

MINUTES

WAYS AND MEANS COMMITTEE

NEVADA STATE LEGISLATURE - 60th SESSION

April 17, 1979

Chairman Mello called the meeting to order at 8:00 a.m.

MEMBERS PRESENT: Chairman Mello, Vice-Chairman Bremner, Mr. Barengo (late 8:30 a.m.), Mrs. Cavnar, Mr. Glover, Mr. Hickey, Mr. Mann, Mr. Vergiels, Mrs. Wagner, and Mr. Webb.

ALSO PRESENT: Bill Bible, Fiscal Analyst; Judy Matteucci, Deputy Fiscal Analyst; Mike Alastuey, Deputy Budget Director; Charles Wolff, Jr., Director, Department of Prisons; Mike Medema, Chief Administrative Officer, Department of Prisons; Roy Nickson, Executive Director, Department of Taxation; A. F. Crosby, Manager, Computer Facility; James Wadhams, Director, Department of Commerce; Assemblyman Banner; Steve Robinson, Budget Office; Gordon Harding, Administrator, Central Data Processing; Donald Heath, Commissioner, Insurance Division; Susan Simmons, Deputy Administrator, Real Estate Division; and John Palmer, Budget Office.

AB 24

Assemblyman Banner explained that AB 24 creates a risk management division in the Department of Administration. Assemblyman Banner said that some of the small counties in Nevada have difficulty getting liability insurance and this risk manager would assist the people in the small counties as well as the State.

Chairman Mello asked if this bill would be cost effective. Assemblyman Banner said that the cost of the risk manager in the first year of the biennium is \$40,450 and in Clark County more than that amount is collected in subrogation claims alone. He said that savings are also accomplished by negotiating with insurance companies to bring down their premium rates.

Mr. Bremner asked who is now performing this function in Nevada. Assemblyman Banner said that the State insurance is handled by the independent insurance association and that a committee handles placing of the State group insurance.

Mr. Glover asked if the functions of this bill could be performed by the Department of Commerce. Assemblyman Banner said that this was discussed.

Mr. Glover asked if it would present a problem if the personnel division were to be amended out of this bill. Mr. Alastuey said that that proposal to move the personnel division out of the department of administration has been introduced in another measure.

Mr. Jim Wadhams, Director, Department of Commerce, said that there has been discussion about putting the risk manager in the Department of Commerce. He said that some savings would be realized by placing it in the Insurance Division, due partly to the extensive library of insurance periodicals, journals, books, and treatises in the Division. Mr. Wadhams said that using a risk manager would not eliminate commission monies paid to the independent agents' association.

Mr. Glover asked if there would be a conflict of interest in placing the risk manager in the Insurance Division. Mr. Wadhams said that

there is a statute on the books that provides that the Insurance Commissioner shall be the risk manager for the State and he pointed out that the legislature has not felt that this would be a conflict of interest in the past.

Chairman Mello suggested a compromise could be reached by placing it in the General Services Department.

Mrs. Wagner pointed out that in the risk manager's budget no line item for periodicals exists, therefore, there would not appear to be a duplication between the Insurance Division and the risk manager in this area.

Mr. Wadhams said that this resource material is essential to doing the job that the bill requires. Mrs. Wagner asked if the risk manager could borrow materials from the insurance division. Mr. Wadhams said that this library is available to the public during normal office hours.

AB 326

Mr. Charles Wolff, Director, Department of Prisons, said that this bill makes an appropriation of \$200,458 to the Department of Prisons for equipment for renovated maximum security prison. He said that this appropriation represents several items including 36,000 feet of razor wire, television monitors, metal detectors, medical and dental equipment, television sets, transportation equipment, two station wagons, one 3/4 ton pickup truck, one compact truck and radio replacements.

Mr. Mann stated that the Prison Subcommittee had recommended no changes to AB 326.

AB 328

Warden Wolff explained that this appropriation is for \$201,900 for equipment at the Northern Nevada and the Southern Nevada correctional center consisting of a transportation van, replacement of laundry equipment, a cream separator, a delivery truck for the dairy, a 5-yard trash compactor, package scanner, dump truck, and a bus for transportation of correctional officers.

