

Approved _____ Date 5-3-90

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by SENATOR AUGUST "GUS" BOGINA at
Chairperson

3:15 ~~XX~~ a.m./p.m. on APRIL 3, 1990 in room 123-S of the Capitol.

All members were present except:

Senators Parrish and Harder, who were excused

Committee staff present:

Research Department: Diane Duffy, Leah Robinson
Revisor: Norm Furse, Gordon Self
Committee Staff: Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Senator Marge Petty
Representative David Miller
Ron Hein, UNISYS Corporation
Elizabeth Taylor, WANG Laboratories
Art Griggs, Department of Administration
Ray Hauke, Board of Regents

HB 2669 - State agency office and storage space requirements

Senator Petty distributed a copy of Representative Bill Roy's testimony presented to the House Appropriations Committee. (Attachment 1) She stated that HB 2669 requires state agencies to review storage space needs and submit them as part of the budget process, to assure that space is used to the fullest extent, to give administration more ability to garner this information, and to make the Legislature part of the planning process by giving the Joint Committee on Building Construction a bigger picture of space needs. In answer to a question, she stated that there were 2 amendments: 1) report on a yearly basis, and 2) it would become a part of the budget process beginning July 1, 1991.

Ms. Ann Colgan distributed 1989 space inventory of Shawnee County, a copy of which is on file in the Committee office.

Senator Feleciano moved, Senator Doyen seconded, that HB 2669 be recommended favorable for passage. The motion carried on a roll call vote.

HB 2877 - Governmental technology, acquisition of data processing equipment by state agencies

Mr. Arthur Griggs appeared before the Committee in opposition to the 30 day waiting period in HB 2877 and reviewed Attachment 2. He stated that the waiting period was recommended by Representative David Miller.

Representative David Miller stated that he introduced HB 2877 because of observations he made on the Post Audit Committee, and recommended including an option for the Secretary of Administration (line 20, page 2) if there were an emergency situation. In response to a question, he said that the 30 day waiting period would merely provide time for questions. Concern was expressed that the waiting period might provide good salesman form.

Representative Miller, in explaining how acquisition of data processing equipment would work, stated that the major computer issues would be set apart from the regular budgeting process for consideration by the Joint Committee on Governmental Technology. This committee would then make recommendations to Ways and Means and Appropriations during the regular budgeting process of the agencies as a basis for appropriations decisions.

There was lengthy discussion regarding the history of frustration with computer acquisition, and the Committee concurred that the reason for the

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,
 123-S 3:15 XX APRIL 3 90
 room _____, Statehouse, at _____ a.m./p.m. on _____, 19__.

bill is a lack of in-house computer expertise. Senator Winter pointed out that the creation of another legislative committee might create another body for vendors to influence inappropriately. Senator Gaines expressed his desire to delete the 30 day waiting period and give an earlier effective date. Senator Rock requested that a contractual arrangement for maintenance over a given period be included in acquisition of data equipment by state agencies.

Ms. Elizabeth Taylor reviewed Attachment 3. She addressed some of the provisions of the bill by stating that the \$5,000 cap is too low, that RFPs under \$100,000 should have legislative oversight. She noted that, because some state agencies have indicated to her that they will buy computer equipment before the effective date if this legislation is enacted, she would support an earlier effective date.

Ms. Taylor was asked to define closed procurement procedure. She stated that an RFP which calls for specific IBM equipment rather than IBM compatible equipment closes the bidding process to anyone but IBM manufacturers. This was done, she noted, in the procurement of PCs for the state.

Senator Johnston requested that Ms. Taylor supply him with a list of agencies desiring to acquire equipment in the event that the effective date is not changed.

Mr. Ron Hein testified in support of HB 2877 (Attachment 4). He stated that UNISYS was not able to bid on the Department of Administration's RFP for an IBM 3081 computer or on the computer for the Department of Social and Rehabilitation Services because the specifications were not open. He noted that the preparation of a bid can cost \$100,000, and UNISYS wants to know that they have the opportunity of getting the bid before committing to that expense.

