

MEMBERS PRESENT: Chairman Bremner
Vice Chairman Hickey
Mr. Bergevin
Mr. Brady
Mr. Coulter
Mr. Glover
Mrs. Hayes
Mr. Horn
Mr. Marvel
Mr. Rhoads
Mr. Robinson
Mr. Vergiels
Mrs. Westall

ALSO PRESENT: Bill Bible, Fiscal Analyst
Judy Matteucci, Deputy Fiscal Analyst
Mike Alastuey, Deputy Budget Director
(SEE ATTACHED GUEST LIST)

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

A.B. 489 Authorizes board of regents, state university, to finance two multi-purpose pavilion projects by issuance of state general obligation security payable from state slot machine tax proceeds.

Mr. Tom Ross, North/South Chairman of the Pavilion Committee, introduced Bill Morris, Vice Chairman of the North/South Coordinating Committee. Mr. Morris said that in 1973 the Nevada Legislature authorized a resolution for a feasibility study for the two pavilions and in 1975 an attempt was made to fund this project through cigarette sales tax. He added that in 1977 the Legislature did approve legislation to authorize the projects to be funded from any additional slot tax rebate obtained from the federal slot tax. Originally there was \$250 tax per machine and in 1971, \$200 of the amount was rebated back to the State of Nevada and the first \$5 million was ear-marked for capital construction at the university and the remaining portion would go to the state distributive school fund. He added that the remaining \$50 tax per machine was rebated in 1978 and currently amounts to in excess of \$4 million per year and over the past three years has accumulated to the amount of \$11.5 million. The Supreme Court declared that the bonds as authorized by the 1979 Legislature were not special fund bonds, but were, in fact, general obligation bonds creating a debt on the state against the state general bonding capacity. Mr. Morris said that, in effect, A.B. 489 is legislation to comply with the directive of the Supreme Court and authorize issuance of \$40 million in general obligation bonds. He went on to say that immediate action on A.B. 489 is imperative due to the fact that the Public Works Board has both projects bid by the end of April and secondly the construction is such that it is favorable for bidding. Currently the present AA rating for Nevada general obligation bonds is in effect and the bond sales atmosphere is as good as can be expected at this particular time.

When Chairman Bremner asked if this legislation is approved will another Supreme Court decision be necessary, Mr. Morris said it would not.

Mr. Coulter observed that the slot tax money is ear-marked by the Legislature for the pavilion projects - not by the Federal Government. Mr. Morris said that was correct but the testimony by Senator Laxalt before the Senate Finance Committee in 1978 and also Senator Laxalt's statement read on the floor of the Senate specifically stated that this money would go toward deferring the cost of these two pavilions. Mr. Coulter stated that the federal legislation rebated the slot tax money back to Nevada but did not stipulate how it was to be expended. Mr. Morris said that is correct.

Mr. Glover said it was his impression that the projects have been "scaled down" and asked if the seating capacity of both pavilions will be affected. Mr. Morris said the projects have been scaled down as they have been designed but the bids will be given on an 18,000 seat basketball pavilion at UNLV and a 12,000 seat basketball pavilion at UNR encompassed with a performing arts theater and concert hall on the Reno campus. He added that there is a \$26 million limitation on the Reno facility and a \$30 million limitation on the Las Vegas facility but the seating capacity will remain firm. Mr. Glover additionally asked where the reductions will be made. Mr. Morris said that it is unknown what, if anything, will need to be cut from the projects until the bids are submitted. He added that \$3 to \$4 million in extra features at the UNLV pavilion have been eliminated.

Chairman Bremner commented that inflation is a major factor in the submission of construction bids. Mr. Morris said that a contingent figure for inflation is included in the bill.

When Mr. Coulter asked if it is anticipated that the two pavilions will be self-supporting, Mr. Morris said that the UNLV facility will be self-supporting; in fact, in reliance upon the 1979 Legislature's action a commitment has been obtained for \$1 million to be split into an endowment fund - \$400 has already been placed in that fund and will assist in defraying the cost of operation. Also, the continuing education program will pay for a portion of the rent of the facility. "Boxes" will be sold that will generate between \$300,000 to \$500,000 in revenue. He noted that the Reno facility is different in that the theater and concert hall have been combined with the basketball pavilion and those two features will not be self-sustaining although the athletic aspect will.

Mr. Ross said that the bids on the two pavilions have been coming approximately 10% lower than expected and if construction is begun soon there may be the additional 10% to utilize. Mr. Morris said that reductions have been made in the areas of parking facilities and landscaping. Mr. Morris said that the Senate is in accord with the figure of \$40 million - leaving \$42 million of additional bonding capacity with the state for the next two years.

Mrs. Westall asked if there was a state bonding system and local entity bonding system. Mr. Morris said that the state capacity is currently at \$84 million with \$2 3/4 million outstanding against that amount - leaving \$82 million. The pavilion projects will require \$40 million - leaving \$42 million. The bonding capacity increases at the rate of about 20% per year for the last 4 years and just figuring 15% over the next two years that \$42 million will raise to in excess of \$72 million by the 1983 Legislature. Mr. Morris added that the county bonding capacity is different in that Washoe County has a bonding capacity of about \$220 million and Clark County has bonding capacity of \$200 million and Las Vegas has planned an \$83 million bond issue in September leaving \$140 million.

Mr. Robinson asked for greater clarification on what the federal law specifically stipulated on the use of the rebated slot tax monies. Mr. Morris said that the 1971 law stipulated that the monies be used for capital construction and the general education. He noted that the 1978 Legislation stipulated that the monies be used for capital construction and, although the bill did not specify basketball pavilions, the legislative intent throughout was established. Mr. Robinson additionally asked if the total \$250 per slot machine rebated tax is to be used for capital construction. Mr. Morris said that the first \$5 million rebated is used for capital construction and the remaining portion goes to the state distributive school fund and replaces state money.

Mr. Robinson asked if additional monies from slot machines that are added in the future will be ear-marked for the retirement of the bonds for the pavilion projects. Under the University Security Law, Mr. Morris said that the legislation that has created the bonds cannot be altered until the bonds mature. Mr. Ross further noted that after the priority for the two pavilions was completed then the additional monies would be split between the higher capital construction for the university system and the distributive school fund capital construction.

Chairman Bremner questioned if the bond issue will take 20% of all new monies from additional slot machines or is it based solely on the slot machines in existence that are being taxed today. Mr. Ross said that the Legislature could retire the bonds earlier if they so desired.

In response to Mr. Hickey's question on the intended use of the last \$50 of the rebated slot tax money, Mr. Morris said that the last \$50 obtained in 1978 is ear-marked for capital construction of the original \$200 obtained in 1971 from the Federal Government the first \$5 million goes to the university capital construction fund. The balance of that \$80, or \$200 per machine, goes to the state distributive school fund.

In addition, Mr. Hickey asked for an explanation of the general obligation bonds versus the revenue bonds. Mr. Morris said that A.B. 489 authorizes use of the general obligation bonds which are the premium bonds of the State of Nevada as opposed to the special fund bonds. For example, the special fund bonds issued to build the convention authority in Las Vegas were paid for from a tax imposed on room costs. He further noted that the difference is that the money source in special fund bonds is likewise the user. Mr. Morris indicated that the Supreme Court decided that in the case of the university pavilions it is a state tax, although it has been rebated from the Federal Government. Therefore, it is not the user providing the money, it is the state providing the money and the university using the facility; thus a debt has been created under those circumstances.

Mr. Rhoads asked what benefit from the two pavilions can be derived by other communities statewide who have been and will continue to pay the \$50 slot tax. Mr. Morris said that the universities are "state" institutions and it does not preclude funds being spent for the Elko Community College, for example, once the money received from the \$50 per machine exceeds principal interest payment. In addition, Mr. Rhoads asked if the Legislature will determine how the excess monies will be distributed. Mr. Morris said that, upon the recommendation of the Board of Regents, capital construction monies will be distributed. Mr. Morris added that the first bill that passed the Nevada Legislature in 1971 ear-marked the first \$4 million of that \$5 million for the construction of the community colleges - one in Elko, Carson City, and Las Vegas. If there is a "slump" in the gaming industry, Mr. Rhoads asked who would be responsible for making the payment on the bonds. Mr. Morris said that, speaking as one of the owners of the Holiday Hotel in Las Vegas, the trend in gaming is to add emphasis to the slot business rather than pit games as the percentage of payroll to the gross revenue is approximately 5% on slot games compared to 35% or 40% of payroll to gross revenue in pit games. Mr. Rhoads then asked if a shortage does exist is the state responsible for the payment of the bonds. Mr. Morris said that is the nature of the general obligation bond but if the slot machines in Nevada are cut back the state is in a desperate situation. Mr. Ross added that the slot machine tax is not based on revenue but rather on the number of machines.

In regard to the multi-million dollar shortfall in the state's distributive fund, the university's intentions to reduce the faculty, and the general attitude to cut budgets, Mr. Coulter asked for justification to spend \$40 million for basketball pavilions. Mr. Ross said that the pavilion projects are not budget items for the university system and are not based on the taxpayers money - it is an extraordinary item from funds that cannot be transferred from capital construction and in one particular case, higher education, and cannot be used for operating and maintenance at the university system.

Mr. Robinson asked if the federally rebated slot machine tax in the amount of \$250 is still collected by the Federal Government and then reimbursed to the State of Nevada. Mr. Morris said that tax now comes directly to the state and is called the state slot machine tax in lieu of the federal tax.

Mr. Horn asked if the construction of these two pavilions concurrently, as stipulated in the bill, would be a problem. Mr. Morris said that the Public Works Board has done an outstanding job to bring both projects on stream and both are ready to go to bid the end of April or first of May.

