

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON FINANCE

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
March 13, 1981

The Senate Committee on Finance was called to order by Vice Chairman James I. Gibson, at 8:00 a.m., Friday, March 13, 1981, in Room 231 of the legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

Senator James I. Gibson, Vice Chairman
Senator Eugene V. Echols
Senator Lawrence E. Jacobsen
Senator Norman D. Glaser
Senator Thomas R. C. Wilson
Senator Clifford E. McCorkle

COMMITTEE MEMBER EXCUSED:

Senator Floyd R. Lamb, Chairman

STAFF MEMBERS PRESENT:

Ronald W. Sparks, Chief Fiscal Analyst
Dan Miles, Deputy Fiscal Analyst
Candace Chaney, Secretary

OTHERS PRESENT:

Howard Barrett, Budget Division

Central Data Processing (CDP) (Pg. 116)

Mr. Bruce Greenhalgh, Director of the Department of General Services, introduced Mr. Gording Harding, Administrator of Central Data Processing to the committee. Mr. Harding presented the Central Data Processing budget.

Mr. Harding noted Central Data Processing's prime responsibility was to provide data processing services to the various State government agencies. He said CDP currently provided these services to 90 agencies. The basic services provided were systems and programming, computer, data entry, management, equipment evaluations, and any of the various components that were part of the function of data processing.

The Administrator explained that all revenue which appeared within the budget was derived from services performed. These services were done on a uniform basis to all clients, and the billings for those services were also assessed on a uniform basis, depending on the services performed.

Referring to the expense side of the budget, Mr. Harding asked the committee to note that CDP was reducing the number of existing positions by five. Eliminated were a Documentation Librarian, a position that had been vacant during the entire biennium, and two Key punch Operators. Also being reduced were two Programmer positions. He noted these positions might have to be reinstated if it became necessary to modify Federal programs. He added there was also legislation being introduced that would provide data information to the cow counties, and, if that package were approved, the agency would need additional help to support those programs.

Mr. Harding indicated the agency had just completed the negotiation for replacement of data entry equipment. He said this would necessitate two changes in the budget. Under "contractual services" for the first year of the biennium,

Senate Committee on Finance
March 13, 1981

the figure shown on the budget was \$384,000 and would be reduced to \$313,000 when the new contract was entered for the data entry equipment. Mr. Harding indicated that under this particular contract, the term for data processing equipment was for seven years which was too long a period of time for that kind of equipment. Therefore, the contract stated if the agency had a specific line item which the legislature would not approve, the agency could then be released from the contract. For this reason, the agency was requesting a new category to be added to the budget which Mr. Harding described as UNIVAC 1900/10 System at a cost of \$57,000. That figure would offset the savings to the budget which would now amount to a net total of \$14,000 for the first year. For the second year, with the same change being made, the net total of savings would amount to \$22,000.

Mr. Harding noted another change in the budget under the "dues and registration" category where a clerical error had been made. Instead of the figure being \$5,000, it should have been \$1,850 for a reduction in both years of \$3,100.

Mr. Harding indicated there were several items of major importance in the budget he wanted to address. Referring to "other contract services" he noted a marked increase in the level of expenditure. The category included various types of data processing equipment, primarily terminal equipment located both within CDP and on the premises of their customer agencies. He said there was a greater need for those terminal devices among the customer agencies and this category in the budget was essentially a pass-through item. He stated the increase represented a growth associated with volume and an expansion of on-line applications.

Another item of significance was the category entitled "EDP services programming facility charges." The item represented the bill to the agency from the Computer Facility for computer work the agency did for their customers. The increase was due to the substantial growth of the workload, but, Mr. Harding added, the actual computer unit costs were decreasing.

Senator McCorkle, referring to the 22% growth rate of work by the agency being greater than the growth of government and State population, felt that part of that growth should translate in the next reduction in the cost of government. Mr. Harding said normally that would be a reasonable assumption but growth in data processing did not correspond to the rate of growth in population. For example, he noted there was a 33% increase in the amount of Medicare programming from what was originally planned.

