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[AGENCY 65]

SENATOR STINNER: That concludes our hearing on Agency 87, Political Accountability and Disclosure Commission. We'll now open Agency 65, Department of Administrative Services.

[AGENCY 65]

BYRON DIAMOND: Good afternoon, Senator Stinner. [AGENCY 65]

SENATOR STINNER: Good afternoon. [AGENCY 65]

BYRON DIAMOND: (Exhibit 1) Again, good afternoon, Senator Stinner and members of the committee. My name is Byron Diamond, spelled B-y-r-o-n D-i-a-m-o-n-d, and I'm the director of the Department of Administrative Services. I'm here today in support of Governor Ricketts' budget recommendations and would like to speak about a few key elements of our budget submission. Administrative Services has the role and responsibility of providing support service functions for state agencies and is responsible for many of the day-to-day operations of state government. As a result of this, I'm in a unique position of being able to facilitate and implement processes and procedures to promote effective and efficient government while reducing cost, which is my top priority. The agency supports the government...the Governor's budget recommendations. However, in light of the most recent Nebraska Economic Forecasting Advisory Board adjustments to state revenue projections, DAS State Personnel Division is prepared to implement and manage within the framework of the committee's recommendation for a General Fund reduction greater than the reduction recommended by the Governor. The committee's preliminary recommendation for the Governor's Budget Office includes a General Fund reduction greater than the reduction recommended by the Governor. The Governor's Budget Office is prepared to operate within this additional reduction as recommended by the committee as well. However, we would like to discuss the following Governor's budget recommendations. The first is the Enterprise Resource Management consolidation. State Accounting Program 567 is responsible for the central accounting and payroll processes, internal controls, and ensures compliance with state expenditure policies and limitations. This program also maintains the state's Enterprise Resource Planning, or ERP, platform, which is on the Oracle JD Edwards system, the state's financial system of record. The ERP system houses and stores

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critical information and functions related to finance, payroll, procurement, sales and manufacturing, fixed assets, and capital asset management. Our budget proposal included a request of \$17,758,000 for the '17-19 biennium, which constitutes a one-time request of General Funds to migrate the following Enterprise platforms onto one contiguous cloud-based platform: Human Resources Management, Enterprise Resource Management, Biennial Budget Request, and a new eProcurement platform. The state currently uses six separate platforms to provide these services. They're NEOGOV, Cornerstone, Workday, Kronos, Oracle JD Edwards, and an OCIO home-grown application. Nebraska is one of six remaining states that still process state contract activity manually. The state's ERP system supports over \$940 million in financial transactions monthly. We have over 176 active interfaces that keep these systems talking to each other effectively each and every day. The Governor's recommendation included a \$12,049,000 of General Funds for the '17-19 biennium to fund the transfer of the Human Resources Management, Enterprise Resource Management, and eProcurement to a cloud-based solution. This amount was determined after negotiations with our existing vendors to better understand the cost to implement this critical project. Without the \$12,049,000 in this budget cycle, we must have \$2.5 million to upgrade Oracle JD Edwards from version 9.1 to 9.2, as version 9.1 will no longer be supported by Oracle after March of this year. This puts the state in danger of not receiving full and timely support from Oracle if there is a platform problem. In addition, subscription costs will also increase by over \$70,000 per year. The upgrade to Oracle 9.2 is a temporary solution for only one to two years. We will then either need to upgrade again or move to a cloud-based system in the future. Delaying the move to a cloud-based system will likely result in greater costs. Although the state has not yet determined which cloud-based system will be utilized or procured, any cloud-based system will reduce hardware requirements and eliminate the need for additional personnel. I believe the move to a cloud-based system is the best solution for the state going forward and ask that the committee include the full amount of \$12,049,000 in General Funds as recommended by the Governor to transition to a cloud-based system when LB327 is advanced to General File. As a result of any ERP system upgrade, whether an upgrade to the existing system or to a cloud-based system, the fixed asset inventory bar code scanner system used by Materiel Division, Program 171, will also need to be replaced. All state agencies, boards, and commissions are required to conduct an annual inventory pursuant to Statute 81-1118.02. The bar code system is the approved method for conducting this inventory. The existing software used to interface with Oracle JD Edwards is compatible only

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with older versions of Windows and will require an upgrade to be integrated into a new or updated ERP system. The current bar code scanner system requires a replacement of the existing hardware due to its age and will require a \$450,000 one-time revolving appropriation in FY '18 and an ongoing appropriation of \$55,000 in FY '19 for license and maintenance fees. The continuing availability of the bar code scanning system to all state agencies, boards, and commissions is essential to meeting the statutory requirement. Without such a system, fixed assets will need to be tracked and information entered into the system manually. An increase in revolving fund appropriations for the '17-19 biennium will not result in an assessment increase as there are sufficient funds available in the Materiel Revolving Fund. I ask that the committee include revolving fund appropriation of \$450,000 in FY '18 and \$55,000 FY '19 in LB327. Next topic would be shared services. The director's office, Program 49, is responsible for directing central administration of the state through its divisions, as well as policies and initiatives impacting statewide operations that play a key role in making decisions in the interest of a cost-effective and efficient state government. To accomplish this, I am requesting revolving fund appropriations and PSL for two Governor initiatives. The Center of Operational Excellence serves as the training center for continuous process improvement across all state code agencies within the...with the potential to also support noncode, constitutional, and other branches of state government. The center currently certifies white, yellow, and green belt in Lean Six Sigma methodology. The goal of this enterprise support team is to help agencies simplify processes, resulting in more effective, efficient, and customer-focused government. This program is requesting revolving fund appropriation of \$518,149 in FY '18 and \$505,659 in FY '19 and an increase of five positions, with the associated PSL of \$256,475 in each year, to effectively roll out this program to those agencies staffed with 200 or fewer employees over the next two years. The agencies choosing this service will be billed monthly based on the number or percentage of a shared service employee designated to the participating agency. We anticipate the need for one shared service employee for every 250 participating agency employees. For example, in a scenario with one agency with 50 employees, that agency would pay 20 percent of the cost of the designated shared services employee for that agency. The Human Resources Center of Excellence will provide human resource functions to support agencies that do not have a robust, full-time HR support infrastructure within their operations. This team provides full HR life-cycle services to include recruiting, on-boarding, compensation, payroll, performance evaluations, performance management, agency development, work force planning, safety initiatives,

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communication, developing agency human capital, and off-boarding operations. This program is requesting a revolving fund appropriation of \$404,650 in FY '18 and \$392,150 in FY '19 and an increase of five positions, with the associated PSL of \$209,874 for each fiscal year to effectively roll out this program. The agencies choosing this service will be billed monthly based on the number or percentage of a shared services employee designated to the participating agency. We anticipate the need for one shared services employee for every 100 participating agency employees. Both of these programs are aimed at reducing the cost of government while increasing both effectiveness and efficiency of state government. I ask the committee include the shared services initiative when LB327 is advanced to General File. The next program is our benefits administration--health insurance plan RFP. Employee Wellness and Benefits, Program 606, is responsible for the administration of the voluntary benefits program for active state employees, Consolidated Omnibus Budget Reconciliation Act, or COBRA, participants, and state of Nebraska retirees. Wellness and Benefits requests an increased cash fund appropriation for the State Employee Insurance Fund of \$190,000 in FY '18 to accommodate the cost of a consultant to assist with a medical/pharmacy request for proposal. The division lacks the necessary expertise of the complexity of the healthcare and pharmaceutical markets and their associated costs to fully develop an RFP to evaluate the cost proposals without the assistance and guidance of an outside consultant. And then our next program is the VBEL Program. Building Division, Program 560, includes the Vacant Building and Excess Land Committee which is responsible for the sale, demolition, and disposition of vacant buildings and excess state property. This program requests an additional appropriation of \$700,000 in cash funds in both fiscal years in order to fully access the fund balance. Currently there are multiple buildings identified for demolition estimated at approximately \$1 million to demolish, such as two buildings at the Hastings Regional Center, a smokestack and cemetery residence at the Grand Island Veterans' Home, and other excess property of which the disposition has not yet been determined, such as the Grand Island Armory, estimated...that project cost is \$1.2 million for demolition. Projects remain stagnant, buildings remain vacant, and land remains underutilized until appropriation is available to cover the associated cost to dispose of the property. In regard to all other budgetary matters for DAS, I respectfully request that you affirm the Governor's recommendations to include operational savings for cash and revolving funds. Attached with my testimony is a summary of the specific Governor recommendations related to operational savings to cash and revolving funds. Specifically, I call your attention to the reduction in State

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Accounting, Program 567, revolving fund appropriations. This is a corresponding reduction for the Center of Operational Excellence process improvement increase in the director's office, Program 49, as a result of those positions being transferred from State Accounting. I would now be happy to answer any questions you may have. Thank you. [AGENCY 65]

SENATOR STINNER: Any questions? So I'm looking at your proposal and you're saying, first off, our budget request which you made was \$17 million for this finance payroll procurement system is now \$12 (million) and it'll only cover Human Resource, Enterprise Resource Management, and eProcurement to a cloud-based. So we've narrowed that down and pushed it down? [AGENCY 65]

BYRON DIAMOND: Slightly. A couple things happened there. First of all, with the DAS budget, we're one of the first agencies every biennium that have to submit our budget first. My...DAS, Office of the Chief Information Officer, we get all of our money through assessments through the agencies we support statewide, so we have to be one of the first budgets completed so we can generate the state's rate book so that the agencies can then set their budgets to submit that later in the year. So when our first budget submission was due was when...the first week of May. At that point we were still in initial negotiations and finalizing our discovery processes, which we started in July of 2015 with our two major platform providers, which is Workday and JD Edwards Oracle. At that point, that \$17.8 million was the initial high-level estimate. We were still doing discovery work with migration consultants and also doing some further discovery work with those two companies to figure out what our finalized pricing would be. Part of that discussion also was the decision to basically set aside the implementation of the state's budget platform and leave it on the current home-grown OCIO platform until the next biennium budget submission. So that one came out, plus we were also to negotiate between subscription rate reductions or at least guarantees in rate reductions, and also what it would...and getting more finite detail of what a migration would look like and what it would cost. We were able to finally negotiate that price down to that \$12,050,000 that you're seeing in the current request in the appropriation. [AGENCY 65]

