

MINUTES OF THE APRIL 24, 2012
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Chairwoman Debbie Smith called a regular meeting of the Interim Finance Committee (IFC) to order at 9:17 a.m. on April 24, 2012, in Room 4401 of the Grant Sawyer Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Nevada Legislative Building, 401 South Carson Street, Carson City, Nevada. [Exhibit A](#) is the Agenda and [Exhibit B](#) is the Meeting Packet. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chairwoman
Senator Steven Horsford, Vice Chair
Senator Barbara Cegavske
Senator Moises Denis
Senator Ben Kieckhefer
Senator David Parks
Senator Rhoads
Senator Mike Schneider for Senator Leslie
Assemblyman Paul Aizley
Assemblyman David Bobzien
Assemblywoman Irene Bustamante Adams for Assemblyman Ocegura
Assemblywoman Maggie Carlton
Assemblyman Richard Carrillo for Assemblyman Atkinson
Assemblyman Marcus Conklin
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman Randall Kirner
Assemblywoman April Mastroluca

COMMITTEE MEMBERS EXCUSED:

Assemblyman Kelvin Atkinson
Assemblyman Joseph Hogan
Assemblyman John Ocegura

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN LAS VEGAS:

Brenda Erdoes, Legislative Counsel
Rick Combs, Fiscal Analyst, Assembly
Mark Krmpotic, Fiscal Analyst, Senate

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY:

Eileen O'Grady, Chief Deputy Legislative Counsel
Mike Chapman, Principal Deputy Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Sherie Silva, Interim Finance Committee Secretary
Donna Thomas, Fiscal Analysis Division Secretary

A. ROLL CALL

The secretary called the roll; a quorum of both houses was present. Assemblymen Atkinson, Hogan, and Oceguela were excused.

Chairwoman Smith greeted Committee members and welcomed the audience members in attendance and those listening to the meeting on the Internet.

B. APPROVAL OF MINUTES OF THE DECEMBER 15, 2011, MEETING.

SENATOR HORSFORD MOVED FOR APPROVAL OF THE
DECEMBER 15, 2011, MEETING MINUTES.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and
not present for the vote.)

C. ALLOCATIONS OF FEDERAL GRANT FUNDS FOR WHICH A STATE
AGENCY, COMMISSION OR DEPARTMENT HAS REQUESTED A PUBLIC
HEARING PURSUANT TO NRS 353.337.

**Department of Health and Human Services - Child and Family Services -
Community Juvenile Justice Programs - FY 2012** - Transfer of \$362,461 from the
Reserve category to the Juvenile Accountability Block Grant category to support
programs promoting greater accountability in the juvenile justice system. Requires
Interim Finance approval since the amount involves the allocation of block grant
funds and the agency is choosing to use the IFC meeting for the required public
hearing. **Work Program #C23215**

Chairwoman Smith explained that Agenda Item C included a work program that required a public hearing pursuant to *Nevada Revised Statutes* (NRS) 353.337. She opened the hearing on Agenda Item C and called for public comment. Seeing none, she called for a motion.

ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL
OF AGENDA ITEM C.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and
not present for the vote.)

D. WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5)(b).
INFORMATIONAL ONLY – REQUIRED EXPEDITIOUS ACTION WITHIN
15 DAYS.

1. **Office of the Governor - State Energy Office - Energy Conservation – FY 2012** - Addition of \$609,621 in federal Sunshot grant funds to increase and strengthen Nevada's residential and commercial rooftop solar market. Requires Interim Finance approval since the amount added to the Sunshot Grant category exceeds \$75,000. **Work Program #C22960**
2. **Office of the Governor - State Energy Office - Energy Conservation – FY 2012** - Addition of \$2,585,023 in Solar Generations rebate funds to expand the energy project for the Nevada Youth Training Center. Requires Interim Finance approval since the amount added to the Renewable Energy and Energy Projects category exceeds \$75,000. **Work Program #C23427**
3. **Department of Health and Human Services - Health Division - Biostatistics and Epidemiology - FY 2012** - Addition of \$132,243 in federal Behavioral Risk Factor Surveillance System (BRFSS) grant funds to support collection of data on individual risk behaviors and preventive health practices related to the leading causes of mortality and morbidity in the United States. Information provided by the BRFSS is not available from other sources in the state. In addition, because it is part of a nationwide surveillance system, the BRFSS provides comparisons to other states. Nevada needs the chronic disease and related risk behavior surveillance provided by the BRFSS to monitor the health status of Nevadans and assist programs in their efforts to reduce the morbidity and mortality caused by chronic disease. Further, the information collected helps programs identify health disparities and supports program development, implementation of interventions, and evaluation of results. Requires Interim Finance approval since the amount added to the BRFSS category exceeds \$75,000. **Work Program #C23055**

4. **Department of Employment, Training and Rehabilitation - Vocational Rehabilitation - FY 2012** - Transfer of \$175,148 from the Personnel Services category to the Section 110 Special Projects category to fund two contracts; a service provider satisfaction rating software enhancement to the existing electronic case management system, RAISON; and to provide public service announcements to promote employment opportunities for Nevadans with disabilities. Requires Interim Finance approval since the amount transferred to the Section 110 Special Projects category exceeds \$75,000. **Work Program #C23362**
5. **Department of Employment, Training and Rehabilitation - Services to the Blind and Visually Impaired - FY 2012** - Transfer of \$6,000 from the Personnel Services category to the Section 110 Special Projects category and \$37,787 from the Information Services category to the Section 110 Special Projects category to fund two contracts; a service provider satisfaction rating software enhancement to the existing electronic case management system, RAISON; and to provide public service announcements to promote employment opportunities for Nevadans with disabilities. Requires Interim Finance approval since the amount transferred to the Section 110 Special Projects category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23363**
6. **Department of Wildlife - Habitat - FY 2012** - Addition of \$35,960 in U.S. Department of the Interior, Fish and Wildlife Services funds and \$4,040 in Transfer of Wildlife funds for an emergency aerial water haul project in the Bare Mountains near Beatty to fill two dry big game water development sites. Requires Interim Finance approval since the cumulative amount added to the Wildlife Water Development category exceeds \$75,000. **Work Program #C23431**

Chairwoman Smith asked Rick Combs, Assembly Fiscal Analyst, to review the six items included in Agenda Item D.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained the work programs in Agenda Item D required expeditious action within 15 days; they were reported for the Committee's information only. Fiscal staff had no questions or concerns on the items, there were no questions from Committee members, and no action was required.

E. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS AND POSITION CHANGES IN ACCORDANCE WITH CHAPTER 353 OF NRS.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, announced that testimony would be heard on the following items in Agenda Item E:

Items 4 and 6, Office of the Governor; items 16, 17, and 18, Department of Taxation; items 32, 33, and 34, Department of Tourism and Cultural Affairs, would be heard together with Informational Item K.6.; item 41, Health Division, Early Intervention

Services; item 52, Health Division, Maternal Child Health Services; item 54, Welfare and Supportive Services; items 84, 86, and 88, Department of Motor Vehicles, Off-Highway Vehicles, would be heard together; item 89, Department of Motor Vehicles, Verification of Insurance; item 91, Department of Public Safety, Forfeitures Account; and item 130, Adjutant General and National Guard, would be heard together with Agenda Item H.4.

Mr. Combs reported that the following revisions were made to items 31 and 66:

- Item 31, Business and Industry, Housing Division: Category 9, amount revised from \$6,111 to \$3,980; category 17, amount revised from \$125,811 to \$123,784; category 86, amount to be augmented by \$2,027; category 91, amount to be augmented by \$2,131. The revisions were agreed to by the agency and the Budget Division analyst.
- Item 66, Department of Corrections, Director's Office: A revised work program received on April 9, 2012, included a minor correction: transfer of \$31,088 should read \$31,008.

Mr. Combs noted that the work program in item E-104, State Parks, and the reclassification request for the Department of Administration, Division of Resource Management, had been withdrawn.

Chairwoman Smith asked whether Committee members wished to hear testimony on other items.

Assemblywoman Mastroluca requested further information on item 42, Department of Health and Human Services, Early Intervention Services.

Assemblyman Bobzien requested testimony on items 103, State Parks; items 106, 109, 117, and 124, Department of Wildlife; and items 107 and 115, Department of Wildlife.

Chairwoman Smith asked for public testimony on the remaining work programs and reclassifications in Agenda Item E; there was none.

ASSEMBLYMAN CONKLIN MOVED FOR APPROVAL OF THE
REMAINING WORK PROGRAM REVISIONS AND POSITION
RECLASSIFICATIONS IN AGENDA ITEM E.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and
not present for the vote.)

Work Programs

1. **Office of Economic Development - FY 2012** - Transfer \$16,000 from the Out-of-State Travel category to the In-State Travel category to fund anticipated expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the In-State Travel category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23335**

Refer to motion for approval under Agenda Item E.

2. **Office of Economic Development - FY 2012** - Transfer \$50,000 from the Research and Analysis category to the Grants to Development Authorities category to intensify the marketing conducted by the Development Authorities to attract new businesses and jobs to Nevada. Requires Interim Finance approval since the cumulative amount added to the Grants to Development Authorities exceeds \$75,000. **Work Program #C23414**

Refer to motion for approval under Agenda Item E.

3. **Office of the Governor - Office of Energy - Energy Conservation - FY 2012** - Addition of \$153,301 in State Energy Program (SEP) grant funds and deletion of \$65,579 in Real Property Taxes to align federal and state authority. Requires Interim Finance approval since the amount added to the SEP Formula Grant category exceeds \$75,000. **Work Program #C23025**

Refer to motion for approval under Agenda Item E.

4. **Office of the Governor - Office of Energy - Energy Conservation - FY 2012** - Transfer of \$75,493 from the Personnel category to the Revolving Loan category, \$162,219 from the ARRA State Energy Program (SEP) category to the Revolving Loan category, \$70,000 from the Building Retro category to the Revolving Loan category, \$30,432 from the School Retro category to the Revolving Loan category, \$499 from the Engineering Feasibility category to the Revolving Loan category, and \$28,000 from the Building Codes category to the Revolving Loan category to provide additional funding for qualified loan applicants. Requires Interim Finance approval since the amount added to the Revolving Loan category exceeds \$75,000. **RELATES TO ITEM 6. Work Program #C23413**

Refer to testimony and motion for approval under Agenda Item E-6.

5. **Office of the Governor - Office of Energy - Energy Conservation - FY 2012** - Addition of \$125,000 in Transfer from the Governor's Office of Economic Development revenues to develop a business case for Nevada's renewable energy industry. Requires Interim Finance approval since the amount added to the New Energy Industry Task Force exceeds \$75,000. **Work Program #C23424**

Refer to motion for approval under Agenda Item E.

6. **Office of the Governor - Office of Energy - Renewable Energy, Efficiency and Conservation Loan Program - FY 2012** - Addition of \$366,643 in Transfer from Nevada State Office of Energy funds to use existing ARRA State Energy Program funds to engage in loans for renewable energy projects. Requires Interim Finance approval since the amount added to the Energy Loans category exceeds \$75,000. **RELATES TO ITEM 4. Work Program #C23422**

Stacey Crowley, Director, Nevada State Office of Energy (NSOE), Office of the Governor, explained the State Energy Program (SEP) stimulus funding was coming to an end; the American Recovery and Reinvestment Act (ARRA) funds would sunset the end of April. Ms. Crowley said NSOE was attempting to expend all unused ARRA dollars by shifting them into the Revolving Loan Fund program, and amendments were made to the work programs reflecting the final amounts agreed upon by NSOE and the Fiscal Analysis Division. The amendments included:

- Item E-4 – Transfer of \$72,719 from the Personnel category to the Revolving Loan category; \$203,314 from the ARRA State Energy Program category to the Revolving Loan category; \$30,432 from the School Retrofit category to the Revolving Loan category; \$499 from the Engineering Feasibility category to the Revolving Loan category; and \$167,741 from the Building Codes category to the Revolving Loan category to provide additional funding for qualified loan applicants.

Ms. Crowley noted the amendment required Interim Finance Committee approval since the amount added to the Revolving Loan category exceeded \$75,000.

- Item E-6 – Addition of \$474,705 in Transfer from Nevada State Office of Energy funds to use existing ARRA State Energy Program funds to engage in loans for renewable energy projects.

Ms. Crowley noted the amendment to item 6 required Interim Finance Committee approval since the amount added to the Energy Loans category exceeded \$75,000.

Chairwoman Smith asked Ms. Crowley to discuss the status of the Revolving Loan Fund program.

Ms. Crowley said Nevada was the first state in the country to loan all of the original amount from the ARRA program, which was approximately \$8.3 million. Since then, other funds had been leveraged and unused funds were brought into the loan program, which had allowed the creation of a fund in excess of \$12 million. Ms. Crowley said that currently there were two applicants waiting to receive funds as soon as they were available. If approved at this meeting, the funds included in items 4 and 6 would be used for two loans: one for small hydro projects and one for a fuel cell program.

Robert Nellis, Energy Program Manager, Nevada State Office of Energy, further explained the Revolving Loan Fund had been operating extremely well. The fund had filled a gap in the market where the private sector had not been able to receive financing for certain renewable energy projects. Nevada had been an example to the rest of the country with respect to executing these types of loans. He said everything had been going smoothly, and he reiterated two recipients were waiting to receive the funds in items 4 and 6.

Chairwoman Smith asked whether the \$125,000 in item 5 was for the New Energy Industry Task Force in conjunction with the Governor's Office of Economic Development (GOED).

