

**MINUTES OF THE MEETING  
OF THE  
SENATE COMMITTEE ON FINANCE  
AND THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS  
JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT**

**Seventy-Third Session  
April 21, 2005**

The Senate Committee on Finance and the Assembly Committee on Ways and Means, Joint Subcommittee on General Government, was called to order at 8:07 a.m., on Thursday, April 21, 2005. Senator Bob Beers, Chairman, presided in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Bob Beers, Chairman  
Senator Bob Coffin  
Senator Dean A. Rhoads

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Ms. Kathy McClain, Chairwoman  
Mr. Morse Arberry Jr.  
Mr. Lynn Hettrick  
Mr. Joseph M. Hogan  
Mrs. Ellen Koivisto  
Mr. Bob Seale

**COMMITTEE MEMBERS ABSENT:**

None

**STAFF MEMBERS PRESENT:**

Bob Guernsey, Principal Deputy Fiscal Analyst  
Mark Stevens, Assembly Fiscal Analyst  
Tracy Raxter, Program Analyst  
Carol Thomsen, Committee Attaché  
Susan Cherpeski, Committee Attaché

Chairman Beers called the meeting to order and advised that the Subcommittee would consider budget closings for the Department of Information Technology (DoIT).

## **DEPARTMENT OF INFORMATION TECHNOLOGY**

### **BUDGET CLOSINGS**

#### **DoIT DIRECTOR'S OFFICE, BA 1373**

Tracy Raxter, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated that there were several closing issues within BA 1373. The first issue was the recommendation for a new Management Analyst II position for the DoIT's Rate Development Unit, which would support the rate development process. Mr. Raxter stated there were currently two positions within the Unit, a Management Analyst III position that had been approved in 1999 and an Administrative Services Officer III position, which had been approved in 2001. Mr. Raxter indicated that LCB staff had reviewed the position duties for the new Management Analyst II position, as presented by the Department, and noted that some of the existing duties of the Administrative Services Officer III position, as presented to the Legislature when that position was approved in 2001, were recommended for reallocation to the existing Management Analyst III position, as well as the new Management Analyst II position. The reallocation included preparation of the annual cost plan based on actual expenditures, performing comparisons of forecasted versus actual revenue, and preparing and distributing accounts receivable reports to management.

Mr. Raxter reported that some of the duties of the new Management Analyst II position were probably duties that would be more appropriate for a lower classification, which included posting of billings and receipts to revenue reports. He noted that in a previous organizational chart for the DoIT Director's Office, there had been two accounting assistant positions listed under the Rate Development Unit, but those positions were currently reflected within the Fiscal Unit, which was the DoIT's accounting section. According to Mr. Raxter, some of the duties that were being recommended for the Management Analyst II position would more closely align with the accounting assistant positions.

Mr. Raxter indicated that the second closing issue was the recommendation by the Governor to approve 9 new positions to expand the DoIT's Security Unit. That Unit had been established in 2003 with the creation of two new positions, along with the existing position, and the recommendation would increase the size of the Unit from 3 positions to 12 positions.

Mr. Raxter stated that there were several areas where the DoIT's Security Unit would work to improve statewide information technology security, including:

- Security awareness training – 1 position
- Disaster recovery planning – 2 positions
- Security accreditation program development – 2 positions
- Security programs assessments – 1 position
- Technical security administration – 3 positions

The Governor's recommendation also reflected the upgrade of two existing positions to reflect the additional duties for the Security Unit.

Mr. Raxter noted that when the DoIT had evaluated the security needs of the State, the evaluation included a review of a Legislative Audit conducted in 2004, when the Legislative Auditor had performed an audit of the State's security regarding its network. One thing of note in that audit was that there were 15 recommendations to improve network security, however, the Legislative Auditor felt that those recommendations could be implemented with existing resources. Mr. Raxter pointed out that the audit had been performed on the State's computer network rather than including every facet of information technology performed by the DoIT. The DoIT also indicated that it had reviewed an assessment performed by the National Security Agency and existing State statutes, and had completed an evaluation of security vulnerabilities.

Mr. Raxter reported that the funding for the Security Unit was recommended through a security assessment charged to all State agencies on a per full-time equivalent (FTE) basis, and the assessment would increase from the current FY2004 rate of \$18.65 per FTE to \$74.56 per FTE in FY2007.

The next major issue in BA 1373, said Mr. Raxter, was a recommendation by the Governor to create a new assessment that would fund the functions of the DoIT's Chief Information Officer (CIO), which included information technology policy and coordination. The assessment would fund existing costs of a portion of the Department Director, Deputy Director, Chief of Planning and Research, and another 2.75 FTE positions in the Planning and Research Division. Mr. Raxter stated the assessment did not represent a new cost, but rather a reallocation of ongoing costs associated with policy and other CIO functions.

Mr. Raxter advised that the 2003 Legislature had reviewed a similar recommendation made by the Governor at that time and due to a lack of definition of the role, responsibilities, and authority of the CIO, the 2003 Legislature had not approved creation of the assessment.

In response to questions from LCB Staff, Mr. Raxter noted that the DoIT had provided information indicating that the CIO function would be related to information technology planning, policy development, project oversight, security, enterprise architecture, and support for the statewide information technology policy committees.

Mr. Raxter advised the Subcommittee that other closing items in BA 1373 included a recommendation from LCB staff to adjust the reserve to reflect no more than 60 days of operating expenditures. The DoIT had concurred with that recommendation and had provided information regarding the new reserve amounts; there would be a reduction over the biennium of \$180,000, and Mr. Raxter noted that the reduction would be subject to change based on closing action by the Subcommittee for the entire Department.

Decision Unit E-278, stated Mr. Raxter, contained a recommendation by the Governor for funding of \$15,000 in each year of the biennium for an outside contractor to conduct a review of the rate model to ensure compliance with federal cost principles and standards. Mr. Raxter advised the Subcommittee that funding had been approved by the 2003 Legislature at a funding level of \$7,500 per year. A rate model review was not performed by an outside contractor for FY2004, however, in FY2005 a review was performed at a cost of \$3,700. Mr. Raxter stated that, since the actual cost in FY2004-05 was

\$3,700, staff would recommend funding be reduced to \$3,700 in each year of the biennium to reflect the actual cost of an annual review.

Mr. Raxter indicated that Decision Unit E-280 contained a recommendation by the Governor for an increase in training costs in the amount of \$3,044 in each year of the biennium to allow the Administrative Services Officer III position to attend an additional training seminar. Mr. Raxter noted that the base budget contained \$4,200 for that position to attend training and \$5,900 for two additional staff members to attend similar training.

Assemblywoman McClain said the Subcommittee should consider the requested new staff positions, beginning with the request for 9 new positions for the DoIT's Security Unit. She believed that the Subcommittee needed justification and prioritization of the most important new positions.

Terry Savage, Director, DoIT, explained that security was very interesting and was not an either/or type of issue. In many ways, security was like insurance and the question was, how much insurance was needed to insure against the risks. Mr. Savage stated it was a "judgment call" rather than a technological issue.

According to Mr. Savage, the DoIT had identified 12 additional positions that would be needed in the current budget request, but had agreed with the Governor's recommendation for 9 new positions because it had been pointed out to the Department that there were some serious cultural change issues that had to happen in terms of security, which could only happen so fast. Mr. Savage said the Department's judgment was that 5 positions in the first year of the biennium and 4 positions in the second year would accomplish the maximum amount of work that could actually be completed, given the magnitude of the cultural change issue facing the DoIT going forward. Mr. Savage stated there was more work to be done, but the Department did not believe that the work could be completed any faster.

If, in fact, the Subcommittee reduced the request for positions, Mr. Savage explained that there would be security issues that should be addressed and could have been addressed with added staff that would not be done and would leave data regarding citizens of the State exposed. Mr. Savage stated that he would not recommend that and the DoIT could prioritize the positions, but in every case if a position were reduced in the Security Unit, the risk to each citizen's data would be high.

Chairman Beers asked whether Mr. Savage disagreed with the Legislative Auditor who felt that the 15 recommendations within the audit could be implemented with existing resources. Mr. Savage said the most important issue was that the audit addressed only a small fraction of the IT security issues that existed within the State. Even if that were true, Mr. Savage said there was still an enormous need for additional security outside the issues reviewed by the audit. Mr. Savage also noted that if the Subcommittee assumed that the audit recommendations were more important than the current duties being performed by existing staff, and if existing staff ceased performing their current duties and worked on the audit recommendations, the DoIT could address those recommendations with existing resources.