Senator McCorkle asked how an agency got a handle on the specific dollars saved by a central data processing system. Mr. Harding stated the simplest way was to try and equate what the cost would be to do the jobs manually versus doing them through the use of data processing equipment. He added another approach would be to do a time and motion study.

Senator McCorkle inquired if the agency could provide evidence of the cost-effectiveness of CDP. Mr. Greenhalgh indicated one of the built-in controls for the operation was the Finance Committee. He felt it would be impossible, at this point, for CDP to go through and evaluate what it would cost every agency to go back to a manual system versus data processing.

Mr. Harding noted a major dilemma faced by the data processing community nationwide was that there were two vacancies for each trained person in data processing. The key problem within the State in this area was how to acquire and retain the trained people necessary.

Senator McCorkle asked what type of training programs were available to the data processing staff. Mr. Harding stated the agency had a very extensive and comprehensive training program for their professional staff so those individuals were constantly given the tools to permit them to do the most sophisticated data processing jobs. The training was only done for the CDP staff.

1155

Senate Committee on Finance
March 13, 1981

Mr. Harding indicated one of the biggest risks that now existed within the State was the willingness on the part of the potential customer to believe everything the salesman said with regard to data processing equipment. He noted the difference between expectation and reality was monumental.

Senator Gibson requested an explanation of "specialized equipment." Mr. Harding said this category represented equipment which was acquired for agencies other than State agencies.

The Vice Chairman asked what the situation was regarding the agency's clientele, with special reference to the Gaming Control Board setting up their own system, as well as, the Department of Motor Vehicles. Mr. Harding noted that DMV had always been an independent operation and did not use CDP services. With regard to the Gaming Control Board, Mr. Harding stated that each biennium all of their customer agencies received data processing monies from the legislature, and all came at that time to CDP wanting to be served first. Mr. Harding said some of the agencies had to be put in a holding queue to enable CDP to do all its work within the biennium. He noted it was impossible for his agency to satisfy all the agencies' requests in the time specified by that agency.

Mr. Harding added, at the end of the fiscal year in some budgets, CDP had simply not been able to assign the resources to those projects, therefore, the monies reverted. Then, in the next year, CDP did not have enough money to do the work scheduled for the second year for that agency. He felt CDP needed assistance from the legislature to solve that dilemma; to see if it might be possible for those category items not to revert and to be carried over to the next year of the biennium.

Senator Wilson said there were two questions dealing with Gaming Control's request for their own computer facility' one was the general category of service given them by CDP, the other was the question of security. Mr. Harding stated there was no such thing as a secure computer system. He noted one could maximize the potential for security by dedicating a computer to a specific application which was what was being proposed by the Gaming Control Board. He thought Gaming Control would obviously feel more comfortable from a security aspect if they had their own facility. Furthermore, if there were a security breach, it would be within the control of the Gaming agency. He felt the Gaming Control Board was correct in their request for their own system at least as far as security was concerned.

Senator Gibson asked Mr. Harding to address the continuing problem of CDP's need for either a revolving account, or, some other billing procedure. Mr. Harding said the problem was persisting and would continue to persist. He noted CDP, under the existing system, lived off the General Fund throughout the fiscal year. Because of the time interval between performance of service, rendering of billing, and receipt of reimbursement for that billing, the agency was left in a deficit position until well after the conclusion of the fiscal year when the agency had finally booked the last of their receivables.

Mr. Harding felt the agency would still need to live off the General Fund to some degree if they had a revolving account. He thought it would be highly advantageous to the Controller's office if CDP did have a revolving fund to enable that office to treat its work more efficiently.

Senator Gibson noted the overruns of the CDP in November were \$858,000, and in February they were just under \$600,000. He felt the problem existed because there was no real authority in the statutes to recognize the condition. He said that problem should be corrected.

The Vice Chairman referred to a 1978 audit report indicating one area of concern at CDP was the lateness of bills to the users. The audit reported one solution to that problem might be to request legislation to allow CDP to bill users on a quarterly pre-payment basis, issue monthly statements to users showing monthly

Senate Committee on Finance
March 13, 1981

charges with appropriate adjustments, and to record all fixed assets purchased in an asset account rather than charging them to expense in the year purchased. Senator Gibson indicated the agency had said they were not able to do the aforementioned recommendations because of the clerical costs involved.