Ms. Crowley replied the funds transferred from GOED would be used in alignment with the GOED plan to promote renewable energy in the state. She said the New Energy Industry Task Force was created and assigned to the NSOE under an Executive Order signed by Governor Sandoval in November 2011. The focus of the Task Force would be to look at the renewable energy industry in terms of its economic impact to the state, as well as the potential and possibility of realizing mutual economic benefits with the State of California. Ms. Crowley said the \$125,000 would be used for a selected contractor to assist the Task Force in obtaining refined numbers on the impacts to Nevadans and the state, as well as any mutual benefits to California in the exportation of renewable energy.

Senator Schneider noted the Public Utilities Commission of Nevada (PUCN) was making cuts in renewable energy. He asked how the cuts might affect the Office of Energy.

Ms. Crowley replied that she was aware there were some contracts under consideration by the PUCN in summer and late fall 2011. Three contracts were to be signed as power-purchase agreements with the power company. The PUCN asked for additional information from the power company (1) to ensure that it would be a prudent use of resources for the state and the power company, and (2) to explain how the power-purchase agreements would fit into the state's renewable portfolio standard. Ms. Crowley explained that at this point, the power company had met its renewable portfolio standard, and the PUCN felt it needed to consider the just and reasonable effects of additional contracts on the rates.

Ms. Crowley added her office was very aware of the contracts under consideration by the PUCN, which was one of the reasons NSOE was looking at what potential positive or negative impacts might occur from exporting the state's renewable energy to states such as California.

Senator Schneider said he was concerned that the PUCN and the Consumer Advocate were looking at the portfolio standard as a ceiling, when it was actually a floor. He believed they were looking at the renewables in the short term, when the renewables would actually save money in the long term because the price of fuel would never

change. Senator Schneider said the matter would eventually affect the PUCN, and he requested permission from Chairwoman Smith to meet with the Consumer Advocate to express the Committee's concerns regarding renewable energy.

Chairwoman Smith asked Senator Schneider to report back to the Committee after he met with the Consumer Advocate.

Chairwoman Smith asked for further questions; there were none. She asked for public comment on items E-4 and E- 6 and seeing none, she called for a motion.

SENATOR HORSFORD MOVED FOR APPROVAL OF AGENDA ITEMS E-4 AND E-6.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote.)

7. **Office of the Attorney General - Tort Claim Fund - FY 2012** - Transfer of \$920,000 from the Reserve category to the General/Fleet-Tort Claims category to cover costs associated with a large unanticipated payout and additional contract expenditures. Requires Interim Finance approval since the amount added to the General/Fleet-Tort Claims category exceeds \$75,000. **Work Program #C23073**

Refer to motion for approval under Agenda Item E.

8. **Office of the Secretary of State - FY 2012** - Transfer of \$100,000 from the Reserve category to the Investor Education category to allow the Secretary of State to track approved investor education expenditures and to maintain compliance with Senate Bill 503 of the 2011 Legislative Session. Interim Finance approval is required since the amount transferred to the Investor Education category exceeds \$75,000. **Work Program #C23041**

Refer to motion for approval under Agenda Item E.

9. **Treasurer's Office - Higher Education Tuition Administration - FY 2012** - Transfer of \$142,000 in Nevada College Savings and Trust Funds to provide funding for contract services for an in-house information system related to the Prepaid Tuition Program. Requires Interim Finance approval since the amount added to the Information Services category exceeds \$75,000. **RELATES TO ITEM 10. Work Program #C23439**

Refer to motion for approval under Agenda Item E.

- 10. Treasurer's Office - College Savings Trust - Endowment Account - FY 2012 -** Transfer of \$142,000 from the Reserve category to the Transfer to Budget Account 1081 Higher Education Tuition Administration category to provide funding for contract services for an in-house information system for the Prepaid Tuition Program. Requires Interim Finance approval since the amount added to the Transfer to Budget Account 1081 Higher Education Tuition Administration category exceeds \$75,000. **RELATES TO ITEM 9. Work Program #C23441**

Refer to motion for approval under Agenda Item E.

- 11. Department of Administration - Motor Pool - FY 2012 -** Transfer of \$256,374 from the Reserve category to the Vehicle Operation category to cover rising prices for fuel and vehicle repair expenses. Requires Interim Finance approval since the amount added to the Vehicle Operation category exceeds \$75,000. **Work Program #C23226**

Refer to motion for approval under Agenda Item E.

- 12. Department of Administration - SPWD - Buildings and Grounds - FY 2012 -** Transfer of \$53,124 from the Reserve category to the Operating category to fund a projected shortfall associated with unanticipated increases in costs for temporary positions, fuel and vehicle maintenance. Requires Interim Finance approval since the cumulative change to the Operating category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23257**

Refer to motion for approval under Agenda Item E.

- 13. Department of Administration - SPWD - Buildings and Grounds - FY 2012 -** Transfer of \$115,000 from the Reserve category to the Equipment category to purchase a used S65 boom-type man-lift, a used bucket truck, and an emergency generator fuel polishing system trailer. Requires Interim Finance approval since the amount transferred to the Equipment category exceeds \$75,000. **Work Program #C23264**

Refer to motion for approval under Agenda Item E.

- 14. Department of Administration - SPWD - Buildings and Grounds - FY 2012 -** Transfer of \$277,000 from the Reserve category to the Building Renovation category and \$400,000 from the Utilities category to the Building Renovation category to fund various life safety and/or protection of property related maintenance projects. Requires Interim Finance approval since the amount transferred to the Building Renovation category exceeds \$75,000. **Work Program #C23268**

Refer to motion for approval under Agenda Item E.

- 15. Department of Administration - Nevada State Library and Archives - CLAN - FY 2012** - Addition of \$13,919 in County Participation Funds to support the Cooperative Libraries Automated Network (CLAN) at the funding level approved by the CLAN Board. Requires Interim Finance approval since the cumulative amount added to the CLAN Operating Expenses category exceeds \$75,000.
Work Program #C23048

Refer to motion for approval under Agenda Item E.

Chairwoman Smith announced the Department of Taxation would testify on Agenda Items E-16, 17, and 18, but the items would be voted upon separately. She noted that Carole Vilardo, President, Nevada Taxpayers Association, had submitted a written letter in support of items E-17 and E-18 ([Exhibit C](#)), copies of which were distributed to Committee members.

- 16. Department of Taxation - FY 2012** - Transfer of \$31,625 from the Lockbox Services category to the Operating category, \$21,515 from the Lockbox Services category to the Equipment category, and \$17,413 from the Lockbox Services category to the Information Services category to replace old furniture, install a keycard access system at the Reno and Henderson offices, and develop and implement a desktop virtualization system. Requires Interim Finance approval since the cumulative amount transferred to the Equipment category exceeds 10 percent of the legislatively approved amount for that category.
Work Program #C23347

Bill Chisel, Director, Department of Taxation, testified he had recently assumed the Director's position after working as an Internal Auditor for the State of Nevada. His responsibilities in that capacity were to review agencies and determine methods to enhance the efficiency and effectiveness of those departments. Mr. Chisel said he had noted several minor changes that could be made in the Department of Taxation to enhance the efficiency of the Department for the taxpayers. He explained the changes were within his authority under *Nevada Revised Statutes* (NRS) 360.140, and they could be implemented at no additional cost to the state. The items were revenue neutral because of savings realized through the Lockbox Services category.

Mr. Chisel listed the items requested in item 16:

- Purchase of equipment at a cost of approximately \$70,000.
- Replacement of ten desks to enhance the ergonomics of the desks and reduce employee fatigue and injury.
- Installation of keycards at Henderson and Reno to provide safety and limited access to sensitive taxpayer data.
- Installation of virtualization system to centralize data, thereby providing control over data, reduced costs, and longer life for the personal computers.
- Guidance books on property tax for the Division of Assessment Standards.

Chairwoman Smith asked why the requests were being made at this time rather than during the legislative session.

Mr. Chisel replied the requests were being made at this time because he felt it was important to implement efficiencies and enhancements to the Department as soon as possible. The state would benefit now from the changes.

Chairwoman Smith asked Mr. Chisel to expound on the virtual environment, its anticipated benefits, and where it would take the Department in the future.

Mr. Chisel explained the intent of the virtual environment would be to establish “dumb terminals” on employees’ desks; there would be no hard drive or moving parts other than a small box that would transmit to a server where all of the information would be centralized. There would be less software required to be maintained at each individual’s workstation; the data would be centralized in one location. He said the virtual environment would increase the lifespan of the computers and simplify the process of maintaining the workstations.

Assemblywoman Carlton noted Mr. Chisel had said the item was revenue neutral, but she asked whether excess funds in Lockbox Services could be reverted to the General Fund and used for other programs within the state that had suffered dramatic cuts over the last two to three years.

Mr. Chisel replied she was correct that the money could be reverted. However, he added, the Department of Taxation brought the revenue into the state, and the requested enhancements would provide a significant benefit to those agencies that needed money by enhancing the Department’s collection of revenues.

Assemblywoman Carlton questioned whether the enhancements would generate more revenue for the state. She asked what the return would be on the cost of a new desk.

Mr. Chisel said it was difficult to estimate the cost of employee down time because of fatigue and injuries; the cost benefit calculations were not simple.

Assemblywoman Carlton said that over the past four years she had to make some difficult decisions on terrible cuts that affected all types of individuals statewide. She understood the keycard proposal – security was important – and she understood the virtual office could save money in the long run, but she preferred to have the discussion during the legislative session when all legislators could be involved.

Chairwoman Smith asked whether there was an anticipated cost of the keycard system going forward. Mr. Chisel asked Carolyn Misumi to respond to the question.

Carolyn Misumi, Administrative Services Officer, Department of Taxation, replied there would be keycard assessments through the Enterprise Information Technology Services (EITS) Division; the cost was estimated to be under \$1,000 per year.

Chairwoman Smith asked whether the Department had the funding and ability to purchase the keycard system from its current operating budget without IFC intervention. Mr. Chisel replied that funding was available.

Ms. Misumi added that there was a one-time cost of approximately \$29,000 to install the keycards in the Reno and Henderson offices, and approximately \$1,000 annually for the EITS assessment.

Chairwoman Smith noted her information indicated the total cost of the keycard system was \$31,625, and she again asked whether the Department could purchase the keycard system from its current operating budget rather than from the Lockbox Services savings. Ms. Misumi said that it could. Chairwoman Smith asked Mr. Combs to explain further.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said the agency had indicated to the Fiscal Division that if the work program was approved, the Operating category was projected to end fiscal year 2012 with an unexpended balance of approximately \$37,000. He said the Department's documentation indicated that authority was needed for unanticipated needs, but the Fiscal Analysis Division would advise the Committee to not move money that would revert to the General Fund to an Operating category for anything that was not identified.

Mr. Combs further explained if the Department had unanticipated needs in the Operating category later in the fiscal year, there would be another opportunity to process a work program at that time. He recommended the request in item 16 be reduced by \$31,625, and the Department would have the authority to purchase the keycard system from its existing Operating category.

Ms. Misumi replied the Department would return to the IFC if it had a shortage in funding for the keycard system. She preferred to have Operating funds available to cover unanticipated needs, but if the Operating funds were sufficient, the Department would not request funds in June.

Chairwoman Smith remarked every agency would like to have funding available for unanticipated needs, but if the Department could cover its expenses with its current budgeted allocation, the Committee should consider approving the request for equipment and information technology items and allow the Department to purchase the keycard system from its existing budget.

SENATOR HORSFORD MOVED FOR APPROVAL OF ITEM 16, EXCLUDING THE AMOUNT OF \$31,625 TO PURCHASE A KEYCARD SYSTEM, AND INCLUDING THE COMMITTEE'S RECOMMENDATION THAT THE KEYCARD SYSTEM BE PURCHASED FROM THE DEPARTMENT'S EXISTING OPERATING BUDGET.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

Assemblyman Goicoechea asked whether he understood correctly that if the Department had a shortfall in funding, it could submit a request to the Committee at a later time. Chairwoman Smith said the Department could return with a later request in the event of a shortfall; the revised work program would not allow funds to be retained in an account for unanticipated expenses.

Chairwoman Smith asked for public comment; there was none.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote; Senator Schneider was not present for the vote.)

Senator Denis noted that the request included virtualized desktops on the rest of the personal computers, but the Department had seven existing virtualized computers. He asked how long the seven computers had been running virtualization.

Vincent Cherpeski, Deputy Director, Information Technology, Department of Taxation, replied the Department was using virtualization on nearly all of its servers. The Department hoped to improve the data security for its Audit Division, keep the data within the firewalls, and support out-of-state auditors who were connected through slower speed connections. He said the pilot program had been running about ten months and showed a lot of promise. Mr. Cherpeski said he believed the industry would be moving toward virtualization in the long term.

- 17. Department of Taxation - FY 2013** - Transfer of \$46,325 from the Lockbox Services category to the Personnel Services category and \$3,823 from the Operating category to the Personnel Services category to cover the costs associated with reclassifying management positions within the department, dividing duties of existing staff, and ensuring parity of staff commensurate with work complexity. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds \$75,000.
Work Program #C23331

Bill Chisel, Director, Department of Taxation, explained item 17 requested approximately \$50,000 for a restructure of the Department, including reclassification of the Division of Assessment Standards Chief position to an unclassified Deputy Director because of the increased workload and responsibilities of the position. He said the position was responsible for oversight of property taxes, local governments, and centrally assessed property taxes; it was a large workload for one division.