In response to Mr. Marvel's request for an explanation of Section 7 of A.B. 489, Mr. Morris said that this section removes the 9% restriction which is needed to put the projects to bid by the end of April.

Mr. Vergiels commented that these rebated slot tax monies are available for distribution at the discretion of the Legislature and the issue is if there is a moral obligation to continue with the pavilion projects.

Mr. Hickey said that the intentions of the Legislature can be changed by a vote and it is the discretion of the Legislature how to distribute the rebated slot tax monies noting that currently there is a \$40 million shortfall in the distributive school fund. Mr. Morris said that an attempt to divert this money for any other purpose would be a violation of the integrity of the Legislature.

Mrs. Hayes questioned the possibility of sometime in the future the Federal Government eliminating the rebated slot tax money. Mr. Morris responded that if the Federal Government does tax slot machines again in the future it will be an additional tax on top of the current \$250 that is now a state tax. Mr. Ross noted that the federal constitution prohibits Congress from impairing any contract, and when the state pledges these funds to pay off the bonds, even the Federal Government could not take it back.

Mrs. Westall commented that it should be pointed out that once the pavilions are paid for that the \$50 slot machine tax will be distributed at the discretion of the Legislature. Mr. Ross noted that after the payoff of the pavilions, the money is to be divided between the university capital construction fund and the public school system.

Mr. Jack Petitti, Clark County Commissioner and Chairman of the Las Vegas Convention Visitors Authority, testified in favor of A.B. 489. He noted that the Las Vegas Convention Center, the only public facility in Clark County, which has been capable of accommodating various types of university, public school and other community events is rapidly becoming incapable of satisfying the community needs for two reasons: first, the

small rotunda and secondly, the unavailability as a result of the heavy use by the Convention Visitors Authority for conventions. He said that the projected population of Clark County will be one million by the year 1990 and obviously a public facility seating only 600,000 is grossly inadequate for a community this size. He pointed out that the future economy of Clark County will be significantly healthier with the construction of this new NNLV project with its availability for larger conventions. His comments are contained in EXHIBIT A.

Mr. Marvel asked if the Reno Convention Authority was in the same position as the Las Vegas Convention Visitors Authority. Chairman Bremner commented that it was his impression that the situation is critical in Reno, also, especially in consideration of the fact that the American Bowling Congress will be utilizing the Centennial Coliseum for 120 days which will eliminate UNR from using it for basketball.

Mrs. Hayes expressed her concern that the proposed pavilion at UNLV will be used for conventions rather than university functions. Mr. Petitti said that the control of the use of the facility would be the university - not the convention center.

Mr. Hal Smith, Vice President of Burrow, Smith and Company, said that as a financial consultant for the university system it was determined that the revenues that were generated by the slot machine rebate tax were sufficient to support a \$56 million issue. He said that this information was provided to the Ways and Means Committee during the 1979 Legislature. Additionally, it was requested at that time to establish a reserve fund of \$5.5 million to remain for a period of three years. Due to the findings of the Supreme Court, Mr. Smith noted that the issue as originally contemplated will be impossible to sell. He said that this will be a financial improvement because the general obligation bonds will be sold at a reduced rate of interest and during the past two years enough cash has been generated to reduce the size of the issue from the \$56 million to \$40 million and still accomplish the \$56 million project. He said the bonds will be issued under the conventional methods of the state general obligation issue through standard procedures and will be supported primarily and exclusively from the revenue generated by the slot machine tax.

Chairman Bremner asked for an explanation of subsection 6 on page 3 of A.B. 489. Mr. Smith noted that it is customary in the offering of a security that there are provisions in the covenants to the bond holders first that the project will be completed and secondly that there will be funds available to pay the interest and redemption costs of the bond issue and for that reason monies that are placed in the capital construction fund are ear-marked until the completion of that project.

In response to several questions from Mr. Marvel, Mr. Smith said that the bonds are anticipated to be marketable at 9½%. He noted that if it were a revenue bond as was contemplated two years ago on today's market they would be sold at 11%.

When Mr. Robinson asked if both pavilions are being built under one bond issue, Mr. Smith said there will be a single bond issue providing the total sum of money necessary for the two projects as authorized.

In addition, Mr. Robinson asked if any surplus from the operating costs of the two pavilions would be used to retire the bonds. Mr. Smith said that there is no pledge for the revenues of the project currently in any part of the acts or the contemplated

bond covenants. Mr. Morris pointed out that the intercollegiate athletics program is funded with 25% state money which includes grants-in-aid money; the other 75% comes from gate receipts, \$1.5 million in public donations and also from student funds. Any excess revenue from the operations of the UNLV facility, over and above the operating costs, would go back into the operation of the intercollegiate athletics minimizing the state appropriation.

Mr. William Hancock, State Public Works Board, said that with the passage of A.B. 489 advertising for bids would begin early in May and opening bids for both projects sometime in July or August. He noted there is an anticipated 24 to 30 month construction time frame to complete the projects.

In regard to Mr. Glover's previous comments on what is being cut out of the pavilion projects, Mr. Hancock noted that original budgets set in 1979 are being adhered to. He noted that at UNR out of the \$26 million, \$22.7 million is being designated for construction and of the \$30 million Las Vegas project, roughly \$26.5 million is for construction.

When Mr. Hickey asked if the construction of the pavilions will be under the jurisdiction of the State Public Works Board or the university architect, Mr. Hancock said the State Public Works Board is responsible for the design and construction of the two pavilions.

Mr. Bob Cashell, Chairman of the Board of Regents, said that the Board unanimously supports this proposal.

In regard to the ratio on the seating capacity of the proposed pavilions, (12,000 for UNR and 18,000 for UNLV) Mr. Brady questioned if the UNLV pavilion will be large enough in consideration of the projected increase in population in Clark County. Mr. Cashell said that to restructure either of the facilities would be costly as the current plans have been developed at a cost of \$3 million.

Chairman Bremner commented that there are not many 18,000 seat facilities nationwide. Mr. Cashell said that UCLA has a 14,000 seat capacity facility. Mr. Hickey noted that consideration should be given to the marketing area for the 14,000 seat facility at UCLA compared to the population areas in Nevada. Mr. Cashell said that it is intended for the administrators at UNR and UNLV to work closely with fair and recreation boards so the pavilions will be utilized to their fullest extent with the university remaining number one priority. Chairman Bremner said the key to making these facilities workable is to have activities scheduled to utilize the facilities.

Mr. Hickey expressed his concern on the size of the proposed pavilions considering the marketing areas available. Mr. Morris said that after the 1975 feasibility study was reported to the Legislature, the University Rebels' Club raised \$48 million paid to a consulting firm to do the study in projecting the need. It was determined as a result of that study that an 18,000 seat capacity facility would be needed in Las Vegas considering the projected growth in population.

He added that in the future when UNLV has 25,000 students and the population in Las Vegas is one million that the question will be asked why the pavilion was not built larger. Mr. Cashell noted that a similar study was conducted at the UNR campus.

Mr. Brady reiterated his concern that the pavilion at the UNLV campus may not be large enough and the pavilion at the UNR campus may be too big. Mr. Ross noted that by the time the facility at the UNR campus is completed there will be approximately 13,000 students at UNR and it was his opinion that the pavilion in Reno is not being overbuilt.

Mr. Ross distributed several letters to the committee in support of the passage of A.B. 489. They are filed in the Fiscal Analysis Division of the Legislative Counsel Bureau.

MX PLANNING

Mr. Jim Wadhams said his testimony would be a continuation of the hearing before the Ways and Means Committee earlier on the MX Planning budget.

Mr. Brady asked what is the total amount of impact money needed by the State of Nevada to counteract the adverse effects of the MX project. Mr. Bradhurst, Director of the MX Planning Office, said that he does not have an exact figure, but that amount will be arrived at by preparing a detailed fiscal impact report. He noted that the amount used historically in other large developments is 10% of the construction costs to build the project and if that is the case with MX with a construction cost of \$20 billion, therefore, \$2 billion might be required by the state for impact funds. When Mr. Brady asked if the state would actually receive \$2 billion, Mr. Bradhurst said that he doubted it. In response to Mr. Brady's question on what the projected amount would be that Nevada might receive, Mr. Bradhurst said that recently a federal construction project in the State of Washington resulted in that state receiving approximately \$80 million - or 10% of the total construction costs. He further added that even though Washington received 10% it is unlikely that Nevada will receive the full \$2 billion. Mr. Brady questioned what would be the amount of impact money that the State of Nevada will have to provide. Mr. Brady said that he had no idea what that cost would be to the state, but it could be particularly difficult on the rural areas. Mr. Bradhurst noted that the Highway Department has indicated that for fiscal year 1982 they will need \$250 million for highway construction on Highway 93 in the Coyote Springs area.

Mr. Brady reiterated his concern that nothing is being done to counteract the adverse effects that the MX project could have on the State of Nevada.

Mr. Marvel commented that it appears that Nevada is playing the role of an accommodater rather than an adversary.

Mr. Bradhurst said that up to this point the Air Force has provided impact aid as requested, but the appropriation hearings will begin next month, and it will be determined if the impact monies will continue to be forthcoming in the amounts requested. If the total request is not available then consideration should be given to the promises that have been made by the Federal Government to Nevada on impact funds.

Mr. Marvel said that the Environmental Impact Statement did not consider grazing as a valid use of public land and therefore no impact was indicated; however, there is a definite impact.

