

**MINUTES OF THE
JOINT CAPITAL FACILITIES & ADMINISTRATIVE SERVICES
APPROPRIATIONS SUBCOMMITTEE
MONDAY, JANUARY 26, 2004, 2:00 P.M.
Room 403, State Capitol Building**

Members Present: Sen. Beverly Evans, Committee Co-Chair
Rep. Loraine T. Pace, Committee Co-Chair
Sen. Greg Bell
Rep. Roger Barrus
Rep. Ralph Becker
Rep. DeMar "Bud" Bowman
Rep. D. Gregg Buxton
Rep. David Clark
Rep. Stephen Clark
Rep. Brent H. Goodfellow

Members Absent: Sen. Mike Dmitrich
Rep. Wayne Harper

Staff Present: Jonathan Ball, Technology Analyst
Bonnie Brinton, Committee Secretary

List of those also present: Randa Bezzant, Analyst, GOPB
David Fletcher, Acting Director, ITS
Dennis Goreham, AGRC Manager
Camille Anthony, Executive Director, DAS
Ken Elliott, Deputy Director, DAS, ITS

A list of visitors and a copy of handouts are filed with the committee minutes.

Committee Co-Chair Evans called the meeting to order at 2:15 p.m.

1. Approval of Minutes

MOTION: Rep. Pace moved to approve minutes of the January 22, 2004, meeting.

The motion passed unanimously with Sen. Bell absent at the time of voting.

2. Automated Geographic Reference Center - Tab 11

Analyst Jonathan Ball discussed the Automated Geographic Reference Center and gave examples of its work. He recommends \$723,000 for the AGRC in FY 2005, of which

\$371,500 is from state funds. This reflects the non-recurrence of one-time General Fund appropriations equaling \$302,800. A portion of the non-recurrence, \$2,800, was provided for an extra work day in FY 2004. The remainder of the non-recurrence is due to a one-time FY 2004 appropriation for operations pending a rate reduction in the Division of Information Technology Services. The total Base Budget recommended for FY 2005 is \$1,373,000.

Rep. Becker asked for a copy of the Governor's budget for comparison. Randa Bezzant, Analyst, GOPB, responded by assuring the Committee she would have copies for them in the next meeting.

Mr. Ball commended Dennis Goreham, AGRC Manager, for his excellent management of the AGRC Center. Co-Chair Evans also commended Mr. Goreham and presented a short biographical sketch of his accomplishments.

Mr. Goreham gave a short presentation and referred to a letter distributed to Committee members addressed to Sen. Walker and Rep. Holdaway regarding a list of ten areas in which AGRC has made significant contribution in furthering the public good of government.

Rep. Goodfellow commended AGRC for an outstanding job of coordinating all areas of concern.

Rep. Becker expressed appreciation to Mr. Goreham and stated that Utah has some of the top GIS experts in the country. He also stated that AGRC has been very successful in finding ways to communicate with outlying areas.

Co-Chair Pace conveyed her appreciation for the help and training Mr. Goreham has provided for the rural parts of the State.

Co-Chair Evans thanked the staff of AGRC and said she hoped that adequate funding would be given this program.

MOTION: Rep. Bowman moved to approve the budget as recommended for the Automated Geographic Reference Center for FY 2005 in the amount of \$723,000. In addition, Rep. Bowman moved to add to the subcommittee's Priorities List \$300,000 from the General Fund for AGRC and (\$300,000) to the General Fund from ITS rate reductions.

The motion passed unanimously.

3. Information Technology Services - Internal Service Fund - Tab 15

The Analyst stated that the changes in funding are significant in this division.

Rep. D. Clark presented an overview of H.B. 30 and H.B. 31 which addressed the issues of misspent money in Information Technology Services and challenged state funding to this division.

Mr. Ball discussed the issues on page 4 of Tab 15. They are as follows:

2.1 Mandated Rate Review Falls Short of Expectation. The review did not provide a direct tie between product costs and rates as anticipated by the Legislature. The Analyst encourages ITS to continue refining its rate structure so that certain customers do not unwittingly pay for services they do not receive.

The Analyst will provide copies of the division's "Long-Term Cost Recovery Plan" for Committee members who are interested in reviewing it.

2.2 Do Not Approve Rates for Administrative Overhead. The Analyst recommends the Legislature not approve ITS rates for this overhead, instead transferring the responsibility, and 50% of the funds, to the state's Division of Purchasing.