Mr. Chisel said item 17 also included a recommendation to divide the responsibilities of the current Compliance Deputy Director position into two positions and establish a Deputy Director of Audit and Collections in Las Vegas, which was where most of the audits and collection activity occurred. The current Deputy Director in the northern part

of the state would oversee excise tax, administration of regulations, legislative issues, and streamlining of sales tax. A current Tax Manager position located in southern Nevada would become an unclassified Deputy Director of Audit and Collections. He said the creation of two positions would provide better oversight in the southern part of the state for audits and collections, and the northern position would enhance regulation issuances to the taxpayers and provide better regulations, transparency, and consistency to the taxpayers.

Mr. Chisel said there would also be some minor reclassifications – a Tax Program Supervisor 3 to a Tax Manager, and a Tax Program Supervisor 2 to a Tax Program Supervisor 3 – to ensure adequate supervision in the southern office.

Chairwoman Smith said the request was the type of discussion concerning position reclassifications and salary increases that should take place during a thorough vetting of an agency budget during the legislative session. She remarked the 2011 Legislature had to make many difficult budget cuts and not do anything favorable for state employees. She asked why the request was being made and what would happen if the request was not approved at this time.

Mr. Chisel said if the request to restructure was approved, oversight of audits and collections would be enhanced; more consistent direction would be provided to the taxpayers, which was much needed. He referred to a letter from Carole Vilardo, Director, Nevada Taxpayers Association ([Exhibit C](#)), in which she supported the request for restructure.

Mr. Chisel said if the request was not approved, neither the taxpayer nor the state would realize the benefits. He believed it was in the best interest of the state to move forward as soon as possible.

Chairwoman Smith asked for questions from the Committee. She noted the request included approximately \$50,000 in salary increases during the interim. She appreciated the desire to compensate employees for added responsibilities or more accountability, but she had concerns with taking action during the interim period.

Senator Cegavske said she was concerned with approving salary increases at a time when everyone else had been reduced. She would not support the item as requested.

Senator Horsford said he agreed with Senator Cegavske's position.

Assemblyman Goicoechea asked whether the Department could proceed with the restructure without Interim Finance Committee (IFC) approval since the cost did not exceed \$75,000.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained the Department was asking to change two classified positions to

unclassified positions, which required IFC approval regardless of the dollar amount involved.

Chairwoman Smith asked for public comment; there was none.

Mr. Chisel said he did not want the Committee to consider the request just as salary increases; additional responsibilities would be assigned to the positions.

Chairwoman Smith said she understood, and she believed other Committee members understood as well. However, she did not sense that the Committee was willing to approve the request at this time.

Chairwoman Smith said she wanted the Department of Taxation staff to know that the Committee fully recognized the workloads employees were carrying and it may be necessary to restructure the Department. However, in the current environment and period of time in the process, granting \$50,000 in salary raises through restructuring and reclassifying employees did not seem prudent for the Committee at this time. She emphasized the decision was not a reflection on the employees and their valuable work. Chairwoman Smith did not call for a motion or a vote.

18. Department of Taxation - FY 2013 - Transfer of \$114,108 from the Lockbox Services category to the Personnel Services category, \$30,486 from the Lockbox Services category to the In-State Travel category, \$5,189 from the Lockbox Services category to the Operating category, and \$344 from the Lockbox Services category to the Information Services category to fund two new auditor positions to complete field audits specific to the Net Proceeds of Mineral Taxes. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$75,000. **Work Program #C23345**

Bill Chisel, Director, Department of Taxation, explained item 18 was a request for transfer of approximately \$150,000 to hire two mining auditors who would be designated strictly to mining audits and would be housed in the Division of Assessment Standards, which specialized in mining oversight. Mr. Chisel said currently the Division had four auditors trained to perform mining audits, but by designating two auditors as specialists in mining audits, the existing auditors working on mining audits would be freed up to enhance the total audit concentration rate.

Assemblyman Goicoechea remarked there was clearly a problem with the audits of net proceeds of mines, and he believed the Department should be allowed to move forward and correct the problem. Four auditors clearly were not enough to conduct a sufficient number of audits throughout the state.

Assemblyman Hickey recalled the Legislature was made aware during the 2011 Legislative Session that there were some gaps in the number of audits performed. He asked whether the Department had an estimate of revenue gains that might result with the increased auditors.

Mr. Chisel replied based on past experience, the return per auditor was approximately \$600,000 per year. With the addition of two auditors, there was the potential of an additional \$1.2 million per year in auditor-generated revenues.

Senator Horsford noted there were currently 27 vacancies in the Department and asked why two new positions were needed rather than filling existing vacant positions.

Mr. Chisel replied the 27 vacancies were overall in the Department, and the goal was to fill the vacancies as quickly as possible. Hiring through the Division of Human Resource Management was a slow process, but hopefully the positions would be filled soon.

Senator Horsford noted that two of the 27 vacancies were auditor positions, and the Department was now requesting two auditors strictly for the net proceeds of mines audits. Part of the Department's justification was that it had to redirect general auditors to support the audits of the net proceeds of mines, which warranted two new positions. Senator Horsford surmised that if the two vacant auditor positions were filled, two new positions would not necessarily be needed. He wanted the Department to be sufficiently resourced, which was why the 2011 Legislature approved the 27 overall positions and two auditor positions that were currently vacant.

Senator Horsford asked how the two new positions would be filled when the two existing vacant positions had not been filled.

Mr. Chisel said the process was ongoing; the two existing vacant positions would be filled, and then two more vacancies would likely open up. He reiterated that two additional auditors would each generate \$600,000 in revenue, and the existing auditors conducting mining audits in Las Vegas would be able to work on other audits.

Senator Horsford expressed concern that since the Department's budget was approved by the Governor and the Legislature in June 2011, the Department had been unable to fill the existing two vacant auditor positions.

Chris Nielsen, Deputy Director, Department of Taxation, stated it was his understanding that the vacancies were because of a number of retirements within the Department, and a number of employees had moved to local and federal positions, which paid more than the state. He noted the Department had just completed the first mining audits, which constituted about 40 percent of the market, and from those audits it was learned what resources were necessary and the dollar amounts that were at stake. Mr. Nielsen said if the Department could keep the number of non-mining audits constant, he did not think any revenue would be risked by directing resources to the mining audits.

Mr. Chisel did not recall that the Department was budgeted for two additional auditors in the 2011 Session; he believed only additional revenue officer positions were approved.

Chairwoman Smith said regardless of whether new auditor positions were granted, the Committee still questioned why two more positions were being requested when there were existing vacancies that could not be filled. She asked whether the Department wanted to be prepared in advance by having the positions authorized in the event the two vacant positions were filled.

Mr. Chisel reiterated the Department was attempting to fill the vacant positions, and it would attempt to fill the two additional positions if they were approved; he anticipated all of the positions would be filled.

Chairwoman Smith clarified for the record that the \$600,000 generated by each auditor as indicated by Mr. Chisel was not just for mining audits. Mr. Chisel replied that she was correct.

Chairwoman Smith recalled a comment Mr. Chisel had made at the Mining Oversight and Accountability Commission hearing in December 2011 that the Department did not anticipate a need for additional resources for the proceeds of mines audits. She asked what had changed since that time to create the need for two more auditors.

Mr. Chisel replied one reason for the request was the Department wanted to designate two auditors for the mining audits who could be housed within the Division of Assessment Standards, which specialized in mining, and the other reason was that funding had become available through Lockbox savings.

Senator Horsford clarified for the record that one of the two vacant auditor positions had just become vacant, and the other position had only been vacant since November 2011. He stated the two vacancies were existing auditor positions, and the Department was requesting two additional auditors who would have experience in net proceeds of mines. Mr. Chisel indicated Senator Horsford was correct.

Assemblyman Goicoechea remarked that gold properties in northern Nevada were moving forward quickly, and he believed the Department of Taxation needed to be ahead of the curve rather than behind.

Chairwoman Smith asked for public comment on item E-18. Seeing none, she called for a motion.

ASSEMBLYMAN GOICOECHEA MOVED FOR APPROVAL OF
AGENDA ITEM E-18.

SENATOR HORSFORD SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote; Senator Schneider was not present for the vote.)

- 19. Department of Education - Discretionary Grants - Restricted - FY 2012 -** Addition of \$150,000 in federal Refugee Children School Impact grant funds, \$42,406 in federal 21st Century Learning Center grant funds, and \$22 in federal English Language Acquisition grant funds; transfer of \$61,987 from the Education of Homeless Children category to the Homeless Children Grants category; transfer of \$96,526 from the English Language Acquisition - State Activities category to the English Language Acquisition Aid to Schools category; transfer of \$102,400 from the English Language Acquisition Administration category to the English Language Acquisition Aid to Schools category; transfer of \$33,332 from the 21st Century Learning - State Activities category to the 21st Century Learning Centers category; and transfer of \$24,117 from the 21st Century Learning Administration category to the 21st Century Learning Centers category to properly align available federal grant authority with state authority for these programs. Requires Interim Finance approval since the amount added to the Refugee School Impact category exceeds \$75,000. **Work Program #C23381**

Refer to motion for approval under Agenda Item E.

- 20. Department of Education - Continuing Education - FY 2012 -** Addition of \$1,019,027 in federal Adult Basic Education grant funds and transfer of \$56,181 from the Indirect Cost category to the Operating category to align state and federal authority and continue providing adult education programs. Requires Interim Finance approval since the amount added to the Adult Basic Education Aid to Schools category exceeds \$75,000. **Work Program #C23352**

Refer to motion for approval under Agenda Item E.

- 21. Department of Education - Nutrition Education Programs - FY 2012 -** Addition of \$156,802 in federal Meal Pattern grant funds for the implementation of new meal patterns for the National School Lunch and Breakfast Programs in accordance with the Healthy, Hunger-Free Kids Act of 2010. Requires Interim Finance approval since the amount added to the Meal Pattern Grant category exceeds \$75,000. **RELATES TO ITEM 22. Work Program #C23167**

Refer to motion for approval under Agenda Item E.

- 22. Department of Education - Nutrition Education Programs - FY 2013 -** Addition of \$156,802 in federal Meal Pattern grant funds for the implementation of new meal patterns for the National School Lunch and Breakfast Programs in accordance with the Healthy, Hunger-Free Kids Act of 2010. Requires Interim Finance approval since the amount added to the Meal Pattern Grant category exceeds \$75,000. **RELATES TO ITEM 21. Work Program #C23323**

Refer to motion for approval under Agenda Item E.

- 23. Nevada System of Higher Education (NSHE) - W.I.C.H.E. Administration - FY 2012** - Deletion of \$10,883 in Budgetary Transfers to fund Health Care Access Program nursing slots in the event student loan repayments do not materialize as budgeted in the WICHE Loan and Stipend Account. Requires Interim Finance approval pursuant to A.B. 580, Section 50 (Chapter 371) of the 2011 Legislative Session. **RELATES TO ITEM 24. Work Program #C22497**

Refer to motion for approval under Agenda Item E.

- 24. Nevada System of Higher Education (NSHE) - W.I.C.H.E. Loan and Stipend - FY 2012** - Addition of \$10,883 in Budgetary Transfers to fund Health Care Access Program nursing slots in the event student loan repayments do not materialize as budgeted. Requires Interim Finance approval pursuant to A.B. 580, Section 50 (Chapter 371) of the 2011 Legislative Session. **RELATES TO ITEM 23. Work Program #C22496**

Refer to motion for approval under Agenda Item E.

- 25. Department of Agriculture - Livestock Inspection - FY 2012** - Addition of \$26,000 in Publication Sales and transfer of \$34,315 from the Reserve category to the Operating category to cover expenditures related to the Brand Book, vehicle maintenance costs, and increased fuel costs. Requires Interim Finance approval since the cumulative amount added to the Operating category exceeds \$75,000. **Work Program #C23207**

Refer to motion for approval under Agenda Item E.

- 26. Department of Agriculture - Weights and Measures - FY 2012** - Transfer of \$19,500 from the Reserve category to the In-State Travel category; \$84,000 from the Reserve category to the Operating category; and \$34,847 from the Reserve category to the Equipment category to provide funding for additional inspections and testing of livestock scales, vehicle and building maintenance, certification sticker printing, and the purchase of replacement testing devices. Requires Interim Finance approval since the amount added to the Operating category exceeds \$75,000. **Work Program #C23311**

Refer to motion for approval under Agenda Item E.

- 27. Department of Agriculture - Gas Pollution Standards - FY 2012** - Transfer of \$29,000 from the Reserve category to the Equipment category to purchase a semiautomatic thermoelectrically cold-cranking simulator for oil testing. Requires Interim Finance approval since the cumulative amount added to the Equipment category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23309**

Refer to motion for approval under Agenda Item E.

- 28. Commission on Mineral Resources - FY 2013** - Transfer of \$250,000 from the Reserve category to the Special Projects category for projects proposed by the Nevada Bureau of Mines Geology and approved by the Commission on Mineral Resources. Requires Interim Finance approval since the amount added to the Special Projects category exceeds \$75,000. **Work Program #C23360**

Refer to motion for approval under Agenda Item E.

- 29. Department of Business and Industry - Industrial Relations - FY 2012** - Addition of \$121,161 in Worker's Compensation and Safety Funds to cover costs as a result of the increased workload through the end of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Subsequent Injury Board category exceeds \$75,000. **Work Program #C22895**

Refer to motion for approval under Agenda Item E.

- 30. Department of Business and Industry - Industrial Relations - Occupational Safety and Health Enforcement - FY 2012** - Addition of \$66,260 in Workers' Compensation and Safety funds to cover anticipated costs for legal services through the end of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Operating Expense category exceeds \$75,000. **Work Program #C23216**

Refer to motion for approval under Agenda Item E.

- 31. Department of Business and Industry - Housing - Low Income Housing Trust Fund - FY 2012** - Addition of \$131,922 in National Foreclosure Mitigation Counseling Program (NFMCP) Round Five funds to allocate funds to subgrantees to provide necessary foreclosure mitigation counseling to targeted clients resulting in a reduction in foreclosures. Requires Interim Finance approval since the amount added to the NFMCP Subgrantees category exceeds \$75,000. **Work Program #C23249**

Item 31 was approved as revised; refer to testimony and motion for approval under Agenda Item E.

Chairwoman Smith announced that Agenda Items E-32, 33, and 34 and Agenda Item K.6 would be heard together.

- 32. Department of Tourism and Cultural Affairs - Tourism Development Fund - FY 2013** - Transfer of \$120,423 from the Reserve category to the Nevada State Museum - Carson City category to temporarily change the funding source for three positions in the Nevada State Museum budget account. This request eliminates the existing portion paid by the Museum Dedicated Trust Fund account and increases the portion paid by the Commission on Tourism. Requires Interim Finance approval since the amount transferred to the Nevada State Museum -

Carson City category exceeds \$75,000. **RELATES TO ITEMS 33 AND 34. Work Program #C23329**

Refer to testimony and motion for approval under Agenda Item E-34.

- 33. Department of Tourism and Cultural Affairs - Museums and History - Nevada State Museum, Carson City - FY 2012** - Deletion of \$18,050 in funds transferred from the Museum Dedicated Trust Fund account to temporarily change the funding source for three positions in the Nevada State Museum budget account. This request eliminates the existing portion paid by the trust fund and increases the portions paid by a transfer from the Commission on Tourism and the General Fund to a 50/50 percent split using projected vacancy savings. Requires Interim Finance approval since this request is a companion to another work program that exceeds \$75,000. **RELATES TO ITEMS 32 AND 34. Work Program #C23009**

Refer to testimony and motion for approval under Agenda Item E-34.

- 34. Department of Tourism and Cultural Affairs - Museums and History - Nevada State Museum, Carson City - FY 2013** - Addition of \$120,423 in funds transferred from the Commission on Tourism and deletion of \$113,298 in funds transferred from the Museum Dedicated Trust Fund account to temporarily change the funding source for three positions in the Nevada State Museum budget account. This request eliminates the existing portion paid by the Museum Dedicated Trust Fund account and increases the portion paid by the Commission on Tourism. This request also includes an addition of \$7,125 to the Personnel Services category to adjust for furlough exemptions of privately-funded positions that were not included in the legislatively approved budget. Requires Interim Finance approval since this request is a companion to another work program that exceeds \$75,000. **RELATES TO ITEMS 32 AND 33. Work Program #C23315**

K. INFORMATIONAL ITEMS

6. DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS – Division of Museums and History – Semi-annual report regarding the investment and expenditure of private money in the Museum Dedicated Trust Fund accounts pursuant to NRS 381.0033.

Steve Woodbury, Director, Department of Tourism and Cultural Affairs, introduced Peter Barton, Administrator, Division of Museums and History, and Jim Barmore, Director, Nevada State Museum, Carson City.

Mr. Woodbury explained items 32, 33, and 34 were for the purpose of changing the funding source for three positions within the Division of Museums and History to make them consistent with the other positions in the Division.

Peter Barton, Administrator, Division of Museums and History, Department of Tourism and Cultural Affairs, thanked the Committee for the opportunity to present the three interrelated work programs, which sought to change the funding source for three professional positions in the Nevada State Museum. He explained the Museum Dedicated Trust Fund was established to manage Museum revenues defined as private money in *Nevada Revised Statutes* (NRS) Chapter 381. Examples of private funds included donations, both general and donor directed, Museum memberships, and revenue derived from the sale of merchandise in Museum stores.

Mr. Barton further explained that funds were budgeted, expended, and accounted for in each museum's trust fund budget, created annually and managed by the Board of Museums and History. The funds were used to support a wide array of programming, including the development of exhibits, both temporary and permanent, public lecture series, educational programs, and docent services. The programs in turn generated revenue from admissions, which supported the Division's General Fund obligations.

Mr. Barton said division-wide, eight positions were funded by the Dedicated Trust Fund, five of which were at the Nevada State Museum. In all museums, with the exception of the Nevada State Museum, positions funded by the Dedicated Trust Fund directly supported Trust Fund activities, specifically the employee-managed museum stores, membership, and donation programs.

Mr. Barton pointed out that the Nevada State Museum was unique. As part of a reorganization approximately fifteen years ago, funding for three professional positions not engaged in Trust Fund activities was transferred from General Fund to the Dedicated Trust Fund. The positions were:

- A Curator Registrar, which managed the Museum's collection assets and the legal documentation concerning ownership, use restrictions, insurance requirements, and copyrights. The position was funded 67 percent from the Trust Fund and 33 percent from Tourism General Fund.
- A Curator I Collection Manager was responsible for maintaining and preserving Museum collections, including collections held for other entities and federal agencies. The position was funded 100 percent from the Trust Fund.
- An Exhibit Preparator maintained exhibits in 21 galleries and at the State Capitol. It was one of only two positions remaining on staff; one position was eliminated in the 2009 budget reductions. The position was funded 20 percent from the Trust Fund and 80 percent from Tourism General Fund.

Mr. Barton explained funding the three positions from the Trust Fund had consistently resulted in budget shortfalls. The Museum had to direct nearly all Trust Fund revenue in the budget account toward salaries for the three positions, at the expense of other programs. The situation was now impacting the Museum's store, and resources were not available to recapitalize the store, which was resulting in a further reduction in the

revenue stream. Mr. Barton added that the situation was further exacerbated by the reduced four-day workweek in the Museum's schedule of operation.

Mr. Barton said the situation had reached a critical point this year, as it was apparent that reduced attendance, reduced store per-capita spending, and reduced donations were creating an acute shortfall. Options were limited. The positions could face reduced hours or layoffs, but such actions would put the Museum in added peril, as it would become nearly impossible to meet its legal, ethical, and accreditation requirements. Losing an Exhibit Preparator would place maintenance of exhibits in danger and would risk further program cuts.

Consequently, Mr. Barton continued, the Division recommended changing the way the three positions were funded. For the remainder of fiscal year (FY) 2012 and FY 2013, the request was to use Commission on Tourism reserve funds to fund the three positions. He said the next biennial budget would be constructed with the positions having the same funding split as other museums not engaged in Dedicated Trust Fund activities.

Mr. Barton noted there were several Nevada State Museum docents present at the meeting who may wish to testify if appropriate.

Chairwoman Smith thanked Mr. Barton for his thorough overview of the request. She asked why the revenue projections and the Dedicated Trust Fund amounts were not accurately projected for the 2011-2013 biennium.

Mr. Barton replied the Trust Fund budgets were created annually by the Board of Museums and History, in consultation with the Museum directors. The budgets were principally based on history and a track record of revenues received in the past, current trends and influences in attendance, and visitor behavior. He again noted the reduced four-day schedule had made it increasingly challenging for the Division to predict the future. The loss in attendance as a result of four-day schedule had not been easy to predict, and the continued loss in attendance had affected the amount of revenue in the Trust Fund as well as the Division's ability to meet its General Fund obligations.

Most notably, Mr. Barton continued, one of the most significant revenue streams was Museum store sales but, as he had said earlier, so much of the revenues were needed to pay salaries, the store had not been recapitalized, which resulted in reduced sales.

Senator Denis observed there was a shortfall and the Division was attempting to find a way to fund the salaries. He asked what the future intent was for funding the positions.

Mr. Barton replied the situation was unique in this budget account in which the three positions, which were not directly engaged in developing revenue for the Dedicated Trust Fund, were being paid from that fund. Going forward, the Division proposed, and the Department of Administration appeared to concur, that the three employees would be treated the same as other professional employees, i.e., not paid from the Trust Fund,

in the 2013-2015 biennial budget. He speculated the funding split for the next biennial budget would be 50 percent General Fund and 50 percent transfers from Tourism, but that decision had not been made.

Senator Denis observed the change in funding would be temporary until the 2013 legislative session. Mr. Barton replied that was correct; the current request was to fix a growing shortfall in the current fiscal year and to prevent the positions from facing layoff in FY 2013.

Chairwoman Smith asked why the decision was made to backfill with room taxes from Tourism rather than eliminate the positions or make cuts elsewhere.

Mr. Barton replied the Division had explored reducing hours or layoffs, but the positions were critical to the Museum's ability to meet its legal and ethical obligations and to maintain national accreditation. The Registrar maintained the legal documentation and deeds of gifts back and forth between donors, and the Collection Manager ensured the collections were maintained appropriately and available for the public and agencies for which the collections were held. Mr. Barton said layoffs were considered to be too problematic, and when the Director of the Department of Tourism and Cultural Affairs became aware of the critical nature of the situation, he offered the use of Tourism reserves.

Mr. Woodbury indicated he concurred fully; the positions were necessary, and it was reasonable that they should be funded consistent with all of the positions in the Division of Museums and History that were not specifically associated with the Trust Fund. There were sufficient reserves in Tourism to cover the salaries for the positions, which the Department felt were necessary to support the Division of Museums and its activities.

Mr. Woodbury said the long-term goal as the economy recovered would be to fund all of the positions from General Funds, but in the interim, room tax dollars were available to help support the positions.

Senator Denis asked how the attendance was at the museums overall. Mr. Barton replied overall in 2012, the Division had seen some stabilization that seemed to mirror the general economy in the state. The attendance had seemingly stabilized, and there were some modest increases in certain areas, such as the new museum in Las Vegas. He noted again the Division was hampered by the four-day weekly schedule, and complaints were received from the public in virtually all of the museums.

Senator Denis had visited the new Las Vegas museum, and there was some negativity reflected because of the four-day schedule during spring break. He suggested the schedule should be reconsidered in the 2013 Legislative Session and, at the very least, consideration should be given to scheduling for spring break. He speculated a full-week schedule would have generated more revenue at all of the museums.

Mr. Barton replied he appreciated Senator Denis's remarks, adding that particularly as Nevada moved into its sesquicentennial year celebration, it would be difficult to invite the world to visit Nevada, but say do not come on Tuesday, Wednesday, or Thursday, because the facilities were closed.

Chairwoman Smith asked for public testimony.

Robert Stoldal, Chairman of the Board of Museums and History, and Robert Ostrovsky, Vice Chairman, Board of Museums and History, and Chairman of the Board's Finance Committee, approached the testimony table in Las Vegas.

Mr. Ostrovsky noted that the Board's Finance Committee oversaw the private fund budgets, and he wanted to make it clear that the Board had done everything it could to help support the three positions, but funding was in a downward spiral.

Mr. Ostrovsky said private monies had been used for many things the state could not support in its budget. Private funds had been spent on educational trunks, which were boxes sent to schools; gas and bus money for Clark County School District to transport students to the museums; purchase of manuscripts and artifacts; and brochures and racks for advertisement. Mr. Ostrovsky assured the Committee that the Board's Finance Committee watched the private fund budgets in great detail, which were reviewed at quarterly and annual meetings.

Mr. Ostrovsky said the Finance Committee sought private money wherever it could. Sometimes direct donations were made to the state; some funds earmarked for certain projects were kept in the State Treasurer's Office and other funds were invested. He said if individuals did not want to give money to the state, they could contribute to the Cultural Affairs Foundation, of which he was Chairman. He noted the Charles H. Stout Foundation and the Wiggin Foundation had been very generous to the state; they had assisted with the Under One Sky exhibit and helped to rebuild the Glenbrook Locomotive #2 at a cost of \$300,000. Mr. Ostrovsky explained the two foundations would not contribute to a state agency, but they would contribute to the Board of Museums and History Foundation, which distributed the grant monies to the various projects.

Finally, Mr. Ostrovsky remarked there was probably not another agency in the state that reached out as far as the Division of Museums and History to convince the public to make donations. Public support was needed to keep the Division's facilities going. He hoped the 2013 Legislature would carefully consider the status of all of the positions in the Division.

Chairwoman Smith thanked Mr. Stoldal and Mr. Ostrovsky for attending the meeting and for their service to the Board. She said the museums were vital to everything the state was trying to do. She asked for further public comment.

Cliff Dunseth, Chairman of the Friends of the Nevada State Museum, Carson City, testified he had donated personal funds to the museum. He did not have a problem with the funds being used for salaries, but he was concerned that the Nevada State Museum in Carson City needed to be put on an equal footing with other museums.

Assemblywoman Smith asked for further public comment. Seeing none, she called for a motion.

SENATOR DENIS MOVED FOR APPROVAL OF AGENDA ITEMS E-32, E-33, AND E-34, WITH THE STIPULATION THAT THE FUNDING OF THE DIVISION OF MUSEUMS AND HISTORY SALARIES BE REVIEWED BY THE 2013 LEGISLATURE.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote; Senator Schneider was not present for the vote.)

- 35. Department of Health and Human Services - Aging and Disability Services - Federal Programs and Administration - FY 2012** - Addition of \$109,128 in federal State Health Insurance Assistance Program (SHIP) grant funds to support a network of volunteers located throughout the state, as well as to provide education, outreach, and long-term care planning through subgrants to providers. Requires Interim Finance approval since the amount added to the SHIP category exceeds \$75,000. **Work Program #C23149**

Refer to motion for approval under Agenda Item E.

- 36. Department of Health and Human Services - Aging and Disability Services - Federal Programs and Administration - FY 2012** - Addition of \$51,519 in Money Follows the Person (MFP) grant funds transferred from the Division of Health Care Finance and Policy to increase consumer awareness of, and access to, the existing MFP program and will enhance the Aging and Disability Resource Centers' (ADRC) ability to provide information and access to consumers and caregivers who are interested in transition services. Requires Interim Finance approval since the amount added to the ADRC Grant category exceeds 10 percent of the legislatively approved level for that category. **Work Program #C23197**

Refer to motion for approval under Agenda Item E.

- 37. Department of Health and Human Services - Aging and Disability Services - Community Based Services - FY 2012** - Transfer of \$271,085 from the Reserve category to the Hearing Devices category to cover expenditures for the Deaf and Hard of Hearing program. Requires Interim Finance approval since the amount transferred to the Hearing Devices category exceeds \$75,000. **Work Program #C23129**

Refer to motion for approval under Agenda Item E.

- 38. Department of Health and Human Services - Health Care Financing and Policy - Intergovernmental Transfer Program - FY 2012** - Transfer of \$373,938 from the Reserve category to the Transfer to Budget Account 3178 - Nevada Check Up category to pay projected program expenditures over the legislatively approved authority due to higher than budgeted caseloads. Requires Interim Finance approval since the amount transferred to the Transfer to BA 3178 - Nevada Check Up category exceeds \$75,000. **RELATES TO ITEM 39. Work Program #C23134**

Refer to motion for approval under Agenda Item E.

- 39. Department of Health and Human Services - Health Care Financing and Policy - Nevada Check Up Program - FY 2012** - Addition of \$814,674 in federal Title XXI funds and \$373,938 in Transfer from the Inter-Governmental Transfer Account funds to pay projected program expenditures over the legislatively approved authority due to higher than budgeted caseloads. Requires Interim Finance approval since the amount added to the Program Expenditures category exceeds \$75,000. **RELATES TO ITEM 38. Work Program #C23135**

Refer to motion for approval under Agenda Item E.

- 40. Department of Health and Human Services - Health Care Financing and Policy - Nevada Medicaid, Title XIX - FY 2012** - Transfer of \$26,651,993 from the Temporary Assistance for Needy Families/Child Health Assurance Program (TANF/CHAP) category to the Medical Aid for the Aged, Blind and Disabled (MAABD) category and \$7,351,015 from the Waiver category to the County Indigent Program category to align authority to current projections, which reflect a higher than budgeted caseload in the MAABD category and an increased amount of Medicaid expenditures resulting from the expansion of the county match population in the County Indigent program. Requires Interim Finance approval since the amount added to the MAABD category exceeds \$75,000. **Work Program #C23191**

Refer to motion for approval under Agenda Item E.

- 41. Department of Health and Human Services - Health Division - Early Intervention Services - FY 2012** - Addition of \$51,309 in Medical Services - Federal funds, \$115,582 in Medical Services - State funds, \$14,254 in Medical Services - Private funds, \$66,223 in Medicaid Case Management - Federal funds, and \$120,083 in Medicaid Case Management - State funds; and transfer of \$578,796 from the Personnel Services category and \$63,067 from the Operating category to the Medical Contracts/Payments category to support the services for developmental delays in infants and toddlers and to provide additional contracted services for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Medical Contracts/Payments category exceeds \$75,000. **Work Program #C23160**

Phil Weyrick, Administrative Services Officer, State Health Division, Department of Health and Human Services (DHHS), introduced Mary Wherry, Deputy Director for Clinical Services, State Health Division.

Mr. Weyrick explained Agenda Item E-41 was a request to augment revenue authority in several of the Medicaid fee revenue categories and to move salary savings and savings in Operating (category 4) into Medical Contracts/Payments (category 12) to provide direct therapy services for children

Assemblywoman Mastroluca asked for clarification of the increase in Medicaid reimbursement funding and what the Division planned to do if the Medicaid reimbursement revenue projections were not realized.

Mr. Weyrick replied the Division had recently made some projections and hired an outside contractor to perform some of the medical billings. At the beginning of the contract there was a backlog, which had nearly been depleted, and revenue projections were now coming in fairly strong. He said it was possible the projections would not be met, but they would be very close. In the event fees were not received as anticipated, the Division had a process in place to cut back expenditures in a timely manner.

Assemblywoman Mastroluca said she was concerned about caseload growth. There were supposed to be efficiency savings in Medicaid Case Management, but she was concerned the savings would not be realized because of the delay.

Mary Wherry, Deputy Director for Clinical Services, State Health Division, Department of Health and Human Services, replied the 2011 Legislative Session budget closing document proposed to achieve efficiency savings by implementing clinic-based services and moving away from the natural environment when children were able to be transported by their families into clinic settings. She said a complaint was filed by the Nevada Disabilities Advocacy and Law Center (NDALC) in the fall of 2011. The federal Individuals with Disabilities Education Act (IDEA) Part C staff conducted an investigation and found that clinic-based services were not compliant with federal law. Ms. Wherry explained that the Division had not been compliant with federal law for years because children were placed on a waiting list; by bringing children into a clinic-based setting it was hoped that more could be served with less cancellations and less travel dollars. However, she said, NDALC and IDEA Part C required the Division to become compliant again by providing services in a natural environment, and children would once again be placed on a waitlist.

Assemblywoman Mastroluca asked how many children were currently on the waitlist. Ms. Wherry replied there were 292 services waiting to be provided; she did not know how many children were involved since a child could be waiting for two or three services. The children were receiving service coordination, specialized instruction, and therapy services (except for speech therapy and possibly nutrition therapy). Ms. Wherry explained some services were provided only once a quarter, and some services were

still on the waitlist after the family canceled the appointment. There were several variables in what constituted a child waiting for services.

Assemblywoman Mastroluca asked whether children were still being seen in a clinical setting because the families chose that setting. She asked if savings were being realized in those cases.

Ms. Wherry replied savings were being realized, but the dollar amount had not been calculated. The only region still implementing the clinic-based service model was the southern region, which in March 2012 provided 395 clinic-based services based on the families' agreement on the Individualized Family Service Plan (IFSP) for where the services were to be delivered. Ms. Wherry noted the northwest and northeast regions of the state had reverted back to providing all services in a natural environment.

Assemblywoman Mastroluca asked whether the Division anticipated cutting any IFSP services because of the Part C ruling.

Ms. Wherry replied if a child had services on an IFSP, the services were required to be provided. The Division could not cut IFSP services; they would eventually have to be provided. She further explained the services would be provided even after the child aged out of the program at age three. Sometimes the family would choose to obtain services outside of the community and the Division would be required to pay for the compensatory services.

Assemblywoman Mastroluca asked how many services were able to actually be provided through the state compared to how many were being provided by the private sector and whether there were two waitlists.

Ms. Wherry replied the state always carried the waitlist. The private sector was funded out of category 14, and the Division referred as many services to the private sector as were budgeted for. The dollar amount budgeted in the Private/Community Sector category (category 14), divided by 12 months and divided by \$565, the amount of reimbursement per IFSP per month, would determine how many children could be provided services in the private sector per month. Ms. Wherry said once the maximum number of IFSP services were provided, any child thereafter would be referred to the state and placed on a waitlist.

Ms. Wherry said she had come to realize that the Part C program had never been funded as an entitlement program, but because of the federal regulations, fundamentally it was an entitlement program. The budget was not built to serve an unlimited number of children with an unlimited number of services on their IFSP. Ms. Wherry anticipated the problem would continue based on the Part C federal requirements.

Assemblywoman Mastroluca asked whether the Division anticipated having to return to the Interim Finance Committee before the 2013 Legislative Session for additional funding.

Ms. Wherry replied positions in category 1 (Personnel Services) had been frozen so that in the event of continued over-expenditures in Medical Contracts/Payments (category 12), the savings in category 1 could be used to supplement category 12. She said in state fiscal year (SFY) 2013, the Division planned to run a pilot program in the northern, southern and northeast regions of the state, in which the state would, on a limited basis, start providing service coordination only. The state would continue to take all referrals, but only service coordination would be provided to the number of children placed in the pilot, and the private sector would provide the other services on the IFSP.

Ms. Wherry explained the reason for conducting the pilot was the Division wanted to build its 2013-2015 biennial budget based on the private sector providing all of the services because the state had a fixed rate with them, and they tended to provide less services in a more cost-effective manner than the state had been able to realize. The state would continue to provide service coordination and serve as a safety net for the program should the private sector providers face a challenge. Ms. Wherry said she could not predict whether any savings would result or what the outcomes would be.

Senator Kieckhefer asked, if the state paid a fixed rate to the private sector for case management and actual services, why the money in this request could not be transferred to category 14 for the private sector.

Ms. Wherry replied that was one consideration. She said a meeting was scheduled later in the day with an auditor from the Division of Internal Audit who had been reviewing the program, and she was certain he would validate the findings of the Division. She explained the southern region was using a primary service provider model in the state system in which the Developmental Service Specialists provided many services so that the therapists were providing a fewer number of services because the therapists were more costly. The same model was not used in the northern region, so more money was spent on therapy services. Ms. Wherry said the state was providing more services and more costly services than the private sector.

Senator Kieckhefer asked whether the private sector had the capacity to absorb the children currently on the waitlist if the funding was allocated to the Private/Community Sector category.

Ms. Wherry replied the answer was absolutely yes. Two summits had been held – one in February and one in March – to work with the private sector and many of the advocates to build the 2013-2015 biennial budget, and the private sector was very willing to embrace becoming the primary service provider for all children in the system. Ms. Wherry said the state continually received requests from private sector providers to join the program, but the Division was hesitant to add more providers because only a certain number of children could be supported in the Private/Community Sector

category, and the Division did not want to have so many providers that the existing providers would face a reduction in the number of children in their service.

Senator Kieckhefer asked whether the waitlist could be absorbed in its entirety if the funding was placed into the Community Providers category.

Ms. Wherry said she was not sure; the number of children and services they were waiting for would have to be recalculated to determine how many would be removed from the waitlist. She said there were positions in the Personnel Services category that were budgeted to serve a ratio of 1:23 children, which mirrored the therapy dollars in Medical Contracts Payments (category 12). If dollars were moved from category 12 to the Private/Community Sector (category 14) or from Personnel Services savings (category 01), it would have to be determined whether there were too many staff in category 01 to offset the dollars moved out of category 12.

Chairwoman Smith noted the request was to allow the funding from Medicaid and private insurance to fund the program in the manner it was presented to the 2011 Legislature. The current discussion was a big shift in philosophy and process.

Senator Kieckhefer noted that it might be possible to serve all of the children and remove them from the waitlist.

Chairwoman Smith said that may be the case, but it was a bigger policy discussion and not part of the current request from the agency. She recommended the Committee take action on the existing work program and have a further policy discussion in the future.

Senator Cegavske asked whether the state actually achieved what it should have with the program. She had been concerned over the years whether the needs of the children were being met by the state clinics. She was sure the needs were being met through contracted services, which were expanding, but she wondered whether there would be a problem with the state program in FY 2013.

Chairwoman Smith asked what the consequences would be if the Committee took no action on item 41. She was frustrated because it was only eight months since the beginning of the biennium, and two of the three regions had abandoned the plan that was presented and approved during the 2011 Legislative Session.

Ms. Wherry replied she understood Chairwoman Smith's frustration; it had been several months since the NDALC complaint. If the Committee did not approve the work program, she said all of the children with current IFSPs who were receiving services would have to be placed on a waitlist. Category 12 dollars would not be available to continue to pay therapists to serve the children through the end of FY 2012.

Senator Horsford said he was also concerned that there had been several discussions during the 2011 Legislative Session and the Legislature approved the approach recommended by the Executive Branch; now the Committee was being asked to

consider an alternative approach in an interim capacity. He agreed with Senator Kieckhefer that the goal should be to serve the children, but it had to be done within a complete and comprehensive process.

Senator Horsford suggested the Committee could grant the Division minimal authorization to do what was needed with the current caseload and return to the next IFC meeting with a more comprehensive plan for serving children, particularly based on the legal action and findings of the audit on Early Intervention Services. He was not comfortable granting the Division more authority without understanding the whole plan when the Legislature had just granted authority in June 2011 and the Division was considering another approach. However, he recognized the need to authorize some level of expenditure so that the Division could meet the obligations for the children currently waiting for services.

Ms. Wherry said she appreciated Senator Horsford's comments. In terms of developing a plan, she reiterated that the program was truly an entitlement program, and she noted again the state was already in violation of federal law by not providing timely services to children and placing them on a waitlist. She said she had consistently indicated to IDEA Part C staff that, ethically, the state had a responsibility to provide services timely regardless of the environment, and when parents were able to bring their children into a clinic setting, that should be allowed because the state had limited resources and limited dollars.

Senator Horsford remarked that he appreciated Ms. Wherry's opinion, but that was not the finding or the direction from IDEA Part C.

Ms. Wherry again noted the state was not in compliance with federal requirements, whether it was because of waitlists or services in a natural environment.

Senator Horsford said if the program was truly an entitlement program, the goal should be to fund the program based on the needs – not to develop a new alternative to work around non-compliance. He believed the Committee should grant some approval for the Division to do what it could for the children and families currently in care and develop a more comprehensive plan to fully fund the program for FY 2013, in compliance with federal regulations, and present it to the Committee at its June meeting.

Chairwoman Smith observed there were several matters under consideration: the current work program covering the period remaining in FY 2012 and a comprehensive plan for FY 2013, as well as the next budget cycle.

Senator Kieckhefer asked whether it would be possible for the Division to evaluate the levels of responsibility of the program. He noted under federal law the program was not an entitlement program; it was an optional program that the state opted into and agreed to follow the federal regulations by accepting the federal dollars. The state had invested

significantly in early intervention services over recent biennia and provided significantly more General Fund dollars to the program.