Randy Potts, Chief Information Security Officer, DoIT, stated that first and foremost, the statement made by the LCB Auditor in reference to the Department addressing the 15 audit recommendations with existing staff, was

made at the initial written response stage of the audit, rather than after the DoIT had submitted its 60-day corrective action plan. Mr. Potts explained that during testimony at a hearing before the Legislative Commission regarding the audit, the Chairman of the Commission had requested that the LCB Auditor explain how the DoIT could address those recommendations with current staff. After the DoIT had supplied the 60-day corrective action plan to the LCB Auditor, the statement was made that the Auditor would reserve judgment at that time, however, a resolution was not offered regarding how the DoIT could address the recommendations with current staff.

Traditionally, said Mr. Potts, audits usually addressed point-in-time or one-time fixes. The issue facing the State was that the DoIT had been doing one-time fixes for the past 20 years, and every time an audit was conducted, the finding that the Department could address audit recommendations with current staff would "raise its ugly head again" because staff had been reassigned to other important duties after the corrective action had taken place.

Mr. Potts advised that the DoIT believed that ongoing staff was needed specifically to continue to address those issues going forward and, as stated by Mr. Savage, the audit only addressed Internet utilization and security of Internet sites, and he agreed that a significant external attack on State resources would be a predominate area of external risk. However, stated Mr. Potts, the external risks were only between 15 and 20 percent of the overall risks that were associated with technology, as explained by various studies. The majority of risk was actually from within the organization through misconfiguration of equipment or the technology resources used to carry out the jobs.

Mr. Potts referenced recent issues with ChoicePoint, a leading provider of identification and credential verification services, regarding identity theft which, believe it or not, was not caused by a technical "hack" from outside, but rather occurred because of a procedural issue inside the organization that had gone unchecked for many years. Individuals had fraudulently established companies and legitimately used ChoicePoint's procedures against them to capture that information. Mr. Potts said that was just one example of external exploits, and internal exploits were numerous in all facets of technology.

Chairman Beers said that every \$2 million spent on DoIT requests was \$2 million that was not spent in providing direct services to Nevada's citizens. The increase in rates was problematic statewide and the Subcommittee was interested in reducing rates. Chairman Beers asked which of the requested positions would be considered the DoIT's top priority:

- Security awareness training – 1 position
- Disaster recovery planning – 2 positions
- Security accreditation program development – 2 positions
- Security programs assessments – 1 position
- Technical security administration – 3 positions

Mr. Potts replied that the Department's top priority was currently based on the assessment, the recent audits, as well as the Governor's Executive Order. First and foremost, said Mr. Potts, disaster recovery planning and security awareness training were, by far, the largest challenges facing the DoIT today, and that was not saying that the other categories were not important. Mr. Potts indicated that 2 of the requested positions, 1 for security awareness training and 1 for disaster recovery planning, would have a start date of July 2005. The remaining positions would be prioritized as follows:

- 1 position for disaster recovery planning
- 1 position for security programs assessments
- 1 position for security accreditation program development
- 1 position for technical security administration
- 1 profile position (technical security)
- 1 position for security accreditation program development
- 1 position for technical security administration

Mr. Potts said that would be the order in which the DoIT would hire positions, which would address 4 core competencies within technology, and the baseline was currently 18 areas within security. Mr. Potts advised that the Department believed that was where it was the most “upside down” in the history of the State. Mr. Potts said that an LCB-funded study had been conducted in 1988 and, at that point in time, the recommendation to the Legislature was for an additional 3 full-time security professionals. He pointed out that the DoIT had just achieved that goal within the past year.

According to Mr. Potts, the positions approved by the Legislature for the Security Unit would be placed in the aforementioned order of priority.

Senator Coffin noted that the DoIT had been “dinged” by the LCB Auditor, which indicated that LCB staff was very concerned about security. Senator Coffin opined that if the Subcommittee shortchanged the security portion of the budget for the DoIT, it would cause a backward slide. The positions assigned to the Security Unit could perform other duties; one excellent worker could train three or four other employees. Senator Coffin opined that one position could be a higher grade in pay and the others could be workers at a lesser grade, which would provide an overall lower total cost, while still allowing the DoIT to hire needed staff. He noted that the security field was very specialized and he asked whether the DoIT could be creative regarding the positions.

Mr. Savage indicated that the request for new positions was structured in that manner, with the plan for a few senior positions, with the remaining positions at a lower classification. He noted that all the positions were at a reasonably high classification, Information Systems Specialist (ISS) IV or higher, primarily because the security field was extraordinarily competitive in IT security. Mr. Savage explained that the need for security had identified and ramped-up much more quickly than people could be trained. If the DoIT was able to secure people who were either very bright, already had training, or preferably both for the senior positions, it would have to pay higher than State entry level salaries. Mr. Savage reported that State IT salaries were not entirely competitive with the private market or with county and city entities. The DoIT had structured the new positions as outlined by Senator Coffin, with several lead positions that would be senior, but even the “worker bee” positions in security would need to be a higher grade in order to interact with the various agencies.

Senator Coffin stated he was trying to envision the positions and it appeared that the positions would be operating independently with other entities. Mr. Savage replied that was correct, the positions would not be sitting in offices, but would be spending a great deal of time in the field with other agencies, which was the location of the data that needed to be protected.

Mr. Potts commented that the original proposal from the DoIT in the previous biennium identified the need for 10 ISS IV level staff, and he believed that was not necessarily the most appropriate way to manage staff for the needs of the Department. According to Mr. Potts, he had assessed the security of State entities and, basically, the DoIT was only requesting 4 ISS IV positions over the entire project, with the remaining positions broken down between ISS III and ISS II positions, which was substantially junior level in the area of IT security. Mr. Potts explained that part of the challenge facing the DoIT were the vendors who provided the products. He noted that Microsoft updates were received throughout the State on a daily basis, but vendors did not supply a secure product, and yet the DoIT had to ensure that it was checking and rechecking those configurations because every time the program updated it had the potential of resetting areas where the DoIT had already taken corrective action.

Senator Coffin believed that perhaps the Subcommittee should ask the LCB Auditor to provide information regarding the audit. Chairman Beers believed that the request represented an expansion of the services provided by the DoIT, beyond what had been provided as a matter of policy.

Regarding the requested positions, Senator Coffin stated that he liked the idea of hiring one higher level position which could help train the lower positions.

Assemblyman Hogan asked for a sense of the Security Unit when it was built up to the level of strength anticipated by the DoIT, and he also asked what portion of the Unit's activity would be involved in training IT staff in other agencies as opposed to internal security operations.

Mr. Potts explained that the current staffing level would be utilized at an 80/20 percent split, which would take into consideration the current workload of existing staff. The majority of the new positions would be specifically directed toward agency assistance and would continue to update disaster recovery plans and ensure that the disaster recovery plan was a live document, which was a difficult challenge that was faced by many organizations because disaster recovery was not their primary mission. Mr. Potts indicated that if the DoIT used most of the models in both government and industry at the present time, the number of staff would be between 40 and 76 regarding the number of security professionals needed to carry out the job. The DoIT believed it could significantly reduce that number by creating a very effective end user training program, which was one of the projects it was working on. Mr. Potts stated that would extend the training to the lower users of technology, meaning the individual who might not even realize they needed technical training to use a desktop computer to perform their jobs. The DoIT believed that there could be a significant reduction in the number of positions, which would save money for the taxpayers in the state of Nevada because of the training programs.

Chairman Beers pointed out that in addition to the current staff in the Security Unit at the DoIT, there were many IT professionals in the individual State agencies who were attentive to security issues as well. Mr. Potts stated that was correct and the DoIT currently had a State Security Committee, the membership of which was made up of IT professionals within their respective organizations. However, because of the separation of function and the requirements that would be laid upon the DoIT, both from a fiscal aspect as well as from a technical aspect of checks and balances, the DoIT needed not to simply assist, but to verify that security measures were being taken.

