

MEMORANDUM

To: State Agencies
From: Greg Hoffman, Deputy Chief Information Officer
North Dakota Information Technology
Date: Monday, May 6th, 2024
Subject: **BUDGET GUIDELINES FOR 2025-2027 BIENNIUM**

North Dakota Information Technology (NDIT) has projected service rates for the 2025-2027 biennium. The rate schedules and a brief description of the services for Data Processing and Telecom may be found on the NDIT website at <https://www.nd.gov/itd/support/billing>. Rates that are highlighted in **bold** are the rates that changed from the 2023-2025 budget instructions.

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

The increased staffing costs for NDIT, inflation, and changes in demand for future technologies make setting rates for the future biennium a challenge. Vendors providing licenses and support of their products have been affected by increased staffing costs and inflationary costs as well. These, in turn are passed on to NDIT as increases. These increases affect all types of hardware we purchase regardless of make, model and the intended use. From networking to desktops, wireless access points to servers, the hardware and associated support costs are projected to increase 10-20% in the next two years. In most cases, software vendors have also increased the per user license cost of their products.

The following are short overviews of the major services provided by NDIT. The forecasted changes to these service fees are included in the overview. NDIT will be scheduling a meeting with as many agency fiscal staff as we can between May 15th and July 15th to review the forecasted changes.

Enterprise Project Management Office

Agencies with large projects will be billed a fee to cover the costs associated with the Enterprise Project Management Office and large project reporting requested by the Legislature. The fee will be \$3,000 per every \$500,000 of project costs, billed each year for the duration of the project. This fee will be capped at \$30,000 per project per fiscal year.

Business Application Support

NDIT provides business application support for applications hosted by NDIT. This may be direct support by NDIT staff or a collaborative effort from NDIT and the third party vendor that may host a business application. Business Application Support consists of a team of blended skillsets including business analysis, development, and specific application support. It will not include infrastructure support or database management as these services are recovered in application hosting fees.

Business application support costs are recovered in a flat monthly charge covering an estimated level of support. This is referred to as a Maintenance & Operations agreement. This agreement covers the standard support and upkeep of an application.

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New features or functionality built into the application will be a charge over and above the maintenance & operations agreement and will be charged with the published hourly rates for the services required.

The NDIT Business Application Support teams support many software development tools and languages. As part of our cybersecurity posture NDIT upgrades versions of our tools and languages on a regular basis. NDIT includes the development costs associated with changes to applications as a result of upgrading the overall toolset within the hosting costs of those applications. Examples are Java/WebSphere, Oracle, SQL, MySQL and .Net applications. Agencies will need to account for the changes to applications for unsupported toolsets described below.

Legacy Application Surcharges

NDIT will notify agencies of end of life software they are utilizing and will give a minimum of 12 months' notice to complete an upgrade. Agencies that choose to remain on legacy software should budget for a minimum surcharge of 25% to cover the operating costs of the legacy hosting environments. Legacy hosting environments includes those that are on extended support.

System Security Plans

Agencies required to complete a system security plan due to compliance requirements should budget for a Statement of Work engagement to account for the effort needed by the Governance, Risk, and Compliance team. The system security plan documents the categorization of the system; security and privacy controls selected, implement, and assessed; and how the system will be continuously monitored.

End User Compute (Desktop Support)

End User Compute is a holistic approach to managing all of the personal computing devices within an organization, including laptops, tablets, and mobile phones. It includes asset management, hardware and software deployment, device support and management, access/authorization management and basic training on devices. The monthly fee includes hardware replacement cost (machine, monitor, keyboard, mouse) support staff, and support toolsets.

Effective July 1st, 2025, NDIT will be extending the replacement cycle to 48 months for laptops and 60 months for desktops, and monitors as failures occur. This change will allow the rate increase to remain below 15% for the standard desktop and laptop offering for the 2025-2027 biennium.

Microsoft Productivity Suite

The productivity suite is delivered in two license tiers. Office 365 Premium will be a cost of \$47.60 per user. This includes the Office desktop client, Windows 10/11 OS, and Power BI. Enterprise Voice is included in the Premium bundle although it is recovered in the phone rate. Several key security components required for state employees are also included in this bundle. These are per license fees that will apply to any accounts that require a Microsoft user license including service accounts, privileged accounts, or information accounts as needed. Co-pilot is not included in this fee.

Office 365 Basic (State) will be a cost of \$34.85 per user. This license bundle includes the features from the premium bundle, with the exception of voice, but with a web client experience

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rather than a desktop client experience. This bundle does not include enterprise voice, therefore no phone services are available with this license. A windows license is now included effective July 1, 2025.

Network Rates (WAN connections)

Endpoint network rates for fiber and non-fiber locations will increase 15% for the 2025-27 biennium. Base connectivity for state agencies with non-fiber endpoints on STAGEnet will be 250 Mbps. There are additional bandwidth options available for additional cost.

Agencies that have any broadband connectivity (DSL, cable, wireless, satellite, cellular) are reminded that all connectivity should be purchased through NDIT and there is an associated broadband add-on charge in addition to vendor cost of the broadband connection. The add-on rates will increase to \$210 per circuit for the 2025-2027 biennium. The premium add-on rate applies to locations that require network to network connectivity and comes with extended support hours. The broadband connection provided by the local telecommunication company is a direct bill back to each agency and is subject to rate changes throughout the biennium based on provider. Due to the higher cost of endpoint equipment, locations with bandwidth greater than 500 Mbps will have a broadband premium fee of \$465 per circuit.