2.3 Division Lost Nearly \$5 million in FY 2003. This information was identified as a result of an audit. The Analyst recommends ITS present to the Legislature its plan for returning to full cost recovery in FY 2005.

2.4 Continued Capital Investment Inflates General Fund Borrowing. The Analyst recommends the Legislature limit ITS' capital outlay authorization until ITS returns to solvency. The approach taken by the Capital Facilities and Administrative Services Appropriations Subcommittee in intent language is mirrored by Senate Bill 15 for the 2004 General Session. Should Senate Bill 15 pass, all internal service funds would lapse capital outlay authority at the end of each fiscal year unless granted specific carry-forward authority by the Legislature.

2.5 Phase-out Telecommunications Warehouse. Given the state's experience with office supplies and private sector success in "just-in-time" inventory, the Analyst recommends ITS phase out its Telecommunications Warehouse beginning in FY 2005 and switch to state-wide contracts for equipment delivery from private vendors.

Co-Chair Evans presented short biographical sketches on the following:

Camille Anthony - Executive Director, DAS
David Fletcher - Acting Director, ITS
Ken Elliott - Deputy Director, ITS
Brian Spencer, Finance Manager, ITS

Jonathan Ball, Analyst, stated that he has respect for everyone involved in this division and that he feels they have provided great leadership.

Mr. Fletcher began his presentation by stating that he has only been Acting Director for one week and is facing a lot of challenges and opportunities. He then provided a very impressive power-point presentation demonstrating FY 2003 Accomplishments of ITS.

Ms. Anthony explained rate proposals and responded to questions from Committee members.

Acting Director Fletcher stated that he cannot approve the Analyst's recommendation that the Legislature not approve ITS rates for administrative overhead, but that he would consider negotiating an adjusting rate rather than dropping \$165,000. He will review ways to accomplish rate reductions.

Co-Chair Evans suggested the possibility of reducing FTE's to help in making up the loss.

Mr. Fletcher said he would have serious concerns about reducing FTE's. He felt that one possible solution would be to do a better job of marketing services to state agencies. He stated that the division has kept staff as low as possible. There is a problem with the merit system, and that some of the newest people are some of the best employees. Unfortunately, if there were staff reductions, these newer employees would be the ones affected by the reduction in FTE's.

Executive Director Anthony stated that no employees are hired without her approval. All items regarding FTE's are reviewed by her, and the division is not replacing lost FTE's. At the present time they need four more product managers. She assured the Committee they are trying to do everything they can to balance the budget.

Rep. Buxton asked if the division is involved in training their employees, and Ken Elliott, Deputy Director, ITS, stated that there is mandated training in emerging technology.

Rep. Barrus stated that he felt the FTE issue was a Human Relations problem, and asked if the merit system should be changed to remove unproductive employees.

Rep. D. Clark asked if the division had a time table for resolving problems. Mr. Fletcher responded that they did not, but that they would begin immediately to resolve the problems and would try to have a time table put together for next year.

A handout was distributed to Committee members entitled, "FY2004/05 ITS Rate Comparative Analysis With Other State Service Providers."

Mr. Fletcher stated that he disagreed with the Analyst regarding Issue 2.3 and the loss of nearly \$5 million in FY 2003. He feels that the operational loss was \$2 million and not \$5 million. He pointed out that there was a combination of issues and factors which resulted in the loss.

The Analyst explained his premise that the division cannot control revenue, but they can control expenditures.

The Acting Director stated that ISF cannot raise a rate during the year without approval from the Legislature, but agreed with the Analyst that ISF can establish a new rate for a new service without approval from the Legislature.

Rep. D. Clark asked how ISF is doing with regards to equipment. Mr. Fletcher responded that it was an excellent question, and that the division cannot afford the malfunction of their equipment. They are working hard to stay current with equipment repairs and upgrades. He feels that they are less than one year behind and that they will be current in the next fiscal year.

Rep. D. Clark expressed his concern with security in the IT system. The Acting Director stated that he could give comfort in that area, and that they will continue to monitor and increase security to all areas. They will give attention to protecting against viruses.

Co-Chair Pace thanked Mr. Fletcher for all he has done in one week and asked him to respond to Issues 2.4 on limiting ITS' capital outlay authorization and 2.5 regarding phasing out the telecommunications warehouse. He stated that he was supportive of these recommendations and that the division was beginning to work on these issues already.

Co-Chair Evans stated that in an effort to manage time, the Committee will address the remaining Committee business and revisit the Division of ITS issues at a later time. She encouraged Committee members to read and study the budgets and gain knowledge from Mr. Fletcher and the Analyst to enable them to make educated decisions. She acknowledged that these are complex issues.

