

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

**Seventy-Eighth Session  
March 20, 2015**

The joint meeting of the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government was called to order by Chair Randy Kirner at 8:01 a.m. on Friday, March 20, 2015, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website: [www.leg.state.nv.us/App/NELIS/REL/78th2015](http://www.leg.state.nv.us/App/NELIS/REL/78th2015). In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:**

Assemblyman Randy Kirner, Chair  
Assemblyman Pat Hickey, Vice Chair  
Assemblyman Paul Anderson  
Assemblywoman Irene Bustamante Adams  
Assemblywoman Heidi Swank

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

Senator Pete Goicoechea, Chair  
Senator Joyce Woodhouse

**SUBCOMMITTEE MEMBERS EXCUSED:**

Assemblyman Chris Edwards  
Senator Michael Roberson



**STAFF MEMBERS PRESENT:**

Cindy Jones, Assembly Fiscal Analyst  
Stephanie Day, Principal Deputy Fiscal Analyst  
Alex Haartz, Principal Deputy Fiscal Analyst  
Carol Thomsen, Committee Secretary  
Cynthia Wyett, Committee Assistant

After call of the roll, Chair Kirner opened public comment and there was no public comment to come before the Subcommittees. The Chair stated the Subcommittees would hear the remaining budget accounts within the Division of Enterprise Information Technology Services (EITS), Department of Administration.

**FINANCE & ADMINISTRATION  
DEPARTMENT OF ADMINISTRATION  
ADMINISTRATION - IT - COMPUTER FACILITY (721-1385)  
BUDGET PAGE ADMIN-58**

David Gustafson, Chief Information Officer and Administrator, Division of Enterprise Information Technology Services, Department of Administration, referred to page 4 of [Exhibit C](#), "2015-2017 Budget Presentation, Enterprise IT Services, March 20, 2015," which showed budget account (BA) 1385, Computer Facility. Mr. Gustafson said BA 1385 was responsible for management of the mainframe server, Internet servers, and application servers in a secure environment.

Chair Kirner stated the first major concern was the status of the mainframe upgrade.

Mr. Gustafson said approximately every four years the Division of Enterprise Information Technology Services (EITS) upgraded the mainframe, which had been a tradition since 1965. The EITS reviewed customer demand and expectations and the enterprise capacity plan, and married those figures to project mainframe use for up to three years in advance. Mr. Gustafson said the projections had been provided to Fiscal Analysis Division, Legislative Counsel Bureau staff, and EITS also provided a quarterly plan that included mainframe capacity information.

Chair Kirner stated that it appeared the mainframe upgrade resulted in additional base budget costs of approximately \$652,000 annually, which represented a 27 percent increase, but at the same time, it appeared that use of the mainframe was at 56 percent of capacity. Chair Kirner asked how EITS had projected customer demand and what steps the agency had taken to ensure that it had the appropriate level of equipment to meet customer demand.

Mr. Gustafson explained that EITS preferred to run the mainframe at a higher capacity than it was currently running. The mainframe was upgraded approximately one year ago because of major projections from the Department of Health and Human Services (DHHS) for the insurance exchange, and the plan to significantly increase the number of DHHS staff. At that time, EITS wanted to ensure that it had sufficient capacity to meet agency needs. With that in mind, EITS had upgraded the mainframe to create a satisfactory user experience at the agency level.

Mr. Gustafson indicated that since EITS had upgraded the mainframe, the machine became faster and use began to decline rather than increase as projected. However, said Mr. Gustafson, since March 6, 2015, use had increased at a rate of 8.5 percent. He noted that the mainframe was stable at the current time; however, EITS would reevaluate the use of the mainframe and advise the 2017 Legislature whether additional upgrades were necessary. There were two major projects that would be reviewed by the 2015 Legislature that would dramatically affect mainframe performance. Mr. Gustafson said if the Department of Motor Vehicles and the Department of Health and Human Services moved onto another platform, there would be an effect on the mainframe, because those two departments used the lion's share of EITS services. Mr. Gustafson stated that the mainframe was stable for the moment, but EITS would revisit the possibility of an upgrade in 2017.

Senator Goicoechea asked whether EITS had the ability to adjust the mainframe to meet user demand. Mr. Gustafson replied that EITS had that ability. He explained that EITS could "dial down" the ceiling on the mainframe, which lowered software and support costs to the mainframe vendor.

Senator Goicoechea said it appeared there was a possibility that the request for \$652,000 in the base budget for BA 1385 could be reduced if the mainframe use was lower. Mr. Gustafson stated that was correct.

Chair Kirner asked about the status of the state email update that had been projected for completion in 2015.

Mr. Gustafson stated that the current state email system was last updated in 2007, and EITS had been waiting for Cloud computing and storage technologies to mature and to see how other states managed with Cloud-based email systems. The EITS had approached the 2013 Legislature to request that the aging state email system be migrated to a Cloud-based solution. The Legislature approved the request, and EITS had developed a request for proposal (RFP); however, the first response was not successful and the RFP was cancelled. Another RFP was developed and EITS was currently in the contract negotiation stage of the second RFP.

Chair Kirner asked whether EITS had a better response to its second RFP.

Mr. Gustafson explained that EITS did not have contingency funding built into the multimillion-dollar project, and it realized after issuing the first RFP that vendors were not providing a total cost-of-ownership bid. He noted that it was common practice for vendors to provide low-bid figures and then add changes as the project moved forward. That was fair game if the project had a contingency fund, said Mr. Gustafson, but EITS did not have that ability. The second RFP required a total cost-of-ownership bid that would include no hidden costs.

Chair Kirner asked about the new timetable for EITS to complete the email project.

Mr. Gustafson indicated EITS was currently in contract negotiations, and as soon as the total cost-of-ownership problem was resolved, EITS would move forward as quickly as possible.

Chair Kirner asked whether Mr. Gustafson had a more definitive time frame.

Mr. Gustafson replied not at the moment. He stated that EITS would like to move forward and complete the project, but the state could not be placed in a position in which the lowest bidder was awarded the project, and then discover that added costs would require requests for additional revenue.

Senator Goicoechea asked whether the new email system would be ready by the middle of 2016; he asked whether Mr. Gustafson could provide some insight about the how long it would take to complete the project.

Jim R. Wells, C.P.A., Interim Director, Department of Administration and Interim Chief, Budget Division, Department of Administration, informed the Subcommittees that it was unlikely that the project would go forward in the first year of the 2015-2017 biennium. There was a possibility that it might go forward in the second year, but a phased-in approach would be used as opposed to converting the entire state at once. Mr. Wells indicated that pilot agencies would be selected to move to the new technology first, and the project could then be rolled out systematically throughout the second year of the biennium or into the 2017-2019 biennium.

Senator Goicoechea asked whether the current email system remained functional.