Senator Kieckhefer wondered whether it would be possible to create a comprehensive program to serve more children in the clinical setting versus the home setting if the state did not participate in Part C but instead invested the state resources into a similar program for early intervention services.

Chairwoman Smith asked Mr. Combs to review the Committee's options. She did not believe it would be appropriate to make funding changes to the program during the interim. She suggested the Committee could take action to fund the agency through FY 2012, and the Division could return to the next meeting with its recommendations for funding in FY 2013 and going forward.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted item 41 was a FY 2012 work program which augmented category 12, Medical Contracts/Payments, by just under \$1 million. He assumed the amount was the Division's minimum projection of what would be needed for the remainder of FY 2012 to provide services to as many children on the waitlist as possible. Mr. Combs remarked the Division was now aware that the Committee would like to see a plan going forward to handle the problem in FY 2013. He did not know of any changes he could recommend to item 41 that would be beneficial to the Committee.

Chairwoman Smith suggested the Committee approve item 41 to provide the funding needed for the program through the remainder of FY 2012, and that the Division be asked to work with Fiscal staff and return to the next IFC meeting with a funding plan for FY 2013. Based upon the agency's budget approved by the 2011 Legislature, she wondered whether the agency would have to contend with any constraints.

Mr. Combs replied the obvious limitation was the amount of funding appropriated to the agency in the 2011 Session, and if savings measures the agency had planned to put into place were not going to work, expenditures would increase, but the revenues were not adjustable. He said the possible shortage on the expenditure side needed to be addressed for FY 2013; therefore, one pertinent question was whether a Contingency Fund allocation or a supplemental appropriation might be needed.

Chairwoman Smith asked whether the service model could be changed within the current biennium.

Mr. Combs replied he was not certain whether it was possible to change the service model within the current timeframe, but the agency had the authority to make changes in the program as long as the changes were reported to the Committee. The Committee would have to approve any necessary transfers of funds between categories.

Senator Horsford said he appreciated Mr. Combs' explanation, but even with the service delivery approach as explained by Ms. Wherry, the state would still be out of compliance with the federal regulations. He did not understand why the Committee would approve something that would continue to keep the state out of compliance in FY 2013 and beyond. Senator Horsford said any future proposed funding plan and service approach from the agency would need to be federally compliant; he would not support a plan that continued non-compliance, and he expected the Committee would not either.

Chairwoman Smith asked for public comment.

Robert Burns, Therapy Management Group, Las Vegas, testified that Therapy Management Group was one of the community partners currently providing services in the southern region of the state. Speaking directly to Senator Horsford's comments, Mr. Burns said the Division of Early Intervention Services and the community providers had tried to come up with a solution that would not only address the program's financial constraints but also the issue of compliance. He said the model referred to earlier by Ms. Wherry – the state providing service coordination and direct services provided by the community partners – would achieve two results:

- Significantly reduce the waitlist or eradicate it entirely.
- Cap the state's cost because the community providers had the mandate to provide every service on the IFSP.

As an example, Mr. Burns continued, a child whose IFSP cost the state \$565 a month would essentially be entitled to every service, and the community providers were mandated to provide every service on the IFSP, regardless of the number.

With regard to the issue of federal compliance, Mr. Burns said while the state had in some respects moved to a clinical model, the community partners by and large had continued to provide services to children in their natural environment. Therapy Management Group believed if the service delivery model discussed by Ms. Wherry earlier was adopted, implemented, and funded by the Legislature, the concerns voiced by Committee members with federal non-compliance would be adequately addressed.

Chairwoman Smith thanked Mr. Burns for his testimony. She called for further public testimony; there was none.

There being no further questions from Committee members, Chairwoman Smith called for a motion.

SENATOR KIECKHEFER MOVED FOR APPROVAL OF AGENDA
ITEM E-41, WITH DIRECTION FOR THE AGENCY TO RETURN
TO THE NEXT IFC MEETING TO DISCUSS A FUNDING PLAN
FOR FISCAL YEAR 2013.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

Senator Denis disclosed that he served as a volunteer member on the board of the Nevada Easter Seals; he did not believe it was a conflict and he would vote on the item.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote.)

- 42. Department of Health and Human Services - Health Division - Early Intervention Services - FY 2012** - Addition of \$172,525 in Transfer from IDEA Part C Compliance funds and transfer of \$63,113 from the Personnel Services category and \$40,239 from the Nevada State Health Division Administrative Cost Allocation category to the Private/Community Sector category to support services provided by the community partners and use projected savings to provide services. Requires Interim Finance approval since the amount added to the Private/Community Sector category exceeds \$75,000.
Work Program #C23319

Phil Weyrick, Administrative Services Officer, State Health Division, Department of Health and Human Services (DHHS), testified item 42 requested permission to augment revenue through a transfer from IDEA (Individuals with Disabilities Education Act) Part C to support services provided by Early Intervention Services community partners. He explained additional Part C funds were available because of a carryover of funds from fiscal year (FY) 2011 that were added to the Health Division's subgrant from the Aging and Disabilities Services Division.

Mr. Weyrick said the purpose was to transfer available funds that would expire on June 30, 2012, to the Private/Community Sector (category 14) to serve additional children through private-sector service providers.

Assemblywoman Mastroluca asked how much of the funding to be transferred was from IDEA Part C funds versus vacancy savings.

Mr. Weyrick replied all of the funds being transferred were from IDEA Part C. There was \$63,113 in salary savings for state-funded positions that were funded by Part C dollars, and \$40,239 in savings from category 82, Indirect Funding. He said a total of \$275,877 would be added to category 14 for services.

Chairwoman Smith asked whether the agency would be able to spend all of the transferred funds in FY 2012.

Mr. Weyrick replied yes; the subgrant from the Aging and Disability Services Division expired on June 30, 2012, and the funds would be expended prior to spending General Fund dollars in the Private/Community Sector category.

Senator Horsford asked why funds were being transferred at this time and what necessitated the Committee taking action at this meeting rather than after a comprehensive plan was prepared by the agency and submitted to the Committee as discussed earlier [refer to discussion under Agenda Item E-41]. He asked what the impact would be if the Committee took no action at this meeting, pending the receipt of a comprehensive plan from the agency.

Mr. Weyrick replied when the FY 2012 budget was developed, Part C funds were budgeted based on the amount of funding the Division thought would be available. He noted that Part C funding allocated to the Aging and Disability Services Division was for 30 months. In FY 2012, the Division had given FY 2011 unspent funds to the Health Division, which were not anticipated when the FY 2012 budget was developed. Mr. Weyrick explained the Part C funds would expire on June 30, 2012, and would revert to the federal government if not expended by that time.

Senator Horsford asked when this information became available. Mr. Weyrick said the carryover funds were given to the Health Division through December 30, 2011, but the analysis was not prepared in time to submit a request to the Interim Finance Committee in February.

Assemblywoman Mastroluca asked how many children were anticipated to be removed from the waiting list and/or the length of time they would be off the waitlist. She was concerned that the funds were obviously one-shot funding and she wondered where the families would be in September 2012.

Mr. Weyrick estimated that 60 to 70 children at \$565 per month would be removed from the waitlist.

Chairwoman Smith asked for further questions from the Committee; there were none. She asked for public comment and seeing none, she called for a motion.

SENATOR RHOADS MOVED FOR APPROVAL OF
AGENDA ITEM E-42.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote; Senator Parks was not present for the vote.)

Senator Horsford wanted the record to reflect that the Committee action on Agenda Items 41 and 42 did not bring the state into compliance with the federal government. He expected that the next request from the Health Division concerning Early Intervention Services would include a proposal to bring the program into compliance.

- 43. Department of Health and Human Services - Health Division - Immunization Program - FY 2012** - Addition of \$37,859 in federal Immunization Program grant funds and transfer of \$160,072 from the Personnel Services category, \$2,217 from the Out-of-State Travel category, \$12,062 from the In-state Travel category, \$329,318 from the Operating category, \$14,939 from the Information Services category, and \$29,833 from the Nevada State Health Division Administrative Cost Allocation category to the Vaccines for Children category to support the free vaccines program to uninsured or underinsured children and to utilize projected savings to purchase vaccines. Requires Interim Finance approval since the amount added to the Vaccines for Children category exceeds \$75,000. **Work Program #C23104**

Refer to motion for approval under Agenda Item E.

- 44. Department of Health and Human Services - Health Division - WIC Food Supplement - FY 2012** - Addition of \$4,856,620 in federal United States Department of Agriculture Women, Infants, and Children Program grant funds to cover the additional anticipated expenditures through the remainder of the fiscal year to supplement the diets of pregnant, postpartum and breastfeeding women, infants, and children under age five who have limited income and have been determined to be at nutritional risk. Requires Interim Finance approval since the amount added to the Aid to Individuals category exceeds \$75,000. **Work Program #C23138**

Refer to motion for approval under Agenda Item E.

- 45. Department of Health and Human Services - Health Division - Public Health Preparedness Program - FY 2012** - Addition of \$39,436 in federal Primary Care Office grant funds to support the improvement of the health care infrastructure of Nevada. Requires Interim Finance approval since the amount added to the Primary Care Office category exceeds 10 percent of the legislatively approved amount for this category. **Work Program #C22838**

Refer to motion for approval under Agenda Item E.

- 46. Department of Health and Human Services - Health Division - Public Health Preparedness Program - FY 2012** - Addition of \$80,634 in federal Centers for Disease Control and Prevention (CDC) Bioterrorism grant funds and transfer of \$89,566 from the Personnel Services category and \$38,842 from the Nevada State Health Division Administration Cost Allocation category to the CDC Bioterrorism category to support preparedness activities at the state, tribal and local jurisdictional levels and support, enhance and improve Nevada's public health, hospital, and emergency response system capacities, mitigate negative outcomes and foster improved recovery from such events. Requires Interim Finance approval since the amount added to the CDC Bioterrorism category exceeds \$75,000. **Work Program #C23072**

Refer to motion for approval under Agenda Item E.

- 47. Department of Health and Human Services - Health Division - Public Health Preparedness Program - FY 2012** - Addition of \$74,810 in federal Public Health Infrastructure grant funds and transfer of \$299 from the Nevada State Health Division Administrative Cost Allocation category to the Public Health Infrastructure category to improve the overall effectiveness and efficiency of the public health infrastructure in Nevada that will support the delivery of public health services and programs throughout the state and reflect the current indirect rate. Requires Interim Finance approval since the cumulative amount added to the Public Health Infrastructure category exceeds \$75,000. **Work Program #C23080**

Refer to motion for approval under Agenda Item E.

- 48. Department of Health and Human Services - Health Division - Public Health Preparedness Program - FY 2012** - Addition of \$272,626 in federal Health Resources and Services Administration (HRSA) Hospital Preparedness grant funds and transfer of \$11,894 from the Personnel Services category and \$4,314 from the Nevada State Health Division Administration Cost Allocation category to the HRSA Hospital Preparedness category to support, enhance and improve Nevada's public health, hospital, and emergency response system capacities, mitigating negative outcomes and fostering improved recovery from such events and utilize projected savings to improve Nevada's public health infrastructure. Requires Interim Finance approval since the amount added to the HRSA Hospital Preparedness category exceeds \$75,000. **Work Program #C23125**

Refer to motion for approval under Agenda Item E.

- 49. Department of Health and Human Services - Health Division - Biostatistics and Epidemiology - FY 2012** - Addition of \$50,844 in federal Tuberculosis grant funds and transfer of \$3,812 from the Nevada State Health Division Administrative Cost Allocation category to the TB Elimination category to reduce the incidence of TB through the aggressive management of newly diagnosed cases and extensive preventive treatment of those infected with TB and use savings to conduct disease surveillance, investigate disease outbreaks, and initiate disease control activities. Requires Interim Finance approval since the amount added to the TB Elimination category exceeds 10 percent of the legislatively approved amount for this category. **Work Program #C22969**

Refer to motion for approval under Agenda Item E.

- 50. Department of Health and Human Services - Health Division - Biostatistics and Epidemiology - FY 2012** - Addition of \$123,543 in federal AIDS Surveillance grant funds to record and analyze reportable HIV/AIDS information, conduct interviews with infected individuals and their contacts, refer individuals for medical treatment, analyze data from disease investigations, identify risk factors, provide education and recommendations on disease prevention, and work in conjunction with appropriate agencies to enforce communicable disease laws. Requires

Interim Finance approval since the amount added to the AIDS Surveillance Program category exceeds \$75,000. **Work Program #C23083**

Refer to motion for approval under Agenda Item E.

- 51. Department of Health and Human Services - Health Division - Maternal Child Health Services - FY 2012** - Addition of \$36,882 in federal Rape Prevention and Education grant funds and transfer of \$22,552 from the Personnel Services category and \$5,995 from the Nevada State Health Division Administrative Cost Allocation category to the Rape Prevention and Education category to encourage the development of comprehensive prevention strategies through a continuum of activities that address all levels of the social ecological model and to utilize projected savings to provide additional activities for the program. Requires Interim Finance approval since the amount added to the Rape Prevention and Education category exceeds 10 percent of the legislatively approved amount for this category. **Work Program #C23121**

Refer to motion for approval under Agenda Item E.

- 52. Department of Health and Human Services - Health Division - Maternal Child Health Services - FY 2012** - Addition of \$180,717 in Newborn Screening Fees and transfer of \$68,362 from the Personnel Services category, \$2,392 from the Operating category, and \$142,044 from the Nevada State Health Division Administrative Cost Allocation category to the Medical/Dental Expenses category to check for genetic abnormalities in newborns and to cover an anticipated shortfall through the remainder of the fiscal year. The shortfall is primarily generated due to a rate increase for laboratory services. Requires Interim Finance approval since the amount added to the Medical Dental Expenses category exceeds \$75,000. **Work Program #C23156**

Phil Weyrick, Administrative Services Officer, State Health Division, Department of Health and Human Services (DHHS), introduced Dr. Tracey Green, State Health Officer and Acting Medical Director for the Division of Mental Health and Developmental Services (MHDS), and Christine Mackie, Deputy Bureau Chief, Bureau of Child, Family, and Community Wellness, State Health Division.

Mr. Weyrick explained Agenda Item E-52 was a request to augment Client Charge revenue to receive additional fees received from births. The state received \$71 for each birth, and a large percentage of the funds were used for metabolic screening at the Oregon State Laboratory. He said because of increases in fees charged by the Oregon State Laboratory, the Division was requesting to add \$180,717 in Newborn Screening Fees and transfers of \$2,392 in Operating, \$142,044 in Administrative Cost Allocation, and \$68,362 in Personnel Services, for a total of \$393,515, to the Medical/Dental Expenses category, from which the Oregon Laboratory contract and other operational expenses for the program were paid.

Assemblywoman Carlton asked whether the fee to parents would be increasing as well. She had understood the item involved only transfers of funds.

Mr. Weyrick said that fees could potentially be raised because the charge for testing in calendar year (CY) 2010 was \$54 per child; in CY 2011 the fee increased to \$56, and in CY 2012 it was \$64. Since the state had not raised fees in four years, more of the \$71 fee was being allocated for the testing contract, leaving fewer funds for staff and operational expenses.

Dr. Tracey Green, State Health Officer and Acting Medical Director, Division of Mental Health and Developmental Services, Department of Health and Human Resources, added that item 52 did not include a request for additional fees, although the Division would be considering an increase in fees in the future. However, she noted, at this time the fees were paid by the hospital and not the parent.

Assemblywoman Carlton asked whether there would be an increase in the fees to the hospital. Dr. Green replied there would not be an increase in this request.

Assemblywoman Carlton asked the length of the contract with the Oregon State Laboratory. If the fees were increasing every year, she questioned why the state was still contracting with Oregon State.

Dr. Green replied the current contract was through June 30, 2013. Senate Bill 131 (2011 Legislative Session) included a provision to allow the Division to consider contracting with the University of Nevada, Reno or the State Public Health Laboratory for testing. She said discussions were taking place among the Division, the University, and the State Public Health Laboratory concerning development of a comprehensive program, and both entities had expressed interest. Dr. Green noted the contract included a clinical portion in addition to the laboratory portion. She said the Division was looking forward to bringing the program back into the state in the future.

Assemblywoman Carlton said she was concerned with the current contract since the rates were being raised every year. She asked whether the increases were included in the contract.

Dr. Green replied the contract included a rate increase of \$2 per year, which the Division had assumed for the last four years. The rate had increased \$8 over the last four years, but the Division had not changed its fees over that time.

Assemblywoman Carlton said if the fee increases were anticipated, there should have been some discussion during the 2011 Legislative Session concerning changes in fees or the contract. She suggested the Division could have been more proactive to avoid the need for transfers.

Senator Cegavske asked whether the hospital itemized the testing fees in its billing and if the testing fees were paid by insurance companies.

Dr. Green replied the fees were included in the encompassing birth fee. She did not know whether the birth fee was itemized. She would get the information for Senator Cegavske.

Chairwoman Smith asked Mr. Combs to clarify the amounts in the request.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained Fiscal staff had spoken to the Health Division about revising the work program based on more recent birthrate projections than were used in the original work program. He said the Client Charge revenue could be reduced from \$180,717 to \$106,141, and a corresponding reduction would be made to Category 12, the Medical Dental Expenses, from \$393,515 to \$318,939. Mr. Combs asked whether the revisions matched Mr. Weyrick's revised amounts.

Mr. Weyrick replied the revised amounts were correct. He said from the time the work program was originally submitted, two more months of data had become available, which affected the projections.

Chairwoman Smith remarked she was glad that the testing program would be brought back to Nevada. She asked whether the University of Nevada Medical School would be part of the program. Dr. Green replied it would be.

Chairwoman Smith asked for public comment; there was none.

ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL
OF AGENDA ITEM E-52 AS REVISED.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and
not present for the vote.)

- 53. Department of Health and Human Services - Welfare and Supportive Services - Assistance to Aged and Blind - FY 2012** - Addition of \$65,000 in Budgetary Transfers to receive a transfer of funds to cover a projected General Fund shortfall in the current fiscal year. Requires Interim Finance approval pursuant to Section 44 of A.B. 580 of the 2011 Legislative Session.
RELATES TO ITEM 55. Work Program #C23193

Refer to motion for approval under Agenda Item E.

- 54. Department of Health and Human Services - Welfare and Supportive Services - Field Services - FY 2012** - Transfer of \$600,000 from the Personnel category to the Information Services category to replace computers, associated software and headsets that have exceeded their expected lifespan. Requires

Interim Finance approval since the amount added to the Information Services category exceeds \$75,000. **Work Program #C23146**

Diane Comeaux, Administrator, Division of Welfare and Supportive Services, Department of Health and Human Services, introduced Sue Smith, Deputy Administrator, Fiscal Services, and Steve Fisher, Deputy Administrator, Program Services, Division of Welfare and Supportive Services (DWSS).

Ms. Comeaux explained Agenda Item E-54 was a request to transfer unobligated authority from the Personnel Services category to the Information Services category in order to purchase 376 personal computers and 80 headsets for field services staff. She said personnel savings were generated from vacant intermittent positions between July 2011 and January 2012.

Chairwoman Smith asked how the vacancies had affected the agency's output and ability to meet timelines and federal requirements.

Ms. Comeaux replied the vacancies did have an impact on the Division's ability to process applications in a timely manner, and there had been increases in staff error rates. She explained that during the timeframe of July 2011 through November 2011, the Division experienced difficulties with recruitment. The Division of Human Resource Management was undergoing a conversion from one online application process to another, and DWSS was unable to recruit during that period of time.

Ms. Comeaux added that also during that timeframe, the agency had a vacancy rate as high as 10 percent. The Division of Human Resource Management was working extensively with DWSS to fill positions, and the vacancy rate was down to approximately 6 percent. Ms. Comeaux said the goal was to reach a vacancy rate of below 5 percent.

Chairwoman Smith asked how the new equipment would help DWSS meet those goals in lieu of staffing and how it would affect the next biennial budget request.

Ms. Comeaux recalled DWSS had requested replacement computers in the 2011-2013 budget cycle, but the request was not approved. She said the computers being replaced were over five years old, had minimum memory capacity, and were at least four generations behind in the processing technology. It was not possible to install the latest operating system because of their age.

Ms. Comeaux said it was difficult for staff to use new technologies the Division had put in place to ensure efficiency, such as the Alternative Modernization and Productivity System (AMPS), which was an overlay over NOMADS (Nevada Operations Multi-Automated Data System) that was supposed to reduce the amount of time to process an application and included an online application. In addition, online document imaging was being implemented so that anyone anywhere could process an application.

Ms. Comeaux said the old computers slowed the process down and decreased the efficiencies the programs were trying to gain.

Chairwoman Smith asked whether the Division would need to request additional personal computers in the 2013-2015 biennium.

Ms. Comeaux said the Enterprise Information Technology Services (EITS) Division maintained a replacement schedule for computer equipment, and purchase of the 376 computers at this time would reduce the agency's replacement request in the next biennium.

Senator Cegavske remarked she believed the state should consider leasing computer equipment. She was concerned with the number of vacant positions throughout most of the state agencies. It appeared that positions were being held vacant in order to create a "slush fund" using vacancy savings to purchase equipment or other items that were not approved during the previous legislative session.

Senator Cegavske requested that Fiscal staff review the vacant positions in all state agencies and the extent of the need to fill them. She did not understand the inability to fill vacancies considering the state's high unemployment rate. Senator Cegavske said she had observed vacancy savings being used for other purposes over the years, and she believed the practice needed to be stopped.

Senator Cegavske added that she would not support the request. She understood the agency had requested computers in its biennial budget request, and she did not know the reason they were not included in the Executive Budget. However, she believed if there were excessive vacant positions, the salary savings should be reverted to the General Fund for other purposes.

Chairwoman Smith asked Ms. Comeaux to update a discussion held at the February Interim Finance Committee (IFC) meeting concerning Childcare Assistance funding. She wondered whether the salary savings could perhaps be better spent in that area.

Ms. Comeaux recalled the Division had submitted a work program at the December IFC meeting because of a projected shortfall of approximately \$6 million over the biennium. In her presentation of the work program, Ms. Comeaux had discussed some strategies the Division would use to reduce some of the costs to cover the shortfall, including some changes to the number of wraparound contract slots and the creation of a waitlist for the at-risk categories. She noted at-risk families were families with incomes at or below 130 percent of the poverty level and at risk of needing cash assistance.

Ms. Comeaux said DWSS had started the waitlist process for at-risk families and had three months of data. Currently there were 568 families on the waitlist, representing 1,065 children. She had provided a breakdown to Fiscal staff of which level of support those families fell within. Ms. Comeaux said the waitlist did not equate exactly to what the Division had indicated the waitlist needed to be because about 48 percent of the

individuals currently on the waitlist were persons who had not previously applied for the program. Approximately 23 percent of the individuals on the current waitlist were on the program the previous month; their certificates ran out, and when they tried to renew their certificates, they were placed on the waitlist for services.

Continuing, Ms. Comeaux explained that in order for DWSS to resolve the \$6 million shortfall, a number of steps to reduce the program costs over the biennium were put in place, with the understanding that additional money would be needed in fiscal year (FY) 2012 and the difference could be made up over the 2012-2013 biennium. Ms. Comeaux said her understanding was that the original intent was to pull funds from FY 2013, which the Division had statutory authority to do, to make FY 2012 whole, and the costs would be covered in FY 2013 by continuing budget reduction strategies.

In doing the analysis, Ms. Comeaux continued, the problem was although the Division had sufficient authority to transfer money from FY 2013 to FY 2012, there was not sufficient cash to do so. Federal dollars were received over a different period of time than the state's fiscal year, and three months of federal dollars, plus the General Funds that were available, would be needed to pay bills in the first quarter. When the funds were added together, cash would be available to support federal fiscal year (FFY) 2012, but there would not be sufficient cash to support the first quarter of state fiscal year (SFY) 2013.

Ms. Comeaux said the Division had met with the Director of the Department of Health and Human Services and developed an alternative solution which not only included the work program for vacancy savings in item 54, but also a work program to transfer an additional \$750,000 in General Fund savings in intermittent positions to this budget account to cover the SFY 2012 shortfall; the work program would be submitted at the June IFC meeting.

Additionally, Ms. Comeaux reported, the Division had received notification from the federal government of an award of Temporary Assistance for Needy Families (TANF) contingency funds in the amount of \$3.8 million. As a result, the second work program would bring in \$3.2 million in TANF dollars to support the program. The two work programs together would be sufficient to support FY 2012, with all of the steps still in place as identified earlier. It was assumed reductions would have to be continued into FY 2013, but because the TANF grant would infuse more funds into the program, the Division would be able to start taking clients off the waitlist sooner in FY 2013 than had been projected.

Senator Horsford said he agreed with Senator Cegavske concerning using salary savings for other areas of the budget. He asked the Director of the Department of Administration to approach the testimony table for questions concerning the request.

Senator Horsford said according to the Committee's information, there were currently 2,500 vacant positions in state government which had been approved or authorized for funding. He acknowledged that some vacancies were because of retirements and

reduction in benefits, but 2,500 positions were not vacancy savings – they were joblessness, as well as an impact on services to constituents. He asked what was being done to assess the vacancies across all departments and divisions and how many positions were actively being recruited, what the barriers were, and which positions only recently became vacant. Senator Horsford also questioned what problems caused a delay in the state’s online recruitment and applicant tracking system (NVAPPS).

Jeff Mohlenkamp, Director, Department of Administration, replied NVAPPS was taken offline for a few weeks and longer in the Las Vegas area. Notice was given to agencies a month before, but it was his belief that a more robust notification system to agencies was needed. He had received several calls from agency administrators complaining that they did not know the recruitment system was going to be down for several weeks. Mr. Mohlenkamp said he would be pursuing changes in the notification process to agency administrators in the future.

Mr. Mohlenkamp said he had not reviewed the current vacancy rate recently, but he estimated the rate was about 12 percent. State agencies usually ran from a low of 2 to 3 percent vacancy rate to as high as 12 to 14 percent. Mr. Mohlenkamp recalled the rates varied during the budget reductions and the deep recession, and at certain times hiring freezes were put in place and there was a justification-to-fill process that also caused some delays in hiring. He noted that the justification-to-fill process was terminated in September 2011 and that time delay had been removed.

Mr. Mohlenkamp said customarily there was always a vacancy rate; he did not know what an acceptable rate would be, but it varied by group and type of industry. At times the vacancy rates were so high in an area that it was necessary to hire contract employees because of difficulty in recruiting.

Mr. Mohlenkamp said he was not sure whether 2,500 was an excessive number, but efforts were being made to streamline some of the processes for hiring. When he first assumed the Director’s position, he had met with agency administrators to determine what they needed from the Department of Administration, and a major request was removal of the barriers in hiring. He said the Division of Human Resource Management had been working diligently on streamlining processes for the various departments, and he believed there would be meaningful changes to expedite the hiring processes.

Senator Horsford thanked Mr. Mohlenkamp for his response. He noted the Governor had put a call out to create 50,000 jobs by 2014. He believed a good start would be to support the state’s vacant positions, which were funded; there would be no cost to fill the positions, but the barriers needed to be removed.

Senator Horsford suggested coordination with the Department of Employment, Training and Rehabilitation and the Nevada JobConnect offices. He was not sure how many state positions were posted within that system, but there were 140,000 Nevadans looking for work, and he speculated a percentage of them would be qualified for some

of the 2,500 open state positions. Senator Horsford remarked the more positions that could be filled, the more unemployment could be reduced and services to constituents could be improved.

Senator Horsford asked Mr. Mohlenkamp to provide a report to the Committee at its June meeting on what changes were being made in the Division of Human Resource Management to improve hiring processes and remove the barriers. Mr. Mohlenkamp replied he would submit a report in June.

Chairwoman Smith remarked she shared the same concerns, and part of her frustration was that in many discussions during the 2011 Legislative Session, the legislators had routinely heard that the state's condition would not make recruitment and retention of employees difficult. Apparently, she said, that statement was not bearing out considering (1) the number of vacancies and (2) the constant need to pay people more to get them hired and to get them to stay. She said many of the concerns expressed during the last legislative session were now surfacing.

Chairwoman Smith said she had received an email from a constituent who was a long-time state employee who left the state to care for a disabled child. When the child passed away, the constituent tried to return to state employment and she became frustrated because she had to start over at the beginning of the employment process.

Mr. Mohlenkamp replied he would prepare a full report for the Committee's June meeting of the steps being taken to improve the processes, which ranged from everything from the testing process to position upgrades and transfers. He said the processes needed to be streamlined to bring individuals into the workforce and to remove roadblocks as they moved forward in their careers,

Assemblyman Kirner requested that the June report be expanded to include how long positions had been vacant. He sensed that at any given time there would always be a certain number of vacancies because employees were coming and going.

Mr. Mohlenkamp replied he was not certain what kinds of detailed information could be provided for specific positions, but he would provide as much information as the system would allow.

Assemblyman Kirner also expressed concern with spending funds that were budgeted for salaries for other purposes. It appeared to him there would always be vacancies and they should be calculated into the budgeting process.

Mr. Mohlenkamp noted that he had appeared before the Committee many times and tried to identify some needed flexibility in order to manage budgets. There was a long period between the time the Legislature approved agency budgets and when the full Legislature met again. He said there were changing business dynamics and changing environments, and agency directors and administrators did the best they could to adjust and operate with the dollars available. Mr. Mohlenkamp said sometimes transfers were

needed, and in this situation, the DWSS was trying to make the best use of available resources to meet its needs.

Returning to discussion of item 54, Chairwoman Smith asked whether she was correct in saying that the funds would either be spent on computers, which would provide better service to clients and increase timeliness of personnel, or they would revert.

Ms. Comeaux replied she was correct. The total amount requested to be transferred was \$600,000; of that amount, \$220,000 was state General Funds, which would revert if the Committee did not approve the work program.

Senator Denis noted it appeared that of the 376 computers to be replaced, 371 were 6 years old. He asked what the current failure rate of the computers was.

Ms. Comeaux said he was correct, and the piece that was most often failing was the motherboard. She clarified that 376 computers were being requested for replacement now, but there was a total of nearly 800 computers beyond the 5-year age limit. She said the Division was trying to replace only those computers that were most often failing.

Senator Denis asked how much time was being spent on wasted productivity because of the age of the computers.

Ms. Comeaux replied the loss of productivity had not been specifically measured, but there were a number of new technologies being put in place to gain efficiencies, and the older computers were unable to process them in a timely manner.

Senator Denis expressed concern that the request only included a portion of the Division's computers, but if their replacement was delayed, the computers would be nearly 8 years old and several would fail before that time.

Chairwoman Smith assumed the eligibility efforts were slower because of the age of the computers. She was concerned that reduced staff and inadequate equipment would slow the eligibility process to get individuals into service.

ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL
OF AGENDA ITEM E-54.

SENATOR RHOADS SECONDED THE MOTION.

Chairwoman Smith called for public comment; there was none.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote. Assemblyman Grady and Senators Cegavske and Horsford voted no.)

- 55. Department of Health and Human Services - Welfare and Supportive Services - Field Services - FY 2012** - Deletion of \$65,000 in Budgetary Transfers to transfer funds to cover projected shortfalls within the Assistance to Aged and Blind for the remainder of the fiscal year. Requires Interim Finance approval pursuant to Section 44 of A.B. 580 of the 2011 Legislative Session. **RELATES TO ITEM 53. Work Program #C23192**

Refer to motion for approval under Agenda Item E.

- 56. Department of Health and Human Services - Welfare and Supportive Services - Child Support Enforcement Program - FY 2013** - Transfer of \$204,000 from the Reserve category to the 100 percent State Share of Collections (SSC) to Washoe County category to reimburse the Washoe County District Attorney's Office for their share of the child support enforcement expenditures. Requires Interim Finance approval since the amount added to the 100 percent SSC to Washoe County category exceeds \$75,000. **Work Program #C23312**

Refer to motion for approval under Agenda Item E.

- 57. Department of Health and Human Services - Mental Health and Developmental Services - Mental Health Information System - FY 2012** - Addition of \$148,988 in State Mental Health Data Infrastructure grant funds to support information technology services on a division-wide basis. Requires Interim Finance approval since the amount added to the Data Infrastructure Grant category exceeds \$75,000. **Work Program #C22340**

Refer to motion for approval under Agenda Item E.

- 58. Department of Health and Human Services - Mental Health and Developmental Services - Rural Clinics - FY 2012** - Addition of \$60,810 in Gifts and Donations for the United Health Award received from the Nevada Attorney General's Office to enable Rural Services to establish telemedicine sites where inadequate or no telemedicine equipment exists and allow for better monitoring of psychiatric conditions, medication changes, and more disease-specific testing. Requires Interim Finance approval since the amount added to the AG United Health category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23016**

Refer to motion for approval under Agenda Item E.

- 59. Department of Health and Human Services - Mental Health and Developmental Services - Northern Nevada Adult Mental Health Services – FY 2012** - Transfer of \$325,655 from the Personnel category to the Professional Services category to fund contracted doctors, nursing and mental health technician services to support current agency operations and maintain quality patient care. Requires Interim Finance approval since the amount added to the Professional Services category exceeds \$75,000. **Work Program #C23022**

Refer to motion for approval under Agenda Item E.

60. **Department of Health and Human Services - Mental Health and Developmental Services - Southern Nevada Adult Mental Health Services - FY 2012** - Transfer of \$531,844 from the Medications category to the Professional Services category to fund contract psychiatrists and nurses to support current agency operations and maintain quality patient care. Requires Interim Finance approval since the amount transferred to the Professional Services category exceeds \$75,000. **Work Program #C23150**

Refer to motion for approval under Agenda Item E.

61. **Department of Health and Human Services - Child and Family Services - Rural Child Welfare - FY 2012** - Transfer of \$20,681 from the Child Welfare category to the Operating category, \$1,200 from the Child Welfare category to the Information Services category and \$15,769 from the Child Welfare category to the Drug Testing category to support the caseworkers, update business processes and stay in compliance with updated federal and state mandates while doing business in the most efficient way. Requires Interim Finance approval since the cumulative amount transferred from the Child Welfare category exceeds \$75,000. **Work Program #C22349**

Refer to motion for approval under Agenda Item E.

62. **Department of Health and Human Services - Child and Family Services - Community Juvenile Justice Programs - FY 2012** - Addition of \$593,654 in federal Enforcing the Underage Drinking Laws (EUDL) Discretionary grant funds to support programs for prevention of underage drinking and related issues. Requires Interim Finance approval since the amount added to the EUDL Discretionary category exceeds \$75,000. **Work Program #C23128**

Refer to motion for approval under Agenda Item E.

63. **Department of Health and Human Services - Child and Family Services - Northern Nevada Child and Adolescent Services - FY 2012** - Transfer of \$5,451 from the Professional Contract Services category to the In-State Travel category and \$7,469 from the Professional Contract Services category to the Maintenance of Building and Grounds category to support proper supervision and training of the Rural Wraparound in Nevada (WIN) program and provide proper maintenance of the buildings and grounds to ensure the health and safety of clients and staff. Requires Interim Finance approval since the cumulative amount transferred from the Professional Contract Services category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23200**

Refer to motion for approval under Agenda Item E.

64. **Department of Employment, Training and Rehabilitation - Disability Adjudication - FY 2012** - Transfer of \$800,000 from the Operating category to the Medical Determination category to provide for all medical determination costs to be

identified in the same special use category. Requires Interim Finance approval since the amount transferred to the Medical Determination category exceeds \$75,000. **Work Program #C23204**

Refer to motion for approval under Agenda Item E.

- 65. Department of Employment, Training and Rehabilitation - Employment Security - FY 2012** - Addition of \$920,005 in federal Administrative Cost Allowance Unemployment Insurance (UI)/Re-employment Eligibility Assessment grant funds and \$179,995 in federal Administrative Cost Allowance Veterans grant funds to provide adequate funding for the remainder of the fiscal year to maintain existing staffing levels in the UI Call Centers and Appeals unit to serve individuals filing UI claims and working through the UI appeals process. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$75,000. **Work Program #C23231**

Refer to motion for approval under Agenda Item E.

- 66. Department of Corrections - Director's Office - FY 2012** - Transfer of ~~\$17,077~~ **\$31,088** from the Beds/Mattresses/Footlockers category to multiple categories as follows: ~~\$2,820~~ **\$5,820** to the In-State Travel category, \$3,357 to the Operating category, ~~\$3,895~~ **\$14,826** to the Inmate Transportation category, \$2,262 to the Employee Drug Testing category, \$2,733 to the Inmate Property Claims category, and \$2,010 to the Employee Physical Costs category; and transfer of \$19,615 from the Prison Rape Act category to the Employee Physical Costs category to fund projected shortfalls. Requires Interim Finance approval since the cumulative amount deducted from the Bed/Mattresses/Footlockers category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23316. REVISED 4-9-12.**

Item 66 was approved as revised; refer to testimony and motion for approval under Agenda Item E.

- 67. Department of Corrections - Correctional Programs - FY 2012** - Deletion of \$440,092 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since the amount deducted from the Personnel Services category exceeds \$75,000. **Work Program #C23322**

Refer to motion for approval under Agenda Item E.

- 68. Department of Corrections - Ely State Prison - FY 2012** - Addition of \$202,536 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Inmate Drivens category exceeds \$75,000. **Work Program #C23296**

Refer to motion for approval under Agenda Item E.

69. **Department of Corrections - High Desert State Prison - FY 2012** - Addition of \$131,503 in Budgetary Transfers and transfer of \$25,360 from the Operating category to the Maintenance of Buildings and Grounds category and \$115,679 from the Utilities category to the Inmate Drivens category to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Inmate Drivens category exceeds \$75,000. **Work Program #C23304**

Refer to motion for approval under Agenda Item E.

70. **Department of Corrections - Northern Nevada Correctional Center - FY 2012** - Deletion of \$6,501 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C23306**

Refer to motion for approval under Agenda Item E.

71. **Department of Corrections - Nevada State Prison - FY 2012** - Deletion of \$76,918 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since the amount deducted from the Inmate Drivens category exceeds \$75,000. **Work Program #C23317**

Refer to motion for approval under Agenda Item E.

72. **Department of Corrections - Southern Desert Correctional Center - FY 2012** - Addition of \$307,342 in Budgetary Transfers and deletion of \$123 in Employee Service Charges, \$151,472 in Room, Board, and Transportation Charges, \$67 in Meal Sales and \$14,876 in Reimbursement for Utilities to fund projected shortfalls within the department for the remainder for the fiscal year. Requires Interim Finance approval since the amount added to the Inmate Drivens category exceeds \$75,000. **Work Program #C23321**

Refer to motion for approval under Agenda Item E.

73. **Department of Corrections - Lovelock Correctional Center - FY 2012** - Deletion of \$66,413 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount deducted from the Utilities category exceeds \$75,000. **Work Program #C23297**

Refer to motion for approval under Agenda Item E.

74. **Department of Corrections - Casa Grande Transitional Housing - FY 2012** - Deletion of \$100,424 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval

since the amount deducted from the Operating category exceeds \$75,000.
Work Program #C23300

Refer to motion for approval under Agenda Item E.

- 75. Department of Corrections - Northern Nevada Restitution Center - FY 2012 -** Addition of \$20,258 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C23318**

Refer to motion for approval under Agenda Item E.

- 76. Department of Corrections - Pioche Conservation Camp - FY 2012 -** Addition of \$3,372 in Budgetary Transfers to cover projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C23292**

Refer to motion for approval under Agenda Item E.

- 77. Department of Corrections - Wells Conservation Camp - FY 2012 -** Addition of \$1,200 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C23293**

Refer to motion for approval under Agenda Item E.

- 78. Department of Corrections - Ely Conservation Camp - FY 2012 -** Addition of \$3,610 in Budgetary Transfers to fund projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C23295**

Refer to motion for approval under Agenda Item E.

- 79. Department of Corrections - Jean Conservation Camp - FY 2012 -** Addition of \$20,527 in Budgetary Transfers to cover projected shortfalls within the department for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Utilities category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23294**

Refer to motion for approval under Agenda Item E.

- 80. Department of Corrections - Inmate Welfare Account - FY 2012** - