

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

**Seventy-fourth Session
March 8, 2007**

The Joint Subcommittee on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order at 8:04 a.m. on Thursday, March 8, 2007. Chair Bob Beers presided in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Bob Beers, Chair
Senator Dean A. Rhoads

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman Kathy McClain, Chair
Assemblyman Tom Grady
Assemblyman Joseph P. (Joe) Hardy
Assemblyman Joseph Hogan
Assemblywoman Ellen Koivisto
Assemblyman David R. Parks

SUBCOMMITTEE MEMBERS ABSENT:

Senator Bob Coffin (Excused)

GUEST LEGISLATORS PRESENT:

Assemblyman Mo Denis, Assembly District No. 28

STAFF MEMBERS PRESENT:

Steven J. Abba, Principal Deputy Fiscal Analyst
Rick Combs, Program Analyst
Rex Goodman, Program Analyst
Larry L. Peri, Principal Deputy Fiscal Analyst
Jo Greenslate, Committee Secretary

OTHERS PRESENT:

Dave McTeer, Chief, Division of Information Technology, Department of Administration
Robert Chisel, Assistant Director, Administration, Nevada Department of Transportation
Grant Reynolds, Assistant Division Chief, Information Technology Division, Department of Administration
Andrew Clinger, Director, Department of Administration
Alexander Haartz, Administrator, Health Division, Department of Health and Human Services

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 2

Luana J. Ritch, Ph.D., Chief, Bureau of Health Planning and Statistics,
Department of Health and Human Services
Ernesto Hernandez, Information Systems Program Manager, Health Division,
Department of Health and Human Services
Jean Gunter, Program Manager, Office of Vital Records, Health Division,
Department of Health and Human Services
Pamela B. Wilcox, Administrator, Division of State Lands, Department of
Conservation and Natural Resources
Holly C. Smith, Agency Program Information Specialist, Division of State Lands,
Department of Conservation and Natural Resources
Tim Tetz, Executive Director, Office of Veterans' Services
Jeffrey T. Fuhler, Computer Network Specialist, Office of Veterans' Services
Sally P. Elloyan, Deputy Commissioner, Division of Insurance, Department of
Business and Industry
Mendy K. Elliott, Director, Department of Business and Industry
Carol L. Saunders, Administrative Services Officer, Division of Insurance,
Department of Business and Industry

CHAIR BEERS:

The first budget account (B/A) we will discuss is 101-1325, and the first project is the radio system enhancement.

FINANCE AND ADMINISTRATION

ADMINISTRATION

Information Technology Projects – Budget Page ADMIN-36 (Volume I)
Budget Account 101-1325

DAVE McTEER (Chief, Division of Information Technology, Department of Administration):

You have been provided a handout entitled "Department of Administration Information Technology Division" ([Exhibit C](#)). Would you like me to discuss the replacement routers first or the radios?

CHAIR BEERS:

Does anyone have questions regarding the routers in decision unit E-719?

E-719 Replacement Equipment – Page ADMIN-37

Since there are no questions, we will move to the radio system enhancements. This is my concern: of the 11 radio sites in the project, 6 are unfinished, and now you are requesting funding to build more. In a hearing last week, the Department of Public Safety (DPS) indicated the system is not working. Many of their employees are carrying two radios which means we are unable to give the old system to a local government consortium who expressed an interest in taking it over.

ROBERT CHISEL (Assistant Director, Administration, Nevada Department of Transportation):

You are correct. We have not completed all of the 11 sites we have been working on since 2003. There have been a number of delays with the Bureau of

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 3

Land Management (BLM). We are on the cusp of completing most of the remaining sites as soon as the snow melts. Most are online with the exception of a couple of sites with flora and fauna issues. We are awaiting a determination from the BLM to ensure we can move forward. Most of the other sites have been completed or are close to completion. We distributed a handout entitled "State of Nevada Fiscal Year 2008-2009 Radio System Enhancement" ([Exhibit D](#), original is on file in the Research Library). On page 4 of [Exhibit D](#), there is a chart giving a brief status of the sites included in the prior requests.

One reason we are requesting additional sites is because the Nevada Highway Patrol (NHP) needs additional coverage throughout the State. The State is large, with 110,000 square miles of mountainous terrain.

CHAIR BEERS:
At 800 megahertz (MHz), are radio waves small?

MR. CHISEL:
All radio waves are small.

CHAIR BEERS:
In 2003, this plan was going to be sufficient.

MR. CHISEL:
This is an ongoing, living system. I am not sure this system will ever be completely finished. As the State continues to grow, we will continue to add channels at equipment sites. As the public safety field changes, there will be a need for data communications. Additional types of communications will be necessary as technology changes, and the needs will determine the type of radio system implemented.

CHAIR BEERS:
Do you anticipate completion of all sites before the end of session?

MR. CHISEL:
No, I do not. Reviewing the list, on page 4 of [Exhibit D](#), of the sites not completed, the building and tower are finished at Penn Hill. We need approximately two months after the snow melts to complete the site. The utility company needs approximately one month to supply power to the site. After that, it will take about a month to get the equipment tuned up. The equipment is ready to go to the mountaintop.

CHAIR BEERS:
The spring of 2007 is incorrect?

MR. CHISEL:
No, it depends on when the snow melts. I was hoping we would not get as much snow as we had a week and a half ago, but we will be close to completion by June. Mount Irish, or the Rachel/Coyote Summit area, is closer to completion since it is farther south. The Air Force is in the process of upgrading their power units at the site so we can place our equipment. We will be within one or two months of completing that site. The Caliente site tower and building are ready. The tower needs to be erected and put into place, and we are unsure

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 4

of how long that will take. Issues with the soil seem to be causing a delay. They are waiting for the soil to dry out before erecting the tower.

CHAIR BEERS:

Do you anticipate spring of 2007 for completion of the Caliente project?

MR. CHISEL:

Yes, that is realistic. The sites that may be delayed are the Timber Mountain site and Big Bald Mountain on the Shoshone site. The BLM wants to perform another survey to verify which species of flora and fauna are in the area at different times of the year to ensure we are not disturbing anything inappropriately. The buildings are ready to go, the towers and power plants are on order, but we are still waiting for the BLM which is pushing the completion date into late June.

CHAIR BEERS:

Where is that located?

MR. CHISEL:

Timber Mountain is west of Sunnyside if you are traveling on U.S. Highway 93 (U.S. 93) from Las Vegas toward Ely. From Nevada Highway 318 (SR 318) it is on the east side of the State. Big Bald Mountain, or Buster, is west of Ely on U.S. Highway 50 (U.S. 50), the second summit over. Timber Mountain is a primitive site in Nye County with limited equipment and power plants. We are going to move the site staff into the building where we plan to store our equipment and share a tower.

CHAIR BEERS:

Would that provide coverage for a large portion of U.S. Highway 6 (U.S. 6)?

MR. CHISEL:

It would cover a large portion of U.S. 6 and SR 318. The coverage map, on page 23 of [Exhibit D](#), indicates it takes the most powerful site. There is some coverage on U.S. 6 from a current site and a Warm Springs site. There is not as large an area without coverage on U.S. 6 as appears on the map. State Route 318 actually has more traffic than U.S. 93 in that area.

CHAIR BEERS:

Where is Big Bald Mountain?

MR. CHISEL:

It is west of Ely.

CHAIR BEERS:

Have you applied for a permit from the BLM?

MR. CHISEL:

Yes, and we plan to have the Big Bald Mountain site completed by spring of 2007.

CHAIR BEERS:

Has the BLM had a change of policy?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 5

MR. CHISEL:

If the BLM issues the permit, the BLM office in Ely said we should receive it early this year. It is a basic site; it is not high level and has an existing road.

CHAIR BEERS:

I do not see on the map where there is enhanced coverage. Is it one of the top ten priorities?

MR. CHISEL:

When we prioritized the top ten, our criteria did not include former sites. We chose new additional sites.

CHAIR BEERS:

Does this map assume these six unfinished projects are operational?

MR. CHISEL:

That is correct.

CHAIR BEERS:

The current coverage is worse than this map shows. Is that correct?

MR. CHISEL:

The map, on page 22 of [Exhibit D](#), indicates the sites in blue are operational, and some of the sites in orange are operational, such as Trident and Hickison. The completed sites include more than the areas in blue but not all of the areas in orange. Shoshone Fitzpatrick is near Manhattan. It is a low-level hillock outside Manhattan with good jeep-trail access. We have been there and staked the site. The BLM wants to confirm the growth cycles of different plant species. It overlooks Round Mountain Gold and the surrounding area.

CHAIR BEERS:

Do you currently have 800 MHz coverage in Hadley?

MR. CHISEL:

We have a maintenance station north of Hadley. It is a low-level site that gives limited coverage only to Hadley.

CHAIR BEERS:

It sounds as though finishing the full six uncompleted projects by spring of 2007 is a little ambitious because they are dependent upon the BLM acting quickly and positively.

MR. CHISEL:

Three of the sites are tenuous; completion of the other three sites is realistic.

CHAIR BEERS:

Has there been any improvement over the last four years in the vendors' ability to make the systems interoperable?

MR. CHISEL:

Interoperability is the billion-dollar buzz word of the radio communication world. It depends upon what interoperability is and what the user wants.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 6

CHAIR BEERS:

Interoperability is facilitated by a Project 25 (P25) or open-published standard for our communications protocol. It should be here. It was available for computers ten years ago.

MR. CHISEL:

The federal and national systems are not to the point of open protocols in which you can buy any system and install it. I do not see it coming any time soon. As you know, P25 was implemented approximately 20 years ago only for user radios which provided nothing other than more expensive radios. It does not help with the backbone in the infrastructure, and they have not promulgated any standards on the backbone so far. The two major vendors and the other vendors all seem to be going their own way.