Mr. Ray Hauke (Attachment 5) noted that the only remaining area of concern for the Board of Regents is the \$5,000 caps (section 1(e), page 2). He suggested raising the threshold so as to not encumber the Joint Committee with large volumes of small acquisitions.

Senator Feleciano moved that HB 2877 be amended by deleting the 30 day waiting period and modeling it after the Joint Committee on State Building Construction statutes.

Senator Winter offered a substitute motion to delete Section 1 from HB 2877 which would more clearly parallel the Joint Committee on State Building Construction. Senator Feleciano seconded the motion.

Chairman Bogina requested that Section d of the bill be reviewed before taking action.

SB 785 - Municipal bonds; interest rates

The Chairman explained that the technical amendment offered to SB 785 is necessary because Credit Markets went out of business. Senator Doyen moved, Senator Feleciano seconded, that SB 785 be recommended favorable for passage. The motion carried.

Senator Gaines moved that bill draft 9 RS 2906 - concerning corrections; relating to work by inmates outside of correctional institutions; requirements to limit effect on private sector workforce - be introduced. Senator Doyen seconded the motion, which carried.

The meeting was adjourned.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: 4-3-90
P.M.

NAME (PLEASE PRINT) ADDRESS COMPANY/ORGANIZATION

ELIZABETH E. TAYLOR TOPEKA WANG

Lou Ann Gebhards Lawrence State of KS

Ann Colgan Topeka DOA / DFM

Margie Pally Topeka Legislator

Ray Hein Topeka Unisys

Art Griggs Topeka Adm.

Ray Hein Topeka Bd of Regents

Sherry Brown Topeka Dept. of Admin

February 5, 1990

TESTIMONY BEFORE
HOUSE APPROPRIATIONS SUB-COMMITTEE

HB 2669

PLANNING FOR STATE SPACE NEEDS

Madam Chair and Members of the Sub-committee:

Thank you for the opportunity to appear in support of HB 2669.

Simple economics teaches us all that when demand is greater, prices are greater. When the state, because of lack of planning, is squeezed by the demand of time, similarly the price at which it negotiates space becomes greater -- a price that is paid by taxpaying citizens.

This bill creates a mechanism whereby agencies in planning their long-range space needs share those needs with the body charged with reviewing policy for this state. It requires earlier disclosure to facilitate more orderly planning, greater accountability, and better results for both the state and taxpayers.

Perhaps there are some persons who believe unless some complex analytical justification can be presented for this bill, that it does not warrant consideration. There are too many questions in the minds of each of us -- as evidenced by the bill's 103 co-sponsors -- about exactly what procedures the state pursues in procuring real estate. To resolve those questions, it is important that we implement some basic fundamental policies to guide us -- and long-range planning is the place to start.

Within the past two years, the Department of Administration has created a Division of Facilities Management. Recently, the division completed an inventory of all space utilized by the state in Shawnee County. Shortly, I understand, similar inventories will be available for all space utilized by state government throughout the state. For all of these things, I commend both the department and the administration.

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Attachment 1

But more is needed. With a central planning mechanism and clearinghouse, we get away from each agency following its own desires, or having each new administration fumble along with some different patchwork policy.

By implementing HB 2669, we put ourselves in a position to plan instead of react.



DEPARTMENT OF ADMINISTRATION
State Capitol
Topeka 66612-1572
(913) 296-3011

Shelby Smith, *Secretary*

April 3, 1990

M E M O R A N D U M

TO: Senate Ways and Means Committee

FROM: Arthur H. Griggs *AG*
Assistant Secretary of Administration

SUBJECT: Substitute for House Bill No. 2877

Substitute for House Bill 2877 is the product of merging two bills. The first one, House Bill 2559, would establish a Joint Committee on Governmental Technology. The second one, House Bill 2877 concerns acquisition procedures and budgeting in computer related areas.

The Department testified in favor of the first bill and raised some concerns, some of which have been addressed, regarding the second bill. We recognize the legislative concerns on computer issues and the desire for increased oversight. We believe the goal of better communications between the executive and legislative branches on the following three points could be productive: the role of DISC, what it is and what it is not; standardized elements of cost; and a more focused cost estimating process for large system development projects.