Mr. Mann said that the Prison Subcommittee had recommended deletion of \$15,000 for the bus for prison employee transportation. Warden Wolff said that this bus is needed for transportation of correctional officers to and from Jean, Nevada as there is no available housing near the prison. Ms. Matteucci said that the Subcommittee felt that it would be setting a bad precedent to pay for transportation of State employees to their jobs. Mr. Bremner asked if the prison had inquired into some sort of a lease arrangement for the bus with the employees paying a charge for using the bus. Chairman Mello asked if the prison intended charging the employees a fee for use of the bus. Mrs. Wagner asked the number of people needing this transportation. Warden Wolff said that there are 150 people employed at the prison but stated that he did not know how many personnel would use the bus. Mr. Mann said that the information received by the Prison Subcommittee was that this bus would also be used to transport prisoners to Las Vegas for work release programs. Mr. Mann added that with the heat in the summer, most personnel would prefer to drive their own air-conditioned automobiles. Warden Wolff said that this bus would be used for transporting prisoners mixed with prison personnel and that entry level personnel need bus transportation to make ends meet. He added that a bus would serve as a gas savings measure during the current energy situation. Mr. Glover asked the type of bus available for \$15,000. Warden Wolff said that a used school bus could be purchased for this amount.

AB 363

Warden Wolff explained that this bill makes an appropriation of \$250,000 for the prison warehouse fund to provide for an adequate

cash flow for handling the business of the prison warehouse. Mr. Mann said that the Subcommittee had recommended indefinite postponement of AB 363. Ms. Matteucci said that Terry Sullivan, State Purchasing Administrator, indicated that the cash flow percentage that the prison is seeking to establish through this appropriation is considerably higher than that used in the warehouse operation for the State. Warden Wolff said that without passage of this bill the present operation can be continued.

Mr. Mike Medema, Administrative Services Officer, Department of Prisons, said that the difference of the cash flow is caused by the need of the prison to purchase up to 90 days ahead of the time goods that are needed. Mr. Medema said that the prison was attempting to create a good accounting system and pay their bills on time.

AB 373

Mr. Medema explained that this bill makes a supplemental appropriation to the Department of Prisons and furnished the Committee with a revised figure of \$496,485 due to the agency's underestimate of 38 additional inmates. This information is included as Exhibit "A." Mr. Medema stated that the psychologist can now be funded out of salary savings without requesting the appropriation of \$19,212 for this position.

Chairman Mello pointed out that the Department of Prisons had recently testified in AB 199 that 40 additional prisoners could be absorbed by the Department without an additional appropriation being needed. Warden Wolff said that the increase discussed concerning AB 199 was an estimate of impact of that bill on future inmate populations. He did agree, however, that he had made such a statement. Warden Wolff said that if a new institution is going to be built with additional beds in the honor camps then additional inmates could be absorbed. He stated that no beds are available at this time as the population is 110% of capacity. Mr. Hickey suggested going to Interim Finance if the population estimations proved to be incorrect. Mr. Mann said that the Prison Subcommittee had found that this appropriation was necessary to complete 1979 and added that the Subcommittee recommended a \$75,000 increase in the honor camps to expand facilities. Mr. Webb said that Warden Wolff had testified that four highway clean-up crews could be used from the honor camps to help clean along the highways which will use these people in a productive manner.

Mr. Bremner asked the Subcommittee's opinion as to whether the prison psychologist position is necessary. Mr. Mann said that the position has been vacant and the workload has been accomplished without difficulty, but that with the projected increase in prison population, this position will be necessary in the 79-81 biennium. Warden Wolff agreed with this statement.

AB 533

Warden Wolff said that this bill changes the amount in the prison revolving account from \$1,500 to \$5,000. He stated that the revolving fund is used for the payment of small prison bills and bills requiring immediate payment.