Mr. Potts said there were several ongoing projects that had potentially caused additional risk to the State based on fiscal concerns rather than technical ramifications. That was predominately because the Security Unit had just begun to function within the past biennium and some Legacy applications, and other programs in the design stages, had been in existence for the past several years. Mr. Potts indicated that the buzzword of the day, both within Nevada and the entire nation, was "identity theft," which was a very significant technical issue. The reason for that was because at times the State did not effectively carry out the policies that had already been established which agencies should have been adhering to, and the need arose to verify that those policies were being adhered to in order to protect constituents.

Assemblywoman McClain stated that one of the Subcommittee's biggest concerns was that adding 9 new positions would cause an outrageous increase in the security assessment paid by other agencies. She did not believe the Subcommittee could support that type of an assessment increase, which meant fewer staff for the Security Unit.

Chairman Beers referenced Decision Unit E-277, which requested the new accountant position to help develop the allocations and rates. He noted that the DoIT had historically had a difficult time accomplishing that, based on changes in personnel. However, said Chairman Beers, the DoIT currently had a rate model that could be followed and tracked. There were several decision units in the various budget accounts within the DoIT that would make the cost allocation system more complicated, and one of the decisions the Subcommittee could make would be to not make the cost allocation more complicated, and thus not hire the additional accountants.

Chairman Beers explained that, historically, the DoIT had experienced difficulty in developing allocations and rates and the Legislature had added 2 positions in past sessions. Assemblyman Seale believed that the DoIT had provided a new model. Chairman Beers replied that was correct and a working rate and allocation system was currently in place, which would spread the cost of the DoIT budgets over the agencies that derived the benefits. Chairman Beers indicated there were several decision units within the budget that proposed to make the allocation process more complicated, and there were 1.5 FTE positions requested, which would add additional accountants to the mix.

One of the proposed complications in the budget, explained Chairman Beers, was the recommendation for the creation of a new statewide assessment on a per-employee basis. According to Chairman Beers, current State law exempted a number of agencies from DoIT oversight and, historically, those agencies had never had any direct overhead assessments from the DoIT. The current recommendation would propose that those agencies pay direct overhead assessments. Chairman Beers stated that part of the proposal was for the Legislature to "beef up" the Security Unit rather than rely on the security that had been provided by the user agencies in the past. Chairman Beers believed it was all tied together in the proposal and the Subcommittee should consider the issues and either approve the entire proposal, or significantly trim it back.

Assemblyman Seale asked whether the DoIT charges were allocated across all agencies. Chairman Beers said the costs were allocated over approximately half the State agencies. Mr. Raxter stated that the assessment reached more than half the State agencies, and he explained that the fee applied to all agencies that were nonexempt in the *Nevada Revised Statutes* (NRS). Exempt agencies,



such as the Nevada Department of Transportation (NDOT), Department of Employment, Training and Rehabilitation (DETR), and Constitutional officers, did not pay the allocations. Mr. Raxter further explained that some costs had also been allocated to other divisions within the DoIT itself, which in turn were included within its rate structure for services provided by those divisions. Chairman Beers reported that some agencies were directly billed based on utilization of resources, rather than simply an overhead allocation.

Mr. Savage stated that he had reviewed the exempt agencies within the NRS in great detail and it was not as straightforward as it might appear. One issue that had been clarified by the Legislative Counsel Bureau (LCB) several years ago was that, while the exemptions specified in NRS 242 exempted agencies from the use of the DoIT services, the exemption did not exempt those agencies from oversight or from the requirement for following policies established by the DoIT for the Executive Branch. Mr. Savage reiterated that, while some agencies were exempt from the requirement to use the DoIT services, they were not exempt from oversight and policy requirements. He stated that the DoIT did not have the necessary funding for the oversight and security requirements it believed were necessary statewide.

Mr. Seale stated that the DoIT functions were, for the most part, the functions that had to be done, and probably were being done. There were numerous staff who prepared the allocation of the costs across State agencies, and he noted that if the functions were ultimately being paid for by General Fund allocations, either directly to the DoIT or to the agencies, why was it necessary for the DoIT to allocate costs, at least on an overhead basis. Mr. Savage explained that from a total dollar standpoint, the DoIT's budget was fairly small, but it had the most complex funding and fiscal situation of any State agency. He stated that most of the exempt agencies were federally funded so, to the extent that the DoIT did not allocate across the agencies, it did not capture federal funds and the cost to the General Funds increased. Mr. Savage reported that the current exemption process increased the cost to the General Fund for IT services rather than the federal government. The proposed allocation would bring that situation more into balance so that an agency which was receiving appropriate IT oversight, both in security and other areas, would pay the appropriate share of the cost. That was not always the case at the present time, said Mr. Savage.

Chairman Beers indicated that the Legislature basically balanced budgets between State funding and federal funding on a continuous basis, and it did everything possible within the limits of the law to maximize federal funding. The federal government was also aware of the limits of the law and monitored the states accordingly. Chairman Beers noted that some rates had been too high for a number of years and a large reserve had built up, which had caught the eye of the federal government because it was felt the State had been "stocking up" with federal money. The choices were to either refund the excess or decrease rates, and Chairman Beers pointed out that monitoring the reserve was another piece of the puzzle.

Chairman Beers referenced Decision Unit E-278, which recommended funding in each year of the biennium for an outside contractor to monitor the rate development. Chairman Beers explained that the goal was to minimize the State's reliance on outside reviewing consultants and monitor the development internally, since there was an outside review by the federal government. Chairman Beers noted that during the first year of the current biennium the DoIT had not utilized an outside contractor and in the second year of the current

biennium the cost for the outside contractor to conduct a review of the rate model was \$3,750.

Shelly Person, Chief of Administration, DoIT, explained that during the second year of the biennium the Department had currently spent \$3,750, but that amount addressed only one of the two reviews the Department planned, and the remaining balance would be spent for the second review prior to the end of the fiscal year.

Chairman Beers noted that Decision Unit E-280 recommended funding of \$3,044 in each year of the biennium for additional training costs, and the remaining items could be addressed with technical adjustments.

Chairman Beers indicated he would accept a motion.

ASSEMBLYWOMAN McClain MOVED THAT THE  
SUBCOMMITTEE:

1. NOT APPROVE THE NEW MANAGEMENT ANALYST II POSITION FOR THE RATE DEVELOPMENT UNIT.
2. APPROVE 3 NEW POSITIONS FOR THE SECURITY UNIT IN THE FIRST YEAR OF THE BIENNIUM, TO BE PRIORITIZED BY THE DoIT, IN ORDER TO LOWER ASSESSMENT RATES.
3. NOT APPROVE THE ENTERPRISE INFORMATION TECHNOLOGY (IT) ASSESSMENT THAT WOULD BE CHARGED TO ALL STATE AGENCIES.
4. CLOSE THE BUDGET AS RECOMMENDED BY STAFF REGARDING THE ADJUSTMENT TO THE RESERVE TO REFLECT NO MORE THAN 60 DAYS OF OPERATING EXPENDITURES.
5. APPROVE \$5,000 IN EACH YEAR OF THE BIENNIUM IN DECISION UNIT E-278.
6. NOT APPROVE THE FUNDING FOR AN ADDITIONAL TRAINING CONFERENCE REQUESTED IN DECISION UNIT E-280.
7. CLOSE THE BUDGET AS RECOMMENDED BY STAFF IN DECISION UNITS E-710 AND E-720.
8. GRANT APPROVAL FOR STAFF TO MAKE ADJUSTMENTS TO REVENUES AND TO THE DoIT ADMINISTRATIVE COST ALLOCATION BASED ON FINAL APPROVAL OF THE OTHER BUDGETS WITHIN THE DEPARTMENT.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

Assemblyman Hettrick asked about the amount in Decision Unit E-278, since Ms. Person had explained that the DoIT would spend \$7,500 in the current year of the biennium, and the Governor had recommended \$15,000 in each year of the upcoming biennium. Chairman Beers stated that the DoIT had planned to increase the number of reviews. Mr. Hettrick questioned the \$3,750 per year rather than the \$15,000 recommended by the Governor. Chairman Beers explained that Ms. McClain's motion was to give the DoIT \$5,000 in each year of the biennium. Mr. Hettrick stated that he had misunderstood the motion and thought that the allocation was \$5,000 over the biennium.