SENATOR STINNER: Now by going to this system, do we eliminate all of these six individual applications and platforms that we have? [AGENCY 65]

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BYRON DIAMOND: Absolutely, Senator. That's the key thing. When I arrived in this position two years ago, one of the things I wanted to look at, first of all, was the IT platforms that support our HR and our accounting systems. What you see there is a...again, I think it was a series of decisions made in the heat of the moment over the last 14 years that has got us to the point now where we have six disparate platforms supporting these critical functions that the state is required to have in order for us to effectively operate and function each and every day. For example, within the HR platform, NEOGOV is only used for our...basically our recruiting function. So all of our agency recruiters, when you first apply for a job at the state of Nebraska, all of your information off your resume is input into NEOGOV. Okay, you go through the interview process. Hey, everything's great. I decide I want to offer Senator Clements a job. So now I have to turn around now that...now I've offered him a job. I have to now input that into Workday in order to figure out what his salary is. So now I have to manually input that potential employee's critical data a second time. Okay, he accepts the job and now I've got to start my onboarding process. Well, now I also for a third time have to now input that information into Cornerstone, which is our performance management and training application. So none of these right now are effectively tied together with any type of interface where I enter it once and I've got a data of record. So that's of extreme concern because I have three opportunities to not get your birth date right, not get your full name right, not get your Social Security right. That causes payroll issues, that causes taxing issues, so it's a huge issue that we fight with each and every day. Plus, that triple redundancy, that means I've got staff having to touch a record three times instead of once, not only my staff but every agency across the state and every noncode agency that uses our system. So redundancies like that are what will be fixed with this consolidation, one of the many reasons why this would fix with a consolidation. [AGENCY 65]

SENATOR STINNER: Now eliminating these, not only the inefficiencies associated with it, you've obviously looked at it from a cost basis,... [AGENCY 65]

BYRON DIAMOND: Absolutely. [AGENCY 65]

SENATOR STINNER: ...how much in cost are we going to eliminate by carrying these six programs, the maintenance associated with them, the inefficiencies you've described in personnel. [AGENCY 65]

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BYRON DIAMOND: Yeah. [AGENCY 65]

SENATOR STINNER: Do you have an analysis of that? [AGENCY 65]

BYRON DIAMOND: Yes, I do. We submitted to the Legislative Fiscal Office. We have a business case that we wrote for this earlier last fall for the Governor's review. It also has attached to it annexes that are broken down to show those cost savings but I can talk to that at a high level. In the case of the subscription fees, right now between JD Edwards and the Cornerstone, NEOGOV, Workday contract platform, we're paying about \$1.6 million to \$1.7 million a year in annual subscription fees. That's just to pay for the usage of the software. That doesn't include yet my hardware cost and my IT support cost that I pay OCIO each and every year, which comes to about \$2 million, so I'm spending about \$3.6 million just for those, those platforms. In looking at this new platform, if I were to consolidate, and this again does not include the budget software, I go from about \$1.7 (million) to \$2.2 (million). But what we also are adding to that is a net new platform for the eProcurement. Now eProcurement, what it allows us to do is, is automate our contracting process. And that's probably...if you were talking to any of the agencies, you'll always hear contracting within the state of Nebraska takes a long time. It's a very knowledge-intensive, very technically intense process, takes a lot of time with both the agency and the Materiel Division within DAS to complete a contract negotiation. What it also encumbers us with is that I have limitations with a manual contracting process being able to effectively reach out quickly and let other potential incumbents that would bid on contracts with the state know that we have a contract out there. Some businesses are very good at monitoring our manual posting process; a lot aren't. The ability with the eProcurement system, when I have a contract that's entered into our system, the system would automatically notify. Whether their business is in Nebraska or business is in the other 49 states, they would automatically receive a notification if there's a contract that Nebraska is letting, which will give us more of a breadth and depth of potential vendors that are bidding on our contracts, which will drive down costs. The more bidders I get, generally I'm going to find a better deal with the more bidders that are involved in our procurement process. It also allows us with the eProcurement that we can also allow political subdivisions for the first time to more effectively use our contracts that we have let within the state of Nebraska, which saves them time and money on having to hire local legal support at that city or county level to let contracts. It also allows us to leverage additional discounts. For

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example, if I've got a county roads that wants to buy asphalt off the state contract, because I leverage additional counties other than just the Department of Roads right now, I can negotiate into the future steeper discount rates for what it costs per ton for asphalt. So the efficiencies, the scales go up as I add more potential customers to the platform. And that's where the eProcurement system helps us to facilitate that in a more automated manner, in a more timely manner than what we're dealing with, with the manual process today. [AGENCY 65]

SENATOR STINNER: Now anybody that's...that has systems, in-house systems, is looking for least-cost solutions. Certainly eliminating hardware cost into the future by going to the cloud is...has been a solution a lot of people have done. [AGENCY 65]

BYRON DIAMOND: Oh, thank you. [AGENCY 65]

SENATOR STINNER: So I support that idea. But from a hardware cost analysis, I presume you've looked at that, as well, and that's in your business plan? [AGENCY 65]

BYRON DIAMOND: Yes, it is. In the first three to four years, one vendor does not charge hardware, life cycle cost. One has a nominal fee for that. But again, as you look at the OCIO life cycle and what we do also, I'll tell you a story when I got here two years ago. Again, the ERP platform, which is our accounting system of record, I got here and I...and they were talking about the upgrade that we just were getting ready to kick off to go to version 9.1. And I asked. I said, by the way, what is the...what's the age of our AS/400 that this system runs on? And typically as an IT professional, you want to rotate those, those hardware systems, about every three to four, maybe at most five years. They said, well, Byron, that system is 11 years old. I said, let me get that right, you said 11? Okay, that's almost three times the normal life cycle of a major-end item for IT hardware. We just were finally able to migrate that box this past December so we're now finally on a new AS/400, and in the month of January we realized almost a 60 percent processing speed savings by going to that new box. The problem was over the years that the life cycle for this equipment, this infrastructure (a) wasn't being handled, but it also goes back to the number of staff you have assigned to those platforms. For an AS/400 platform, you have developers, you have network staff, you have software code development and coding and configuration staff, plus business analysts. Also within our business case justification, we looked at a typical staffing level

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for like-size states that use the same platform that we use. And the state of Nebraska, we are 38 technical staff short of having minimal staffing to support our platform. As of today for the state of Nebraska, I have three technical staff that support the AS/400 itself. It should be 18. I only have one network staff member. That should be eight. Developers, I should have about 20. I don't have any. I have two that are under contract from third-party vendors right now. So we are in a dire strait where I should have almost 60 IT staff supporting just the ERP platform. I only have six technical staff and I have nine nontechnical business analysts that support the agencies on their business functions. The other advantage that we would receive as a state if we go to the cloud environment, I can convert both my HR and all of my ERP platform support staff into business analysts and we go from about a 5 percent staffing level to 100 percent staffing level at the end of this migration process. At the end state, I will only need 18 staff to support the ERP, the HRM, and the eProcurement platform. So that's a huge savings, potential savings that even though we don't have the staff, we are running a risk every day of not...of something happening because we're not maintaining continuity and code currency on our main frame. And that's the thing that keeps me up at night. Right now we're about 15,000 code fixes behind because we only have enough staff and contracting staff to support the security patch fixes or any other mandatory fixes that come from the federal or the state government. All the other things that we could do to enhance the system, I cannot do because I don't have the staff or the funding to keep the system current once we get to the new version. The advantage with cloud--again, I go "off prem"--all that is supported by the vendor we select. The other problem we have is continuity of operations or disaster recovery. Right now, as of today, we also do not have a way to systematically bring the system back up on-line in a timely manner. Now two years ago I did purchase a second AS/400. We're in the process right now of now that we have the new production box up, we're starting the process now to do real-time replication to that box, which is going to be located up in Omaha. However, it's still not up yet, so if something happened today or tonight, it could be weeks before our financial system would come back on-line again. Again, the advantage of a cloud-based system is that when I push that data up into the cloud, it is also, with both of the potential vendors we're looking at, it's real-time replicated to three other data centers, besides our production data center, across the United States. So it goes to four different, disparate regions. So for the first time in the history of these platforms, we would have full data recovery capability at near real-time capabilities, which we do not have today. [AGENCY 65]

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SENATOR STINNER: I'm glad you...I'm glad you talked about the backup and disaster recovery. I was wondering if we had adequate backup. You're saying not yet? [AGENCY 65]

BYRON DIAMOND: Not yet. We're working on it, but it's still not going to be to where I would be comfortable with it, even with what we're doing today. [AGENCY 65]

SENATOR STINNER: Okay. If we don't go to this, we've got to spend \$2.5 million on upgrading the Oracle JDE version from 9.1 to 9.2. That's an added cost of staying with the system. Let's talk about that. Is it just two vendors you're working with on the cloud solutions? [AGENCY 65]

BYRON DIAMOND: Right now we are on the Workday cloud solution for HRM, so they are our HR database of record right now. And then the other one we are looking at is Oracle. They have a...they also have a cloud-based system as an Enterprise system. Both platforms would support the Enterprise model we're looking at. But we have not selected a vendor yet because I don't want to waste their time or our time if we don't have the funding to pursue and finalize that decision. But we have done detailed discovery with both companies since July of '15. Both organizations have come into Lincoln at least eight to ten times apiece to do detailed deep dives into each of their subplatforms. And we've brought not only DAS staff in but also other staff from other agencies to ensure that we're asking the right questions, we're looking at the right process flows, to make sure that when the time comes to make a decision, we are ready to make that quickly and we make sure we don't have any blind spots. [AGENCY 65]

SENATOR STINNER: Okay. The rest of your report...I'm going to pass out...you've seen this before. You and I have... [AGENCY 65]

BYRON DIAMOND: You bet. Yes, Senator. [AGENCY 65]

SENATOR STINNER: We have a relationship, I guess. But anyhow, if you could pass these out. And actually, I need one for the director. And probably keeping score on some of this stuff, you know, the legislative review we did over the summertime, we talked about fund balances, what

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the use is, what charges are, those types of things, and we talked about the definition of a revolving fund. You might want to address that with... [AGENCY 65]