In reply to Senator Gibson's statements, Mr. Harding stated the agency had developed an automated billing system so the timeliness of the billing process had been improved. He indicated CDP wanted to propose that at the time the agency performed services, the revenue be credited to the agency performing those services. In the area of purchasing, the revenue would be credited to the Purchasing Department upon the receipt of invoice and receiving copy of the material rather than waiting for the inter-agency billing to be processed. He felt, with those changes, the whole process would be accelerated and would allow the Controller's office to pay vendors more rapidly.

Senator Gibson asked if the legislature had to do anything to allow the proposal aforementioned by Mr. Harding. Mr. Greenhalgh felt it could be done administratively.

The Vice Chairman inquired if the proposal would eliminate the need for a revolving fund. Mr. Barrett indicated it would not solve the problem completely, but would reduce the problem. Senator Gibson asked if there was legislation proposed regarding the revolving fund for the CDP. Mr. Barrett said there was none as yet.

Senator Gibson felt if there were a revolving fund, the override would not exist. Mr. Harding stated the override would not be necessary. The Vice Chairman queried as to how much of a revolving account would be required. Mr. Harding estimated essentially 60 days were necessary with the amount being very close to \$500,000. Mr. Barrett noted a problem with the revolving account. If that amount were exceeded, there would be no override if the revolving account were implemented.

Senator Gibson indicated he, for one, would be receptive to the proposal. Mr. Harding said the agency needed to do two things; the revolving account, and the change in the handling of service revenue.

The Vice Chairman asked Mr. Barrett why a twelfth of the agency's budgeted amount could not be credited monthly with a quarterly adjustment. Mr. Harding noted that procedure had been tried by the agency previously and the difficulty came from those agencies with Federal funds; the Federal funds could not be prepaid.

The Vice Chairman requested Mr. Barrett to compile suggestions and submit them to the committee concerning this problem. Senator Gibson asked what the agency's status was concerning the Governor's Task Force recommendations. Mr. Harding felt some of the recommendations were a little unrealistic for the State at this time. He noted particularly the recommendation regarding making CDP into a general information and data processing agency.

Senator Wilson inquired as to when the Administration was going to have a policy on the aforementioned question. Mr. Glen Dubois, member of the the Governor's Task Force, said there should be more information concerning this matter within the next week and that Assembly Bill No. 65 would be the vehicle concerning the recommendation.

Senator Echols requested Mr. Harding to address the 32% increase in CDP's budget. Mr. Harding stated the major increase in the budget, despite the reduction in positions, was due to salary increases. Senator Echols asked how many vacancies there were presently at CDP. Mr. Harding said there were none.

Senator Echols requested Mr. Harding to address the communication expense increases. Mr. Harding noted communication was increasing and would continue to increase under the "other contract services" category as more terminals were being provided causing the use of more telephone lines.

Senate Committee on Finance
March 13, 1981

Senator Echols commented there were costs incurred in the CDP budget for the removal of the Gaming Control Board from their system. Mr. Harding indicated the State had in its computer resource a fixed cost. When the Gaming Control Board left the computer facility, the only increment of variable expense affected by their departure was the disc space on which the Board stored their information. Therefore, that item would be reduced. By their leaving, there was a hole in the revenue at CDP; the only way to fill that hole was to do what was proposed on page 1032 of the Executive Budget.

Senator Jacobsen requested an explanation of the shift situation at CDP. Mr. Harding said the agency ran two shifts with the Systems and Programming division working at all hours. Data Entry primarily composed the first shift, and, the second shift worked mainly in the operations area, the actual production of jobs.

Senator Jacobsen asked if a major incident occurred, would there be backup for CDP. Mr. Harding indicated the agency realized their vulnerability to exposure by only having a single facility which was the primary host for the State's work. He noted a study was being undertaken to address that problem, and, upon completion of the study, the proposals therein would be very costly.

Senator Jacobsen inquired if the CDP agency would advocate the suggestion of having another facility in the legislative building. Mr. Harding noted other State organizations were in an identical position as CDP; they were all vulnerable to some catastrophic situation. Mr. Harding said if there were an alternate site, it would enable those organizations to get back into business sooner than it could ordinarily be done.

