

HOUSE COMMITTEE ON COMMERCE

January 22, 1999 Hearing Room 50

1:00 p.m. Tapes 9 - 10

MEMBERS PRESENT: Rep. Jim Hill, Chair

Rep. Ryan Deckert, Vice-Chair

Rep. Al King

Rep. Bob Montgomery

Rep. Anitra Rasmussen

Rep. Diane Rosenbaum

Rep. Bill Witt

MEMBER EXCUSED: Rep. Jerry Krummel

Rep. Mark Simmons

VISITING MEMBER: Rep. Jeff Kropf

STAFF PRESENT: Jason Cody, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD:

Year 2000 Issues

Public Employees' Retirement System

Treasury

Department of Administrative Services

Secretary of State

Judicial Department

Department of Justice

Governor's Office

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 9, A		
004	Chair Hill	Calls meeting to order at 1:06 p.m. Announces time and room changes for committee meetings.
018	Chair Hill	Explains the purpose of this series of meetings on year 2000 (Y2K) issues is to get an idea where agencies are in the process and what is and is not needed. Adds that he is working with Rep. Lewis to understand this committee's responsibilities relating to information technology and how that weighs into the Ways and Means process.
033	Chair Hill	Opens informational meeting on Y2K issues.
<u>YEAR 2000 ISSUES</u>		
<u>PUBLIC EMPLOYEES' RETIREMENT SYSTEM</u>		
035	Fred McDonnal	Director, Public Employees' Retirement System (PERS). Submits and paraphrases a prepared statement explaining where PERS is in the Y2K process (EXHIBIT A) .
074	McDonnal	Continues presentation.
092		Committee and witness discuss:
		<ul style="list-style-type: none"> • whether compliance incorporates the mainframes
		<ul style="list-style-type: none"> • whether the tests will include leap years
		<ul style="list-style-type: none"> • whether local governments have tested for compliance
116		
133		<ul style="list-style-type: none"> • whether PERS will know if everyone is compliant by December 31
163	McDonnal	Summarizes statement relating to their next activity (EXHIBIT A, page 3) .

		Committee and witness discuss:
166		<ul style="list-style-type: none"> whether PERS has a contingency plan to provide benefits
193		<ul style="list-style-type: none"> whether PERS is being contacted by clients wanting reassurance
<u>SECRETARY OF STATE</u>		
209	Phil Keisling	Secretary of State (SOS). Introduces Ann Terry, Information Services Manager. Submits a prepared statement (EXHIBIT B). Explains the status of preparedness for Y2K:
220		<ul style="list-style-type: none"> Inventories of hardware and software and initial readiness plan was done prior to the 1997 legislative session
		<ul style="list-style-type: none"> The plan has been updated continually
		<ul style="list-style-type: none"> In December 1998 the Year 2000 Team met with SOS and resulted in a green rating
		<ul style="list-style-type: none"> Next review is scheduled for February 2
227		<ul style="list-style-type: none"> SOS has one statewide mission critical system—the Business Entity Registration Information System (EXHIBIT B, page 2)
236		<ul style="list-style-type: none"> The Uniform Commercial Code (EXHIBIT B, page 2). System was tested and the vendor fixed the problems with no charge to the agency
245		<ul style="list-style-type: none"> The Notary system (EXHIBIT B, page 2)
250		<ul style="list-style-type: none"> Program interfaces of SOS's Cash Management System and the state's accounting system (SFMS) (EXHIBIT B, page 2)
254		<ul style="list-style-type: none"> SOS continues to create business continuation plans (EXHIBIT B, page 3)
269		<ul style="list-style-type: none"> SOS estimates \$111,000 has been devoted to Y2K thus far, and estimates the total cost will be about \$185,000, including staff time
275	Chair Hill	Asks if SOS has tested systems for exchanging information with their business partners.

271	Ann Terry	Director, Information Systems Division, Secretary of State's office. Explains SOS has only one electronic data interchange with an external entity, the SFMS. It has been tested and is ready to go into production in February.
288	Chair Hill	Asks if SOS is compliant since they have made the one change.
291	Keisling	Notes the readiness rates in their statement (EXHIBIT B, page 1).
297	Terry	SOS has completed all code correction. In some instances, testing remains to be done. Full implementation, according to the definition of implementation by DAS, is retirement of the existing systems. SOS feels more optimistic about completion than the percentages might indicate (EXHIBIT B, page 1). SOS has almost completed application development code correction, and is in a normal cycle of replacement of hardware and software.
313	Keisling	Adds that over the last eight years, SOS has replaced virtually every major system in the agency.
		Members and witness discuss:
332		<ul style="list-style-type: none"> Whether the test model includes February 29
343		<ul style="list-style-type: none"> Whether there will a request for Y2K moneys in SOS's next budget
<u>GOVERNOR'S OFFICE</u>		
364	Bill Wyatt	Chief of Staff, Governor's Office. Submits and reviews a prepared statement (EXHIBIT C).
TAPE 10, A		
<u>TREASURY</u>		
007	Gary Brubaker	Deputy State Treasurer, Oregon State Treasury. Submits and reads a prepared statement explaining the agency's status on Y2K (EXHIBIT D).
093	Brubaker	Continues reading statement (EXHIBIT D, page 3).
		Members and witness discuss:
143		<ul style="list-style-type: none"> How much Treasury has spent and will spend to find out if there will be a problem

