

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

**Seventy-Eighth Session
April 30, 2015**

The meeting of the Subcommittees on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Pete Goicoechea at 8:05 a.m. on Thursday, April 30, 2015, 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 Pete Goicoechea, Chair
Senator Michael Roberson
Senator Joyce Woodhouse

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

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

STAFF MEMBERS PRESENT:

Alex Haartz, Principal Deputy Fiscal Analyst
Stephanie Day, Principal Deputy Fiscal Analyst
Cathy Crocket, Program Analyst
Emily Cervi, Committee Assistant
Trish O'Flinn, Committee Secretary

OTHERS PRESENT:

Jim Wells, C.P.A., Interim Chief, Budget Division, Department of Administration

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Chair Goicoechea:

We will start the hearing with the Enterprise Information Technology Services (EITS) Administration Consolidation budget account (B/A) 721-1405.

FINANCE AND ADMINISTRATION

ADMINISTRATION

Administration - IT - Info Tech Consolidation DPS — Budget Page ADMIN-102
(Volume I)
Budget Account 721-1405

Cathy Crocket (Program Analyst):

This budget outline starts on page 41 of the “General Government Joint Subcommittee Closing List #3, April 30, 2015,” ([Exhibit C](#)). The purpose of this budget account was to transfer the Department of Public Safety’s (DPS) information technology (IT) services to EITS during the 2013-2015 biennium. The expenditures are recommended to be integrated into the EITS budgets effective July 1, 2015. In the 2013-2015 biennium, 48 DPS IT staff and related IT costs totaling \$6 million annually were transferred from DPS to this temporary budget in EITS. To complete the consolidation in the upcoming biennium, Governor Brian Sandoval recommends eliminating this temporary budget and integrating staff and IT costs into other EITS budgets and operational units. To effect this integration, the Executive Budget recommends transferring \$12 million over the 2015-2017 biennium in personnel and operating costs, including 48 positions, from B/A 721-1405 to other EITS budgets. The Governor’s recommended budget includes additional funding totaling \$1.1 million over the biennium to fund a one-time incremental increase in reserves necessary to maintain an appropriate level of working capital in EITS budgets following the consolidation, as well as minor expenditure adjustments.

The Executive Budget recommends the majority of costs integrated into EITS budgets be factored into the rates EITS charges other State agencies for utilizing its IT services, and EITS would generally charge DPS standard rates for utilizing IT services. In the 2013-2015 biennium, DPS was legislatively approved to reimburse EITS \$11.9 million for IT services. In the 2015-2017 biennium, the Governor recommends funding of \$11.2 million in DPS for IT services, or a

decrease of approximately 6 percent. However, it is important to note that this cost decrease to DPS has been redistributed to other State agencies in the form of increased EITS rates as illustrated by the table on page 44 of [Exhibit C](#). Overall, 78 percent of EITS rates increased from the 2013-2015 biennium to the 2015-2017 biennium.

Within DPS, its internal IT services did not mirror IT services offered by EITS to other State agencies. Discussion during the 77th Legislative Session indicated that DPS and EITS would enter into a service level agreement to specify IT services that would be provided by EITS to DPS under the full-service IT consolidation model to ensure that DPS would have access to specialized IT services. However, to date, no service level agreement has been executed between DPS and EITS. During testimony at the March 20, budget hearing, EITS stated it no longer considers a service level agreement to be an appropriate means of defining services that would be provided to DPS as a fully consolidated IT customer. EITS indicated that it does not have such agreements with other fully consolidated IT customers. The Agency plans to meet with DPS on a regular basis to receive feedback on the level of IT support it is providing to DPS.

In merging DPS IT staff and costs into EITS budgets, the majority of costs were merged into existing EITS cost pools. The Executive Budget recommends one new cost pool in the application support budget, B/A 721-1365, to charge DPS separately for costs associated with providing 24/7 help desk services necessary to support a law enforcement agency. The EITS testified that its existing billing model did not allow the flexibility to charge DPS for specialized IT services. Rather than establishing new cost pools for specialized IT services, the Executive Budget recommends that the costs associated with these services be merged into existing EITS costs pools that do not align with them. As a result, EITS service rates included in the Governor's recommended budget do not accurately reflect the true cost of providing the related services to all agencies statewide.

Taking this into consideration, Fiscal staff worked closely with the Department of Administration's Budget and Administrative Services Divisions and EITS to evaluate whether DPS-specific costs were inappropriately merged into existing EITS costs pools. Based upon the results of this collaborative evaluation, Fiscal staff recommends that several DPS-specific costs be charged directly to DPS in the 2015-2017 biennium rather than being merged into existing EITS cost pools. These recommendations would result in DPS reimbursing EITS and additional \$1.1 million over the biennium. However, there is no net impact to the State because the \$1.1 million charged to DPS would be offset by decreases to other State agencies in other EITS rates.

The Budget Office, the Administrative Services Division and EITS plan to conduct a thorough review of EITS' billing model during the 2015-2017 biennium to evaluate whether changes to its billing model are necessary to ensure that EITS customers are being charged appropriately. The intent is to develop EITS cost pools for specialized IT services for inclusion in the Governor's recommended budget for the 2017-2019 biennium. Charging DPS directly for specialized IT services should be considered temporary for the 2015-2017 biennium. Do the Subcommittees wish to approve transferring 48 positions and associated operating costs from this budget to other EITS budgets and eliminating the DPS IT Consolidation budget?

Chair Kirner:

I am concerned that 32 out of 41 service rates, or 78 percent, are recommended to be higher than they would have been prior to transferring costs from this budget. Some of the increases are as high as 42 percent. That EITS service rates do not accurately reflect costs is worrisome. The lack of a service level agreement between EITS and DPS, when there is confusion about the true costs of services and the ability to deliver necessary services, is also a concern. Transferring 48 staff to achieve the integration does not seem unreasonable, but the budget does not appear to be completely thought out.

Chair Goicoechea:

The transfer does seem reasonable and there is no overall impact to the State budget. Does the \$1.1 million increase in reserves come from DPS or from other State agencies rather than General Fund?

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Ms. Crocket:

The increase in reserves would come from both DPS and other State agencies.

Chair Goicoechea:

Is there no direct appropriation of General Fund money to these budgets?

Ms. Crocket:

That is correct. Other State agencies' cost allocations to EITS include approximately 50 percent General Fund, although that varies by the services.

Chair Goicoechea:

These are costs for the integration. Does DPS support the direct billing?

Ms. Crocket:

Yes, DPS agrees it is reasonable to pay for the costs of the services they receive from EITS.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE TRANSFERRING 48 POSITIONS AND ASSOCIATED OPERATING COSTS FROM B/A 721-1405 TO OTHER EITS BUDGETS AND TO ELIMINATE THE DPS IT CONSOLIDATION BUDGET AS RECOMMENDED BY THE GOVERNOR; TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS TO TRANSFERS BASED UPON CLOSING ACTIONS IN OTHER EITS BUDGETS; AND TO ISSUE A LETTER OF INTENT (LOI) DIRECTING EITS TO PROVIDE A REPORT ON THE ANALYSIS OF ITS BILLING MODEL AND THE DEVELOPMENT OF COST POOLS FOR SPECIALIZED IT SERVICES.

Assemblywoman Bustamante Adams:

I agree with the concerns about the cost increases.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

Assemblyman Edwards:

I support the consolidation, but the mechanics do not appear to be completely thought out.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

There are several other closing items in B/A 721-1405 including decision units E-225, E-227, E-710 and E-720.

E-225 Efficient and Responsive State Government — Page ADMIN-104

E-227 Efficient and Responsive State Government — Page ADMIN-104

E-710 Equipment Replacement — Page ADMIN-105

E-720 New Equipment — Page ADMIN-105

Additionally, there is a technical adjustment to the Base Budget due to the elimination of backup battery maintenance costs of \$7,958 in each year of the 2015-2017 biennium. This adjustment is shown on page 41 of [Exhibit C](#). These items appear reasonable to staff.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE OTHER CLOSING ITEMS IN B/A 721-1405 AS RECOMMENDED BY THE GOVERNOR AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE FURTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Chair Goicoechea:

The next item is B/A 721-1373.

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Administration - IT - Office of CIO — Budget Page ADMIN-38 (Volume I)
Budget Account 721-1373

Ms. Crocket:

The Office of the Chief Information Officer (CIO) establishes enterprise vision and strategies for both common and specialized IT services for State agencies and oversees the Division's operational units. This budget is fully supported by cost allocation reimbursements.

The first major closing issue is staffing increases shown on pages 2 to 5 of [Exhibit C](#). The Executive Budget recommends transferring in eight positions to the Office of the CIO budget, representing a staffing increase of 188 percent from the four positions legislatively approved for the 2013-2015 biennium.

The first transfers are in decision units E-502 and E-902 as part of the integration of DPS IT services into EITS budgets. Four positions would be transferred to establish a project management unit, a function not currently offered by EITS. According to the Agency, this would allow for proper project planning and documentation, resulting in projects being completed in a more timely and efficient manner.

E-502 Adjustments To Transfers E902 — Page ADMIN-40
E-902 Transfer From BA 1405 To BA 1373 — Page ADMIN-44

It was determined that two of the four positions to be transferred would be dedicated to DPS-related projects in the 2015-2017 biennium. Accordingly, Fiscal staff recommends that the costs associated with two project management positions, amounting to approximately \$412,000 over the biennium, be removed from the Office of the CIO cost allocation and be charged directly to DPS in the 2015-2017 biennium. Since the costs of this budget are included in all EITS service rates, charging DPS directly for the costs of the two project management positions would result in a corresponding decrease in all EITS service rates.

Assemblyman Edwards:

If the positions will be transferred, why are the rates going up? Did not the rates go up in the last budget?

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Ms. Crocket:

The discussion in the last budget related to all other EITS budgets because the costs were moving from that budget, B/A 721-1405, into other EITS budgets where they were being merged into the rate calculation. As part of Fiscal staff's recommendation to charge DPS for costs that directly benefit them, it is proposed that the cost of two of the positions transferred into B/A 721-1373 be charged to DPS.

Assemblyman Edwards:

The rates in the last budget all went up.

Chair Goicoechea:

In some areas, yes, but DPS particularly will pay more. Some agencies may pay a little less depending on their requirements. Ultimately, there will be an overall increase in revenues generated by EITS.

Ms. Crocket:

The final rates will not be known until all budgets are closed, the costs are sorted out and the reserves have been recalculated. The exact impact on individual rates is not known at this time. The projection is rates will go down overall to other customers and DPS would be charged a little more.

Assemblyman Anderson:

The DPS uses more services than other State agencies. Rather than allocate cost increases to all agencies, DPS will be charged a little more for their specialized services.

Assemblywoman Bustamante Adams:

Where are these positions located?

Ms. Crocket:

I believe these positions are located in the north.

Assemblyman Edwards:

The last budget account transferred 48 positions from DPS to EITS, and they will still receive the same services. Two of these four other positions will be

used by EITS generally, and DPS will be investing \$1.1 million in EITS. Why are the rates charged to DPS increasing?

Ms. Crocket:

The intent of the proposal is to ensure all State agencies pay appropriately for the services they receive. Currently, DPS is receiving a higher level of service than they are paying for in the Executive Budget. Fiscal staff recommends DPS is billed directly for services that benefit them because there were not specialized rates developed for these services.

Assemblyman Edwards:

If DPS is using the same services they have always used, they are also transferring personnel and adding technical staff, why are they being charged more?

Chair Goicoechea:

The DPS is receiving enhanced services.

Ms. Crocket:

The items proposed for direct billing to DPS represent specialized services that other agencies do not use. They should be charged directly for those services so the costs are not distributed to other State agencies.

Assemblyman Edwards:

The project managers are being moved from DPS as well.

Ms. Crocket:

The project managers are part of the 48 positions moved to a temporary account in the 77th Legislative Session. The previous budget discussion was the first step in eliminating the temporary move and fully integrating the transferred positions into the EITS staff structure.

Chair Goicoechea:

This is about cost allocation.

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Chair Kirner:

When the 48 positions were moved last biennium, there was no discussion regarding duplicative efforts or whether there would be positions dedicated solely to DPS needs. If two of the four positions are working solely on DPS-related projects, the costs should be borne solely by DPS.

Chair Goicoechea:

The 48 positions will be discussed within each budget account as appropriate later in the hearing.