Mr. Wadhams indicated that currently there is nothing to litigate - the posture of the Air Force is that now they have to respond to the comments that have been provided on the Environmental Impact Statement. Secondly, the state has taken a very aggressive posture with regard to the MX project. Mr. Bradhurst added that the state's response document on the draft of the Environmental Impact Statement is in its final stages and now the 31 teams have reported their comments and there will be a document produced (1,400 pages) that is an unprecedented effort by the people of this state.

Mr. Brady said that it is his opinion that when the money is received from the Federal Government and it is discovered that it is not sufficient, then the state will have to tax the people to make up for the shortfall. Mr. Wadhams said at this point it is necessary to document the amount of money necessary, and if it is not sufficient there are several options. One is to approach Congress to increase the appropriation.

Mr. Coulter asked if the lawsuits filed against the Federal Government could possibly slow down the implementation of the MX process. Mr. Bradhurst said there will be many lawsuits filed on the Environmental Impact Statement primarily because there will be questions whether the impact statement meets the National Environmental Policy Act and also the Federal Land Policy Management Act. If the lawsuits increase in number, Mr. Bradhurst said that the Department of Defense may introduce "fast track" legislation essentially to dilute the National Environmental Policy Act. He noted that this is essentially what happened with the pipeline project in Alaska.

Mr. Coulter asked what impact could the Sagebrush Rebellion lawsuit have on the MX project. Mr. Wadhams said that if the Sagebrush Rebellion is decided in favor of Nevada, it is presumed that under the United States Constitution the Federal Government has the power of eminent domain which means they would have to take it away from Nevada anyway for a national defense project.

In regard to the MX Planning Office budget, Mr. Hickey asked if there was money appropriated for legal expertise. Mr. Bradhurst said that there is a legal review team (one of the 31 teams reviewing the draft of the Environmental Impact Statement) and has six prominent attorneys serving at no fee to the State of Nevada. He added there is an attorney in the MX Planning Office responding to the concerns of the legal review team and is listed under "Four Corners Contracts Non-State Agency." He said these are Title V monies as the Federal Government indicated that impact funds cannot be used for litigation purposes.

A.B. 65 Provides for reorganization of central data processing division, data processing commission and computer facility.

Mr. Gary Crews, Legislative Counsel Bureau, presented the committee with a copy of the study conducted by the interim study committee on the Data Processing Commission. (EXHIBIT B) The report states that the organizational structure of the Computer Facility and Data Processing Commission was not conducive to operational efficiency. He said that to achieve coordination and communication between the Central Data Processing and the Computer Facility would be necessary to place the two agencies under one administrator under the Department of General Services. Mr. Crews noted that subsequent to the interim study committee's

findings, the Governor's Task Force completed a report that came to the same basic conclusion, that being there were definite problems with the organization structure of data processing in Nevada. The Governor's Office is now recommending that the Central Data Processing Division and the Computer Facility be combined as a new department, rather than a division within General Services. Mr. Crews noted that the interim study committee also recommends that the function of the Data Processing Commission be changed from that of a policymaking body to that of an advisory body. Additionally, the newly reorganized division (under General Services) would provide for a planning function that would consider and make recommendations to the administrator with regard to long range planning of equipment purchases and technological improvements.

Mr. Crews added that another area that the interim study committee was concerned about was the backup and recovery of data processing at the Computer Facility in case of a fire or flood.

In regard to Mr. Crews statement whereby the interim study committee recommended that the Data Processing Commission be changed to an advisory body, Mr. Hickey asked who would assume the role of a policymaking body for data processing in the state. Mr. Crews indicated that depending on the structure of the new division, it would be the director or the administrator of that division who would be setting policy to alleviate the current fragmentation of responsibility.

Mr. Hickey referred to a proposed five year plan to be developed by Central Data Processing which will project the need and utilization of data processing equipment to be presented to the 1981 session of the Legislature, and asked if it was prepared. Mr. Crews said that he was not aware of such a plan. Mr. Glen DuBois, Implementation Director for the Governor's Management Task Force, said that since the Task Force report was released in December, a technical committee has been organized made up of various departments and agencies that utilize data processing services and one of the projects of the committee is to develop both a short term and long term plan on the need and utilization of data processing in the state; however, it is not in a presentation form at this time. When Mr. Hickey asked when the report would be completed, Mr. DuBois said that it would be ready in two weeks.

Mrs. Westall asked for an explanation of the difference between Central Data Processing and the Computer Facility. Mr. Crews said that the Computer Facility basically has the hardware capability and Central Data Processing primarily does the programming services for state agencies.

Mr. Hickey referred to a memorandum distributed to the committee (EXHIBIT C) and asked for an explanation of the project costs for the proposed Department of Information Services. Mr. DuBois said one function of primary importance, as was determined by the Governor's Management Task Force, is the planning and research function that sets the standards for all agencies. The proposed costs as detailed in EXHIBIT C are for two planners for fiscal year 1981-82 at a cost of \$73,196 and three planners in the second year of the biennium in the amount of \$119,675.

Mr. Hickey referred to Page 2 of EXHIBIT B noting the illustration of approximated data processing costs for the biennium ended June 30, 1979, and asked if the percentages of personnel versus the hardware costs are in line with other governmental

structures. Mr. DuBois said that generally speaking they are in line. He noted that a big concern currently is the acquisition of equipment is not in a planned structure. Mr. Hickey asked Mr. DuBois if he were suggesting that the requests for additional data processing equipment by several state agencies not be considered until the implementation of the proposed Department of Informational Services as recommended by the Task Force. Mr. DuBois said that he is not familiar with individual agency requests for additional equipment, but suggested that if the justification were not in line with the needs of the state as developed because, to date, standards have not been utilized to justify budget requests.

Mr. Bible asked how the proposed costs for the Department of Informational Services would be financed. Mr. DuBois said that those costs would be included in the overhead that would be charged to agencies. The current billing structure would be broken into three elements: overhead factor that would include the director's salary and, therefore, would be recoverable from federal funds; the other elements would be the actual usage of computer facility time; and third would be the use of what is currently CDP, or software development costs. Mr. Bible asked if any specific savings to the state could be identified with the implementation of the new division. Mr. DuBois said that it would be premature to state where a savings can be identified. He added that the productivity aids as listed on EXHIBIT C are not being fully utilized at the present time.

Chairman Bremner commented that it is a frightening statistic as contained in EXHIBIT B that data processing costs have increased 137% over the last five years and at that rate ending in 1985 the state's costs for data processing will be \$49 million.

Mr. Jack Stratton, Gaming Control Board, stated that the Board has no objection to the second reprint of A.B. 65 that includes the Gaming Control Board in the section for negotiating for other services. Chairman Bremner noted that there is another bill that would appropriate monies to the Gaming Control Board for the implementation of their management information system. Mr. Stratton said the request is contained in S.B. 340.

Mr. Glover asked what steps would be taken by the Gaming Control Board if S.B. 340 is not passed. Mr. Stratton said that it is hoped that it will pass, but if not, they would remain status quo.

There being no further business, Chairman Bremner adjourned the meeting at 10:30 a.m.

DATE: 4/20/81

WAYS AND MEANS COMMITTEE

GUEST LIST

NAME (PLEASE PRINT)

REPRESENTING:

Wayne Pearson

UNLV

DICK TRACTOR

UNR

Bill Ireland

UNLV

Bill Parish

UNR Boosters

Jack R. Pettille

LV Comm & Vis Auth -

W. W. Morris

UNLV Pavilion Liaison

R. Hal Smith

BURROWS SMITH & COMPANY

John Tom Ross

UNR PAVILION COMM.

Clayt Rabenstein

UNR

McHancock

PUBLIC WORKS BLDG.

Joe Crowley

UNR

GARY CREWS

LCB - AUDIT

Bruce Greenhalgh

Gen Services

John Ciardella

DMV

Gordon Harding

CDP

Jack Loy

NIC

Donna Marie Harris

University of NV systems

Robert A. Cardwell

University of N.D. System

Heulan Elges

Gaming Control Bd.

ALLAN SOULIGNY

" " "

John H. Stratten

Gaming Control Bd. 0.065

PREPARED STATEMENT
ON BEHALF OF AB 489

By

Jack Petitti

I am Jack Petitti, County Commissioner from Clark County and Chairman of the Las Vegas Convention and Visitors Authority. Thank you for permitting me the opportunity to appear before you and testify in behalf of Assembly Bill 489. I appeared before this same committee in 1979 to testify in favor of AB 63 which authorized these same projects which are again authorized in AB 489.

The THOMAS-MACK Center for Continuing Education and Special Events on the campus at UNLV is needed for the same reasons today as outlined before this committee two years ago, except that the situation is more serious today and the needs more critical. In fact, the need for this facility in Las Vegas is beyond the critical. It is now approaching the desperate. Let me explain.

The Las Vegas Convention Center, the only public facility in Clark County which has been capable of accommodating various types of University, Public School and other community events, is rapidly becoming incapable of satisfying the community's needs for two reasons: (1) its small size and (2) its unavailability as a result of the heavy use by the Convention and Visitors Authority for conventions.

With respect to its small size, let me point out that the official population of Clark County last year was 462,000

and that the county's population, at the current rate of growth, will reach one million before the year 1990. Obviously, a public facility seating only 6,000 people is grossly inadequate for a community of this size.

But the unavailability of the convention center for use by educational institutions and other community groups makes the need for the new UNLV project critical. The future schedule of conventions already booked for the Las Vegas Convention Center is so heavy that the University and Clark County public schools have already been notified, regrettably, that they cannot count on using the convention center for basketball, commencement exercises or other purposes in future years. Even this year, the high schools in Las Vegas have been forced to hold their commencement exercises at a Strip hotel because the convention center is unavailable.