BYRON DIAMOND: Sure. Again, DAS and OCIO, unlike the...I have a very small percentage of my funding that's General Fund and that's all through my State Personnel, but it's only the funds, some staffing within the State Personnel Division. About 95 to 98 percent of my funding comes from assessments or some type of fees through the agencies, whether that's building rental, it could be...and a lot of our...for the state vehicle fleet, for example, that is an assessment. We base that based off of past usage and the number of vehicles that agencies need, etcetera. There are very complex formulas that go into each of these assessments. And again, I'd mentioned earlier that DAS has to have our assessment book done about six months before the other agencies start their budget process. So we start very...we probably start about eight to nine months before the other agencies in preparing our budget. And those assessments we take a look at year over year because, again, the key thing we do not want to do, we're trying to avoid the buildup of cash reserves over time. And since I've arrived two years ago, we've started to look at how do...for those that do have maybe higher than normal cash fund balances, we've looked at various ways. And actually, Senator, I've got a list here, if you'd like me to go through it real briefly, of some of the things we've already put into place for this last year that are going to help drive down some of our cash balances. The first one was that we reduced the workers' comp assessment. That is going to save the agencies and General Fund \$2.2 million over the next two fiscal years. We've also looked at the Building Division rental rates and we decreased five facilities, and we had two other facilities that also are pending rate reductions as well. And then any increased operational costs have been absorbed by the State Building Division over the last three bienniums so that, in essence, the assessment has remained flat over the last six years for building rates for both. That's the paid utilities and to pay for deferred maintenance. Our accounting assessment was held flat for the second biennium in a row. Again, you still, even...we'll talk about the software, the software platform. The State Accounting Office right now pays for JD Edwards, for example. However, we've been able to keep that assessment flat by other efficiencies that have been built and that we've been able to discover and put into place within Administrative Services. Materiel purchasing assessment was held flat for the second biennium in a row. That specifically is going to save the state \$1.7 million over the next biennium. And what that was...what that is, is that we actually increased the staffing of the state

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purchasing or the Materiel contracting office about two years ago by eight staff. One of the huge complaints that Materiel Division was receiving is that it takes a long time to get contracts processed or there's not proper follow-up or there's not enough technical expertise. So eight FTE positions were transferred out of the state print shop because, again, as we go more electronic and more paperless, the print shop was a very good-sized staff, they had some open FTEs there two years ago that were not being utilized because there was not that requirement for support in the print shop, and they were transferred over to the Materiel Division. In the last two bienniums, the Materiel Revolving Cash Fund has paid for those employees. We have not assessed that out to the agencies. So in effect, we almost doubled the capability of that team without increasing assessments to the other agencies in the state. We had the new assessment for the Materiel bar code scanner. We have enough money in the revolving cash fund within Materiel where we can pay for that. All...again, all we're asking for is that authority to spend, basically that appropriation increase. We are not asking for General Funds. We have the cash to pay for that. We just need the authority to spend it. The personnel HRMS assessment has been held flat the last two, and that is the Workday, Cornerstone, NEOGOV assessments. We have been able to put additional efficiencies in place where we have not increased, we did not increase that assessment for this next budget year. The new assessment for the Center of Excellence, process improvement, and also we also have one that I did not talk about in my opening remarks, but we have also implemented a Continuity of Operations center of excellence for the entire state. I have two staff that we were able to realign out of the DAS staffing model and they are full-time dedicated staff members that work with the agencies to build continuity of operations plans, disaster recovery plans, and facility emergency action plans for all agency, all code agencies and all facilities statewide. As an example, this team worked with the State Patrol, the Capitol Security, and the Legislative Affairs Office this last fall to build emergency action plan for the Capitol. As you walk around, if you go by an exit, you'll see the little red booklets that tells you where to go for a tornado, where do you go for a fire drill, where do you go...what do you do if there's an active shooter incident in the facility. Then we also work with those facilities to do tornado drills, fire drills, and then this summer we will be starting active shooter drills so the staff know how to better react to those type of situations if they arise. But the key thing for the COOP is to ensure that if we have our worst day in the state and major operations are disrupted for the state of Nebraska, we have the ability and we've done the planning to be able to relocate agency activities and bring them back up and continue to support the constituents across the

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state. As of last year, we had eight initial agencies. Among them were Roads, HHS, DAS, and the Nebraska National Guard. Their plans were fully stood up and we've kicked off last month an additional eight agencies this year, plus continuing enhancements of the eight that we launched last year. This is another one of those initiatives that I looked at the first week I was here. I asked to see the COOP plan for Administrative Services when I got on the ground. I got a binder that was about this thick. It had a date of November of 2002 and I went through. In my previous life I was a disaster recovery director for a major company up in Omaha. So I started going through this 600-page document and I started pulling out the pages that actually had relevant information. At the end of that review, I had a total of five pages in front of me that were worth anything out of the 600 pages in the plan. The state had hired a contractor to build a plan after 9/11. The plan was built by the contractor. Everyone put it on their shelf, high-fived each other and said, hey, we've done a great job, we've got a COOP plan now. No one touched it for the next 12 years. So that's what we're in the process right now of building that capability and that comfort and that trust with the legislative branch, with our constituents, with each other, that if we ever do have that worst day, we have the ability to effectively bring our operations back on-line again. So with these shared services programs, that's where these are coming from. Our initial recommendation was to do an assessment to the agency, because this is a shared service to all agencies. But instead of that, we opted to go with the director's office. I had a little over \$3 million in my revolving cash fund. Over the next two years, I will completely absorb those costs for those two initiatives within my office on behalf of all state agencies. So that's going to be almost \$2.6 million that we are absorbing and we will use out of our cash fund over the next biennium. One of the other ones we have here, our TSP mileage rates were held flat. And again, one of the other good-news stories that happened is, you know, fuel costs came down over the last three years. When the rates were set biennium before last, you know, fuel was about \$3.75 to \$3.80 a gallon. Now we're lucky--they're around \$2.10 to \$2.15. So over the last two years that rate has risen. What we have done, we've started reducing our rates. We're also looking at other initiatives to reduce those assessments over time. That one, we are very conscious of that one because that one also receives part of our revolving funds. Some of these assessments also grab federal funds from our state agencies that receive federal grants or federal aid. So in the case of TSB, for example, the federal government will pay their portion of a state vehicle in the fleet. Well, we need to make sure that we don't go over the A-87 rule. The A-87 rule says that I can only have 90 days of operational costs in reserve at any given time. So we monitor that on a

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monthly basis. It was another thing that my accounting office implemented when I came on board two years ago. We now on a monthly basis meet and monitor all of our cash balances to ensure that we do not go over A-8...those A-87 lines and also to proactively push that back down by either doing no bills to the agencies or discuss some type of rate reductions on future years. So there are many proactive things that we're looking at to try to control those and start bringing those down. The last one I have is also earlier this year we also agreed to transfer from the 309 Task Force cash fund a little over \$1 million back to the General Fund out of 309 Task Force already. And then I can...now the...I can also talk in detail, Senator Stinner, about the Building Division and 309 Task Force, if you'd like. I don't know how much detail you would like me to go into. [AGENCY 65]

SENATOR STINNER: I'd really kind of like to tie your numbers back to funds here. [AGENCY 65]

BYRON DIAMOND: Okay, sure. [AGENCY 65]

SENATOR STINNER: And I've supplied everybody with it so they can keep score and maybe, as you have indicated, the Materiel Revolving Fund you've asked a request to use \$450,000 and \$55,000 and I think that that Materiel Revolving Fund is on page number 9. In that fund we have \$4,684,000 at the end of 2016, I believe. I don't know what the balance is currently. And I did a computation just for the new members of this committee. We did about an 11-year analysis of receipts and expenses, beginning balances, to take a look at what the history has been, and you can see that the balances, you know, fluctuate a little bit, but I gave the number of months of balances that are in the ending balance that reflect what the expenditures are. That's just a primer on it, but it appears that you want to pull down \$450,000 plus the \$55,000 out of that \$4.6 million balance. [AGENCY 65]

BYRON DIAMOND: That is correct, Senator. [AGENCY 65]

SENATOR STINNER: Now you were saying also you changed the amount that you're assessing on the revenue side on Materiel's, or was that part... [AGENCY 65]

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BYRON DIAMOND: Not on Materiel. [AGENCY 65]

SEATOR STINNER: Okay. [AGENCY 65]

BYRON DIAMOND: We did not do that. But what we are doing are we are paying for eight FTEs out of that cash reserve fund instead of assessing the agencies for those employees because, again, within DAS, almost all my divisions, their salaries are paid by those assessments and those cash balances are what we use to feed our PSL, to pay our staff salaries and benefits. So right now we are...we've internalized those eight additional staff and we're going to carry that for another two years. [AGENCY 65]

SENATOR STINNER: This is additional staff. [AGENCY 65]

BYRON DIAMOND: That is correct. Well, they're staff that have been...Bo, how long have those staff been employees now? [AGENCY 65]

BO BOTELHO: They've been there probably, well, four years. [AGENCY 65]

BYRON DIAMOND: Four years now? [AGENCY 65]

SENATOR STINNER: Okay, so it's reflected in the numbers as it relates to expenditures. Is that right or...? [AGENCY 65]

BYRON DIAMOND: Yes, that is correct. [AGENCY 65]

SENATOR STINNER: Okay. The next one that you have down was this program requests a revolving fund appropriation of \$518,000. I don't know which fund you're taking that out of. [AGENCY 65]

BYRON DIAMOND: Let's see. Which program are you referring to, Senator? [AGENCY 65]

SENATOR STINNER: Well, I don't know, to tell you the truth. [AGENCY 65]

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SCOTT DANIGOLE: The director's office. [AGENCY 65]

SENATOR STINNER: The director's office, is that it? Center of Operational Excellence?
[AGENCY 65]

BYRON DIAMOND: Okay. The Center of Operational Excellence, what we're asking for here is basically spending appropriation authority. I have the revolving cash fund available to pay the salary and benefits and office supply cost of these employees. [AGENCY 65]

SENATOR STINNER: Yeah. Which revolving fund? [AGENCY 65]

SENATOR WISHART: What fund is that? [AGENCY 65]

BYRON DIAMOND: Which? Let me look here. That is... [AGENCY 65]

SENATOR STINNER: Is it Administration? [AGENCY 65]