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE TRANSFERRING FOUR POSITIONS FROM THE DPS IT CONSOLIDATION BUDGET TO B/A 721-1373 TO ESTABLISH A PROJECT MANAGEMENT UNIT AND THE COSTS ASSOCIATED WITH TWO PROJECT MANAGER POSITIONS TOTALING APPROXIMATELY \$412,000 OVER THE 2015-2017 BIENNIUM TO BE DIRECTLY CHARGED TO DPS.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

In decision unit E-900 on page 4 of [Exhibit C](#), the Governor recommends additional funding of \$274,972 over the biennium to transfer in an unclassified manager of enterprise application services and associated operating costs from the application support budget, B/A 721-1365. Decision unit E-500 reallocates funding transferred in to the correct funding source and recommends additional funding to increase reserves by \$8,994 over the 2015-2017 biennium, as shown on page 4.

E-900 Transfer From BA 1365 To BA 1373 — Page ADMIN-43
E-500 Adjustments To Transfers E900 — Page ADMIN-40

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The Agency indicates the transfer is proposed because the position currently serves as support staff for the CIO. The Agency indicated that the 2011 merger of EITS and the Department of Administration's Division of Human Resource Management (DHRM) resulted in duplication in high-level management positions. As a result of this duplication, the manager of enterprise application services position, which was originally intended to manage the application support budget, was repurposed to develop enterprise IT standards, perform policy research and analyze and draft organizational strategy among other duties. A classified chief IT manager position in the IT application support budget assumed day-to-day management of the unit. Staff notes that the Executive Budget does not propose to change the title of the unclassified position to reflect the job duties of the position within the Office of the CIO budget. There may be technical adjustments necessary to account for any title change that may occur when the full Committees consider the Unclassified Pay Bill.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE TRANSFERRING THE MANAGER OF APPLICATION SERVICES FROM THE APPLICATION SUPPORT BUDGET TO B/A 721-1373 AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS BASED UPON FINAL DECISIONS MADE BY THE FULL COMMITTEES.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN EDWARDS VOTED NO.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

In decision unit E-910 on page 4 of [Exhibit C](#), the Governor recommends transferring two unclassified positions, a chief of planning, research and grants management and a chief assistant for planning and associated operating costs totaling \$344,986 over the biennium from the Budget and Planning account.

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The chief of planning, research and grants management is one full-time equivalent (FTE) and the chief assistant for planning is 0.51 FTE. Decision unit E-510 realigns revenue transferred in and recommends additional funding totaling \$12,884 over the biennium to support reserve increases as shown on page 4 of [Exhibit C](#).

E-910 Transfers From BA 1340 To BA 1373 — Page ADMIN-45
E-510 Adjustments To Transfers E910 — Page ADMIN-41

ELECTED OFFICIALS

Governor's Finance Office — Budget Page ELECTED-48 (Volume I)
Budget Account 101-1340

Within this budget, the Agency proposes to dedicate these positions to focus on statewide IT strategic planning. Prior to the 2011 Legislative Session, one of the positions was located in the Office of the CIO budget as an IT professional. As part of the reorganization of the Department of Administration, the position was transferred to the Budget and Planning budget and continued to perform certain planning-related duties for EITS. Staff notes that the Subcommittees approved the transfer of these two positions from the Budget and Planning budget, at the April 23 budget closing hearing. Staff recommends the Subcommittees approve transferring the two positions from the Budget and Planning budget consistent with its previous action.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE TRANSFERRING TWO UNCLASSIFIED POSITIONS EQUALING 1.51 FTES FROM THE BUDGET AND PLANNING BUDGET TO B/A 721-1373.

SENATOR WOODHOUSE SECONDED THE MOTION.

Assemblyman Edwards:

I am not sure what is being done in this recommendation. What will the positions do?

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Ms. Crocket:

The Agency believes there is a need for additional positions dedicated to working on IT strategy from a high-level enterprise perspective. An example is the production of a quarterly capacity plan analyzing utilization of various systems and projecting new equipment needs.

Assemblyman Edwards:

Do they not have that capacity already?

Ms. Crocket:

The Agency states they need to enhance their current efforts. The positions may also be involved in reassessing the current billing model as was discussed regarding the DPS IT Consolidation budget.

Chair Goicoechea:

With so many disparate parts, it is difficult to keep a clear picture of the whole.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

On page 5 of [Exhibit C](#), decision unit E-906 transfers an administrative aid position and associated costs of \$113,954 over the biennium from the Telecommunications budget. Decision unit E-506 reallocates funding transferred into the correct funding source and reclassifies the position to an administrative assistant at an additional cost of \$7,826 over the biennium. Currently, the position answers and routes incoming telephone calls on the State telephone line to State agencies. The recently implemented core telephone system allows for automated call routing, decreasing the need for staff to be involved. In the Office of the CIO, the position would assist with various administrative duties and allow high-level staff to focus on core job functions. The Agency testified they currently have a ratio of administrative staff to other staff of 1:30, compared with a 1:12 ratio in other State agencies.

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E-906 Transfer From BA 1387 To BA 1373 — Page ADMIN-44
E-506 Adjustments To Transfers E906 — Page ADMIN-41

Administration - IT - Telecommunications — Budget Page ADMIN-76 (Volume I)
Budget Account 721-1387

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO RECOMMEND
TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-906 AND
E-506 IN B/A 721-1373 AS RECOMMENDED BY THE GOVERNOR.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

In the next major closing issue, the Executive Budget recommends \$79,227 in each year of the 2015-2017 biennium to establish ongoing support for overtime, shift differential, standby and call-back pay in several EITS base budgets. According to the budget instructions published by the Budget Office, if an agency proposes to add these costs as an ongoing operating cost, enhancement decision units should be submitted. These items have been brought forward for consideration to make a policy decision whether these costs should be budgeted for as an ongoing operating expense. The table on page 6 of [Exhibit C](#) indicates the amounts prescribed for different EITS budget accounts. The Subcommittees should be aware that the Governor proposes to transfer overtime, shift differential, standby and call-back pay from the DPS IT Consolidation budget to several EITS budget accounts as part of the dissolution of that budget.

The Agency states it is increasingly expected to support critical systems 24/7 and that EITS historically managed these items within the parameters of the available budget authority and reasonable customer expectations. Flexible work schedules and assigned shift work are employed when practicable to

cover shifts during unexpected staff illnesses or emergency work after hours. Staff reviewed work program revisions for the Personnel category for the accounts in the table on page 6 of [Exhibit C](#), as well as the DPS IT Consolidation and DPS Technology budgets for the last 3 fiscal years and found there were six Personnel category work program revisions. Of these, one was found to be unnecessary. Of the five remaining work programs, two were necessary primarily due to terminal leave and compensatory time payouts.

The Subcommittees should note that budgeting for overtime, shift differential, standby and call-back pay will factor into the calculation of the service rates EITS charges its customers and result in rates that would be higher than if these pay items are not included in the budget. If these pay items are not incurred to the degree budgeted, excess revenue will accumulate in reserves.

Chair Kirner:

Are these special pay items typically budgeted in other agencies?

Ms. Crocket:

It is fairly unusual, but it depends on the agency. Shift differential, standby and call-back pay are budgeted due to the potential for off-shift work for nonroutine work, such as repairs. Generally, agencies manage special pay items using compensatory time and within existing budget authority.

Chair Kirner:

When personnel costs are determined, are vacancies factored in?

Ms. Crocket:

Vacancy savings are taken into account for those budgets with large enough staff.

Chair Kirner:

I am uncomfortable putting these costs directly in the budget.

Assemblyman Anderson:

The key part is that DPS has some 24/7 requirements that do not exist in the other agencies EITS works with. There is also the specialized nature of IT work. There may only be one or two staff members with the requisite skills to address

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an emergent problem which could require an individual to remain working or come back to work after a full shift.

Chair Goicoechea:

I am concerned about putting overtime into the Base Budget. I understand the needs, but they have had the ability in the past to handle overtime in the existing budget authority.

Assemblyman Anderson:

That is true, but the addition of the DPS responsibilities has known overtime requirements. How does the system currently work? Does an agency pay the overtime and then request the authority to increase their budget? If this item was not approved, what would they do?

Ms. Crocket:

The Subcommittees may wish to consider standby, differential and call-back, but not overtime pay.

Chair Goicoechea:

I am concerned that putting the \$80,000 in the budget would guarantee more overtime.

Assemblyman Anderson:

Would the Agency approach the Interim Finance Committee (IFC) if this was not approved and they had a need for these funds?

Ms. Crocket:

The Agency does not have access to the Contingency Account because they do not have General Fund access. As previously noted, EITS has had to seek work program authority to cover these payroll costs approximately 20 percent of the time. That is expected to continue if this item is not approved.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ESTABLISHING AUTHORITY FOR OVERTIME, SHIFT DIFFERENTIAL, STANDBY AND CALL-BACK PAY IN EITS APPLICATION SUPPORT, COMPUTER FACILITY, DATA COMMUNICATIONS AND NETWORK, ENGINEERING AND NETWORK

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TRANSPORT SERVICES BUDGETS AS AN ONGOING BASE BUDGET
EXPENSE.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

There are two other closing items in this account on page 7 of [Exhibit C](#): replacement equipment in decision unit E-710 and cost allocation adjustments in decision units E-801 and E-804. These items appear reasonable to staff.

E-710 Equipment Replacement — Page ADMIN-42

E-801 Cost Allocation — Page ADMIN-42

E-804 Cost Allocation — Page ADMIN-43

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL
COMMITTEES TO APPROVE DECISION UNITS E-710, E-801 AND
E-804 IN B/A 721-1373 AS RECOMMENDED BY THE GOVERNOR AND
TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL
ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

The next item is B/A 721-1365, Application Support.

Application Support is responsible for business analysis, application development and maintenance programming, production support, Web page development and support, database development and administration, and customer support including helpdesk and desktop support.

The first major closing issue in B/A 721-1365 is staffing increases. The Governor recommends additional funding totaling \$560,597 over the 2015-2017 biennium to support four new positions and associated operating costs. On page 9 of [Exhibit C](#), decision unit E-246 recommends additional funding totaling \$192,810 to add one IT technician position to the desktop support unit to respond to customer support requests. According to documentation provided by the Agency, the new position is requested to replace a position that was reassigned from the desktop support unit to provide support for the Symantec Altiris Endpoint application, EITS statewide desktop security solution that was deployed in fiscal year (FY) 2013.

E-246 Efficient and Responsive State Government — Page ADMIN-49

According to the Agency, the reallocation of a position from the desktop support unit has left the unit understaffed, resulting in delays to customer assistance. There is currently an 8-day resolution timeframe. The Agency currently has a 1:400 staff-to-device ratio for its desktop support unit. If this new position is approved, the ratio would be 1:360. The industry standard ratio is between 1:150 and 1:180.

Staff notes that the new position is budgeted at a step 10. Typically, new positions are budgeted at a step 1. Testimony by EITS during the 2013 Legislative Session indicated that they have difficulty hiring technical positions at a step 1. However, the [Executive Budget](#) recommends two other new IT technician positions in this budget at a step 1. Of the six current IT technicians, one is a step 1, two are a step 2, one is a step 3, one is a step 5 and one is at a step 10. The Subcommittees may wish to consider budgeting the position at a step 1 instead of a step 10, resulting in cost savings of \$45,922 over the biennium. Budgeting the position at a step 5 would result in cost savings of \$28,219 over the 2015-2017 biennium.

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ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ONE NEW IT TECHNICIAN POSITION, DECISION UNIT E-246 IN B/A 721-1365, AT A STEP 5.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

Chair Kirner:

I will support the motion, but it does seem we are micromanaging the hiring process. From a budgetary standpoint, funding the position at the middle of the range allows EITS to manage their own process.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

Decision unit E-248, page 9 of [Exhibit C](#), of the Executive Budget recommends additional funding totaling \$272,033 over the upcoming biennium to add two IT technician positions to the desktop support unit to provide customer support for the Highway Patrol's (NHP) Mobile Data Computer project, B/A 201-4713, decision unit E-550.