Senator Coffin concurred with the motion with the exception of the requested positions in the Security Unit. He believed that approval of only 3 of the requested 9 positions would "cut too deep" on the issue of the Security Unit. Senator Coffin commented that he had asked for a copy of the audit report and he was very reluctant to approve only 3 of the 9 positions until he had reviewed the audit recommendations. He pointed out that the motion before the Subcommittee would not approve more issues than it would approve. Senator Coffin said it disturbed him that, even though the Subcommittee believed there were people providing security within individual agencies, there was no way to ascertain whether or not that was true. Senator Coffin stated he would not support the motion with only 3 security positions.

Chairman Beers stated that in the wake of the Department of Motor Vehicles (DMV) break-in, the DMV would receive funding to implement significant new security procedures. Much of the security was generally handled through each agency and the agencies were cognizant and aware of security issues. Chairman Beers believed that was the reason the Legislative Auditor recommended that the DoIT could implement the audit suggestions with existing staff.

Senator Coffin noted that LCB staff was always reluctant to tell another agency to hire additional staff, which was basically the job of the agency. He also believed that the DMV break-in had been an inside job and was probably also related to the issue of the fake identifications. Senator Coffin stated it was a case where 85 percent of the problem was being caused by the State's own employees. He believed that the Security Unit would review the vulnerabilities of State agencies. Senator Coffin reiterated that he would not support that portion of the motion regarding the Security Unit, and he would offer the following amendment to the motion:

SENATOR COFFIN MOVED THAT THE SUBCOMMITTEE AMEND  
NUMBER 2 OF THE ORIGINAL MOTION TO APPROVE FUNDING  
FOR 8 NEW POSITIONS, WHICH WOULD BE PRIORITIZED BY THE  
DoIT.

ASSEMBLYMAN HOGAN SECONDED THE MOTION TO AMEND.

Assemblyman Arberry commented that he would not support Senator Coffin's motion to amend the original motion because most governmental agencies asked for more positions than were needed and, while DoIT might need the 9 requested positions, if the Subcommittee approved a portion of those positions, it would at least allow the Department to add to the duties of the Security Unit. He respected Senator Coffin's desire to enhance the Security Unit, but he could not support the amendment and believed the Subcommittee should approve only a portion of the requested positions.

Senator Coffin stated that if the Subcommittee did not support the amendment and there was another failure in security, either caused by employees or others, and the Legislature had not funded at least 90 percent of the request for the Security Unit, the Legislature would be to blame for the failure. The DoIT would be able to point the finger at the Legislature and the Governor could attest to the fact that the DoIT staff had tried to defend the citizens of the State from security breaches.

Mr. Savage indicated that the national average for spending on IT cyber security was 9 percent of total IT spending and for 2004, including agency expenditures, Nevada funded at a level of approximately 1 percent. If the request for 9 positions were funded, it would raise that percentage to between 2 percent and 3 percent of total IT spending. Mr. Savage reiterated that if the full request for 9 positions was funded, Nevada would be at approximately one-third of the national average in terms of spending on IT security.

In response to comments made by Assemblyman Arberry, Mr. Savage indicated that the DoIT had not requested more positions than were needed. The budget included everything that was needed, but it was not "padded" for more positions than needed.

Chairman Beers called for a vote on Senator Coffin's motion to amend the original motion, and explained that a yea vote would be in favor of funding 8 positions.

THE MOTION FAILED ON THE ASSEMBLY SIDE AND PASSED ON  
THE SENATE SIDE.

Chairman Beers reminded the Subcommittee that BA 1373 had to be closed in order to close the remaining budgets because of the allocations.

Assemblywoman McClain noted that in 2003 the DoIT had requested 10 new positions for the Security Unit, and the 2003 Legislature had approved 3 positions. If the Subcommittee currently approved 3 additional positions, that would provide 60 percent of the original request.

Chairman Beers explained that network technicians never had enough security dollars, and Senator Coffin commented that he believed there could not be enough security for the state of Nevada, which was the reason he could not concur with only 3 positions.

Ms. McClain asked what would happen with the assessment rate if the Subcommittee approved 5 new positions. Chairman Beers believed it would cut the rate in half. Ms. McClain commented that 5 positions would be over half of the request. Chairman Beers indicated the request was for 10 new positions including the accounting position, and a reduction to half that number would reduce the rate increase.

Mr. Raxter explained that, as recommended by the Governor, the assessment would support 12 positions and if the Subcommittee funded 3 new positions, along with the existing 3 positions, that would be a total of 6 positions, which would be roughly half. Regarding the overall spending for IT security within the State, Mr. Raxter noted that the concern was not the percentage, even if there was sufficient information to determine that percentage, because many agencies utilized their own staff and resources to address IT security issues. Mr. Raxter did not believe there was one source that could track all those expenditures.

Chairman Beers asked whether the suggestion was to eliminate the IT security positions within the agencies. Senator Coffin noted that many of the agencies were getting quite large, and Chairman Beers indicated that was the reason the Legislature had added IT staff in those agencies. A discussion ensued regarding the number of IT staff positions in other agencies.

Chairman Beers stated he would accept a motion.

ASSEMBLYMAN HETTRICK MOVED THAT THE SUBCOMMITTEE  
AMEND NUMBER 2 OF THE ORIGINAL MOTION TO APPROVE  
FUNDING FOR 5 NEW POSITIONS IN THE SECURITY UNIT.

SENATOR RHOADS SECONDED THE MOTION.

THE ORIGINAL MOTION, AMENDED TO APPROVE FUNDING FOR  
5 NEW POSITIONS IN THE SECURITY UNIT, CARRIED  
UNANIMOUSLY.

BUDGET CLOSED.

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Assemblyman Seale asked for clarification regarding the motion. Chairman Beers replied that the number of employees in the Director's Office, Security Unit, would increase by the 5 new positions approved by the Subcommittee. Mr. Seale asked whether the Subcommittee had closed BA 1373, and Chairman Beers replied that the budget for the DoIT Director's Office had been closed by the Subcommittee and the next budget for review was BA 1370.

#### **DoIT PLANNING AND RESEARCH UNIT, BA 1370**

Mr. Raxter indicated that closing issues within BA 1370 included the recommendation from the Governor to establish a Project Oversight Unit and to reassign staff, currently performing project management functions within the DoIT, to IT projects oversight. The recommendation would reallocate 3 existing positions from the project management area to the Project Oversight Unit and add a fourth position, currently classified as a Database Management Specialist III position, which would be transferred from the Application Design and Development Division.

Mr. Raxter stated that one reason the DoIT was recommending the proposal was because it was moving away from providing direct project management and quality assurance services billed on an hourly basis, due in part to the high volatility of the demand for those services. Mr. Raxter pointed out that the DoIT was proposing to provide project management services only for the Department of Taxation's Unified Tax System project over the 2005-07 biennium. Project management services for other IT projects would be provided by either existing State staff or contracted project managers.

One of the existing positions that was recommended for reassignment to the Project Oversight Unit, stated Mr. Raxter, was a project manager position that had been approved by the 2003 Legislature for the Health Division's Environmental Public Health Tracking System project. The 2003 Legislature had approved that position with the understanding that continuation of the position was contingent on the availability of federal funding. Mr. Raxter explained that the DoIT was proposing to take the position and reutilize it for the Project Oversight Unit, with future funding through the Project Oversight Unit assessment. According to Mr. Raxter, the assessment for the Project Oversight Unit would be a new assessment that would fund the four-person Unit and would consist of a 1.5 percent assessment on all IT projects recommended within the State. There was a total of \$64.5 million in IT projects included in

The Executive Budget, and of that amount, \$23.7 million represented funding exclusively for the Department of Taxation's Unified Tax System project, which was approximately one-third of the total. As previously indicated, that project would be receiving project management services from the DoIT.

Another point that the Subcommittee should consider as part of the Project Oversight Unit, said Mr. Raxter, was that of the 41 Information Technology (IT) projects that were being recommended in The Executive Budget, 23 projects would receive some form of oversight through the Department of Administration, Information Technology Division.

Mr. Raxter pointed out that the DoIT testified in a Subcommittee hearing, and the Budget Division had confirmed, that the assessment for the project oversight function was not specifically identified in the funding that was being recommended for IT projects. Mr. Raxter had confirmed that there was no line item in The Executive Budget for the assessment.

