



MINUTES

MTC Technology Committee Meeting Tampa Riverwalk Hotel Tampa, FL

Thursday, March 17, 2005—1:00 p.m. to 5:00 p.m. (Eastern Time)

I. Welcome and Introductions

Tim Blevins (Kansas), Committee Chair, called the meeting to order. The following members were present in person or by telephone:

<i>NAME</i>	<i>STATE/ORGANIZATION</i>
Barry Kantrowitz	Florida
David Young	Florida
Ragan Harrison	Florida
Joe Randall	Idaho
Steve Wilson	Idaho
Tim Blevins*	Kansas
Larry Wilke	Minnesota
Margaret Kauska	Montana
Cynthia Mastalesz*	New Jersey
Blane Braunberger	North Dakota
Debbie Peterson*	Texas
Bill McInerney	Wyoming
René Blocker*, Harold Jennings, Susan Ribe, Antonio Soto*, Naresh Verma	Multistate Tax Commission Multistate Tax Commission Multistate Tax Commission

** by phone*

II. Public Comment Period

No public comment.

III. Approval of Minutes of July 26, 2004 Meeting and February 23, 2005 teleconference.

Minutes were approved. July 26th minutes were approved with one correction to attendance.

*For more information about this meeting, please contact René Blocker, Deputy Director, Multistate Tax Commission, 444 North Capitol Street, N.W., Suite 425, Washington, D.C. 20001
Telephone (202) 624-8699 Facsimile (202) 624-8819 Email rblocker@mtc.gov*

Minutes
MTC Technology Committee Meeting
Tampa, FL
Page 2

IV. Executive Director's Report

René Blocker provided an update on the search for a new Executive Director of the MTC. Mr. Blevins asked what this committee should provide to the Executive Committee for their April meeting. Ms. Blocker indicated that the most important contribution from this committee would be the prioritization of MTC technology projects, with the actual technology budget being less important. She expressed the expectation that this Technology Committee meeting would provide a sense of MTC staff thoughts on the topic of project planning and management currently and going forward.

V. MTC Information Sharing & Compliance Task Force, Technology Issues

Ms. Blocker briefed the committee on the origin and goals of this task force. The three workgroups of this task force have a goal of using technology to achieve compliance in the areas of sales and use tax, pass through entities, and abusive tax shelters. These groups are expected to answer two main questions: What kind of information is needed? and Who has the data? People with technology expertise will be needed to help with structuring business definitions, providing understanding of available technology, and providing focus for these workgroups.

Ms. Blocker explained the steps and expected timeline for beginning the work of these groups and soliciting volunteers. Mr. Blevins recommended that a technology sub-group should work with the task force workgroups from the start. **Action item: Update Technology Committee involvement in Information Sharing and Compliance Task Force.** Mr. Blevins noted that this appears to be a long term project that may require more than available resources. Mr. Blocker explained that the plan is for the Task Force to do design work, implementation recommendations, and cost estimates (only). Mr. Blevins predicted that this mandate could be completed in time to provide a report to the Executive Committee in April 2006. Ms. Peterson indicated that volunteers will be needed to sit in on task force meetings and report back to the Technology Committee. Mr. Blevins suggested that this committee should have more teleconferences this year. The task force looks to be a longer term plan.

VI. MTC Strategic Planning, Technology Issues

Ms. Blocker reported on the progress of the strategic planning process. (She noted that the strategic planning discussion had shifted temporarily to the search for an executive director for the MTC.) She summarized themes in the strategic planning as promoting uniformity, advocacy for states, decreasing burden on taxpayers, and developing information systems for audit, litigation, taxpayer follow up. So far, the work on (primarily) StateNet and CETR is in line with these goals. Mr. Blevins noted a goal of "improved

Minutes
MTC Technology Committee Meeting
Tampa, FL
Page 3

communications” from the strategic planning. Ms. Blocker indicated that the meaning and detail of that goal is currently with the Executive Committee, thus there is not much role for the Technology Committee at this time. With regard to data sharing, Mr. Blevins initiated a brief discussion of the meaning of “secure” versus “non-secure” data over the Internet.

VII. Combined Electronic Tax Registration (CETR) System

Ms. Ribe reported that pilot states were currently testing the application’s taxpayer interface. Transmission testing was to occur next. Implementation was scheduled for June 6, 2004, for the New Registration component only.