SB 369

Mr. Roy Nickson, Department of Taxation, explained that this bill deals with the abolishment of the county appraisal and mapping assistance revolving fund that was established by the legislature in 1977. Mr. Nickson stated that three counties have not yet reappraised and that, upon contacting these counties, he had been assured they would not be requesting a loan from this fund. Mr. Bremner asked the origin of this fund. Mr. Bible said that it was established as an Executive Budget recommendation. Mr. Nickson added that the bill was started as a result of a Washoe County appropriation for reappraisal assistance.

SB 215

Mr. Art Crosby, Manager of the Computer Facility, said that this bill appropriates \$773,498 for the purpose of acquiring used computer equipment. He added that the computer now in use was purchased in 1973 which has proved to be cost effective in terms of the expense of leasing. Mr. Crosby said that in conjunction with this appropriation, \$257,000 is requested for capital improvements for installation of this equipment and additional air-conditioning at the computer facility. Mr. Crosby furnished information concerning computer facility utilization which is included as Exhibit "B." He said that the present computer is at 83% of capacity and by early 1980 will be at 100% capacity.

Mr. Glover said that the Capital Improvements Subcommittee had recently gone over this project and many of the objections to this facility were found to be no longer valid.

SB 221

Mr. Gordon Harding, Central Data Processing, said that this bill requests an appropriation of \$75,000 to computerize the licensing in the real estate and insurance divisions of the Department of Commerce. Mr. Harding furnished additional information concerning the need for computerization in these two areas and the possible savings that could be realized (Exhibit "C"). Mr. Harding said that two positions would be requested in the 1981-83 biennium if the computerization is not accomplished. He explained that the payout could be expected in 2 1/4 years.

Mrs. Cavnar said that each time a computer type program is approved, the Committee is told that this will accomplish a cost savings and eliminate several positions, yet the Committee does not see the personnel reductions. She asked if such computerization would not also reduce file requirements. Mr. Wadhams said that in the insurance division about one-half of the information is stored on computers and he stated that files must still be used to gain access to the rest of the information. He said that the best situation would be to eliminate the use of files. He pointed out that the computer system would not be operational until January 1, 1981. He explained that with the anticipated growth, the computer will enable the division to be in a position to not have to ask for additional positions for this purpose in the upcoming biennium.

Mr. Wadhams introduced Mr. Don Heath, Insurance Commissioner, to the Committee. Mr. Heath said that present positions must be kept until the computer system is operational. Mrs. Cavnar stated that the 80-81 budget shows no reduction in personnel. Chairman Mello said that State agencies want to go on computers to save money but that no positions are ever eliminated. He stated that some facts showing what positions can be eliminated in 80-81 must be furnished or this bill will not be approved by the Ways and Means Committee.

Mr. Heath said that the workload has increased 34% which would justify a need for two additional positions. He said that overall there is savings of \$36,303 projected for the biennium. He added that the current cost of processing a license is \$1.25 and that with the new system it would be .11¢ per license. He added that one position of an administrative aid plus other related costs for a total of \$11,932 would not be required to handle increased workload, and that another position would not be requested in the second year of the biennium for a savings of \$19,957. Mr. Heath explained that these are not present positions but would be necessary without the new computer system. Mr. Heath detailed increases in 78-79 of 18% more agencies licensed, 16 1/2% more agents licensed, 23% in appointments, and 88% in terminations, which totals to an overall workload increase of 34%. Mr. Heath said that 90% of the licensing renewal workload is in the period of March 1 to June. Mr. Bremner suggested changing the required licensing dates so that they would be spread over a twelve month period as

is currently done with drivers' licenses and automobile registrations. Mr. Heath said that this is a good point that would require a change in the law.

Mr. Hickey asked the cost of license fees, and if they are supporting the program. Mr. Heath said that these fees are not self-supporting and would hope to have them increased under some pending legislation. Mr. Heath said that in FY 77-78 the total fees were \$381,141 and that in FY 74-75 they had been \$321,995.

Mr. Mann said that to justify the expense of the computer system, there should be some positions removed from the existing budgets. Mr. Heath said that this would be impossible due to the rapidly increasing workload and that a computer must be maintained and operated. He said that the division is currently three to four weeks behind in licensing.