Based on the uncertainty of funding and possible duplication of services that would be provided by the Information Technology Division of the Department of Administration, Mr. Raxter believed that the Subcommittee might wish to consider not approving the establishment of the Project Oversight Unit.

Other major closing issues in BA 1370 included a recommendation by the Governor to approve a new Management Analyst III position. Mr. Raxter explained that the position would provide support to the Planning and Research Division, along with research and analysis services. The position would also provide support for the eight statewide Information Technology policy committees. Mr. Raxter pointed out that funding for the position was recommended to be split evenly between the existing planning assessment and the new statewide Enterprise IT assessment, which the Subcommittee had not approved in its motion regarding BA 1373. Mr. Raxter stated that 40 percent of the position's duties would provide support to the IT policy committees, 10 percent for legislative review and monitoring, 25 percent for IT research, and 25 percent for support for the Division. Mr. Raxter advised that he had reviewed the duties of the position and determined that they would more closely align with the duties of a Management Analyst II, rather than the requested Management Analyst III.

Other closing issues, stated Mr. Raxter, included the recommended adjustment to the Reserve level to reflect no more than 60 days of operating expenditures. Mr. Raxter indicated that Decision Unit E-805 recommended the reclassification of the manager of the Planning and Research Division, based on assuming duties for the Project Oversight Unit, and staff would recommend that approval of Decision Unit E-805 be contingent upon whether the Subcommittee approved the request for the Project Oversight Unit.

Chairman Beers advised the Subcommittee that he would accept a motion that the Subcommittee:

1. Not approve the request to establish the Project Oversight Unit, mindful that within the Department of Administration, Information Technology Division, a position would be added to assist with project oversight and management, and eliminate the positions that would be assigned to the Unit.
2. Approve Decision Unit E-277 at a Management Analyst II classification level.

3. Not approve Decision Unit E-805.
4. Approve technical adjustments as recommended by staff.

Chairman Beers explained that the motion would basically eliminate the positions that "did not have anything to do," and would have been moved into the proposed Project Oversight Unit. The position approved in Decision Unit E-277 would have to be funded completely from the statewide planning assessment.

ASSEMBLYMAN HETTRICK MOVED THAT THE SUBCOMMITTEE:

1. NOT APPROVE THE REQUEST TO ESTABLISH THE PROJECT OVERSIGHT UNIT AND ELIMINATE THE POSITIONS THAT WOULD BE ASSIGNED TO THAT UNIT.
2. APPROVE DECISION UNIT E-277 AT A MANAGEMENT ANALYST II CLASSIFICATION LEVEL.
3. NOT APPROVE DECISION UNIT E-805.
4. APPROVE TECHNICAL ADJUSTMENTS AS RECOMMENDED BY STAFF.

ASSEMBLYWOMAN McCLAIN SECONDED THE MOTION.

Mr. Savage stated that the DoIT had done a poor job of outlining and clearly explaining the distinction between the project oversight function and the project management function. He indicated that he would ask Mr. McTeer from the Department of Administration to address the concern regarding duplication of services because that was absolutely not occurring.

Mr. Savage stated he would use the project at the Department of Taxation as an example to explain what occurred in private industry. He explained that the contractor would have a project manager within the Department who addressed project issues on a daily basis, a quality assurance team at the Department and, at the corporate office, the contractor would have a single individual who was essentially the executive for that project, and who had people working for him who reviewed the work done by the project managers and the quality assurance team. That would provide a set of "higher level eyes" looking at what was occurring within the project. Mr. Savage indicated that all major project contractors operated in that manner and used the same model. He explained that the contractor could not count on the person working the problems of the day to be able to see all the issues. Mr. Savage stated that the same principle would apply to security, and the reason it should not be handled only by agency personnel was that if a quality assurance person, project manager, or security person was imbedded in the agency or the project, those persons tended to miss problem areas.

According to Mr. Savage, that was the reason it was essential to have a separate set of eyes, or separate function, to review the entire management and quality assurance function. The proposed Project Oversight Unit would save more money in terms of project overruns and project failures than it would cost. Because the amount of money involved was so small the decision had been made that the amount would be manageable within the existing line item for project management, which was 10 percent. Mr. Savage firmly believed that the State would miss a significant opportunity to avoid cost overruns and avoid project failures by not funding the proposed Unit. It would represent a small fraction of project costs and was absolutely standard practice within the IT industry. He noted that private contractors bid on IT projects to make a

profit and they still used the model that provided oversight, which Mr. Savage believed was the right model to use. He urged the Committee to support the proposed Unit and stated it would cost the taxpayers of Nevada a significant amount of money if the Unit were not approved.

Assemblyman Hettrick said the issue which caused him to make the motion was the analysis of the projects throughout the State that would be charged the 1.5 percent assessment. It appeared that there was already oversight in some of the projects and when that was considered and adjusted appropriately the 1.5 percent assessment would not cover the cost.

Dave McTeer, Division Chief, Information Technology Division, Department of Administration, explained that the oversight he would be providing to the projects, which he was also providing to projects during the current biennium, was primarily budgetary oversight. In other words, stated Mr. McTeer, he signed and approved all payment documents, purchase orders, invoices, contracts, and any other documents that dealt with expenditure of funds from a project that was within BA 1325. Mr. McTeer indicated that his primary responsibility was to provide the budgetary portion of the overall oversight.

Chairman Beers believed that the current hearing was the first time that LCB staff had heard that a portion of the 10 percent oversight expense for projects would include a 1.5 percent assessment to the DoIT. Mr. Savage indicated that the 1.5 percent would not specifically come from the 10 percent oversight expense and costs were not locked in. He stated if a project manager was approved, the project manager would have flexibility regarding the cost. Mr. Savage concurred that the 1.5 percent assessment was not the ideal method, but it had been decided that the Project Oversight Unit should be funded later in the budget process, and the judgment had been made that because the amount was so small it could be absorbed within the cost of the project. Mr. Savage stated he believed that to be true; he noted that a 1.5 percent cost was well within the margin of error of every project's final completion relative to the budgeted cost.

Chairman Beers asked why the services were not directly billed. He also noted that part of the Subcommittee's concern was that there were positions with nothing to do, which was why they were being formed into the new Unit. Mr. Savage emphatically stated that was not the case and he certainly had not meant to give that impression. The person currently providing oversight was working on the specific requirements for a qualified project manager. Mr. Savage noted that the State did not account well for the costs of employee time in projects. If there was a person on existing staff involved in the project, many times the agency figured that since the person's time was already budgeted, the cost for that position did not have to be accounted for within project costs. If project management responsibility was assigned to an existing staff person, it would not create a cost to the agency. Mr. Savage said it would create a cost in terms of the project if the individual was not a qualified IT project manager. He explained that the DoIT had spent a significant amount of time in the development of a detailed and explicit set of qualifications, based on the size of the project, regarding the needed level of experience to be a qualified project manager.

According to Mr. Savage, the DoIT was also developing project delivery framework, which would support the Project Oversight Committee. In fact, he stated that the entire Project Oversight Unit would largely support the existing Project Oversight Committee. Mr. Savage indicated that at the present time



that Committee could only review projects with a cost of \$500,000 or above, based on a lack of staff.

Mr. Savage supposed that the Department could bill directly, but that was not industry practice in the oversight function. He explained that it would break down to billing one project for 1 hour and another for 1.5 hours. Billing could work that way and, if that was a strong issue for the Subcommittee, Mr. Savage said he would support direct billing rather than not funding the Unit.

Chairman Beers disagreed vehemently, and noted that it was standard industry practice to bill professional services hourly, and one of the burdens of being a professional service provider was the requirement to keep close track of service hours.

Assemblywoman McClain reminded the Chair that she had seconded the motion currently before the Subcommittee, and Chairman Beers asked whether there were further questions.

Chairman Beers explained that the position for which the federal funding had ceased would be eliminated. He noted that one position would be added to the Information Technology Division of the Department of Administration, and he asked whether that position would act as an accountant. Mr. McTeer explained that the requested position would be an Information System Manager, which would do both accounting-type work as well as providing IT oversight. Chairman Beers asked whether all projects contained line items for oversight. Mr. McTeer stated that project budgets had project management costs built-in, but did not contain line items for project oversight. Presumably, said Chairman Beers, part of that project management cost would be project oversight. Mr. McTeer replied in the affirmative.