CHAIR BEERS:

Twenty-five years ago, with my Ham Radio Handitalk, I had interoperability. There are methods of interoperability. Are you not pursuing that right now?

MR. CHISEL:

Yes, we are pursuing interoperability with local agencies, the federal government, other states and tribes.

CHAIR BEERS:

What about interoperability between the two radio systems we own?

MR. CHISEL:

Are you referring to the two systems between the NHP and the Nevada Department of Transportation (NDOT)?

CHAIR BEERS:

I am referring to the old NHP system and the new NDOT system.

MR. CHISEL:

We have discussed common channels in the rural sites between the 150 MHz and 800 MHz systems, linking them through our Integrated Multi-site Controller (IMC). The IMC does not care what frequency we use. The IMC is basically the brain behind the radio system controller. We have discussed linking the systems between the two and doing cross-connects at dispatch or other locations. The issue for the NHP is a current ability to talk back-and-forth among NHP officers; their 150 MHz goes back to their dispatch console.

Our more immediate need is to gain interoperability communications between other systems, whether it is Washoe County, the new Las Vegas Metropolitan Police Department (Metro), the Southern Nevada Area Council or countless county systems. We are working with the Nevada Communications Steering Committee, the Nevada Commission on Homeland Security working group and other groups on interoperability. We have a few ideas. There is a Request for Proposal (RFP) being worked on with the federal grant for interoperability, and I am working with the Department of Information Technology (DoIT) and other State and local agencies. We have had some successes. The Washoe County system and our system are 100-percent linked. We have a Stargate connection between the two systems. Our users roam back-and-forth on each other's

systems. As long as their radio is programmed appropriately, we can all go to common-talk channels.

The Metro is developing a new system, and they have indicated they are going to engineer connections with our system. We hope to have more interconnects with the Metro.

CHAIR BEERS:

Have any of the old pieces of equipment from the 150 MHz system been removed from mountaintops?

MR. CHISEL:

Yes. There are a couple of locations at which equipment was removed; one is Mount Potosi in Las Vegas. It has been shrink-wrapped and is being stored in the Southern Nevada Command Center for the NHP. We have not sold any of the transmitter or backbone equipment. We are awaiting direction from the Legislature on what to do with surplus equipment. We have also discussed using it for interoperability in the rural sites similar to what the Metro has done in Las Vegas.

CHAIR BEERS:

I have a bill to sell that system for \$1 to a consortium of interested local governments which I will probably amend to prohibit removing any additional equipment. Would there be a fiscal impact?

MR. CHISEL:

We would have to pay rental for rack space at each of those sites for the equipment if it stayed up.

CHAIR BEERS:

Could you put that number together for me?

MR. CHISEL:

It is approximately \$150,000 a year. The NHP is moving it to our budget beginning July 1, 2007.

CHAIR BEERS:

Now the plan is for another phase, which is apparently not the last, to erect another ten 800 MHz urban systems for \$7.5 million.

MR. CHISEL:

That is correct.

CHAIR BEERS:

Three of the sites are extender sites, or simple repeaters without the ability to eventually handle data. Is that correct?

MR. CHISEL:

That is correct.

CHAIR BEERS:

To achieve your goal of having data in the NHP cars, would we have to replace them eventually?

MR. CHISEL:

The Futurecom sites do not allow data to be transmitted through them. Only the Enhanced Digital Access Communications System (EDACS) sites allow data to be transmitted. At the other sites, they would either have to be upgraded in the future, or there would be no data transmission in those areas. They were selected to be Futurecom sites because they cost less and are in areas without a large amount of traffic. The reasoning is, the areas without a lot of traffic would not have much data transmission. To try to save money, we would go with the Futurecom.

CHAIR BEERS:

How are the costs developed for the \$7.5 million? Is each project a separate construction project?

MR. CHISEL:

Each of the line items was considered separately, and we tried to make an educated guess of the site construction costs. Without paying utility companies for the engineering, they will not give us firm quotations of the cost to bring power to the sites. We determined the cost of a solar plant at each location and assumed that would be the not-to-exceed amount. We would either go with solar or alternating current (AC) power. We also identified certain locations with lower construction costs and existing transmitter sites. We have had discussions about whether the city of Mesquite or a cellular provider would provide space at those locations for us. At times, we would have to provide our own generator or building, but they would share the location with us or rent it to us along with tower space. This is how we determined the cost of the sites. The other equipment was based on quotations and the historical costs of developing the site.

CHAIR BEERS:

When do you think the sites will be completed?

MR. CHISEL:

I can go through each of the sites and give you an estimated time of completion.

CHAIR BEERS:

Please go through them in reverse chronological order.

MR. CHISEL:

The last site to be completed would be the Garden Pass Table Mountain site. Unfortunately, there are no communication sites in rural areas, and we would have to build a new site. We are looking at the end of the 2007-2009 biennium. We are almost ready to submit permits early even though we do not have funding since it does not cost anything other than some staff time.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 9

CHAIR BEERS:

Do you have a bill to push any of the six uncompleted projects to the next biennium?

MR. CHISEL:

No, I do not.

CHAIR BEERS:

Three of the projects are hanging on BLM action?

MR. CHISEL:

That is correct. We are basing it on our experience last year when we were able to build the New Pass site on U.S. 50 and complete it in about 1.5 months after receiving the permit. In talking to the same crews, they are confident they can complete these projects in the same time frame.

CHAIR BEERS:

Presumably, you will update us on your permits approximately 1.5 months before the end of session.

MR. CHISEL:

I hope so. After the Garden Pass site, the next to be completed is the Topaz Ranch Estates (TRE) site. The TRE site is near Topaz Lake and is an undeveloped site. We are in discussions with Sierra Pacific Power Company to build a joint site in that location.

CHAIR BEERS:

In prioritizing these sites, how many negative points did you give if they already have 150 MHz coverage? I would presume there are some areas with no coverage at all.

MR. CHISEL:

That is correct.

CHAIR BEERS:

Were the areas with no coverage the highest priority?

MR. CHISEL:

As shown on page 4 of [Exhibit D](#), our priorities were based on urban locations and cities since cities generate car counts. Car counts generate NHP and NDOT communications. Those are the areas where the most communication is necessary, then interstate and U.S. highways and, finally, car counts. Many of these locations do not have 150 MHz coverage or radio communication.

CHAIR BEERS:

I do not see that listed as a criterion on page 4 of [Exhibit C](#).

MR. CHISEL:

No, we did not look at that as a criterion.

CHAIR BEERS:

Why not?

MR. CHISEL:

We were trying to create the 800 MHz system to cover the locations. The 150 MHz system, as determined through earlier discussions, would be utilized either for interoperability or for surplus, at the direction of the Legislature.

CHAIR BEERS:

I would think your goal would be to provide public safety officers with radio coverage of some kind before debating the merits of one system over another. My concern is the public safety mission may be getting lost in the bureaucracy.

MR. CHISEL:

Most of these locations do not have 150 MHz coverage. One of the things we explored was whether we could utilize any of the NHP sites to provide coverage for our system. However, they did not have sites in those areas. For example, the Pahrnatagat site on U.S. 93 at Alamo, where we are located, does not cover the Coyote Springs area.

CHAIR BEERS:

You generally need more elevation on an 800 MHz system than on a 150 MHz system. Is that correct?

MR. CHISEL:

Not necessarily. Mountains have a tendency to block radio waves no matter what the frequency is.

CHAIR BEERS:

Garden Pass and TRE are going to be completed last?

MR. CHISEL:

That is correct. Those are near the end of the planned sites. After that, the group that would be the next in order are the Yerington, Spaghetti Bowl and Star Peak sites. They are semi-developed sites, but still require enhancements to power. In the case of the Spaghetti Bowl site, Nevada Power Company is implementing a simulcast engineering study for the Las Vegas Valley. We will probably utilize this site as a component of that simulcast to provide better penetration with the Las Vegas Valley. We want to wait until their engineering study is completed.

Next would be the Pahrnatagat site. It is a virgin site; however, several entities are interested in building the site. Clark County and a cellular provider are interested, and we know the cellular provider has applied for a permit to build the site. We are in discussions with them and there is a capitalistic desire to build that site due to construction of homes in that area. Therefore, this site will probably be completed before some of the other virgin sites. After that, the Mercury, Mesquite, Mount Montgomery and San Jacinto sites have some existing infrastructure where we would be able to add buildings or go into existing buildings.

CHAIR BEERS:

Have you identified the next ten sites?

MR. CHISEL:

We have studied the entire State, and identified approximately 25 locations that would be needed with the criteria of 100-percent coverage of State routes, parks, lands, correctional facilities and sites dedicated to each city. However, this was more of a wish list of how the ideal built-out system would look. There are incredible diminishing returns when you try to provide coverage to every location. A good example would be trying to provide radio coverage over the entire route in Berlin where the Ichthyosaur State Park exists. I do not see that happening, at least not in the foreseeable future. We completed the study and determined these sites had the highest priority and best return on investment in terms of a large coverage area. Most of the other sites will be smaller and smaller patches where there are holes in the coverage. The next group would be small areas with low-traffic counts unless an area of the State starts growing, and we could change our priority.

CHAIR BEERS:

There is a philosophy that law enforcement is not for any kind of return. It is a core duty of government designed to protect our citizens' rights. Therefore, the term "diminishing return" does not have the same meaning it does in a road-benefit cost analysis.

CHAIR MCCLAIN:

I am curious about your priorities. The bill we heard the other day was for \$7.6 million. This lists \$4.4 million. Where is the missing \$3 million in your priorities?