Mrs. Cavnar said that with the computer program in full operation positions related to the file systems should be eliminated. Mr. Wadhams said that it is a statutory responsibility to maintain those files and have them open to the public. Mrs. Cavnar said that it is duplication to have the computers and still maintain hard-copy files, which also take up a great deal of space. Mr. Wadhams said that they would not trust the computer until some trial runs are completed with an acceptable error ratio. Mr. Wadhams said that if the computer system is not approved, the present system can be continued but that the work will take longer and displace other functions.

Mr. Webb stated that computer operation of these agencies is necessary but that these budgets should be checked in the next biennium to review the new position requests.

Mr. Alastuey said that the concerns of the Committee members concerning cost avoidance as well as elimination of future position requests could be shown in the narrative statement of the Executive Budget for the 1981 session. Chairman Mello asked if this information was going to be placed in the narrative of each budget in the future. Mr. Alastuey said that he would do everything he could to see that this information is furnished with each budget. Chairman Mello asked if a letter should be sent to Mr. Barrett asking that this be done in the future. Mr. Alastuey said that he would transmit this information to Mr. Barrett.

Ms. Susan Simmons, Deputy Administrator of the Real Estate Division, said that the computer operation would be utilized in the licensing section of the Real Estate Division which would eliminate the need for two new positions in the next two years. She said that no positions have been added in six years but due to the current increase in licensees, two positions would be necessary next biennium without the computer system. Ms. Simmons said that the real estate industry is booming and that this Division has doubled the number of new licensees. She said that two new positions that would be necessary, plus related costs, would total \$38,000.

Mr. Hickey requested information on the income received from new licensees in 77-78. Ms. Simmons said that she would furnish these figures for the Committee.

Mr. Bible asked Mr. Harding the amount of money built into the budget of insurance and real estate for the continuing costs of operation of this system. Mr. Bible pointed out that in the Real Estate budget, there is \$7,500 currently and that in the second year the recommended amount is \$25,000. He asked if this was the impact of the new system. Mr. Harding said that the line item recommendations in each of the budgets was made under the assumption that the appropriation would pass. Mr. Harding said that the additional operating costs for the implementation of this system is \$23,000 over today's cost.

AB 24

Regarding Assemblyman Banner's testimony, Mr. Bremner said that the risk manager in Clark County oversees certain subrogations against individuals who damage county property. He asked if this function is currently performed by some person in the State. Mr. Bremner said that if this bill is passed the risk manager should assume this responsibility at the State level because the costs should be recovered when State property is damaged. Mr. Bremner said that he would obtain this information for the Committee. Chairman Mello said that this bill would be held until the information was received. Chairman Mello explained that Clark County pays only 14.9% commission while the State of Nevada pays a 25% commission and pointed to the savings that the State could realize from this area alone.

AB 326

Chairman Mello said that this bill makes an appropriation of \$200,458 to the Department of Prisons for equipment. DO PASS by Mr. Mann; seconded by Mr. Bremner. Motion carried unanimously.

AB 328

Motion to strike \$15,000 for the bus from this bill made by Mr. Mann; seconded by Mr. Barengo. Motion carried unanimously.

DO PASS AS AMENDED by Mr. Mann; seconded by Mr. Barengo. Motion carried unanimously.

AB 363

Motion to indefinitely postpone this bill made by Mr. Mann; seconded by Mr. Webb. Motion carried unanimously.

AB 373

Ms. Matteucci said that the Department of Administration requested an amendment to change the supplemental appropriation to \$496,485 and that the prison has now said that they do not need the \$19,212 for the psychologist, therefore, the new amount would be \$477,273.

Chairman Mello pointed out that the Warden's testimony had indicated that the Department of Prisons could absorb up to 40 additional inmates without needing additional appropriation. In view of this testimony, Chairman Mello suggested that the original supplemental of \$448,505, which provides for 38 less inmates than the revised request, be approved. Chairman Mello requested that a letter of intent be written to the prison changing the appropriation for the psychologist for use in accommodating additional inmates.

DO PASS by Mr. Hickey; seconded by Mr. Mann. Motion carried unanimously.

AB 533

DO PASS motion made by Mr. Barengo; seconded by Mr. Webb. Motion carried unanimously.