NDIT will begin billing a connection fee of \$305 per circuit for Off Premises connectivity effective July 1, 2025. These connections include Net to Net VPN tunnels as well as dedicated circuits to or from another vendor that would need a secure connection for Server-to-Server communications between the Vendor and the State network. NDIT will work with each agency currently utilizing this service to budget for this next biennium.

Agencies frequently change office locations during a biennium. Historically NDIT has assisted with the relocation of circuits and equipment at no cost to the agency. Due to the volume of relocations as well as the additional support requested for these moves, NDIT will begin assessing agencies a minimum cost of \$2,000 per move as of July 1st, 2025.

Technology Fee

The technology fee for the 2025-2027 Biennium will be based on Microsoft Premium users and will be \$75.50 per user. This fee covers hardware, software, and support for the network backbone, the data center and the redundant internet. It includes VPN, Anti-Virus, and multi-factor authentication for all users. The fee includes any hardware and staffing support of all Microsoft productivity tools such as Office, Exchange, Teams, SharePoint, OneDrive, Stream, Planner and several others. The support team recovered in this fee also support the Microsoft basic users and will support any future co-pilot users.

The Technology Fee also covers the expenses associated with providing enterprise services and solutions such as the Enterprise Architects and the State Website Platform.

Adobe Sign will no longer be included in the Technology fee in the upcoming biennium due to limited adoption since the pandemic. NDIT will share utilization data with individual agencies during the budget process.

ConnectND

NDIT bills each agency for the cost of ConnectND (the PeopleSoft financials and human resource applications). Each agency has a ConnectND fee on their data processing bill each month.

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Historically this rate has been based on a combination of legislatively authorized FTE as well as appropriated funds. Effective July 1, 2025 the metric for this allocation will be based on the Legislatively Authorized FTE and the legislative authorized budgets will not impact this rate.

- \$27.31 per month for each legislatively authorized FTE identified in the 2023-2025 Legislative Appropriations book.

Storage Rates

NDIT storage rates are expected to remain unchanged for the 2025-2027 Biennium. Enterprise backup storage will increase to \$.05 per GB. Agencies that have significant storage growth projections should meet separately with NDIT to determine if other storage pricing tiers will help to mitigate the cost impact of their storage growth. NDIT continues to explore storage options available from cloud providers.

General Hosting Rates

Server fees will increase to \$360 per base server and \$240 per base server for disaster recovery. Application hosting for SQL, MySQL, Websphere and Oracle applications will be based on database size and computing resources beginning July 1st, 2025. This allows for better accuracy in determining shared infrastructure and database administrator costs per application. This will create varying changes to specific application costs. NDIT will work with agencies to identify specific application costs.

Agencies should review their current usage levels and anticipate any areas of growth to determine increases for specific hosting services. Increased usage of Dynamics platforms, Robotic Process Automation, Chatbots, Artificial Intelligence, Machine Learning, PowerBI Publishing, Data Analytics and Data Lake solutions will incur hosting fees on a deployment by deployment basis.

Mainframe

NDIT will partner with the remaining two agencies with applications running on the zSeries mainframe platform in an effort to help guide the journey towards the platform's retirement. This effort is now aligning to the change in chargeback from individual CPU usage to a flat fee for the two remaining agencies. This fee will be split based on current biennium utilization averages. NDIT will work with each agency to align chargeback with necessary programs or funding sources within the paying agency.

AS400

NDIT will partner with the remaining two agencies with applications running on the AS400 platform in an effort to help guide the journey towards the platform's retirement. This effort is now aligning to the change in chargeback from individual CPU usage to a flat fee for the two remaining agencies. This fee will be split evenly between the two remaining agencies. NDIT will work with each agency to align chargeback with necessary programs or funding sources within the paying agency. If new hardware is needed before the retirement of this platform, current estimates are about \$200,000.

Telecommunications

For the 2025-2027 biennium, the basic phone service provided as Teams voice will be \$30 per line. The legacy Avaya voice service will be \$37.50 per line as this deprecated service requires specific skills and licensing above our standard offering. This rate will still include all the phone features as well as the licenses needed for establishing a state specific government phone number.

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This rate does not include a physical telephone. Options are available for a physical phone upon request. Rightfax services are included in the basic phone rate charged for that fax number.

Call Center costs reflect the new Genesys solution currently being implemented and will be \$130 per agent per month. Call center licenses will be audited on an annual basis and agency bills will be adjusted accordingly. New call centers will be billed an install fee based on the level of effort.

Due to instability challenges with the current Call Recording solution, NDIT has ensured the new Call Center solution offers call recording capability. The base price of the new Call Recording capability is the cost of a call center agent and agencies are encouraged to budget at that rate. NDIT intends to continue to explore options for call recording solutions next biennium, but the cost will be unknown pending potential future procurements.

NDIT will implement a cellular add-on of \$1.00 per line for all AT&T and Verizon cellular lines. This add-on fee was established to help offset the increased NDIT support time necessary to activate and maintain lines with the vendors as well as the administrative process to ensure timely payment on multiple agency accounts.

These are the major changes NDIT will implement for the next biennium. Please review the detailed rate schedules for specific rate increases. NDIT will be presenting this information May 1st, 2024 during the OMB Essentials meeting. As stated previously, NDIT will schedule individual agency meetings as well.