MR. CHISEL:

The \$7.6 million request includes these sites which are the \$4.4 million to which you referred. It also includes requests for additional channels at a number of locations: Elko, Las Vegas, Reno and Carson City. Adding more channels means going to those existing sites and adding more talk capacity at those locations. It includes what we call bidirectional amplifiers which extend the coverage of a radio frequency over a fixed area. We were considering those for a couple of areas in Las Vegas where there are man-made structures causing interference.

CHAIR MCCLAIN:

If you do not get all these sites and if we take your top three priorities, you would not need the additional \$3 million. Is that correct? You would only need the proportion that would go with those three sites?

MR. CHISEL:

What we requested for the sites was only for those sites. If you took away the sites, the money for the sites would go away. The other money was put together solely for the other line items such as the additional channels. If you took away a site, such as the Mercury location, it would remove that money. We would still have the need for additional channel capacity at Elko Mountain, for example.

CHAIR MCCLAIN:

Is this all incorporated into one bill?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 12

MR. CHISEL:
That is correct.

CHAIR MCCLAIN:
If that bill does not pass, you will not get that either.

MR. CHISEL:
That is correct.

CHAIR MCCLAIN:
Have you ever researched a satellite link?

MR. CHISEL:
Yes, we have looked at satellites and have some satellite telephones. When radio technicians go to mountaintops, they take satellite telephones with them. There are difficulties with satellite telephones; they do not always work properly if there is severe snow or cloud cover. Additionally, sometimes the uplink is delayed which could be costly in a public-safety environment. We have had discussions with the California Division of Emergency Management which has purchased time on a satellite. We discussed sharing their satellite time for interconnecting emergency operation centers with the Highway Patrol Southern Command. It would still be fairly slow because satellite communications for data is not as rapid as fiber and other forms of communications.

CHAIR BEERS:
I would like to offer the Legislature's apologies to the NHP. We will continue to reinforce the urgency of your agency's mission. We will now address the Emergency Medical Services (EMS) Radio System Replacement Study shown on page 3 of [Exhibit C](#). The question here, Mr. McTeer, is why we are not going directly to the RFP? We know this is a 25-year-old analog system. Why are we going to pay someone \$150,000 to tell us that?

MR. MCTEER:
There are issues with this system in addition to its age and the cost of maintaining it. In many cases, the emergency medical technicians (EMTs) have bought their own radios. Replacing that system is not as easy as it first appears. We want to conduct engineering studies to determine the best system to accomplish the mission of the emergency medical service as well as to provide interoperability with other radio systems and keep it affordable. We will need to replace aging radios.

CHAIR BEERS:
If we approve the study, when do you anticipate spending money to fix the system? Would that be in the next biennium?

MR. MCTEER:
Yes, the intent is to conduct the study during the 2007-2009 biennium with a recommendation in the budget cycle to replace equipment during the 2009-2011 biennium.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 13

CHAIR BEERS:

We will discuss the Nevada Employee Action and Timekeeping System (NEATS) travel tracking enhancement listed on page 3 of [Exhibit C](#).

MR. McTEER:

This provides several enhancements to the tracking system. One of the most significant is integrating the Motor Pool Division's vehicle registration and accounting system enabling travelers completing their travel requests online to reserve a vehicle. Additionally, after the fact, it will provide an automated, more expeditious accounting and transfer of funds from that agency to the Motor Pool Division.

GRANT REYNOLDS (Assistant Division Chief, Information Technology Division, Department of Administration):

I will be the manager of this project when we move forward to implement it. This is another module within the NEATS application. The NEATS is the employee portal for employees to perform certain functions such as timekeeping and so forth. This module will be deployed into that portal to which employees will have access.

CHAIR BEERS:

Is it already substantially built?

MR. REYNOLDS:

Yes, it is.

CHAIR BEERS:

How many State agencies currently use the travel tracking system?

MR. REYNOLDS:

It has been piloted and fully implemented at the NDOT, and we are getting ready to stage it to other agencies. It will be implemented as agencies are able to incorporate it into their business process.

CHAIR BEERS:

Is it premature to add this module if you have not widely implemented the existing one?

MR. REYNOLDS:

The hope is to have a reasonable number of agencies onboard by the end of the year. Once it is available, it is a matter of turning it on for the agencies to use. We would set it up for them, and it could be phased in over time.

CHAIR BEERS:

Do the screens mimic the paper forms most agencies are currently using?

MR. REYNOLDS:

They are similar. It is fairly intuitive to understand how to complete the online form.

CHAIR BEERS:

Did it take long to move from trial to full implementation in the NDOT?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 14

MR. REYNOLDS:

It took a little time. It was built originally with heavy involvement with the NDOT since they travel a lot. There was an interim process to deploy the program, obtain feedback, modify and enhance it so it became more intuitive.

CHAIR BEERS:

How long did it take to go agency wide?

MR. REYNOLDS:

Once it was deemed production ready, it took approximately three months.

CHAIR BEERS:

When do you anticipate having half the State agencies on the system?

MR. REYNOLDS:

It will depend on the agencies and how quickly they want to adopt it. I would hope to have half the agencies on the system by December 2007.

CHAIR BEERS:

When do you think you will have all the agencies on the system?

MR. REYNOLDS:

Probably sometime soon after December 2007. Perhaps in three additional months we will have all State agencies on the system.

CHAIR BEERS:

Is it a front-loaded learning curve for the implementers?

MR. REYNOLDS:

We initially deploy it, then deploy it to more agencies, refine that process, clarify the portal so it is more intuitive to use and refine our training process. Once the project was approved, built and refined, the training at the NDOT consisted of approximately one-hour group training and a little one-on-one follow-up with individuals. Training is minimal, similar to that for time sheet preparation. Administrative staff is trained first in the approval process. As we continue to refine employee training, agencies will respond much more quickly.

MR. McTEER:

Another consideration in implementing the system statewide is the Internal Audit Division and the Department of Administration will work with the agencies to qualify their internal controls as they shift from a paper-based travel entry into the NEATS system to ensure they comply with the Office of the Controller's requirements for uploading automated documents. There is related work to be done that is not directly part of the actual system.

CHAIR BEERS:

How much of phase II is refining phase I, and how much of phase II is adding in integration of the Motor Pool Division?

MR. REYNOLDS:

A large portion of new functionality is the integration of fleet management with the Motor Pool Division. Many of the other pieces are refinement of the

application itself, back-end accounting, adjustments and so forth, as well as things such as the ability of an administrative or management person to set the timing on generation of a check. For example, if someone has an emergency request and must get a cash-travel advance immediately or cut a manual check, that can be put into the system and prevent a check from being cut at the back end. The same would apply if a reservation is made in advance, in that the check would not be generated until the appropriate time.

CHAIR BEERS:

What is the timing of adding in the new features versus the rollout of what we currently have?

MR. REYNOLDS:

We would work with the rollout this biennium, and go into the next biennium as agencies can absorb it. At the same time, there can be an overlap of the ongoing development. We could have a feedback loop, as we are training new agencies and bringing them on board, that would allow us to tweak some of the requirements of the system. It is not necessary to have 100 percent of State agencies on the automated system before we start developing additional features.

CHAIR BEERS:

Is the Master Services Agreement (MSA) contractor in B/A 101-1320 also going to work on this?

MR. McTEER:

Yes, that MSA contractor will be doing some of the development work along with the proposed vendor.

CHAIR BEERS:

What about maintenance and support costs in this enhancement?

MR. McTEER:

There are no additional maintenance or support costs. As part of the time-and-materials contract I have with him on the NEATS and the Nevada Executive Budget System (NEBS), the MSA contractor will be providing the primary support along with support from the vendor.

CHAIR BEERS:

Have any agencies indicated they do not want to use the NEATS at all?

MR. McTEER:

Not to my knowledge.

CHAIR BEERS:

The NDOT is the only agency onboard currently. When is the next agency coming online?

MR. McTEER:

We plan to begin piloting the rollout with a couple of agencies starting in the next couple of months.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 16

CHAIR BEERS:

We will move to the NEBS enhancement for \$220,500 to automate existing program processes found on page 3 of [Exhibit C](#).

ANDREW CLINGER (Director, Department of Administration):

This additional piece of the NEBS is the work program process we are currently using which is a completely manual paper process. Agencies come in and submit a form to our office to make modifications to their existing budget. If it requires Interim Finance Committee (IFC) approval, it goes to the Legislative Counsel Bureau (LCB) staff and is placed on the IFC agenda. Once approved, that paper is then taken to the Office of the Controller where they enter the data into the computer. This would automate that process. It is what you could term an interim budget process similar to the NEBS and the fiscal note system in use by the LCB for submitting fiscal notes. There will be a data entry on the front end by the agencies, different levels of approval, and it will be similar to the NEBS in that they can attach additional documentation and backup. There are different levels of approval once it comes to our office. We will be able to track it through the entire process. This will give us more consistent information and streamline the process, and on the back end will give us the ability to create a data warehouse.

CHAIR McCLAIN:

Our notes mention the LCB would have access to the program. Is that correct?

MR. CLINGER:

That is correct.

CHAIR McCLAIN:

Is this something we can use during budget hearings so the LCB knows what is going on and we would not have to worry about budget amendments?

MR. CLINGER:

It would be another tool similar to the current data warehouse on the financial system. In the end, we will have a data warehouse containing this information that will show changes made to agencies' budgets from the last Legislature-approved budget and give documentation to go with that.

CHAIR McCLAIN:

Will it show things such as original budget requests, changes made at the agency level and changes at the Department of Administration level?