Mr. Verma responded to questions about the application development. He indicated that the MTC would work with the TIGERS group to update schema. He confirmed that the application is a “thin client” app. He also confirmed that both transmission methods (“push” and “pull”) are XML. States are expected to acknowledge transmission receipt via XML. The transaction is still “open” until acknowledgement is received. The validity of content will not be tested by MTC, and MTC will not keep the data. Mr. Verma confirmed that this is a “native acknowledgement” from the receiving state.

Debbie Peterson indicated that the initial rollout in June is expected to include eight states. The CETR Committee meets by teleconference every other Thursday.

VIII. Streamlined Sales Tax Project Technology Requirements

- Central Online Registration System

Mr. Blevins reported that the SSTEP’s online registration RFP group is reviewing and conducting negotiations this week. The RFP requests rollout of the registration system end-June of this year.

- Certified Automated Systems

Mr. Jennings reported that the SSTEP is working on putting together groups to certify systems, with a goal of determining participants in the groups this summer. SSTEP will hold training on April 19th and 20th for State IT personnel and potential certified service providers. Topics will include XML, acceptance, and transmission. Mr. Jennings also provided an update on the CSP RFP process. There were 17 companies with 7 finalists that SSTEP will work with to certify.

- Other Technology Requirements

Mr. Blevins stressed the importance of the work being done in the next 12-24 months on the Streamlined and other projects. The technology being implemented on common platforms and standards will bring about economies of scale, at which point the states will begin to see easier progress.

Minutes
MTC Technology Committee Meeting
Tampa, FL
Page 4

IX. Status Report on MTC Enterprise Automation Project Plan

- Security Architecture Plan

Mr. Verma provided an overview of the two networks at MTC: CETR and MTC (including StateNet). Security includes a Nokia firewall and VPN. HTTPS certs are from Verisign.

- PKI Implementation

Ms. Blocker indicated that the PKI licenses had not yet been renewed for this year. She indicated that PKI is not used internally by MTC staff, and has not been used regularly by member states as intended when the project was initiated. There was discussion as to whether to renew the certificates. Mr. White indicated that the loss from not renewing the certificates may be an extra cost to reinstate the certs if that were to occur. Ms. Blocker indicated that MTC staff leans toward not renewing the certs.

The committee discussed possible uses for PKI. Ms. Blocker indicated that Nexus and Audit programs would be likely users, but they have not in fact made use of it during the pilot period. It was suggested that legal departments could have use for PKI. In response to the discussion, Ms. Blocker said that she was hearing a need for secure information sharing environment, e.g., a brief bank (legal) or StateNet, and less of a need for PKI specifically. Mr. Blevins remarked that there is a need for clarity of the business need. He suggested that decision on certs can be made when the data sharing committee (**information sharing task force?**) sets priorities. The lack of a plan for PKI implementation and priorities coming from several directions were mentioned by other participants as reasons the PKI project has not succeeded.

Other information sharing security options were discussed. Mr. Verma indicated that file transport on StateNet is not secure. To achieve secure transport FTPS server/client or VPN would need to be installed. Mr. Blevins noted that states transmit secure files every day.

A motion to not renew the Verisign PKI contract for the current year was seconded and approved.

- Applications Development

Mr. Verma explained that the development priority had moved to CETR, putting StateNet modules on hold. The StateNet portal plan was to design modules for intranet first (Phase I) and extranet (Phase II). Extranet includes audit selection and clearinghouse database. With limited resources, MTC has pursued one project at a time. So far, StateNet v.1 is completed and CETR v.1 is nearly complete. Mr. Verma expressed the need for an up to date priorities list. He recommended an approach with two tracks, one intranet and one external, such as CETR. Mr. Blevins suggested that small modules within StateNet, designed to improve efficiency and automate routine tasks should be a priority. Mr. Verma concurred.

Minutes
MTC Technology Committee Meeting
Tampa, FL
Page 5

- Next Steps

Ms. Blocker used the PKI project as a platform to discuss MTC's project management practices. She indicated that staff are currently conducting a review, analysis and planning including: how MTC staff takes on projects; how staff handles projects; the need to formalize MTC procedures and policies around projects, including a plan to draft documents to help with this task; and cataloguing all technology projects at the MTC.