Mr. Wells said the plan was to provide sufficient funding in the existing budget to continue the current system over the 2015-2017 biennium, with the intent of phasing out that system over the 2017-2019 biennium.

Chair Kirner noted that the base budget for BA 1385 included funding of \$512,100 in each year of the biennium for Cloud-based email. He wondered whether EITS planned to put some of that funding into its reserves.

Mr. Wells stated that the email rate would be lowered because the amount in BA 1385 reserves relative to the email project was too high. The additional money recommended for the email rate for the upcoming biennium had to be reduced to maintain a reasonable level in the reserves according to federal requirements. Mr. Wells stated the Budget Division would work with Fiscal Analysis Division staff to lower the rate over the upcoming biennium.

Chair Kirner asked about the recommendation in The Executive Budget for \$1 million in additional computer facility charges to enhance the state's disaster recovery plan, as depicted in decision unit Enhancement (E) 240.

Mr. Gustafson stated that decision unit E-240 encompassed several items, such as equipment, disaster recovery consulting services, software licenses, increased bandwidth, and the request for one new information technology (IT) professional position for FY 2017.

Chair Kirner asked Mr. Gustafson to discuss the new IT position.

Mr. Gustafson said that during the 2013 Legislative Session, the EITS security group, budget account (BA) 1389, transferred in a position to develop an enterprise disaster recovery plan. That position was charged with meeting the recommendations of the audit performed by the Audit Division of the Legislative Counsel Bureau to establish a disaster recovery plan, work with customer outreach, and test that plan according to federal requirements. Previously, the federal government had required only written documentation that a disaster plan had been established. Mr. Gustafson stated that because cyber threat activity had increased in sophistication and technology, the federal government now required the plans to be tested.

Mr. Gustafson stated the position was required to develop a disaster recovery plan that set the overall risk profiles and established the mission and vision for the disaster recovery program; the position would also develop disaster recovery plans on a statewide basis. Mr. Gustafson stated any agency could contact EITS and request assistance in the establishment of a disaster recovery plan.

Per Mr. Gustafson, the position requested in decision unit E-240 would provide services solely to BA 1385, and those included mainframe service, storage arrays, data systems, and backup systems. The position and equipment would augment BA 1385 in the creation of more detailed disaster recovery plans. The requested position would not provide other services, such as network services, microwave services, or telephone services, and would work only on disaster recovery for BA 1385.

Chair Kirner noted that BA 1385 included funding for disaster recovery consulting services, and he asked whether the consulting services would be temporary.

Mr. Gustafson stated that EITS had hired a consultant to review the enterprise disaster recovery plan, ensure that it contained the right components, and determine how to proceed with the next steps; he noted that it would be a very thorough review process.

Chair Kirner stated the request for the disaster recovery consulting services was included in the budget only for fiscal year (FY) 2016, and he asked whether EITS was ready to move forward.

Mr. Gustafson stated EITS had moved forward and worked aggressively to bring a consultant on board, and that person was currently working on the disaster recovery plan.

Chair Kirner asked whether EITS anticipated the need for additional resources for the disaster recovery plan in the near future, other than the consultant services in FY 2016 and the new IT professional position in FY 2017.

Mr. Gustafson said that EITS provided approximately 50 information technology (IT) services and needed many staff positions to cover all the services. He noted that not every system would require a disaster recovery plan, but there were major pieces of the state's computer infrastructure that needed a disaster recovery component. The one current position in budget account (BA) 1385 and the requested new position for FY 2017 would not provide any of the other services currently provided by EITS. He stated that establishment of a robust disaster recovery program that could be tested would require equipment, software, a location, and staff.

Senator Goicoechea asked about EITS progress in the enhancement of the state's disaster recovery plan and the percentage of the program that had been completed.

Chair Kirner clarified the Subcommittees wanted some level of confidence that if the request for the new position were approved in FY 2017, there would be sufficient staffing levels over the upcoming biennium.

Mr. Gustafson replied that every step forward in the disaster recovery plan was a step in the right direction. Overall, with the additional position, the plan was approximately 30 percent completed. Another requirement for the disaster recovery effort, said Mr. Gustafson, was office space in Las Vegas so that staff could continue working on the recovery plan. When the state suffered a natural disaster such as flooding in one area, there had to be staff in another area that could react to that disaster. That was the point of a disaster recovery plan, and stationing staff only in one location would not help.

Chair Kirner said it appeared that the assets were needed now, but it was impossible to anticipate future funding and position needs.

Mr. Gustafson said some plans would not work out, and IT technicians mitigated that somewhat by locating development (dev) and test environments

in a disaster recovery location so if a production system was damaged, the dev and test environment could be activated. The EITS was able to mitigate disasters for applications that were not considered high profile.

Chair Kirner stated that the federal government was requiring not only the creation of a disaster recovery plan, but also the testing of that plan. The Chair asked whether the federal government was providing funding for the disaster recovery plans and whether there was a reporting requirement.

Mr. Gustafson explained that federal grant funding for some agencies, such as the Division of Welfare and Supportive Services, Department of Health and Human Services, was contingent on the Division having a proper disaster recovery plan that had been tested in place. He stated EITS provided much of the core infrastructure for the Division, and when the federal government required it to have a failover system using backup servers, the Division then approached EITS with the request to build the failover system and bill the Division. If EITS could not build such a server, the Division would be required to outsource the project to a vendor to meet the federal mandates. The Division was somewhat like the federal government, because it only wanted to pay the amount necessary to meet the federal mandates.

Mr. Gustafson explained that a disaster recovery site in Las Vegas would require networking equipment, circuits, power, and cooling capabilities. The EITS had been discussing how it could slowly rebuild the disaster recovery capacity, which had never been sufficient to begin with and had become even worse during the great recession. The EITS was inching toward rebuilding the capacity, and Mr. Gustafson believed that great strides had been made.

Chair Kirner asked about decision unit Enhancement (E) 226, which recommended additional computer facility charges that would support an outsourced, Cloud-computing pilot project.

Mr. Gustafson believed that Cloud technology had improved sufficiently to consider Cloud computing, but he opined that some information should not be placed in the Cloud. He noted he had spoken to a vendor who had explained the capabilities of one world-class enterprise provider. When the vendor described some of the capabilities that the provider had built into the Cloud, Mr. Gustafson said he was shocked, because he was unaware of some of those capabilities. He noted that the technology was changing much faster, and he was not able to keep track of the changes.



Mr. Gustafson stated that EITS had requested funding in budget account (BA) 1385 to test a Cloud-computing pilot project and determine whether such projects were reliable. The cost of Cloud computing was expensive, and EITS wanted to ensure that large costs were not created by runaway job requirements. The EITS also wanted to determine whether the information would be readily accessible and test some of the capabilities. The funding would create a pilot program so that EITS could evaluate the services available in the Cloud.