MR. CLINGER:

No. This is not related to the *Executive Budget* process. This will show, for example, if the Health Division receives another grant during the Interim and conducts a work program.

CHAIR McCLAIN:

Are you saying it has nothing to do with the budget during the Legislative Session?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 17

MR. CLINGER:

That is correct. However, it will be another resource to show changes from the last legislatively-approved budget. You would be able to see what work program changes were made to the previous budget.

ASSEMBLYMAN HOGAN:

Does this program require a substantial amount of training since it will go system wide and be used throughout nearly all the government agencies? If so, will it be included, or will it be a future additional amount?

MR. CLINGER:

The Budget Division currently provides training on the NEBS module which is essentially set up to input data for the agency-requested budget and for the Budget Division staff to present the Governor's *Executive Budget*. As part of the NEBS training, we would include training for the work program module. It is something we would develop in house.

CHAIR BEERS:

How many meetings have been held with legislative staff, your staff, the Office of the Controller and user agencies on this project?

MR. CLINGER:

We have not held any meetings yet.

CHAIR BEERS:

Could you put a couple of those together in fairly short order?

MR. CLINGER:

I certainly can.

CHAIR BEERS:

This strikes me as something which will have many disparate users with different needs and interests. We want to ensure we have them all covered in the plan.

MR. CLINGER:

We planned to do that once the funding was approved. With the NEBS, we put together a user group and included the LCB staff in the design of the system. We planned to do the same thing with this. The work program process is fairly standardized. There are no changes in procedure other than keying it into an online system rather than an Excel spreadsheet and printing out a paper form.

CHAIR BEERS:

Would you set up the meetings anyway?

MR. CLINGER:

Absolutely.

CHAIR BEERS:

It is possible there are other parties other than our staff and the Office of the Controller who will be daily users of the system. There will be agency heads

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 18

who may have requirements you do not know about at this point. It could potentially have an impact on the cost.

CHAIR MCCLAIN:

As a follow up, I want to ensure the legislative staff can retrieve information in a timely manner. Part of the problem now with changes that go to the IFC is they receive paperwork too late to meet deadlines.

MR. CLINGER:

The proposed system will be more efficient in getting the information to the LCB in a timely manner. My intent is to work with the LCB staff to see if there is anything on their end this system can help with, such as reports for the IFC.

CHAIR MCCLAIN:

There is probably help available for legislative sessions also.

CHAIR BEERS:

The proposal of Aeris Enterprises, Inc., the contractor proposed to design and develop the module, appears to contain an unusually heavy reliance on our State employees, particularly in designing the outputs of the system. Are you prepared to devote many hours to this project?

MR. CLINGER:

That effort will come out of the MSA in B/A 101-1320. In addition, we will use functional staff within my office which is similar to the NEBS development a few years ago. In fact, when we started the NEBS development, the day after we sent the *Executive Budget* to the printer, we had our first meeting on the NEBS module. My staff spends a lot of time testing and doing other things necessary to implement these types of systems.

CHAIR BEERS:

We will next cover the Distributive School Account (DSA) enhancement project listed on page 4 of [Exhibit C](#).

MR. CLINGER:

We currently receive the DSA budget from the Department of Education (DOE). It is called the 287 Report, and it is a statutory requirement, due to our office early in December. That process currently is done via Excel spreadsheets. When dealing with over 30 percent of the budget in an Excel spreadsheet, the probability of errors concerns me. This project would allow the data entry to be made into a module within the NEBS at the school-district level. From that, we would be able to build the DSA budget with the data already in our system. I have spoken to Mr. James Wells, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, and told him I would like him to be part of this process, similar to what we will do with the work program process. He has expressed interest in the project.

CHAIR BEERS:

Has there been discussion about bringing school-district-level people into the planning process?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 19

MR. CLINGER:

We need to do that since they will be the primary end user of this program. I envision bringing school district staff in as the design team.

CHAIR BEERS:

Are you going to run parallel programs for the FY 2008-2009 DSA?

MR. CLINGER:

We will definitely run parallel programs for the FY 2008-2009 DSA. Any time you are dealing with such a large piece of the budget, you want to ensure it works before you let the old system go.

CHAIR BEERS:

We will now discuss the Health Division Public Health Data Warehouse found on page 4 of [Exhibit C](#). It appears to be a large project for over \$2 million and four new positions.

MR. MCTEER:

We have distributed two handouts entitled "Nevada Health Data Warehouse," ([Exhibit E](#)) and "Web Enabled Vital Records Registry System Electronic Birth Registry System," ([Exhibit F](#)).

ALEXANDER HAARTZ (Administrator, Health Division, Department of Health and Human Services):

As noted, we have two hard copies of our PowerPoint Technology Investment Request (TIR) presentations. I will start with the one-shot appropriation for the data warehouse described in [Exhibit E](#). The intent is to expand the existing, somewhat limited, interactive data warehouse that contains Health Division databases. We plan to build onto it to create a full-sized health data warehouse that includes data from the Department of Health and Human Services (DHHS) and other State agencies to plan better health issue policy in the State. There is a request for new staff. It is not in this decision unit. It is in decision unit E-276 in B/A 101-3190.

HEALTH

HHS-Vital Statistics – Budget Page HEALTH-14 (Volume II)
Budget Account 101-3190

This enhancement includes management time as well as biostatistician time.

CHAIR BEERS:

Your justification primarily centers on an unmet need for public access to the data, wanting to free up your biostatisticians and the possibility of increasing grant revenue. I am curious to know how many data requests you receive from the public every month.

MR. HAARTZ:

If you turn to page 11 of [Exhibit E](#), the lower of the two slides shows there are currently approximately 400 requests a month using the existing interactive data warehouse. Many of those translate into telephone calls and e-mail requests to staff, because those making the queries cannot manipulate it

exactly because of its limited nature. Often, they do not find the data they are looking for and need additional assistance. The Health Division staff is federally-grant funded and limited to what they can work on by federal grant rules. One reason we are requesting funding for this project is to be able to hire dedicated staff. If the grant is discontinued, we will still have staff to provide assistance to those seeking data and comply with our federal grants management requirements.

CHAIR BEERS:

Is there historical data regarding the number of requests received a year ago?

LUANA J. RITCH, PH.D. (Chief, Bureau of Health Planning and Statistics, Department of Health and Human Services):

Currently, in the limited data available in the modules on our Website, we receive approximately 400 queries a month. As Mr. Haartz indicated, we still receive follow-ups with requests for data. Currently, we are handling two to three queries a day from members of the public, other programs, and decision and policy makers, asking us to pull and analyze data from various isolated data sets. Some of the requests are time intensive because a statistician has to pull data by hand from isolated data sets, bring the data sets together and produce answers to the questions. This can take anywhere from five days to twelve weeks depending upon the complexity of the questions and the data being requested. Within the data warehouse environment, we anticipate that time would be decreased from 5 days to 2 days or from 12 weeks to 4.8 weeks. This would reduce, by about 60 percent, the amount of time needed to produce the data queries, studies and statistical outputs being requested.

CHAIR McCLAIN:

If the data warehouse will save so much time, why do you need four additional people?

DR. RITCH:

Where it adds to additional capacity for analyzing the data, as we have increased the sources of data we can pull together, there is a corresponding need for additional people to be able to analyze and answer questions. In addition to filling the needs, some of our grants, where we have staff categorically funded under a federal grant, cannot be used for any other purpose. For example, a statistician funded for HIV data analysis cannot be used to analyze cancer data. Currently, we do not have dedicated staff to do these types of queries across databases in particular areas such as comprehensive cancer or the chronic disease areas, essentially the areas in which we receive the most requests. One of the reasons it currently takes 12 weeks, in some cases, is because we are trying to squeeze time, approximately 5 percent, from individuals whose time is allocated to other activities and dedicate it to some of these queries. The staff that would go with the data warehouse would give us the State capacity to answer questions across State needs.

ASSEMBLYMAN MO DENIS (Assembly District No. 28):

To clarify, you are taking 33 databases, putting them into one large Web-based database that would allow people to access information and perform queries. Will the users have to be trained on how to use the database?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 21

DR. RITCH:

The data warehouses use what is referred to as middleware. The data will still reside in its original databases. The middleware constantly queries and brings the data in. Through the application, the user can ask questions and pull from the various data sources. It is a real-time relational-database query system. Some training is necessary. Our current modules on the Website for the general public, for example, have an instruction set on the Website for people doing superficial-level queries. For deeper queries, additional training would be needed. That is another reason for our request for statisticians to back up this system.

ASSEMBLYMAN DENIS:

You are going to use middleware but leave the data in its original database, and the middleware knows where to go look for it. Where does the \$2.1 million come in?

MR. HAARTZ:

The majority of the cost in the budget is programming charges.

ASSEMBLYMAN DENIS:

Programming of the middleware?

MR. HAARTZ:

It is the MSA programmer charges. I would assume some of it will be for making a Website customer friendly to provide access for various levels of users. The actual middleware software in the programming charges is my understanding of where the bulk of the cost is and how it is budgeted in this account.

ASSEMBLYMAN DENIS:

Are there ongoing costs associated with the company you are using to provide the programming?

MR. HAARTZ:

There may be licensing costs but not ongoing programming costs. I would defer to technical staff.

ERNESTO HERNANDEZ (Information Systems Program Manager, Health Division, Department of Health and Human Services):

The question was with regard to the cost of the application itself. The application will be contracted to a vendor who will develop the middleware component that will allow us to have conduits going into each disparate database. It will extract data from the databases and put it into a format easily understood by the biostatisticians to enable them to analyze the data and provide the necessary information to requesters. As far as additional costs, there would be additional costs for licensing, and, as with new implementation of all software, training would be required.