But as desperately as UNLV, the public schools and the community need this new facility, the Las Vegas Convention and Visitors Authority needs it just as badly. As I told this committee two years ago, the present Las Vegas Convention Center is not capable of accommodating the large convention groups desiring to come to Las Vegas. The convention business is becoming increasingly competitive and we face the prospect of losing more of the large conventions to other cities which have or are building larger facilities. San Diego, in particular, poses a serious threat to both Las Vegas and Reno because it is about to

build a two hundred and twenty six million dollar convention center and complex in downtown San Diego.

UNLV administrators long ago assured us that we can use their new campus facility as an auxiliary convention hall for the very large conventions that cannot now be accommodated . It is no exaggeration to say that the future economy of Clark County will be significantly healthier with the construction of this UNLV project and its availability for large conventions. And, of course, the more conventions that come to Las Vegas, the more tax dollars that will flow into the state treasury.

On behalf of the Clark County Board of Commissioners and the Las Vegas Convention and Visitors Authority, I respectfully urge the quick passage of AB 489.

Thank you for your kind attention and consideration.

ASSEMBLY BILL 65

On February 23, 1978, a legislative audit report on the Data Processing Commission was presented to the Legislative Commission. That audit report addressed:

- Organizational structure of the Computer Facility and the Data Processing Commission.
- Coordination and communication between the Computer Facility and user agencies.
- Operating standards and procedures.
- Billing system
- Administrative and security controls..

The report made 26 recommendations relating to the Data Processing Commission and Computer Facility.

The following statement is from that report:

"The present organizational structure of data processing operations in the State of Nevada is not consolidated in such a manner as to obtain the following two objectives of the Executive Branch of Government:

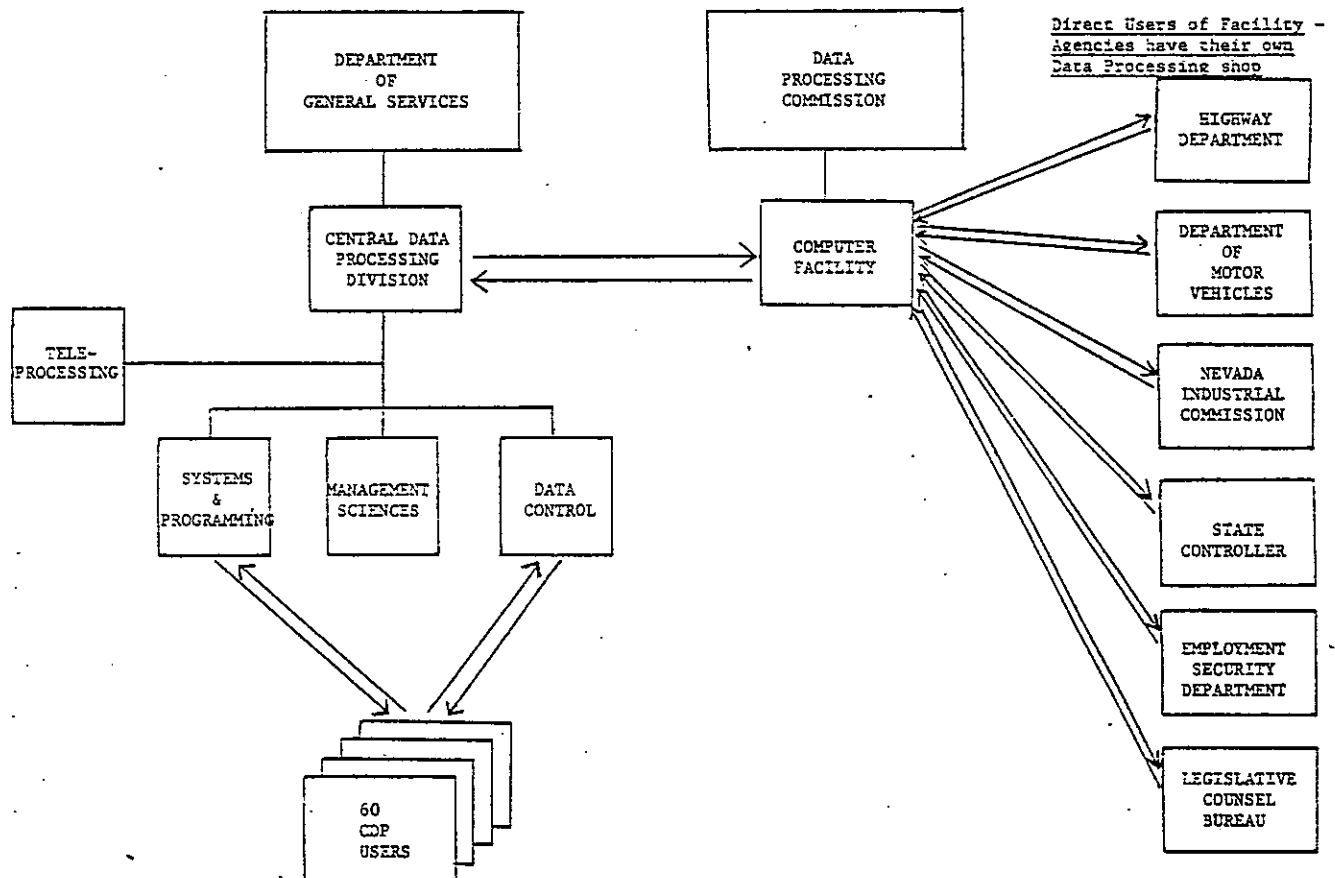
1. Operational Efficiency
2. Economy of Scale"

The report further stated:

"Because of the need for coordination and communication, it is imperative that these two agencies operate under the same philosophy. To achieve this, it is necessary to place the agencies under one administrator."

The following organizational chart, taken from the legislative audit report, shows the fractionation of data processing in Nevada.

ASSEMBLY BILL 65
(Continued)



As a result of the many problems and the magnitude of the problems identified in that audit report and another audit report on the Central Data Processing Division of the Department of General Services, Assemblyman May sponsored ACR 21 which called for the study of data processing in the State of Nevada.

Upon weighing the results of that study, the subcommittee assigned to ACR 21, consisting of Assemblymen Harmon, Banner, Bremner, Cavnar, and Mello, recommended that the Computer Facility be combined as one division under the Department of General Services. Subsequent to that study, the Governor's task force completed a report that came to the same basic conclusion, that being that there were definite problems with the organizational structure of data processing in Nevada. The Governor's Office is now recommending that the Central Data Processing Division and the Computer Facility be combined as a new department, rather than a division within General Services.

DATA PROCESSING BY NEVADA
STATE GOVERNMENT



Bulletin No. 81-13

LEGISLATIVE COMMISSION
OF THE
LEGISLATIVE COUNSEL BUREAU
STATE OF NEVADA

October 1980

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* * * * *

LEGISLATIVE COMMISSION

Senator Keith Ashworth, Chairman
Senator Melvin D. Close, Jr., Vice-Chairman

Senator Richard E. Blakemore
Senator Carl F. Dodge
Senator Lawrence E. Jacobsen
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Assemblyman Darrell D. Tanner

Assembly Concurrent Resolution No. 21—Assemblymen May, Cavnar,
Harmon, FitzPatrick, Price and Barengo

FILE NUMBER..122..

ASSEMBLY CONCURRENT RESOLUTION—Directing the legislative commis-
sion to study data processing by the state government.

WHEREAS, Data processing is of the utmost importance in conducting
state business; and

WHEREAS, Reviewing the ability of state government to perform its
functions is a proper responsibility of the legislature; and

WHEREAS, The legislature has not undertaken a study of data process-
ing by the state government in Nevada; and

WHEREAS, A legislative audit reviewing data processing by the state
government concluded that a study is particularly needed; now, therefore,
be it

*Resolved by the Assembly of the State of Nevada, the Senate concur-
ring,* That the legislative commission study data processing by the state
government in Nevada with primary emphasis in the following areas:

1. The physical security of facilities in which data processing is per-
formed;
2. The ability through backup information and recovery plans to
duplicate data and enable a disrupted system for data processing to
function again;
3. The security measures necessary to prevent unauthorized access
to data; and
4. The administration, performance and structure of the function of
data processing; and be it further

Resolved, That the legislative commission submit a report of its find-
ings and recommendations to the 61st session of the Nevada legislature.

REPORT OF THE LEGISLATIVE COMMISSION

TO THE MEMBERS OF THE 61st SESSION OF THE NEVADA LEGISLATURE:

Assembly Concurrent Resolution No. 21 of the 60th session of the legislature directed the legislative commission to study data processing by the state government.

In response to the mandate of the resolution and subsequent to adjournment of the 1979 session, the legislative commission determined that it would conduct its study through a subcommittee.

Appointed to serve on the subcommittee were:

Harley L. Harmon, Chairman
Assemblyman from Clark County

Peggy Cavnar
Assemblyman from Clark County

James J. Banner, Vice-Chairman
Assemblyman from Clark County

Donald R. Mello
Assemblyman from Washoe County

Roger Bremner
Assemblyman from Clark County

In this report, the subcommittee has attempted to present its findings and recommendations briefly and concisely. A large amount of data was gathered during the course of the study, however, only that data which bears directly upon the recommendations is included. All supporting documentation is on file with the legislative counsel bureau and is available to any legislator. The subcommittee was assisted in its study by a number of people, including members of the data processing commission, data processing users and a technical consultant to the subcommittee.

This report is transmitted to the members of the 1981 legislature for their consideration and appropriate action.

Respectfully submitted,

Legislative Commission
Legislative Counsel Bureau
State of Nevada

Carson City, Nevada
October 1980

SUMMARY OF RECOMMENDATIONS

This summary represents the major conclusions reached by the subcommittee.