Mr. Gustafson stated that if the funding was approved, EITS staff would conduct an analysis and provide a written report and recommendation regarding whether the technology was sufficiently mature for the state to pursue Cloud-based computing. If the results were positive, the question became how to incorporate Cloud-based computing into EITS' service offerings, whether by doing it internally or by providing the technology directly to customer agencies.

Chair Kirner asked whether EITS had developed any concrete measurements regarding Cloud computing, such as how the system would be tracked and monitored and what the next steps would be.

Mr. Gustafson stated that EITS was not that far into the process, and the pilot program would allow EITS to evaluate Cloud computing.

**FINANCE & ADMINISTRATION**  
**DEPARTMENT OF ADMINISTRATION**  
**ADMINISTRATION - IT - DATA COMM & NETWORK ENGIN (721-1386)**  
**BUDGET PAGE ADMIN-68**

Chair Kirner indicated there were three major concerns in budget account (BA) 1386, the first of which was the increase in network capacity as depicted in decision units Enhancement (E) 226 and E-227.

David Gustafson, Chief Information Officer and Administrator, Division of Enterprise Information Technology Services, Department of Administration, referred to page 6 of [Exhibit C](#), "2015-2017 Budget Presentation, Enterprise IT Services, March 20, 2015," which depicted budget account (BA) 1386.

Mr. Gustafson said decision unit E-226 addressed the augmentation of bandwidth between Carson City and Las Vegas. He explained that as EITS developed more and more disaster recovery capabilities, it had received

requests for additional services in both northern and southern Nevada. The EITS had reached capacity on its existing infrastructure and was asking to augment those circuits between Carson City and Las Vegas.

Senator Goicoechea commented that conduit construction was taking place on U.S. Highway 50 for fiber optic cable installation, and he asked how the bandwidth increase would help the Winnemucca area. He also wondered about the capacity of the state's wide-area network (SilverNet).

Mr. Gustafson explained that part of the capacity plan included the monitoring of circuits as depicted on [Exhibit D](#), a map of Nevada that identified the various server locations. When a circuit exceeded 70 percent use, it was time for an upgrade. The EITS process had been to monitor the circuits, and when the use was at 70 percent, the cost of the upgrade would be included in the budget request for the next budget cycle. The decision unit that requested funding for increased bandwidth in BA 1386 for the 2015-2017 biennium was the result of that process and applied to the circuits that had exceeded 70 percent use.

Mr. Gustafson stated that the bandwidth use for Winnemucca had reached 100 percent, and at that point, the circuits were virtually useless. Persons trying to access the Internet from the Winnemucca location were usually unsuccessful. Mr. Gustafson stated that the circuit for the Winnemucca area was very slow speed at 1.54 megabits per second, and that upgrade was included in the budget request.

Senator Goicoechea asked whether the use for SilverNet was also at 100 percent.

Mr. Gustafson indicated that "SilverNet" was an overarching term used by EITS that included thousands of circuits. Per Mr. Gustafson, no matter how much bandwidth was increased to meet the needs today, by tomorrow that would no longer be sufficient. The bandwidth always required upgrades, and to keep the costs down, EITS measured and monitored the circuits, and when circuits exceeded 70 percent of use, they were then listed for upgrades. He noted that EITS did not blindly commence with upgrades.

Senator Goicoechea asked how the bandwidth would be increased in the Winnemucca area.

Mr. Gustafson stated that he was unsure how that upgrade would be completed on the current T1 bandwidth lines, which would no longer be used.

Senator Goicoechea noted that the state was moving away from the T1 lines, and he asked what type of circuits would be used to replace those lines. He wondered whether the state was moving ahead fast enough to maintain the capacity for SilverNet. Senator Goicoechea said he realized that updating the circuits was an ongoing process.

Mr. Gustafson said the bandwidth would be increased in the Winnemucca area through use of leased circuits from one of the major carriers.

Senator Goicoechea said it appeared that the state would then be dependent on the vendor to provide the infrastructure. Mr. Gustafson stated that was correct.

Senator Goicoechea asked what would occur if there was not sufficient demand to offset the cost of the infrastructure.

Mr. Gustafson said he would discuss that aspect when he discussed the microwave upgrades. He noted that in rural areas, EITS used the microwave network to augment the facilities that required additional circuit capacity that had not been provided by vendors. Typically, EITS delivered microwave services to entities such as prison facilities located in rural areas. Without advanced microwave technology, EITS would not be able to provide those services.

Senator Goicoechea asked whether there were other sources available to increase bandwidth other than fiber optic lines and microwaves.

Mr. Gustafson said fiber optic lines and microwave use were the major sources for increased bandwidth. He stated EITS had attempted to encourage local vendors to build out their services, because it appeared technology was the driving force when persons determined where to relocate within the state. Mr. Gustafson said he encouraged local vendors to reach out to the rural areas. He indicated that EITS did not want to be in the business of managing fiber optic lines in some remote locations throughout the state and would prefer to work with local-area vendors.

Senator Goicoechea asked about the fiber optic line that went to the City of Ely and served the Ely State Prison. He thought that AT&T had put that line in several years ago.

Mr. Gustafson believed that was correct. For the past 20 years, a partnership existed between the former Department of Information Technology, which was now EITS, the Department of Transportation (NDOT), and the Nevada System of Higher Education (NSHE) to build fiber capacity throughout the state. That was done largely because there was basically no reason for major carriers to build high-speed capacity in the outlying areas throughout the state. Mr. Gustafson noted that carriers would provide service in populated areas, but areas such as Austin and Ely were not productive for them. He noted that as roads were built, conduits had been installed because some state facilities were located in those rural areas.

Mr. Gustafson stated that NDOT was building a fiber leg from U.S. Highway 50 to the NDOT yard in Ely, and EITS would then take microwave technology up to Squaw Peak and down to the Ely State Prison.

Senator Goicoechea asked whether the older fiber optic line that had been installed several years ago belonged to the state.

Patrick Sheehan, Information Technology Manager 2, Division of Enterprise Information Technology Services, Department of Administration, introduced himself to the Subcommittees and stated he was the microwave manager for the state.

Mr. Sheehan said that Senator Goicoechea was correct and the fiber followed Highway 50 to Ely. The NDOT project would take the line from the Great Basin College's Ely Center along NDOT right-of-way to the NDOT yard. He reiterated that EITS would take high-capacity microwave from the NDOT yard up to Squaw Peak to serve the Ely State Prison.

Senator Goicoechea assumed that the Ely State Prison did not currently have microwave capability or fiber bandwidth.

Mr. Sheehan replied that was correct: the Ely State Prison currently did not have that capability. It was his understanding that the fiber optic line was in contention between AT&T and NV Energy regarding who had access to the conduits.

Senator Goicoechea believed there was another fiber optic line running along Highway 50. Mr. Sheehan stated that was correct, and it was an AT&T line.

