

## INVESTIGATING THE IMPACT OF THE YEAR 2000 PROBLEM

based on this assessment and known problems. However, DOD remains behind schedule in completing its systems remediation and is at considerable risk of being unable to successfully meet the Year 2000 deadline.

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### STATE AND LOCAL GOVERNMENT

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#### Overview

In addition to the 50 state governments, there are 3,068 county government jurisdictions and approximately 87,000 other local government jurisdictions within the United States.

These state, county, and local governments deliver the majority of the essential services upon which citizens rely each day. These include police, fire, and emergency medical services response; financial support networks, including welfare and Medicaid payments; unemployment insurance payment systems; disability claims; and basic utilities, such as water and wastewater, sanitation, and local transportation systems. While the prospect of preparing federal government systems is daunting, the challenge of assuring the Y2K preparedness of these other sectors of government is even more mammoth. The consequences of failures in this sector are as potentially grave to the public as failures in the vital sectors of power and telecommunications.

#### Initiatives

Several of the largest intergovernmental councils and professional organizations are actively engaged in Y2K awareness programs. The National League of Cities, the National Association of Counties, and the International City/County Management Association, in conjunction with Public Technology, Inc., are sponsoring a Y2K awareness program entitled "Y2K and You." The Metropolitan Washington Council of Governments has published a Year 2000 Best Practice Manual. These programs are good examples of what an effective dialogue between state, county, and local governments can achieve.

In his testimony before the Committee on October 2, 1998, the Honorable Michael O. Leavitt, governor of Utah and vice chairman of the National Governor's Association (NGA), described several NGA initiatives aimed at assisting the states with Y2K preparation. In July 1998, the NGA held a "Year 2000 State Summit" which focused on state, local, and private-sector coordination and on establishing a common agenda to increase public confidence in state services. The NGA has also published an issue brief entitled "What Governors Need to Know About Y2K," which Governor Leavitt stated "outlines the steps governors should take as chief executive officers, guarantors of public safety, and public leaders." Both the State of Texas and the State of Pennsylvania have been recognized as having two of the most extensive and well-developed state Y2K programs. New York State Governor George Pataki has also been leading the

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call for Y2K preparedness in his state.

### Assessments

The assessments of Y2K progress in the sector of state and local government are not optimistic.

The National Association of State Information Resource Executives (NASIRE) is conducting a continuing survey of individual state Y2K preparedness. The Gartner Group has also conducted a state government Y2K survey. The National Association of Counties (NACO) recently commissioned National Research, Inc. to conduct a random survey of the Y2K status of county governments. The General Accounting Office (GAO) is examining the status of federal to state data exchanges. These include the vital connections through which funding from the federal government is provided to the states for various aid programs.

Unemployment, for example, is federally funded, but state administered. The Department of Labor reported in December that the following states were behind in remediating their unemployment systems: Connecticut, Delaware, the District of Columbia, Hawaii, Illinois, Kansas, Louisiana, Massachusetts, Missouri, Montana, New Hampshire, New Mexico and Vermont.

In his testimony before the Committee on October 2, 1998, John Thomas Flynn, CIO of the State of California, and president of NASIRE stated that compliance among the 50

states with all aspects of mission-critical legacy systems ranged individually from under 10% complete, to more than 90% complete. According to the NASIRE survey results, just under half (24) of those responding had completed remediation of at least 50% of their mission-critical systems. Mr. Flynn noted that no state had declared itself 100% complete as yet.

Data provided by the Gartner Group indicate that only 50% of the states are evaluated as at Level III Status under the Gartner Group's scale. A Level III rating indicates that the state has completed its project plan; has assigned resources; has completed a detailed risk assessment, remediated; and has tested 20% of mission-critical systems, conducted vendor reviews and has completed contingency plans. Thirty percent of the states are listed at Level II, indicating that they at least have developed an inventory of operational dependencies. Ten percent of the states are evaluated as Level I, indicating that they have begun their projects, are aware of the problem, and have begun conducting their inventories. The remaining 10% are evaluated as "uncertain," indicating they were unaware of their Y2K preparedness status.

The GAO has advised that as of November 1998, 33 states had completed 75% of their verification of federal data exchanges. GAO found that as of June 30, 1998, approximately one half of the state disability determination systems had not been renovated, tested, and certified

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Y2K compliant. Additionally, over 90% of state Medicaid, 70% of state Temporary Assistance for Needy Families and 75% of the state Food Stamp Program systems were not Y2K compliant as of August 1998 according to GAO statistics.