BYRON DIAMOND: That is 51650. [AGENCY 65]

SENATOR STINNER: That's Administration. That's on... [AGENCY 65]

BYRON DIAMOND: That's Administration Revolving Fund. [AGENCY 65]

SENATOR STINNER: ...page 7 and we've got \$2,445,000 in that fund and you're requesting...
[AGENCY 65]

SENATOR WISHART: \$500,000. [AGENCY 65]

SENATOR STINNER: ...\$518,149 and \$505,659, which will draw that down a little over a million dollars. [AGENCY 65]

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BYRON DIAMOND: Yeah, and then the second half of that is the shared services for HR. It would be \$404,650 for the first year and another \$392,150 for the second year. [AGENCY 65]

SENATOR STINNER: So you're basically depleting this fund to almost zero, huh? [AGENCY 65]

BYRON DIAMOND: Correct. [AGENCY 65]

SENATOR STINNER: Okay. That answers what you're using that for. Any FTE additions in that as well? You're asking for PSL authority on both of these? [AGENCY 65]

BYRON DIAMOND: Yeah, let me explain what we're...how...what the concept of that program is. With the shared services program, what we're looking to do is we're asking for FTE authorization that I can add in conjunction with the spending authority to pay those employees. However, when an agency signs up for that service, I'll talk about the process improvement initiative as a great example. Let's say, for example, I have three agencies that want to have a process improvement coordinator support them through their process improvement efforts. In order for them to be part of the program, they have to shut off one full-time FTE off their books, and then for those three or four agencies we will turn on one. So if I have three agencies using a process improvement coordinator, I will only have one FTE doing what three were doing before. So the net effect across the enterprise is that if I have three agencies participating, I'm only replacing one FTE. The other two will be permanently shut off by State Personnel with that agency. So every time we turn one on, there's going to be at least two or more shut off statewide. So this is a net effect or a net gain of reduction of state personnel over time. [AGENCY 65]

SENATOR STINNER: Now this is an assessment you make on the other funds to pay for the administration's (inaudible). [AGENCY 65]

BYRON DIAMOND: No, Senator. In the case of this one is, say, for example, I'm Department of...of...let's say Banking, Banking and Finance. In fact, we're doing a pilot with Banking, Finance and Insurance right now. What would happen is I would bill them monthly for their proportional share of a process improvement coordinator. And typically what we do is it's...we're

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assigning a process improvement coordinator for every 250 employees. So in the case Banking and Finance is 60, so he'd be...he'd pay 62 fiftieths of that employee and we would bill him monthly for that and that's how we would pay for them. So it would come out of the operational funds that the agency supported. [AGENCY 65]

SENATOR STINNER: Okay. [AGENCY 65]

BYRON DIAMOND: The benefit to the agencies is that (a) they're going to be able to reduce an FTE, their PSL isn't impacted, and they're paying a proportional share instead of a full FTE body, because some of these smaller agencies can't afford \$50,000 to \$60,000 a year for a process improvement coordinator. So they pay that proportional share based off of their head count coming off of the State Almanac. [AGENCY 65]

SENATOR STINNER: Okay. [AGENCY 65]

BYRON DIAMOND: And the HR shared services is set up with the same billing methodology as well. [AGENCY 65]

SENATOR STINNER: Okay, then we've got the wellness and benefits out of the state insurance program (inaudible). [AGENCY 65]

BYRON DIAMOND: That comes directly, Senator, out of our funding ourself, because the state of Nebraska is a self-insured insurance program. So we have a cash balance that we keep for the catastrophic health insurance claims. That will go up and down as we go through the year depending on claims and depending on where we are in the fiscal year on people using their deductibles, etcetera. Our intention would be to take the \$190,000 out of that revolving cash fund. What we're asking for is just spending authority in order to hire this consultant to help us through that contract renewal process. [AGENCY 65]

SENATOR STINNER: I didn't put that...that's not in your packet. I don't think I have the benefits. [AGENCY 65]

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ANN MARTINEZ: No. [AGENCY 65]

BYRON DIAMOND: What is that (inaudible), Ann? [AGENCY 65]

ANN MARTINEZ: Because when we had the study, you looked only at the revolving funds.
[AGENCY 65]

SENATOR STINNER: Exactly. [AGENCY 65]

ANN MARTINEZ: Actually, this is a cash fund. [AGENCY 65]

BYRON DIAMOND: Right. [AGENCY 65]

SENATOR STINNER: This is cash. [AGENCY 65]

ANN MARTINEZ: So it was not included in your study. [AGENCY 65]

SENATOR STINNER: Do you know the balance in the cash fund, by any chance? [AGENCY 65]

BYRON DIAMOND: I believe it's... [AGENCY 65]

ANN MARTINEZ: Of benefits? [AGENCY 65]

BYRON DIAMOND: Yeah, the benefits. [AGENCY 65]

ANN MARTINEZ: That particular fund? [AGENCY 65]

BYRON DIAMOND: Yeah, do you have that map or...right now it's \$692,859. [AGENCY 65]

ANN MARTINEZ: Money is only transferred annually from the health fund into this just for
those operational expenses, then once a biennium that balance is adjusted. That balance cannot

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continue to grow, so if the expenditures are not completely met, then the fund balance is brought back down again. So we don't allow that particular fund balance to grow. [AGENCY 65]

SENATOR STINNER: And I don't think I have one on this 560 program, Vacant Building. I don't have one on the building fund, either, so... [AGENCY 65]

ANN MARTINEZ: No, but it's the same situation. The Vacant Building is a cash fund and you looked at the "revolvings." [AGENCY 65]

BYRON DIAMOND: Yes. [AGENCY 65]

SENATOR STINNER: Cash fund? Okay, and how much is that one? [AGENCY 65]

ANN MARTINEZ: Currently the Vacant Building Fund has \$949,000 in it. [AGENCY 65]

SENATOR STINNER: So we don't quite have enough, right? [AGENCY 65]

ANN MARTINEZ: Right, because basically the base appropriation is a little over \$200,000, so though we've had additional funding, cash in the bank, we've not been able to spend it because we don't have enough appropriation. [AGENCY 65]

SENATOR STINNER: Okay. [AGENCY 65]

ANN MARTINEZ: So that's why we're asking for an increase in appropriation, so that we can access the fund balance that we currently have. And then as other properties are sold and the balance grows back up again, we'll have the appropriation to deal with the projects that we need to do so. [AGENCY 65]

SENATOR STINNER: I got it. I gotcha, because you're only asking for \$700,000. [AGENCY 65]

ANN MARTINEZ: Right. [AGENCY 65]

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BYRON DIAMOND: Correct. [AGENCY 65]

SENATOR STINNER: Okay. [AGENCY 65]

BYRON DIAMOND: Thanks, Ann. [AGENCY 65]

SENATOR STINNER: All right. I think that handles everything. But I do want to ask on the fund balances and stuff that I do have in here, we've handled Administrative, the State Building. You were indicating 309 Task Force and you had some information on that. [AGENCY 65]

BYRON DIAMOND: Yes. Just as an example, as of March 6, our cash balance just for LB...there's two different...there's actually four, but there's only two that are active. One is the cigarette tax fund, which is 26520. As of the 6th of March, that one had a cash balance of \$12,157,000. LB530 rent fund, which is 26670, currently has a cash balance of \$20,960,000. Commitments to the cigarette tax as of the 6th of March was \$6.7 million and commitments to LB530 were \$5.4 million. What a commitment is, is we have gone through, because, again, these are renovation, rehabilitation, or net new construction of capital construction across the state. So if there's a commitment, that means we've actually completed a project that is...has completed design and we fence money to initiate or those construction projects are underway. And then we have...and then you...then just as an example, just for the LB530 rent fund, we also have 16 projects that have completed design that are in pre-execution which come to \$2.2 (million) that have not been locked into commitment yet, because this stuff is always a moving target. We've got projects coming in and out every day. And then I have another 26 projects that are in one phase of design or another that have not had any cash committed to them yet until that design is completed. And we all know with renovation that I could start out where I do an initial assessment of I might think it's going to be \$200,000 to replace windows and they get in and they find that the termites have got in behind the framing and I've got to rip an entire wall down, it becomes \$600,000. So one of the things that that 309 Task Force and Building Division does is we keep those cash reserves with the State Treasurer as investment instruments until we're ready to commit funding, because if I commit it, it's got to come out of that, then I'm no longer gaining any interest on it. So a lot of the times, we will not commit until we know for sure what that initial contract cost is going to be based off of our RFP process. [AGENCY 65]

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SENATOR STINNER: But based on your revolving fund, at least at the end of June, we had \$11 million... [AGENCY 65]

BYRON DIAMOND: Right. [AGENCY 65]

SENATOR STINNER: ...that was basically committed, not yet spent. Is that what you're saying? [AGENCY 65]

BYRON DIAMOND: That is correct. [AGENCY 65]

SENATOR STINNER: Okay, I gotcha. And then of course, then we have a little over \$33 million in the two funds... [AGENCY 65]

BYRON DIAMOND: Right. [AGENCY 65]

SENATOR STINNER: ...that are sitting there as surplus to be committed at some other time,... [AGENCY 65]

BYRON DIAMOND: Correct, and just... [AGENCY 65]

SENATOR STINNER: ...because I think we've been averaging, well, according to this, about \$30 million of renovation. [AGENCY 65]

BYRON DIAMOND: That is correct, Senator. And usually at any given time within the 3...just the 309 Task Force, we usually have about 135 to 150 projects in queue. That could be something as minimal as a door replacement all the way to a full rehab of an exterior roof, HVAC replacement, boiler replacement, tunnel overhaul. We've got a myriad of things that go into that. The other thing that we...for both Building Division and 309 that we're also always concerned about is if I have a tornado or fire or I have a boiler explode. With our State Risk, our State Risk Office covers the first \$200,000 of damage on that, so we're self-insured for that. Then we have an insurance rider that carries us up to a million, then we have a supplemental rider that carries up to \$400 million. However, each year we ask the agencies and Building Division also