SB 369

DO PASS motion made by Mr. Bremner; seconded by Mr. Vergiels. Motion approved.

SB 215

DO PASS motion made by Mr. Webb; seconded by Mr. Glover. Motion approved. Mr. Bremner voted NO.

SB 221

Motion made by Mr. Mann; seconded by Mr. Barengo to indefinitely postpone. Mr. Glover suggested that the Committee hold on to the legislation

for a short time until a determination can be made whether or not fees could be raised to offset the cost of the system. Chairman Mello commented that the industry is opposed to the bill. Mr. Bremner added that the licensing agency does have problems, and that it can take as long as six weeks to receive a license after completing the testing for it. He further stated that the computer system would speed up the licensing procedure, and that additional consideration should be given to the legislation. Mr. Hickey commented that he has requested more information on the system and would like time to review that information before making a decision on the bill. Motion withdrawn by Mr. Mann. Mr. Mann added that if the program is worthwhile in providing service to the insurance agents then perhaps they should pay for the \$75,000 computer themselves rather than using the State's General Fund. Mr. Webb commented that, in essence, the real estate division has already paid for the computer. He stated that all licensees were double-licensed last time, and therefore there is a large sum of money available as no provision has been made to rebate the funds. Mr. Bremner added that the licensees pay more for their license than what it actually costs the State to license them, and therefore an overage results.

AB 520

Chairman Mello stated that originally the real estate department had indicated that to rebate the funds to the real estate agents would have a fiscal impact of \$500,000 upon the General Fund and for this reason the legislation had been amended.

He added that Mr. Bible has further checked the fiscal impact and that the amount involved is actually \$235,000. Chairman Mello said that with the permission of the Committee he would like to bring the legislation back.

Discussion followed wherein the Committee decided it would not be necessary to return the legislation, and that, with additional explanation, it could be moved to the floor.

Mrs. Cavnar requested permission to draft a resolution under the Committee's name to prohibit the Supreme Court of the United States from making moral judgments--specifically on the subject of school prayer. She added that this legislation must be in the form of a joint resolution and that due to the lateness of the Session, the Committee's permission to draft it was required. Mr. Hickey commented that he supports the concept but that he believes it should be referred to the Judiciary Committee.

Chairman Mello stated that the Committee would probably accept a drafting request but not a request for Committee introduction of the legislation.

The meeting was adjourned at 10:15 a.m.

DATE: _____

WAYS AND MEANS COMMITTEE

GUEST LIST

NAME (PLEASE PRINT)

REPRESENTING:

Charles Wolff, Jr

Dept. of Prisons

Michael L. Medawia

Dept. of Prisons

~~W~~FRED FITTS

Norma Westerton

Real Estate

Susan Simmons

Real Estate Div.

Philip Edmund

Insurance Div.

David J. Scott

Insurance Division

JIM BANNER

GOLDEN HURDING

CENTRAL DATA PROCESSING

Roy E. Nickson

Dept. of TAXATION

William D. Brown

Controller

Gwan I. Harris

IBM

~~E. J. Foster~~

NISED

John Palmer

Budget

A.F. Crosby

Computer Facility

Robert L. Mathis

Computer Facility

W.G. Baerlocker

" "



STATE OF NEVADA
 DEPARTMENT OF ADMINISTRATION
 CAPITOL COMPLEX
 CARSON CITY, NEVADA 89710

ROBERT LIST
 MIKE O'CALLAGHAN
 Governor
 HOWARD E. BARRETT
 Director

JUDY

RECEIVED
 LEGISLATIVE COUNSEL BUREAU

March 29, 1979

MAR 30 1979

MEMORANDUM

OFFICE OF FISCAL ANALYSIS

TO: Senate Finance and Assembly Ways and Means Committees
 FROM: Budget Division *NZ*
 SUBJECT: Amendment to Prison Supplemental AB 373 and Prison Inmate Driven Expenses in Executive Budget

This is to request a revision of the supplemental appropriation on page A-23 of the Executive Budget and under AB 373.