The subcommittee recommends that:

1. Chapter 242 of the Nevada Revised Statutes (NRS) be amended to combine the computer facility and the central data processing division as one division under the department of general services. (BDR 19-7)
2. Chapter 242 of NRS and relevant sections be amended to change the function of the data processing commission from a policy making body to that of advisory. (BDR 19-7)
3. The newly reorganized division provide for a planning function that would consider and make recommendations to the administrator with regard to long-range planning of equipment purchases and technological improvements.
4. A 5 year plan be developed by the central data processing division which would project the need and utilization of data processing equipment. This plan is to be presented to the 1981 session of the legislature.
5. The division segregate the responsibilities of operations, programming, and data control to maximize security organizationally, with all three functions reporting directly to the division administrator.
6. The division provide functionally for the ongoing evaluation of the continued need, and efficiency of current data processing applications.
7. The division provide functionally for the evaluation of need and cost justification of all requests for data processing applications.
8. The division conduct reviews on a sample basis to compare the results of implementing systems to the initial justification. The results of such reviews will be made available to the legislature upon request.
9. Peer reviews be conducted by the central data processing division, the state controller, the department of transportation, and the department of motor vehicles. Such reviews will address the continued need and efficiency of data processing applications.

10. A backup and recovery plan be developed which will include:

- (a) Equipment;
- (b) Programs;
- (c) Personnel;
- (d) Operations manuals;
- (e) Data; and
- (f) Facilities.

11. The backup and recovery plan address priorities of data to be processed.

12. Consideration be given for the distribution of various priority programs to various sources of backup.

13. The backup plan, along with the costs, be presented to the 1981 legislature.

14. After the consolidation of the central data processing division and the computer facility:

- (a) Keep at least two people on each shift at the facility.
- (b) Restrict uncontrolled access to the tape vault from operators.

15. Management continue to monitor the area of data security and implement safeguards when practicable.

REPORT OF THE LEGISLATIVE COMMISSION'S
SUBCOMMITTEE ON DATA PROCESSING BY
NEVADA STATE GOVERNMENT

I. INTRODUCTION

Assembly Concurrent Resolution No. 21 of the 1979 session of the legislature directed the legislative commission to study data processing by the state government. Specifically, the resolution directed study of four areas:

1. Physical security of data processing facilities.
2. Backup and recovery of data processing information and systems.
3. Security over unauthorized access to data.
4. Administration, performance and structure of data processing.

The subcommittee held five meetings, all of which were in Carson City. The first meeting was primarily held to establish formal goals and objectives of the subcommittee and to hear expert testimony by a data processing consultant to the subcommittee. As a result of that meeting, the following goals and objectives were established:

1. Determine if the state has taken satisfactory measures to assure the physical security of the following:
 - (a) Personnel;
 - (b) Physical plant; and
 - (c) Confidential data.
2. Determine if satisfactory standards, procedures and plans exist to provide for complete backup and recovery of data processing operations.
3. Determine if the organizational structure of data processing operations in state government is conducive to:
 - (a) Economy;
 - (b) Efficiency; and
 - (c) Operational effectiveness.

Subsequent meetings were devoted to hearing testimony from members of the data processing commission, data processing management and users of data processing services in state government.

II. BACKGROUND

Chapter 365, Statutes of Nevada 1965, created the central data processing division within the department of administration. Chapter 727, Statutes of Nevada 1973, transferred the division to the department of general services.

The data processing commission, which is responsible for the management of the computer facility was created by chapter 535, Statutes of Nevada 1967. Subsequent to creation, a computer facility was constructed in the capitol complex in Carson City, Nevada.

The data processing commission is composed of agency heads whose agencies are direct users of the computer facility, and the director of the department of administration. The chairman, which is provided by statute, is the state controller.

MEMBERS OF THE DATA PROCESSING COMMISSION

State Controller
 Director, Department of Administration
 Director, Department of Motor Vehicles
 Director, Department of Transportation
 Director, Employment Security Department
 Chairman, Nevada Industrial Commission
 Director, Legislative Counsel Bureau

There has been a constant growth in the use and cost of data processing since the creation of the central data processing division and the data processing commission (computer facility). In the past five years, these costs have increased approximately 137 percent. If this rate of growth is allowed to go unchecked or uncontrolled, the state will be paying data processing costs in excess of \$49,000,000 for the biennium ending in 1985. The cost of data processing for state government for the biennium ended June 30, 1979, was approximately \$20,550,000. The following table illustrates these approximated costs.

Hardware	\$ 4,459,000	25.2%
Communications (Hardware)	2,460,000	13.9
Personnel	7,485,000	42.3
Consultants	88,000	.5
Software	336,000	1.9
Other	<u>2,867,000</u>	<u>16.2</u>
Subtotal	17,695,000	<u>100.0%</u>
University Costs	<u>2,855,000</u>	
Total	<u>\$20,550,000</u>	

The following table illustrates the users of the computer facility for the fiscal year ended June 30, 1979, and the billings to those users.

Department of Transportation	\$ 304,898	16.8%
Central Data Processing	551,965	30.3
Department of Motor Vehicles	370,207	20.4
Office of the Controller	113,243	6.2
Legislative Counsel Bureau	151,441	8.3
Nevada Industrial Commission	327,095	18.0
Employment Security Department	59	--
	<hr/>	<hr/>
Totals	<u>\$1,818,908</u>	<u>100.0%</u>

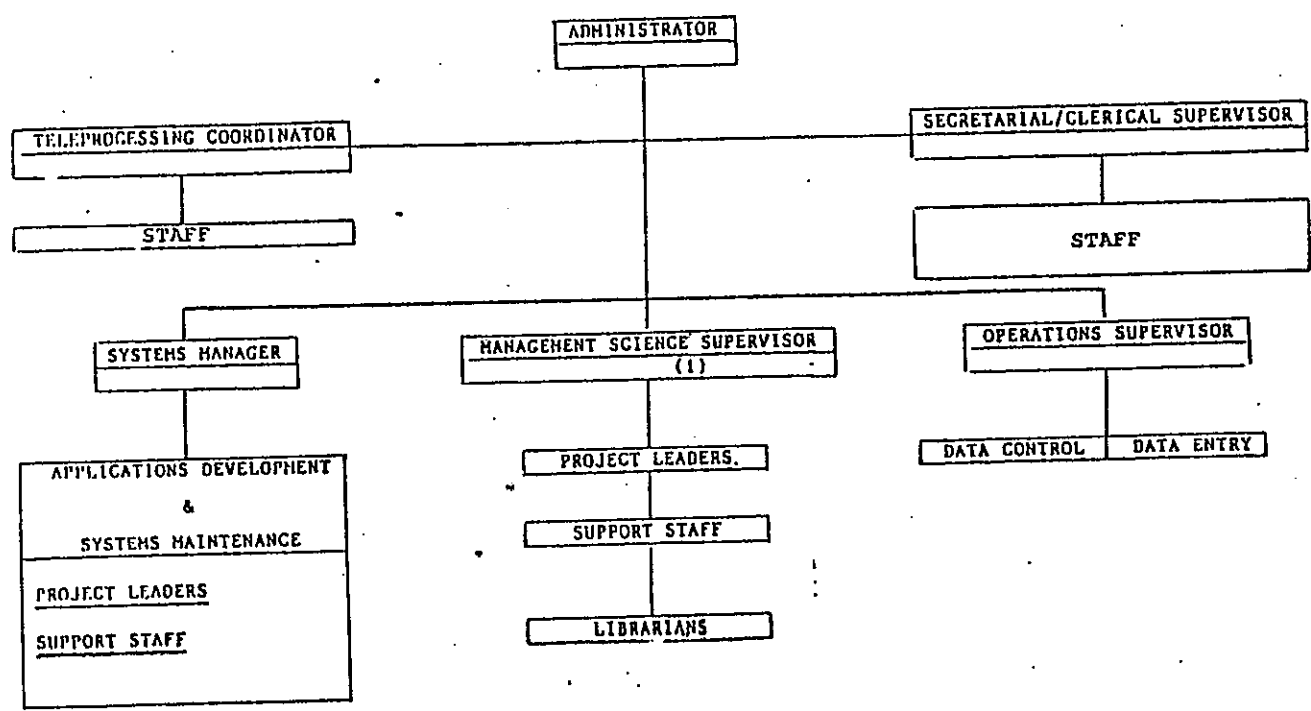
The following table, furnished by the central data processing division, illustrates their users for the fiscal year ended June 30, 1979, and the billings to those users.