As Substitute for House Bill 2877 is currently written, the Department opposes the bill because of the thirty day waiting provision in section 1.

Thirty Day Waiting Period - The bill places a thirty day waiting period on the acquisition of data processing items. After a state agency determines the winning bidder for a particular purchase, the state agency must present the proposed purchase to the Joint Committee at least thirty days before entering into any contract. We do not support this thirty day waiting

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Attachment 2

Senate Ways & Means Committee
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Page Two

period requirement. First, the current procedures relating to acquisition of data processing items is already lengthy. More importantly, the waiting period provides a forum that will result in gridlocks on acquisition decisions for state agencies.

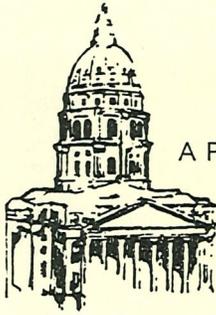
Losing vendors in the bidding process will see the new Joint Committee as a forum to appeal or reverse the award of a contract to their competitors. The Joint Committee will be presented conflicting analyses of the merits of winning and losing vendors products or services. The waiting period presents a clear path for vendors to move to the legislative branch from the executive branch for the selection of products and services.

This point is not intended to be an indictment of improper tactics by vendors. A good salesman will keep trying to promote his product until he has lost the sale. If he can plant the seeds of doubt in another's product, delay acquisition or convince people that his product is the right one, or that another vendor's product is the wrong one, the salesman has another shot at the state's business.

The waiting period also may bring forth lobbyists to help vendors promote their interest to the Joint Committee. Also, it is foreseeable that vendors will start presenting their contract proposals directly to the legislative committee, as was done last fall by Unisys.

As Substitute for House Bill No. 2877 is currently before you, we oppose it. We strongly urge you to consider our concerns.

AHG:dp
7903A



Taylor & Associates

A POLITICAL/ASSOCIATION MANAGEMENT COMPANY
933 KANSAS AVENUE
TOPEKA, KANSAS 66612
(913) 354-9900

SENATE WAYS & MEANS COMMITTEE
TESTIMONY IN SUPPORT OF HB 2877

April 3, 1990

presented by Elizabeth E. Taylor, Governmental Consultant
Wang Laboratories

Thank you, Mr. Chairman and members of the committee for allowing Wang Laboratories the opportunity to voice our strong support for the provisions of HB 2877.

Wang Laboratories has computer systems installed in each of the 50 state governments and in Kansas has systems in the Governor's office, SRS disability determination, the Department of Administration, Lt. Governor's office, Appellate Court System and the Department of Education.

Wang Laboratories has contended, through the individual state agencies, through the current and past administration and to the Legislature that the procurement procedures and the acquisition and use of equipment must be restructured or at least reviewed in great length in order for the state, and thus the people of Kansas, to receive the greatest technology for the tax payers' money.

During the 1989 Legislative Interim Study on Computer Oversight before the Joint Ways and Means/Appropriations Committee, Wang and other computer vendors presented vast amounts of information concerning the seemingly closed procurement procedure for computerization. We also presented information from other states on means of evaluating bids which move beyond a simple "lowest cost" determinant.

The language in HB 2877 seems to provide the unbiased mechanism for reviewing the rapidly changing technological needs of the state. We support the provisions of the bill and feel its time is long overdue.

For additional information on Wang procurement history in Kansas, contact Elizabeth E. Taylor, 913-354-9900 or Gregg C. Yowell, Wang state of Kansas Account Manager, 913-233-9443.

*SWAM
April 3, 1990
Attachment 3*

Ronald R. Hein
William F. Ebert

HEIN AND EBERT, CHTD.
ATTORNEYS AT LAW
5845 S.W. 29th, Topeka, Kansas 66614
913/273-1441

SENATE WAYS AND MEANS COMMITTEE
TESTIMONY RE: SUBSTITUTE FOR HB 2877
PRESENTED BY RONALD R. HEIN ON BEHALF OF
UNISYS CORPORATION
April 2, 1990

Mr. Chairman, members of the committee:

My name is Ron Hein, and I am legislative counsel for the Unisys Corporation. Unisys does business with all fifty state governments, with the federal government, and with numerous Fortune 500 companies.