	<u>Present Request</u>	<u>Revised</u>
Increase in Inmate Population	\$326,592	\$384,148
Southern Nevada Correctional Center, Utility Fees	93,125	93,125
Parole Board Psychologist	28,788	19,212
	<u>\$448,505</u>	<u>\$496,485</u>

The changes are due to the agency's underestimate of inmate population by 38 inmates at \$1,512 per inmate. Secondly, the decrease in personnel costs for the Parole Board Psychologist is due to a vacancy in the position since December 28, 1978.

This revision illustrates the continuing problem of the inmate population explosion. The Department of Prisons has estimated the Executive Budget requests for inmate driven expenses in fiscal years ending June 30, 1980, and June 30, 1981, will now be short by \$334,278, system-wide. The alternatives are to adjust the Executive Budget request now or making a request of the Interim Finance Committee at a later date. It should be noted that even with the \$334,278 adjustment to the Executive Budget, there is no guarantee that future requests to Interim Finance may not be necessary.

We realize the inconvenience caused by the uncertainty of inmate driven costs and the Department's inability to project actual population figures. Unfortunately, with the proposed changes such as increased sentencing terms, the uncertainty will likely continue.

SR/md

Exhibit "A"

1486

STATE OF NEVADA
DEPARTMENT OF PRISONS

BOARD OF PRISON COMMISSIONERS
ROBERT LIST, GOVERNOR
RICHARD BRYAN, ATTORNEY GENERAL
WM. D. SWACKHAMER, SECRETARY OF STATE



CHARLES L. WOLFF, JR.
DIRECTOR
ADMINISTRATIVE OFFICE
P.O. Box 607
CARSON CITY, NEVADA 89701
PHONE (702) 882-9202

March 26, 1979

Assemblyman Don Mello
Chairman
Assembly Ways and Means Committee
Legislative Building
Carson City, Nevada 89710

Dear Chairman Mello:

The supplemental appropriation requested for the Department on page A23 of the Executive Budget for fiscal years ending June 30, 1980 and 1981 represented in AB 373 should be revised. Specifically, the amount for increased inmate population is understated by \$57,556 and the amount for the Parole Board Psychologist is overstated by \$9,576 for a net increase of \$47,980. These revisions are necessary due to:

1. Consistant inability of the Department to accurately predict the inmate population increases. The estimates included in the Executive Budget will be exceeded if the current intake data remains constant. Revised inmate population totals have been submitted to the Ways and Means subcommittee detailing the impact on the requested budgets. The problem of accurately projecting inmate populations has been assigned a top priority for review within the Department during the next biennium.
2. A vacancy has existed for the position of Parole Board Psychologist since December 28, 1978. It is anticipated that a replacement can be hired effective May 1, 1979. For this reason, for months salary will not be required for FYE 6/30/79.

I realize that your committee is inconvenienced by these requested revisions and seeming inconsistency of direction. I assure you that the Department's staff is making every effort to provide consistant and factual data.