General Services Phone and Mail	\$ 42,793	2.03%
Alcohol and Drug Abuse	8,933	.42
Services to the Blind	6,383	.30
Budget Division	26,044	1.23
Carson County Assessor	24,967	1.18
Carson City Clerk	4,931	.23
Carson City Water and Sewer	18,296	.87
Carson City Finance	13,771	.65
Carson City Planner	23	--
Churchill County	9,292	.44
Colorado River Resources	1,991	.09
Controllers Office	17,563	.83
Crime Commission	171,072	8.11
Health Planning	49,043	2.33
Carson City Public Works Board	180	.01
Douglas County	167	.01
Department of Energy	16,847	.80
Emergency Medical	7,855	.37
Education Department	5,310	.25
Environmental Protection	29,834	1.41
Employment Security Department	4,325	.21
Department of Wildlife	63,088	2.99
FMIRS	333	.02
Gaming Control	74,159	3.52
Geological Survey	3,680	.17
Governor's Committee	81	--
Elko County	99	--
Health Division	72,829	3.46
Department of Transportation	19,621	.93
Historic Preservation & Archeology	699	.03
Housing Division	19,675	.93
Education-Personnel	237	.01

Sparks Police Department	\$ 2,148	.10%
State Library	8,297	.39
Highway Patrol	951	.05
Insurance Division	21,950	1.04
Motor Pool	16,007	.76
LCB-Fiscal Analyst	12,444	.59
Legislative Counsel Bureau	18,233	.86
Incline Village	18,328	.87
Nursing	368	.02
Parks	7,612	.36
Pershing County	9,289	.44
State of Nevada Employees Association	4,605	.22
Personnel Division	234,103	11.12
Prison Department	16,461	.78
Public Service Commission	3,891	.18
Public Works Board	1,513	.07
Purchasing Division	132,745	6.29
Real Estate Division	6,128	.29
Retirement Board	104,005	4.95
Secretary of State	30,635	1.45
City of Reno Police Department	5,478	.26
Truckee-Carson Irrigation District	3,785	.18
Soil Conservation	2,380	.11
State Planning	406	.02
Washoe County	2,453	.12
State Lands Division	2,604	.12
Nevada Professional	1,948	.09
Automated Publications	569	.03
Data Entry Service	7,013	.33
Record Management Services	259	.01
Department of Taxation	228,848	10.87
Highway Safety	504	.02
Vocational Rehabilitation Division	75,375	3.57
Water Planning	1,441	.07
Water Resources	461	.02
Western Nevada Community College	1,289	.06
United Way	394	.02
Welfare Division	397,129	18.84
Youth Services	11,806	.56
Rural Clinics	500	.02
Bureau of Reclamation	15	--
State Treasurer	385	.02
	<u>2,108,876</u>	<u>100.00%</u>
Total	\$2,108,876	100.00%

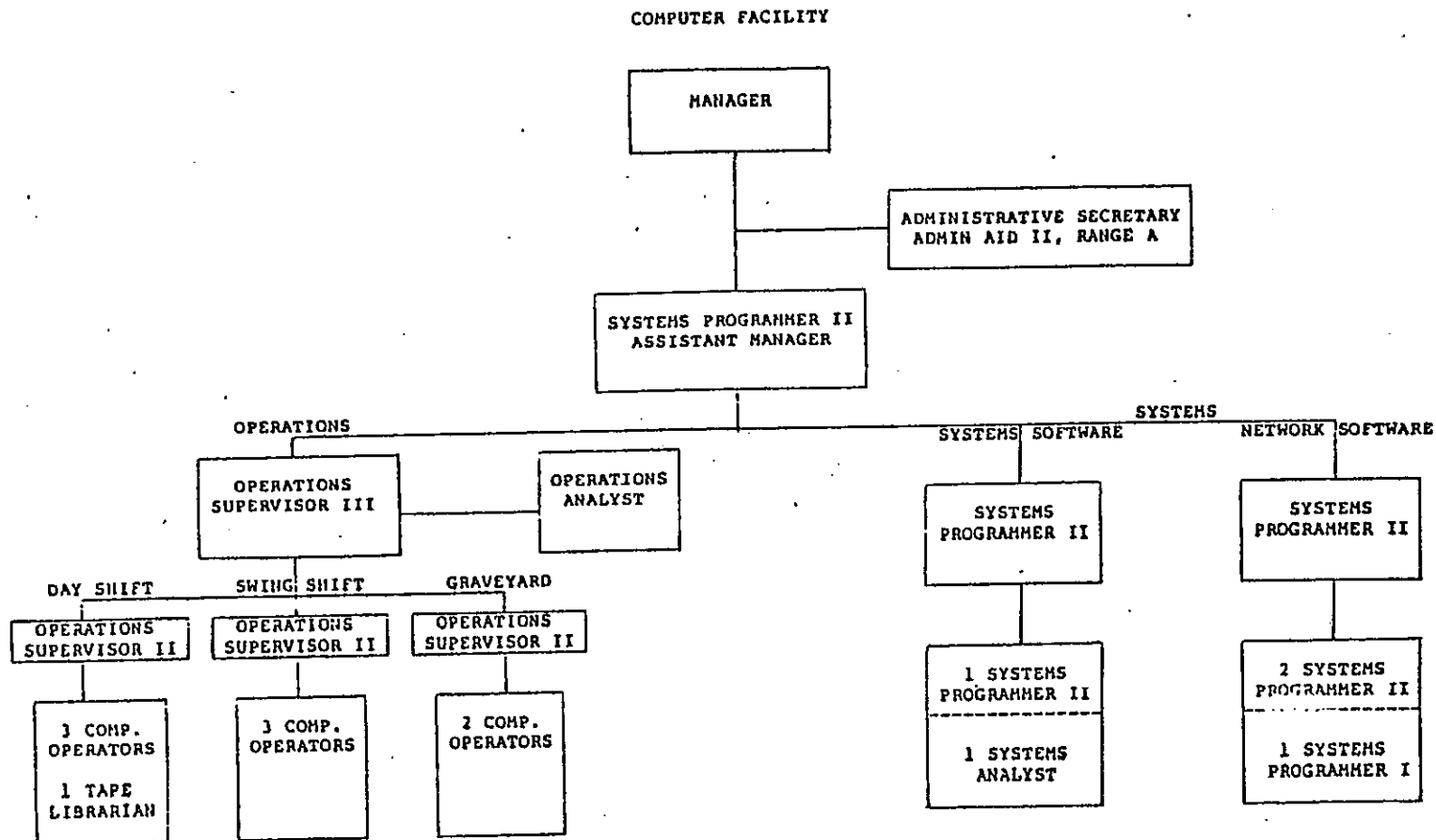
The following organizational charts give the general functions within the central data processing division and the computer facility.

Department of General Services
CENTRAL DATA PROCESSING DIVISION



(1) Acts for the Administrator in his absence.

5



Note: (1) Operations Supervisor II (Graveyard) works Tuesday-Saturday
 (2) Operations Supervisor III also supervises office staff.

III. ORGANIZATIONAL STRUCTURE

Under the current organizational structure, the responsibility for data processing services is fractionated between the central data processing division and the data processing commission (computer facility). The central data processing division is primarily responsible for providing the design and programming for user agencies which must use their services. Currently, all state agencies must use the services of central data processing, except for those that are direct users of the computer facility. Those seven users of the computer facility, listed on page 3, all have their own computer programmers and generally do not use the services of the central data processing division.

The agencies that utilize the services of central data processing for programming must also go to central data processing for their processing needs. Central data processing in turn will purchase the services of the computer facility for these processing needs, which in essence creates a middleman.

The data processing commission, which is the managing body for the computer facility, is composed primarily of direct users of the computer facility. Consequently, there is no one person responsible for providing data processing services to state agencies. It was also noted that the data processing commission only met once during 1979. This leads to potentially untimely resolution or postponement of important matters. In addition, this leads to the lack of clear accountability of the computer facility and for the effective operation of the computer facility.

The data processing commission is responsible for the nonproliferation of computer equipment in the state. However, testimony presented to the subcommittee indicated that the commission had never turned down a request for computers from any member of the data processing commission until April of 1980.

The data processing commission has failed to take the necessary steps to provide for backup and recovery should the computer facility be destroyed by fire, flood, or some other type of disaster. This will be discussed in section IV.

The data processing commission has not developed a plan for long-range growth of equipment or data processing needs for state government. Such a plan is necessary for the effective management of data processing and would also be extremely beneficial for the legislature during the budget process.

At the second subcommittee meeting the subcommittee requested the administrator of the central data processing division to

review seven agencies that use their services. The review was to determine if all data processing applications were still needed. At the third meeting of the subcommittee the administrator reported back. His report indicated that approximately \$10,000 a year could be saved by eliminating unnecessary reports, reducing frequency of reports or by using improved data processing techniques. His review took approximately 40 hours.

Currently, no structure exists for the ongoing evaluation and cost justification of data processing applications as described in the preceding paragraph. In addition, no structure exists for the cost justification of requests for new programs, or follow-up of implemented programs to determine if they achieve the desired results that the initial cost justification proposed.

The subcommittee noted that the computer facility provides services to state agencies the same as the department of general services provides services for computer programming, purchasing, motor pool, mail, buildings and grounds, printing, and records management. In addition, both agencies employ the same type of technical computer personnel. Consequently, the subcommittee feels that a consolidation of the two agencies would be beneficial to the State of Nevada. The subcommittee also believes that the structure already exists for providing services to agencies of Nevada state government, that being the department of general services. The subcommittee further believes that the consolidation of these two agencies under the department of general services would result in the following benefits:

1. Cost savings resulting from economy of scale.
2. Better coordination.
3. Elimination of duplicated functions.
4. An individual responsible for data processing.
5. Better planning.
6. Better communications.
7. Improved security.
8. Cost savings resulting from establishment of functions for planning, review, and cost justification.

Therefore, the subcommittee recommends that:

1. Chapter 242 of NRS be amended to combine the computer facility and central data processing as one division under the department of general services. (BDR 19-7)
2. Chapter 242 of NRS and relevant sections be amended to change the function of the data processing commission from a policymaking body to that of advisory. (BDR 19-7)

3. The newly reorganized division provide for a planning function that would consider and make recommendations to the administrator with regard to long-range planning of equipment purchases and technological improvements.

4. A 5-year plan be developed by the central data processing division which would project the need and utilization of data processing equipment. This plan is to be presented to the 1981 legislature.

5. The division segregate the responsibilities of operations, programming and data control to maximize security organizationally, with all three functions reporting directly to the division administrator.

6. The division provide functionally for the ongoing evaluation of the continued need, and efficiency of current data processing applications.

7. The division provide functionally for the evaluation of need and cost justification of all requests for data processing applications.

8. The division conduct reviews on a sample basis to compare the results of implementing systems to the initial justification. The results of such reviews will be made available to the legislature upon request.