Chairman Beers pointed out that projects had been developed without anticipating formation of the Project Oversight Unit. Mr. Savage stated that was correct.

Senator Coffin indicated that after reading the audit report, one of the main issues of the audit was the overtime pay, and he asked whether any of the requested positions would address the overtime issue. Mr. Savage asked whether Senator Coffin was referring to the requested security positions or the new Unit. Senator Coffin asked whether the requested positions would address the issue of overtime across-the-board within the DoIT. Mr. Savage stated that the new positions requested for the Security Unit would significantly decrease the amount of overtime. Senator Coffin asked about the positions for the Project Oversight Unit. Mr. Savage explained that there was not a significant amount of overtime currently in the project management and project oversight functions. Senator Coffin noted that there was a position that would be eliminated because of the lack of federal funding, and he asked whether that person would fill another position. Mr. Savage stated absolutely, the person who held that position was extraordinarily well-qualified and if the Project Oversight Unit were approved, that individual would work in the Unit. Senator Coffin asked that DoIT keep in mind that the audit addressed the issue of overtime.

Assemblyman Hettrick believed that Mr. Savage had made a reasonable case that the Project Oversight Unit would save money but, at the same time, he stated he had a problem with how the Unit would be funded. Mr. Hettrick stated he could not see why a 1.5 percent assessment would be placed on

videoconferencing, and he wondered if there was an alternate method to pay for the Unit. Mr. Hettrick said Mr. Savage had made a reasonable case regarding the DoIT's ability to save money with establishment of the Unit, but the State would pay an assessment for the Unit, which the Subcommittee did not view as a savings but rather as a loss.

Mr. Savage proposed that the federally-funded position be eliminated, which would reduce the number of staff from 4 to 3, and change the funding source to align with Chairman Beers' recommendation that the DoIT direct bill the projects. Chairman Beers suggested that the Database Management Specialist position also be eliminated. Mr. Savage indicated that would reduce the total staff for the Unit to 2. Chairman Beers stated that was correct and the Unit could direct bill, and staff could track the Unit's utilization. Chairman Beers agreed that Mr. Savage made a compelling case regarding the potential to save money if the Unit were utilized. Mr. Savage stated that would certainly be better than not funding the Unit, however, the Unit would save more money and accomplish more with 3 positions rather than 2.

Mr. Hettrick asked whether the DoIT would be satisfied with 3 positions for the Project Oversight Unit. The DoIT could then approach the 2007 Legislature and show how the Unit had specifically participated in projects and saved money for the State. He asked whether the DoIT was confident that it would be able to approach the 2007 Legislature with a report that indicated the savings had paid for that third position. Mr. Savage stated that was exactly what he had in mind. He pointed to the evolution of the Security Unit, which originally consisted of 3 positions, and proof of what those positions had accomplished over the last biennium was identified in great detail. In terms of avoiding costs, that would involve some estimates, but Mr. Savage stated the DoIT would make those estimates explicitly based on the Project Oversight Unit's suggestions, and the DoIT would estimate how much money those suggestions saved the project.

Chairman Beers asked Assemblywoman McClain to rescind her second of the original motion, and she concurred in that request. The Chair then asked Mr. Hettrick to withdraw his original motion and make a new motion.

ASSEMBLYMAN HETTRICK MOVED THAT THE SUBCOMMITTEE:

1. APPROVE THE REQUEST TO ESTABLISH THE PROJECT OVERSIGHT UNIT WITH 3 POSITIONS ASSIGNED TO THAT UNIT, AND THAT THE SERVICES OF THE UNIT BE DIRECTLY BILLED.
2. APPROVE DECISION UNIT E-277 AT A MANAGEMENT ANALYST II CLASSIFICATION LEVEL.
3. APPROVE TECHNICAL ADJUSTMENTS AS RECOMMENDED BY STAFF.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**DoIT APPLICATION DESIGN AND DEVELOPMENT UNIT, BA 1365**

Mr. Raxter explained that there were several closing issues in BA 1365. The first was a recommendation from the Governor to decentralize current staff who worked on the Nevada Operations Multi-Automated Data Systems (NOMADS) and the Unified Nevada Information Technology for Youth (UNITY) system for the Welfare Division and the Division of Child and Family Services of the Department of Human Resources (DHR). Mr. Raxter stated the recommendation would transfer 33 programming, database administration, and technical services positions dedicated to the NOMADS program to the Welfare Division, and transfer 2 database administration positions dedicated to the UNITY system to the Division of Child and Family Services.

The second closing issue, stated Mr. Raxter, was a recommendation to change the billing methodology for the hourly billable services within BA 1365. Hourly billable services included programming, database administration, project management, and quality assurance. Mr. Raxter stated that the recommendation was to bill agencies based on their budgeted funding for those services. At the end of the biennium, a comparison to the actual expenditures for those services for individual agencies would be performed, and a true-up or roll forward adjustment would be made in the following biennium. Mr. Raxter stated that the DoIT indicated that the recommendation had been proposed because of the cash flow situation in BA 1365 and the high volatility of requests for utilization of the services.

Mr. Raxter indicated that other closing items included a recommendation by LCB staff to adjust the Reserve to a 60-day operating level.

Chairman Beers advised that he would entertain a motion that the Subcommittee approve decentralization of NOMADS and UNITY staff; not approve the new billing methodology and continue billing for direct services; and other closing items as recommended by staff.

ASSEMBLYWOMAN McCLAIN MOVED THAT THE  
SUBCOMMITTEE:

1. APPROVE DECENTRALIZATION OF NOMADS AND UNITY PROGRAMMING, DATABASE ADMINISTRATION, AND TECHNICAL SERVICES POSITIONS.
2. NOT APPROVE THE RECOMMENDATION FOR MODIFICATION OF BILLING METHODOLOGY AND CONTINUE BILLING FOR DIRECT SERVICES.
3. APPROVE OTHER CLOSING ISSUES AS RECOMMENDED BY STAFF.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**DoIT COMPUTING DIVISION, BA 1385**

Mr. Raxter stated there were several closing issues in BA 1385, and the first was a recommendation for a new Management Analyst III position and 2.5 Computer Systems Programmer positions. Mr. Raxter noted that the Management Analyst III position was being recommended to implement and maintain service level agreements for the Computing Division and the Data Communications Division. Those agreements would be with customer agencies who utilized the services of the two divisions. Mr. Raxter indicated that the position would also conduct research in support of hardware and software investments, monitor external contracts, and conduct studies of existing departmental services with similar services that were being provided in the private sector. The position would also spend approximately 25 percent of the time on budget preparation and implementation, and financial transaction monitoring for the two divisions. Mr. Raxter noted that the budget preparation and financial transaction monitoring duties appeared to duplicate similar functions that were being performed within the Fiscal and Rate Development Units within the Director's Office.

One Computer Systems Programmer position was being recommended for the Internet Services section, which hosted servers for email and Web application. Currently, stated Mr. Raxter, the DoIT hosted approximately 40 servers for various State agencies and the recommendation in The Executive Budget anticipated an increase to approximately 100 servers over the biennium. Mr. Raxter noted that the DoIT proposed to change the rate structure for server hosting and, in lieu of one rate for all types of server hosting, the recommendation was for three different rates: 1) Complete level of service; 2) Basic level of service; and 3) One level of service between those two. Based on that, said Mr. Raxter, it did appear that there would be an increase in utilization and a need for the requested position.

Mr. Raxter stated that the second Computer Systems Programmer position was being recommended to support the Linux operating system that would be running on the new mainframe computer. The DoIT proposed the establishment of a virtual server on the existing mainframe with the Linux operating system.

Mr. Raxter indicated that the last Computer Systems Programmer position was the recommendation to increase an existing position from half-time to full time. That position was recommended due to increases in workload in mainframe performance monitoring, maintenance of system performance, and monitoring tools.

The next closing issue in BA 1385, said Mr. Raxter, was a recommendation by the Governor to provide funding for a virtual tape storage facility, which would serve as a second disaster recovery site for the DoIT. The site would be located in southern Nevada and the equipment would provide almost real-time replication of data as it was entered into the computer system, thereby preventing a loss of data in the event that mainframe computer resources at the computer facility failed.