Senator Jacobsen asked if CDP felt it was wise for the Gaming Control Board to have their own data processing system. Mr. Harding felt due to the question of security, and, with CDP having an adequate but limited resource, Gaming should have their own system as they were a revenue producing agency.

Senator McCorkle inquired as to why CDP had not given the Gaming Control Board a higher priority. Mr. Harding said the agency would be happy to give them a higher priority, but, if there were a change in the Federal law, the agency would have no choice but to give that project priority or Federal funding would be lost.

Senator McCorkle asked how security would be enhanced by installing an in-house system in the Gaming Control Board. Mr. Harding indicated there was a higher risk situation when there were multiple users of a piece of equipment with terminals dispersed throughout the State.

Computer Facility (Pg. 120)

Mr. Art Crosby, Manager of the Computer Facility, presented the budget for this agency.

Positions. Mr. Crosby indicated the agency had cut the position of Computer Systems Analyst, reducing their authorized positions from 25 to 24. He said the facility had an increased workload and were working more hours than in the past.

Out-of-state travel. Mr. Crosby asked the committee to note in the second year of the biennium, a large request for monies was shown in the budget. These monies were needed to obtain new disc and communications equipment with an end result of overall savings. He noted the agency wanted to travel to the sites where the equipment was manufactured and actually tested before getting it onboard.

Operating Expense. Mr. Crosby said this included "other contract services" for IBM maintenance which was growing at a very fast rate. The growth level was due to the facility obtaining a larger computer and maintenance costs were considerably higher than the previous computer. Also, a 12% to 15% inflationary increase was anticipated for labor costs of IBM personnel.

Senate Committee on Finance
March 13, 1981

Utilities. Mr. Crosby stated he had just been advised that utility costs had been much underestimated and requested an increase for the first year of the biennium to \$212,186, and, for the second year, an increase to \$253,326.

EDP Systems Software. These were software items leased by the facility from IBM and other vendors with a computerized system to manage those items. Included were performance monitors, teleprocessing monitors, time-sharing monitors, etc., for productivity aids. Mr. Crosby indicated inflation was a great factor in the increase of those items. He said the facility was no longer on a time-sharing system with the Employment Security Department resulting in increased costs.

Improvements to structures and fixtures. Increased in the second year of the biennium to purchase four megabites of memory, and, an additional data channel to go on the computer to allow the facility to store more memory and data into the computer.

Training. Mr. Crosby said this item showed a substantial increase in order to send staff to schools to learn how to use new software products and to learn the maintenance of those products. The training would enable the facility to put enhanced security features into their software and the addition of more productivity aids. He noted the vendors were forcing the agency to do more of their own problem determination for software items.

Cards and Forms. Mr. Crosby estimated the facility would use \$64,000 worth of forms for this year. He indicated this was a small increase from last year plus the inflationary cost of the forms.

Senator Gibson asked what the facility's turnover rate was. Mr. Crosby said in the operating area, the turnover was fairly high. He stated there was not an employee at the facility that would could not earn more money in the private sector.

Senator McCorkle asked how much money the facility personnel could use. Mr. Crosby said the agency was paying a Systems Programmer approximately \$28,000, in the private sector he felt these employees could earn from \$40,000 to \$50,000 per year. Mr. Crosby noted in the operator areas and the lower-paid areas, the facility was competitive with the local labor market.

Senator Echols requested figures on the turnover percentage. Mr. Crosby said the percentage had been low for this year but last year the facility had lost quite a few people.

Senator Glaser asked if the Gaming Control Board did receive their own system, would it be housed at the Computer facility. Mr. Crosby said he was not aware it would be. He indicated there were certain expenses incurred in providing a proper environment for the computer which the Computer Facility already had. He said funds would be needed to provide the same type of environment for the placement of another system at a new location and those monies could amount to quite a large sum.

Senator Glaser inquired if the Department of Motor Vehicles system was housed at the Computer Facility. Mr. Crosby said DMV used the computer at the Computer Facility. He noted DMV had smaller cluster computers in-house which communicated with the larger one at the Computer Facility.