Sincerely,

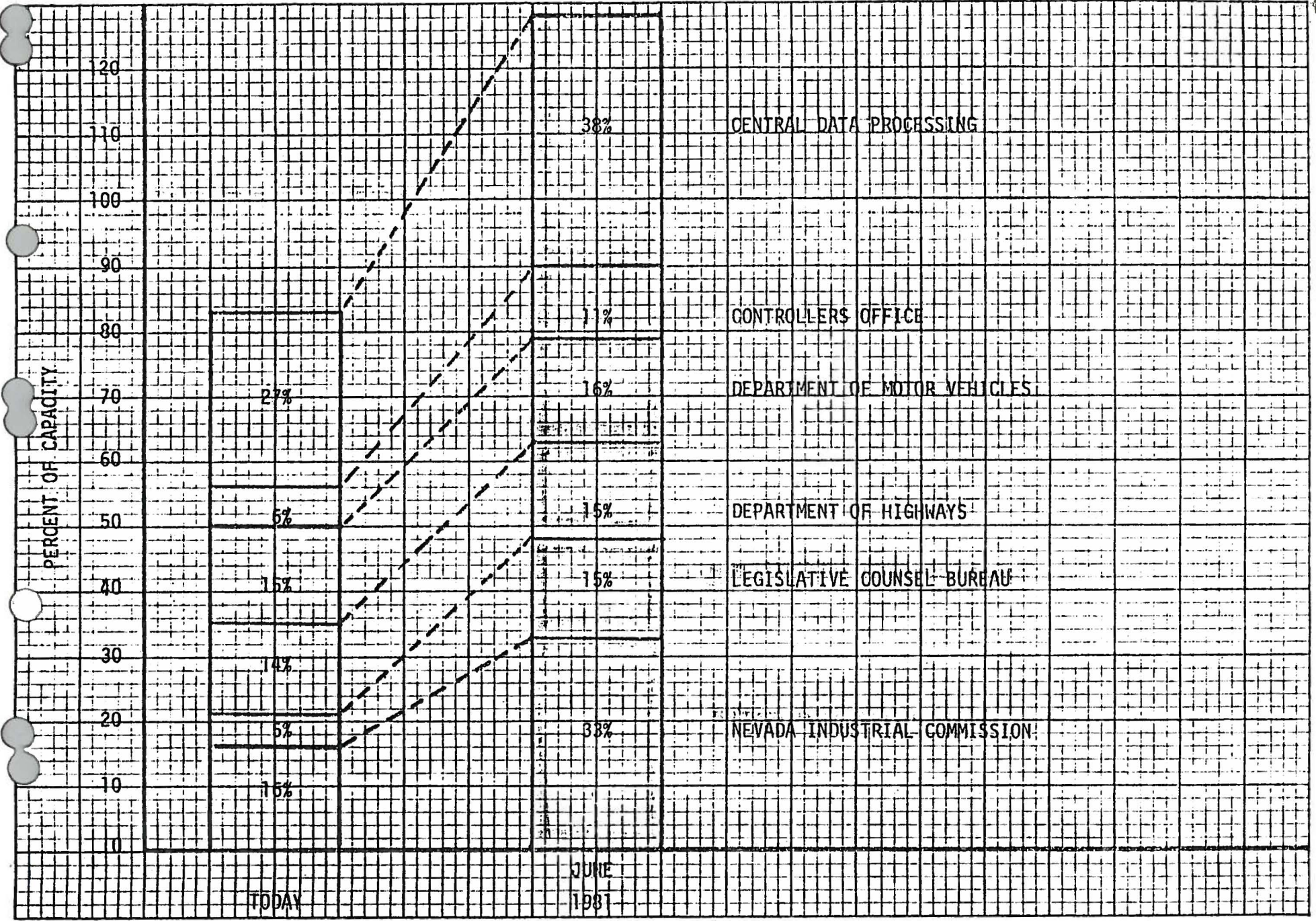
A handwritten signature in cursive script, appearing to read "Charles L. Wolff, Jr.", written over a printed name.

Charles L. Wolff, Jr.
Director

CLW/MM/kg

cc: Senator Floyd Lamb
Howard Barrett, Budget Director

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FBI/DOJ

ANALYSIS OF COMPUTER FACILITY COST
vs GROWTH FACTORS

	1971/1972	1972/1973	1973/1974	1974/1975	1975/1976	1976/1977	1977/1978	(EST.) 1978/1979	(EST.) 1979/1980	(EST.) 1980/1981
COMPUTER FACILITY COST	920K	1,039K	1,029K	1,280K	1,124K	1,188K	1,471K	1,968K	2,210K	2,097K

<u>GROWTH FACTOR</u>										
Number of Jobs Processed	74,850	92,708	106,774	150,427	132,504	133,705	138,935	148,000	180,000	208,000
Mass Storage (on-line)	.8B	2.2B	4.0B	4.0B	4.0B	4.0B	7.3B	9.2B	11.7B	14.9B
Number of Terminal/Devices	42	53	69	117	124	142	195	263	332	403

NOTE: 1974/1975 numbers includes ESD work processed on Facility computer; in 1975/1976 ESD left the Facility.