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does an assessment of what we think the replacement value of a building is. Okay, I may think this building I can replace for \$600,000, but it's out in Chadron. And then I get the building, the boiler blows up and it catches the building on fire, and I have to do a full replacement, so I have insurance coverage minus the \$200,000 (inaudible). I've got \$400,000 that I'm going to get from the insurance company. But my bids come back and they're a million dollars, so now I'm \$400,000 short in order for me to rebuild that building. So that has to come out of one of these two funds. And then the other additional cost that we always have to take into consideration is if that building is now no longer habitable, I have to find temporary accommodations for all the staff that were in that building, plus I have to buy them furniture, I have to buy them computers, have to reconnect network. So those are additional costs that come up if we were to ever have a catastrophic event like that, so we also carry a little bit of reserve both in Building and 309 for those emergency projects. I've got two great examples just from the wind storms last week. We had a roof at the Norfolk National Guard Armory was peeled back. The Spirit of 76 Armory here in Lincoln, its roof was also peeled back. Right now we think each of those projects will be between \$200,000 and \$400,000 for a roof replacement. Now what happens also with these incidents is when the building is built, it meets one certain building code. I get 10-20 years down the road, building codes change. In the case of the Norfolk roof, there is a city ordinance that changed within the last couple of years that now requires four inches of insulation between my roof barrier and the rest of the building. So that's going to add several hundred thousand dollars because we basically have to completely replace the roof because of the insulation requirement with that new building requirement. So things change over time also that will throw unexpected cost and time that go into those as well, so we're always trying to hold several million in reserve because I never know when we may have a hailstorm or some type of high-wind damage or a tornado that causes extensive damage to one or more of our buildings. [AGENCY 65]

SENATOR STINNER: Got you. I'm going to move on to the Materiel... [AGENCY 65]

SENATOR WATERMEIER: Senator...Chairman Stinner. [AGENCY 65]

SENATOR STINNER: Yes. [AGENCY 65]

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SENATOR WATERMEIER: I mean you...can I interrupt? You had made one comment about \$3 million in transfer out of 309. I don't know if maybe I'd wrote that down wrong. [AGENCY 65]

BYRON DIAMOND: Oh, no, it's not \$3 (million). It's only...let me look at that again. Right now it's \$1,062,000 that's being transferred out of the 309 Task Force to the General Fund.
[AGENCY 65]

SENATOR WATERMEIER: And for what reason? I guess I missed that part of it. [AGENCY 65]

BYRON DIAMOND: Ann, can you help me again on that one? I'm trying to remember.
[AGENCY 65]

SENATOR STINNER: It's being lapsed. [AGENCY 65]

SENATOR WATERMEIER: Okay. Now that's all. [AGENCY 65]

ANN MARTINEZ: Yeah, they're being reposed... [AGENCY 65]

BYRON DIAMOND: Yeah. [AGENCY 65]

ANN MARTINEZ: ...because basically currently in LB22 there were some transfers. [AGENCY 65]

SENATOR WATERMEIER: Yeah, I just wanted to make sure what it was. Okay. [AGENCY 65]

ANN MARTINEZ: And again, that hasn't...action has not been taken. But then in the current bill moving forward in the new biennium, there...lots of cash funds were listed and this fund was actually listed in the next biennium to have transfers again. [AGENCY 65]

SENATOR WATERMEIER: Okay. I just wanted to make sure I (inaudible). [AGENCY 65]

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ANN MARTINEZ: Yeah. [AGENCY 65]

SENATOR WATERMEIER: Thank you. [AGENCY 65]

SENATOR STINNER: Okay. Is that okay? [AGENCY 65]

SENATOR WATERMEIER: Yep. [AGENCY 65]

SENATOR STINNER: Okay. How about Materiel Revolving Fund? And we've taken \$450,000 out of it, \$500,000 out of it. We've still got \$4-plus million in it. You got anything additionally to assign to that? Can we repurpose some of that and maybe look at putting it toward the Enterprise or eProcurement or Human Resource Management System? [AGENCY 65]

BYRON DIAMOND: Well, again, Senator, I guess I would have to probably take the stance on that one that, again, the Governor has submitted a balanced budget proposal with that. That \$12 million was covered as part of his proposal. Again, I serve you...I serve the Legislature and the Governor. If that is a proposal, I'm not looking to probably volunteer any funds up, but we've got other items, such as paying those eight personnel. And then are we doing anything with eProcurement for that funding as well? [AGENCY 65]

ANN MARTINEZ: There would be another potential source as we move forward... [AGENCY 65]

BYRON DIAMOND: Yeah. [AGENCY 65]

ANN MARTINEZ: ...with the eProcurement. Again, I think when we met this summer and we talked a little bit about A-87, which is the federal guidelines, and talked about the minimum balance that you can have, they take a look at...currently, when you look at information that's in EnterpriseOne, basically it's a modified cash. It recognizes very little of liabilities or receivables that a particular fund might have. When we do the consolidated financial reports that State Accounting does, it moves that to a total accrual system because there are debts and other expenses that are not recognized in this level. So for example, when we look at Materiel, you

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look at that large balance and you see that, you know, \$4 million looks like a large balance. But when you take a look at all of these other transactions, as of June 30 of 2016, the balance was within federal guidelines so it was not... [AGENCY 65]

SENATOR STINNER: Okay. I get the fact it's in the federal guidelines, but I also have done ten years of analysis on your income and expenses and over a ten-year period of time it gives me a pretty good historical view on what traditionally is spent and taken in. And so, therefore, I can rely a little bit on that balance as extra with a buffer, and I get that part. [AGENCY 65]

BYRON DIAMOND: Sure. [AGENCY 65]

SENATOR STINNER: Also, I will remind you that the Governor submitted the budget before forecasting and now we have another \$150,000. That's why I am asking, where can I find this Easter...I'm in an Easter egg hunt right now. [AGENCY 65]

ANN MARTINEZ: Right. [AGENCY 65]

SENATOR STINNER: And I'm trying to figure out if there are places where we can look to get some projects done that we know we have to do, it's just a matter of timing or finding funding. So that's... [AGENCY 65]

ANN MARTINEZ: Another thing we need to be concerned about when you look at revolving funds... [AGENCY 65]

SENATOR STINNER: Is...is federal...yeah. [AGENCY 65]

ANN MARTINEZ: ...is the federal requirements but it's not really... [AGENCY 65]

SENATOR STINNER: Got that 100 percent. [AGENCY 65]

ANN MARTINEZ: Right. It's not only about the balance. It's about the use of those funds.
[AGENCY 65]

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SENATOR STINNER: I understand. [AGENCY 65]

ANN MARTINEZ: So those funds were used, were generated by serving certain services--print shop, copy services, and etcetera--so if we do have an excess balance, basically what the feds would require is that we would return that money to those customers. [AGENCY 65]

SENATOR STINNER: Yes. [AGENCY 65]

ANN MARTINEZ: So for example, in the past we've had a no bill on photocopy charges, for example, to bring those fund balances down. So if you take the money and use it on a different purpose, it would bring into some question about that. [AGENCY 65]

SENATOR STINNER: I...you know, and I guess that's another piece of this revolving fund. I need to have some information on if and how much our fed funds tie to the assessments that we're making, whether it be 50 percent, 40 percent, 10. [AGENCY 65]

BYRON DIAMOND: And a lot of that, Senator, drives based off the amount of federal funding each individual agency gets. [AGENCY 65]

SENATOR STINNER: Yeah, absolutely. [AGENCY 65]

BYRON DIAMOND: Some may only be 5 percent, some may be 50 percent, so it's a very...it's going to be a very complex calculation (inaudible). [AGENCY 65]

SENATOR STINNER: It always is. [AGENCY 65]

BYRON DIAMOND: Yeah, but we can take a look at that and see what we can get for you. We can do some more number crunching on that. [AGENCY 65]

SENATOR STINNER: I was just throwing \$190,000. [AGENCY 65]

BYRON DIAMOND: Sure. [AGENCY 65]

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SENATOR STINNER: I'm throwing a lot of stuff up against the wall. I'm seeing what can possibly stick. [AGENCY 65]

ANN MARTINEZ: Materiel had some...right. Materiel had some high balances and we took a look at different things. One of the things is we did increase our purchasing assessment, so salaries and health insurance, those amounts would be absorbed. And I think Byron mentioned earlier, you know, the print shop business, you know, they need to buy new equipment or to keep up with technology and those types of things. We need money to do those types of things as well. So again, in the Materiel area, we've looked at not raising those rates and to access them for eProcurement and other needs so we would see that those funds primarily are committed. [AGENCY 65]

SENATOR STINNER: My hope is we go to a paperless society and have everything on the Web, right? [AGENCY 65]

ANN MARTINEZ: Print shop doesn't like to hear that. [AGENCY 65]

SENATOR STINNER: By the way, would...I just got a note that you need to spell your name and for the...so we can get it for the transcriber. [AGENCY 65]

ANN MARTINEZ: Right. My name is Ann Martinez. It's A-n-n M-a-r-t-i-n-e-z. I'm the controller for the Department of Administrative Services. [AGENCY 65]

SENATOR STINNER: Thank you. Transcribers generally get a little angry at me for not having that done. [AGENCY 65]

ANN MARTINEZ: Well, I got a little Post-it Note. I wrote my name down. [AGENCY 65]

SENATOR STINNER: Thank you very much for the information. [AGENCY 65]

BYRON DIAMOND: Thanks, Ann. [AGENCY 65]

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SENATOR STINNER: So that...I'll put that...another one I looked at, and we all looked at, was this AS/400 computers for the state that's...your IDSD revolving fund, that has \$800,000 into it. Any idea what you can do with this or do you have something? [AGENCY 65]

BYRON DIAMOND: Oh, that one I can't speak to, Senator. That's the Office of the CIO. [AGENCY 65]

SENATOR STINNER: Yeah, it is. [AGENCY 65]

BYRON DIAMOND: Yeah, so I... [AGENCY 65]

SENATOR STINNER: Yeah. [AGENCY 65]

BYRON DIAMOND: Unfortunately, I can't speak to that one. [AGENCY 65]

SENATOR STINNER: Yeah. I'll wait until he comes back. Telecommunications buildup is about \$12 million of funds in the Communications Revolving Fund? [AGENCY 65]

BYRON DIAMOND: That's also OCIO as well. [AGENCY 65]

SENATOR STINNER: Okay. You think you'd be willing to let some of those funds...? Just throwing it out. Okay. Capitol Buildings Parking Revolving, I'd presume that's all committed to that solution. [AGENCY 65]