171		<ul style="list-style-type: none"> Who will be the ultimate responsible person for the Y2K failure if there is a failure
194		<ul style="list-style-type: none"> Local government correction agencies
242		<ul style="list-style-type: none"> What is meant by "corrupted data"
252		<ul style="list-style-type: none"> Coordination with Treasury's customers
284		<ul style="list-style-type: none"> Whether July 1999 is the date Treasury will know whether they are compliant
314		<ul style="list-style-type: none"> Whether Treasury is having third parties tested for compliance, and what happens if the contractors cannot be compliant
357		<ul style="list-style-type: none"> Whether Treasury has a system for catching bad data that might be coming in
<u>DEPARTMENT OF JUSTICE</u>		
410	Hardy Myers	Attorney General. Introduces Jim Jorgensen, Director of Information Services, Department of Justice (OJD). Submits a memo and a detailed report explaining status of preparedness for Y2K (EXHIBIT E).
TAPE 9, B		
041	Jim Jorgensen	Director, Information Services, OJD. Explains status of Y2K compliance. Reviews statement on the Child Support Enforcement Automated System (EXHIBIT E, page 2). Explains that the status of the system will be explained by the Department of Human Resources (DHR).
063	Jorgensen	Explains status of the Matter Management system (EXHIBIT E, page 2).
086		Reviews "Overall Status"(EXHIBIT 2, page 2).
		Members and witness discuss:
113		<ul style="list-style-type: none"> Liability of state and ability to manage liability
134		<ul style="list-style-type: none"> Whether the team of attorneys is included in the 500 people working on Y2K for the State of Oregon

152		<ul style="list-style-type: none"> Whether legislation on liability will be needed
<u>DEPARTMENT OF ADMINISTRATIVE SERVICES</u>		
170	Jon Yunker	Director, Department of Administrative Services (DAS). Introduces Steve Caputo, Computer Services Manager and Y2K Manager. Comments he has heard questions relating to budgets, resources, legal liability, etc. and would recommend the committee have Mr. Maziotti and his staff go through each issue in detail. Adds that the Risk Management Division has been working on the liability issue for some time and a bill has been introduced that would limit, to some extent, the liability of public jurisdictions if they have done a due diligence effort in the area of Y2K. Adds that he believes the Director of DAS and the Chief Information Officer (CIO) for the State of Oregon are responsible for the success or failure of the Y2K efforts because it is their responsibility to make sure there is a coordinated and comprehensive plan, that there are adequate resources and that they are reporting to everyone at all times.
208	Yunker	Submits and summarizes a prepared statement (EXHIBIT F).
239		<ul style="list-style-type: none"> State payroll system (EXHIBIT F, page 2)
243		<ul style="list-style-type: none"> State personnel system (EXHIBIT F, page 2)
252		<ul style="list-style-type: none"> Statewide Financial Management System (EXHIBIT F, page 2)
255		<ul style="list-style-type: none"> Telecommunications system (EXHIBIT F, page 2)
269	Chair Hill	Asks what part of the telecommunications systems might be a problem.
270	Yunker	Explains the hardware is the problem. Adds that the state is going to contract for the new system because the state does not want to own equipment because of changing technology.
281	Yunker	Adds that DAS and the state agencies are committed to making this work and that it is a very open process. Cautions that nobody can promise for certain that everything is fixed.
332	Steve Caputo	Computer Services Manager, DAS. Explains he is responsible for the Y2K elements within DAS. They are monitoring 36 systems, a local area network, and embedded chips in personal computers for the department. Notes the four critical systems outlined in the memo (EXHIBIT F) that are necessary for DAS to achieve its mission.
349		<ul style="list-style-type: none"> Work on the General Government Data Center will be completed in February; it has all the operating systems and supporting hardware and other components for state agencies to completely test their Y2K programs to make sure they remedied

