multimedia files that are 'attached' to an e-mail; can be text, graphics, sound, video, spreadsheet, database, or even an entire application.

Autoresponder: An autoresponder is a computer program that automatically returns a prewritten message to anyone who submits e-mail to a particular Internet address.

Banner Ad: A banner ad is simply a special sort of hypertext link that has the added ability to bring a potential customer directly to the advertiser's Web site.

BCC (Blind Carbon Copy): A blind carbon copy is a copy sent to an addressee that is not visible to the main addressee.

Body: In an E-mail, the part of the message containing the most textual content, sandwiched between the Header and the Signature.

Bookmark: It records a URL or Web page to enable you to refer back to it at a later date.

Browser (Often called a 'Web Browser'): Allows the user to search the World Wide Web and other Internet facilities. Examples are Internet Explorer and Netscape.

Dialup: 'Dialup Access' or a 'Dialup Account' is when a modem is used to gain access to the Internet.

Directory: On the World Wide Web, a directory is a subject guide, typically organized by major topics and subtopics.

Disintermediation: Disintermediation is giving the user or the consumer direct access to information that otherwise would require a mediator, such as a salesperson, a librarian, or a lawyer.

Domain Name: Unique address identifying each site on the Internet

Download: The transfer of information off a remote machine connected to the Internet onto your local machine.

DSL: DSL, or Digital Subscriber Line, is a communications technology that allows very high transfer speeds over existing copper telephone lines

E-book: An e-book is an electronic version of a traditional print book that can be read by using a personal computer

E-business: E-business is the integration of a company's business including products, procedures, and services over the Internet.

E-commerce: E-commerce is the process of managing online financial transactions by individuals and companies.

Electronic Check: Customers pay for merchandise by writing an electronic check that is transmitted electronically by e-mail, fax or phone. The check is a message that contains all of the information that is found on an ordinary check, but it is signed digitally, or endorsed.

Electronic mail or e-mail: Method of communication whereby an electronic message is sent to a remote location and received by another user at a specific e-mail address.

Encryption: Encryption is the conversion of data into a form, called a ciphertext, which cannot be easily understood by unauthorized people.

e-zine: The term e-zine is short for "electronic magazine" which includes e-mail newsletters.

FAQ (Frequently Asked Question): Lists of Frequently Asked Questions (and their answers) covering all manner of topics.

Federal Acquisition Regulation (FAR): The FAR is the primary acquisition regulation for the federal government.

Filename extension: Commonly a three or four-letter extension on the end of a file name designating the file type. Examples are: .txt (text file), and .gif (Graphics Interchange Format)

Firewall: Secures a company or organization's internal network from unauthorized external access (most commonly in the form of Internet hackers).

Header: In an e-mail, this is the part of the message indicating who the sender is and some other brief details, such as the subject of the message.

Home Page: On the World Wide Web, this is the main navigation page from which hyperlinks are made to other pages on the site (or other sites).

HTML (HyperText Markup Language): The tagging language used to format Web pages. Allows pictures and text to be combined to create Web documents, and hypertext.

Hyperlink: Hyperlinks are highlighted text or images which, when selected (usually by clicking the mouse button), follow a link to another page. Hyperlinks can also be used to automatically download other files as well as sounds and video clips.

Hypertext: Hypertext is text which contains links to other texts.

Internet: It is the collection of all the interconnected networks in the world, and is often simply referred to as the Net.

ISP (Internet Service Provider): A company dedicated to providing users access to the Internet, usually for a fee.

Keyword: A keyword is a complete word or phrase that helps you retrieve relevant information from the Web when using search engines and directories.

Link: Links (or hyperlinks) are the connections between hypertext pages. Every time you click on highlighted text to go to another page you're following a link.

List Server: A list server is a program that handles subscription requests for a mailing list and distributes new messages, newsletters, or other postings from the list's members to the entire list of subscribers as they occur or are scheduled.

Login: When a user tries to gain access to the Internet through their host computer, they must Login with their password and User ID.

Mailserver: The computer (and software running on it) that allows sorting and retrieval of E-mail messages.

Merchant Account: A Merchant Account is a relationship between a business (i.e. a merchant) and a merchant bank which allows the retailer or merchant to accept credit card payments from customers.

Message Board: A message board is a bit like a notice board that is on the Internet for anyone to see.

Metasearch Engine: Engines that search through several search engines all at one time.

META tag: A Meta tag a coding statement HTML that describes the contents of a Web page to be used by search engines for indexing.