BYRON DIAMOND: Yes, and that's another complicated fund because what happens there is with our surface parking and our garage parking for our state complexes, every state employee pays for their parking and we do deferred maintenance support with that money that's paid by the employee. So then if we were going to touch that, basically, you're taking money that the employees paid for that service to roll that back into another program. So that one is another one of those touchy ones that we would have to probably have some more discussion about. [AGENCY 65]

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SENATOR STINNER: And I'm sure that the employees are totally committed to balancing this budget. How much do you think we ought to carry in it, just... [AGENCY 65]

BYRON DIAMOND: I'm sorry, Senator... [AGENCY 65]

SENATOR STINNER: How much...well, we've got \$2.3 million. What's the number that you're thinking should be in there? I know deferred maintenance and maintenance expenses. [AGENCY 65]

BYRON DIAMOND: Sure. I don't have the numbers in front of me. But, for example, if we were to resurface the executive parking lot, that is typically about \$400,000 to \$600,000 just for a resurfacing. And we have to do that every...probably every three to four years. And it depends, too, on how the winters go. With the asphalt, if it's a really cold winter and then we have a warm spot, they fracture pretty easily. It's also for us to ensure cleanliness and maintenance of the parking garages. It is also a fund that we use, as well, over time to start saving to acquire additional property. For the state of Nebraska, Lincoln Capitol campus right now, we're about 400 to 500 parking spaces short. That's how large our backlog is for our employees here in Lincoln. So that fund is also used for us to potentially go out and acquire additional property or to build, maybe from a surface lot to build a multistory parking garage. That's one of the other things that DAS is working on. The Building Division is in the process of doing a 20-year construction master plan for the Lincoln campus. This is the first time in state history that the state of Nebraska has done a master plan. One of the major pieces they're looking at within that master plan is the parking issues we have in the Lincoln area. But that's one of those where that money, we try to strategically build that up so that we can increase our capability for parking support for our state employees. [AGENCY 65]

SENATOR STINNER: I'm going to pass on the other revolving fund on the computer side of things, but we've got \$5.4 (million) in the IMS revolving fund. If I start to add things up, I've got plenty to buy this. Anyhow, TSB Revolving Fund is always one that is--that's the transportation side--is always one that catches my eye because we do keep \$5-6 million in it on a fairly consistent basis. How big is the fleet? [AGENCY 65]

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BYRON DIAMOND: Right now, we have a little...almost 1,300 vehicles that DAS supports statewide. Department of Roads, State Patrol, and Game and Parks support their own fleets, but we support all the other agencies in the state out of that fleet. We also self-fund that between the assessments and then when a vehicle in our fleet arrives at end-of-life cycle, for example, twice a year we have a vehicle sale out at the state surplus warehouse down by the State Penitentiary. Generally we'll have anywhere from 125 to maybe 175 vehicles because we try to rotate our vehicles every five years through the fleet. [AGENCY 65]

SENATOR STINNER: Is that the average age, do you know? [AGENCY 65]

BYRON DIAMOND: That's the average age, yes. They're usually four-and-a-half to five years when we rotate the fleet out, so it's...we're not replacing them very often. That five years with the assessments ensures that we build up enough of the assessment of the monthly for the mileage and for the usage that we build up enough in that fund to buy the replacement car when that car is ready to life cycle. Now we save on the assessment by selling those vehicles at the State Surplus Auction. We've got a very robust program when we do that. We're typically selling those cars anywhere from \$1,000 to \$2,000 or \$3,000 above Blue Book. So we usually have anywhere from, I think, what, \$1.4 (million), \$1.75 (million)--Bo, usually?--for the sale and that rolls back into this account which allows us to keep our assessments flat. But we use that money to buy that so you're going to see an ebb and flow as you look at that chart. You know, one of that's a product of the auto sales and then we do the purchasing once a year of the replacement auto fleet that comes in. And that's usually about 200-250 a year? [AGENCY 65]

BO BOTELHO: Vehicles? [AGENCY 65]

BYRON DIAMOND: Yeah. [AGENCY 65]

BO BOTELHO: Well, we're on the five-year cycle, I think. [AGENCY 65]

BYRON DIAMOND: Yeah. [AGENCY 65]

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BO BOTELHO: This is the fifth year of cycle so we'll purchase more vehicles (inaudible).
[AGENCY 65]

BYRON DIAMOND: This year, so that will drive that down as that starts later this year.
[AGENCY 65]

SENATOR STINNER: What's the value of the vehicles? [AGENCY 65]

BYRON DIAMOND: Typically they're usually purchased between \$12,000 and \$14,000. Most of them are the four-door sedans. I mean we have a few agencies that have upgrades, the pickups or vans, because--I'll use Environmental Quality, for example--they have to upload a lot of equipment to go out and do their site inspections and do their testing. So they have larger, heavy-duty trucks or vans to haul their test equipment back and forth from the lab out to the site. But the majority of the agencies are using the four-door sedans and those are typically in the \$12,000 to \$14,000-15,000 range. [AGENCY 65]

SENATOR STINNER: Okay. I was just wondering if the vehicles in Chadron, Scottsbluff, you actually drive them down here? [AGENCY 65]

BYRON DIAMOND: Yes. [AGENCY 65]

SENATOR STINNER: You do, huh? Senator Wishart. [AGENCY 65]

SENATOR WISHART: Just a clarification for me. So a vehicle's life span is five years and then you resell? [AGENCY 65]

BYRON DIAMOND: That is correct, yes, Senator. [AGENCY 65]

SENATOR WISHART: Five years--why five years? [AGENCY 65]

BYRON DIAMOND: Typically that's about the point in time, one, if you look at amortization, but we buy these on a master lease, we pay that off, so that's one of the factors for five-year. But

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also at five years, you're getting to the point where the vehicle is going to cost us more for maintenance. So you also have to take into account how much is it going to cost for maintenance when I start having transmission issues, drive train issues, suspension issues. So they spend more time either at the shop here in Lincoln or I have to hire a third-party contractor for the Chadron vehicles to pay for repair. So that's about the point in time, at four-and-a-half to five years, where we want to replace them before the maintenance costs just get astronomical on us as well. And usually most of the vehicles also have probably a three- to four-year power train or master coverage for maintenance repair, as well, so a lot of that we take to the local dealership for repair when...while they're still under warranty. [AGENCY 65]

SENATOR STINNER: Has anybody done the calculation of saying we're going to pay mileage instead of providing cars? [AGENCY 65]

BYRON DIAMOND: Have we done (inaudible)? Ann? [AGENCY 65]

ANN MARTINEZ: It was done, I think, several years ago to take a look at where was that break-even point. I think, you know, if you just have...say, for example, you needed to run up to university or out to surplus property. Because there's a half-a-day and a full-day rate, it would be more advantageous for a person to use their personal vehicle. But once you get out into, you know, a 40- or 50-mile trip, then it was more advantageous for the state to pay the TSB rate, as well as then the half- or full-day rate for the use of the vehicle. [AGENCY 65]

SENATOR STINNER: But I think it's interesting we're under an initiative by the Governor now to cut down on travel and... [AGENCY 65]

ANN MARTINEZ: But you also have to realize that quite a few of the agencies as part of their missions, because the people who I think are the power users of TSB, who have the permanently assigned leases--you know, they're in HHS, they're the Fire Marshals--they're people where they're required every day to travel out to meet with their clients and constituents and that type of thing. [AGENCY 65]

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SENATOR STINNER: Just a real quick ratio, we got 13,000 employees that the state employs, 1,300 vehicles, figure out the ratio of that. [AGENCY 65]

ANN MARTINEZ: Right. But then again you look at... [AGENCY 65]

SENATOR STINNER: Seems extraordinary. [AGENCY 65]

ANN MARTINEZ: Right, but Roads, Game and Parks, Corrections, there's lots of agencies who have the ability to own their own vehicles, so they're not coming to our pools. [AGENCY 65]

SENATOR STINNER: That would actually skew the numbers more the other... [AGENCY 65]

BYRON DIAMOND: Right. [AGENCY 65]

SENATOR STINNER: ...the other way. But in any event, anybody else on vehicles? [AGENCY 65]

SENATOR WISHART: No, don't get me started (inaudible). [AGENCY 65]

SENATOR STINNER: It's just one of these things that intrigues me. Surplus property, you've got funds in there, \$300,000-some. What do we use this for, just... [AGENCY 65]

BYRON DIAMOND: Typically those funding...that funding is used...as we accumulate that, that's used to expand capability out at the surplus yard. Again, two years ago, if you were to go out there, it was the building and it was just basically an empty dirt lot. So for example, our manager out there will use that to rerock it so we have an all-weather parking lot for the vehicles that come in for surplus. He has acquired additional Conexes where we can store additional surplus property. One of the things three, four years ago, if you walked around the buildings of the state, you would find computers, old furniture, whatever, stacked in corners of every office across the state. What Mr. McGuire has done out there is absolutely extraordinary. He is very proactive with communicating with agencies to turn in that surplus property. If you were to go through a lot of the buildings today, he has worked with those building managers or the

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occupants of those buildings to get that surplus property out of there and actually get it out to the surplus warehouse to put it on sale. Typically on a monthly basis he has a sale every month just for furniture, computer, or anything else, any other sundry things--you know, popcorn makers, refrigerators, whatever our facilities across the state have--and typically we will sell up to \$30,000 worth of inventory every month at the surplus auction. That, then you're talking maybe \$5 or \$10 at a shot. Someone buys an office chair or a computer or whatever it is that they're looking, computer monitors, and that way the state is getting at least some minimal return on that investment when we first bought that durable piece of property. [AGENCY 65]

SENATOR STINNER: So any excess balance in this could be used in other... [AGENCY 65]

BYRON DIAMOND: Potentially, yes, yeah, because again, Senator, you know, it's used for us to expand capabilities and surface capabilities out at the surplus warehouse. [AGENCY 65]

SENATOR STINNER: Okay. You have how many FTEs associated with that? [AGENCY 65]

BYRON DIAMOND: We have two full time, and then from time to time they will have trustees from the prison system work out there as well. [AGENCY 65]

SENATOR STINNER: Okay. And we get to the Accounting revolving fund that has \$2.3 million in it. What's your... [AGENCY 65]