355		<ul style="list-style-type: none"> The Wide Area Network is the communication network that ties together all state agencies; new equipment is being acquired
363		<ul style="list-style-type: none"> The Automated Budget Information System has been completed and is being used
368		<ul style="list-style-type: none"> The Automated Purchasing and Vendor Information System is the state's purchasing system; it is an old WANG program that has been converted and the code completion will be done this month and fully tested by April.
377		<ul style="list-style-type: none"> DAS will be conducting work on the balance of the systems through July and the testing and remediation efforts should be completed by this summer.
<u>JUDICIAL DEPARTMENT</u>		
365	Carl Ward	Information Systems Director, Oregon Judicial Department (OJD). Submits prepared statement (EXHIBIT F). Explains that page 2 is an overview of Y2K status, that page 3 is a project status report, and pages 4 and 5 is a copy of the report the department makes to DAS.
		Members and witness discuss:
418		<ul style="list-style-type: none"> Whether there are mission critical systems in OJD.
462	Ward	Adds OJD is still developing testing plans for switching data on their hardware and they are confident the department will accomplish its mission.
468	Ward	Comments all work has been done within their base budget.
TAPE 10, B		
043	Ward	Reviews status of hardware evaluations (EXHIBIT G, page 2).
067	Ward	Reviews facilities and systems (EXHIBIT G, page 2).
070	Ward	Reviews plans for continuation of business (EXHIBIT G, page 2).
101	Chair Hill	Comments the committee will hear from other agencies during two more days and will schedule Mr. Maziotti and Ms. Jensen to give status reports to the committee. The goal is to hear from the agencies where they are in the process so the committee can make determinations on legislation coming before the committee and how this committee and Ways and Means consider the funding. Adds that it is critical that the public knows where the state is in the process.

148	Don Maziotti	Chief Information Officer, State of Oregon. Introduces Barbara Jensen, Coordinator of the Statewide Year 2000 Office. Comments he does not intend to speak for any of the previous speakers. Commends the committee for their efforts in having the agency heads provide information. Comments on satisfaction with agency presentations. There are 126 agencies but the committee will hear from those that have about 96 percent of the systems.
185	Maziotti	Comments that interfaces have the greatest vulnerability. Notes that if data is not Y2K compliant and is crossing electronic boundaries the problem can be inherited. Adds there is no comprehensive plan to handle interfaces yet, but a 100 percent inventory is underway for all the agencies. When the interfaces are identified with mission critical functions, they will begin triage on each. Adds that they must make sure that the partners the state is trading with are not sending corrupt data.
228	Maziotti	Comments an area of needed focus is business continuation planning. Within the next several weeks they will be posting the colored ratings on agencies' work on business continuation and interface work.
247	Maziotti	Comments the committee may want to pursue issues such as cost, but the Year 2000 Office is only focused on the work program.
255	Rep. King	Comments that it is his understanding that we did ask for a report on the status of the agencies. Adds that the agencies are on notice that when they do run into what might be a threat that they report back to the committee.
267	Chair Hill	Comments that he will be looking to Mr. Maziotti and Ms. Jensen to say which agencies the committee needs to see, and if there is a need, he will do that.
328	Barbara Jensen	Coordinator of the Statewide Year 2000 Office. Comments that each agency is of their own kingdom and while the agency heads report to Jon Yunker, there is a strong sense of tradition that they are running their own shops. Adds that if an agency seems to be problematic, their office does have the power to bring them forward.
364	Jensen	Comments they do have a real time reporting site on the web that can be checked at anytime to find the status of the systems. Invites members to call the Year 2000 Office if they have questions.
390	Rep. Krummel	Asks what the Department of Corrections' status is on being Y2K compliant, and whether they are cooperating with the Year 2000 Office.
401	Chair Hill	Advises that on Monday the committee will have other agencies testifying, including DHR.
416	Chair	Asks Mr. Maziotti to explain the situation with the voice phone system.
418	Maziotti	Explains it is the entire telecommunications network. The state has five switches

		that are non-compliant and have to be replaced by digital switches. In addition, the billing system has to be replaced, but would probably need to be replaced anyway because the system will go from a voice, video and data to a converged data network that will carry all traffic. DAS owns approximately 40 PBXs that have chips that must be fixed. Adds the agencies are responsible for the user equipment. There is also some alert software, alarm software, that is non-compliant. Compliance could not be obtained for anything less than \$7 million. DAS had to re-bid the voice network contract for the state. AT&T will be the voice provider and will be replacing the current switches. AT&T or AT& T Solutions will be doing the billing system through a subcontractor. AT&T was the only provider that would guarantee the state an independent audit verified by state auditors that what they would do would be Y2K compliant before the deadline.
469	Maziotti	Adds that the deadline for all systems is July 1. Some deadlines are out further and the telephone system deadline is September 1, along with three other systems. Adds that the solution costs nothing except what it would cost to continue voice services. The overall voice contract was reduced by 10 percent and it also solved the problem.
515	Chair Hill	Adjourns meeting at 3:46 p.m.

Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ Year 2000 Issues, prepared statement, Fred McDonnal, 5 pp

B ñ Year 2000 Issues, prepared statement, Phil Keisling, 3 pp

C ñ Year 2000 Issues, prepared statement, Bill Wyatt, 2 pp

D ñ Year 2000 Issues, prepared statement, Gary Brubaker, 6 pp

E ñ Year 2000 Issues, prepared statement, Hardy Myers, 2 pp

F ñ Year 2000 Issues, prepared statement, Jon Yunker, 3 pp

G ñ Year 2000 Issues, prepared statement, Carl Ward, 6 pp