Chair Kirner asked about the possible risks to the state because of the current location of network equipment at the Grant Sawyer State Office Building (Sawyer Building) in Las Vegas, as noted in decision unit Enhancement (E) 225. The Chair wondered about the risk of moving offsite and the rent increase to \$256,500 annually.

Mr. Gustafson pointed out that there was no proper data center in the Sawyer Building, and EITS had major switching equipment located in that building. He stated EITS staff working at that location indicated the pipes were leaking and the doors had to be propped open because of the lack of air conditioning and the lack of environmental controls. Mr. Gustafson said the site did not have a raised floor, and the electrical supply was definitely not sufficient for enterprise equipment; the Sawyer Building was simply not a proper environment for the state's enterprise networking equipment. The cost to move that equipment out of the Sawyer Building and relocate it to a proper data center was included in the amount recommended in The Executive Budget for rent and for the relocation.

Chair Kirner asked about the risks involved when the enterprise networking equipment was moved and whether EITS would have to shut down service.

Mr. Gustafson said EITS had to plan the move to coincide with the lowest service times, and staff would work after hours when customers were not using the system.

Chair Kirner said when the equipment was moved to the new location, the rental rate would increase significantly, and he asked whether the location allowed for future growth.

Mr. Gustafson said the space at the Sawyer Building was comparable to a "broom closet," and there was no room to grow. When the equipment was moved into a proper data center, there would be opportunity for future growth.

Chair Kirner asked whether additional services would be provided by the Via West facility. Mr. Gustafson explained that Via West was simply a data center.

Senator Goicoechea commented that the rent for the new location would be approximately \$250,000 annually, and he wondered whether EITS could provide that amount in new capabilities and access.

Mr. Gustafson explained that when the enterprise networking equipment was moved into the Sawyer Building, it was never meant to be placed in what amounted to a "broom closet." That space would suffice for the equipment needs of only the Sawyer Building, and the state relied more and more on that enterprise equipment. Mr. Gustafson noted that the infrastructure in southern Nevada was dependent on the enterprise networking equipment currently located in the Sawyer Building. He opined that if the pipes leaked too much water or the environment could not be controlled and the equipment shut down, it would create a catastrophic situation that would result in the loss of productivity that would far exceed the cost of \$250,000.

Having said that, Mr. Gustafson noted that EITS was a good custodian of revenue and would do everything possible to secure the best possible price for the space that would meet its requirements within the Via West facility.

Senator Goicoechea said he recognized the need for additional room for the enterprise networking equipment, and the state could not afford to shut down operations in southern Nevada, so it appeared the relocation would be worth the money.

Chair Kirner asked Mr. Gustafson to discuss decision unit Enhancement (E) 504, which was the request for funding to transfer four information technology (IT) positions from the Department of Public Safety (DPS) as part of the integration of DPS IT services with EITS. Chair Kirner asked about the rationale for including the costs for supporting DPS's internal network in budget account (BA) 1386. He wondered why DPS was not being charged separately.

Mr. Gustafson stated that the funding model currently used did not afford EITS much flexibility. That model was sufficient when IT services were not being increased and the same services were provided each year. The problem was that the DPS revenue had been placed in BA 1405, Info Tech Consolidation DPS, and some of the costs did not translate to exactly what EITS was providing in the way of services. There were costs that were now being assumed by cost pools that served a different population because the model was not flexible enough to accommodate the costs.

For example, said Mr. Gustafson, enterprise IT primarily managed two data centers, Switch in southern Nevada, which was an outsource data center, and the Carson City data center. He noted that DPS also managed and maintained two data centers so those costs were placed in budget account (BA) 1405, but as BA 1405 was eliminated, those costs moved into the data center cost pool. Therefore, the cost to EITS to manage four data centers was encapsulated in those costs. Mr. Gustafson said EITS was now in the restructuring phase of the consolidation; employees had been mapped to the correct teams, and now EITS was working to eliminate redundancies such as the data centers. The project managers had been working on moving the DPS data centers into EITS data centers. The costs had translated into enterprise activity services; he noted the model did not actually fit, but there were no other choices.

Evan Dale, Administrator, Administrative Services Division, Department of Administration, stated that decision unit E-904 transferred four IT professional positions and other related costs into BA 1386. Those costs were assigned to either SilverNet or virtual private network (VPN) services.

Chair Kirner said the question was why the DPS was not being charged separately for services related to managing its internal network rather than the methodology described in decision unit E-904.

Mr. Dale stated the services that EITS had in place did not allow for a separate category for the expanded SilverNet service for DPS. Therefore, EITS had to include those costs in SilverNet services the same as other state entities, because that was the only logical place to put those costs. Mr. Dale said going forward, if there were additional expanded SilverNet services, EITS should look at adding a new service area in BA 1386 to reflect those services.

Chair Kirner believed that should be done, particularly when the expanded SilverNet service was dedicated to DPS.

**FINANCE & ADMINISTRATION**  
**DEPARTMENT OF ADMINISTRATION**  
**ADMINISTRATION - IT - TELECOMMUNICATIONS (721-1387)**  
**BUDGET PAGE ADMIN-76**

Chair Kirner indicated that the two areas of interest in budget account (BA) 1387 were telephone system replacement status and the transfer out of one position.

Amy Davey, Deputy CIO, Operations, Division of Enterprise Information Technology Services, Department of Administration, introduced herself to the Subcommittees and referred to page 8 of [Exhibit C](#), "2015-2017 Budget Presentation, Enterprise IT Services, March 20, 2015," which depicted budget account (BA) 1387.

Ms. Davey stated that the telephone replacement project was going very well. The Division of Enterprise Information Technology Services (EITS) had replaced the core telephone switches in Carson City and Las Vegas and continued to connect state agency customers to the new system; the project was 59 percent completed. The initial phase of the project that was funded by the 2013 Legislature would be completed in June 2015.

Chair Kirner asked whether any specific benefits had been realized because of replacing the state telephone system with the modernized, leased system.

Ms. Davey said the old state telephone system was past its end of life and parts were no longer available; therefore, it had become necessary to replace the system. The new telephone system used information technology (IT) based on modern technology and provided a more stable system with additional features. Ms. Davey said as EITS learned more about the new system, additional features were rolled out. The features included enhanced conference call capabilities and other newer technologies.

The air-conditioning requirements, the power consumption, and the reduction of circuit hardware, made the new system more efficient, and Ms. Davey said EITS was now able to use one network rather than two. Overall, the new state telephone system was a significant improvement over the current obsolete system.

Chair Kirner stated that throughout the budget process, many requests had been made by agencies to replace the telephone system, and he wondered whether those agencies had attempted to migrate to the new state telephone system through EITS. He also wondered what factors were taken into consideration when evaluating stand-alone systems for integration with the state system.

David Gustafson, Chief Information Officer and Administrator, Division of Enterprise Information Technology Services, Department of Administration, stated that EITS usually did not review budget requests from other agencies. He stated EITS received information regarding agency telephone update



requests from the Budget Division, Department of Administration. There was no watertight system in place regarding how agencies would request to be connected to the state telephone system.

Mr. Gustafson noted that the new state telephone system allowed use of the Voice over Internet Protocol (VoIP) technology in the agencies, and EITS had been deploying the VoIP-based technology and the unified communications technology. The state telephone system was reduced from an entire room of assorted items and equipment to a rack of servers because the technology was completely different.

Mr. Gustafson said EITS was aware that some agencies were requesting telephone systems, and EITS would like to partner with those agencies, because the new state telephone system had more capability. Those agencies needed a data connection and the funding in their budgets to buy the necessary equipment to connect to the state system.

Chair Kirner said that a number of agencies had elected to use stand-alone systems, and he asked whether EITS evaluated those systems.

Bruce Beamer, Information Technology Manager 2, Division of Enterprise Information Technology Services, Department of Administration, introduced himself to the Subcommittees and asked Chair Kirner for clarification.

Chair Kirner said the concern was that there were 12 new systems recommended in various agency budgets, many of which were stand-alone systems. He wondered what method was used to determine whether agencies should have stand-alone systems or whether they should be integrated into the state telephone system.

Mr. Beamer said EITS had a list of 134 locations with stand-alone telephone systems, some of which were 20 years old, and when those systems suffered a failure, EITS had to find parts to make the systems work. Mr. Beamer believed that all 134 stand-alone systems should be evaluated for consolidation with the new state core system. There were multiple reasons for that action, the first of which would be to convert those systems to current technology, and more importantly, the new system would combine all locations in northern and southern Nevada. Mr. Beamer explained that part of the new state system had redundancy, which assured that if the system in northern Nevada failed, the system in southern Nevada would provide backup.

Chair Kirner commented that Mr. Beamer said the stand-alone telephone systems "should" be evaluated. He wondered who was in charge and how that evaluation and consolidation could take place.

Mr. Beamer said that during the prior biennium, the deputy director of the Department of Administration was a very strong advocate of a consolidated state telephone system; however, that deputy director had retired. Mr. Beamer stated that there were many individual agencies that requested funding for stand-alone telephone systems that were not evaluated by EITS. He stated that he had recently received a listing of those agency requests from the Fiscal Analysis Division, Legislative Counsel Bureau staff, and he would review those requests with consolidation in mind. Mr. Beamer opined that the systems should be consolidated, because the new state system had the ability to handle the entire state with the purchase of additional licenses. The original request for the new core telephone system was to move the 9,000 current users onto the new system; however, with the purchase of additional licenses, the capacity could be increased to provide service throughout the state.

Senator Goicoechea stated that it appeared several entities wanted to remain on stand-alone telephone systems because of the cost-prohibitive infrastructure upgrades necessary for connection to the state telephone system. He believed that at some point, the state should connect every agency to the state telephone system, no matter the cost.

Mr. Beamer said EITS had to review geographic location. He noted that connections would be good in the major areas of the state, such as Reno/Sparks, Carson City, and Las Vegas, but there were some areas in the state where fiber optic lines were unavailable, and EITS would not be able to connect some rural agencies to the state's core telephone system.

Chair Kirner believed that everyone should work together to help EITS identify the agencies that were asking for new telephone systems so that EITS could evaluate those requests and determine whether those agencies could use the state telephone system.

Chair Kirner said decision unit Enhancement (E) 906 recommended the transfer out of one administrative aid position from budget account (BA) 1387 to the Office of CIO budget account (BA 1373).

Ms. Davey said BA 1387 contained three telecommunication operators statewide that manned a live call center on the state telephone line. Because of the functionality of the new telephone system, there was the ability for call routing. The calls coming into the current call centers were primarily those that had to be routed to other state agencies, and EITS believed the new system could be used to route such calls throughout the state. Ms. Davey stated that over the next two years, Mr. Beamer would collect data regarding incoming calls and work with agencies on the central line. Therefore, one administrative assistant position in the call center would be repurposed to an administrative support position for the entire agency rather than just the call center.

**FINANCE & ADMINISTRATION**  
**DEPARTMENT OF ADMINISTRATION**  
**ADMINISTRATION - IT - NETWORK TRANSPORT SERVICES (721-1388)**  
**BUDGET PAGE ADMIN-84**

Chair Kirner stated that the major concern in budget account (BA) 1388 was the microwave system replacement.

David Gustafson, Chief Information Officer and Administrator, Division of Enterprise Information Technology Services, Department of Administration, stated there was a concern with the microwave system. In 2000, the state upgraded from an analog system to a digital system for the microwave infrastructure, which included 114 microwave sites, many of them mountaintop sites, that provided the microwave platform for the Nevada Shared Radio System (NSRS). Mr. Gustafson stated that the NSRS was the primary system for all law enforcement entities throughout the state and also for prisons in rural Nevada; the NSRS would reach the end of life after 2017. The microwave system currently provided limited voice and data capabilities.

According to Mr. Gustafson, decision unit Enhancement (E) 712 was the request to replace the current digital system with an Internet protocol (IP) based technology to ready the microwave network for the replacement of NSRS. The project was currently in the planning stages and being coordinated by the Department of Transportation (NDOT), NV Energy, and the Washoe County Regional Communication System. The radio systems for those entities would also reach end of life in 2017.

Chair Kirner said the project appeared to involve a confluence of several events. He asked about the project plan for what appeared to be a very significant project.

Mr. Gustafson said the request for fiscal year (FY) 2016 was to fund a contractor to assist with the development of the request for proposal (RFP), which would be done in cooperation with NDOT. In FY 2016, NDOT would develop its RFP to not only replace the radio system, but to ensure that the microwave network was compatible with the technology that NDOT wanted to purchase. The actual replacement of equipment would commence in FY 2017.

Per Mr. Gustafson, the project was very complicated because of the new technologies, but the solution proposed by the Division of Enterprise Information Technology Services (EITS) would encompass the current technology, along with the new technology needed to support NSRS. It was imperative for EITS to move first, because if the budget request was not approved, NSRS could not be upgraded because the current microwave network technology would not support a new radio system.

Senator Goicoechea asked whether the project would call for replacement of dishes or infrastructure.

Patrick Sheehan, Information Technology Manager 2, Division of Enterprise Information Technology Services, Department of Administration, stated that was partially correct, because there would be some dish changes. In some cases, EITS might need to use a space diversity configuration to help improve reliability, most likely between Reno and Las Vegas. Mr. Sheehan said some of the microwave shots were occluded because there was not a true line-of-sight. In those cases, to improve the reliability, a space diversity configuration would be used. Mr. Sheehan said eight new dishes were proposed in the replacement project, but all existing antennas would be used throughout the state.

Senator Goicoechea asked whether the microwave system would increase to 122 sites with the addition of the eight new dishes or whether EITS was going to use the new dishes to upgrade existing sites.

Mr. Sheehan stated that there would be no new sites, and the new dishes were to upgrade existing sites. There were a total of 81 microwave sites included in the project and not all 114 locations would be upgraded.

Senator Goicoechea said it appeared EITS was changing the electronics. Mr. Sheehan stated that was correct: the project would change only the electronics.

Senator Goicoechea wanted to know whether the replacement system would support both the old and the new technology. He also wondered whether law enforcement agencies would be required to upgrade their radio systems or those radios would continue to use the old technology.

Mr. Sheehan said the new technology would be Internet protocol (IP) based and the new equipment would be capable of handling the traffic for the existing EX system [a radio system produced by Exalt Wireless], as well as any new IP infrastructure. Since NDOT would not bring its new system on line until after FY 2017, the new microwave system would have to support the existing EX radio system. Mr. Sheehan affirmed that the new microwave equipment would support both systems.

Senator Goicoechea asked whether the project would be completed in the 2015-2017 biennium.

Mr. Sheehan replied that the project would not be completed until fiscal year (FY) 2018 because of the way the funding was allocated. He stated that in FY 2016, the \$130,000 in user charges would address the consulting service costs, and in FY 2017, the Governor recommended \$6 million to fund the initial lease costs.

Chair Kirner said one concern was related to public safety communications, and he asked whether EITS was confident that the transition would align with the replacement of NSRS. Chair Kirner noted that the plan was to outsource a critical component of public safety communications.

Mr. Gustafson replied that replacement of equipment would depend upon the weather, and the project would probably start in southern Nevada with areas where there was less traffic, which would give EITS additional time to test the equipment before moving on. The plan for the transition was to start with the lowest-risk areas and move to the highest-risk areas. Mr. Gustafson indicated the replacement of equipment would be done via the contractors; the vendor who would engineer the system would also be working collaboratively with EITS, NDOT, and all law enforcement entities.

Chair Kirner asked how EITS would maintain control of the project once it was outsourced.

Mr. Gustafson said EITS had discussed whether to try an in-house solution versus outsourcing, and the original plan was to do the replacement in-house, with EITS starting the replacement in the low-risk areas. However, it quickly became apparent that EITS did not have the staffing capabilities, such as engineering, to complete the replacement. Mr. Gustafson said the new microwave system was a completely different technology and was more commercial-carrier-grade technology versus the current technology. Also, the state's compensation schedule did not afford EITS the opportunity to hire the staff it would need to build, support, and maintain the new technology microwave system. The project would require significant up-front capital, and the state would then need to capitalize the entire project rather than just pay for the lease.

Mr. Gustafson said it made more sense to partner with a vendor who would engineer, design, and support the new microwave technology going forward. He noted that transport services staff currently visited the microwave sites to check on batteries, generators, and the dishes.

When network transport services were up to speed, Mr. Kirner asked whether the level of staff would need to be reconfigured because of the outsourcing.

Mr. Gustafson believed that the request for proposal (RFP) would indicate the staffing needs for network transport services, which would be dependent upon the level of staff provided by the vendors. He said EITS always needed staff to visit the sites to manage and maintain the towers. The outsourced piece of the replacement project only included the electronics. Mr. Gustafson said EITS would probably not need as many human resource employees, but the exact number was unknown.

Senator Goicoechea said he had some angst about the project, because it appeared that all electronics would be outsourced to a vendor, and yet the site and infrastructure would be owned and maintained by the state. He voiced concern, because it was difficult to address maintenance in some areas during the winter months, which could cause a system failure; he was concerned about support from a vendor.

Mr. Gustafson explained that EITS used helicopters to reach mountaintop sites. He indicated that EITS understood the concerns, but believed it could maintain the sites, and that vendors would also be responsive to those needs; EITS was willing to work with the contractors. Mr. Gustafson stated that when one site went down within the system, the system would reroute traffic around the site that was down.

Mr. Sheehan indicated that EITS would maintain existing staff levels through fiscal year (FY) 2019. The microwave project itself would not begin until FY 2017, and with the estimated two-year completion period, EITS would maintain existing staffing levels through FY 2019. To help mitigate Senator Goicoechea's concern about the vendor addressing outages, Mr. Sheehan said EITS had a high degree of confidence that the prospective vendors would handle outages. Those vendors also serviced significant cellular infrastructure and were very well experienced in the maintenance of such infrastructure.

Mr. Sheehan stated that existing EITS staff would respond to emergency outages at the various sites, and if necessary, existing staff would help in instances when the vendor's staff could not respond to an outage; EITS staff would pick up the slack in those situations. Mr. Sheehan stated that EITS had two snowcat vehicles to access sites, one located in Elko and one in Carson City. He also reiterated that EITS would deploy helicopters when necessary.

Chair Kirner asked whether the First Responder Network Authority (FirstNet) project, which was a federal initiative, would affect the microwave upgrade.

Mr. Gustafson explained that FirstNet was a mandate from the federal government to provide a coast-to-coast, secure, public safety broadband network. The federal government had authorized \$7 billion to initiate the FirstNet project, because it recognized the need to provide a secure data network for public safety communications. Mr. Gustafson said he envisioned FirstNet being used by firefighters in rural Nevada to stream live data back to dispatch and the control unit. He also opined that events such as the Reno Championship Air Races were a good example of why the FirstNet network was needed. When a major accident occurred at an event such as the air races, persons often used their cellular phones to take videos and call out or text other persons, which congested the cellular network. The federal government had responded to the report from the 9/11 Commission to

provide law enforcement with the capability to respond to events and ensure that law enforcement communications were prioritized and enabled.

Mr. Gustafson said the federal government was working to create the FirstNet system, and EITS met with representatives frequently. The federal government still did not have a proper business plan and was unsure how FirstNet would be constructed. Federal representatives had described a request for proposal (RFP) process by which to proceed, but Mr. Gustafson opined that it would be a long-term endeavor for the government.

Mr. Gustafson stated that Nevada's proposed microwave network would be compliant as an Internet protocol (IP) system with the FirstNet technology. Therefore, said Mr. Gustafson, once the federal government determined how to proceed with the FirstNet system, Nevada's proposed microwave network would "plug in" to that system.

**FINANCE & ADMINISTRATION**  
**DEPARTMENT OF ADMINISTRATION**  
**ADMINISTRATION - IT - SECURITY (721-1389)**  
**BUDGET PAGE ADMIN-95**

Chair Kirner explained that the areas of concern in budget account (BA) 1389 were the transfer of the chief of the office of information security position to the unclassified service and the dedicated staff or desktop security.

Amy Davey, Deputy CIO, Operations, Division of Enterprise Information Technology Services, Department of Administration, stated that the chief information technology (IT) manager positions in the Division of Enterprise Information Technology (EITS) were currently unclassified positions, with the exception of the chief of the office of information security position. There was a vacancy in the position, and EITS had been notified that in the 2011 and 2013 Unclassified Pay Bills, the intent was for the position to become unclassified; however, there was statutory language that identified the position as being in the classified service.

Ms. Davey stated that Senate Bill 72 would remove that specific statutory language, and EITS did not believe it was necessary or helpful to have the chief of the office of information security position listed separately from the other unclassified manager positions. Therefore, the request included



in BA 1389 was to align that position with the other chief IT manager positions in the unclassified service.

Chair Kirner asked whether there would be any budgetary effect regarding the transfer of the position.

Ms. Davey said that transferring the chief of the office of information security to unclassified would actually reduce the overall budget because of a pay inversion between chief IT manager positions in the classified service and the unclassified chief IT manager positions in EITS. In the 2011 merger of the Department of Administration and the former Department of Information Technology, which created EITS, the salaries for the unclassified chief IT managers were reduced. Those unclassified positions were now lower in salary than classified positions in the agencies, so moving the chief of information security to the unclassified service would actually reduce the salary for that position by approximately \$4,000.

Chair Kirner asked about decision units Enhancement (E) 505, E-506, E-905, and E-906, which would transfer funding and IT professional positions.

Ms. Davey recalled that the 2013 Legislature approved the creation of a coordinated state security software program. She stated the EITS program used the Symantec Altiris Endpoint security software as the statewide desktop security initiative. Ms. Davey explained that the software included an entire suite of products. It was her understanding that all funds would be combined and coordinated to create and purchase one central desktop security endpoint solution. Once that was completed, EITS had not been able to evaluate or authorize dedicated staff to continue the deployment of the program. To date, there were 10,000 state endpoints using the software system, and EITS had a very robust program deployment schedule being worked on by existing staff.

Ms. Davey said the two positions that would transfer were not new: they had been vacant positions that were allocated to support the completion of the project and ensure its success. The request was to align the transfers with the project duties those positions had been performing.

Chair Kirner said it appeared that several state agencies that encompassed approximately 4,000 computers had opted not to use the statewide security program, and he wondered why those agencies would not participate in the statewide security program.

Ms. Davey said the EITS project manager contacted state agencies and discussed the deployment plan for those agencies; however, some agencies indicated they preferred not to participate in the program. When those agencies declined to participate, EITS was not able to proceed.

Chair Kirner assumed that there were certain benefits with the new security program, and after learning about the benefits, he wondered why agencies would continue to decline.

Ms. Davey said some agencies had indicated they were managing their own endpoint security programs, and EITS assumed that was true. Those agencies had declined to participate in the statewide system and preferred to remain on their own endpoint security systems.

Per Ms. Davey, EITS had found the Symantec Altiris Endpoint security software to be very effective, and the validation results indicated that the program prevented, detected, and remediated malware in those agencies that participated in the statewide endpoint security program. The system included automated operating system endpoint application patching so that continuous up-to-date patching was being done through the central service. The system also included inventory management, and one of the agencies was able to use that product to take an inventory of its desktop computers. That agency discovered that it did not need to replace 300 computers, which resulted in substantial savings.

David Gustafson, Chief Information Officer and Administrator, Division of Enterprise Information Technology Services, Department of Administration, stated that he was very proud of the EITS team that had deployed over 10,000 endpoints. That converted to over half of the state government agencies voluntarily participating in the use of the state security system. Mr. Gustafson opined that was an exceptional feat, and he was proud of the team.

Mr. Gustafson reiterated that some agencies simply preferred to maintain their own endpoint security, and EITS had no mechanism by which to encourage those agencies to use the state program.

**FINANCE & ADMINISTRATION**  
**DEPARTMENT OF ADMINISTRATION**  
**ADMINISTRATION - IT - INFO TECH CONSOLIDATION DPS (721-1405)**  
**BUDGET PAGE ADMIN-102**

Chair Kirner stated that the major issue in budget account (BA) 1405 was the integration of the Department of Public Safety information technology services into the Division of Enterprise Information Technology Services, Department of Administration, as depicted in decision units Enhancement (E) 901, E-902, E-903, E-904, and E-905.

David Gustafson, Chief Information Officer and Administrator, Division of Enterprise Information Technology Services, Department of Administration, stated that he formerly worked in the private sector, and one of the things he realized immediately when he began working for the state was that each agency was "doing its own thing." Mr. Gustafson said his philosophy toward state government when he first became a state employee was that the Governor was the Chief Executive Officer (CEO) and agencies followed the orders of the CEO.

While that was largely true, said Mr. Gustafson, the Governor could not manage each agency down to the level of data centers, servers, and other necessary equipment. Mr. Gustafson said that many agencies preferred to use their own systems rather than join with the Division of Enterprise Information Technology Services (EITS) and use its programs.

Ms. Gustafson said in his professional opinion, standardizing programs created many opportunities to reduce costs, and those programs were easier to secure; he noted that cybersecurity became a greater risk every day. Mr. Gustafson said EITS began consolidating some programs to eliminate the various data centers. However, not every agency believed that programs should be consolidated, and EITS was met with many objections from Executive Branch agencies.

The Director of the Department Public Safety (DPS) had approached EITS to assist with information technology (IT) security, because law enforcement officers were not proficient in that field. Mr. Gustafson said the Director of DPS wanted to move the IT services from DPS to EITS, and it was agreed that EITS would be the appropriate place for the DPS IT services. Therefore, the consolidation of DPS IT personnel and services with EITS was born.

Mr. Gustafson stated that there was no mechanism or model that afforded EITS the ability to consolidate, and the details of the consolidation were worked out as it progressed. Mr. Gustafson said he had stated on record during the 2013 Legislature that there were four objectives to the merger. The total cost of DPS IT services would remain the same or be reduced, and Mr. Gustafson said he was confident of that, because as EITS collapsed data centers, networks, server arrays, and storage arrays, the costs would be reduced through economies of scale.

Elimination of budget account (BA) 1405 was another objective, said Mr. Gustafson, because as a stand-alone budget account, it did not fit the EITS model. The consolidation project would increase Nevada Criminal Justice Information System (NCJIS) compliance with federal security requirements and provide additional IT functionality for DPS by leveraging new technologies and bringing DPS into the fold as part of EITS.

Mr. Gustafson believed that EITS had met the objectives, and in the long run, more money would be saved as EITS continued to collapse redundant infrastructures, storage arrays, server files, and licensing. The project was currently in a phase that began as the DPS systems failed, and EITS had been forced to aggressively address those failures. Mr. Gustafson said that even as late as yesterday [March 19, 2015], the server manager explained that some servers remained that were out of support, primarily from the DPS environment. He opined that a lot of work remained to be done by replacing and upgrading infrastructure.

According to Mr. Gustafson, the aforementioned decision units would remove the positions from BA 1405 and place them in EITS budget accounts that best mirrored the duties of those positions within DPS IT services. As previously noted, the fit was not always perfect, because some costs and expenses transferring with the positions might not be appropriate for EITS, but there was no other mechanism available to EITS to accommodate the transfer in of positions.

Chair Kirner stated that Fiscal Analysis Division, Legislative Counsel Bureau, staff asked EITS to provide a brief written report that included a description of the duties performed by each position transferred from BA 1405 into the EITS budget accounts. It appeared Fiscal Analysis Division staff was interested in whether or not there were duplicative positions. Mr. Gustafson stated he would comply with that request.

Chair Kirner asked whether a service-level agreement between EITS and DPS had been finalized and signed by both agencies.

Amy Davey, Deputy CIO, Operations, Division of Enterprise Information Technology Services, Department of Administration, stated that a consolidation agreement was concluded, and a management-control agreement was part of that process. Those were two agreements that EITS formalized with DPS that were required as part of the NCJIS security policy.

Ms. Davey said EITS had met regularly with DPS via several working groups, and she and Mr. Gustafson had met with the Director and deputy director of DPS on a regular basis to discuss service standards. She stated that EITS was considering whether a service-level agreement was even an appropriate tool in a consolidated environment.

Ms. Davey explained that when the DPS IT team reported to DPS, there was no service-level agreement between that team and DPS, because it was not typical that an IT provider in an agency would have a service-level agreement with its own agency. Additionally, EITS had not noticed other internal service providers with service-level agreements, and that was somewhat unique to the IT service provider environment. Also, said Ms. Davey, a service-level agreement was contingent on the resources the provider had to provide those services, such as the provider having sufficient staff and resources to meet the level of agreement. Those things were not always within the purview of EITS to determine.

Ms. Davey said it was hoped that the consolidation between DPS IT services and EITS would be along the lines of service standards, in which EITS met with DPS and discussed its expectations and explained the resources available through EITS. At those meetings, concerns were discussed, and the resources were adjusted to meet the needs of DPS as required.

Ms. Davey reported that EITS was somewhat concerned when it attempted to list the various services it would provide to DPS, such as always responding within 24 hours to provide support for a broken desktop computer. He stated that EITS services were resource-driven, and EITS did not want the focus to be about the length of time it would take EITS to respond, but preferred it to be an ongoing conversation about whether DPS felt it was receiving adequate support from EITS and whether the agencies were working together as partners to increase EITS service to DPS.

Chair Kirner said he appreciated those types of conversations because they were often quite fruitful. He questioned the lack of performance measurements that would track and monitor EITS' successes or failures, and he wondered whether EITS intended to develop such measurements or whether they were already in place.

Ms. Davey said there had been many successes in the consolidation, as shown on page 2 of [Exhibit C](#), "2015-2017 Budget Presentation, Enterprise IT Services, March 20, 2015," and EITS was tracking those successes. Many of the successes were anecdotal but could be considered metrics for actual performance measures, such as how many circuits had been remapped or how many new firewalls had been added.

Chair Kirner opined that EITS had made significant progress in the merger process, and he asked about the goals and measurements that would be used by EITS moving forward over the current biennium.

Mr. Gustafson said that EITS had been somewhat challenged regarding performance measures during the 2013-2015 biennium. He stated that his preference was to use performance measures to highlight areas of opportunity as EITS showed improvement. He noted that DPS IT performance measures were different and were reported in ways that were not considered standard. At times EITS was reporting 30 percent when the DPS performance measure had been established at 70 percent; therefore, the evaluation process had become somewhat distorted.

Mr. Gustafson believed it was very important to have proper performance measures that determined how EITS was functioning internally and also how well its customers were being served. He noted that EITS had been working diligently with management staff to define appropriate measures of customer satisfaction and ticket resolution.

Chair Kirner said the Legislature would like performance measures that measured EITS' accomplishments.

Chair Kirner asked about the reserve level and whether EITS was comfortable that its plan to fund the increase in reserves was acceptable to the federal government.

Evan Dale, Administrator, Administrative Services Division, Department of Administration, said he could not speak to how the federal government would respond to the reserve level. He stated if there were excessive reserves, the federal government would usually ask whether there was a plan to reduce those reserves. However, if the excess reserves continued for several years, the federal government would usually request reimbursement; he predicted that the federal government would ask for some reimbursement in the next few biennia. There were many reasons why the reserves became excessive, and Mr. Dale said he did not know how to avoid those federal reimbursements. As long as the capital base of the EITS operation continued to build and the build-up was funded through current-year fees, there would always be a problem.

Mr. Dale stated that the cash reserves in BA 1387, Telecommunications, could be taken down to zero or to a negative number, and the federal government would still consider the reserves to be excessive. He simply did not know how to solve that problem with the tools currently available. Mr. Dale indicated that the reserves were being managed in the best possible manner, and EITS had been collecting revenue to pay for the migration of the email system. If that money was not paid out for the migration, the federal government would inform the state that it had over-collected. Mr. Dale said he would try to solve that problem before the end of the year with some type of "holiday," but the reserves still might be over the limit at the end of the year. It was, quite simply, a very difficult problem with many moving parts, even when the Office of the State Controller converted the numbers using generally accepted accounting principles (GAAP).

Mr. Dale stated that in fiscal year (FY) 2014, almost \$1 million of expenses were deferred into FY 2015 by entering receipts into the state's accounting system after June 30, 2014. Mr. Dale said there was a plan in place for budget account (BA) 1387, but he believed the state would be asked by the federal government for a reimbursement. He believed something could be done in the current fiscal year to address the reserves in BA 1385, Computer Facility, and a plan could be developed that would continue over the upcoming biennium to address the problem of excess reserves.

Chair Kirner stated that during the 2013 Legislature, EITS indicated that the DPS IT consolidation was considered a pilot project, and he wondered whether EITS anticipated further consolidations.

Assembly Committee on Ways and Means  
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Mr. Gustafson replied there were no further consolidations anticipated for the 2015-2017 biennium. He was unsure what would occur in the future, but for the time being, EITS had to finalize the consolidation with DPS IT services and develop appropriate performance measures.

Chair Kirner opened public comment and there was no public comment to come before the Subcommittees.

With no further business to come before the Subcommittees, Chair Kirner adjourned the hearing at 9:46 a.m.

RESPECTFULLY SUBMITTED:

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Carol Thomsen  
Committee Secretary

APPROVED BY:

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Assemblyman Randy Kirner, Chair

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

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Senator Pete Goicoechea, Chair

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



**EXHIBITS**

**Committee Name:** Subcommittees on General Government

**Date:** March 20, 2015

**Time of Meeting:** 8:01 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	David Gustafson, CIO, and Administrator, Division of Enterprise Information Technology Services (EITS)	EITS Budget Presentation
	D	David Gustafson, CIO, and Administrator EITS	Map of Nevada depicting information technology server locations