ASSEMBLYMAN DENIS:

Would there be additional costs for the technical staff?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 22

MR. HERNANDEZ:

On a separate note, the DHHS is currently undergoing an evaluation of its information technology (IT) infrastructure to review the possibility of consolidating the facilities and staff for the department. The TIR requested additional IT staff, but those positions have been tabled at this time.

ASSEMBLYMAN DENIS:

It is still not clear to me. If we are going to use middleware and it will be easier for people to get data, but you will also need biostatisticians, I do not see what we are saving. Will we be saving time? It does not appear we will be saving money.

MR. HERNANDEZ:

The savings would be in time. The amount of time it currently takes a biostatistician to look at 35-plus disparate databases and provide analyses to requesters would be reduced. That is where the savings come in. As Mr. Haartz alluded to earlier, currently we have biostatisticians paid out of different grant funds. In accordance with federal grants, they come with strings attached, which means if a staff member is paid out of a particular grant, he or she must devote 100 percent of his or her time to that grant. Additional biostatisticians would allow the Bureau of Health Planning and Statistics to be able to dedicate 100 percent of their time to those particular requests.

CHAIR BEERS:

It sounds as though this project would reduce the workload of federally-paid people, and I would look to the federal government to fund the project.

DR. RITCH:

We are using federally-funded people to try to do some of this work currently for the State of Nevada. This data warehouse will meet the need for needs assessment and analysis across all of the DHHS for data and information on which to base program planning and to project program expenses. It is not replacing one activity for another or one set of people doing work for another.

CHAIR BEERS:

The TIR indicates a few other states have done this as well, but it does not make the case that Nevada has the same problems as those other states. North Carolina faced losing federal funding if they continued to miss generating some reports on time. Will Nevada risk losing funding or incurring fines if we do not fund this program?

MR. HAARTZ:

To my knowledge, we do not specifically risk losing funding or incurring fines. This is one of the tools you alluded to earlier where if you have good data and can do good planning, you can apply for more federal funds and be more successful because you are able to represent the issues in the State.

CHAIR BEERS:

The TIR indicated you might realize a 1-percent, one-time increase in annual grant funding.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 23

MR. HAARTZ:

If you have better access to and analysis of data, you can generally make a more compelling case to obtain funding whether it is federal or private grant funding. This was a conservative estimate on our part in terms of what one of the outcomes may be.

CHAIR BEERS:

What grants have you applied for, but not received, due to our data limitations?

MR. HAARTZ:

We typically compete for a number of grants from the Centers for Disease Control and Prevention that we have not received. There are other grants that tend to be chronic-disease related in nature. Additionally, there are grants for which we are stuck in a planning phase because we are unable to take the next step to get into the implementation aspects. Obviously, our goal is to bring in a maximum amount of available federal funding. Creating a data warehouse is not one of the federally-funded activities for which we are able to secure a grant.

CHAIR BEERS:

The TIR says the cost-benefit analysis is not applicable to this project. Please provide a list of grants we might receive once we have this system in place.

MR. HAARTZ:

I would be happy to provide that.

CHAIR BEERS:

Are you going to implement this six years after the functional and technical requirements were approved in this TIR? Is the price old as well? What is the estimate based upon?

MR. HAARTZ:

The estimate is based upon talking with various vendors and receiving quotations. Whatever was funded would then be turned into an actual RFP through the DoIT. As part of the TIR development process, in each case we spoke with vendors and gathered information about what such a cost would entail.

CHAIR BEERS:

That was four years ago.

MR. HAARTZ:

No, it was for this biennium. We have had a limited data warehouse, and that may be the reference to the six years of age. However, for the submission for this biennium, we collected current information.

CHAIR BEERS:

Is there a bill for this project or is this merely a budget item?

MR. McTEER:

This is in Assembly Bill (A.B.) 206.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 24

ASSEMBLY BILL 206: Makes an appropriation to the Department of Administration to fund certain information technology projects. (BDR S-1207)

CHAIR BEERS:

I still do not understand the justification for the four additional positions. If you are putting this database online, you could have university students generate the reports and analyze the data.

MR. HAARTZ:

There is that ability, and that is one of the options we will be looking at during the budget presentation at which the positions are listed. We discussed reducing the positions requested and asking for positions based on need as the workload develops. There needs to be core staff. We could wait and watch the workload develop and then return to the Legislature and prove the case that there is a workload we cannot meet, and we cannot get students to work for free.

ASSEMBLYMAN DENIS:

I had asked about data people, and in looking at the budget, it appears you are also requesting an information technician specialist to work with this project. Is that correct?

MR. HAARTZ:

That is correct. The request for the information technician specialist is located in decision unit E-276 in B/A 101-3190.

E-276 Maximize Internet and Technology – Page HEALTH-17

ASSEMBLYMAN DENIS:

How long will it be before the project is fully implemented?

MR. HAARTZ:

Our goal is to implement it during the 2007-2009 biennium.

CHAIR BEERS:

We will discuss the Vital Records Registry system ([Exhibit F](#)).

MR. HAARTZ:

The other TIR included in our one-shot appropriations is a request to move the birth registration system, which is currently a paper system, into the electronic environment to provide an electronic connection between birthing facilities and reporting facilities to either the local Registrar or the State. Using available federal funds, we implemented an electronic death registration system to move the reporting of death from the paper environment to the electronic environment.

CHAIR BEERS:

What is the federal government's interest in funding the electronic death registration system?

MR. HAARTZ:

We use several funds; the Social Security Administration was interested in terms of more rapid benefits termination. We were also able to use federal preparedness funds to make the argument as we are able to see in near real-time deaths occurring, we would have a better sense if there was an event taking place from a public health preparedness viewpoint.

CHAIR BEERS:

Since hospitals will not release new-born babies until they have a social security number, it seems the government would have a similar interest in the birth registry.

MR. HAARTZ:

They do. The State Health Division in B/A 101-3194 has a contract with the federal government for the enumeration of social security numbers.

HEALTH

HHS-Consumer Health Protection – Budget Page HEALTH-27 (Volume II) Budget Account 101-3194

The federal government is not interested in paying for an electronic system however.

CHAIR BEERS:

Why are we?

MR. HAARTZ:

There are a couple of benefits. I will defer to Dr. Ritch.

DR. RITCH:

The electronic birth registration system would improve the issuance of a certified copy of a birth record from an average of 21 to 3 days. Other benefits involve increasing the accuracy of an electronically-entered record from a hospital versus a paper and an old digital operating system (DOS)-based electronic form submission we are currently using. Advantages also include the ability to provide access to the electronic system for verification for other agencies such as child welfare, Medicaid eligibility and the Department of Motor Vehicles with implementation of the verification of vital events. Currently, it remains a paper system. The social security confirmation Mr. Haartz referred to is done through a hand-written facsimile (fax) form. Someone pulls the paper document and verifies the event and then faxes it back. The implementation of the last phase of modernizing our vital records would allow all those events to occur in a Web-enabled electronic system. The benefits to the public would probably be the most apparent, such as parents trying to obtain birth records for social security, income taxes and school registration.

Many times parents are trying to obtain a certified copy of a birth record as soon as possible because there might be a health problem with the baby at the time of birth. Many insurance companies will not add the baby to the parents' insurance until the parents can provide a copy of a birth certificate. If you have an infant in a neonatal intensive-care unit and have to wait 21 days to obtain a

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 26

birth certificate, the electronic system would immensely speed up that process. [Exhibit F](#) shows various other collaborations and advantages to the electronic birth system as well.

CHAIR BEERS:

We currently process birth registrations manually with federally-funded positions.

MR. HAARTZ:

No, that is incorrect. The majority of positions funded in the State Office of Vital Records are General Fund positions.

CHAIR BEERS:

How many positions would this eliminate?

MR. HAARTZ:

We will not be eliminating positions, but we will not be adding positions either.

CHAIR BEERS:

How many new positions are being recommended in this area in this budget?

MR. HAARTZ:

None.

CHAIR BEERS:

How many were recommended in the last budget?

MR. HAARTZ:

The budget did not grow in the last biennium. This budget account stays flat at 16 positions for the Office of Vital Records function. If this is implemented, we will not grow staff. We will be able to handle the increased workload without requesting additional staff or having time frames become even more unreasonable.

CHAIR BEERS:

Is the time frame one of the performance indicators?

MR. HAARTZ:

Performance indicator 3, "Number of amendments and corrections recorded and processed within ten working days," has an accuracy metric of 98 percent. In 2008, in amendments alone, the projection is 12,000 birth and death registrations within 30 days with 90-percent accuracy. In 2004, the actual was 34,698 birth registrations, and this year we are projecting 36,811. This is based on State demographer data. Our projection is slightly over 39,000 births being registered in Nevada in FY 2007-2008 and 40,224 in FY 2008-2009.

CHAIR BEERS:

Are these all covered by General Funds?

MR. HAARTZ:

Yes, it is primarily General Funds. We receive some contract funds from the Social Security Administration that are used for processing.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 27

ASSEMBLYMAN DENIS:

Is the system currently paper-based?

MR. HAARTZ:

Birth registration amendments are a paper-based system.

ASSEMBLYMAN DENIS:

Are they kept in a file room and then microfiched?

MR. HAARTZ:

Yes, and there is a paper system as well in Washoe and Clark Counties. There is a large paper-storage facility and an off-site microfiche-storage facility.

ASSEMBLYMAN DENIS:

By converting this to an electronic system, will you go back and capture all the existing data?

MR. HAARTZ:

Yes, part of the TIR is to go back and digitize prior years' data.

ASSEMBLYMAN DENIS:

Will the data be scanned into the system or typed in manually?