Mr. Raxter advised that the DoIT indicated that the recommendation would represent phase II of its three-phase plan for business continuity and disaster recovery. Currently, the DoIT contracted with an outside vendor to provide disaster recovery backup sources. Mr. Raxter noted that the site was located in Colorado and, in the event of a disaster, one of the problems would be that the backup material had to be physically transported to the out-of-state disaster

recovery site to continue operations. The proposal for the virtual tape storage facility would allow equipment to reside in-state, within the control of the DoIT, and allow for recovery of data.

Mr. Raxter indicated that the actual cost for the system was approximately \$300,000 in the first year of the biennium and \$442,000 in the second year, plus there was a \$1.8 million General Fund appropriation in BA 1325, under the Department of Administration, for the system. The total cost would be approximately \$2.5 million, with ongoing costs of approximately \$200,000 in FY2007 and approximately \$350,000 in FY2009.

Mr. Raxter explained that the third major issue in BA 1385 was the recommendation to increase the mainframe capacity through an additional processor. The DoIT had indicated that mainframe utilization would reach 85 percent of current capacity in March 2006, which was the logical upgrade point for mainframe resources, considering daily and monthly fluctuations in usage. Mr. Raxter noted that the recommendation basically represented a purchase of additional software licensing associated with activating the additional processor.

According to Mr. Raxter, the last major issue in BA 1385 was a recommendation for a single sign-on application, which would allow State agency users and multiple State computer systems to have one user identification and password for the sign-on process to access those multiple systems. The recommendation for funding was \$437,000, which was based on 10,000 users. Mr. Raxter said that in discussion with the DoIT, the analysis for the project was in the early stages and there might be some changes in technology before the project was actually recommended for implementation. The estimate of 10,000 users was probably high because the Department had indicated that not many users would initially be placed on the application. Mr. Raxter noted that the DoIT estimated that there would be approximately 2,000 initial users. Staff would recommend that, if the Subcommittee approved funding for the application, the costs be reduced to reflect the 2,000 users, and that the cost be reduced to reflect utilization of existing hardware resources for the development and production of the application.

Mr. Raxter indicated that other closing issues within BA 1385 included the recommendation to adjust the Reserve to the 60-day operating expenditure level. Decision Unit E-279 contained a recommendation by the Governor for funding of \$66,000 in FY2006 and \$70,000 in FY2007 for standby pay for computer facility staff. Basically, that recommendation represented providing standby pay for 24-hour, 7-day-a-week coverage for each of the 7 functional areas within the computer facility. Mr. Raxter stated he had received information from the DoIT that indicated it currently utilized call-back pay when existing staff had to return to the computer facility to deal with issues. There had been 16 instances of staff call-back in FY2004 and, based on that information, Mr. Raxter stated it did not appear that the agency had provided sufficient justification for budgeting standby pay for that level of coverage in the 7 functional areas.

Regarding Decision Units E-730 and E-731, Mr. Raxter stated they were related to the building expansion project, which was a Capital Improvement Project (CIP) that had been approved by the 2003 Legislature for expanding the computer facility. In November 2004, the State Public Works Board (PWB) prepared to award bids for the project, however, the bids had come in at a considerably higher level than the construction funding approved for the project.

Mr. Raxter explained that the PWB had returned to the 2005 Legislature and requested additional funding for the project; that funding was approved by the 2005 Legislature via A.B. 204. Because of the delay, Mr. Raxter recommended an adjustment to the additional utility costs for that building addition. The recommendation was to reduce utility costs by \$44,000 in FY2006. Information provided by the PWB indicated that the revised completion date for the building addition would be July 2006.

Assemblywoman McClain wanted everyone to understand how much work had gone into the recommendations from staff and the review by the Subcommittee, even though the Subcommittee did not always follow the recommendations from staff.

ASSEMBLYWOMAN      McCLAIN      MOVED      THAT      THE  
SUBCOMMITTEE:

1. NOT APPROVE THE ADDITION OF THE NEW MANAGEMENT ANALYST III POSITION AND ONE NEW COMPUTER SYSTEMS PROGRAMMER POSITION; APPROVE THE POSITION RECOMMENDED FOR THE INTERNET SERVICES SECTION; APPROVE THE RECOMMENDATION TO INCREASE THE EXISTING HALF-TIME COMPUTER SYSTEMS PROGRAMMER POSITION TO FULL TIME.
2. APPROVE THE FUNDING TO ESTABLISH A SECOND DISASTER RECOVERY SITE AND DISCONTINUE THE CONTRACTED SERVICES FOR THE OUT-OF-STATE SITE, AND REPAY THE GENERAL FUND OVER A 4-YEAR PERIOD.
3. APPROVE FUNDING FOR EXPANSION OF THE MAINFRAME CAPACITY AS RECOMMENDED BY THE GOVERNOR.
4. NOT APPROVE THE RECOMMENDED FUNDING IN FY2007 FOR A SINGLE SIGN-ON/AUTHENTICATION PROGRAM.
5. APPROVE OTHER CLOSING ITEMS AS RECOMMENDED BY STAFF WITH THE EXCEPTION OF DECISION UNIT E-279: NOT APPROVE AN INCREASE IN STANDBY PAY AND DIRECT THE AGENCY TO CONTINUE UTILIZATION OF CALLBACK PAY AS NEEDED.

Chairman Beers referenced the recommendation regarding new positions, and noted that one position was proposed to support the Linux operating system on the new mainframe computer, and that position would not be approved in the motion, however, one new position and the increase of the half-time programmer position to full time would be approved in the motion. Ms. McClain stated that was correct. Chairman Beers stated that the second disaster recovery site included funding for the virtual tape storage equipment and the motion included the "wish" that at some point the Colorado vendor would be eliminated; Ms. McClain stated that was correct. Chairman Beers pointed out that the elimination of the out-of-state vendor would probably not occur until phase III of the project was completed in the future. Ms. McClain stated that she understood the time frame.

The Chair called for a second to the motion before the Subcommittee.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

Mr. Savage explained that it was the DoIT's intent to eliminate the Colorado site as soon as the process was complete and the new facility was fully operational. He stated he would seriously recommend that the Subcommittee consider approval of the programmer position to support the Linux system. Mr. Savage stated that the position would mainly support the agencies that wanted to use Linux because it was frequently a lower cost option than the other systems. The DoIT would like to provide that service on the mainframe, and Mr. Savage recommended that the motion include approval of that particular position.

Chairman Beers agreed that use of the Linux system was a good idea, but the Subcommittee believed that the DoIT could handle the support for the system with existing staff. There were currently no customers utilizing that operating system and the request appeared to be to get the system up and running. Chairman Beers believed that a position would make more sense as the demand increased.

Senator Coffin expressed his interest in the area, and noted that the Subcommittee had heard much testimony regarding the "soft walls" around Microsoft products. He believed that the Subcommittee should foster any recommendation that would initiate a culture that supported alternative software. The Subcommittee should encourage agencies to begin to think outside Microsoft. Senator Coffin stated that Microsoft was so monopolistic that the State would continue to utilize those programs unless customers drove the demand for other programs, and utilization of the Linux operating system would ensure use of other programs.

Chairman Beers pointed out that there were State agencies that had Linux system up and running. Senator Coffin believed that there should be more agencies utilizing the Linux system. Chairman Beers concurred, and noted that it was a good plan and he would encourage the DoIT to get the system up and running and locate users, however, at the present time there were no users for the system.

Mr. Savage stated that the DoIT had some users for the Linux system and it could support some additional usage, but the Department could do a better job and encourage migration more quickly if it had a position assigned to that job, rather than simply being "other duties as assigned" for current employees. Mr. Savage believed it would be a more efficient migration if there was a position focused on the task. He stated that he would defer to the judgment of the Subcommittee, but reiterated that the DoIT could do a better job if it had the position as that would make Linux conveniently available to users.

Chairman Beers pointed out that the motion would increase the programming staff by approving the increase of the half-time programmer position to full time. Senator Coffin stated he wanted to see a "missionary" in place for the Linux system—a person with zeal who could help lead the State into the next decade.