Co-Chair Evans expressed appreciation to Ms. Anthony and Mr. Fletcher. She stated that the audit has identified issues that have not been resolved. Already progress has been made toward solutions, and she feels that concerns will continue to be resolved. She acknowledged that some of the problems were inherited, but now everyone will have to work to find solutions.

4. Information Technology Projects - Tab 23

The Analyst referred the Committee to the Summary on page 3 regarding Statewide Information Technology Review and the Issues on page 4. The State's Chief Information Officer estimates that more than \$132 million will be spent on information technology, including personnel costs, in fiscal year 2005.

2.1 CIO Operations. The Analyst recommends adding \$150,000 to a prioritization list for the Executive Appropriations Committee to fund the CIO's ongoing operations.

2.2 AGRC Operations. The Analyst recommends placing on a prioritization list for the Executive Appropriations Committee ongoing funding for AGRC's base operations.

2.3 ITS Rate Savings. The Analyst recommends the Subcommittee place savings from reduced rates for the Division of ITS Internal Service Fund on a prioritization list for the Executive Appropriations Committee as an offset to the CIO and AGRC Operations recommendations.

2.4 Electronic Resource and Eligibility Project (dRep). The Analyst recommends the Legislature provide funds to begin integrating Health and Human Service programs with eRep. He feels this is an exciting issue.

2.5 Statewide Financial System. The Analyst recommends the Capital Facilities and Administrative Services Subcommittee add to its Executive Appropriations Committee prioritization list a \$3 million one-time General Fund appropriation to upgrade the state's system, FINET. The tentative general fund recommendation of \$3 million would only replace what already exists. To include all systems, the amount would be \$6 million.

2.6 UCAT Enterprise Resource Planning System. The Analyst suggests UCAT work with the state's Division of Information Technology Services to leverage existing state technology assets and expertise in development an Enterprise Resource Planning system for UCAT.

2.7 Utah Wireless Integrated Network. This is an informational item. UWIN is intended

to better coordinate public safety radio communications among state, local, and federal law enforcement. The Analyst believes this is an excellent first step toward integration of all state networks.

2.8 UTAX Audit Results. This is an update on the Utah State Tax Commission's UTAX computer system. An audit found that it cost more than anticipated, ran behind schedule, and did not deliver the revenue benefits originally touted. As a result of this audit, the system was cancelled.

Co-Chair Evans recommended that Committee members study these issues, and that they be addressed in committee meeting in the future.

5. **Bills related to Information Technology Services**

(a) Rep. D. Clark explained H.B. 30. He stated that this bill creates a Rate Committee to review the fees collected by internal service funds within the Department of Administrative Services.

Ms. Anthony responded that DAS has worked long and hard with legislative staff to produce this legislation. She stated that the bill is acceptable; that she is not disagreeing with the subject, just disagreeing with the vehicle to accomplish the desired effect. She suggested that the same thing could be accomplished with an executive branch order, which has already been drafted. It contains everything that is in the bill.

Rep. D. Clark stated that the bill modifies statute, and Ms. Anthony responded that the executive order also would modify statute.

Co-Chair Evans stated that she will work with Co-Chair Pace, Rep. D. Clark and Ms. Anthony to resolve this issue.

(b) Rep. D. Clark explained H. B. 31. He stated that this bill requires the director of the Division of Information Technology Services to review information technology and telecommunications purchases for the division to determine if the purchase is practical, efficient, and economically beneficial to the state.

Rep. D. Clark stated that he would recommend ITS determine a threshold at some point, perhaps at \$50,000, where a business analysis would be required before a purchase could be made. Ms. Anthony assured the Committee that time and effort would be put into studying this proposal.

(c) Rep. D. Clark explained S.B. 15 and highlighted the provisions contained in it. He stated that this bill amends the Budgetary Procedures Act by lapsing an internal service fund agency's unused capital acquisition authority at the end of a fiscal year.

Co-Chair Evans stated that this is a Utah Technology Committee recommendation and provides management tools.

MOTION: Sen. Bell moved to adjourn the meeting

The motion passed unanimously with Rep. S. Clark absent at the time of voting.

The meeting was adjourned at 4:55 p.m. by Co-Chair Evans.

The minutes were reported by Bonnie Brinton

Sen. Beverly Evans
Committee Co-Chair

Rep. Loraine T. Pace
Committee Co-Chair