X. Data Warehousing Updates

Cynthia Mastalesz (NJ) provided the committee an update on the development of New Jersey's Total Data Solution, the Division of Taxation's new data warehouse. NCR worked under contract with a state project manager to build and develop the system. The new system combines Division legacy systems, IRS info, Customs, licensing, and Secretary of State records. The combined records will require "soft matching" since not all of them are based on federal ID numbers. The teradata solution is scalable.

Ms. Mastalesz emphasized the importance of sponsorship to the success of the data warehouse project. Since it is possible to re-engineer business processes, those who are most excited by the system can implement their project first, see benefits, and spread enthusiasm. Ms. Mastalesz reported that the development process has now shifted into training. Visual Basic and SQL training is being provided in-house. The system will be delivered in April. The first product of the system, leads on licensing, will come out in July.

Ms. Mastalesz then responded to questions on the resources devoted to the data warehouse's development and maintenance. Division staff involved in the system are two managers, five analysts (plus one more is needed), and four technical assistants. The contractor supplied two project managers, a technical lead, and additional staff on site. The contract with NCR is \$43 million, incentive based (pay only if revenue comes in), with a five year contract with up to two years extension.

Next Ms. Mastalesz outlined the history of the system. The project originated in the Treasurer's office, implying good management buy-in. Two staff (including Ms. Mastalesz) were sent to research other states' systems. A consultant was hired to write the RFP, which was incentive based. A qualification phase followed. The vendor was required to have funds for upfront costs. Staff conducted a walkthrough of proposals with vendors, holding four meetings with each one. The contract was awarded with a ten day protest period.

Ms Mastalesz indicated that she would provide some written information related to the data warehouse for the MTC to distribute. She will indicate whether and which materials can be made public.

Minutes
MTC Technology Committee Meeting
Tampa, FL
Page 6

Larry Wilke (MN) shared information about development of the Minnesota revenue department's data warehouse. Consultants were hired to work with in-house IT staff. The data warehouse covers sales and corporate income taxes. It is expected to cost \$1.8 million when it is finalized. The system encompasses integrated data marts of sales and corporate income tax. The data mining component will be the final piece to be developed. The system should be available for use beginning September-October of this year.

Committee participants discussed procedures for use of IRS data. IRS Publication 1075 was referenced. Minnesota's system will notice/record every time IRS data is accessed. New Jersey's system includes a warning on every IRS data screen. Idaho's system also provides a warning when accessing federal data. Mr. Wilson explained that Idaho's Gentax system, which sits on a relational database, interacts with other, including federal, data. Data is also received from other states' agencies pursuant to agreements. That system underwent an IRS safeguard review with no problems indicated. Ms. Kauska (MT) indicated that Montana also starting to use a Gentax system.

Ms. Mastalesz asked with anyone was using Business Objects Crystal Reports. None of the participants was. Mr. Braunberger (ND) stated that his state is trying to get approved for data warehouse development. Ms. Mastalesz asked whether any state had a license suspension project. Texas indicated state contracts are suspended if there is an outstanding tax liability.

XI. Proposed Fiscal Year 2005-06 Enterprise Automation Project Budget

MTC staff reported that expenditures in the 04/05 fiscal year from the Enterprise Automation Project (EAP) budget have been primarily on the traditional registration system (TRS) combined taxpayer registration (CETR). Additional expenditures on this project are expected during the 05/06 year. The TRS portion of CETR was not planned to be part of the EAP budget. Funding for the Streamlined portion of CETR was included in the budget. An Executive Committee decision on how to fund TRS and technology project priorities is needed for the upcoming fiscal year. Three possible priority scenarios are: TRS, Streamlined, StateNet (in that order); TRS, StateNet, with 3rd priority to be determined; or StateNet, TRS, and 3rd priority TBD. Streamlined will only be a factor if the MTC is asked to develop the Streamlined registration system. Ms. Blocker noted that the MTC should know by end-March whether it will be asked to build the Streamlined registration system. Ms. Blocker also noted that the Technology Committee can make suggestions for priorities for the Executive Committee to consider. Mr. Verma noted that priorities are also needed for modules to be developed within StateNet. Ms. Blocker recommended this committee hold a teleconference in mid-April to look at the budget again. At that time, it is

Minutes
MTC Technology Committee Meeting
Tampa, FL
Page 7

expected there will be more knowledge about what projects are on the MTC's plate and funding sources.

XII. Adjournment

A teleconference was planned for late in the week of April 18th to discuss the budget and technology priorities. No date or time was set.