9. Peer reviews be conducted by central data processing, the state controller, the department of transportation, and the department of motor vehicles. Such reviews will address the continued need and efficiency of data processing applications.

IV. BACKUP AND RECOVERY

The subcommittee heard testimony which stated that a backup and recovery plan does not exist for the computer facility. Should a major catastrophe occur, such as fire or flood, the state may be unable to effectively operate its financial affairs and obligations for as long as 30 days. This would include the payment of payroll checks, welfare checks, retirement checks, or vendor checks. The nonperformance of any of these financial transactions could have a devastating legal, as well as social effect upon the state.

The computer facility had a reciprocal agreement with the State of Utah for backup and recovery. This plan later fell through and nothing was subsequently done to develop a new plan.

The subcommittee also noted that little consideration had been given to backup and recovery of equipment when the employment security department purchased a new computer in 1979. Subsequent to that purchase, the computer facility purchased a new IBM 370-168 computer. Again, there was little consideration given to backup and recovery.

Computer equipment is only one aspect of backup and recovery. There must also be a place to house the equipment. Testimony was heard that such housing is difficult to find. If this is the case, it becomes even more critical that arrangements be made for adequate facilities, or arrangements be made with other state agencies with computers, other states, local governments, the university system or private vendors.

Not all computer applications must be backed up, however, it is important that the critical programs be identified and priorities set. After this is achieved, arrangements for backup can be more effectively made.

Therefore, the subcommittee recommends that:

1. A backup and recovery plan be developed which would include:

- (a) Equipment;
- (b) Facilities;
- (c) Programs;
- (d) Personnel;
- (e) Operations manuals; and
- (f) Data.

2. The backup and recovery plan address priorities of data to be processed.

3. Consideration be given for the distribution of various priority programs to various sources of backup.

4. The backup plan, along with the costs, be presented to the 1981 legislature.

V. PHYSICAL SECURITY

The subcommittee reviewed the 1976 legislative audit report on the computer facility. In that report many deficiencies were noted with regard to physical security. Among these were:

- 1. Visibility of computer equipment from outside of facility.
- 2. Inadequate storage of data tapes.
- 3. Combustible materials in computer room.
- 4. Only one person on duty on weekends at facility.
- 5. Easy access to computer room by nonfacility employees.
- 6. Easy access to tape vault by operators.

However, since that report was issued the computer facility has:

- 1. Added television monitors.
- 2. Blocked the visibility of the equipment from outside the facility.
- 3. Purchased new tape storage equipment.

4. Combustible materials have not been kept in the storage area since the employment security department has removed their tapes from the storage room.

5. Security over access to the computer room has been tightened.

However, there remains only one person on duty at the computer facility during weekends. Also, the computer operators still have uncontrolled access to the computer tapes. With the consolidation of central data processing and the computer facility, these two deficiencies should be easily eliminated due to the increased staff size.

Therefore, the subcommittee recommends that after the consolidation of the central data processing division and the computer facility:

1. Keep at least two staff members on each shift at the computer facility.
2. Restrict access to the tape vault from the computer operators.

VI. DATA SECURITY

Computer data is an area which is very vulnerable to "white collar crime". Some of the potential problems are:

1. Improper use of confidential data.
2. Sale of computer lists.
3. Use of computer time.
4. Unauthorized changes to data.

No serious problems have surfaced in Nevada government to date relating to data security, however, the potential does exist.

Therefore, the subcommittee recommends that:

Management continue to monitor the area of data security and implement safeguards when practicable.

SUGGESTED LEGISLATION

SUMMARY--Provides for reorganization of central data processing division, data processing commission and computer facility.
(BDR 19-7)

Fiscal Note: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: No.

AN ACT relating to data processing; redesignating and providing for the reorganization of the central data processing division of the department of general services, data processing commission and computer facility; placing the computer facility under the administration of the data processing division; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Chapter 242 of NRS is hereby amended by adding thereto a new section which shall read as follows:

"Division" means the data processing division of the department of general services.

Sec. 2. NRS 242.020 is hereby amended to read as follows:

242.020 1. The legislature hereby determines and declares that the creation of the data processing division is necessary for the coordinated, orderly and economical processing of data in state government, to insure economical use of equipment and to prevent the unnecessary proliferation of equipment and personnel among the various state agencies.

2. The purposes of the division are:

[1. To provide data processing service] (a) To perform data processing for state agencies.

[2.] (b) To provide technical advice but not administrative control of data processing within the several state agencies, county agencies and the governing bodies and agencies of incorporated cities and towns.

Sec. 3. NRS 242.030 is hereby amended to read as follows:

242.030 1. [The provisions of NRS 242.010 to 242.060, inclusive, do not apply to the department of transportation, the department of motor vehicles, the state controller, the University of Nevada System, the legislative counsel bureau, the Nevada industrial commission and the employment security department, but subject to the provisions of NRS 242.010 to 242.060, inclusive, those departments, officers and agencies may utilize the services of the division.

2.] The division shall provide state agencies and elected state officers with all of their required design of systems, programming and [automatic data processing equipment services.

3.] use of equipment for data processing, and all agencies and officers must use those services and equipment, except as provided in subsection 2.

2. The following agencies may negotiate with the division for its services or the use of its equipment, subject to the provisions of this chapter, and the division shall provide such services and the use of such equipment as may be mutually agreed:

- (a) Court administrator;
- (b) Department of motor vehicles;
- (c) Department of transportation;
- (d) Employment security department;
- (e) Legislative counsel bureau;
- (f) Nevada industrial commission;
- (g) State controller; and
- (h) University of Nevada System.

3. Any state agency or elected state officer specified in subsection 2 which uses the equipment of the computer facility and desires to withdraw substantially from that use must:

(a) If the legislature is in regular or special session, obtain the approval of the legislature by concurrent resolution.

(b) If the legislature is not in regular or special session, apply to the commission and obtain the approval of the interim finance committee. The commission shall, within 45 days after receipt of the application, forward the application together with its recommendation for approval or denial to the interim finance committee. The interim finance committee has 45 days after the application and recommendation are submitted to its secretary within which to approve or deny the application. Any application which is not denied by the committee within the 45-day period is approved.

4. If the demand for services [is in excess of] or use of equipment exceeds the capability of the division to provide [services,]

them, the division may contract with other agencies or independent contractors to furnish the required services or use of equipment and is responsible for the administration of the contracts.

Sec. 4. NRS 242.050 is hereby amended to read as follows:

242.050 Subject to the approval of the director of the department of general services, the chief of the division shall adopt regulations necessary for the administration of [NRS 242.010 to 242.060, inclusive. Such regulations] this chapter, including:

1. The policy for data processing of the state agencies and elected state officers which use the division's services or equipment as that policy relates, but is not limited, to such items as standards for systems and programming and the selection, location and use of data processing equipment, in order that the data processing needs of state agencies and officers may be met at the least cost to the state;

2. The division's procedures in performing data processing, which may include provision for the performance, by any agency which uses the services or equipment of the division, of preliminary [input] procedures, such as data recording and verification, within [such] the agency [.] ;

3. The effective administration and use of the computer facility, including security to prevent unauthorized access to data and plans for the recovery of systems and applications after they have been disrupted; and

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4. Specifications and standards for the employment of all personnel of the division.

Sec. 5. NRS 242.060 is hereby amended to read as follows:

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242.060 1. The [central] data processing fund is hereby created as an intragovernmental service fund. Money from the fund must be paid out on claims as other claims against the state are paid. The claims must be made in accordance with budget allotments and are subject to preaudit examination and approval.

2. All operating, maintenance, rental, repair and replacement costs of equipment and all salaries of personnel assigned to the division, except such costs and salaries as are payable by the computer facility, must be paid from the fund.

proc-

3. Each agency using the services of the division, except the services or use of the equipment of the computer facility, shall pay a fee for that use, which must be set by the chief of the division in such amount as to reimburse the division for the entire cost of providing those services, including overhead. Each using agency shall budget for those services. All fees, proceeds from the sale of equipment, and other money received by the division, except fees, proceeds and money received by the computer facility, must be deposited with the state treasurer for credit to the fund.

3. Each agency using the services of the division, except the services or use of the equipment of the computer facility, shall pay a fee for that use, which must be set by the chief of the division in such amount as to reimburse the division for the entire cost of providing those services, including overhead. Each using agency shall budget for those services. All fees, proceeds from the sale of equipment, and other money received by the division, except fees, proceeds and money received by the computer facility, must be deposited with the state treasurer for credit to the fund.

Sec. 6. NRS 242.100 is hereby amended to read as follows:

242.100 As used in [NRS 242.100 to 242.370, inclusive,] this chapter, unless the context otherwise requires, the words and terms defined in NRS 242.120 to [242.170,] 242.160, inclusive, and section 1 of this act, have the meanings ascribed to them in [such] those sections.

Sec. 7. NRS 242.120 is hereby amended to read as follows:

242.120 "Commission" means the advisory commission on data processing . [commission.]

Sec. 8. NRS 242.140 is hereby amended to read as follows:

242.140 "Equipment" means any machine or device designed for the automatic handling of coded information, including but not limited to recording, storage , transmission and retrieval.