BYRON DIAMOND: That has drawn down significantly over the last two years. We have held...again, held that...the assessment rates flat. That is also the fund that pays for all of our IT projects, again, for development. If we've got...let's say HHS needs a new field added to a subscreen. That budget is what is used to pay those contracting developers I had mentioned earlier to do that additional work to enhance our system where we can. That rate was, again, held flat this year. I think we draw that down over the two years. Ann, how much are we projecting to draw that down because of the assessment reduction or the assessment hold? [AGENCY 65]

ANN MARTINEZ: We were looking as a balance possibly at the end of the biennium they'd be down to \$1.3 million. [AGENCY 65]

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SENATOR STINNER: Is this the one you're drawing down to \$46,000 eventually? Is that...
[AGENCY 65]

ANN MARTINEZ: No, that was the director's office one. [AGENCY 65]

BYRON DIAMOND: That's the director's office. [AGENCY 65]

SENATOR STINNER: Okay. [AGENCY 65]

ANN MARTINEZ: They have similar names. It's kind of confusing. [AGENCY 65]

SENATOR STINNER: Okay. I'll hurry. Employee pool, we talked about that. That was \$1.2 million was left in that. Again, do we have plans for that or do we have some reason we keep a big balance in that? [AGENCY 65]

BYRON DIAMOND: Yeah. That is used as the agencies come forward, for example, if I've got a special project over at HHS or Corrections or Roads and they need to hire a temporary pool staff of, say, three, five, six people, that is the funding pool we use to pay salaries and benefits to get that up and running. There is a fee that goes out to the agency but we have to forward pay as they ask to turn those SOS employees on. That's what that fund is primarily used for. [AGENCY 65]

SENATOR STINNER: You couldn't bring it down to at least a half a million and leave that in there and... [AGENCY 65]

BYRON DIAMOND: I would have to look at it in more detail. Hey, Margie (phonetic), where you at? [AGENCY 65]

ANN MARTINEZ: Well, when we looked at the fund balance as of June, the 30th, it was approximately \$200,000 high. So what we've done during this current fiscal year is continue to monitor the fund. Again, there has been a freeze or a hold also on SOS replacements so we're looking at how that's going to impact our business. And then again, there is a surcharge to the agencies for using this and if we continue to see that fund balance kind of staying at about that

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plus \$200,000 balance from the A-87, we take a look at perhaps a moratorium for a month or two and not charge the surcharge to the customers. [AGENCY 65]

SENATOR STINNER: I would be interested to look at what kind of modeling you do on balances, if that's at all possible. [AGENCY 65]

ANN MARTINEZ: Sure. [AGENCY 65]

SENATOR STINNER: That would be helpful to me so that I don't have to go through this every year or every biennium. There's a couple other ones that I was going to ask about and I probably won't at this point. State Insurance Revolving Fund, you've got a \$12 million balance. That fluctuates up and down but mostly it has moved from about \$3.5 million 11 years ago to now \$12 million in balances. That's a pretty substantial balance in insurance, is it not? [AGENCY 65]

ANN MARTINEZ: Well, we...again, the balance that we've kind of targeted is closer to the \$10 million range, so we have been looking at that one. However, what we have seen in the past three years is unfortunately we've had some substantial losses that required the excess insurance coverage which saw this year our premiums for the self-insurance piece went up by more than \$400,000, so we're taking that into account as we look forward to the rates as well. [AGENCY 65]

SENATOR STINNER: But you can turn around and assess, so if you have special loss you can... [AGENCY 65]

ANN MARTINEZ: Yes, but the assessments...right, but we have to pass that on to the state agencies and the university and the state colleges that participate in the program. [AGENCY 65]

SENATOR STINNER: So your target balance is \$10 million in this fund or is...does that one... [AGENCY 65]

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ANN MARTINEZ: Yes. Then again, that's a fund balance, not a cash balance, yes. [AGENCY 65]

SENATOR STINNER: Yes. Okay. Workmen's comp is always one that's interesting to me. I know you do actuarial assumptions on this and actuarial testing. I have yet to see what the actuary assumptions are. I presume that I could get those in an actuary report. [AGENCY 65]

ANN MARTINEZ: Yes. [AGENCY 65]

BYRON DIAMOND: Yes. [AGENCY 65]

ANN MARTINEZ: Yes. [AGENCY 65]

SENATOR STINNER: But right now we fit the high of \$18 million in claims. We've got a \$23 million balance. You know, 15 months in that fund is quite a bit. [AGENCY 65]

ANN MARTINEZ: Again, the actuarial study showed that if the state of Nebraska chose to finish our...we're currently self-insured for workers' comp. [AGENCY 65]

SENATOR STINNER: Right. [AGENCY 65]

ANN MARTINEZ: We do not have an outside insurance company, so we're completely self-insured for workers' comp. But the actuarial study has shown that should we decide tomorrow that we no longer want to be self-insured, we would need to settle with all individuals who are currently receiving workers' comp benefits. We would need approximately \$40,000-plus...\$40 million. So again, \$23 million looks high, but should we reach that point, we would still be back in front of this group asking for additional monies. [AGENCY 65]

SENATOR STINNER: I can assure you that if that's the computation, we'll still self-insure. But I have 10 years or 11 years of claims and it doesn't appear that we've ever exceeded what we've brought in except for this year. [AGENCY 65]

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ANN MARTINEZ: Yes. We have seen workers' comp claims increase over the last several years. It's not been so much the number of claims. [AGENCY 65]

SENATOR STINNER: It's the amount. [AGENCY 65]

ANN MARTINEZ: It's been the high value of them. We've seen the same driving medical. Again, this...moving forward in this next biennium, again, they've looked at the safety program and other initiatives. As we move into the next biennium, actually, our assessment will go down, so we'll see a benefit to the agencies. And the university does participate in the workers' comp program, so they're also going to see a substantial savings in that assessment. Unfortunately, on the state insurance side we've had lots of claims. Pretty much all of those rates had to be increased. [AGENCY 65]

SENATOR STINNER: Appreciate that. I do not have any more questions. I think that what I'd like to see is show me the list of things, the list of...that you have put together on the business plan for this computer. I think, too, if you have that list again of what you held flat on rates and that analysis... [AGENCY 65]

BYRON DIAMOND: Absolutely. [AGENCY 65]

SENATOR STINNER: ...of any kind of balance, target balances that you have, that would all be helpful as we move forward in this budgeting process. And I do appreciate your patience with me today. Is there any additional questions? Seeing none, thank you. [AGENCY 65]

BYRON DIAMOND: Great. Thank you, Senator. Thank you. [AGENCY 65]

SENATOR STINNER: Any additional proponents? Any proponents? Any opponents? Seeing none, anybody in the neutral capacity? Seeing none, that concludes our agency, Agency 65, Department of Administrative Services. Next we will hear LB611. Okay. [AGENCY 65]

_____: Senator. [AGENCY 65]

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_____: Senator. [AGENCY 65]

_____: Senator, we've got two up. We've got Capitol Commission and CIO...
[AGENCY 65]

ANN MARTINEZ: CIO. [AGENCY 65]

_____: ...are going to testify (inaudible). [AGENCY 65]

SCOTT DANIGOLE: They're subsets of DAS. [AGENCY 65]

SENATOR STINNER: Okay. I did not have that on my agenda. I'm sorry. [AGENCY 65]

SCOTT DANIGOLE: They would be under proponents. [AGENCY 65]

SENATOR STINNER: Now what? [AGENCY 65]

SCOTT DANIGOLE: They should be under proponents (inaudible). [AGENCY 65]

SENATOR STINNER: They would be...you would be under proponents, Mike (phonetic), would be my guess, so (laughter) let's...let's open the Agency 65 back up and ask about proponents. And then we'll have, what, the Capitol Commission and the other... [AGENCY 65]

SCOTT DANIGOLE: OCIO. [AGENCY 65]

SENATOR STINNER: OCIO, okay. So if we could have Capitol Commission or OCIO.
[AGENCY 65]

JULIE HEYEN: (Exhibit 2) Good afternoon. Chairperson Stinner and members of the Appropriations Committee, my name is Julie Heyen, J-u-l-i-e H-e-y-e-n. I'm the controller for the Office of the Chief Information Officer for the state of Nebraska. Mr. Toner couldn't be here today and asked me to testify on his behalf. I appear before you today to testify in support of the

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Governor's budget recommendations for the Office of the Chief Information Officer. The Office of the Chief Information Officer is largely a revolving-funded division within the Department of Administrative Services. Fees charged to agencies and other governmental entities for goods and services represent 100 percent of revenues for revolving-funded operations. In order to respond to planned and unforeseen spending requests by our customers, the OCIO needs sufficient revolving fund spending authority available within our budget for the upcoming biennium. The budget of the Office of the CIO is contained in the budget of the Department of Administrative Services and is represented in five programs: Chief Information Officer; Intergovernmental Data Services; Information Management Services Division; the Communications Division; and the Public Safety Communications System. I appreciate the committee's...the committee's recommendations are similar to the Governor's recommendations with a few exceptions. The most visible information technology strategy today is shared services and consolidations which promote efficiency in the use of IT resources and reduce overall operating costs. The OCIO has been working very hard to consolidate IT resources and technologies among state agencies. These consolidation efforts have thus far been very successful in reducing overall IT spend and eliminating duplication across the state of Nebraska. Through this process, many of the IT functions that have historically been performed at the agency level are now being performed at the OCIO through a process of collaboration and cooperation across agency lines. The committee preliminary recommendation does not include reductions recommended by the Governor for the Department of Roads, Labor, and Revenue. Information on consolidating resources within the OCIO and the corresponding reductions in resources at the agency level was shared by the Governor's Budget Office with your staff. This information is included in handout A for your reference. The Public Safety Communications System program supports the work being done on the Public Safety Radio System, also known as the Statewide Radio System or SRS. This revolving-funded program collects monies from state agencies and local subdivisions to cover the cost to maintain and operate the SRS. Rates charged to support this system were calculated a year ago based upon projected usage provided to us by its customers. Any legislation restriction SRS usage by state agencies will impact the rates the OCIO must charge to properly operate the SRS. Restricting use of the SRS will also force user agencies to continue to rely on inefficient, expensive, and antiquated communications systems, which results in larger than necessary spend on communications across the state of Nebraska. For fiscal year '18, the Department of Roads' budget request included approximately \$2.5 million for public safety