Chairman Beers explained that the position's job would revolve around an IBM box, and IBM was at least as proprietary, if not more so, than Microsoft. Senator Coffin stated that was his idea and he wanted to promote forward thinking. Chairman Beers encouraged the DoIT to bring the Linux box up and find some users for the system. There were agencies in the State currently running Linux and, approximately 2 years ago, those agencies had described the experience of getting approval as akin to pulling teeth. Chairman Beers said it was exciting to see Linux available on the mainframe.

Mr. Savage asked whether it would be acceptable to request the additional Computer Systems Programmer position through the Interim Finance Committee (IFC) if a consumer base was actually developed for the Linux system. Senator Coffin asked whether the motion could be amended to include that request. Chairman Beers said he would entertain a motion.

SENATOR COFFIN MOVED TO AMEND THE ORIGINAL MOTION TO RESERVE FUNDING FOR ONE COMPUTER SYSTEMS PROGRAMMER POSITION AND ALLOW THE DoIT TO APPROACH THE IFC AFTER ESTABLISHMENT OF A CUSTOMER BASE.

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, LCB, indicated that a determination would have to be made regarding whether funding for the position should be reserved and built into the rate model, but not used until the customer base had been established, or whether it should be funded from the Reserve. Chairman Beers opined that the position could be funded from the Reserve.

Mr. Savage believed that the simplest method would be to fund the position through the rates, but not grant the authority to spend the funds without approval from the IFC.

Assemblywoman McClain asked which assessment would pay for the position. Chairman Beers noted that it was Senator Coffin's motion, and he asked how the position should be funded. Senator Coffin believed that the DoIT should be given 2 years to develop the consumer base and the position should be funded from the Reserve. He believed that approval of the position to support the Linux system would send a message to all agencies from the Subcommittee. Senator Coffin believed that a period of 2 years would lessen the pressure on the DoIT, and the money would revert at the end of the biennium. Chairman Beers stated it was a balance forward fund.

Chairman Beers asked whether the motion would be to approve the position contingent upon approval by the IFC and fund the position from the Reserve rather than the rate model. Senator Coffin stated that was correct.

SENATOR COFFIN MOVED TO AMEND HIS MOTION TO APPROVE FUNDING FOR ONE COMPUTER SYSTEMS PROGRAMMER POSITION, WHICH WOULD BE FUNDED FROM THE RESERVE, AND ALLOW THE DoIT A PERIOD OF 2 YEARS TO ESTABLISH A CUSTOMER BASE AND APPROACH THE IFC FOR FUNDING FOR THE POSITION.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chairman Beers announced that the original motion before the Subcommittee had been amended to include the programmer position to support the Linux position, contingent upon approval of the IFC, with funding not included in the rate model. The Chair noted that the original motion would stand with the exception of the amendment, and he called for a vote on the original motion.

THE ORIGINAL MOTION, AS AMENDED, CARRIED UNANIMOUSLY.



BUDGET CLOSED.

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**DoIT DATA COMMUNICATIONS AND TECHNICAL SERVICES, BA 1386**

Mr. Raxter stated that the closing issue in BA 1386 was the decentralization of UNITY help desk staff, which included 10 positions currently within the DoIT who were dedicated exclusively to providing help desk services for the UNITY program within the Division of Child and Family Services, DHR.

Mr. Raxter recommended an adjustment to the reserve to reflect 60 days operating expenditures. There were no other closing items in BA 1386.

Chairman Beers indicated that the rate charged was computed by the dollars spent divided by the output produced, and after transferring out the 10 help desk positions, the billing rate on PC/LAN Technician service would increase from \$46 to approximately \$78 in FY2006 and \$93 in FY2007. Chairman Beers asked which one of the two variables had changed.

Mr. Savage explained that the figures reflected what had occurred in the programming unit with the decentralization. It had been consistently observed that dedicated people, either technicians or help desk persons, tended to bill at a consistently higher number of hours than did people who were on call. Mr. Savage said the bottom line was if there was a group that consisted of mainly full-time dedicated people and a small fraction of on call people, essentially the blended rate would result in the full-time people subsidizing the on call people. Mr. Savage explained that when the full-time dedicated people were pulled out, what was left was the residual, who were the people who had a higher component of downtime because they were on call and did not have duties that could be billed every day. Mr. Savage emphasized that those people were not idle, but they did not have as reliable a billable rate as did the dedicated positions who would be decentralized. Mr. Savage said that was one of the arguments against decentralization.

Chairman Beers asked whether the answer to the rate increase was not to approve the transfer of the 10 positions dedicated to UNITY. Mr. Savage said that was not necessarily the answer because the total dollars would be the same. If the positions remained in DoIT, then UNITY would pay more to the Department and the rate for the remaining PC technicians would decrease, but if the positions were decentralized, the UNITY costs would go down and the rate for the PC/LAN Technician service would increase. Mr. Savage stated that the total dollar amount would not change. The question regarding decentralization was whether to pool resources and accept the loss of some federal funding.

Chairman Beers stated that removal of the dedicated positions would reduce the number of billable hours and cause an increase in the rate. The unknown was what the level of utilization would be for the remaining positions. Mr. Savage said the DoIT tracked the level of utilization and could provide that information to the Legislature over the biennium. Chairman Beers indicated that would be useful.

The Chair stated he would entertain a motion to approve the transfer of the 10 positions dedicated to the UNITY program, and close the budget as recommended by staff.

ASSEMBLYMAN SEALE MOVED THAT THE SUBCOMMITTEE APPROVE THE TRANSFER OF 10 TECHNICAL SERVICES POSITIONS DEDICATED TO THE UNITY PROGRAM TO THE DIVISION OF CHILD AND FAMILY SERVICES, DHR, AND CLOSE OTHER ITEMS AS RECOMMENDED BY STAFF.

ASSEMBLYWOMAN McCLAIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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#### **DoIT TELECOMMUNICATIONS, BA 1387**

Mr. Raxter stated there were no major closing issues in BA 1387. There were several decision units that requested additional equipment, an upgrade of the telephone switches in Carson City and Las Vegas, and to provide additional capacity on the State telephone system to accommodate the increased number of State telephone users.

Chairman Beers stated he would entertain a motion.

ASSEMBLYMAN HETTRICK MOVED TO CLOSE BA 1387 AS RECOMMENDED BY STAFF.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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#### **DoIT COMMUNICATIONS, BA 1388**

Mr. Raxter stated that there were no major closing issues in BA 1388, and staff recommended adjusting the Reserve to 60 days operating expenditures. Mr. Raxter noted that Decision Unit E-712 was a recommendation for funding to replace three existing vehicles. During the 2003 Legislature, the DoIT received approval for funding to replace two existing vehicles at that time. Mr. Raxter indicated that the agency had purchased two new vehicles, however, it had not disposed of any vehicles. The current inventory indicated a fleet of 16 vehicles, which was an increase of 4 vehicles over what had been presented to the 2003 Legislature. Mr. Raxter recommended that only 1 of the 3 vehicles recommended for replacement be approved by the Subcommittee.

ASSEMBLYMAN SEALE MOVED TO CLOSE BA 1388 AS RECOMMENDED BY STAFF.

Chairman Beers suggested that the single vehicle be funded out of the proceeds from the sale of the surplus vehicles.

Patrick Sheehan, Information Systems Manager I, DoIT, explained that the DoIT previously did not have a process in place for disposing of old vehicles, but one had been put into place and the old vehicles would be disposed of.

ASSEMBLYWOMAN McCLAIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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Chairman Beers asked whether Mr. Savage could provide a new rate sheet to the Subcommittee within one week. Mr. Savage asked Ms. Person to address that issue. Ms. Person stated that she had worked with LCB staff regarding initial feedback containing the exact dollar amounts, and had committed to providing rates by April 29, 2005, based on what was approved in the budget today with the Governor-recommended utilizations. She did not know if the utilizations for the other Departments would be available by Wednesday. The rates would be provided in two phases, with initial rates available on April 29, 2005, and the second and final version available after receipt of the final closing utilizations of all agencies.

With no further business to come before the Subcommittee, Chairman Beers adjourned the meeting.

RESPECTFULLY SUBMITTED:

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Carol Thomsen  
Committee Attaché

APPROVED BY:

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Senator Bob Beers, Chairman

DATE: \_\_\_\_\_

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## EXHIBITS

**Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government**

**Date:** April 21, 2005

**Time of Meeting:** 8:00 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda