MINUTES OF THE FEBRUARY 22, 2010
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Las Vegas, Nevada

Cochair Steven Horsford called a regular meeting of the Interim Finance Committee (IFC) to order on February 22, 2010, at 3:13 p.m. in Room 4100 of the Legislative Building in Carson City. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, Las Vegas, Nevada. Exhibit A is the agenda and Exhibit B is the guest list. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Steven Horsford, Cochair
Senator Bernice Mathews, Cochair
Assemblywoman Barbara E. Buckley
Assemblyman Marcus Conklin
Assemblyman Moises (Mo) Denis
Assemblywoman Heidi Gansert
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman Joseph (Joe) P. Hardy
Assemblyman Joseph Hogan
Assemblywoman Ellen Koivisto
Assemblywoman Sheila Leslie
Assemblywoman Kathy McClain
Assemblyman John Oceguera
Assemblywoman Debbie Smith
Senator Bob Coffin
Senator William J. Raggio
Senator Dean A. Rhoads
Senator Randolph Townsend
Senator Joyce Woodhouse

COMMITTEE MEMBERS EXCUSED:

Assemblyman Morse Arberry Jr., Vice Chair

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau
Eileen O'Grady, Chief Deputy Legislative Counsel
Mark Krmpotic, Fiscal Analyst, Senate
Tracy Raxter, Fiscal Analyst, Assembly
Sherie Silva, IFC Recording Secretary

Connie Davis, IFC Transcription Secretary
Tracie Battisti, Fiscal Division Secretary and Committee Assistant

A. ROLL CALL

Lorne Malkiewich, Director, Legislative Counsel Bureau and Secretary of the Interim Finance Committee, called the roll and announced a quorum of each House was present.

Cochair Horsford announced that the February 22, 2010, meeting of the Interim Finance Committee would continue a review of proposed solutions to the state budget shortfall with a focus on the following four areas:

- Updated Estimated General Fund Shortfall, Andrew Clinger, Director, Department of Administration

- Closure of Nevada State Prison, Casa Grande, and Wells Conservation Camp, Howard Skolnik, Director, Department of Corrections

- Furlough Issue Pertaining to State Workers, Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau

- Overview of the State Building Lease Program

*B. DISCUSSION OF THE STATE BUDGET SHORTFALL AND PROPOSED SOLUTIONS

Andrew Clinger, Director, Department of Administration, distributed two documents to the Committee that summarized changes to the General Fund shortfall as of February 22, 2010. The documents entitled, *State of Nevada Estimated General Fund Shortfall Fiscal Year 2010 and 2011 as of February 22 at 12:16 P.M.* (Exhibit C) *and State of Nevada Changes to 10% General Fund List February 15, 2010 to February 22, 2010* (Exhibit D).

Mr. Clinger began his presentation with a reference to line 18 on Exhibit C, which reflected a new total of $273,937,041 for the 10 percent reductions under consideration by the Governor. Additionally, Mr. Clinger pointed out that Exhibit D outlined the changes on how staff arrived at the biennium total of $273,937,041.

Mr. Clinger provided the following information from the document, *State of Nevada Changes to 10% General Fund List February 15, 2010 to February 22, 2010* (Exhibit D):

- 10 percent budget reductions on February 15, 2010 totaled $310,443,693

- 10 percent reductions since February 15, 2010:

- Ø A 10 percent reduction to K-12 for a biennium total of ($35,703,000) equivalent to the 1.75 percent salary reduction reflected on line 45, Exhibit C.

- Ø Add back Home and Community Based Program (COPE) cuts to the 10 percent cut list for a biennium total of $1,196,352. Mr. Clinger advised that the reduction to the Home and Community Based Program (COPE), previously on the Do Not Cut List, was returned to the 10 percent cut list on the advice of Mike Willden, Director, Department of Health and Human Services.

- Ø Move Optional Medicaid Services to the Do Not Cut List for a biennium total of ($4,939,318). Mr. Clinger advised that optional Medicaid services for outpatient transitional rehabilitation for adults, adult day healthcare, and adult dentures and denture relines were removed from the recommended cut list based on the advice of Mike Willden, Director, Department of Health and Human Services.

- Ø Move sweep of funds from Low Level Radioactive Waste Account to Executive Budget Office Budget Reserve List for a biennium total of ($8,990,050).

- Ø Move fee increase for Consumer Health Protection Account to the Do Not Cut List for a biennium total of ($550,146).

- Ø Add surplus funds in Desert Regional Center to the 10 percent Cut List for a biennium total of $9,587,717. Mr. Clinger noted a reduction to the Executive Budget Office Other Cut List by $4,642,357 for a net increase of $4,945,360 in funding based on the advice of Mike Willden, Director, Department of Health and Human Services and Harold Cook, Ph.D., Administrator, Division of Mental Health and Developmental Services.

- Ø Add surplus funds in Southern Nevada Adult Mental Health Services (SNAMHS) to the 10 percent Cut List for a biennium total of $1,250,000.

- Ø Add surplus funds in Sierra Regional Center to the 10 percent Cut List for a biennium total of $3,747,732. Mr. Clinger noted a reduction to the Executive Budget Office Other Cut List by $1,125,558 for a net increase of $2,622,176.

- Ø Move 10 percent reduction in Community Corrections grants to the Do Not Cut List for a biennium total of ($116,567).

- Ø Change the closure date of Summit View Youth Correctional Center from March 1 to May 1 for a biennium total of ($200,076).

- Ø Miscellaneous changes in the Department of Public Safety 10 percent cuts for a biennium total of $94,471.

- Ø Move Department of Taxation's elimination of 12 intermittent positions to the Do Not Cut List for a biennium total of ($292,257).

- Ø Move Department of Taxation's elimination of 6 probationary positions to the Do Not Cut List for a biennium total of ($446,864).

Mr. Clinger noted that that the 10 percent reductions the Governor was considering totaled $273,937,041 on line 18 of Exhibit C and on the last line of Exhibit D.

Assemblywoman Leslie indicated being pleased that Medicaid optional services for adult day healthcare would be continued and asked whether services for non-medical vision and hearing aids would also continue.

Mr. Clinger advised that optional Medicaid services for non-medical vision and hearing aids remained on the cut list.

In response to Assemblywoman Leslie's question concerning restoration of funding for mental health housing, Mr. Clinger said that his presentation included changes from February 15, 2010 to February 22, 2010 and that he could not recall whether funding for mental health housing was restored before those changes.

Assemblywoman Leslie indicated that she would discuss the funding issue with the Committee's staff.

In response to Assemblywoman Buckley's questions concerning the 10 percent cuts for K-12 that totaled ($35,703,000) on Exhibit D, Mr. Clinger advised that the reduction went back to the original 10 percent reduction recommendations and pointed out that the 1.75 percent salary reduction for K-12 listed on line 45 of Exhibit C was $35,703,000.

In response to Assemblywoman Buckley's questions concerning the Low Level Radioactive Waste Account Radioactive Waste Account, Mr. Clinger advised that ($8,990,050) in funding was being swept to the Executive Budget Office (EBO) Budget Reserve List.

In response to Assemblywoman Buckley's questions concerning a fee increase for the Consumer Health Protection Account, Mr. Clinger advised that the increase was removed because of the Governor's position against fee increases.

In response to Assemblywoman Buckley's questions concerning other fee increases, Mr. Clinger advised that other fee increases for State Parks, although discussed, were not included on the list.

In response to Assemblywoman Buckley's questions concerning the daily rate increase for residents of the Nevada State Veterans Home, Mr. Clinger advised that the Board of Examiners approved the increase at their last meeting.

In response to Assemblywoman Buckley's questions concerning the premium increase for Nevada Check Up, Mr. Clinger advised that the premium increase for Nevada Check Up would go forward.

In response to questions from Assemblywoman Buckley, Mr. Clinger confirmed that premium increases for Check Up and an increase in daily rates for Veterans Home residents would go forward while the fee increase for Consumer Health Protection that would have funded inspections of food establishments was removed.

Assemblywoman Buckley commented that removal of fee increases prevented lowering the cuts to education and to other healthcare service budgets.

Assemblywoman Buckley asked for information concerning the biennium totals of $310,443,693 on February 15, 2010 and $273,937,041 on February 22, 2010.

In response, Mr. Clinger advised that the following presentation on Exhibit C covered the estimated General Fund shortfall as of February 22, 2010:

- Line 18 - 10 percent Reductions under consideration by the Governor reflected a biennium total of $273,937,041.

- Line 59 - Additional Unclaimed Property Receipts reflected a biennium total of $4,081,000. Mr. Clinger advised that the Treasurer's Office received an additional $4,081,000 in unclaimed property receipts in fiscal year 2010.

- Line 60 - 2005 and 2007 State Public Works Board (SPWB) Capital Improvement Program (CIP) Reversions reflected a biennium total of $6,921,414. Mr. Clinger advised that the SPWB representatives were reviewing additional CIPs for funding availability.

- Line 61 – Medicare Part D Clawback based on ARRA FMAP reflected a biennium total of $16,328,228. Mr. Clinger advised that a release issued on February 18, 2010 announced that Nevada's share of the Medicare Part D Clawback based on the enhanced Federal Medicaid Assistance Percentage (FMAP) was $16,328,228.

- Line 46 – Executive Budget Office Other Recommended Reductions reflected a biennium total of $9,601,042. Mr. Clinger advised that included in the total was a net benefit of $2.3 million in debt service payments, which the Treasurer's Office received as a refund on a portion of ad valorem tax from Clark County.

Assemblywoman Buckley referred to Line 62 – Spend Down General Fund Ending Balance that reflected a biennium total of $4,963,635 and asked for an analysis on how spending down the General Fund ending balance within the 5 percent requirement might affect the state's bond rating.

Mr. Clinger provided clarification that the General Fund ending balance would be spent down to the 5 percent minimum requirement leaving approximately $170 million in the

General Fund ending balance and that assumed that the 5 percent minimum was maintained. Additionally, Mr. Clinger advised that Line 66 – Net Shortfall reflected a biennium total of $944,623, which was above the 5 percent requirement.

Assemblywoman Leslie questioned whether the $16,328,228 in Medicare Part D Clawback funds would be used to fund Education or Medicaid Optional Services.

Mr. Clinger responded that a combination of the Clawback funds and other "natural" savings in the Division of Mental Health and Developmental Services allowed for restoration of some Optional Medicaid services as well as a reduction to the K-12 cuts.

Assemblywoman Smith asked for an explanation concerning a statement in a February 22, 2010 press release (Exhibit E) issued by the Governor that "with ongoing analysis of certain funds," the proposed reduction to K-12 education in Nevada would face only a 2.4 percent reduction.

Mr. Clinger advised that approximately $3.6 billion in the state appropriations and authorizations process for the 2011 biennium and approximately $3.7 billion in local revenue in the K-12 education budget totaled approximately $7.3 billion, and total cuts to the Department of Education and to K-12 of $175.6 million represented 2.4 percent of $7.3 billion.

Assemblywoman Smith defined the press release as leading the public to believe that the Governor actually mitigated the reduction from 11.75 percent to a current reduction of 2.4 percent, which she said was not the case.

Mr. Clinger advised that the "overall message" of a 10 percent reduction to K-12 was misleading because with a combination of all sources of revenue, the reduction to K-12 was, in fact, 2.4 percent.

Assemblywoman Smith commented on the Governor's original 10 percent reduction to K-12 education along with an additional 1.75 percent salary reduction and asked Mr. Clinger to confirm that although the 1.75 percent salary reduction had been eliminated, the budget reduction for K-12 remained at 10 percent, not 2.4 percent.

Mr. Clinger confirmed that the K-12 budget reduction was 10 percent of the state appropriation. He reiterated, however, that all sources of funding combined, the K-12 education budget totaled approximately $7.3 billion, and total budget reductions to the Department of Education and K-12 represented 2.4 percent of $7.3 billion.

In response to Cochair Mathews' definition of the 2.4 percent reduction as "a shell game," Mr. Clinger advised that the 2.4 percent reduction was "true" and that the budget and revenue numbers could be verified in the *2009 APPROPRIATIONS REPORT Prepared by the Fiscal Analysis Division, Nevada Legislative Counsel Bureau*.

In response to Assemblywoman Gansert's questions concerning additional reductions, Mr. Clinger advised that fiscal year 2010 numbers, thus far, "looked good" but property tax revenue would not be included in projections until after a March or April review.

Assemblywoman Buckley discussed the "harsh cuts" of approximately $313 million the 2009 Legislature had to make to the K-12 budget and indicated the reduction, which, in total, equaled an almost 9.7 percent reduction in state funding had to be made despite the availability of federal stimulus dollars that would not be available in 2011. Assemblywoman Buckley expressed hope that during the Special Session, the Legislature could reduce the proposed 10 percent cut to K-12, which she said, in her opinion, was too high. Additionally, Assemblywoman Buckley suggested that the Legislature should review the future of education in Nevada with respect to what state funding provided and what it did not provide.

Senator Raggio asked for additional information concerning the biennium total of $50 million for Net Proceeds of Minerals and recalled in a previous hearing that 50 percent of the deductions currently authorized would be used as an estimate.

Mr. Clinger confirmed that the calculation for 50 percent of the deductions would provide $25 million per year but that *Nevada Revised Statutes* (NRS) Chapter 362 would have to be changed to achieve the net proceeds of minerals amount of $50 million for the biennium.

Senator Raggio asked whether a legal opinion had been obtained regarding a revision of *Nevada Revised Statutes* Chapter 362.

Mr. Clinger advised that he was uncertain that a legal opinion existed.

Assemblyman Goicoechea noted that $50 million in new revenue from Net Proceeds of Minerals would require a net payment of $100 million from the mining industry.

Mr. Clinger confirmed that the benefit the state received was about 50 percent of the overall tax.

Assemblyman Goicoechea indicated he believed that a net payment of $100 million from mining would be very difficult since 50 percent of gross proceeds required a 5 percent tax rate.

In response to a request from Cochair Horsford, Mr. Clinger agreed to provide detail to the Committee's staff concerning the biennium total of $9,601,042 listed for Executive Budget Office Other Recommended Reductions on line 46 of Exhibit C. Additionally, Mr. Clinger advised that the new list of 10 percent reductions was currently available on the Department of Administration website.

Assemblywoman Buckley noted the elimination of the 1.75 percent salary reduction to K-12 and questioned the inclusion of the salary reduction on line 45 of Exhibit C.

Mr. Clinger advised that although the Department of Administration could provide recommendations concerning budget reductions, each school district would handle the reductions as they best determined.

Assemblywoman Buckley noted that personnel costs were 95 percent of school districts' costs and with the 10 percent cut, the Clark County School District representatives indicated they would have to lay off 2,300 teachers.

Senator Townsend expressed his appreciation to Mr. Clinger for appearing before the Committee and asked for additional information concerning the $30 million in fiscal year 2011 for the Insurance and Registration Verification Program. Senator Townsend asked for information regarding the date the payment would be due, the name of the company, and whether the company had the means to provide the $30 million.

Mr. Clinger reported that representatives of InsureNet, a company that provided insurance verification systems, had indicated they would place $30 million into a trust fund. If the state did not receive at least $30 million in additional revenue from the license plate reader verification program, the balance would be provided from the trust fund at the end of fiscal year 2011. Additionally, Mr. Clinger advised that he had not looked into InsureNet's financial viability and did not know whether they had the means to place $30 million into a trust fund.

Cochair Mathews indicated that conducting business transactions with a company without first examining its background appeared unwise.

Assemblywoman Leslie noted that members of the SAGE Commission, after reviewing the InsureNet insurance verification system, recommended against it.

In response to Cochair Horsford's request for the spreadsheet that reflected how the Department of Administration analysts arrived at the 2.4 percent education cuts, Mr. Clinger advised that he would provide the spreadsheet to the Committee's staff.

Cochair Horsford asked for additional information concerning the recommendation to maintain the 1.75 percent salary reduction for the Nevada System of Higher Education (NSHE) while eliminating the same percentage for K-12.

Mr. Clinger explained that the Governor's first priority was to restore funding to K-12 education and that the additional money from the Medicare Part D Clawback and other reductions to the Division of Mental Health and Developmental Services' budget provided the opportunity to eliminate the 1.75 percent salary reduction to K-12.

Cochair Horsford noted that the proposal to reduce salaries for K-12 and NSHE employees was made in an effort to maintain equity with the state workers who took a similar cut. He pointed out, however, that a disparity existed with the current proposal.

In response, Mr. Clinger pointed out that although a 1.75 percent difference existed for K-12 education salaries, the school districts rather than the state controlled salaries and that even under the 10 percent state reduction, the possibility existed that the districts would have to reduce salaries.

Cochair Horsford asked for additional information concerning how certain fees, such as the increase in Nevada Check Up premiums were acceptable to the Governor while other fee increases were not.

Mr. Clinger advised that Nevada Check Up premiums paid for the receipt of health insurance while the Consumer Health Protection fee increase that would have funded the inspection of food establishments was removed although inspections would continue and would be funded through a General Fund appropriation. Mr. Clinger explained that the fee increase for Consumer Health Protection would have offset the General Fund appropriation.

Cochair Horsford referred to Exhibit C, line 54, which listed the Reduction of State Purchasing Contracts at $1.5 million for fiscal year 2011 and asked whether any thought was given to reduce state purchasing contracts even more. Cochair Horsford advised that the Committee's staff had pointed out that a 15 percent reduction, for example, would provide $12.6 million savings and that even half of that amount was a much higher number than listed on line 54.

Mr. Clinger advised that without having seen the mathematical calculations, it would be difficult for him to speculate on the numbers provided by the Committee's staff.

Cochair Horsford recalled that the Governor's Chief of Staff had requested and received a copy of the information, and staff would provide a copy to Mr. Clinger as well.

Mr. Clinger discussed a recent directive from the Governor's Office that asked all state agencies to reduce contract costs with outside vendors. Mr. Clinger indicated that while pursuing further reductions of state contracts was worth the effort, a 15 percent reduction appeared unrealistic because every state contract would require renegotiation.

Cochair Horsford indicated that although the 15 percent reduction provided a $12.6 million savings, the suggestion was to reduce contracts by only half of that amount. Cochair Horsford pointed out that the economic crisis required dramatic reductions throughout state government budgets, and a $1.5 million reduction for contracts appeared "entirely too low."

Mr. Clinger agreed that although the renegotiation of contracts to reduce costs even further could eventually take place, he could not provide a better estimation until staff analyzed the state agency responses to the Governor's directive.

Senator Raggio noted the figures on Exhibit D, which reflected a $310,443,693 reduction on February 15, 2010 and asked Mr. Clinger to discuss the changes that resulted in a $273,937,041 budget reduction as of February 22, 2010.

Mr. Clinger advised of the following primary changes reflected on lines 59, 60, and 61:

- Line 59 - Additional Unclaimed Property Receipts provided a biennium total of $4,081,000.

- Line 60 – 2005 and 2007 Capital Improvement Program (CIP) reversions provided for a biennium total of $6,921,414. Mr. Clinger explained that representatives of the State Public Works Board analyzed 2005 and 2007 CIP appropriations that could be reverted to the General Fund, which provided $6,921,414 and that additional analysis could provide an opportunity for further funding.

- Line 61 – Medicare Part D Clawback funding provided for a biennium total of $16,328,228. Mr. Clinger advised that, as previously discussed, a release issued on February 18, 2010, announced that Nevada's share of the Medicare Part D Clawback based on the enhanced Federal Medicaid Assistance Percentage (FMAP) was $16,328,228.

Senator Raggio asked Mr. Clinger to explain moving the sweep of funds from the Low Level Radioactive Waste Account to the Executive Budget Office (EBO) Reserve List.

Mr. Clinger explained that in the process of reconciling numbers, the $8,900,050 for the Low Level Radioactive Waste Account was moved from the 10 percent cut list to the separate Executive Budget Office Budget Reserve list.

Senator Raggio asked Mr. Clinger to explain moving the 10 percent reduction in Community Corrections Grants, $116,567, to the Do Not Cut List.

Mr. Clinger advised that based on the recommendation of Mike Willden, Director of the Department of Health and Human Services, the 10 percent reduction in Community Corrections Grants was moved to the Do Not Cut List.

In response to Senator Raggio's questions with regard to moving the Athletic Commission 10 percent cuts to the EBO Budget Reserve list, Mr. Clinger advised that the movement of funds to another list was a part of the reconciliation process.

In response to Senator Raggio, who asked whether the Administration considered increasing the revenue the state received from Athletic Commission events through either the gate or television, Mr. Clinger advised that consideration was not given to revenue increases from either the gate or television.

In response to Senator Raggio's questions concerning the Governor's consideration of fee increase proposals, Mr. Clinger advised that the fee increase to state parks, Vital Records, and Consumer Health Protection were removed because of the Governor's opposition to tax and fee increases.

Robin Reedy, Chief of Staff to Governor Gibbons, in response to previous questions, disputed information that the SAGE Commission provided a negative recommendation concerning a Department of Motor Vehicle insurance verification system. Additionally, Ms. Reedy pointed out that the Governor had "made his case" on fees and taxes and indicated that although the continuous questioning of the Budget Director was a "frustrating waste of time," she would be happy to respond to questions from the Committee.

Senator Raggio took issue with Ms. Reedy's response and indicated that she would not tell him the kind of questions he could ask.

Cochair Horsford pointed out that the proposal for Net Proceeds of Minerals appeared to be inconsistent with the Governor's position on taxes and asked why other fee increases were eliminated while the proposal for Net Proceeds of Minerals remained a recommendation.

Ms. Reedy advised that the Governor wanted to be fair and had proposed to reduce the Net Proceeds of Mines deductions based on a ten-year average of expenses. Additionally, Ms. Reedy advised that the biennium total for Net Proceeds of Minerals was projected at $50 million not $100 million.

Cochair Horsford pointed out that, as previously explained by Assemblyman Goicoechea, a 50 percent deduction would create $100 million tax impact on the mining industry.

Assemblywoman Buckley said confusion had resulted because of the Administration's inconsistent position on fee increases and that given the current economic environment and decisions to be made concerning what government could and could not provide, the need existed to work together to balance the budget responsibly rather than reacting to political rhetoric.

Assemblywoman Buckley commended the Governor's past support of fee increases for ambulatory surgical centers, room tax, and the Division of Insurance and expressed her support to establish or increase fees for agencies that could become self supportive, such as the Health Division's Office of Vital Statistics and Consumer Health Protection. Assemblywoman Buckley pointed out that such fee increases would add to the state's tax revenue to support other vital priorities, such as K-12 and Higher Education both currently funded at a level of 49th in the nation. Additionally, Assemblywoman Buckley pointed out that fee increases would reduce cuts to K-12 and Higher Education and could help provide a quality education for Nevada's children as well as place the state in a position better poised for economic recovery.

In response, Ms. Reedy said that the "winds of politics" did not set the Governor's policy nor did the "people lining up" expressing the difficulty of the cuts but rather that his policy was based "on the numbers." Ms. Reedy said that it was disingenuous to say that the reduction to K-12 was 10 percent rather than 2.4 percent because with a combination of all sources of revenue, the reduction to K-12 was, in fact, 2.4 percent. Additionally, Ms. Reedy reported that the Governor agreed to the change in the Division of Insurance's support from fees rather than the General Fund because the insurance industry "strongly supported" the change. Ms. Reedy said that the Governor supported fee or tax increases if those assessed agreed to the tax, which she indicated was consistent.

Assemblywoman Buckley indicated she would agree to disagree and pointed out the inconsistency was that increased room tax, fees for ambulatory surgical centers, and a daily rate increase for residents of the Nevada State Veterans Home were supported but a fee increase for Vital Records was not.

Additionally, Assemblywoman Buckley said that while the 10 percent cut to the K-12 budget could not be defined as a 2.4 percent cut, she agreed that it took "tremendous ingenuity" to reduce the original 22 percent cut to K-12 to 10 percent. Assemblywoman Buckley also said that while she did not agree with all of the proposals, such as the $175 million in sweeps and InsureNet, she agreed with some and again appreciated the hard work it took to reduce the 22 percent cut to K-12 to 10 percent. Assemblywoman Buckley discussed receipt of a letter from Robert Feldman, Chair of the Governor's SAGE Commission Task Force on the Department of Motor Vehicles (DMV), who indicated he did not support the InsureNet insurance verification system. Assemblywoman Buckley said, however, she did not blame the Administration for exploring ideas for additional revenue.

Assemblywoman Buckley said that funds could not be mixed when providing basic K-12 operating costs, such as teacher salaries and utilities, which could not include, for example, optional computer programs or special programming for which a school might receive stimulus funding that could generally only be used at Title I schools.

Assemblywoman Leslie advised that she also had received an email copy of a letter from Robert Feldman that recommended the DMV's system of insurance verification, in which millions of dollars had been invested, rather than the InsureNet verification system.

Cochair Horsford noted the importance of the foregoing discussion, which he said assisted the Committee in gaining a better understanding of the proposals, the Governor's position, and those recommendations on which the Committee could work with the Administration and others on which they could not. Additionally, Cochair Horsford expressed his thanks to Mr. Clinger for his presentation and to Ms. Reedy for her participation in the discussion.

Assemblywoman Smith pointed out that calling the 10 percent reduction to the K-12 budget a 2.4 percent reduction "to make it look better" was a disservice to the public. Assemblywoman Smith said that because the system of funding the K-12 budget was complex, it was appropriate for the discussion to take place using "real" numbers especially for the benefit of the public.

<u>Closure of Nevada State Prison, Casa Grande, and Wells Conservation Camp</u>

Cochair Horsford referred to the document entitled, *Closure of NSP, Casa Grande and Wells* (Exhibit F) and asked Mr. Clinger to comment on why the Department of Administration's proposal did not include a recommendation to close the Wells Conservation Camp.

Mr. Clinger advised that the closure of the Wells Conservation Camp was not a recommendation from the Governor and that he was uncertain whether the Department of Corrections' Director recommended the closure or whether it was in response to the Committee's staff.

Howard Skolnik, Director, Department of Corrections, began his presentation by advising the members of the Committee that the Department's primary housing issue was the closure of the Nevada State Prison (NSP). Mr. Skolnik proposed to transfer the 741 inmates incarcerated at the NSP as of February 22, 2010, according to the following plan:

- NSP would transfer 660 inmates to High Desert State Prison Units 7 and 8 that were currently empty. The Prison had a budgeted capacity of 2,517 inmates, currently housed 2,895 and could accommodate 3,612 if the Prison maintained 2.5 units as single cell units because of segregation and administrative needs.

  Mr. Skolnik advised that Units 7 and 8 held a capacity of 672 inmates but maintained a few empty beds in order to move inmates around if the need arose. Additionally, Mr. Skolnik advised that the High Desert State Prison opened Units 9 and 10 after completion of new construction and while Units 7 and 8 were closed for repair work and cleaning.

- NSP would transfer 34 inmates to the Lovelock Correctional Center that would total 1,640 inmates incarcerated at Lovelock, which had a budgeted capacity of 1,752 inmates.

- NSP would transfer 33 inmates to Ely State Prison that would total 1,076 inmates incarcerated at Ely, which had a budgeted capacity of 1,171 inmates.

- NSP would transfer 14 inmates to Northern Nevada Correctional Center (NNCC) that would total 1,453 inmates incarcerated at NNCC, which had a budgeted capacity of 1,464 inmates.

Mr. Skolnik advised that, in all cases, the transfers would not exceed the capacity of the facilities to which the inmates would transfer with the exception of the High Desert State Prison.

In response to Cochair Horsford's questions concerning definitions of budgeted capacity and facility capacity, Mr. Skolnik defined budgeted capacity as funding provided for the number of inmates housed in each institution, which he said was below the total number of beds for each facility. Additionally, Mr. Skolnik explained that although the emergency capacity for the High Desert State Prison was 2,502 inmates, the prison currently housed 2,895 inmates. He said, however, that an additional 580 beds were available, although some were in single cells and that after opening Units 7 and 8, High Desert State Prison would have a total capacity of 3,612 beds, which would allow secured single-cells to be continued in Units 1, 2, and half of Unit 4.

In response to Cochair Horsford's question concerning an emergency capacity of 2,502 inmates at High Desert State Prison, Mr. Skolnik explained that the emergency capacity was the rated capacity annually adjusted upwards through an internal process and which he indicated had not been done since opening Units 9 and 10. Mr. Skolnik reiterated that the High Desert State Prison could house 3,612 inmates without giving up its current single-cell status and that in moving 660 inmates from the NSP to the High Desert State Prison, the facility would house 3,555 inmates in total.

In response to Cochair Horsford's request, Mr. Skolnik provided information concerning the emergency capacity for each of the following institutions:

- The emergency capacity for the Lovelock Correctional Center was 1,824 inmates; the budgeted capacity was 1,752 inmates, and after transferring 34 inmates from the NSP, the Lovelock Correctional Center would house 1,640 inmates in total.

- The emergency capacity for Ely State Prison was 1,224 inmates; the budgeted capacity was 1,171 inmates, and after transferring 33 inmates from the NSP, the Ely State Prison would house 1,076 inmates in total.

- The emergency capacity for the Northern Nevada Correctional Center (NNCC) was 1,533 inmates; the budgeted capacity was 1,464 inmates, and after transferring 14 inmates from the NSP, the NNCC would house 1,453 inmates.

In response to Cochair Horsford's questions concerning the medical unit at the High Desert State Prison, Mr. Skolnik advised that implementation of the foregoing plan would delay the conversion of the unit to a regional medical facility. Additionally, Mr. Skolnik advised that the funding approved for the project was not sufficient to convert the unit to a regional medical facility.

In response to a question Cochair Horsford asked concerning whether the Department would be in federal compliance without the regional medical facility, Mr. Skolnik advised that "constitutional medical care" was provided at all of the Department of Corrections' facilities.

Cochair Horsford recalled testimony from Department of Corrections' representatives that recommended the regional medical facility because of concern the Department could not meet federal medical compliance standards without converting the unit to a medical facility.

Mr. Skolnik expressed a concern for future compliance but said that because the inmate population had decreased, the Department was using public and private community facilities and would continue to do so, if needed. He said that while the ideal situation would be to convert Unit 10 at the High Desert State Prison to a regional medical facility, to do so would take 120 beds that the Prison needed.

Cochair Horsford asked Mr. Skolnik to continue his presentation with the budgeted and rated capacity for the remaining facilities.

Mr. Skolnik did not have the emergency capacity for the remaining facilities but provided the following budgeted and actual population numbers:

- Carlin Conservation Camp housed 119 inmates as of February 21, 2010 and had a budgeted population of 131.

- Casa Grande currently housed a population of 242 and had a budgeted population of 340 with 99 empty beds.

- Ely Conservation Camp currently housed 124 inmates and had a budgeted population of 130.

Senator Coffin noted that the numbers the Director provided did not match those on the document he had distributed.

Mr. Skolnik advised that the numbers were updated the previous evening and continued his presentation:

- Florence McClure Women's Correctional Center currently housed a population of 712 and had a budgeted population of 748.

- Humboldt Conservation Camp currently housed a population of 128 and had a budgeted population of 130.

- The Three Lakes Valley Conservation Camp currently housed a population of 233 and had a budgeted population of 238.

Cochair Horsford noted that the Three Lakes Valley Conservation Camp did not appear on Exhibit F and asked Mr. Skolnik to provide comments that related to the information on the document.

Mr. Skolnik continued with the following information concerning the closure of Casa Grande:

- Casa Grande with 400 beds in total currently housed a population of 225 and had a budgeted capacity of 340.

- Jean Conservation Camp currently housed 143 inmates, had an emergency capacity of 240 and a budgeted capacity of 173. With the closure of Casa Grande, 42 women would move to Jean for a total population of 185.

- Tonopah Conservation Camp currently had no inmate population but would reopen on March 1 with an emergency capacity of 150 and a budgeted capacity of 130. With the closure of Casa Grande, 123 inmates would move to Tonopah.

- Carlin Conservation Camp currently housed a population of 119 inmates. The Carlin Camp had an emergency capacity of 150 and a budgeted capacity of 131.

With the closure of Casa Grande, 31 inmates would move to the Carlin Conservation Camp for a total population of 150.

- Pioche Conservation Camp currently housed a population of 167 inmates. The Pioche Camp had an emergency capacity of 196 and a budgeted capacity of 176. The transfer of 29 inmates would bring the total population to 196.

With Cochair Horsford's consent, Mr. Skolnik provided the following information concerning the closure of the Wells Conservation Camp even though it was not a recommendation proposed by the Administration:

- The Wells Conservation Camp currently housed a population of 116 inmates.

- The Ely Conservation Camp currently housed a population of 134 inmates and had a budgeted capacity of 150. The closure of the Wells Camp would move 16 inmates to the Ely Camp for a total population of 150.

- The Tonopah Conservation Camp currently housed a population of 123 inmates. The Tonopah Camp had a budgeted capacity of 130 and an emergency capacity of 150. The closure of the Wells Camp would move 27 inmates to the Tonopah Camp for a total population of 150.

- The Humboldt Conservation Camp currently housed a population of 128 inmates. The Humboldt Camp had a budgeted capacity of 130 and an emergency capacity of 150. The closure of the Wells Camp would move 22 inmates to the Tonopah Camp for a total population of 150.

- The Northern Nevada Restitution Center (NNRC) currently housed a population of 63 inmates. The NNRC had a budgeted capacity of 76 and an emergency capacity of 88. The closure of the Wells Camp would move 25 inmates to the NNRC for a total population of 88.

- The Pioche Conservation Camp currently housed a population of 187 inmates. The Camp had a budgeted capacity of 176 and an emergency capacity of 196. The closure of the Wells Camp would move 26 inmates to the Pioche Camp for a total population of 213. Available day room space would be used to house inmates since the total number of inmates exceeded the Camp's emergency capacity of 196.

In response to Assemblyman Goicoechea's request for clarification regarding closure of the Wells Conservation Camp, Mr. Skolnik explained that after internal personnel changes, Department of Corrections' staff identified closing the Wells Conservation Camp as a source of making up a million dollar wage difference. Mr. Skolnik advised, however, that after a recent meeting with representatives of the Administration and Department of Conservation and Natural Resources, it was determined that closing the Wells Conservation Camp was not in the best interest of the state.

Assemblyman Goicoechea noted that that the Department of Corrections was operating the conservation camps close to capacity level and with the closure of the Wells Conservation Camp, the camps would be operating beyond capacity in some instances.

In response to Assemblyman Conklin's questions concerning an increase in the inmate population over the next two years and concerns regarding housing if the population increased, Mr. Skolnik advised that a modest decrease was seen in the population over the past few years. He said, however, the decrease was more significant in the female population, which provided a surplus of beds in the facilities housing female inmates. Mr. Skolnik indicated that housing needs could "probably" be met through the next year or two without "substantial difficulty" if Unit 10 was not converted to a regional medical facility. Additionally, Mr. Skolnik discussed the availability of 650 beds at the Southern Nevada Correctional Center, which he said could reopen for population purposes were the budget to allow it.

Assemblywoman Gansert noted that the budgeted capacity of the facilities appeared greater than the current population even with a transfer of inmates and asked Mr. Skolnik to comment on the budgeting process.

Mr. Skolnik advised that the Department received a dollar amount per inmate based on inmate population projections from the JFA Institute. He explained that the money purchased consumable items such as, food, clothing, and mattresses and that there were no purchases if there were no inmates leaving some funding availability. Mr. Skolnik pointed out, however, that High Desert State Prison was well over the budgeted capacity and that while Casa Grande was significantly below capacity, Casa Grande did not have the same daily operating costs as other prison facilities because approximately 70 percent of their population worked, 20 percent were taking classes, and 10 percent were looking for work.

Assemblywoman Gansert noted that the budgeted capacity for the High Desert State Prison was 2,517, the current population was 2,895, and after transfers, a total population of 3,555 was projected. Assemblywoman Gansert asked whether Department staff had studied the availability of reverting savings to the General Fund if the projected number of inmates fell short.

Mr. Skolnik advised that staff had studied the availability of funding that could be reverted to the General Fund but said that he did not currently know whether the reversion could actually occur. He reported that food costs were higher than the budgeted amount and explained that three years ago a "very successful base" occurred with many food "opportunity buys." Mr. Skolnik pointed out that the budget for the 2009-11 biennium was established on the base year of the prior biennium and thus food costs in the new budget were reduced from the costs in the previous biennium, which did not allow for energy increases and other costs the Department had experienced.

Assemblywoman Gansert recalled that in a previous discussion before the Committee, testimony occurred concerning a request for proposal (RFP) to privatize food service and asked if anyone had reviewed an opportunity to reduce food costs.

Mr. Skolnik advised that he had not initiated an RFP to privatize food service and recalled that in previous testimony he reported on six years of ongoing negotiations with Aramark Food Service in an effort to develop a partnership with Prison Industries to create a "cook-chill" operation. He said, however, that after six years, negotiations with Aramark had ended.

In response to Senator Coffin who asked about the number of minimum custody inmates currently incarcerated at the Nevada State Prison, Mr. Skolnik advised that a small number of minimum-security inmates worked on the prison property outside of the gate.

In response to Senator Coffin who asked about inmates housed in unlocked cells, Mr. Skolnik advised that they were medium-security inmates.

Senator Coffin questioned the concept of closing Casa Grande when 70 percent of the population worked in the community and, in some cases, even paid restitution to victims.

Mr. Skolnik advised that after the Department was given a substantial dollar reduction that had to be achieved, Casa Grande was placed on the Department's original list of reductions

Senator Coffin asked whether the Department could transfer some minimum-security inmates to Casa Grande to join the others working in southern Nevada.

Mr. Skolnik advised that commitments made to the local community regarding those allowed to live in Casa Grande had to be honored, which was one of the reasons why it was difficult to fill the facility. In an effort to increase the population, Mr. Skolnik said that staff from the Department of Employment, Training and Rehabilitation and Casa Grande had worked together to identify funds that would offset rent costs for 20 percent of the population receiving training and education. Additionally, he said staff was working with Las Vegas District Court Judge Jackie Glass on an "intermediate sanction program" for probationers. Mr. Skolnik advised, however, that the closure of Casa Grande was an option to reduce funding.

Senator Coffin asked Mr. Skolnik to prepare a document on the closure of prison facilities using updated numbers because he said that the proposals presented required additional review by the members of the Committee.

Mr. Skolnik agreed to update Exhibit F.

In response to Assemblywoman McClain's questions concerning the budgeted capacity for Nevada State Prison and High Desert State Prison, Mr. Skolnik provided the following information:

- The budgeted capacity for Nevada State Prison was 806.

- The budgeted capacity for High Desert State Prison was 2,517, and 3,612 was the number of beds that could be filled while still maintaining the number of single cells needed.

In response to Assemblywoman McClain's questions concerning the number of guards needed after the closure of Nevada State Prison and the transfer of inmates, Mr. Skolnik said that NSP currently had 210 positions of which 54 positions would relocate to High Desert State Prison allowing the Department to reopen two currently closed cell houses. Additionally, Mr. Skolnik advised that 5 positions would be maintained in Carson City, medical care would be expanded at the Warm Springs Correctional Center in Carson City, and one person would remain as a caretaker for the facility.

In response to Assemblywoman McClain's question concerning the number of guards projected for layoff, Mr. Skolnik advised that the worst-case scenario was 167 potential layoffs based on a regional rather than a statewide basis. Mr. Skolnik advised, however, that since the Personnel Commission took no action on the Department's request for regional layoffs, staff was revising the list.

Assemblywoman McClain recalled that, in a previous meeting, she had requested that the Director provide a plan related to closing NSP that included costs for capital changes required at the High Desert State Prison as well as specific costs for retirement, layoff, relocation, and utilities. Additionally, Assemblywoman McClain recalled she had asked for costs on closing only the oldest units of the Nevada State Prison compared with costs for closing the entire Prison and advised that she wanted to see those cost comparisons before moving forward with any major decisions.

Mr. Skolnik agreed to provide the information.

Cochair Horsford asked Mr. Skolnik to provide information regarding increased costs for at least two of the facilities that related to transporting inmates to other locations for medical services.

Mr. Skolnik agreed to provide the additional information.

In response to Assemblywoman McClain who asked for information concerning the current location of inmates that had been housed at the Tonopah Conservation Camp, Mr. Skolnik advised that the inmates were temporarily placed in the Pioche Conservation Camp.

In response to Assemblywoman McClain's questions related to returning the inmates to the Tonopah Conservation Camp and the costs involved, Mr. Skolnik advised that the inmates would be returned to Tonopah and that cost along with the cost of relocating inmates from NSP could be absorbed in the Director's existing transportation budget.

Assemblywoman McClain said that she still wanted to see the entire breakdown.

Assemblywoman Buckley expressed an appreciation for the questions asked by the Committee members for information to evaluate the various proposals. Assemblywoman Buckley said, however, that after hearing testimony thus far, it appeared that the Department's proposals for closing facilities and transferring inmates and correctional officers were haphazard, at best, and could cost the state more money in the end.

Assemblywoman Buckley indicated that it appeared the budget target given to the Department of Corrections was unrealistic and she did not agree with the proposal to reduce the pay for all correctional officers given the number of pay differentials involved in their salaries. Additionally, Assemblywoman Buckley indicated that after receiving a number of complaints, the use of state vehicles and duplicative wardens required a review.

Assemblywoman Buckley also took issue with the plan to close Nevada State Prison and Casa Grande, the transfer of inmates to High Desert State Prison, and abandoning the plan to convert Unit 10 to a regional medical facility that she said would ultimately save the state money. Assemblywoman Buckley indicated that the Department's plan was ill conceived and that, in her opinion, veered off the course of saving money and minimizing costs. Assemblywoman Buckley suggested reducing the Department's cuts and a review of correctional officers' salaries for parity with other state employees. Additionally, Assemblywoman Buckley suggested deferring closure of the NSP and Casa Grande to the next Interim Finance Committee meeting, which would provide additional time to review the plan. While deferring the closures would prevent the costs from being included in the budget target, Assemblywoman Buckley reiterated that moving forward in such a haphazard manner could eventually be very costly.

Assemblyman Grady asked whether dialogue with correctional officers had taken place concerning their interest in transferring to other locations and the involvement of additional costs should the officers not agree to be transferred.

Mr. Skolnik advised that Department of Corrections' staff were scheduled to meet with correctional officers at each of the institutions the following day concerning who would be willing to transfer and the location to which they would be willing to transfer. Mr. Skolnik indicated, however, that members of the Department staff were waiting to see what the Legislature decided concerning the budget reductions.

Assemblyman Grady pointed out that the members of the Committee were in the same position in waiting for answers and a plan from the Department of Corrections.

Cochair Horsford noted that the current hearing for the Department of Corrections was the third in a series during the last two weeks and it was apparent that the Committee was "not even close" to being provided the information needed to make informed budget-reduction decisions. Cochair Horsford directed Mr. Skolnik to provide the information requested by Assemblywoman McClain to the Committee's staff with any additional relevant details to the budget-reduction process.

Mr. Skolnik agreed to provide the requested information.

Furlough Issue Pertaining to State Workers

Cochair Horsford announced that Legislative Counsel, Brenda Erdoes, would provide information on proposed legislation concerning furloughs and 10-hour workdays for state employees.

Brenda J. Erdoes, Legislative Counsel, Legislative Counsel Bureau, reported that the proposed legislation included:

- Increasing the monthly furlough requirement for state employees from 8 hours to 10 hours

- Requiring agencies that previously received an exemption from furloughs to reduce employee salaries by a percentage increase equal to the furlough decrease in salaries

- Public Employees Retirement System (PERS) protection for those positions that were subject to salary reductions that would match furlough protection from PERS

- Closure of state offices on Fridays

- A workweek for state employees consisting of four 10-hour-days Monday through Thursday

Ms. Erdoes advised that exceptions to the four 10-hour workdays applied to prison guards who would be required to work 12-hour shifts because of the need for 7-day coverage and for Nevada System of Higher Education (NSHE) employees who would work rolling 10-hours shifts because of the need for 5-day coverage. Ms. Erdoes advised that all exceptions were equal but presented in a different manner to accommodate various situations and that all exceptions had to be granted by the Board of Examiners for the Executive Branch, the Supreme Court for the Judicial Branch, the Legislative Commission for the Legislative Branch, and the Board of Regents for the NSHE.

Ms. Erdoes advised that additional exceptions were included for holiday weeks during which state employees were required to work 8-hour shifts on each day that was not a holiday and for offices and employees needed to provide for the protection of public health, safety, and welfare. Ms. Erdoes reiterated that all exceptions had to be granted by the Board of Examiners, the Supreme Court, the Legislative Commission, and the Board of Regents and reported to the Interim Finance Committee within 60 days. Additionally, Ms. Erdoes advised that if the last day for filing papers or complying with statutory deadlines involved an office that closed on a Friday, the filing deadline would be extended to the next business day.

Ms. Erdoes advised that the proposed legislation also included voiding all previously granted exemptions from furloughs and would require state agencies to reapply for exemptions beginning July 1, 2010, because of the inclusion of the salary reduction instead of furlough leave provision. Additionally, Ms. Erdoes advised that overtime hours during the furlough program would be pursuant to an approved plan for which requirements were again determined by the Board of Examiners for the Executive Branch, the Supreme Court for the Judicial Branch, the Legislative Commission for the Legislative Branch, and the Board of Regents for the NSHE. Ms. Erdoes also advised that the proposed legislation included a sunset clause.

Assemblyman Hardy asked whether the Southern Nevada Veterans' Home qualified for exemption from furloughs under the currently granted exemption for protection of public, health, safety, and welfare.

Ms. Erdoes advised that under the provisions of the current legislation, the entity responsible for granting the exemption would make the determination on granting an exemption and that provision would remain the same in the proposed legislation. Ms. Erdoes explained that an automatic exemption did not exist for the Southern Nevada Veterans' Home but they could apply to the State Board of Examiners for the exemption.

In response to Assemblywoman Gansert's concerns regarding the accumulation of overtime hours and approval by the Board of Examiners, Ms. Erdoes explained that an approved plan was required before employees could engage in overtime work and that there could be no deviation from the plan.

Assemblywoman Gansert discussed complaints concerning the accessibility of staff at the Secretary of State's Office and indicated that perhaps rolling shifts should be considered for all agencies rather than closing offices one day a week.

Assemblyman Goicoechea expressed concern regarding whether five separate entities could apply the criterion for approval of furlough exemptions to all applicants in an equitable manner.

Ms. Erdoes indicated that with the inclusion of the four ten-hour workday requirement she believed that the proposed legislation required fair treatment for all. Ms. Erdoes agreed, however, that it would be up to the five entities to determine the criterion for granting specific exemptions and that the only judgment call that had to be made was who would be exempted.

Senator Coffin asked whether there were exceptions to the rule on furloughs for any particular agencies, such as the Division of Museums and History, Department of Cultural Affairs, whose employees, in effect, were reduced to part-time work because the Division's budget was reduced by 20 percent.

Ms. Erdoes advised that the Department of Cultural Affairs' employees were previously excluded from the furloughs because they were reduced to two-thirds time, and the furlough exclusion would continue to apply.

Senator Coffin said that although the Department's employees were not subject to the same furlough provision as other state employees, their pay, in essence, was reduced by a considerably larger margin than the salaries of other employees. Senator Coffin indicated that the point would be reached in which some entities would request special treatment for employees whose salaries were reduced more than others were reduced.

Additionally, Senator Coffin said that the current "zero-sum" game situation in which resources were limited, decisions would be made based on trade-offs and he noted, for example, that while he did not understand the "byplay" minimizing reductions to K 12 education, larger reductions might occur in other areas to pay for the minimization of reductions to K-12. Senator Coffin suggested that agencies whose budgets were so drastically reduced during the last round of cuts should be reviewed to completely reduce the impact or reward employees who were working fulltime for only two-thirds of their salary.

In response to Assemblywoman Smith who asked how the four-day workweek would apply to part-time employees, Ms. Erdoes advised that the furlough would be proportionately applied to part-time employees' hours and said, for example, that a halftime employee would incur a five-hour furlough per month.

In response to Assemblyman Denis who asked for additional information concerning the sunset clause in the proposed legislation, Ms Erdoes advised that while the July 1, 2011 date was placed in the bill because it covered the biennium, the members of the Legislature could determine the point at which they preferred to sunset the legislation.

Assemblyman Denis suggested that perhaps a trigger mechanism to sunset the bill could be included so that a change, if needed, could be made without reconvening the Legislature.

Cochair Horsford agreed that a review of a trigger mechanism to sunset the legislation as well as other suggestions and a re-examination of the furlough issue would take place.

<u>Overview of the State Building Lease Program</u>

Cochair Horsford announced that Jacob Joyce, the next presenter, would provide information on a program implemented in other states to lease state buildings, an idea he said that Senator Raggio brought forward during a previous Interim Finance Committee meeting.

Jacob Joyce, Project Manager, Applied Analysis, Las Vegas, Nevada, appeared before the Committee to discuss sale-leaseback and lease-leaseback transactions, which he described as a method to use state building or land assets to generate revenue. He explained that states could enter into long-term lease agreements with other entities or individual investors who leased the properties back to the state and once the terms of the lease agreements expired, the state regained operation of the properties. Mr. Joyce indicated that such transactions were a "quick way" of raising capital and a method recently used in Arizona and California.

Cochair Horsford asked Mr. Joyce to discuss the Arizona and California transactions and advised that a packet of information entitled, *State Building Lease Program*, (Exhibit G) was distributed to the Committee.

Mr. Joyce reported that Arizona had recently entered a sale-leaseback transaction by selling a number of state-held properties to a bondholder and raised $735.4 million in a two-day period. Mr. Joyce said that the state would pay the investor back over a twenty-year period with interest expected to cost the state about $400 million, for a total payback of $1.1 billion.

Mr. Joyce advised that California's lawmakers had also had recently announced a similar sale-leaseback transaction involving approximately 16 buildings.

- Sale-leaseback transaction – a financial transaction, in which, for example, a state sold an asset to investors or bondholders and leased it back.

- Lease leaseback – a financial transaction for an unsecured asset structured so that rather than giving the deed over to a bondholder or investor, the state would retain the ownership of the property or the asset and provided "a capital infusion" based on the quality and credit rating of the tenant rather than the actual asset.

In response to Assemblywoman Leslie, who asked if a homeowner taking a second mortgage on a home could be compared with a leaseback transaction, Mr. Joyce explained that the difference between a second mortgage and a leaseback transaction was that with a second mortgage, the asset would secure the mortgage. Mr. Joyce advised that in a sale-leaseback transaction for a government-owned building, the state would retain the deed rather than giving it over to an investor.

Assemblywoman Leslie asked whether entering into a lease-leaseback transaction compared with securing a loan from a bank that had to be repaid over time.

Mr. Joyce agreed with Assemblywoman Leslie's comparison and advised that the benefit of a lease-leaseback for a property or an asset was that the "capital infusion" would be based on the quality and credit rating of the tenant rather than the quality of the building. Mr. Joyce explained that some communities entering into lease-leaseback transactions had gone forward on the basis that they relinquished some portion of the asset to the investor who by perhaps retrofitting, maintenance, or commercializing the property benefited by receiving favorable tax credits.

In response to Assemblywoman Leslie who noted that lease-leaseback transactions were advantageous for investors, Mr. Joyce agreed that lease-leaseback transactions were favorable to investors because of favorable lease terms for investors to receive tax benefits.

In response to Assemblywoman Leslie, who asked whether the leaseback transactions would be less expensive than securing a bank loan, Mr. Joyce indicated that it depended on the lease agreement. He explained that Arizona's sale-leaseback properties, for example, carried a "favorable" 4.57 interest rate. Mr. Joyce recommended initiating a request for proposal (RFP) for a commercial real estate consultant, who, once chosen, could determine "the greatest good for the best efficiency and the most money upfront."

Assemblywoman Leslie indicated being "troubled" over the appearance of taking out a loan to cover the state's operating expenses and indicated that perhaps a better rate could be received on the state's line of credit rather than for the leaseback transaction terms.

Assemblyman Grady asked for information concerning whether the interest rates for the transactions initiated by Arizona and California were fixed or floating and additionally for the maturity dates of the certificates.

Mr. Joyce advised that while the typical term of a lease was twenty years, he was unfamiliar with the terms of the lease-agreements initiated by Arizona and California.

In response to Assemblyman Hardy's question concerning how the terms of Nevada's $160 million line of credit to local governments compared with Arizona's sale-leaseback transaction, Mr. Joyce indicated being unfamiliar with the terms concerning the state's line of credit, but he pointed out that Arizona and California each raised cash infusions of approximately $700 million.

Assemblywoman Buckley advised that the terms for Nevada's line of credit carried a 1.15 percent rate of interest.

Assemblywoman Buckley asked Mr. Joyce for information on other states that had engaged in sale-leaseback and lease-leaseback transactions and the interest rates they paid or discounts received in order that the Committee's staff could perform a cost benefit analysis.

Although he indicated that he had no information on leaseback transactions in other states, Mr. Joyce advised that Arizona's sale took place over a two-day period, and California was moving forward with the sale of their state office buildings after collaborating with a brokerage firm. Mr. Joyce said, however, that he believed going forward with such transactions depended on how quickly a state needed to raise money and the terms of the transaction. Mr. Joyce indicated that it was up to policymakers to determine the number of buildings the transaction would include as well as the age and quality of the buildings. Mr. Joyce reiterated the need to initiate an RFP for a commercial real estate consultation on state assets.

Assemblyman Conklin indicated that large corporations had used automobiles, which had a declining value, in sale-leaseback transactions as a quick way to generate cash. He expressed concern, however, that land and properties were a long-term investment designed for growth and that although the state had experienced an anomaly in real estate growth as had the remainder of the country, the ultimate cost of the "short-run infusion of cash" appeared to be unclear. Assemblyman Conklin asked how the state could evaluate the cost of gaining a one-time cash advantage.

Mr. Joyce agreed that leaseback transactions would cost money over the term of the lease agreement as would any kind of investor transaction since an investor would expect to gain by providing the property owner with a capital infusion. Mr. Joyce pointed out that the state's policymakers would determine the terms or the cost of the transaction and the assets put forth.

Assemblyman Conklin noted that while automobile leaseback transactions made sense for companies and businesses because of the declining value of the asset, he had difficulty understanding how a sale-leaseback transaction involving a capital infusion for the value of an asset at its absolute minimum value in the current market would be beneficial to the state.

Mr. Joyce, using another analogy, discussed an opportunity to sell a stock at the bottom or to receive a capital infusion by leasing the stock, a decision he said that would be made based on the terms of the transaction. Continuing, Mr. Joyce said that selling an office building, for example, at the bottom of the market would probably not be the wisest idea. He said, however, that perhaps raising money by leasing the building back while the lease rates were low might provide some beneficial cash infusion depending on the terms of the agreement.

Assemblywoman Gansert recalled a previous discussion on retrofitting buildings to meet energy efficiency and conservation standards and asked whether federal funds were available to do so and whether those terms could be included in the lease arrangement.

Mr. Joyce advised that the terms for retrofitting a building would be included in the property transaction agreement and that federal funds were available for such projects, which he said would not only create jobs but would also provide a tax benefit for the investor. Mr. Joyce pointed out that typically, the reason an investor could provide favorable lease terms was the tax benefit.

In response to a question from Assemblywoman Gansert concerning the lead-time in preparing a RFP and completion of the process, Mr. Joyce, although unable to provide a timeline, recommended beginning the process right away if policymakers decided to enter into leaseback transactions.

Senator Coffin "applauded" Senator Raggio for bringing the leaseback transaction option forward for discussion and recalled reviewing the concept in 1983 before construction of the Thomas and Mack Center at the University of Nevada, Las Vegas and the Lawlor Events Center in Reno although he said the idea was rejected because bonds were used to fund the construction projects.

Senator Coffin, in trying to gain a better understanding of the process, noted, for example, that a $50 million building using bonds to fund the construction costs with an equal amount of interest would cost $100 million. He noted, however, that if the state engaged in a sale-leaseback or lease-leaseback transaction and bought the building back with rent that included an infusion rate that gained the investor a profit, the state would buy the same $50 million building that cost $100 million to finance at a cost of another $50 million or even $100 million.

Mr. Joyce advised that each situation was unique and depended on whether the state was borrowing money on the asset or the credit worthiness of the tenant, which he said made the terms favorable in a "very robust market" for such transactions. Mr. Joyce pointed out, however, that "borrowing" money and paying an investor a profit for that upfront capital infusion over time were a part of the transaction.

Senator Raggio discussed bringing the option forward as a way to find additional revenue without raising taxes or making the cuts that a majority of the Committee felt were "unconscionable, undoable or sincerely oppressive."

Senator Raggio referred to the document entitled, *"Net Lease News"* (Exhibit G) that he said included responses to some of the questions that the members of the Committee had asked. Senator Raggio pointed out that although he was not advocating leaseback transactions, Arizona sold their buildings with the understanding that after a period of twenty years, they would regain complete control and ownership.

Additionally, Senator Raggio pointed out that the proposal he had brought forth, although similar, did not include selling certificates of participation in the public bond market as was the case in Arizona, but rather that interested investors would respond to the RFP and indicate what they were willing to pay based on the appraised value of the assets. Additionally, Senator Raggio said the state's repayment of the capital infusion over time would be stated in the RFP, and the lease agreement would include the terms for repayment as well as incentives and advantages to the state, such as retrofitting buildings, or completing deferred maintenance projects.

Senator Raggio noted that the document, *"Net Lease News"* reported that Arizona engaged in a two-day sale to investors of a number of state buildings that drew $735.4 million carrying a 4.57 percent interest rate. Additionally, Senator Raggio noted that it was his understanding that the current lower market value of the properties was a plus, and the 4.57 percent interest rate calculated over twenty years in Arizona would cost the state an additional $400 million. Senator Raggio also pointed out that the response to Arizona's RFP included retail investors who bought $113.8 million in certificates, or 15.5 percent of the total and institutional investors that accounted for the remaining 84.5 percent, or $621.6 million. Additionally, Senator Raggio pointed out that the sale of state buildings in Arizona proved so successful that lawmakers hoped to raise an additional $300 million with similar transactions.

Senator Raggio reiterated that his purpose in bringing the proposal forward was to present a way to raise revenue without increasing taxes and although not perfect, the proposal addressed some of the state's long-term problems.

Cochair Horsford expressed his thanks to Senator Raggio for the proposal, which he said was worthy of further analysis and determining of due diligence.

Cochair Horsford asked if barriers existed to leasing facilities that had bond obligations.

Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau, advised that she had spoken with the state's bond counsel and that a building with an outstanding bonded indebtedness would not be eligible for a leaseback transaction.

Cochair Horsford noted that the payments for some buildings were from dedicated revenue sources, such as Highway Funds, rather than the General Fund and asked whether there were restrictions in other areas of which the Committee should be aware.

Ms. Erdoes advised that although she had not asked the bond counsel that question, she would do so.

Cochair Horsford asked for additional details regarding the RFP process in other states and recalled that earlier testimony indicated that after concluding the RFP process and determining the value of the assets, the Legislature decided whether to proceed.

Mr. Joyce indicated that he could look into the RFP process used in other states and, if so desired, provide the information to the Committee; however, he again recommended issuing an RFP for a real estate consultant to review the state's "portfolio of assets" followed by an appraisal of the assets.

Cochair Horsford pointed out that if the state engaged in leaseback transactions and lease payments were required in the current biennium, the payments would have to be determined and factored into the budget.

Mr. Joyce advised that the payments would be determined through the RFP process and the terms of the agreements could be set similar to the process used in Arizona with the inclusion of a "flat profit," which provided a clear understanding of obligated lease payments.

Assemblywoman Leslie noted that the cover sheet of the documents distributed to the Committee reported that similar to leaseback programs used in other states, the program for Nevada was designed to generate $250 million in immediate revenue. Assemblywoman Leslie asked for information on how the $250 million figure was determined.

Mr. Joyce responded that he had not seen the document nor had he done an analysis on the generation of $250 million.

Cochair Horsford expressed his thanks to Mr. Joyce for his presentation.

PUBLIC COMMENT

Cochair Horsford opened the hearing to public comment and asked speakers to provide ideas and solutions toward addressing the state's budget shortfall. Cochair Horsford advised that comments from each speaker would be limited to three minutes.

Joe Tyler, Executive Director, National Alliance on Mental Illness (NAMI) Nevada, speaking from Carson City, indicated that it appeared from previous presentations, there were solutions to the shortfall. Mr. Tyler recalled previous cuts of 13.4 percent to mental health budgets and projected that another 10 percent across-the-board cuts could expand the mortality rate for mental health patients from 15 percent to 20 or 25 percent. Mr. Tyler advised that the life expectancy of mentally ill individuals was 25 years less than that of other members of society.

Additionally, Mr. Tyler took issue with the proposed cuts to the medication budget and indicated that the reduction would force mentally ill patients to take less expensive antiquated drugs that would affect the quality and productivity of their lives.

Mr. Tyler also spoke of the cuts to mental health budgets in rural areas in which there were higher-than average suicide rates and asked the Committee, in their budget deliberations, to consider how budget reductions would affect the quality of life and safety for the mentally ill as well as Nevada citizens and hospital staff that served the mentally ill.

Donna Shibovich discussed her twenty-year battle with "schizoaffective disorder" and spoke in opposition to the cuts planned for the medication budget. Ms. Shibovich told the Committee that after finally finding an effective combination of medication to combat her illness, she had to face the possibility of that medication being unavailable to her because of proposed budget cuts. Ms. Shibovich said that cuts to the medication budget would deny mentally ill patients "years of happiness and the basic right to lead productive, healthy lives" and asked that the state not force mentally ill clients to follow unproven and devastating formularies.

Ms. Shibovich also spoke of the desperate need for service coordinators and of her bipolar sister in Illinois who, because she did not have a caseworker, had to live for a period in housing with no heat and no hot water. Ms. Shibovich pointed out that the cuts in housing would make the "homeless epidemic" in Nevada only worse and although, thanks to her caseworker, she had Section 8 Program housing she said she was no more deserving of that benefit than the next person was.

Ms. Shibovich indicated she was thankful for her situation but felt remorse for others with less and since she could represent NAMI, she felt it her duty to appear before the Committee to ask that the mentally ill, some of whom could not speak for themselves, not be stripped of their basic needs.

Bunchie Tyler, representing NAMI, appeared before the Committee to speak for herself and on behalf of members of the organization who were deeply concerned about the reductions to the mental health budget but who could not attend the meeting.

Ms. Tyler said that after listening to the discussion and questions posed by the Committee members, she felt it was perhaps possible that the Committee could find a way to adjust the reductions to the budget "to make it a little easier on the mentally ill." Ms. Tyler expressed her appreciation to the members of the Committee for anything they could do toward that effort.

Pat Chinnici, representing NAMI, appeared before the Committee as a friend of people with mental illness. Ms. Chinnici spoke of the difficulty for the mentally ill when they could not gain access to proper care and told the Committee of her sister who passed away two years ago from severe depression and that not long after, her mother also passed away. Ms. Chinnici spoke of the cost involved in hospitalizing her sister because she did not receive medication that could have prevented her institutionalization. She also spoke of a friend, who was fortunate enough to receive the proper medication in 1994 that made a difference in his quality of life.

Ms. Chinnici asked the Committee for their help to reduce the proposed cuts to the mental health budget and expressed her thanks for their hard work.

Chris Vito, representing Nevada Adult Day Healthcare Centers, advised the members of the Committee that 25 to 30 clients of Nevada Adult Day Healthcare Centers and New Life Adult Day Healthcare Centers had attended the hearing, on behalf of families and employees, to extend their "sincere gratitude" for listening to their plea to restore funding to adult day-care services. Mr. Vito indicated he had almost 1,000 petitions from Nevada Adult Day Health Care Centers, alone, in support of adult day care.

Mr. Vito advised that adult day-care centers promoted preventative care and kept clients safe and healthy and assisted them in utilizing healthcare services reimbursed by Medicaid, such as nursing homes, emergency room visits, and hospitalization, much more diligently in order not to burden the state of Nevada. Mr. Vito reported that an AARP representative, representing 311,000 members, recently suggested "that adult day-care services should never be an option easily removed from Medicaid services," but rather a standing alternative level of care in order to keep costs down and keep families together.

Mr. Vito extended special thanks to Assemblywoman Buckley for her support of adult day healthcare.

In closing, Mr. Vito advised that he recently had an opportunity to meet with Arizona's State Treasurer, Dean Martin, who was familiar with sale-leaseback transactions and suggested that perhaps the members of the Committee might want to contact him regarding the lease of state buildings.

Samantha King, President of The League of Women Voters of Nevada, Las Vegas, said that after listening to the discussions concerning the state budget shortfall, she had no solutions to propose and that it appeared there were no short-term solutions to the problem. Ms. King commended the members of the Committee for looking at all options to balance the budget although she indicated that engaging in long-term leases of state buildings could prove difficult without annual legislative sessions. Ms. King asked that the record reflect that since the Legislature appeared to be meeting each year in special sessions, she would prefer that the Legislature meet annually.

Linda Burns, representing Nevada Adult Day Healthcare Centers, expressed her thanks to the Committee for hearing testimony the previous week in support of adult day care. Ms. Burns read the following statement into the record:

> *After hearing for myself the magnitude of the problems facing our state, I felt saddened that I was not able to contribute any ideas toward solving our state's problems. So after some thought, I came up with something that I hope will contribute some possibilities in the form of an idea. This idea would involve every citizen in the state of Nevada and would benefit every citizen as well instead of raising taxes and/or making hard cuts to services that benefit us all.*
>
> *We could have a statewide telethon for the state of Nevada. This telethon could involve statewide celebrities and television personalities as well as well-known businessmen throughout the state as well as the vast amount of talent and creativity in our state. Perhaps these individuals could donate their time and services to host this telethon and/or perform, the purpose being to raise money for the state budget deficit.*
>
> *This telethon could feature all the townships of Nevada showing the plight of each but also showing the possibilities available in each area. This idea would involve each Nevada citizen because it directly affects us all. It could also bring us all together in a most unified effort to help us help ourselves. We could show our resolve and independence in picking our own selves up and taking the initiative to help ourselves. This would give the state a chance to help its own citizens by its own citizens and perhaps bring the state together like never before with our community effort shedding light on the unique problems and challenges that face our individual townships and really the entirety of our state.*
>
> *We could perhaps televise our telethon on our PBS station or on one of our television stations for the sole purpose of raising funds for our state. This idea might draw interest from the rest of the country and might garner outside publicity in the form of free advertising for the state of Nevada tying into Senator Reid's idea of advertising for our state and our nation. I am certain that minds greater than my own could take this idea and run with it on any number of levels that I could not begin to cover here. But I am certain of this, that we possess the talent and creativity to host a statewide effort to put on an excellent display of talent in exchange for asking each and every citizen to contribute what they can to save our wonderful state in its dire time of need without adding to the burdens of our citizens and/or taking anything away from them.*
>
> *This telethon would allow us to voluntarily contribute to the state's deficit ourselves rather than having it taken from us, which feels entirely different to most of us, and this idea might serve as an example to the rest of the country as a way to generate funds as well as to generate a feeling of community and mutual understanding between citizens. In a time when I feel we have nothing to lose, maybe just maybe this is an idea whose time has come.*

Cochair Horsford thanked Ms. Burns for her suggestion and took the opportunity to recognize all the citizens who attended the previous hearing on the proposed reduction to the Department of Health and Human Services' budget. Cochair Horsford indicated that he felt it was because of their advocacy that the Governor restored the funding for adult day care.

Edward Neidert, Senior Correctional Officer, Northern Nevada Correctional Center, a 29-year employee of the Nevada Department of Corrections, identified himself for the record. Mr. Neidert indicated that Department of Corrections' Director, Howard Skolnik, had been less than forthcoming with the Committee and with the Department's staff concerning the closure of the Nevada State Prison (NSP), a charge he said he did not make lightly.

Mr. Neidert reported that last year the Director claimed $70 million in maintenance costs to keep NSP open and in the current year claimed that the expense to guard a combination of maximum-security inmates and medium-security inmates would be the same as guarding medium-security inmates. Mr. Neidert defined both claims by the Director as "demonstratively false."

Mr. Neidert further indicated that after the last Interim Finance Committee meeting, Director Skolnik challenged the officers to find a way to reduce expenses for the Department of Corrections, and, if they did, he would consider the changes in lieu of closing NSP. Mr. Neidert said that the officers rose to the challenge and proposed the idea for seven 12-hour shifts that would allow officers to work 84 hours at straight time to save 5 percent in the Department of Corrections' budget and save approximately 70 officers statewide. Mr. Neidert reported that after 70 percent to 80 percent of "the membership in every institution statewide" agreed to the changes, the officers learned that the suggestion for seven 12-hour shifts was "expropriated" by the Director and applied "elsewhere in his budget." Mr. Neidert indicated that the Director had "lied," his credibility with the officers was zero, and they no longer believed anything he said.

Mr. Neidert suggested that the members of the Committee should question the Director about his "current game plan," which he defined as "smoke and mirrors." Mr. Neidert indicated that, unless he misunderstood the Director's intent, it appeared that all maximum-security inmates currently housed at the NSP, 40 inmates in Unit 12 and 56 inmates in Unit 13, would be moved to Lovelock and that the inmates would be transported over 100 miles when they needed to appear in court or when they required medical attention. Mr. Neidert accused Director Skolnik of "not playing fair with the numbers" and underestimating the costs involved in moving NSP inmates to Lovelock.

Mr. Neidert exceeded the time allotted for public comment and indicated he would email the remainder of his remarks.

Kirby Nish identified himself, for the record, as the senior most correctional officer, in terms of service, within the state and further advised he had an MBA in Organizational Management, a BA in Criminal Justice, and an AA in Corrections.

Mr. Nish expressed agreement with the previous speaker that closing NSP was a "poor choice" because he said the NSP could operate as either a medium-security or a maximum-security prison, and he pointed out that no other facility could make that claim.

Mr. Nish pointed out that the state website showed that the most expensive prison to operate was Ely at $63.24 per inmate while NSP operated at $59.26 per inmate. Additionally, Mr. Nish discussed the disparity in statistics for the number of inmates at the High Desert State Prison. He said the state website reflected 2,527 inmates and earlier in the meeting, the Director referred to 3,612 inmates for High Desert. Mr. Nish expressed an assumption that the extra capacity could be accounted for in Units 7 and Unit 8, which each held 336 inmates and Unit 10 that held 120 inmates. He pointed out, however, that if Unit 10 was not converted to a regional medical center, inmates would have to be transported to an outside third-party hospital, which would "dramatically drive the cost of inmate medical care upward."

Mr. Nish said that moving inmates between prisons was "essentially a wash." He maintained that NSP was a safe institution that was free of incidents and escapes and employed "probably the most experienced officers in the state." Mr. Nish also pointed out that moving inmates from NSP to the High Desert State Prison Units 7 and 8 would supplant experienced officers with trainee officers who would have to control the same number of inmates.

Mr. Nish questioned the Director's statement regarding a decline in inmate numbers and indicated instead that the state was experiencing a decline in the growth of inmate numbers. Additionally, he pointed out that when the Director was questioned about what would happen if NSP closed and and had to reopen, he idiomatically responded, "we'd be screwed." Mr. Nish read the following statement into the record.

> *The issue of closing NSP was examined, and it should remain open. The alleged savings in cost per inmate was substantially offset by the increased liability exposure of running at a lower-staffing ratio. Moreover, the extreme likelihood of the beds at NSP being necessary in the future makes it a valuable resource that must be retained. In addition, the cost of new construction to replace lost housing capacity would be devastating to the state costing multi-millions of dollars at a time when it can ill afford new construction. Also, the core industries of the prison, license plate factories, Silver State Industries, along with the lethal injection chamber and ability to transition from a medium to maximum facility make it a poor candidate for shutdown*.

Tom Heck, a Reno resident, commented on several issues after having reviewed the budget online. Mr. Heck said it appeared that after the state closed a facility that housed nonviolent juvenile offenders, the juveniles went to a second facility to be housed with violent juvenile offenders, "who were murderers and rapists." Mr. Heck encouraged reconsideration of that decision if it was true.

Additionally, Mr. Heck indicated that he had reviewed an audit online that included recommended savings of $16 million by "recouping money from overpaid providers" but that he did not recall discussion regarding whether the money was recouped and if so, how much of the money was returned.

Mr. Heck advised that he had spent 30 years "in the facilities business" and that after listening to the discussion on the prisons, it appeared that the state had no strategic facility plan. He recommended that the state hire an outside consultant to develop a plan. Mr. Heck said that he had developed a strategic satellite facilities plan for Reno and found "that transportation costs" were "enormous" and suggested that the state reduce the number of prison facilities.

Additionally, Mr. Heck noted that Nevada ranked in the bottom 10 and, in some cases, 50th in many state programs and that it did not appear that "throwing more money" at the programs had improved the ranking. Mr. Heck suggested that "as a group" the Committee should develop a policy for the state to "benchmark with the top ten states" to determine what they were doing in an effort to move up from the bottom ranking.

Mr. Heck discussed sharing the budget burden and asked the Committee to reconsider the decision to furlough employees indicating that he remained unconvinced that the policy made the "most sense." With experience in managing municipalities and counties, Mr. Heck recalled that a 10 percent hiring freeze initiated by city managers proved a more effective budgeting tool than furloughs. Mr. Heck noted that oftentimes a 5 percent vacancy existed anyway and that with a 5 percent hiring freeze, the state would realize a savings with little effect on the lives of employees.

Mr. Heck encouraged the Committee to establish "a rainy day fund" and mandate that the fund maintain a certain balance. Additionally, he encouraged developing "metrics" for each program that measured performance and suggested cutting programs that did not meet the established standards.

Mr. Heck recalled hearing an animated discussion in a previous meeting concerning taxing companies; however, he said that companies already paid taxes.

In closing, Mr. Heck suggested developing "metrics" for the number of "administrators per teacher, students per administrator, and students per teacher" rather than providing more money to education. Mr. Heck indicated that the "metrics" would show that there were too many overpaid administrators and not enough teachers. He said the state needed more teachers with a lower-student ratio and that developing the three metrics would determine the need for funding.

Kevin Ranft, a correctional officer and a member of the American Federation of State, County and Municipal Employees (AFSCME), Local 4041, identified himself for the record. Mr. Ranft expressed his thanks, on behalf of state employees, for the work of the Committee and their staff in addressing the budget shortfall.

Mr. Ranft discussed concerns regarding the movement of inmates to the Jean prison facility and pointed out that the state was unable to lease the Jean facility to either a private or a federal entity because of rumors that it would take approximately $8 million to remove the rusted plumbing system within the structure and install a new system. Additionally, Mr. Ranft pointed out that another reason the Jean facility closed was because it was difficult to recruit and retain staff for the remote location. He said that between the funding needed to update the plumbing system at Jean and the recruitment and retention of staff, the cost would "triple the amount" of what would be saved by closing the Nevada State Prison (NSP).

Mr. Ranft spoke in support of keeping NSP open and stated that the suggested 12-hour shifts or 84-hour biweekly pay period would save approximately $7 million in overtime and boost the morale of the officers, who would feel that they were a part of a team for which he said was worth changing the law. Mr. Ranft indicated that the outcome of accepting the officers' proposal for 12-hour shifts would be twofold; the officers would be grateful to the Legislature for respecting them, and they would be encouraged to carry out their job duties because they would be provided the support they currently lacked. Mr. Ranft said that correctional officers were willing to "give 110 percent" if provided the "tools they needed to do their job," which in turn would provide a "huge payback" in security and safety.

In closing, Mr. Ranft expressed concerns regarding safety and security issues and pointed out that in the last three weeks the Department's administration had prevented any type of overtime and dramatically increased "shutdown rosters" jeopardizing the safety and security of employees. Mr. Ranft explained that the reductions had affected the prison's ability to allow inmate visits for which the inmates were faulting the officers and while the state needed budget solutions, jeopardizing the safety of employees and inmates was not the answer.

Aldo Vennettilli, Field Services Director, American Federation of State, County and Municipal Employees (AFSCME) International, advised that he had collected proposed budget solutions from state employees in various departments throughout the state. Mr. Vennettilli advised that he reduced the original 36-page document to 12 pages, which he submitted to Senator Horsford and Assemblywoman Buckley and hoped they would share it with the other members of the Committee. *The speaker did not submit the document for inclusion in the record.*

Mr. Vennettilli also expressed his appreciation to the members of the Committee for their work in addressing the budget shortfall and said that, in his opinion, the state would be looking at more cuts if revenue was not increased and that zeroing in on one select group was unfair. Mr. Vennettilli pointed out that the budget shortfall was everyone's problem and that everyone needed to come together to "fix" the problem.

Cochair Horsford expressed his thanks to staff and to members of the public who had provided comments and adjourned the hearing at 6:15.

Senator Steven Horsford, Cochair
Interim Finance Committee

Senator Bernice Mathews, Cochair
Interim Finance Committee

Lorne Malkiewich, Director,
Legislative Counsel Bureau and
Secretary, Interim Finance Committee

EXHIBITS INTERIM FINANCE COMMITTEE		
Exhibit	**Witness/Agency**	**Description**
A	Fiscal Analysis Division, Legislative Counsel Bureau	Agenda
B	Fiscal Analysis Division, Legislative Counsel Bureau	Guest List
C	Andrew Clinger, Director, Department of Administration	*State of Nevada Estimated General Fund Shortfall Fiscal Year 2010 and 2011 As of February 22 at 12:16 P.M.*
D	Andrew Clinger, Director, Department of Administration	*State of Nevada Changes to 10% General Fund List February 15, 2010 to February 22, 2010*
E	Governor Jim Gibbons	February 22, 2010 Press Release
F	Howard Skolnik, Director, Department of Corrections	*Closure of NSP, Casa Grande, and Wells*
G		*State Building Lease Program*