E-248 Efficient and Responsive State Government — Page ADMIN-50

PUBLIC SAFETY

PUBLIC SAFETY

DPS - Highway Patrol — Budget Page PUBLIC SAFETY-47 (Volume III)
Budget Account 201-4713

E-550 Technology Investment Request — Page PUBLIC SAFETY-51

Over a 4-year period, the NHP plans to equip all patrol vehicles with tablet computers to allow troopers to access public safety information in the field

wirelessly. The DPS will purchase 484 tablets between FY 2015 and FY 2018 as outlined in the table on page 10 of [Exhibit C](#). The Subcommittees asked the Agency if it would be feasible to delay the start date of one position from FY 2016 to FY 2017 to align staffing with EITS stated staff-to-device ratios. The Agency stated it would be preferable to add both new positions at the same time to create support redundancies. Further, the NHP mobile data project will require support in both the northern and southern regions of the State.

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNIT E-248 OF B/A 721-1365, CONTINGENT UPON APPROVAL OF DECISION UNIT E-550 IN B/A 201-4713.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

Funding totaling \$95,754 over the biennium is recommended in decision unit E-249 to add one administrative assistant position and associated operating costs to provide administrative support for staff.

E-249 Efficient and Responsive State Government — Page ADMIN-51

Currently, there is no administrative support staff in this budget. Information attached to the Executive Budget indicated the position would perform budgeting, billing, travel, payroll, human resource and other administrative functions. In addition, the Agency indicates the position would develop IT policies, development standards and other Agency strategic plans. During the budget hearing, the Subcommittees questioned whether the new position would be strictly performing duties that align with the administrative assistant class. Policy development and strategic planning functions appear to be more

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appropriate for high-level management staff. The Agency replied it intended the position to be solely dedicated to administrative-type tasks and would not be performing any of the higher level duties. The administrative assistant position would allow technical staff to focus on core job duties rather than assuming responsibility for ordering supplies, routing mail and completing administrative paperwork.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNIT E-249 OF B/A 721-1365.

SENATOR WOODHOUSE SECONDED THE MOTION.

Assemblyman Edwards:

What grade level is this position? The salary looks high.

Ms. Crocket:

The amount in the budget includes salary and benefits as well as initial costs for setting up a workstation. The position is an administrative assistant III, which is a grade 27.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next closing issue is the transfer out of positions on page 11 of [Exhibit C](#). The Governor recommends decreasing funding by \$780,459 over the 2015-2017 biennium to transfer out three programmer/developer IT professional positions in decision units E-903 and E-904.

E-903 Transfers From BA 1365 To BA 2716 — Page ADMIN-55

E-904 Transfers From BA 1365 To BA 4660 — Page ADMIN-56

One position would be transferred to the Department of Education (NDE) Data Systems Management budget, B/A 101-2716 and two positions would be

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transferred to the Department of Transportation (NDOT) Administration budget,
B/A 201-4660.

EDUCATION

K-12 EDUCATION

NDE - Data Systems Management — Budget Page K-12 EDUCATION-175
(Volume I)
Budget Account 101-2716

E-903 Transfers - EITS 1365 To NDE 2716 — Page K-12 EDUCATION-178

INFRASTRUCTURE

TRANSPORTATION

NDOT - Transportation Administration — Budget Page NDOT-17 (Volume III)
Budget Account 201-4660

E-904 Transfers - EITS 1365 To NDOT 4660 — Page NDOT-23

The Agency indicates these positions are fully dedicated to agency-specific applications, and NDOT and NDE requested the positions be transferred. According to NDOT and NDE, the coordination of employee management and billing for services creates inefficiencies that would be solved by the transfer. Questions arose regarding EITS' IT consolidation strategy considering the previous transfer of the DPS IT responsibilities to EITS. The Agency testified that its current focus is on infrastructure support and fully consolidated agency support rather than pursuing a consolidated approach for all IT services throughout the State.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-903 AND E-904 OF B/A 721-1365 CONTINGENT UPON THE APPROVAL OF THE TRANSFERS IN B/A 101-2716 AND B/A 201-4660.

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ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next major closing issue is contract software development staff, page 12 of [Exhibit C](#). In decision unit E-227, the Governor recommends additional programmer/developer revenues totaling \$1.2 million over the 2015-2017 biennium to support contract development staff and associated equipment and operating costs. This budget would support approximately 5,500 hours of contracted services annually at a cost of \$100 per hour.

E-227 Efficient and Responsive State Government — Page ADMIN-49

According to EITS, the contract software developers would provide application development for the DPS technology investment request projects, specifically the Nevada Criminal Justice Information System (NCJIS) modernization project and the Offender Tracking Information System (OTIS) replacement project.

DPS - Criminal History Repository — Budget Page PUBLIC SAFETY-127
(Volume III)

Budget Account 101-4709

E-550 Technology Investment Request — Page PUBLIC SAFETY-132

DPS - Parole and Probation — Budget Page PUBLIC SAFETY-73 (Volume III)
Budget Account 101-3740

E-550 Technology Investment Request — Page PUBLIC SAFETY-80

The NCJIS project is expected to be completed in FY 2021 and the OTIS project in FY 2017. The contractors would be eliminated at the conclusion of the DPS development projects. The costs associated with these contractors have been

included in the Executive Budget in the programmer/developer cost pool. As a result, the programmer/developer rate recommended is much higher than it would have been if these contract staff had not been included; the rate is 23 percent higher than the FY 2014 actual rate. To ensure the cost of contract developers for DPS projects are not distributed to other State agencies through an increase in the programmer/developer rate, it would be appropriate for the contract costs to be removed from the programmer/developer cost pool and be directly billed to DPS in the 2015-2017 biennium. Pursuant to *Nevada Revised Statute* (NRS) 242.131, subsection 4, EITS must be responsible for administering the contract. Therefore, the contract should be retained within EITS rather than be located within DPS. It would be reasonable to locate contract costs in a special use category rather than the Information Services category.

The DPS budgets request total EITS programmer/developer utilizations amounting to 9,600 hours annually at a cost of \$1.1 million each year, for the NCJIS and OTIS replacement projects. In comparison, decision unit E-227 supports 5,500 hours annually for contract software development services. The EITS testified at the March 11 budget hearing that they do not typically request resources to fully meet an agency's need. Considering that development for the NCJIS and OTIS replacement projects would be completely supported by contract staff, it would be appropriate to increase the number of contract software development hours budgeted in this decision unit to provide sufficient resources to meet DPS programming needs. Fiscal staff asked EITS to project how many contractor hours would be necessary to provide sufficient support for these projects in the 2015-2017 biennium. The Agency recommended six FTE contractors at 2,000 hours annually each, or 12,000 hours annually total. At the budgeted rate of \$100 per hour, the cost would be \$1.2 million annually, an increase of \$194,000 each year over the amount recommended in the Executive Budget for EITS programmer/developer utilizations within DPS budgets if DPS were to be billed directly for contractor services. The decision regarding the amount of funding to allocate to the NCJIS modernization and OTIS replacement projects will be made by the Subcommittees in closing the Criminal History Repository and Parole and Probation budgets.

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This decision unit includes funding for equipment and operating costs. Since contractors typically provide their own tools and supplies, staff has completed technical adjustments to remove those costs as shown on page 8 of [Exhibit C](#).

Do the Subcommittees wish to approve contract software development staff for the NCJIS modernization and OTIS replacement projects, contingent upon the approval of decision units E-550 in the Parole and Probation and Criminal History Repository budgets, with the noted technical adjustment? If so, staff recommends the contract costs be removed from the programmer/developer cost pool and be directly billed to DPS and that contract costs be moved to a special use expenditure category for tracking purposes.

Assemblyman Edwards:

Are these General Fund appropriations?

Ms. Crocket:

This would be billed to DPS. I believe the OTIS project is a General Fund project and the NCJIS replacement project was originally recommended to be a General Fund project as well.

Assemblyman Edwards:

Can you further explain the 23 percent increase in contractor costs?

Ms. Crocket:

The 23 percent increase refers to the rate EITS charges to State agencies for its programming developing services provided by State staff. The increase is due to the inclusion of the DPS-dedicated contractors in the calculation of the rate. Fiscal staff recommends removing them from this calculation and directly billing DPS for contractor costs related to these projects. If that is done, the State programmer/developer rate would decrease from the \$104 per hour recommended in the Executive Budget; to approximately \$85 per hour.

Assemblyman Edwards:

Is EITS increasing its cost for programming for DPS by 23 percent?

Ms. Crocket:

That was the original proposal in the Executive Budget; however, the suggestion is to bill those specific contract costs directly to DPS and EITS would manage the project and the contract. The programmer/developer rate would be modified to reflect the costs associated with State staff members who perform these services for other State agencies.

Assemblyman Edwards:

Will DPS be charged the \$83 per hour rate?

Ms. Crocket:

When they use State services, DPS will be charged the \$83 per hour rate. They will be charged the \$100 per hour rate for the NCJIS and OTIS projects to reflect the contractor costs.

Stephanie Day (Principal Deputy Fiscal Analyst):

There are two different types of programmers under discussion: State staff for which a State programmer rate is charged to all agencies; and non-State staff contract programmers whose rate is higher. If the cost of contractors used for specific projects is added into the overall rate, the cost to all State agencies rises even though they do not need the services of the contracted programmers.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE CONTRACT SOFTWARE DEVELOPMENT STAFF FOR THE NCJIS MODERNIZATION AND OTIS REPLACEMENT PROJECTS, CONTINGENT UPON THE APPROVAL OF DECISION UNITS E-550 IN THE PAROLE AND PROBATION AND CRIMINAL HISTORY REPOSITORY BUDGETS, WITH THE NOTED TECHNICAL ADJUSTMENTS; ADDITIONALLY, TO REMOVE CONTRACT COSTS FROM THE PROGRAMMER/DEVELOPER COST POOL AND BE DIRECTLY BILLED TO DPS; THAT CONTRACT COSTS BE MOVED TO A SPECIAL USE EXPENDITURE CATEGORY FOR TRACKING PURPOSES; AND TO GRANT AUTHORITY TO FISCAL STAFF TO ALIGN CONTRACT PROGRAMMER HOURS IN THIS BUDGET WITH THE AMOUNT OF FUNDING APPROVED IN THE PAROLE AND PROBATION AND CRIMINAL HISTORY REPOSITORY BUDGETS.

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SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The fourth major budget issue is the integration of DPS IT services. With decision unit E-901, the Governor recommends transferring in additional funding totaling \$6.8 million over the biennium to transfer in 35 positions and associated operating costs from the IT Consolidation budget. Decision unit E-501 reallocates funding transferred in to the correct sources and increases reserves by \$665,609 over the biennium.

E-901 Transfer From BA 1405 To BA 1365 — Page ADMIN-55
E-501 Adjustments To E901 — Page ADMIN-51

The table on page 13 of [Exhibit C](#) summarizes the categories the various cost increases to this budget fall in. Of the \$7.5 million in costs recommended to be added to B/A 721-1365, the Executive Budget recommends that \$4.3 million, or 57 percent, be integrated into existing EITS service rates. The remaining \$3.2 million, or 43 percent, will be supported by DPS on a cost reimbursement basis to charge DPS directly for costs associated with 24/7 help desk operations. Upon analysis, it was determined that the costs associated with several positions and software packages specifically related to DPS do not align with an existing EITS cost pool. Accordingly, Fiscal staff recommends that approximately \$1.6 million in FY 2016 and \$1.4 million in FY 2017 be charged directly to DPS in the 2015-2017 biennium. This is about \$300,000 less than DPS was originally recommended to reimburse EITS for 24/7 help desk support. Fiscal staff has also made technical adjustments to add rental costs inadvertently omitted from the Executive Budget and remove costs for agency-owned vehicles that are no longer needed.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL
COMMITTEES TO APPROVE TRANSFERRING 35 POSITIONS FROM THE

DPS IT CONSOLIDATION BUDGET IN DECISION UNITS E-501 AND E-901 OF B/A 721-1365 WITH THE NOTED TECHNICAL ADJUSTMENTS, AND THAT DPS-SPECIFIC COSTS TOTALING APPROXIMATELY \$1.6 MILLION IN FY 2016 AND \$1.4 MILLION IN FY 2017 BE REMOVED FROM EXISTING EITS COST POOLS AND DIRECTLY CHARGED TO DPS IN THE 2015-2017 BIENNIUM.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

There are four other closing items in B/A 721-1365 including replacement equipment in decision units E-710 and E-711, cost allocation adjustments in decision units E-801 and E-804, the transfer out of a position in decision unit E-900, as well as vacancy savings adjustments on pages 14 and 15 of [Exhibit C](#).

E-710 Equipment Replacement — Page ADMIN-52

E-711 Equipment Replacement — Page ADMIN-53

E-801 Cost Allocation — Page ADMIN-53

E-804 Cost Allocation — Page ADMIN-54

E-900 Transfer From BA 1365 To BA 1373 — Page ADMIN-54

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-710, E-711, E-801 AND E-804 OF B/A 721-1365 AS RECOMMENDED BY THE GOVERNOR; TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE ADJUSTMENTS IN DECISION UNIT E-900 BASED ON THE SUBCOMMITTEES' ACTION FOR THE POSITION TRANSFER IN THE OFFICE OF THE CIO BUDGET AND TO MAKE TECHNICAL ADJUSTMENTS TO INCLUDE VACANCY SAVINGS FOR ENHANCEMENT DECISION UNITS AS SPECIFIED IN THE BUDGET

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INSTRUCTIONS; AND ANY FURTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next item is the Computer Facility Budget.

Administration - IT - Computer Facility — Budget Page ADMIN-58 (Volume I)
Budget Account 721-1385

Computer Facility staff is responsible for managing, operating and supporting the State's mainframe server, Internet servers and application servers in a secure 24/7 environment. Staff provides computer operation and production services, server systems software support, tape library management, disk storage management, help desk services, data security functions, printing services, server maintenance, Internet infrastructure monitoring and maintenance, Web application hosting and email management.

The first major closing issue, page 17 of [Exhibit C](#), is the State email system update. The 2013 Legislature approved the Governor's recommendation to migrate the State's email system from a State-owned and hosted Microsoft Exchange system to an outsourced, cloud-based email solution. At the EITS budget hearing, the director of the Department of Administration testified it is unlikely the State would transition to cloud-based email in the immediate future and the Agency is considering phasing in the transition beginning in FY 2017 over a 2- to 3-year period. The IFC approved a work program at its April 9 meeting for this budget to utilize existing authority and reserve funding totaling \$1 million in FY 2015 to upgrade the existing Microsoft Exchange Server 2007 software to Microsoft Exchange Server 2013 software to provide email and messaging services to State agencies and purchase email encryption software

for 13,500 users. The EITS testified the software upgrade would be deployed on existing hardware and would allow the State-owned email system to remain functional for approximately 4 years.

The Governor's recommended Base Budget for this account includes funding of \$512,100 in each year of the biennium for cloud-based email. It would be reasonable to remove these costs from the Base Budget. Fiscal staff has completed Base Budget adjustments to eliminate costs totaling \$1 million over the 2015-2017 biennium related to cloud-based email and to increase costs by \$111,147 for encryption software. The net decrease is \$913,053 over the biennium. These adjustments would lower the email service rate from \$6.71 per user per month in FY 2016 to approximately \$3.40 per user per month. A similar reduction would occur in FY 2017.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE NOTED ADJUSTMENT TO THE BASE BUDGET OF B/A 721-1385, CONSISTENT WITH THE IFC'S ACTIONS REGARDING THE STATE EMAIL SYSTEM.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The second major closing issue is disaster recovery in decision unit E-240, on page 18 of [Exhibit C](#). The Governor recommends additional funding totaling \$1 million over the biennium to enhance the State's disaster recovery plan.

E-240 Efficient and Responsive State Government — Page ADMIN-61

During the 77th Legislative Session, funding totaling \$1.1 million was approved to implement dedicated disaster recovery planning to address weaknesses identified by a 2012 Legislative Counsel Bureau audit. These funds were

approved to support upgrading the Las Vegas mainframe, purchasing disaster recovery software and disaster recovery equipment, relocating disaster recovery equipment, providing additional bandwidth and engaging a disaster recovery consultant to develop a disaster recovery plan. In addition, one existing position was repurposed to manage disaster recovery documentation and testing.

The additional disaster recovery enhancements recommended for the upcoming biennium include one new IT professional position starting in July 2016 to perform tasks related to disaster recovery, including backing up data, replicating data between Carson City and Las Vegas, and continuous disaster recovery testing. The Agency testified that this new position would be dedicated to computer facility related items such as the mainframe, servers and storage systems. The previously repurposed position is responsible for developing an enterprise-level disaster recovery plan. The two positions are complementary, not duplicative. It should be noted that this new position is budgeted at a step 10. If the Subcommittees chose, this position could be budgeted at a step 1, resulting in savings of \$31,885 in FY 2017. If budgeted at a step 5, the cost savings would be \$19,453 in FY 2017.

The funding in decision unit E-240 would also support a disaster recovery consultant charged with developing a disaster recovery plan for computer facility specific systems. This is not duplicative of plans developed previously. The funds will also be used to support disaster recovery trainings, the purchase of storage hardware and software and a redundant data connection between Carson City and Las Vegas. The EITS indicated that additional disaster recovery resources will be needed in future biennia.

Chair Kirner:

There was \$1 million budgeted for a disaster recovery plan that was not created. This decision unit requests an additional amount of money. What happened to the \$1 million previously budgeted? Is it not already in the budget?

Ms. Crocket:

The funding approved for the disaster recovery consultant services was in a different budget account. The EITS indicated they used State staff to develop that plan rather than a consultant; however, the Agency plans to use a consultant for this part of the disaster recovery plan.

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Chair Goicoechea:
Will it be budgeted?

Ms. Crocket:
It is included in the budget for the computer facility services for FY 2016.

Ms. Day:
If the Subcommittees wish those funds to be used only for this purpose, a special use category can be created.

Assemblyman Edwards:
If the money was not used in the last biennium, it seems as though it should be used rather than adding more to it. Why is it not an inherently State function to develop a disaster recovery program? Whoever is supposed to be in charge of this effort does not appear to be getting it done.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE DECISION UNIT E-240 OF B/A 721-1385 AND TO DIRECT EITS TO USE FUNDS IN RESERVES TO ACCOMPLISH THESE TASKS.

THE MOTION FAILED FOR LACK OF A SECOND.

* * * * *

Ms. Day:
If the Subcommittees choose to fund the consultant, but not place the funding in an expenditure category, the Agency would have to request funds from the IFC. If the Subcommittees wish to fund this but have concerns, the funds could be placed in a special use category.

Assemblyman Anderson:
The initial \$1.1 million approved in 2013 was utilized to upgrade mainframe disaster recovery software and disaster recovery equipment. I do not see approval of an additional \$1 million for a consultant. Am I missing that information?

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Ms. Crocket:

The consulting services were a portion of the initial appropriation.

Assemblyman Anderson:

Funds were used to purchase equipment and State staff was utilized for planning. Is this decision unit the next step in determining a larger disaster recovery plan statewide using the consultant identified for the previous step?

Ms. Crocket:

The work done previously was also statewide. These recommendations are specifically related to disaster recovery for computer facility-specific services. This is the next step in disaster recovery readiness. The Agency has also indicated there will be future steps to be taken.

Assemblyman Anderson:

I agree that a special account to isolate these funds for the specific task should be created. Further, this is a very specialized position and it would be counterproductive to limit the Agency's ability to hire the best person for this important job.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE NEW IT PROFESSIONAL POSITION IN DECISION UNIT E-240 IN B/A 721-1305 AS RECOMMENDED BY THE GOVERNOR AT A STEP 10.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN EDWARDS VOTED NO.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE \$1 MILLION APPROPRIATION TO DECISION UNIT E-240 AND TO CREATE A SPECIAL ACCOUNT

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DEDICATED TO DISASTER RECOVERY AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS TO ENSURE THE FUNDING FOR PERSONNEL IS PLACED IN THE PROPER CATEGORY.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

Assemblyman Edwards:

I opposed this project in IFC because it should be a function of the State Agency.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN EDWARDS VOTED NO.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next closing issue in this budget is the integration of DPS IT services in decision units E-503 and E-903.

E-503 Adjustments To E903 — Page ADMIN-61

E-903 Transfer From BA 1405 To BA 1385 — Page ADMIN-65

Decision unit E-903, page 19 of [Exhibit C](#), transfers in four IT professional positions and associated operating costs totaling \$3 million over the upcoming biennium from the DPS IT Consolidation budget. Decision unit E-503 realigns revenues in decision unit E-903 and recommends additional funding totaling \$184,140 to increase reserves and eliminate infrastructure assessment charges. Fiscal staff has completed technical adjustments to add rental costs that were inadvertently omitted from the Executive Budget and to eliminate backup battery maintenance costs that are no longer necessary. The technical adjustments, shown on page 16 of [Exhibit C](#), result in a net revenue decrease totaling \$13,353 over the 2015-2017 biennium.

Additionally, it was determined that costs associated with Web filtering software, Spillman infrastructure maintenance, EMC2 storage systems and IBM

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Tivoli Storage Manager maintenance, amounting to approximately \$777,000 over the biennium, were specific to DPS and do not align with existing EITS cost pools. Accordingly, Fiscal staff recommends that these costs be removed from existing EITS cost pools and charged directly to DPS.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE INTEGRATING DPS IT COSTS AND STAFF INTO B/A 721-1385 AND DPS-SPECIFIC COSTS TOTALING APPROXIMATELY \$777,000 OVER THE 2015-2017 BIENNIUM BE REMOVED FROM EXISTING EITS COSTS POOLS AND DIRECTLY CHARGED TO DPS AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next major issue is the cloud-computing pilot project in decision unit E-226.

E-226 Efficient and Responsive State Government — Page ADMIN-60

The Governor recommends additional computer facility charges totaling \$105,266 over the biennium to support an outsourced cloud-computing pilot project. Cloud computing utilizes groups of remote servers and software to allow on-demand computing service delivery via the Internet on a pay-for-use basis. The Agency believes cloud computing may provide capabilities to the State at a lower cost than providing computing services internally. The Agency plans to test and evaluate cloud-computing services to determine whether it would be feasible and cost-effective to migrate some State computing to the cloud in future biennia. The Agency indicated it plans to prepare a written analysis of its findings at the conclusion of the pilot project.

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ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNIT E-226 AS RECOMMENDED BY THE GOVERNOR.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next major closing issue in this account is a new archiving system in decision unit E-225.

E-225 Efficient and Responsive State Government — Page ADMIN-60

The Executive Budget recommends additional computer facility charges totaling \$386,790 over the 2015-2017 biennium to purchase a new 30-terabyte data archiving system and associated software. According to the Agency, this enhancement is necessary to address a federal archiving mandate imposed on the Department of Health and Human Services' Division of Welfare and Supportive Services (DWSS) which states that certain records must be securely retained for 5 years.

This new archiving system is fully allocated to the UNIX cost pool, for which EITS recovers the cost by charging State agencies based on UNIX processor usage. Considering the storage-based nature of the new archiving system, Fiscal staff asked EITS how customer utilization of data storage is properly accounted for through the processor usage billing model for UNIX. The Agency replied that there is currently no mechanism in place to account for differences in customer utilization of UNIX-based storage.

Considering that the new archiving system is requested to address a federal mandate imposed on DWSS, staff reviewed DWSS budgeted UNIX utilizations. In the 2015-2017 biennium, DWSS UNIX utilizations are budgeted to decrease

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by approximately 30 percent from actual FY 2014 utilizations. The increase in UNIX costs to address the DWSS federal mandate with no corresponding DWSS utilization increases is contributing to the UNIX rate increasing from \$10,789 in FY 2014 to \$28,196 in FY 2016 and \$24,433 in FY 2017 for all UNIX customers.

If the Subcommittees wish to approve the new archiving system, they may wish to consider issuing an LOI instructing EITS to review the UNIX billing model and evaluate whether there is a means of charging customers more equitably for UNIX-based storage and archiving and submit its evaluation to the IFC.

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE NEW ARCHIVING SYSTEM IN DECISION UNIT E-225 OF B/A 721-1385 AND TO ISSUE AN LOI INSTRUCTING EITS TO EVALUATE WHETHER THERE IS A MEANS OF CHARGING CUSTOMERS EQUITABLY FOR UNIX-BASED STORAGE AND ARCHIVING.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

There are several other closing items in B/A 721-1385 listed on pages 21 and 22 of [Exhibit C](#). These include replacement servers and printers in decision units E-710 and E-712 and cost allocation adjustments in E-801 and E-804. These items appear reasonable to staff.

E-710 Equipment Replacement — Page ADMIN-62
E-712 Equipment Replacement — Page ADMIN-63
E-801 Cost Allocation — Page ADMIN-64
E-804 Cost Allocation — Page ADMIN-64

Additionally, new virtual server equipment is recommended in decision units E-720 and E-721, page 20 of [Exhibit C](#). Fiscal staff has completed a technical adjustment for decision unit E-720 to align the amount budgeted for virtual server equipment with the quoted price, for a reduction in costs of \$26,152. These items appear reasonable with the noted technical adjustment.

