

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 25, 2005

TO: Honorable Frank Corte, Jr., Chair, House Committee on Defense Affairs & State-Federal Relations

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB3112 by Corte (Relating to the security of computer networks in state government.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB3112, Committee Report 1st House, Substituted: a negative impact of (\$5,200,000) through the biennium ending August 31, 2007.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2006 | (\$2,300,000) |
| 2007 | (\$2,900,000) |
| 2008 | \$0 |
| 2009 | \$0 |
| 2010 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <i>1</i> | Probable (Cost) from <i>FEDERAL FUNDS</i> <i>555</i> | Probable (Cost) from <i>INTERAGENCY</i> <i>CONTRACTS</i> <i>777</i> |
|-------------|---|--|--|
| 2006 | (\$2,300,000) | (\$492,000) | \$0 |
| 2007 | (\$2,900,000) | (\$3,592,000) | \$0 |
| 2008 | \$0 | (\$2,042,000) | (\$7,868,466) |
| 2009 | \$0 | (\$2,042,000) | (\$6,353,351) |
| 2010 | \$0 | (\$2,042,000) | (\$6,865,521) |

| Fiscal Year | Change in Number of State Employees from FY 2005 |
|-------------|---|
| 2006 | 20.0 |
| 2007 | 25.0 |
| 2008 | 48.0 |
| 2009 | 58.0 |
| 2010 | 68.0 |

Fiscal Analysis

The bill would require the Department of Information Resources (DIR) to provide network security services to state agencies and other entities and establish and manage the operation of a network security center. The bill

also would authorize DIR to purchase facilities or equipment necessary to provide network security services to state agencies.

Methodology

It is estimated that 20 FTEs would be required in fiscal year 2006 for the initial implementation of the network security system. This would result in a cost of approximately \$2.3 million in general revenue. Infrastructure and equipment costs for fiscal year 2006 are estimated to cost \$492,000. This includes \$330,000 for 60 security sensors and \$162,000 for workstations, database servers and additional costs. Personnel costs for fiscal year 2007 are estimated at \$2.9 million for a total of 25 FTEs to fully manage all security sensors. Infrastructure and equipment costs for fiscal year 2006 are estimated to cost \$3,592,000. This includes \$1.4 million for additional sensors, \$900,000 for hardware and software upgrades, and \$800,000 in facility costs. This analysis assumes the network security center will be located at the existing state data center facility. Total biennial costs of \$4.1 million for infrastructure is contingent upon the availability of Federal Homeland Security funds for cyber security hardware.

This analysis assumes that a portion of these new security services will be outsourced beginning fiscal year 2006 and that DIR will assume all duties of the center by fiscal year 2011. This analysis reflects the implementation of real-time network security monitoring services implemented in fiscal years 2006 and 2007, with all of the security services in the bill being phased in from fiscal year 2008 through fiscal year 2011. It is estimated that \$2 million of the total costs in fiscal year 2008 through fiscal year 2010 will be contingent upon the availability of Federal Homeland Security funds for cyber security hardware.

The bill requires DIR to allocate the total state cost for operating and administering the network security system to each state agency served by the system. This analysis reflects new security services that state agencies do not currently provide, such as real-time network security monitoring, 24-hour security alerts, and immediate incident response which would result in additional costs to state agencies. Therefore, remaining security services costs of \$7.9 million for fiscal year 2008, \$6.4 million for fiscal year 2009, and \$6.9 in fiscal year 2010 would be paid to DIR through interagency contracts with state agencies. The funding sources at state agencies would consist of general revenue related, federal and other funds.

The bill requires all state agencies to use the network security services provided through the center and prohibits a state agency from purchasing network security services unless DIR approves. This analysis assumes that DIR will enter into contracts with state agencies and agencies would continue to operate security facilities using requirements established in the contracts.

The bill establishes a revolving fund account in the state treasury to be used as a depository for money received from state agencies and other entities served by the security system. The bill permits the legislature to appropriate money for operating the system directly to DIR. The bill stipulates that if the legislature appropriates money for operating the system directly to DIR, the revolving fund must be used to receive money due from local governmental entities.

Local Government Impact

The bill stipulates that local law enforcement or security agencies will monitor security alarms at the network security center. This could have a negative fiscal impact on units of local government.

Source Agencies: 313 Department of Information Resources, 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 320 Texas Workforce Commission, 325 Fire Fighters' Pension Commissioner, 362 Texas Lottery Commission, 405 Department of Public Safety, 454 Department of Insurance, 455 Railroad Commission, 507 Board of Nurse Examiners, 529 Health and Human Services Commission, 551 Department of Agriculture, 582 Commission on Environmental Quality, 601 Department of Transportation, 720 The University of Texas System Administration, 802 Parks and Wildlife Department

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