Senator Glaser thought it would be worthwhile for the committee to visit the Computer Facility to better visualize the operation.

Senator McCorkle asked how long the Computer Systems Programmers had been with the facility. Mr. Crosby replied that most of those individuals had been there longer than 10 years. He indicated the high turnover rate occurred among the operators and lower-salaried positions.

Senate Committee on Finance

March 13, 1981

Senator McCorkle asked if it was requirement for IBM to maintain equipment after they had sold a system. Mr. Crosby said no, it was the facility's choice. He noted that IBM was the only company available that would maintain their own equipment.

Senator McCorkle inquired as to who bought the computer equipment. Mr. Crosby indicated the Data Processing Commission approved the purchase of all equipment. Senator McCorkle asked if the facility had considered purchasing equipment other than IBM. Mr. Crosby stated every purchase was made through competitive bid. When computed over a five year period, including the cost of maintenance, IBM's bid was still the lowest.

Senator Echols requested an explanation of "salary adjustment" as shown in the budget. Mr. Barrett noted that category was for the proposed salary increases. Since the Computer Facility was a non-General Fund agency, this item had to be budgeted for in the budget document.

Senator Jacobsen asked for an explanation of Buildings and Grounds Services. Mr. Crosby indicated the item in the budget was a different breakdown of what had been in past budgets. Buildings and Grounds provided a full time building maintenance man at the facility, grounds services, parking lot services, electrical, etc.

Office of the Controller (Pg. 50)

Mr. Wilson McGown, State Controller, introduced Mr. Bill Reinhardt, Manager of the Accounting Division of the Office of the Controller, to the committee. Mr. McGowan made some general statements with regard to accounting problems in State Government.

Mr. McGowan was satisfied with the present system of accounting for the State. He felt it was a very capable system and it was up to the State as a whole, to make the system work. This, he felt, could only be accomplished by satisfactory funding of data processing and accounting. Mr. McGowan believed, due to the tight economic situation in the State and nationwide, there must be better, more accurate accounting. He noted the Office of the Controller was, by law, the central accounting agency for all of State government.

Mr. Bill Reinhardt stated the accomplishments of the Controller's Office for the last two years which included:

1. Implementation of systems management.
 2. Implementation of automated vendor systems.
 3. Increased financial processing runs.
 4. Implementation of bank reconciliation processes.
 5. Implementation of uniform accounting procedures.
 6. Development of payroll projects to eliminate over-payments.
 7. Implementation of a comprehensive automated financial reporting system.
- Mr. Reinhardt noted the accomplishments had allowed the agency to redirect their staff effort 40% away from day-to-day maintenance functions into systems, enhancements and implementations.

Mr. Reinhardt said the agency needed financial statements that were prepared in accordance with generally accepted accounting principals and which would receive a clean audit opinion.

The Manager of the Accounting Division noted one of the most significant cost justifications for the agency's budget were the number of duplicate manual accounting systems that existed throughout the State. He believed the agency had the capability to eliminate or reduce a significant number of those manual systems for a cost savings to the State of approximately 1 million dollars.

Senate Committee on Finance
March 13, 1981

Mr. Reinhardt said the agency felt their budget request was critically important to achieve their goals, for the costs savings to State could only be accomplished within the confines of their budget.

Senator McCorkle requested an explanation of the noted savings of 13 man-years if the agency's budget was to remain the same. Mr. Reinhardt said that was analagous to the legislature having given the agency 13 additional positions at no cost to the State of Nevada.

Senator McCorkle asked when the last time the agency had received a staff increase. Mr. McGowan said the agency had previously been staffed up to 33 positions and were now down to 29 positions. and had been for the last several years. Mr. Reinhardt noted the rate of return for their budget would be approximately 30%.

Senator Gibson, referring to the revolving fund for Central Data Processing, asked if the situation had been worked out with the Controller's Office. Mr. McGowan felt the implementation of the revolving fund was the only way the problem could be solved. He believed the account should not be so small that it would cause CDP to stall payment of bills.

Senator Gibson asked if the Office of the Controller had been able to improve the rate of paying bills to less than 34 days. Mr. Reinhardt stated the rate had been reduced to one day upon receipt by the Office of the Controller.