Unisys supports Substitute for HB 2877. Comments have been made about how controversial the "computer issues" have been over the last few years. Unisys believes that computer issues are relatively easy to resolve once there is a base-line knowledge about computers.

This does not mean that legislators need to know how to repair a computer board or to program a computer. But the legislators need to know what computers can and can't do.

For instance, I don't know how to repair a car, and I don't know a lot of technical information about cars. But I understand miles per gallon, acceleration speed, and resale value. Likewise, with computers, it is important for the policymakers to understand basic terminology so that they can ask questions and make effective and financially sound decisions.

A joint committee such as provided for in this bill would be able to spend enough time to learn the basics. We believe that the legislators on this committee will no longer feel overwhelmed by the mystery of computers and will instead learn to manage the tool in an efficient, cost-effective way.

We believe that the policymakers of the State of Kansas are desirous of getting the best possible computer system, with the most effectiveness for state operation, at the least possible price, determined pursuant to fair and competitive bidding procedures.

Traditionally, when agencies have requested the Legislature for budgetary authority to begin new programs or to make major purchases, they have presented their budgetary requests to the Legislature for approval.

SWAM
April 3, 1990
Attachment 4

With regards to computers, it is far more difficult for the Legislature to perform this function. Major applications and programs for computers involve personnel, hardware, software, consulting fees, maintenance costs, space and equipment costs, and interest and carrying charges which might show up in any of a multitude of agency budgets. Certain statewide applications list expenditures in each and every agency budget, thus making a comprehensive overview of the total project difficult if not impossible.

The Legislative Post Audit recently noted "The Comprehensive Automated Eligibility and Child Support Enforcement System is the most recent in the series of State computer projects that have cost more and taken longer than initially planned. In the last five years, the State has had similar experiences with the Kansas Business Integrated Tax System and the Vehicle Information Processing System. In order for the Legislature to be able to monitor costs and timeframes for major data processing projects, the Legislative Post Audit Committee should request the Department of Administration's budget division direct agencies to maintain a comprehensive budget for such projects. Such comprehensive budget plans would allow executive and legislative decision-makers to monitor progress by comparing initial expenditure and time estimates with current and projected estimates." (Performance Audit Report, Comprehensive Automated Eligibility and Child Support Enforcement System, January, 1990, p. 21.)

We concur with this recommendation. Other state legislatures have established various mechanisms for insuring that major policy decisions with regards to major computer applications are made from a technical and business and tax dollar oriented standpoint.

I've distributed before you copies of forms which are required to be filled out by agencies wishing to acquire computer systems in Colorado. The State of Colorado has created a Commission on Information Management because "proper planning with input from each department's management team is critical to achieving success in the area of information management."

Utilizing the forms which I have passed out, which are utilized in the State of Colorado, will allow the policymakers who control the budget for the State of Kansas sufficient information to make intelligent, educated, and therefore cost-effective decisions with regards to information management systems.

The information being gathered is not technical in nature, and relates more to costs, number of FTEs required to assist in determining personnel costs, and other management information which the budget committee and ultimately the full Legislature may utilize to make appropriate management decisions.

Unisys believes that the State of Kansas, the tax paying public, and the public who will be served by effectively managed computer applications will all be the winners.

Thank you for permitting us to testify today, and I would be happy to yield for any questions.