MR. HAARTZ:

The data will be brought over electronically as well as manual entry.

ASSEMBLYMAN DENIS:

Is some of the data currently stored electronically?

DR. RITCH:

The current system is a paper form, an application to register a birth. Additionally, the hospital will send us a disk in DOS form containing the same information. We use the DOS-based information and the handwritten information to create the birth certificate.

ASSEMBLYMAN DENIS:

Are you saying you already have the information in an electronic form?

DR. RITCH:

We have the information in an antiquated DOS system that must be manually uploaded and brought in to create the certificate.

ASSEMBLYMAN DENIS:

To clarify, you will bring the information over from either paper or DOS form, and put it into the new system. How will that occur?

DR. RITCH:

We can import the core information in the DOS form, and there will be manual data entry to enter the information that is in paper form.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 28

ASSEMBLYMAN DENIS:

Who will do the data entry? Will you contract those services or have staff perform that function?

DR. RITCH:

The TIR calls for staff to perform that function. If we roll it out similar to the electronic death registration system, we would go back and enter the core data and import it to the extent we can, electronically, with existing staff. All births from the "go live" point forward are entered into the system by the hospitals automatically.

ASSEMBLYMAN DENIS:

How many years' worth of data do you have to bring over?

JEAN GUNTER (Program Manager, Office of Vital Records, Health Division, Department of Health and Human Services):

Currently, we have from 1964 to the present in electronic format. It is the data that has been entered throughout the years to generate statistics. That would be imported into the new system.

ASSEMBLYMAN DENIS:

How long will that process take?

MS. GUNTER:

The conversion process will be done as part of implementation of the electronic birth registry system.

CHAIR BEERS:

Was the TIR updated for the National Association for Public Health Statistics and Information Systems Standards and Guidelines? Are you familiar with that association?

MS. GUNTER:

Yes. Those standards are current, and we will not have to update to their standards again.

CHAIR BEERS:

How often do they change their guidelines?

MS. GUNTER:

The electronic registration is fairly new. I am not sure how often the standards are updated. I can find out for you if you like.

CHAIR BEERS:

Yes, please. Is Nevada going to be one of the first states to implement electronic birth registration?

MS. GUNTER:

No, unfortunately. Perhaps 25 or 30 states currently use an electronic birth registration system. I will find out how many states use this technology.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 29

CHAIR BEERS:

We note there are no costs for ongoing annual maintenance in support of the system in the TIR.

DR. RITCH:

In the selection process for implementation of the electronic death registration system, we sought a vendor who would be able to add this next piece. We would not be shopping for a new vendor or looking at redesigning a new system. This would be an add-on to our existing system.

CHAIR BEERS:

Has your vendor created a birth registration system before?

DR. RITCH:

Yes, they have.

CHAIR BEERS:

How many?

MS. GUNTER:

Currently, we are working with a company called QS Technologies, and they have created four or five successful implementations.

CHAIR BEERS:

Can you provide that information to us?

MS. GUNTER:

Yes, I can.

ASSEMBLYMAN DENIS:

Going back to the updates, are you saying because you are using the same vendor, the support and ongoing maintenance costs are in the death registration system?

MR. HERNANDEZ:

The reason there are no ongoing costs with this particular request is because this was considered a one-shot appropriation from the General Fund. I was informed, when you submit requests for one-shot appropriations, you cannot include recurring or continuing support or maintenance in these types of requests.

ASSEMBLYMAN DENIS:

You will have those costs, though. Is that correct?

MR. HERNANDEZ:

Yes, there will be recurring costs associated with the TIR for the death registry, the birth registry and license fees. The existing company that provides the work, QS Technologies, has advised us this is a one-time fee for them. However, with license renewals or hardware, there will be continuing costs along with recurring maintenance of the application itself.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 30

ASSEMBLYMAN DENIS:

Currently, we have maintenance for the death registry portion of the system, and the vendor will add on to that because this is another module. Is that correct?

MR. HERNANDEZ:

Yes, that is correct.

CHAIR BEERS:

Please provide an estimate of the licensing and maintenance costs and verify they will not start during the next biennium.

MR. HERNANDEZ:

Yes, I will.

CHAIR BEERS:

I do not like the system, because it only goes back to 1964.

MS. GUNTER:

We have the ability to go back further than that. We have records from 1911 to 1963 in a database we will import in. We have the ability to go back and input them into the system. The original intent of the 1911 to 1963 database was strictly for index purposes. We have the ability to retrieve data from 1911 to the present.

ASSEMBLYMAN HOGAN:

To get the full administrative value from the new system, is there a necessity for either the data sources, such as the counties or the recipients in the federal structure, to also update their systems? Would that impede you in any way if they are not at the same level of technical competence?

MS. GUNTER:

Currently, Washoe and Clark Counties are the only counties in the State that issue their own records. They have been part of this system from the beginning. What we submit to federal agencies is usually an extract of what comes in. We do not have any physical connections to them. We send them data, but not electronically.

CHAIR MCCLAIN:

Is this proposal in a bill? If so, what is the bill number?

MR. MCTEER:

This is part of A.B. 206.

CHAIR BEERS:

I do not know how the Committee will decide. We are now working under the assumption the forum is going to restrict revenue for the next biennium the first week in May. It would be helpful if you could line up federal funding for this and your previous projects over the next two months. Is there a prioritization for your requested projects?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 31

MR. MCTEER:

I do not have a prioritization; some are in the agency one-shot appropriation request, and some are in B/A 101-1325.

ADMINISTRATION

Information Technology Projects – Budget Page ADMIN-36 (Volume I) Budget Account 101-1325

CHAIR BEERS:

Please provide a prioritized list of projects.

MR. MCTEER:

I will, sir.

MR. HAARTZ:

When these projects were presented to the Office of the Governor and prioritized, this one was ranked number one, as the top priority.

CHAIR BEERS:

The Office has changed.

MR. HAARTZ:

The project was primarily tied to assisting the Department of Motor Vehicles' (DMV) compliance with the Real ID Act to ensure individuals who were born in Nevada, where their birth certificates are located, would be able to have the DMV access their birth certificate electronically.

CHAIR BEERS:

If our State decides to delay complying with the Real ID Act, it would reduce the priority level of this project. Is that correct?

MR. HAARTZ:

That was one of the key priorities.

CHAIR BEERS:

We will next address the State Lands Information System (SLIMS) project listed on page 5 of [Exhibit C](#).

PAMELA B. WILCOX (Administrator, Division of State Lands, Department of Conservation and Natural Resources):

We are the State's land agency. We are the custodian of millions of dollars worth of State land assets. By statute, we hold the records of all the State's land from statehood to the present. That is a huge amount of paper. In the 24 years I have been administrator, we have been attempting to find better ways of organizing that paper so it can be accessed in conducting the State's business. We have been through a couple of efforts to organize the database electronically. Early in my career, we did a lot of work with dBASE which had limited applications. Ten years ago, we set up the SLIMS system which is an Access-based system. Once again, SLIMS accomplished some things for us but had severe limitations. We are now in a position to suggest a new database system based on the current technological standards of the State. We receive

constant requests for information which, for the most part, comes out of my head. We need to get the information into a system all staff can utilize and access in the future.

The DoIT worked with us to determine what we need and the best way to get there. This biennium, we diverted approximately \$7,500 into a consultant contract with a firm called Websoft which also worked with us to develop the business plan that generated the system.

CHAIR BEERS:
Is Websoft a potential vendor?

MS. WILCOX:
They would certainly be a potential vendor, but no promises have been made to them.

CHAIR BEERS:
Your TIR indicates one of the motives for implementing this system is your data is "messy."

MS. WILCOX:
It is, indeed. When we implemented the SLIMS system, one of our biggest problems was how to get the data into the system. We have so much information in the office. We hired temporary employees to do that. The quality of the data is uneven.

CHAIR BEERS:
Did you save all the source documents?

MS. WILCOX:
We certainly did. We have all the original paper and hope to transfer some of the data directly into the new system.

CHAIR BEERS:
If your data does not have integrity now, why would you transfer it into the new system?

MS. WILCOX:
It would be on a case-by-case basis. When we talk about the data, for example, we have legal descriptions that are pages long. Quality control is a huge element of this project after our past experiences.

CHAIR BEERS:
You do not use a geographic information system (GIS) to deal with legal descriptions.

MS. WILCOX:
The GIS is a small component of this system. We have been building the GIS capacity. Our current Access-based system does not link to the GIS. Currently, I have no way to query our system to find vacant parcels, parcels of a given size and so forth. There is no mapping component in our current system. The

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 33

proposed system will include a GIS component, but it is not primarily a GIS project. It is primarily a database-management project.

CHAIR MCCLAIN:

Will it have a GIS component that is completely compatible with Clark County's giant GIS component?

Ms. WILCOX:

We are working with a State group, through the Office of the Governor and the Department of Conservation and Natural Resources (DCNR) that will ensure State agencies' GIS components are compatible with one another. I do not know whether it is possible to be compatible with every county, because they are not all compatible with one another.

CHAIR MCCLAIN:

It seems to me you would at least want to be compatible with Clark County.

Ms. WILCOX:

We will do our best. We will be using many of the database layers already compiled by other agencies.

CHAIR BEERS:

The GIS data is platform independent. You can download the GIS layers from the county Website and run them on HardSoft, Maptitude or other programs.

ASSEMBLYMAN DENIS:

Currently, you have a system developed ten years ago, an Access database with data in it that is messy. Are you going to convert the Access database to something else?

HOLLY C. SMITH (Agency Program Information Specialist, Division of State Lands, Department of Conservation and Natural Resources):

As far as data migration, there are portions of the data that are usable we can migrate over. One of the reasons we want to use the GIS is we want to start with the real land parcels. Then, on a case-by-case basis, we will look at the data currently in the SLIMS, salvage what we can and pull it over as we check it for quality assurance. It will be a work-intensive process.

ASSEMBLYMAN DENIS:

The GIS is only a small component, and you plan to go into another database. Is that correct?

Ms. SMITH:

That is correct.

ASSEMBLYMAN DENIS:

What software will that be developed in?

Ms. SMITH:

The vendor gave us different options, but suggested Structured Query Language (SQL) or Oracle, one of the more robust, multi-user database systems.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 34

ASSEMBLYMAN DENIS:

Are you going to port the data over or create the new database and manually input the data?

Ms. SMITH:

We will probably manually migrate it over as we perform quality control and checking of the data. Our database is quite complex even though it is an Access database. There are portions of the database in which the data is good. There are portions that have not functioned well. It is difficult to make a broad statement that we will bring all the data over.

ASSEMBLYMAN DENIS:

I am wondering if it would be less expensive to fix what you have and then bring it over into the new system as opposed to starting the new system and bringing the data over as is.

Ms. SMITH:

That is one of the options we considered, and it is listed in the TIR. The problem is that we would be putting a Band-Aid on a system that is not totally functional and does not accomplish everything we need.

ASSEMBLYMAN DENIS:

Currently, with the Access system, you do not have the ability to tie into the GIS. Is that correct?

Ms. SMITH:

That is correct. Approximately 60 percent of the data can be pulled over into a GIS component at this point, but it would have to be done on a case-by-case basis and verified.

ASSEMBLYMAN DENIS:

What is the cost of fixing what you have?

Ms. SMITH:

Fixing it would be difficult because this was a customized system purchased from a vendor out of Colorado. At this point, it would have to be customized to make it work for us.

CHAIR MCCLAIN:

The next item on the agenda is the Office of the Attorney General Storage Area Network listed on page 5 of [Exhibit C](#).

MR. MCTEER:

I would like to point out to the Committee, after the budgets were built, the Department of Administration determined there was no value to this project being in B/A 101-1325 since it is primarily a hardware purchase. We have since pulled it out, and A.B. 206 still has language referencing a disaster recovery system. In fact, the funding has been removed from A.B. 206 and is now in Bill Draft Request (BDR) 1428.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 35

BILL DRAFT REQUEST 1428: Makes appropriation to Office of Attorney General for storage area network (split out from BDR S-1207). (Later introduced as [Senate Bill 467](#).)

There will be a separate bill requesting funding for the Office of the Attorney General (AG) outside B/A 101-1325.

CHAIR MCCLAIN:

If it is coming out of this budget account, we do not need to hear it in this meeting. We will hear it in the AG's budget hearing.

MR. MCTEER:

The Executive Director of the Office of Veterans' Services is here. At the Chair's pleasure, we would like to hear testimony regarding the Veterans' Services financial system.

TIM TETZ (Executive Director, Office of Veterans' Services):

We are here to present our TIR on an integrated-billing and patient-management system which replaces an existing system that has become dysfunctional. The new system would allow us to better manage our case capacity and meet the needs and requirements of the Veterans' Administration (VA) and, ultimately, to convert to an electronic medical-records system. A presidential initiative requires completion of that conversion by the end of 2008.

CHAIR MCCLAIN:

How old is your current system?

MR. TETZ:

Our current system is three years old. We have been working with the vendor since its purchase to try to get it to work correctly. They have never been able to fix it.

CHAIR MCCLAIN:

You cannot get them to fix it to be in compliance with the VA?

MR. TETZ:

No. Their solution is a new beta test at this point. They are not willing to fix the system under our old contract, and we would have to buy a new system. We are looking toward a new solution.

CHAIR MCCLAIN:

Are you comfortable with the new system being recommended?

MR. TETZ:

I am. Our IT people and our clinical staff endorse it.

CHAIR BEERS:

How much did we pay for the old system?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 36

JEFFREY T. FUHLER (Computer Network Specialist, Office of Veterans' Services):
We budgeted approximately \$205,000 for the first system. The software was approximately \$39,000 plus training and hardware. I am guessing about \$100,000.

CHAIR BEERS:
Did we buy it around the same time we opened the facility?

MR. FUHLER:
No. Some of the product was purchased one module at a time, and the system was purchased in 2003, two years after the facility opened.

MR. TETZ:
Our facility has been open four years, and this process was phased in over time. We put things online and tried to get them to work together, then gradually disconnected them to get them to work separately.

CHAIR BEERS:
Do you have an advisory board of community-based veterans' advocates?

MR. TETZ:
Yes, Senator. Assemblywoman McClain is the chair of that committee.

CHAIR BEERS:
Are there any attorneys on the committee?

MR. TETZ:
Senator Care, who happens to be an attorney, is on the committee.

CHAIR BEERS:
Have you talked to Senator Care about this vendor we are leaving?

MR. TETZ:
We have briefed Senator Care through our commission meetings. I know our office communicated with the Office of the Attorney General to determine if there was legal recourse. They determined there was not.

ASSEMBLYMAN HOGAN:
Has the vendor of the proposed system provided the equipment for the intended application to other states?

MR. FULLER:
We included a quotation from ADL Data Systems, and they have been working with other state veterans' homes across the country. Their system has been installed and has been functioning around the United States for nine years. We are comfortable that it is functional.

MR. MCTEER:
I would like clarification of your request for the prioritization of our projects. Should it include only the General Fund one-shot appropriations in A.B. 206? The core-router project is in B/A 101-1325, but it is not part of the one-shot appropriations.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 37

CHAIR BEERS:

I would like a prioritization of the projects in B/A 101-1325, including the core routers. We will turn to B/A 101-1320.

Information Technology Division – Budget Page ADMIN-29 (Volume I)
Budget Account 101-1320

Regarding your request for a \$200,000 a year full-time MSA contractor, normally MSA contracts are appropriate for short-term jobs. This appears to be a permanent position.

MR. McTEER:

The person in this position has been part of the Integrated Financial System (IFS) project for several years. He has an incredible amount of background and experience in multiple facets of the IFS including the NEATS, NEBS, the NDOT financial system and has a wealth of knowledge that would be difficult to replace. In my 35-plus years in this business, this individual is one of the top people I have ever encountered in terms of productivity. The reason the amount increased to \$200,000 is the MSA contracts were rewritten last year by the DoIT. The former MSA contractor did not make the cut, so the programmer in question had to change vendors. When he changed vendors, he rightfully requested more money, and they, in turn, raised our rates. That is why the dollar amount increased. That became obvious to us when we requested to transfer the MSA from B/A 101-1340 to B/A 101-1320.

CHAIR BEERS:

Are you saying an unwise decision by the DoIT cost us an extra \$50,000 to \$75,000 a year?

MR. McTEER:

No, I am not. The former MSA contractor did not make the grade when they submitted their RFP for the current round of MSAs. This individual would probably have asked for more money anyway.

CHAIR BEERS:

How much did it cost before?

MR. McTEER:

His rate was over \$90 an hour. I do not have the answer, but I can get that information for you. His rate rose to \$100 an hour. That is comparable to others in the industry.

CHAIR BEERS:

Has he considered starting his own company?

MR. McTEER:

He could, but he would then have to bid on the MSA contracts every five years. He would not be able to do MSA work without becoming an MSA vendor, and that is a complex process.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 38

CHAIR BEERS:

How does the employer of the one person who holds our IFS together fail to re-qualify for the MSA contract?

MR. McTEER:

I do not know. I was not part of that selection process.

CHAIR BEERS:

We are unclear on the IFS charges in B/A 101-1320. In decision unit E-225, there is a financial change in the IFS charges outside the scope of the discussion of the server consolidation, or perhaps it is part of it.

E-225 Eliminate Duplicate Effort – Page ADMIN-31

MR. McTEER:

It is part of the server consolidation. Are you referring to the reduction of \$120,657 in FY 2007-2008 and \$121,404 in FY 2008-2009?

CHAIR BEERS:

Yes. If the consolidation project changes, that might change as well.

MR. McTEER:

That could change.

CHAIR BEERS:

Is the MSA person not a component of the consolidation?

MR. McTEER:

No, sir.

CHAIR BEERS:

He is related to the projects in B/A 101-1325?

MR. McTEER:

Yes, he is.

CHAIR BEERS:

We will move to insurance regulation, B/A 101-3813.

BUSINESS AND INDUSTRY

B and I, Insurance Regulation – Budget Page B & I-7 (Volume II)
Budget Account 101-3813

SALLY P. ELLOYAN (Deputy Commissioner, Division of Insurance, Department of Business and Industry):

I have prepared testimony, but due to timing, I would be glad to field questions.

CHAIR BEERS:

One concern is the fraud-assessment revenue which is in the Base Budget. It is decreasing in the second year and has been all over the place. We are confused as to what is driving it and wondering if there is a way to gain more predictability.

MS. ELLOYAN:

In an effort to do that, there is a reduction in the amount we believe will be collectible in FY 2008-2009 through fraud assessment at the current rates. We looked at the past six fiscal years, FY 2001-2002 through FY 2006-2007. Fraud assessment is tiered depending upon the amount of premium the companies write in the State. We looked at the various tiers, the number of companies that were paying that amount of money through the tiers, and ran them through a trend analysis using an Excel formula. It showed the companies in the two middle tiers, the \$750 and \$1,000 categories, were actually shrinking in that we still have companies coming into the market that fill a special niche or write a small amount of premium. We have companies moving from those middle tiers and maxing out at the \$2,000 assessment. It is causing the revenue to shrink. We had a shortfall of \$72,000 in 2006 and \$77,000 in 2007. That made me especially cautious when projecting our revenues for 2008 and 2009. We have been dependent upon using our reserve or fines and penalties to make up the shortfall, but that is not a sound business practice.

CHAIR BEERS:

There is a bill from the AG that would increase those fraud assessments.

MS. ELLOYAN:

Yes, it would.

CHAIR BEERS:

Is the insurance industry supporting the bill?

MS. ELLOYAN:

Yes. I received a call from an insurance company yesterday that asked me to provide our analysis of the proposed bill which I have with me. They are interested in supporting the bill to expand the capability of the AG's office to pursue fraudulent claims. It is a big expense for the insurance companies.

CHAIR BEERS:

Have we heard from the industry association?

MS. ELLOYAN:

I personally have not. The commissioner may have. I apologize for her absence. She is on her way to receive our accreditation from the National Association of Insurance Commissioners (NAIC).

CHAIR BEERS:

Ms. Elliott, have you heard from the Insurance Industry Association on the proposed fraud assessment bill?

MENDY K. ELLIOTT (Director, Department of Business and Industry):

Yes, they have been in contact with us as well as the Office of the Governor on this issue. We are reviewing it.

CHAIR BEERS:

They have not issued an opinion one way or the other?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 40

Ms. ELLIOTT:
Not to my knowledge.

CHAIR BEERS:
Have you performed an assessment on what the revenue would be? That is the budget piece we would need if that bill passes.

Ms. ELLOYAN:
The fiscal impact of the bill as presented would increase revenue, based on our projections of the number of companies in the various tiers, by almost \$500,000 in FY 2007-2008 and \$495,000 in FY 2008-2009.

CHAIR BEERS:
Is that your 15 percent or the total amount?

Ms. ELLOYAN:
That is the total amount. There would be \$423,000 to the AG's office and approximately \$75,000 to the Insurance Division and a corresponding \$421,000 in FY 2008-2009 to the AG's office and \$74,000 to the Division. If you added the additional revenue to the Governor's current recommendation, it would bring the total fraud assessment in FY 2007-2008 to \$1.2 million and drop a little in FY 2008-2009 to \$1.19 million.

CHAIR McCLAIN:
What happens if it does not pass?

Ms. ELLOYAN:
I am confident in the numbers we projected because there is a current assessment. The bill essentially leaves the lower tier at the same rate of \$500 a year and the upper tiers are almost doubled to a maximum of \$4,000 where now it is capped at \$2,000.

CHAIR McCLAIN:
The Governor says "No new fees or taxes."

Ms. ELLOYAN:
All agency memoranda I read indicated if the industry supports the assessment for the increased services they will receive from the State, he will consider it.

CHAIR BEERS:
Staff just handed me a copy of work they have done with the AG's Office indicating they requested the legislation be withdrawn.

Ms. ELLOYAN:
That is true. I received word of that as well, but I heard from the industry they were trying to resurrect the bill.

CHAIR BEERS:
You are \$75,000 short this year at this point.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 41

MS. ELLOYAN:

There are a couple of "no pays" we are still trying to collect as well as fines, but it is not material and would not add up to the \$77,000 shortfall we have this year.

CHAIR BEERS:

If you are currently \$75,000 short, you will be \$50,000 short. Does that sound right?

MS. ELLOYAN:

We transfer 85 percent of the assessment collected to the AG's Office. We keep 15 percent. Included in the amount we keep for the division are the fines and penalties, slow and no pays that eventually pay us. We received approximately \$56,000 in fines and fees from various companies we assessed.

CHAIR BEERS:

Is that part of our internal fraud assessment number? Do you know how that compares with our expectations?

RICK COMBS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

What they typically do is determine the number of licensees in each tier and add in what they anticipate from fines and fees.

CHAIR BEERS:

If we are currently \$75,000 short, will that be a \$10,000 reduction in the current year?

MR. COMBS:

Yes. Where they have a problem is in the AG's Office, because they will be short the 85-percent portion as opposed to this account having to make up the 15-percent portion. I do not know if the AG's Office has prepared projections on how they will handle what they are losing.

CHAIR BEERS:

Do you have any plans on how to deal with the projected shortfall in fraud assessments this year?

MS. ELLOYAN:

We have not discussed it in detail for future planning.

CHAIR BEERS:

We have four new positions in decision units E-250 and E-325 to provide assistance with financial analysis and examinations of insurers.

E-250 Working Environment and Wage – Page B&I-10

E-325 Services at Level Closest to People – Page B&I-10

Is this to maintain accreditation with NAIC?

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 42

MS. ELLOYAN:
Yes, it is.

CHAIR BEERS:
What did we do with the IFC over the interim?

MS. ELLOYAN:
Two positions were approved in April 2006 that we are requesting be made permanent through decision unit E-325. The Division indicated they would come back to the IFC after the fire season for a special appropriation to fund these two positions. However, in the meantime, my predecessor retired, I took over and we jumped into the budget session.

CHAIR BEERS:
We had a horrendous fire season too.

MS. ELLOYAN:
Yes, we did. I anticipate the IFC receiving a work program from the division to make up for the shortfall in our category 01 expenditures.

CHAIR BEERS:
Are you the chief insurance assistant position?

MS. ELLOYAN:
No, I am not. I am the deputy commissioner. The chief insurance assistant position was vacant. It was filled for approximately three months. The person returned to Georgia, and we have since hired a new person who will start March 19, 2007, and is paying his own moving expenses. It was vacant for approximately eight months and became an untenable situation in the Division, and we needed leadership and expertise.

CHAIR BEERS:
Do you have a ballpark number on the work program change you expect to see?

MS. ELLOYAN:
I have an idea, but do not want to give a number in which I am not confident.

CHAIR BEERS:
We will be seeing a work program change. Is that correct?

MS. ELLOYAN:
Yes, you will.

CHAIR BEERS:
Are you looking for money from the Contingency Fund?

MS. ELLOYAN:
That was the original intent when we put the positions in place.

CHAIR BEERS:
At this point, it has to be a supplemental request.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 43

CAROL L. SAUNDERS (Administrative Services Officer, Division of Insurance,
Department of Business and Industry):

Yes, it will need to be a supplemental appropriation coming through the Office
of the Governor.

CHAIR BEERS:

In decision unit E-250, there are two new positions. Did you want to hire them
on October 1, 2007?

Ms. ELLOYAN:

We respectfully request to begin recruiting for these positions in July. We are
backed up against requirements to the NAIC. The LCB auditor recognized our
shortage of staff and our inability to comply with required review times. We
have quarterly financial statements due in October. It would be beneficial if the
two new management analysts were somewhat trained by then so they could
participate fully in the exercise. It will directly address findings found by the LCB
auditor in the audit they presented in September.

CHAIR BEERS:

Are you and the director confident the four positions are sufficient to address
the deficiencies found in the audit?

Ms. SAUNDERS:

Yes, sir.

CHAIR McCLAIN:

How often are you accredited?

Ms. ELLOYAN:

Every four years. As of January, we received recommendation to be
reaccredited.

CHAIR McCLAIN:

Are you covered for the next four years now?

Ms. ELLOYAN:

The commissioner is attending the meeting where the accreditation committee
meets, votes and awards the accreditation. We are confident we will receive it,
but it is up to the accreditation committee.

CHAIR McCLAIN:

Do you have your policies and procedures in place from the LCB audit about
supervisory reviews and so forth?

Ms. ELLOYAN:

We are making good headway. I am a certified internal auditor, and I come from
the Division of Internal Audits which is the Department of Administration's
internal controls, processes and procedures.

CHAIR BEERS:

Your internal cost allocation revenue is increasing.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 44

MS. ELLOYAN:

It is a 52-percent increase over the Base Budget year.

CHAIR BEERS:

Why?

MS. ELLOYAN:

I am unable to answer that question. I and my staff have interviewed my predecessor, prior budget analysts and the former LCB analyst that handled our budget last session. We have been unable to determine why the cost allocation has changed or why the Base Budget is so low. All of the work papers I have reviewed from 2003 through 2006 and our current cost allocation work papers indicate the same percentage of cost allocation charged to each budget account. There was a minor change where we put four positions in and weighted the personnel costs. We were displaying it as 50-percent personnel and 50-percent operational costs. Because of the increase in salaries and personnel, we changed the weight to 60-40, but that would not explain the large increase. We are committed to work with LCB staff and the Budget Division to try to determine the cause and a realistic number.

CHAIR BEERS:

Why not re-do it?

MS. ELLOYAN:

We can re-do it; however, we would probably obtain the same result.

CHAIR BEERS:

You would be able to identify a methodology.

MS. ELLOYAN:

We do have a methodology. We do not know why it dropped. Everything we submitted to the Budget Division supports the number in the Governor's recommended budget for FY 2006-2007.

CHAIR BEERS:

You are suggesting the previous cost allocation mechanism was not well defined, and this is a well-defined cost allocation?

MS. ELLOYAN:

Our work papers from the prior biennium we submitted with the budget are exactly what we submitted this year. At this point, it is a mystery. I am committed to finding out what the methodology is. If one was right and one wrong, we will agree with the correct one.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
March 8, 2007
Page 45

CHAIR BEERS:
If you are pleased with your current methodology, we will accept it.

I need to disclose my former employer is in a legal dispute with the Division of Insurance. We will continue this budget discussion another day. The meeting is adjourned at 11:01 a.m.

RESPECTFULLY SUBMITTED:

Jo Greenslate,
Committee Secretary

APPROVED BY:

Senator Bob Beers, Chair

DATE:_____

Assemblywoman Kathy McClain, Chair

DATE:_____