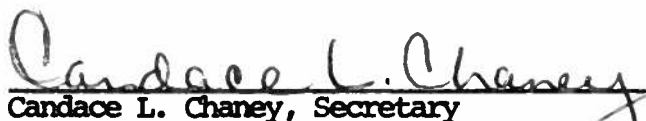
The Vice Chairman requested Mr. John Crossley and the Office of the Controller to return to the committee at a later date to discuss the agency's supplemental request for positions.

Mr. Barrett indicated last month's sales tax figure had been obtained. Referring to page A-6 in the budget document, he noted the year-to-date figure was \$90,421,919, a 5.4% increase. The percentage of increase over the same month for last year was 6.8%. He said the figures were running slightly lower than estimated.

Senator Gibson reminded the committee there was to be an interim Finance Committee meeting on Monday, March 16, in Room 131, at 8:00 a.m.

There being no further business, the meeting adjourned at 9:50 a.m.

Respectfully submitted by:


Candace L. Chaney, Secretary

APPROVED BY:


Senator Floyd R. Lamb, Chairman

DATE: 3/18/81

SENATE AGENDA

COMMITTEE MEETINGS

Committee on FINANCE, Room 231
Day (See Below), Date (See Below), Time 8:00 a.m.

MONDAY, MARCH 9, 1981

1. S.E. No. 348 - Makes supplemental appropriation to Department of Taxation for payment of rent. (Roy Nickson)
2. S.B. No. 40 - Provides for increase in disability and retirement benefits for retired public employees. (Vernon Bennett)
3. S.B. No. 233 - Creates exemption for elected county officers from certain payroll deductions for retirement contributions. (Vernon Bennett)
4. S.B. No. 337 - Makes supplemental appropriation for cost of utilities for Department of the Military. (William Engel)
5. S.B. No. 305 - Makes appropriation from state General Fund to legislative fund for increased dues to Council of State Governments.
6. S.B. No. 335 - Makes appropriation for certain machines for State Printing Office. (Don Bailey)
7. State Printing Office (Pg. 97 - Don Bailey)
 - a. Records Management Services (Pg. 101 - Don Bailey)
8. Lieutenant Governor (Pg. 33 - Myron Leavitt)

TUESDAY, MARCH 10, 1981

1. Department of Wildlife (Pg. 850 - Joe Greenley)
2. Wildlife Boating Program (Pg. 886 - Joe Greenley)
3. Athletic Commission (Pg. 753 - Ray Tennison)
4. Dairy Commission (Pg. 770 - William X. Smith)
5. Employee Management Relations (Pg. 156 - Ken Fraser)
6. Rural Housing (Pg. 1016 - Ed Markovitch)

WEDNESDAY, MARCH 11, 1981

1. Indian Affairs Commission (Pg. 148 - Elwood Mosey)
2. Public Defender (Pg. 158 - Norman Herring)
3. Gaming Control Board (Pg. 756 - Richard Bunker)
 - a. Gaming Control Board Investigative Fund (Pg. 766 - Richard Bunker)
4. S.E. No. 339 - Makes appropriation for certain testing equipment for State Gaming Control Board. (R. Bunker)
5. S.B. No. 340 - Makes appropriation for system for management of information for State Gaming Control Board. (R. Bunker)
6. S.B. No. 38 - Establishes annual salaries for members of Nevada Gaming Commission.

THURSDAY, MARCH 12, 1981

1. Racing Commission (Pg. 773 - Duane Goble)
2. Department of Energy (Pg. 843-862.....Noel Clark)

FRIDAY, MARCH 13, 1981

1. Central Data Processing (Pg. 116 - Gordon Harding)
2. Computer Facility (Pg. 120 - Art Crosby)
3. Office of Controller (Pg. 50 - Wilson McGowan)

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON FINANCE

DATE: March 13, 1981

PLEASE PRINT NAME	PLEASE PRINT ORGANIZATION & ADDRESS	PLEASE PRINT TELEPHONE
G. L. HANDING	C. D. P.	4090
John Crossley	LCB - Audit	
Lee Hanson	LCB Audit	
Brian Greenhalgh	Dept Gen Services	4094