75w

Exhibit A
 (Appendix B)
 Existing System Inventory
 As of (date)

Software Components (*)	Manufacturer	Number	Product/Version	Key Users	Date Installed	Cost	Strengths and/or Weakness
General Ledger	XYZ Co.	2	6.0B	Accounting Division	7-1-88	\$50,000	<i>s = Reports easy to read</i> <i>= No down time</i> <i>= Easy to use</i> <i>w = Slow response time</i> <i>= Poor documentation</i>

Hardware Components/Description	Manufacturer	Model Number	Number Owned	Date Installed	Cost
CPU/Mainframe	IBM	3083 BX	1	2-6-82	\$3,000,000

State of Colorado
Project Status Form

Project Name: _____

I.S. Division Priority: _____ of: _____

Strategic Business Objective(s): _____

Strategic System Objective(s): _____

Phase Description	Estimated FTE	Actual FTE	Estimated Start Date	Actual Start Date	Estimated End Date	Actual End Date	Percentage Complete
1.							
2.							
3.							
4.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
Total FTE:							

Exhibit C

Benefit Components	FY 91-92	FY 92-93	FY 93-94	FY 94-95	FY 95-96	Total
1. Benefit:						
Expected						
Realized						
Current Projection						
2. Benefit:						
Expected						
Realized						
Current Projection						
3. Benefit:						
Expected						
Realized						
Current Projection						
4. Benefit:						
Expected						
Realized						
Current Projection						
Grand Total Benefits:						
Realized						
Current Projection						
Cost Components						
Personal Services						
Estimated						
Incurred						
Current Projection						
Operating Expenses						
Estimated						
Incurred						
Current Projection						
Capital Outlay						
Estimated						
Incurred						
Current Projection						
Grand Total Costs:						
Incurred						
Current Projection						
Benefits Less Costs:						
Realized						
Current Projection						
Prepared By Name:	Phone #:		Approved By:			

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**State of Colorado
Development Project Form**

Project Name: _____
 Strategic Business Objective(s): _____

I.S. Division Priority: _____ of: _____
 Strategic System Objective(s): _____

Project Description:

The Project in relation to the Agency's existing or proposed systems:

Phase Description	Estimated FTE	Estimated Start Date	Estimated End Date
1.			
2.			
3.			
4.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			
Total Project FTE:			

Exhibit E

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Exhibit G
 Base Budget Analysis Worksheet
 (Department)
 (Date)

Cost Components	Actual FY 89-90	FY 90-91	FY 91-92	FY 92-93	FY 93-94	FY 94-95	Total
I. Personal Services							
Labor--							
State Employees							
Contract and Consulting							
Other							
Total Personal Services							
II. Operating Expenses							
Material and Supplies							
Maintenance--							
Equipment							
Operating and Other System Software							
Application Software							
Processing at a State Computer Center							
Communication Services--							
From Outside Source							
From Division of Telecom. Services							
Utilities							
Administrative Expenses							
Training							
Travel							
Other							
Total Operating Expenses							
III. Capital Outlay							
Equipment--							
Purchased							
Leased							

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COMMENTS CONCERNING SUBSTITUTE FOR H.B. 2877
TO
SENATE WAYS AND MEANS COMMITTEE
BY
RAY HAUKE, DIRECTOR OF PLANNING AND BUDGET

April 4, 1990

The Kansas Regents institutions originally appeared in opposition to H.B. 2877, as introduced. Most of our original concerns were addressed by the substantial modifications, which resulted in the Substitute bill presently being reviewed by the Senate Ways and Means Committee.

Our remaining concern surrounds the large volume of paperwork which the proposal would generate. We believe it would require Committee review of all but the smallest microcomputers and question the meaningfulness of that exercise for the Committee. Seemingly, the Legislature is more likely to be interested in improved oversight of the few large mainframe computing acquisitions which occur during each year, rather than reviewing a large volume of proposals, many of which are relatively small. Therefore, we would respectfully request your consideration of amending Section 1(e)(1) to substantially increase the \$5,000 threshold for consideration presently stipulated in the bill. Such an amendment would focus Committee activity on the larger acquisitions rather than upon minor upgrades, new disk drive units and microcomputers.

If the \$5,000 limit is retained, then we would also express concern related to the 30 days waiting period, between filing and acquisition, required by Section 1 (a). It is likely to slow initiation of grant funded projects, due to the addition of a waiting period prior to acquisition of relatively small systems. This waiting period is not likely to be a problem for the larger acquisitions.

The Regents appreciate this opportunity to appear concerning H.B. 2877.

SWAM
April 3, 1990
Attachment 5