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expenditures, approximately \$1.8 million of which is intended to expand their usage of the Statewide Radio System. This total was included in the Governor's recommendation. The preliminary committee recommendation reduced this number by approximately \$900,000, therefore, reducing the number of new users the Department of Roads can bring onto the SRS. If that total remains as proposed, the OCIO will have to increase SRS user rates in order to fully recover the cost to operate the system. User rate increases for the SRS will impact all other user agencies and could immediately create budget deficit issues by forcing those agencies to shoulder an increased burden of the public safety program expenditures. I've included handout B with detail on the impact to each agency of a user rate increase. I ask the committee to support the Department of Roads' request in an amount necessary to add new users to the SRS in fiscal year '18 and '19. It's my understanding that the Governor's Budget Office and your staff have met to determine the appropriations necessary to ensure the user fees will be at a level that was recommended by the Governor. In addition to the Governor's recommendations, I would like to propose a single umbrella appropriation for all of the OCIO's revolving funds. The OCIO currently has four separate revolving-funded programs, each with their own distinct budget. The structure of the programs was put into place decades ago when separate operational divisions for mainframe computing and telecommunications provided a narrow range of IT services. LB929, enacted in 2006, gave the OCIO oversight responsibility for all of the operational divisions and combined them physically but not financially. While it may have made sense for these programs to be segregated 50 years ago, it makes little sense today. Information technology is one of the fastest changing sectors in government and the existing program structure no longer reflects the wide range of services or the management teams that now exist within the OCIO. Providing a single umbrella appropriation for the revolving-funded programs of the OCIO would simplify financial management and approved financial reporting. I have included handout C with my testimony with a suggestion on how the umbrella appropriation could look if approved by the committee. Please note the amounts in handout C are based on the Governor's recommendations. The Governor fully supports this change. I have one more request of the committee. Included in the Governor's recommendations, there was a reduction of revolving funds of \$288,469 and PSL of \$220,205 within the Communications Division for three positions that have been closed as part of the IT consolidation effort. These positions were...the positions that were closed resided within the Information Management Services Division, not the Communications Division, as reflected in the recommendations. I respectfully request this decrease in appropriation and PSL

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occur within the Information Management Services Division, rather than the Communications Division. If the umbrella appropriation request is granted, this transfer of appropriations and PSL will not be needed. I want to take this opportunity to thank the Governor and the committee for their support shown for the management of information technology in the state of Nebraska and I'd be happy to answer any questions you might have. [AGENCY 65]

SENATOR STINNER: Thank you. Any additional questions? We struggle with the radio in this department. I...we look at the cost of those individual radios and it just disheartens. Maybe we could go out in the field and see this actual radio work and what it looks like and... [AGENCY 65]

JULIE HEYEN: Our team would be happy to show you that. [AGENCY 65]

SENATOR STINNER: Okay. We may take a field trip, how's that? Any other questions? We do thank you for being here. [AGENCY 65]

JULIE HEYEN: Thank you. [AGENCY 65]

SENATOR STINNER: Any additional proponents? Capitol Commission, is that...good afternoon. [AGENCY 65]

BOB RIPLEY: (Exhibits 3 and 4) Good afternoon, Mr. Chairman and members of the Appropriations Committee. My name is Bob Ripley, R-i-p-l-e-y. I have served as administrator for the Office of the Capitol Commission since its creation by the...by legislative action in the 2004 Session. I appear today in support of the Governor's budget recommendation and the committee's preliminary decisions. I would like to thank the Governor and the committee for supporting a project manager for the Capitol HVAC project. This individual's skill set is imperative to the long-term success of this ten-year project. Once the project is complete, the need for this position will no longer be necessary. Additionally, I appear to give a brief overview of our agency for the benefit of the newer members of the committee. The Office of the Capitol Commission is the administrative agency housed on the seventh floor of this building which carries out our mission under the advice and consent of the Nebraska Capitol Commission. In

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2004, the current Nebraska Capitol Commission was reconfigured into a nine-member body for the purpose of creating and administering the ongoing care for our landmark Capitol and surrounding grounds, as well as creating policy and procedures to realize our mission. The commission meets four times annually, typically in February, June, August, and November of each year, and is comprised of the Governor, who serves as chair, the Speaker of the Legislature, the Chief Justice of the Supreme Court, the dean of the UNL College of Architecture, the director of the State Historical Society, and three citizen representatives from our congressional districts appointed by the Governor, all eight of whom are voting members. The ninth and nonvoting member is the Capitol Administrator who serves as commission secretary. The commission has created and periodically updates a Capitol Master Plan, a document which defines in priority order the range of projects needed for the ongoing care, preservation, enhancement of our national landmark State House. An updated version is currently being produced. Once the Office of the Capitol Commission has an approved annual budget appropriation via the legislative process, the office presents priority projects to the commission from the Master Plan for the next fiscal year. Upon review and approval, the Office of the Capitol Commission will either complete the necessary work in house via our four shops or, in the case of large-scale capital construction projects, will commission a consultant team to produce bidding documents for a general contractor to execute approved projects. In addition, the Capitol Commission administers a total of 26 staff who serve in the Capitol tour and promotion program, the architecture and archive program, and our four shops. The Office of the Capitol Commission also works directly with the joint city-state commission known as the Nebraska Capitol Environs Commission. This commission has seven voting members, two appointed by the Governor and five by the mayor of Lincoln, who monthly oversee a roughly 60-square-block Nebraska Capitol Environs district within the city defined as the formal setting for the Capitol within the capital city. The Environs Commission also oversees preservation of the Capitol view corridors within the city and county and annually meets with the Capitol Commission to share annual reports of the previous year's accomplishments. I would be happy to address any questions the committee might have at this time. But before I give you that option, I'd like a poll of those here. How many have seen or knew of the Capitol Environs Commission prior to this day? Two, three, okay, very good. [AGENCY 65]

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SENATOR STINNER: We just have a new person that hasn't been...gone through orientation yet.
[AGENCY 65]

BOB RIPLEY: Well, that's great because I fear every time that it becomes a closely kept secret, and that's certainly not the intent. It's one of the reasons I handed out with my comments today a map of the Capitol Environs district, and what you see is that somewhat narrow cruciform outline in red on the map is the...actually, the roughly 60-square-block area within the city of Lincoln that defines the Capitol Environs district, and there are sets of design standards and so on that go along with it. So I appreciate your attention and observation of that, as well, today. So I'll open it up to any questions, if you have some. [AGENCY 65]

SENATOR STINNER: Any questions? I do want to congratulate you on your honor at Statehood Day. [AGENCY 65]

SENATOR WISHART: Yeah. [AGENCY 65]

BOB RIPLEY: Thank you very much. I appreciate that very much. [AGENCY 65]

SENATOR STINNER: Senator. [AGENCY 65]

SENATOR WATERMEIER: I was going to say the same thing. But in addition to that, you know, I really appreciate it, Director Ripley. But there's also questions about how we're going to manage renovating some of our rooms while we're moving around quadrants and I know there was a question about my staff through the Legislative Council and doing a few more rooms. And you and I need to sit down privately and do that. [AGENCY 65]

BOB RIPLEY: Yes, indeed. [AGENCY 65]

SENATOR WATERMEIER: But is there anything? I mean obviously we didn't take a cut from the Governor's recommendation and ours. But is there anything outside of the normal that you would tell Appropriations members, hey, be prepared for, you know, because of HVAC? And,

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you know, you look at your budget here, it looks very unintimidating, but we know what's going on behind the scenes, right? So... [AGENCY 65]

BOB RIPLEY: (Laugh) There is a capital construction appropriation lurking out there, to be sure. [AGENCY 65]

SENATOR WATERMEIER: Yes, yes. [AGENCY 65]

BOB RIPLEY: And it's an annual kind of reappropriation process, as you're well aware. [AGENCY 65]

SENATOR WATERMEIER: Yeah. [AGENCY 65]

BOB RIPLEY: So, no, I know of nothing. I'm not trying to hide the ball from anybody. If I knew something, I would absolutely make you aware of that. [AGENCY 65]

SENATOR WATERMEIER: Yeah. I know you would, so. [AGENCY 65]

BOB RIPLEY: So it's a large, multiyear, rather daunting prospect to go into a project of this scale, especially at a projected completion price of a little over \$106 million over ten years. So it's a large project. We do anticipate doing interior renovation as part of that, but the interior renovation will be minimal compared to what we do for, say, senator office renovation today. [AGENCY 65]

SENATOR WATERMEIER: Yeah. [AGENCY 65]

BOB RIPLEY: We're very thorough in what we do today and we go, we cover every surface of the room, stripping paint, cleaning, and really putting the rooms back literally to the condition they were when the building was first constructed. That's the way we'd like every room to be. It will be a far more conservative approach to that when we do the HVAC change-out, primarily addressing the exterior wall where there are windows, because that's where, beneath that cabinet,

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there is...the walls in here are in reasonably good condition, even though they've never been stripped of all their paint. The wall under that cabinet is in really bad condition. [AGENCY 65]

SENATOR WATERMEIER: Yeah. [AGENCY 65]

BOB RIPLEY: So we will address that so that when all people return to their offices after renovation for the HVAC, it will be a presentable space and one worth working in. [AGENCY 65]

SENATOR WATERMEIER: Yeah. Very good. Doing a good job. [AGENCY 65]

BOB RIPLEY: Thank you. [AGENCY 65]

SENATOR STINNER: Thank you. [AGENCY 65]

BOB RIPLEY: Thank you. [AGENCY 65]

SENATOR STINNER: Any additional questions? Seeing none, thank you. I obviously... [AGENCY 65 LB611]

BOB RIPLEY: Thank you. [AGENCY 65]

SENATOR STINNER: ...did not have detail enough on my agenda, but I will take proponents of both OCIO and the Capitol Commission. And if you come up here, at least state that you're a proponent either of OCIO or the Capitol Commission. So we will entertain proponents. Is there any proponents of OCIO or Capital Commission? Seeing none, are there any opponents? Seeing none, is there anybody in the neutral capacity? Seeing none, that ends the Agency 65 hearings for the Department of Administrative Services. We next will have testimony on LB611. [AGENCY 65]