Survey data recently released by NACO, collected from 500 counties, indicate that only 50% of the respondents have countywide plans to address Y2K issues. Of the 16 counties with populations over 500,000, all but one have a countywide plan. Seventy-four of the 119 counties having populations below 10,000 reported that they have not prepared a Y2K plan.

Fifty-four percent of the counties surveyed reported that they have no contingency plans for Y2K disruptions. Twenty-two percent reported that they had prepared Y2K contingency plans. Fifty percent of the largest counties in the survey stated that they have contingency plans, while only 19 of 119 counties in the

smallest population group (population below 10,000) had one. The 500 survey respondents reported a total cost estimate of over \$283 million for Y2K compliance.

A survey published by the Office of the New York State Comptroller in September 1998 indicates that 100% of New York's counties have made preparations for Y2K. Twenty-six percent of the cities, 54% of the towns, 48% of the villages and 61% of the fire districts reported that they had not made Y2K preparations.

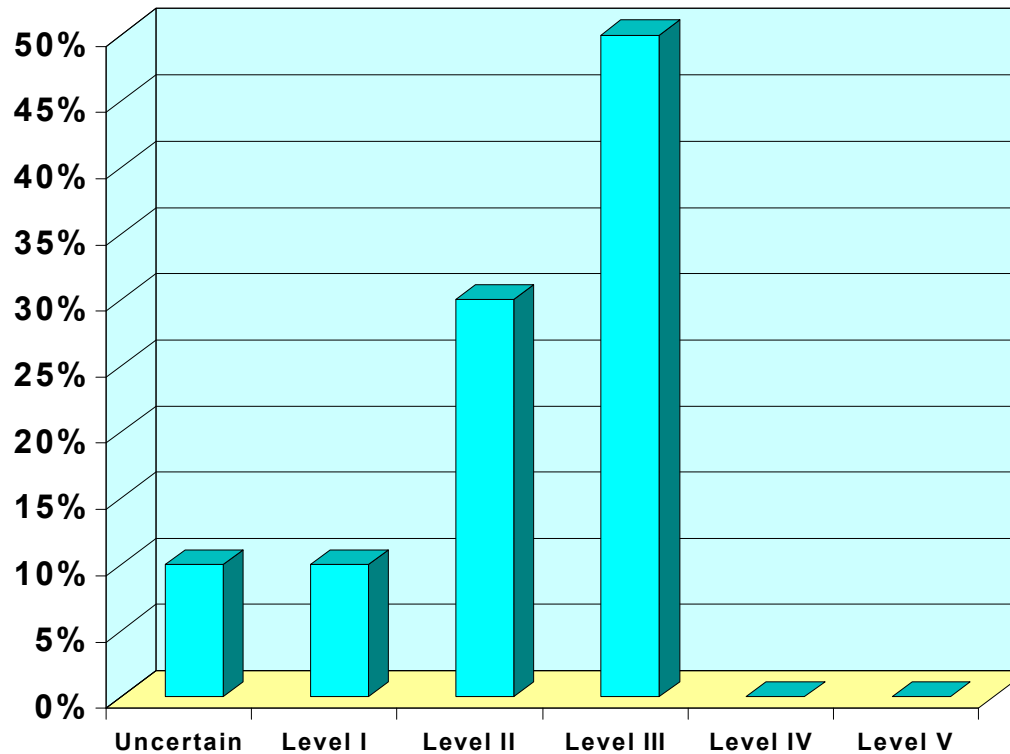
### Concerns

The Committee has serious concern about the Y2K readiness of state and local governments.

This concern is supported by all of the previously cited surveys, which, when taken, together indicate a vast disparity in the readiness level of the individual states, and a disturbingly low overall level of preparedness on the part of county and local government jurisdictions.

## Year 2000 Status of the 50 States\*

*Note: Data includes assessment of information systems owned and managed by state governments for purposes such as law enforcement, public health and education programs. It does not include private sector or county- and local-government computers or other infrastructure.*



Rating is done with GartnerGroup "COMPARE" methodology. Levels of readiness are defined as:

- **Level I** - Getting started, champion identified, awareness, begin inventory
- **Level II** - Develop detailed inventory of operational dependencies
- **Level III** - Project plan completed, resources assigned, detailed risk assessment, remediate and test 20% of mission-critical systems, vendor reviews, complete contingency plans
- **Level IV** - Complete remediation and testing of remaining 80% of mission-critical systems, contingency strategies implemented for mission-critical dependencies
- **Level V** - Remaining systems and dependencies completed and policies in place to avoid non-compliant issues after compliance is reached

\* Note: These data are provided courtesy of the Gartner Group, Stamford, CT.