Sec. 9. NRS 242.190 is hereby amended to read as follows:

242.190 1. There is hereby created [a] an advisory commission on data processing [commission] whose members [consist of:

(a) The state controller, who shall act as chairman;

(b) The director of the department of motor vehicles;

(c)] are:

(a) The director of the department of administration [;] , who shall act as chairman;

(b) Each of the following heads of agencies, or his designated representative, if that agency uses the equipment of the computer facility:

(1) The state controller;

(2) The director of the department of motor vehicles;

[(d) The]

(3) The director of the department of transportation;

[(e) If the employment security department has services furnished by the computer facility, the]

(4) The executive director of the employment security department;

[(f) If the Nevada industrial commission has services furnished by the computer facility, the]

(5) The chairman of the Nevada industrial commission;

[(g) If the legislative counsel bureau has services furnished by the computer facility, the]

(6) The director of the legislative counsel bureau ; [or his designated representative;] and

[(h) If the court system has services furnished by the computer facility, the]

(7) The court administrator [or his designated representative.] ; and

(c) Two members appointed by the majority floor leader of the senate from the membership of the senate standing committee on finance during the immediately preceding session of the legislature, and two members appointed by the speaker of the assembly

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from the membership of the assembly standing committee on ways and means during that session, one member each from the majority and minority parties, respectively.

2. The commission shall meet as often as necessary but at least once every 3 months. Members of the commission serve without additional compensation, but are entitled to subsistence allowances and travel expenses pursuant to the provisions of NRS 281.-160 while engaged in the performance of official duties.

Sec. 10. NRS 242.200 is hereby amended to read as follows:

242.200 The commission shall [:

1. Determine the data processing policy of the state as it relates, but is not limited, to such items as the location and selection of data processing equipment, utilization of such equipment, and service procedures.

2. Prescribe rules and regulations for the] advise the division regarding:

1. The policy for data processing of the state agencies and elected state officers which use the division's services or equipment as that policy relates, but is not limited, to such items as standards for systems and programming and the selection, location and use of data processing equipment in order that the data processing needs of state agencies and officers may be met at the least cost to the state;

2. The division's procedures in performing data processing;

3. The effective administration and use of the computer facility [.

3. Establish personnel practices and procedures and prescribe employment specifications] , including security to prevent unauthorized access to data and plans for the recovery of systems and applications after they have been disrupted; and

4. Specifications and standards for the employment of all personnel of the computer facility.

[4. Insure the most effective use of the computer facility.]

Sec. 11. NRS 242.230 is hereby amended to read as follows:

242.230 .1. All [state-owned or state-leased] equipment of an [executive office, department, commission or agency shall] agency or elected state officer which is owned or leased by the state must be under the managerial control of the [commission, but the commission may, by regulation, permit a using agency to operate data processing equipment on its premises.] division, except the equipment of the agencies and officers specified in subsection 2 of NRS 242.030.

2. The division may permit an agency which is required to use such equipment to operate it on the agency's premises.

Sec. 12. NRS 242.240 is hereby amended to read as follows:

242.240 [The commission shall appoint a manager for the computer facility. The manager shall, subject to administrative

supervision by the commission, direct and supervise all the administrative and technical activities of the computer facility.]
The manager of the computer facility is in the classified service and, subject to supervision by the chief of the division, shall direct and supervise all the administrative and technical activities of the computer facility.

Sec. 13. NRS 242.260 is hereby amended to read as follows:

242.260 [The software support section, a group of operating systems programmers, shall be selected by the commission. The software support section shall:] The chief of the division shall select a group of systems analysts and programmers to be responsible for the operating systems of the equipment at the computer facility. They shall:

1. Provide technical support to [using] agencies which use the facility's equipment as may be directed by the [commission.] manager of the computer facility.

2. Perform any other duties prescribed by the [commission.] manager.

Sec. 14. NRS 242.270 is hereby amended to read as follows:

242.270 1. [Any using agency shall adhere to the various regulations, standards, practices, policies and conventions prescribed by the commission. The commission is not responsible for the application or program design, development or implementation of any using agency.]

2. The commission] The division is responsible for the applications of data processing, for designing systems and placing them in operation, and for the writing, testing and performance of programs, for the state agencies and elected state officers which are required to use its services. The division is also responsible for those applications which it furnishes to state agencies and officers after negotiation.

2. The division shall review and approve [all proposed data processing applications] , pursuant to standards for justifying cost, any application of data processing having an estimated developmental cost of \$50,000 or more [.] which is proposed by any agency or officer that is required to use the division's services or equipment for that application. No [using] agency [shall] or officer may commence development work on any such [applications] application until approval and authorization have been obtained from the [commission.] division.

Sec. 15. NRS 242.280 is hereby amended to read as follows:

242.280 1. Any state agency or elected state officer which uses the equipment of the computer facility shall adhere to the regulations, standards, practices, policies and conventions for the computer facility prescribed by the division.

2. The [commission] computer facility shall provide services to each [using] agency uniformly with respect to degree of service, priority of service, availability of service and cost of service.

Sec. 16. NRS 242.290 is hereby amended to read as follows:

242.290 1. Except as provided in subsection 3, the amount receivable from any [using] agency availing itself of the services of the computer facility [shall] must be determined by the [manager] chief of the division in each case and [shall] include:

(a) The monthly expense, including depreciation, of operating and maintaining the computer facility, distributed among the [using] agencies in proportion to the services performed for [any using] each agency.

(b) [After July 1, 1971, a] A service charge in an amount determined by distributing the monthly installment for the construction costs of the computer facility among the [using] agencies in proportion to the services performed for [any using] each agency.

2. The [manager] chief shall prepare and submit monthly to the [using] agencies for which services of the computer facility have been performed an itemized statement of the amount receivable from each [using] agency.

3. The [commission] chief may authorize, if in [its] his judgment the circumstances warrant, a fixed cost billing, including a factor for depreciation, for services rendered to [a using] an agency.

Sec. 17. NRS 242.300 is hereby amended to read as follows:

242.300 1. There is hereby created the computer facility operating fund as an intragovernmental service fund in the sum of \$200,000 for the use of the [manager] chief of the division to operate and maintain the computer facility.

2. Upon closing the books for each fiscal year, to the extent that the fund balance exceeds \$200,000, the excess portion reverts to the state general fund and the state highway fund in the same ratio to each other as that in which the appropriations were made.

Sec. 18. NRS 242.310 is hereby amended to read as follows:

242.310 All claims made pursuant to NRS [242.100 to 242.370,] 242.190 to 242.360, inclusive, [shall,] must, when approved by the [commission or its designee,] division, be audited and paid as other claims against the state are paid.

Sec. 19. NRS 242.320 is hereby amended to read as follows:

242.320 Upon the receipt of a statement submitted pursuant to subsection 2 of NRS 242.290, each [using] agency shall authorize the state controller by transfer or warrant to draw money from the [using] agency's account in the amount of the statement for transfer to or placement in the computer facility operating fund.

Sec. 20. NRS 242.350 is hereby amended to read as follows:

242.350 1. [Commencing July 1, 1973, and continuing until] Until the construction costs of \$535,600 for the computer facility in Carson City, Nevada, have been paid, the [commission] chief of

the division shall pay annually from the computer facility operating fund to the state treasurer for deposit in the state general fund [in the state treasury] 2 percent of the facility's original acquisition cost.

2. For any subsequent capital additions to the computer facility, the [commission] chief shall pay annually from that fund to the state treasurer for deposit in the state general fund [in the state treasury] 2 percent of the original cost of such capital additions, until [such] this cost has been fully paid.

Sec. 21. NRS 242.360 is hereby amended to read as follows:

242.360 1. The [commission] chief of the division shall repay in annual installments from the computer facility operating fund to the state treasurer for deposit in the state general fund the cost of acquiring a computer and an attached processor and associated equipment at the computer facility.

2. Each installment [shall] must be equal to the annual depreciation charge for:

① (a) The computer at the computer facility, and the charge [shall] must be not less than \$159,120.

(b) The attached processor and associated equipment at the computer facility, and the charge [shall] must be not less than \$25,776.

3. The depreciation charge [shall] must be calculated using the original cost of the computer or the attached processor and asso-

ciated equipment less any prior payments to the state general fund or the former computer acquisition sinking fund.

Sec. 22. NRS 232.170 is hereby amended to read as follows:

232.170 1. The department of general services is hereby created.

2. The department consists of a director and the following divisions:

- (a) Buildings and grounds division.
- (b) [Central data] Data processing division.
- (c) Purchasing division.
- (d) State printing and records division.

3. The director may establish a motor pool division or may assign the functions of the state motor pool to one of the other divisions of the department.

Sec. 23. NRS 242.010, 242.040, 242.130, 242.150 to 242.180, inclusive, 242.250 and 242.370 are hereby repealed.

Sec. 24. Any state agency or elected state officer who was required to use the equipment of the computer facility on June 30, 1981, must comply with the provisions of subsection 3 of section 3 of this act before substantially withdrawing from that use.

GOVERNOR'S MANAGEMENT TASK FORCE

P. O. Box 1057
Carson City, Nevada 89701
(702) 885-5618

DATE: March 31, 1981
TO: Members, Assembly Government Affairs Committee
FROM: Glenn DuBois, Implementation Director *GD*
SUBJECT: Additional Data Processing Costs

The following are projected costs for the proposed Department of Informational Services. It is anticipated that these costs will be absorbed through the application of productivity aids which are currently not being fully utilized.

	<u>1981-82</u>	<u>1982-83</u>
Salaries including fringe		
Manager	\$46,000	\$ 50,140
2 - planners (38-15)	73,196	
3 - planners (38-15)		119,675
office space, phone, etc.	3,000	
office equipment	1,500	3,300
	<hr/>	<hr/>
TOTAL	\$123,696	\$173,115

These are the productivity aids not being fully utilized by agencies:

- 1) Structured design and programs
- 2) Standardized program modules
- 3) TSO
- 4) Walkthroughs
- 5) Team concept
- 6) Librarian technique
- 7) Program libraries (Panvalet)
- 8) Optimizer use
- 9) Computerized documentation capability

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