Modem (MODulator-DEModulator): Allows the transmission of digital information over an analog phone line.

Offline: When your computer performs an operation when it is not connected to any other computers, it is working offline.

Online: Your computer is working online when it performs an operation and is connected to other computers

Page: A World Wide Web 'page' is the name given to a basic Web document.

Post Office Protocol: Provides a store-and-forward service, intended to move E-mail on demand from an intermediate server to a single destination machine, usually a PC or Macintosh.

Appendix 1

Glossary of Terms

Portal: Portal is a gateway for a World Wide Web site that is a major starting site for users when they get connected to the Web .

Public domain: Refers to software that anybody can use or modify without authorization. Also known as freeware or shareware.

Search Engine: An indexing tool that searches through millions of Internet sites for specific words, or keywords, entered by the searcher.

Server: A server makes files available to client programs located on other computers when requested.

Signature: The automatic addition of a few lines at the foot of an e-mail. These usually consist of the sender's e-mail address, full name and other details.

Sitemap: A directory, outline, or guide to a particular site designed to help the searcher understand the site's arrangement.

Spam: Spam is unsolicited e-mail on the Internet.

Spamdexing: Spamdexing is the practice of including information in a Web page that causes search engines to index it to produce false results.

Surfing: A metaphor used for describing someone exploring the World Wide Web.

T-1: T-1 is a high-speed digital telephone line that can accommodate up to 24 telephone lines or trunks. It transfers signals at 1.544 megabits per second

T-3: Higher speed (45 megabits/second) Network link used on the Internet, equivalent to 28 T-1 lines.

Telephone Billing Systems: A very new approach, telephone transactions allow the customer to purchase an item or service, and the amount will be billed to his or her telephone bill.

Top Level Domain Name: The part of a URL that describes its ownership type, such as "edu" for an educational institution, or "com" for a commercial site.

Upload: Transfer of files off a local computer up to a specified remote computer

URL (Uniform Resource Locator): Web address. Assists in locating and identifying multimedia resources or multiple copies of resources.

Usenet: Specialized network linking thousands of newsgroups covering every subject under the sun.

Vortal (Vertical Industry Portal): A vortal is a Web site that provides a gateway to information related to a particular industry, such as health care, insurance, automobiles, or food manufacturing.

Web Mail: Web mail is e-mail that is accessible from any connected computer using your Web browser.

Web site: A location on the Web.

World Wide Web ('WWW' or 'Web'): Specialized Internet service allowing users to connect to remote sites, with information presented as text with hypertext links.

Additional Words are defined at
http://whatis.techtarget.com/

Appendix 2

North Carolina SBTDC/PTAC Centers

http://www.sbtdc.org

Appalachian Foothills Region
Walker College of Business
PO Box 32114, Appalachian State University
Boone, NC 28608-2114
Phone: 828/262-2492
Fax:: 828/262-2027

The Furniture Technology Center at Catawba
514 Hwy 321 NW, Suite A
Hickory, NC 28601
Phone: 828/345-1110
Fax: 828/326-9117

Cape Fear Region
FSU Continuing Education Center
Suite 130, Business and Education Building
Fayetteville, NC 28302
Phone: 910/672-1727
Fax: 910/672-1949

Capital Region
SBTDC
5 West Hargett Street, Suite 212
Raleigh, NC 27601-1348
Phone: 919/715-0520
FAX: 919/715-0518

Central Carolina Region
608 Airport Road, Suite B, CB#1280 UNC-CH
Chapel Hill, NC 27514
Phone: 919/962-0389 or 800/815-8906
Fax: 919/962/3291

Eastern Region
East Carolina University
300 East First Street, Willis Bldg.
Greenville, NC 27858-4353
Phone: 252/328-6157
Fax: 252/328-6992

Northeastern Piedmont Region
Nussbaum Entrepreneurial Center
2007 Yanceyville Street, Suite 303
Greensboro , NC 27405
Phone: 336/334-7005
Fax: 336/334-7073

Northeastern Region
Elizabeth City State University
Box 874
Elizabeth City, NC 27909
Phone: 252/335-3247
Fax: 252/335-3648

100 Coast Line Street, Suite 309
Rocky Mount, NC 27804-0100
Phone: 252/467-0338
Fax: 252/467-0341

Northern Piedmont Region
Winston Salem State University
PO Box 19483
Winston-Salem, NC 27100
Phone: 336/750-2030
Fax: 336/750-2031

Southeastern Region
UNC Wilmington
Westside Hall
601 South College Road
Wilmington, NC 28403-5977
Phone: 910/962-3744
Fax: 910/962-3014

SBTDC Marine Trades
PO Box 406
Beaufort, NC 28516
Phone: 252/728-2144
Fax: 252/728-6988

Southern Piedmont Region
The Ben Craig Center
8701 Mallard Creek Road
Charlotte, NC 28262
Phone: 704/548-1090
Fax: 704/548-9050

Western Region
WCU School of Business
204 Forsyth Building
Cullowhee, NC 28723
Phone: 828/227-3504
Fax: 828/227-7414

One Haywood Street
PO Box 2510 (Wachovia Bank Building)
Asheville, NC 28802-9958
Phone: 828/251-6025
Fax: 828/232-5126

North Carolina SCORE Chapters

http://www.score.org

Asheboro SCORE Chapter 0638
c/o Asheboro/Randolph Chamber of Commerce
317 East Dixie Dr
Asheboro, NC 27203
PHONE: (336) 626-2626 FAX: (336) 626-7077

Asheville SCORE Chapter 0137
Federal Building, Room 259, 151 Patton
Asheville, NC 28801-5007
PHONE: (828) 271-4786 FAX: (828) 271-4786

Chapel Hill SCORE Chapter 0495
c/o Chapel Hill/Carboro Chamber of Commerce
104 S. Estes Drive
Chapel Hill, NC 27514
PHONE: (919) 967-7075

Charlotte SCORE Chapter 0047
200 N. College Street, Suite A2015
Charlotte, NC 28202
PHONE: (704) 344-6576 FAX: (704) 344-6769

Down East SCORE Chapter 0577
233 Middle Street, Suite 206
New Bern, NC 28562
PHONE: (252) 633-6688 FAX: (252) 633-9608

Durham SCORE Chapter 0363
411 W. Chapel Hill Street
Durham, NC 27707
PHONE: (919) 541-2171

Greensboro SCORE Chapter 0246
400 W. Market Street, Suite 103
Greensboro, NC 27401-2241
PHONE: (336) 333-5399

Hendersonville SCORE Chapter 0242
Federal Bldg., Room 108
West 4th Avenue & Church Street
Hendersonville, NC 28792
PHONE: (828) 693-8702
E-MAIL: score@circle.net

High Point SCORE Chapter 0329
High Point Chamber of Commerce
High Point, NC 27262
PHONE: (336) 882-8625 FAX: (336) 889-9499
E-MAIL: hpscore@Northstate.net

Outer Banks SCORE Chapter 0497
c/o Outer Banks Chamber of Commerce
Collington Road and Mustain
Kill Devil Hills, NC 27948
PHONE: (252) 441-8144

Raleigh SCORE Chapter 0096
Century PO Bldg, Suite 306
300 Fayetteville Street Mall
Raleigh, NC 27602
PHONE: (919) 856-4739

Sandhills Area SCORE Chapter 0634
c/o Sand Hills Area Chamber of Commerce
10677 Highway 15-501
Southern Pines, NC 28387
PHONE: (910) 692-3926

Wilmington SCORE Chapter 0283
Corps of Engineers Bldg,
96 Darlington Ave, Ste 207
Wilmington, NC 28403
PHONE: (910) 815-4576 FAX: (910) 815-4658

Appendix 4

Small Business Center Coordinators

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BLUE RIDGE CC	John Boyd	828/694-1766	828/692-2441	Johnb@blueridge.cc.nc.us
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CALDWELL CC&TI	Donna Bean	828/726-2383	828/726-2216	Ccti.dbean@caldwell.cc.nc.us
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CLEVELAND CC	Bee Strain	704-484-4146	704/484-4036	Strain@cleveland.cc.nc.us
COASTAL CAROLINA	Anne Shaw	910/938-6322	910/938-6318	shawa@coastal.cc.nc.us
COLLEGE OF THE ALBEMARLE	Linda Williams	252/335-0821	252/337-6638	Lwilliams@albemarle.cc.nc.us
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WAYNE CC	vacant			
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WILSON TCC	Karen Gliarmis	252/246-1232	252/243-7148	Kgliarmis@email.wilsontech.cc.nc.us
NCCCS - SBCN	State Director Gayle Harvey	919/733-7051	919/715-5796	harveyg@ncccs.cc.nc.us