E-720 New Equipment — Page ADMIN-63
E-721 New Equipment — Page ADMIN-63

On page 21 of [Exhibit C](#), in decision unit E-900, the Governor recommends reserve reductions of \$100,000 in each year of the upcoming biennium to transfer in approximately 20 percent of the annual software maintenance costs from the DPS Criminal History Repository budget. This recommendation appears reasonable contingent upon approval of decision unit E-550 in the DPS Criminal History Repository budget.

E-900 Transfer From BA 4709 To BA 1385 — Page ADMIN-65
E-550 Technology Investment Request — Page PUBLIC SAFETY-132

Decision unit E-906 transfers out one IT professional position to the Security budget. Fiscal staff requests authority to make adjustments based on the Subcommittees' actions for the position transfer in the Security budget.

E-906 Transfer From BA 1385 To BA 1389 — Page ADMIN-66

Administration - IT - Security — Budget Page ADMIN-95 (Volume I)
Budget Account 721-1389

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-710, E-712, E-801, AND E-804 AS RECOMMENDED BY THE GOVERNOR; TO APPROVE DECISION UNITS E-720, E-721 WITH NOTED TECHNICAL ADJUSTMENTS; TO APPROVE DECISION UNIT E-900 CONTINGENT UPON APPROVAL OF DECISION UNIT E-550 IN B/A 101-4709; TO APPROVE DECISION UNIT E-906 WITH AUTHORITY FOR STAFF TO MAKE ADJUSTMENTS BASED ON THE ACTIONS IN B/A 721-1389; AND TO GRANT AUTHORITY TO

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FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next item is B/A 721-1386.

Administration - IT - Data Comm & Network Engin — Budget Page ADMIN-68
(Volume I)
Budget Account 721-1386

The Data Communications and Network Engineering Unit of the Communications section is responsible for all tasks related to developing, operating and maintaining statewide data communications infrastructure. This includes the State's wide area network, the SilverNet, which provides Internet access and data communication lines for State agencies.

The first major closing issue in this budget is an increase in network capacity in decision units E-226 and E-227.

E-226 Efficient and Responsive State Government — Page ADMIN-70

E-227 Efficient and Responsive State Government — Page ADMIN-71

The Executive Budget recommends additional funding of \$1.1 million over the biennium to increase bandwidth on SilverNet to meet State agency demand for data transmission services. Decision unit E-226 would increase bandwidth between Carson City and Las Vegas by 100 percent at a cost of approximately \$586,500 over the biennium. Decision unit E-227 recommends additional funding totaling \$561,000 over the biennium to increase bandwidth for four SilverNet locations: the Ely bandwidth would increase 100 percent, the

Pahrump bandwidth would increase 900 percent and the Reno bandwidth would increase 122 percent. The Executive Budget narrative indicates that bandwidth for Winnemucca would increase, but detailed information was not provided. After further discussion with the Agency, it was determined that existing bandwidth had been reallocated to Winnemucca and the increased bandwidth is no longer necessary. Therefore, costs of \$17,328 in each year of the biennium should be eliminated from decision unit E-227. Fiscal staff has completed adjustments, shown on page 23 of [Exhibit C](#), to eliminate these costs.

The Agency indicates that SilverNet is at capacity for the circuits listed above. The Agency has received numerous complaints about the speed of SilverNet and requests for increased network capacity from State agencies that are unable to perform their core functions due to access issues.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ADDITIONAL FUNDING TOTALING \$1.1 MILLION IN DECISION UNITS E-226 AND E-227 OVER THE 2015-2017 BIENNIUM FOR BANDWIDTH INCREASES IN CARSON CITY, LAS VEGAS, ELY, PAHRUMP AND RENO AND TO DISAPPROVE A BANDWIDTH INCREASE FOR WINNEMUCCA AT A SAVINGS OF \$17,328 EACH YEAR OF THE BIENNIUM.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The second major closing issue is the relocation of Las Vegas network equipment in decision unit E-225 on page 25 of [Exhibit C](#).

The Governor recommends additional funding totaling \$577,604 over the biennium to relocate network equipment in Las Vegas from the Grant Sawyer State Office Building to the Via West facility, a data colocation center. The Agency indicates that the equipment used to provide SilverNet services to State agencies in southern Nevada, including routers, switches, firewalls and data distribution equipment, is currently located in a makeshift utility closet in the Grant Sawyer building. There are ongoing issues with leaking pipes and maintaining room temperature at an appropriate level, thereby risking damage to critical communications equipment. Further, the available power supply does not allow for the installation of additional equipment and causes customer service interruptions.

The Governor's recommendation would support moving the equipment from the Grant Sawyer building to a data colocation center, which provides space, power, cooling and physical security for computer equipment. Rental charges at the Grant Sawyer building amount to approximately \$4,500 annually, including equipment space and office space. In comparison, rental charges for the data colocation facility would be \$256,500 annually, or \$21,375 monthly, representing a 5,600 percent increase in costs associated with space for the Las Vegas networking equipment. The Agency indicates it would continue to utilize office space at the Grant Sawyer building.

Fiscal staff asked EITS whether other options were considered such as installing facility improvements, improving and leasing space in a new or existing State building, or locating the equipment with other EITS equipment in the Switch data center. The Agency responded that the Grant Sawyer building is not suitable for State equipment and that it should not be considered for improvements. They further stated that locating equipment at Via West provides a network "ring" around Las Vegas, but it is unclear why such a "ring" could not be created with equal efficiency at some other location. Fiscal staff requested information regarding other options and the Agency responded that it would be more expensive to use the Switch data center, but had no other alternatives to suggest.

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL
COMMITTEES TO APPROVE ADDITIONAL FUNDING TOTALING
\$577,604 OVER THE BIENNIUM IN DECISION UNIT E-225 IN

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B/A 721-1386 TO RELOCATE LAS VEGAS NETWORK EQUIPMENT FROM THE GRANT SAWYER BUILDING TO A DATA COLOCATION FACILITY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

Assemblyman Edwards:

Is moving this equipment necessary?

Assemblywoman Bustamante Adams:

Is the site chosen by EITS the best option?

Assemblyman Edwards:

Why must this equipment be moved?

Chair Goicoechea:

This issue was heard in Subcommittee. Although the Switch data center was suggested as an option, that has been negated by EITS. At this time, this is the option before us.

Senator Woodhouse:

I made the motion because the equipment in the Grant Sawyer building will be destroyed at some point if it is not moved. It is at risk from leaky pipes and other environmental factors that are not appropriate for computer equipment essential to the State. We need to be proactive and move the equipment before a damaging event occurs. The motion says "a" data colocation facility; it does not specify a particular facility if that makes you more comfortable.

Assemblyman Anderson:

I agree with Senator Woodhouse. A utility closet is not an appropriate location for telecommunications equipment for any industry, let alone our State agencies. The only place this equipment should reside is in a data center.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next major closing issue is the integration of DPS IT services into this budget in decision units E-504 and E-904, on page 26 of [Exhibit C](#).

E-504 Adjustments To E904 — Page ADMIN-71

E-904 Transfer From BA 1405 To BA 1386 — Page ADMIN-74

Decision unit E-904 recommends transferring funding totaling \$1.1 million over the biennium to transfer in four IT professional positions and associated operating costs from the DPS IT Consolidation budget as part of EITS' effort to integrate DPS IT services into its budgets. Decision unit E-504 reallocates revenues in E-904 with the correct funding source and recommends additional funding totaling \$170,405 over the biennium to increase reserves.

It was determined that 70 percent of the efforts of the four positions transferred in decision unit E-904 would be dedicated to providing services for DPS' internal network. Additionally, cost associated with hardware maintenance for network devices physically located at DPS are included in decision unit E-904. Fiscal staff recommends that costs approximating \$545,000 over the biennium be removed from existing EITS cost pools and be charged directly to DPS. Further, costs totaling approximately \$201,000 should be transferred to DPS to locate hardware maintenance costs in the appropriate budget.

Fiscal staff has completed technical adjustments in decision units E-504 and E-904 to eliminate switch hardware maintenance costs included in the Executive Budget that are no longer needed. These adjustments are shown on page 23 of [Exhibit C](#) and result in a revenue decrease of \$24,030 over the biennium.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE TRANSFERRING FOUR POSITIONS AND ASSOCIATED OPERATING COSTS FROM THE DPS IT CONSOLIDATED BUDGET WITH THE NOTED TECHNICAL ADJUSTMENT; AND THAT DPS

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SHOULD BE DIRECTLY CHARGED FOR 70 PERCENT OF THE COSTS OF FOUR POSITIONS; THAT COSTS ASSOCIATED WITH HARDWARE THAT IS PHYSICALLY LOCATED AT DPS BE TRANSFERRED TO DPS, AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE APPROPRIATE ADJUSTMENTS TO APPROPRIATE EITS AND DPS BUDGETS RESULTING FROM THE SUBCOMMITTEES' CLOSING ACTIONS.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

There are four other closing items in B/A 721-1386: replacement equipment in decision units E-710, E-711 and E-712 and cost allocation adjustments in decision units E-801 and E-804. These items appear reasonable to staff, as shown on page 27 of [Exhibit C](#).

E-710 Equipment Replacement — Page ADMIN-72

E-711 Equipment Replacement — Page ADMIN-72

E-712 Equipment Replacement — Page ADMIN-73

E-801 Cost Allocation — Page ADMIN-73

E-804 Cost Allocation — Page ADMIN-73

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-710, E-711, E-712, E-801 AND E-804 AS RECOMMENDED BY THE GOVERNOR AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next item is B/A 721-1387.

The Telecommunications Unit of the Communications Section provides State agencies with telephone communications and related services through the statewide telephone network and integrates State-owned PBX switches and commercial telephone systems.

The first major closing issue is the status of the telephone system replacement on page 29 of [Exhibit C](#). The 2013 Legislature approved the Governor's recommendation to replace the existing outdated State-owned telephone system with a modernized leased system at a cost of \$1.24 million over the 2013-2015 biennium. During the March 20 budget hearing, the Subcommittees asked EITS for an update on the status of the replacement telephone system. The Agency indicated that the replacement system is approximately 59 percent completed and it is expected to be fully migrated by June 2015.

The Agency testified that EITS has identified 134 State locations with stand-alone telephone systems. Each stand-alone system would have to be evaluated independently to determine if it could be migrated to the State telephone system. The Subcommittee expressed concern regarding duplication of costs among stand-alone systems throughout the State and that there was currently no plan for determining whether these stand-alone systems could be integrated with the State core telephone system at a lower cost.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO ISSUE AN LOI INSTRUCTING THE AGENCY TO DEVELOP A TIMELINE FOR EVALUATING THE 134 IDENTIFIED STAND-ALONE TELEPHONE SYSTEMS FOR CONSOLIDATION WITH THE STATE CORE TELEPHONE SYSTEM.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The second major closing issue is the IT manager position on page 29 of [Exhibit C](#). The Agency submitted an information item to the April 9 meeting of the IFC indicating that the one FTE IT manager position in this budget was being split into two IT manager positions; one 0.49 FTE and one 0.51 FTE. The change is being made to accommodate the existing IT manager, who would be assigned to the 0.49 FTE position. The Agency does not intend to fill the 0.51 FTE position in the near future. It should be noted that the incumbent has been in the position since 2010 and has filled the IT manager position at 0.49 FTE since that time.

Given the fact that the IT manager has been filled as a 0.49 FTE position for 5 years, it appears it would be reasonable to budget for one IT manager position at 0.49 FTE to align with anticipated expenditures in this budget, at a cost savings of \$100,055 over the 2015-2017 biennium. Budgeting for expenditures that are not likely to be incurred results in telephone service rates that are higher than necessary to recover the costs of providing telephone services and results in the accumulation of excess reserves in this budget. If necessary, EITS could seek to increase this position to one FTE when the incumbent leaves.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE BUDGETING FOR ONE IT MANAGER AT 0.49 FTE IN B/A 721-1387.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

There are seven other closing issues in this budget as shown on pages 29 and 30 of [Exhibit C](#). They include increased in-State travel in decision unit E-227, spare telephone and voicemail licenses in decision unit E-228, increased training in decision unit E-229, replacement equipment in decision unit E-710, spare equipment in decision unit E-720, and cost allocation adjustments in decision units E-801 and E-804. These recommendations appear reasonable to staff.

E-227 Efficient and Responsive State Government — Page ADMIN-78

E-228 Efficient and Responsive State Government — Page ADMIN-78

E-229 Efficient and Responsive State Government — Page ADMIN-79

E-710 Equipment Replacement — Page ADMIN-80

E-720 New Equipment — Page ADMIN-80

E-801 Cost Allocation — Page ADMIN-81

E-804 Cost Allocation — Page ADMIN-81

Finally, in decision unit E-906, the Governor recommends reducing funding by \$113,954 in the biennium to transfer one administrative aid from this budget to the Office of the CIO budget. According the Agency, the position recommended to transfer out is one of three positions currently assigned to answer incoming telephone calls on the State telephone line and route calls to the appropriate State agency. The telephone system upgrade implemented during the 2013-2015 biennium allows for automated call routing, decreasing the need for staff dedicated to that activity. Fiscal staff requests technical authority to make adjustments to align this decision unit with the Subcommittees' closing action in the Office of the CIO budget.

E-906 Transfer From B/A 1387 To B/A 1373 — Page ADMIN-81

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-227, E-228, E-229, E-710, E-720, E-801 AND E-804 AS RECOMMENDED BY THE GOVERNOR AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS TO DECISION UNIT E-906 BASED ON THE SUBCOMMITTEES' CLOSING ACTIONS IN B/A 721-1373.

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ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next item is B/A 721-1388.

Administration - IT - Network Transport Services — Budget Page ADMIN-84
(Volume I)

Budget Account 721-1388

The Network Transport Services Unit of the Communications Section is responsible for the installation, operation and maintenance of the State microwave system and remote communication sites. There is one major closing issue in this budget: replacement of the microwave system in decision unit E-712 on page 32 of [Exhibit C](#).

E-712 Equipment Replacement — Page ADMIN-89

The Governor recommends additional funding totaling \$6.1 million over the 2015-2017 biennium, including \$2.1 million in General Fund appropriations and \$3.9 million in Highway Fund appropriations in FY 2017, to replace certain components of the existing State-owned microwave communications system with an outsourced leased system.

The current system is a State-owned and operated digital system that provides microwave transmission services for voice, data and video for a number of State, federal and local governmental entities as well as commercial businesses. The system consists of 114 microwave sites and associated communications equipment located throughout the State. The Agency indicates that 27 percent of the microwave system is currently at the end of its useful life, meaning that parts are no longer available and the equipment is not supported by the manufacturer, and 66 percent of the system has been discontinued by its

manufacturer. The remaining 7 percent of the system is current manufacturer-supported equipment.

The Subcommittees should be aware the microwave system is central to public safety communications throughout the State by providing a platform for the Nevada Shared Radio System (NSRS). The NSRS is a partnership between the NDOT, NV Energy and the Washoe County regional communications system. THE NSRS provides critical voice communications for more than 90 agencies and organizations statewide, including DPS. According to NDOT, the NSRS has reached the end of its useful life and will no longer be supported by the manufacturer after 2017. The NDOT and other NSRS stakeholders are in the initial planning phases of replacing the system, expected to begin in FY 2018 and be complete by FY 2020.

The EITS identifies the impending replacement of the NSRS as the primary factor for replacing the State microwave communications system in FY 2017. The current system is outdated and does not support modern communication technologies. It does not appear feasible to replace the NSRS with a system that is compatible with the existing microwave communication system.

Regarding the project plan, the Governor recommends replacing the communications portion of the existing system, which consists of microwave radios, towers, router switches and network management software with an outsourced system leased under an operating lease arrangement. This means that the State would not own the equipment at the end of the lease.

As previously noted, the Executive Budget recommends funding the leased system with General Fund and Highway Fund appropriations. *Nevada Revised Statute* 242.211 establishes the Fund for Information Services as an internal service fund. Pursuant to NRS 353.323, subsection 4, paragraph a, internal service funds are used to account for self-supporting activities on a cost-reimbursement basis. Further, NRS 242.211 specifies that agencies utilizing EITS services must pay a fee to reimburse EITS for the entire cost of providing the service. Therefore, it appears that appropriating General Funds and Highway Funds to EITS to support replacement equipment is inconsistent with statutory provisions governing internal service funds and EITS' established

cost-recovery model. Additionally, EITS collects revenue to cover the costs of operating the microwave communications system from other non-State governmental entities and commercial businesses. These revenues comprise 15 percent of this budget.

Fiscal staff has discussed these funding issues with the Budget Office which agrees that it would be reasonable to appropriate the funding in this decision unit as a one-shot appropriation to a budget outside of EITS for the leased equipment. Fiscal staff recommends that EITS be required to pay back any funding that is appropriated in support of the microwave replacement project. Language specifying payback terms could be placed in the 2015 Appropriations Act. The Subcommittees may also wish to issue a LOI to specify the payback provisions.

The estimated cost of the lease for the replacement communication system is projected to be \$18.7 million over 12 years. Currently, the rates EITS charges its microwave communications customers do not include capital expenditures. To recover the costs of the leased system, the rates EITS charges will increase in future biennia. However, the magnitude of the rate increases will not be known until the Agency finalizes the terms of the lease and cost reductions have occurred in this budget to align staffing with the outsourced system model. To smooth the impact of rate increases, the rates could be increased over the 2015-2017 biennium and placed in reserve. These reserves could be used to fund paybacks to the General Fund and Highway Fund in FY 2018, lessening the payback amount in subsequent years. The Department of Administration indicates it would be reasonable to increase microwave communication rates to collect additional revenues of approximately \$374,000 in FY 2016 and \$1.1 million in FY 2017. Further incremental rate increases would be necessary in FY 2018 and FY 2019. It is anticipated that rates would be relatively smooth for the remainder of the lease.

Chair Goicoechea:

I realize that the intent is to increase rates gradually, but I am concerned about the impact to some users who might choose not to use the service, thus increasing rates further to other users.

Assemblywoman Bustamante Adams:

My concern is using Highway Fund appropriations to support this, especially as it is not consistent with the statutory provisions governing the internal services fund.

Chair Goicoechea:

The Highway Fund is tied into this appropriation because this is the major radio component for NDOT and DPS.

Ms. Crocket:

That is correct. The proposal is to pay back the Highway Fund to align with the statutory provisions governing the operation of EITS and the need to recover the costs of supporting replacement equipment in their budget per statute.

Chair Goicoechea:

The Governor has proposed this solution. If it is not working in 2 years, we would have to refigure the structure if it cannot be paid for in this way.

Ms. Crocket:

The primary user of the microwave system is the NSRS. The other entities comprise 15 percent of the users. Even if some private businesses or governmental agencies seek communications through other means, the primary purpose of the system is to provide communication services to State agencies.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO REPLACE THE COMMUNICATIONS PORTION OF THE EXISTING MICROWAVE COMMUNICATIONS SYSTEM WITH AN OUTSOURCED COMMUNICATIONS SYSTEM LEASED UNDER AN OPERATING LEASE STRUCTURE IN DECISION UNIT E-712; TO APPROPRIATE THE \$2.1 MILLION IN GENERAL FUND AND \$3.9 MILLION IN HIGHWAY FUND TO THE SPECIAL APPROPRIATIONS BUDGET, WITH PAYBACK PROVISIONS INCLUDED IN THE 2015 APPROPRIATIONS ACT; TO ISSUE AN LOI MEMORIALIZING PAYBACK PROVISIONS; AND TO APPROVE INCREASING MICROWAVE COMMUNICATIONS SERVICE RATES BY APPROXIMATELY \$374,000 IN FY 2016 AND \$1.1 MILLION IN FY 2017.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

There are a number of other closing items in B/A 721-1388 on pages 35 and 36 of [Exhibit C](#). These include additional contract services in decision unit E-226, new networking equipment in decision unit E-227, replacement computer equipment in decision unit E-710, replacement network testing equipment in decision unit E-711, replacement battery plants in decision unit E-714, replacement alarm system in decision unit E-717, replacement vehicles in decision units E-715 and E-716 and cost allocation adjustments in decision units E-801 and E-804. In decision unit E-713, the Governor recommends additional funding totaling \$75,000 in FY 2017 to replace three existing mountaintop emergency power generators. Fiscal staff has completed technical adjustments to align the budgeted amount with price quotes attached to the budget. These items appear reasonable to staff with the noted technical adjustment.

E-226 Efficient and Responsive State Government — Page ADMIN-86
E-227 Efficient and Responsive State Government — Page ADMIN-87
E-710 Equipment Replacement — Page ADMIN-88
E-711 Equipment Replacement — Page ADMIN-88
E-714 Equipment Replacement — Page ADMIN-90
E-717 Equipment Replacement — Page ADMIN-91
E-715 Equipment Replacement — Page ADMIN-90
E-716 Equipment Replacement — Page ADMIN-91
E-801 Cost Allocation — Page ADMIN-92
E-804 Cost Allocation — Page ADMIN-92
E-713 Equipment Replacement — Page ADMIN-89

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-226, E-227, E-710, E-711, E-714, E-717, E-715, E-716, E-801, E-804 AND E-713 AS RECOMMENDED BY THE GOVERNOR WITH THE NOTED TECHNICAL ADJUSTMENT TO DECISION UNIT E-713; AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE FURTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The final IT budget today is B/A 721-1389.

The Office of Information Security (OIS) provides leadership and oversight of a comprehensive State information security program. The first major closing issue is the transfer of the chief of Information Security to the unclassified service in Budget Amendment No. A150481389. In February, the Fiscal Analysis Division received notification from the Budget Office that the vacant chief of the OIS position was being transferred from the classified State service to the unclassified State service effective immediately. However, Fiscal staff notified the Budget Office that transferring the position from the classified to the unclassified service would violate NRS 242.101 which specifies that the chief of the OIS must be in the classified service. Accordingly, the Budget Office withdrew the transfer and submitted Budget Amendment No. A150481389 which includes funding reductions of \$3,112 in FY 2016 and \$2,599 in FY 2017 because the salary of \$97,901 for the unclassified position would be lower than the salary of approximately \$102,228 for the classified position.

Nevada Revised Statute 242.183 requires the chief of the OIS to investigate breaches of State agency information systems. The EITS Administrator is

charged with developing standards to ensure security of the Executive Branch's information systems pursuant to NRS 242.111. Accordingly, the chief of the OIS, when investigating information system breaches, evaluates the effectiveness of the security standards put into place by the administrator. Locating the chief of the OIS in the classified service, rather than the unclassified service, appointed by the administrator, provides a degree of independence for the position.

The Agency testified at the March 20 budget hearing that all other chief IT manager positions in EITS are unclassified. However, the Agency's organizational chart shows the chief IT managers of the Application Support Unit, the Client Services Unit and the OIS are currently in the classified service. Pursuant to NRS 242.101, the chiefs of the Computing Unit and the Communications Unit shall be appointed in the unclassified service. However, pursuant to section 143.5 of S.B. No. 427 of the 76th Session, any incumbent serving as the head of a unit in EITS that was in the classified service as of October 1, 2011, must remain in the classified service until the incumbent vacates the position. Therefore, the Agency does not currently have any unclassified positions serving as the chief of any of its operational units.

Senate Bill (S. B.) 72, currently in the Senate Committee on Finance, proposes to revise a number of provisions in NRS 242. If enacted as amended, the bill would remove the requirement that the chief of the OIS be in the classified service and would allow the administrator to appoint personnel as deemed necessary.

SENATE BILL 72 (1st Reprint): Makes various changes relating to the Division of Enterprise Information Technology Services of the Department of Administration. (BDR 19-310)

Decisions regarding funding of unclassified positions will be made by the full Committees in considering the Unclassified Pay Bill. Fiscal staff requests authority to make technical adjustments based upon final decisions made by the full Committees, contingent upon passage and approval of S.B. 72.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE

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TECHNICAL ADJUSTMENTS IN B/A 721-1389 BASED UPON FINAL DECISIONS MADE BY THE FULL COMMITTEES, CONTINGENT UPON PASSAGE AND APPROVAL OF S.B. 72.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Crocket:

The next major closing issue, pages 38 and 39 of [Exhibit C](#), is related to dedicated desktop security staff. The Governor recommends transferring funding totaling \$327,855 over the 2015-2017 biennium to transfer in two IT professional positions and associated operating costs in decision units E-905 and E-906. Decision units E-505 and E-506 reallocate funding transferred in to the correct funding sources and increase reserves by \$52,581 over the biennium.

E-905 Transfer From BA 1405 To BA 1389 — Page ADMIN-99
E-906 Transfer From BA 1385 Pcn 125 To BA 1389 — Page ADMIN-100
E-505 Adjustments To Transfer E905 From BA 1405 — Page ADMIN-97
E-506 Adjustment To E906 From BA 1385 — Page ADMIN-97

These positions would be dedicated to supporting the Agency's desktop security initiative and would support the Symantec Altiris Endpoint software, which is the Agency's statewide desktop security software solution. The Agency indicated that Symantec recommends one system administrator per 5,000 system endpoints, which is a desktop or laptop computer. There are currently 10,177 desktops and laptops covered by the system.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE TRANSFERRING IN THE TWO POSITIONS IN DECISION UNITS E-905 AND E-906; AND THE ASSOCIATED REALLOCATION OF FUNDING SOURCES AND RESERVES IN DECISION

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UNITS E-505 AND E-506, TO PROVIDE DEDICATED SUPPORT FOR THE
DESKTOP SECURITY SOFTWARE SYSTEM.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

The next major closing issue, page 39 of [Exhibit C](#), is a position to support the Nevada Card Access System (NCAS), a keycard access control system located in this budget. This is a new item that has not previously been heard by the Subcommittees. During Fiscal staff's review of the integration of DPS IT staff and services into EITS budgets, it was determined that one existing IT professional position in the Application Support budget has been dedicated to supporting the NCAS. In the Application Support budget, costs associated with this position are assigned to the Desktop Support Unit through the PC/LAN Tech cost pool. As a result of dedicating a desktop support position to NCAS, the PC/LAN Tech pool has been absorbing the cost of supporting the NCAS.

Within this budget, staff members are assigned to other duties and are unable to provide dedicated support to the NCAS. In order to provide necessary dedicated support for the NCAS, the Subcommittees may wish to add a new position in the Security budget. This would allow the desktop support position who is currently dedicated to NCAS duties in the Application Support budget to resume their assigned desktop support duties, ensuring the PC/LAN Tech cost pool accurately reflects the costs of providing desktop support services.

It appears that a program officer position may be the appropriate classification for the NCAS position; however, the actual classification would be determined by the DHRM based on a review of the position's assigned duties. The costs of adding one new program officer position beginning October 1, 2015, and associated equipment and operating costs, would be \$113,430 over the 2015-2017 biennium. It should be noted that the NCAS service rate for the

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2015-2017 biennium was calculated assuming the costs associated with one position would be allocated to the NCAS cost pool. Accordingly, it does not appear that the NCAS service rate would increase significantly if a new position is approved.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ONE NEW POSITION TO SUPPORT THE NCAS AT AN ADDITIONAL COST OF APPROXIMATELY \$113,430 OVER THE 2015-2017 BIENNIUM.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Crocket:

This budget contains two other closing items including replacement equipment in decision unit E-710 and cost allocation adjustments in decision units E-801 and E-804, found on page 40 of [Exhibit C](#). These items appear reasonable to staff.

E-710 Equipment Replacement — Page ADMIN-98

E-801 Cost Allocation — Page ADMIN-98

E-804 Cost Allocation — Page ADMIN-99

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-710, E-801, AND E-804 AS RECOMMENDED BY THE GOVERNOR AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Chair Goicoechea:

The next item is B/A 625-1338.

SPECIAL PURPOSE AGENCIES

PUBLIC EMPLOYEES' BENEFITS PROGRAM

PEBP - Public Employees' Benefits Program — Budget Page PEBP-10 (Volume III)
Budget Account 625-1338

Alex Haartz (Principal Deputy Fiscal Analyst):

The Public Employees' Benefits Program (PEBP) provides various insurance coverages for State employees, State retirees who are ineligible for Medicare and their dependents, if the participants choose to cover their dependents. The first major closing issue in this budget is the plan reserve levels in decision unit M-102 on pages 50 and 51 of [Exhibit C](#).

M-102 Agency Specific Inflation — Page PEBP-12

The plan maintains actuarially determined reserves to cover Health Reimbursement Arrangement (HRA) account future expenditures, Incurred But Not Reported (IBNR) claims and Catastrophic claims. The HRA reserve serves as a holding account for unexpended, prior-year contributions and provides cash flow in the current year. The IBNR reserve provides cash flow should the plan receive prior year claims in excess of available operating cash. The Catastrophic reserve pays extraordinarily large claims to decrease volatility and avoid disruption to the rates in the following plan year. As illustrated in the table on page 51 of [Exhibit C](#), these three reserve accounts are relatively stable and fixed for FY 2016 and FY 2017. However, as also shown in the table, excess reserves of only \$473,446 are budgeted to be available at the end of FY 2017 to forward into FY 2018.

Budget Amendment No. A150821338 does not adjust or otherwise change the recommended HRA, IBNR and Catastrophic reserve levels. However, available excess reserves decrease by \$4.4 million in FY 2016 from \$52.6 million to \$48.2 million, but increase by \$2.5 million from \$473,446 to \$3 million in FY 2017. Although funding recommendations are based on actuarial determinations, the operating budget would have little margin for error if FY 2017 program claims costs are higher than expected. More importantly, the FY 2016 and FY 2017 plan design adopted by the PEBP Board is funded through excess reserves which, based upon an ending FY 2017 balance of \$3 million, will not be sufficient to continue the plan design in FY 2018.

Chair Kirner:

It is ironic that PEBP has been extensively criticized for maintaining excess reserves, but the decision to spend some of these reserves on behalf of State employees now raises concerns the reserves will be too low. I think this is the right direction. I understand that spending excess reserves on improving benefits can create a situation in which rates will have to be raised or benefits will have to be eliminated.

Assemblywoman Swank:

What is a healthy level of reserves? What are the types of programs that are best suited to spend down the reserves?

Jim Wells, C.P.A. (Interim Chief, Budget Division, Department of Administration):

Excess reserves, or unallocated surplus, are funds that are not necessary for the planned reserves. The plan has never intended to maintain large excess reserves. The PEBP Board has tried to use excess reserves for one-time expenses. Previously, one-time health savings account (HSA) and HRA contributions have been made to spend down the excess reserves. The Board has found that these contributions are not sufficient and has decided to fund some enhancements to further spend down the excess reserves. While the enhancements will be paid for during the 2015-2017 biennium with these funds, to continue the new services in FY 2018 ongoing will require rate increases.

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Assemblywoman Swank:

It sounds like we will be spending down the excess reserves quickly to offer great programs, but then have to ask State employees to pay for it later. Would it be better not to spend down the reserves so quickly?

Mr. Wells:

The 3-year plan was a slow spend down. This is an internal service fund that has federal requirements for not retaining too large of an excess reserve. The concern has always been federal paybacks if the excess reserve level becomes too high.

Assemblywoman Swank:

It is important to make it clear to State employees using PEBP that this is a one-shot deal and the rates will be going up so they can make plans as well.

Mr. Wells:

Comparing the PEBP premium rates of 5 years ago to those for FY 2016, there has not been a significant increase. Granted, State employees have also had pay cuts and furloughs, but the premium rates have remained stable.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE PROGRAM RESERVE LEVELS AS RECOMMENDED BY THE GOVERNOR IN DECISION UNIT M-102 AND ADJUSTED BY BUDGET AMENDMENT NO. A150821338; AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

The next major issue is projected plan inflation and trend adjustments in decision units M-101 and M-104, pages 51 and 52 of [Exhibit C](#).

M-101 Agency Specific Inflation — Page PEBP-11

M-104 Agency Specific Inflation — Page PEBP-13

In decision unit M-104, the Governor recommends inflation adjustments for Preferred Provider Organization (PPO) medical trend, dental trend, prescription drug trend increases and Health Maintenance Organization (HMO) inflation. "Trend" includes both inflation and utilization and is based upon actuarial projection. The budgetary impact of this adjustment is approximately \$18.1 million in FY 2016 and \$36.7 million in FY 2017. The Governor recommends funding these inflation adjustments primarily through excess reserves.

Budget Amendment No. A150821338 increases projected medical and pharmaceutical claims costs by \$6.7 million in FY 2016 and \$7.7 million in FY 2017 based upon revisions to the actuarially projected trend rates for each fiscal year of the 2015-2017 biennium. As shown in the table on page 52 of [Exhibit C](#), the primary inflationary change is pharmaceutical prescription costs. Inflationary increases are also included for HMO plan costs. To fund the increased costs, reserve expenditures increase by \$6.7 million, to \$23.1 million in FY 2016, but decrease by \$4.8 million to \$31.8 million in FY 2017. The FY 2017 decrease is a result of adding \$12.6 million in premium income and State subsidy revenue to offset FY 2017 costs.

In decision unit M-104, for Medicare-eligible retirees, the Executive Budget recommends \$2.4 million in FY 2017 to account for projected premium increases in the cost of Medicare Supplement, Medicare Advantage and Medicare prescription drug plans. As budgeted, \$1.7 million is recommended to be funded with State subsidies while the \$672,637 balance represents premium payments by the non-State employers for participating non-State retirees. Medicare-eligible retirees' HRA accounts are recommended to receive an additional \$1 per month per year of service contribution.

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Chair Kirner:

It is surprising that the inflation amount for PPO prescription is 44.48 percent in FY 2016 and only 12 percent in FY 2017. I suspect specialty drugs are driving that rate. I have faith in the PEBP Board and support these recommendations.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE EXCESS RESERVE EXPENDITURES OF \$23.1 MILLION IN FY 2016 AND \$31.8 MILLION IN FY 2017 AND \$12.6 MILLION IN PREMIUM INCOME AND STATE SUBSIDY REVENUES IN FY 2017 TO FUND THE INFLATIONARY AND TREND CHANGES AS RECOMMENDED BY THE GOVERNOR IN DECISION UNIT M-101 AND AS ADJUSTED BY BUDGET AMENDMENT NO. A150821338; AND TO APPROVE PREMIUM INCOME OF \$672,637 AND STATE SUBSIDY REVENUE OF \$1.7 MILLION IN FY 2017 TO FUND THE MEDICARE INFLATIONARY CHANGES AS RECOMMENDED BY THE GOVERNOR IN DECISION UNIT M-104; AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

The next major budget issue is the 2015-2017 biennium plan design and the elimination of Wellness Program expenditures in decision unit M-103.

M-103 Agency Specific Inflation — Page PEBP-13

The Executive Budget recommends utilizing excess reserves totaling \$25.1 million in FY 2016 and \$25.5 million in FY 2017 to continue the plan design approved by the PEBP Board for FY 2015. The main elements of the plan design as recommended by the Executive Budget are on page 53 of [Exhibit C](#). The subsidies, deductibles, coinsurance, out-of-pocket maximum, HSA

contribution, HRA contribution, dental benefit, vision benefit, life insurance and preventive care would not be impacted by Budget Amendment No. A150821338. However, the PEBP Board eliminated expenditures supporting the wellness program and the incentives for primary participants effective July 1, 2015.

As shown in the table on page 54 of [Exhibit C](#), wellness program costs were anticipated to total \$8.1 million in FY 2016 and \$8.2 million in FY 2017, with approximately 75 percent of the annual cost associated with the \$50 per month premium incentive. The balance of the program costs were for biometric screenings and administrative costs. The premium incentive was to be funded through excess reserves and represented a reduction in premium costs for participating individuals. However, for the purposes of rate setting, all of the costs were included in the Active Employees' Group Insurance (AEGIS) and Retired Employee Group Insurance (REGI) rates.

As originally submitted and subsequently amended by Budget Amendment No. A150821338, revenue, primarily excess reserves, and expenditure authority for the wellness program remain in the budget. However, the Subcommittees should be aware that the budget amendment achieves the reduced FY 2016 and FY 2017 AEGIS and REGI State contributions by applying the program savings derived from the wellness program's elimination. The tables on page 58 of [Exhibit C](#) detail the State contribution for both AEGIS and REGI rates. Additionally, PEBP indicates that all State employees derive a financial benefit in the form of reduced monthly premiums as a result of the elimination of the wellness program and a reduction in the payback otherwise required when S.B. 505 is passed and approved.

SENATE BILL 505: Provides for the temporary suspension of the collection of certain subsidies to be paid to the Public Employees' Benefits Program.
(BDR S-1205)

The series of tables in Attachment 1, page 61 of [Exhibit C](#), show the differences in premium costs for both AEGIS and REGI participants among the various participation tiers and for both PPO and HMO plans with and without the costs of the wellness program and the effect of the budget amendment. What drives the cost shares and the participant benefits both to the State and

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the participant is the subsidy levels of the State. For the participant only on the PPO plan, the State contributes 93 percent; for the HMO plan, the State contributes 78 percent.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE, EXCLUSIVE OF THE WELLNESS PROGRAM, THE USE OF EXCESS RESERVES TOTALING \$25.1 MILLION IN FY 2016 AND \$25.5 MILLION IN FY 2017 AS RECOMMENDED BY THE GOVERNOR IN B/A 625-1338 TO CONTINUE THE PLAN DESIGN APPROVED BY THE PEBP BOARD FOR FY 2015, AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

Assemblywoman Swank:

Even small reductions that benefit all State employees are better than those that only benefit some employees.

Chair Kirner:

The Assembly recently passed a bill to borrow money from the system and pay it back in the coming biennium. I do not see that in this document. Can staff point that out to me?

Mr. Haartz:

You are correct. That is S.B. 505, the 2-month AEGIS holiday, in which the State contribution was suspended, not the participant premiums. The top of page 58 of [Exhibit C](#) references this. The original calculation was that the State would need to borrow, and subsequently repay, \$8.1 million. Based on new calculations, that has been reduced to approximately \$4 million.

Chair Kirner:

I thought the amount in S.B. 505 was larger than the \$8.1 million you referenced.

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Mr. Wells:

The total amount of the holiday in S.B. 505 is approximately \$31 million, of which \$18 million is General Fund. The AEGIS account had a surplus of approximately \$28 million with the original proposed deficit of \$8 million. If the AEGIS surplus had remained and S.B. 505 had not passed, that surplus would have been used to reduce the FY 2016 AEGIS rate per member, per month. Instead of the Governor's recommended \$719.66, that number would have been approximately \$595.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

In recognition that the amended FY 2017 excess reserve ending balance is projected to be \$3 million, the Subcommittees may wish to consider recommending that, no later than July 1, 2016, the full Committees issue a LOI to the PEBP Board directing they report to the Legislature's Interim Retirement and Benefits Committee (IRBC) on the benefits plan design and associated funding plan anticipated for the 2017-2019 biennium.

Chair Goicoechea:

Would it be possible to request the report for the March or April IRBC meeting?

Chair Kirner:

I think the PEBP Board makes a determination of benefit plans by March or April.

Mr. Wells:

The cycle for the PEBP Board is plan design changes are approved in the fall for the upcoming plan year and the rates are set in March or April.

Chair Goicoechea:

Could the PEBP Board report to the IRBC in December or January?

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Mr. Wells:

The PEBP Board would not know exactly what the rates would be at that time, but they would have a good approximation.

Chair Kirner:

I would change the reporting date from July 1, 2016, to January 2016.

Mr. Wells:

If you want the report in January of 2016 it will only include the plan for FY 2017. The plan design for FY 2018 will be determined in the fall of 2016, and the budgetary submission for FY 2017 will also be available. Requiring a report in the fall of 2016 will garner the most information about plan design and costs.

Chair Kirner:

There is also an election in the fall of 2016 and the IRBC suspends its meetings during that time. If we requested the report to the IRBC in September or October 2016 what data would be available?

Mr. Wells:

Final plan design changes might not be available, but it would be close because the PEBP Board would have approved its budget submission by then.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO RECOMMEND AN LOI DIRECTING THE PEBP BOARD TO REPORT TO THE IRBC NO LATER THAN SEPTEMBER 1, 2016, ON THE BENEFITS PLAN DESIGN AND ASSOCIATED FUNDING PLAN ANTICIPATED FOR FY 2018 AND FY 2019.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

Regarding the wellness program, the Subcommittees may wish to consider options for recommendation to the full Committees when the PEBP budgets are closed on Tuesday, May 12, 2015. Options include:

- Approve the expenditure of all or part of the \$8.1 million in FY 2016 and \$8.2 million in FY 2017 to reduce the State contribution and participant's out-of-pocket premium costs as included in Budget Amendment No. A150821338.
- Defer making the decision and request that the PEBP Board and the Budget Office provide the full Committees with options for utilizing the funding differently than the reduced State contribution and participant premium rates contained in Budget Amendment No. A150821338.

If the Subcommittees select the second option, deferring the decision, they will need to provide direction to Staff to work with PEBP and the Budget Office to determine the cost and feasibility of other options. The following issues would need to be addressed:

- Which participants should receive a benefit
- What type of benefit should participants receive
- The dollar value of the benefit
- The duration of the benefit

ASSEMBLYWOMAN SWANK MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE EXPENDITURE OF ALL OR PART OF THE \$8.1 MILLION IN FY 2016 AND \$8.2 MILLION IN FY 2017 TO REDUCE THE STATE CONTRIBUTION AND PARTICIPANTS' OUT-OF-POCKET PREMIUM COSTS AS INCLUDED IN BUDGET AMENDMENT NO. A150821338.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

The next major issue is PEBP caseload changes in decision units M-200 and M-201, outlined on page 56 of [Exhibit C](#).

M-200 Demographics/Caseload Changes — Page PEBP-14

M-201 Demographics/Caseload Changes — Page PEBP-14

Budget Amendment No. A150821338 revises State participant enrollments to increase by 1.3 percent over FY 2015 year-to-date actuals, and to increase again by 2.9 percent over FY 2016 in FY 2017. Non-State participation, primarily retirees, continues to decrease by 4 percent and 4.8 percent in FY 2016 and FY 2017, respectively. The Budget Amendment revises the recommended funding for State active and retiree caseloads by decreasing premium income by \$494,777 and increasing State subsidy revenue by \$1.6 million in FY 2016. In FY 2017, premium income is increased by \$3.2 million and State subsidy revenue is increased by \$5.2 million. Overall, total recommended revenues and expenditures increase by a net of \$1.1 million in FY 2016 and \$8.3 million in FY 2017.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE NET REVENUE AND EXPENDITURES OF \$1.1 MILLION IN FY 2016 AND \$8.3 MILLION IN FY 2017 TO FUND THE STATE ACTIVE AND RETIREE CASELOAD CHANGES AS RECOMMENDED BY THE GOVERNOR AND AS ADJUSTED BY BUDGET AMENDMENT NO. A150821338; AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

As described on page 57 of [Exhibit C](#), Budget Amendment No. A150821338 revises the recommended funding for non-State active and retiree caseloads by increasing premium income in FY 2016 by \$2.6 million. Premium income was budgeted to decrease by \$10 million; however, the Budget Amendment revises the decrease to \$7.5 million. In FY 2017, non-State participant premium income is further decreased by \$401,659 to \$14.1 million.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMENDED TO THE FULL COMMITTEES TO APPROVE A NON-STATE PARTICIPANT PREMIUM INCOME REVENUE REDUCTION OF \$7.5 MILLION IN FY 2016 AND \$14.1 MILLION IN FY 2017 TO FUND NON-STATE PARTICIPANT CASELOAD CHANGES AS RECOMMENDED BY THE GOVERNOR AND AS ADJUSTED BY BUDGET AMENDMENT NO. A150821338; AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

Chair Kirner:

I will support this, but the item should be considered open for discussion as the Session continues.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

The last major issue in this budget is the approval of the amended AEGIS and REGI rates listed on page 58 of [Exhibit C](#). The Budget Amendment reduces the amount of the State AEGIS contribution to \$701.73 in FY 2016 and \$699.25 in FY 2017. The REGI State contribution would be \$425.57 in FY 2016 and \$451.15 in FY 2017.

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ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO ACCEPT THE AMENDED AEGIS AND REGI STATE CONTRIBUTION RATES AS RECOMMENDED BY THE GOVERNOR IN B/A 625-1338 AND REVISED BY BUDGET AMENDMENT NO. A150821338 INCLUSIVE OF THE ELIMINATION OF THE WELLNESS PROGRAM; AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

There are several other closing items in B/A 625-1338 discussed on page 60 of [Exhibit C](#). Decision unit M-501 has been adjusted by Budget Amendment No. A150821338 and is contingent upon passage and approval of [S.B. 472](#). This appears reasonable to staff.

M-501 Mandates — Page PEBP-15

[SENATE BILL 472 \(1st Reprint\)](#): Revises provisions governing the eligibility of state officers and employees for health benefits. (BDR 23-1193)

Decision unit M-502 is also adjusted by the Budget Amendment. This appears reasonable to staff.

M-502 Mandates — Page PEBP-16

Decision unit E-276 is contingent upon passage and approval of [S.B. 471](#). This appears reasonable to staff.

E-276 Educated and Healthy Citizenry — Page PEBP-16

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SENATE BILL 471: Revises provisions governing payments from the State Retirees' Health and Welfare Benefits Fund made on behalf of certain retired persons. (BDR 23-1178)

Decision units E-277, E-710 and E-804 appear reasonable to staff.

E-277 Educated and Healthy Citizenry — Page PEBP-17

E-710 Equipment Replacement — Page PEBP-17

E-804 Cost Allocation — Page PEBP-18

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE DECISION UNITS E-276, E-277, E-710 AND E-804 AS RECOMMENDED BY THE GOVERNOR IN B/A 625-1338; TO APPROVE DECISION UNITS M-501 AND M-502 AS ADJUSTED BY BUDGET AMENDMENT NO. A150821338; AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

The next item, on pages 63 and 64 of [Exhibit C](#), is B/A 680-1368.

PEBP - Retired Employee Group Insurance — Budget Page PEBP-20 (Volume III)
Budget Account 680-1368

Staff is responsible for developing recommendations for this budget which the Subcommittees have not previously reviewed. This account collects payroll assessments on all State agencies, boards and commissions, the Legislative and Judicial Branches, the Public Employees' Retirement System (PERS) and the Nevada System of Higher Education (NSHE) to cover the cost of the State

subsidy to REGI. Funding is transferred to the PEBP operating budget, B/A 625-1338, each month to provide the employer portion of the State retirees' insurance premiums. Since the decision units within this budget provide the REGI portion of funding for companion decision units within the PEBP operating budget, Fiscal staff recommends closing this budget in accordance with the Subcommittees' closing actions for B/A 625-1338.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE B/A 680-1368 IN ACCORDANCE WITH THE CLOSING ACTIONS FOR B/A 625-1338; TO GRANT AUTHORITY TO FISCAL STAFF TO ADJUST REVENUES AND EXPENDITURES IN THIS ACCOUNT; AND TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Mr. Haartz:

The last item to be considered today is B/A 666-1390 on pages 66 and 67 of [Exhibit C](#).

PEBP - Active Employees Group Insurance — Budget Page PEBP-25 (Volume III)
Budget Account 666-1390

Staff is responsible for developing recommendations for this budget which the Subcommittees have not previously reviewed. The AEGIS account provides a centralized collection mechanism for the State contributions paid by State agencies for each employee in each particular budget account. Assessments on filled positions are charged to all State agencies, boards and commissions, the Legislative and Judicial Branches, the PERS and NSHE. The State contribution, comprised of all funding sources, including General Fund appropriation, Highway Fund appropriation, fees and federal funds that support positions,

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defrays a portion of the insurance premiums for State employees and their dependents. Funding is transferred to the PEBP budget each month to provide the employer portion of the State employees' insurance premiums. Fiscal staff recommends closing this budget in accordance with the Subcommittees' closing actions for B/A 625-1338.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE B/A 666-1390 IN ACCORDANCE WITH THE CLOSING ACTIONS FOR B/A 625-1338; TO GRANT AUTHORITY TO FISCAL STAFF TO ADJUST REVENUES AND EXPENDITURES IN THIS ACCOUNT; AND TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Chair Goicoechea:

The hearing is open for public comment. Seeing none, the meeting is adjourned at 11:28 a.m.

RESPECTFULLY SUBMITTED:

Trish O'Flinn,
Committee Secretary

APPROVED BY:

Senator Pete Goicoechea, Chair

DATE: _____

Assemblyman Randy Kirner, Chair

DATE: _____

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EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	2		Attendance Roster
	C	67	Cathy Crocket/Legislative Counsel Bureau Fiscal Analysis Division	General Government Joint Subcommittee Closing List #3, April 30, 2015