MEMO

DATE: April 9, 1979

TO: Assemblyman Don Mello, Chairman Ways and Means Committee

FROM: Gordon L. Harding, Administrator
Central Data ProcessingSUBJECT: Cost Justification - SB221
Additional Information

On March 7 in response to a request from your committee, I furnished cost justification data pertaining to Senate Bill 221 which provides for a \$75,000 appropriation to develop a computerized licensing system for the Insurance and Real Estate Divisions.

As mentioned in my original memorandum, the data presented had been compiled without consultation with the current Commerce Department administration. Subsequent to the issuance of my memorandum, I have had several meetings with the Commerce people which have caused me to wish to revise the information originally furnished.

The workload used in the original systems studies was predicated on fiscal 77-78 actuals. Based on nine months experience in fiscal 78-79, it now appears that for Real Estate new licensees are being added to the file at a 100% higher rate than existed in the previous year. Changes to this file are growing at a 75% increase over 77-78. For Insurance, the clerical workload associated with licensing has grown 34% during the first 9 months of 78-79 and the phone inquiries and correspondence have increased 35% during this same time frame. For these reasons, both divisions believe that the implementation of a new computerized licensing system would not permit them to reduce clerical support positions which now exist within their organization.

It is Real Estate's opinion that without mechanization, which if approved would commence on or about January 1, 1981, that the Division would have to add two new Management Assistant positions in the 1981-83 biennium. The Division would also eliminate the cost of printing wall licenses, pocket identification cards, validation stickers, addressograph expenses and office space, files and equipment for the two positions. The annual operating costs associated with the above items is \$35,000 per year. One-time costs which would be unnecessary, would amount to slightly over \$3,000.

The Insurance Division has determined that without the new system the increased workload would require two Administrative Aide I - Range A positions plus related expenses, over the 1981-83 biennium which would total \$30,000 as well as one-time costs of \$6000.

Exhibit "C"

The total developmental costs of \$75,000 would be reduced by the one-time costs of slightly over \$9,000, leaving a balance to be recovered of \$66,000. The annual saving in operating expenses associated with the cost avoidance is \$52,000. Operating expenses related to the new system would be \$23,000 per year, leaving \$29,000 in annual savings to pay out the application. This generates a payout for this project in slightly over 2½ years and thus results in an attractive business proposition.

GLH:jd:cb

cc: Jim Wadhams
Don Heath
Jim Jones

MEMO

DATE: March 7, 1979

TO: Assemblyman Don Mello, Chairman
Assembly Ways and Means Committee

FROM: Gordon L. Harding, Administrator
Central Data Processing

SUBJECT: Cost Justification - SB221

Your committee requested cost justification information with particular emphasis on potential position savings related to Senate bill 221 which provides for a \$75,000 appropriation to develop a computerized licensing system for the Insurance and Real Estate Divisions.

Our findings are based on six month old abbreviated systems studies conducted within both organizations and represent the unilateral opinion of Central Data Processing as to potential savings associated with this proposed application. We have not consulted with the current administration in either the Insurance or Real Estate Divisions in the preparation of this response. Their concurrence should be obtained before our opinions can be considered valid.

In the Real Estate Division, the implementation of a data processing system would result in the following annual savings:

Elimination of addressograph equipment expenses:	\$1,000
Reduction in building space required for records storage:	5,600
The elimination of 1½ Management Assistant I positions:	<u>16,500</u>
Total	23,100

In the Insurance Division the implementation of a mechanized system would provide accurate information about brokers, which is now unavailable. The Division, under the law, is entitled to collect fees for all changes in information pertaining to licensees. Currently, data is recorded when licensees submit change information. However, in many instances changes are not accompanied by requisite fees and collection procedures are frequently omitted. A mechanized system would provide the means of accomplishing these collections and should result in an additional \$10,000 of revenue collected annually. One position, the overflow licensing desk, should be eliminated which would reduce operating expenses by \$10,000. Total annual savings in the Insurance Division would therefore be \$20,000.

Operating expenses for the new system would be \$22,700 per year. Therefore, the net savings in both divisions associated with the proposed computerization would amount to approximately \$20,400 per year. This would result in realizing a payout for this project in 52 months, with an effective internal rate of return of slightly over 16%.

GLH:jd

Exhibit "C"
(Page 3 of 3 Pages)

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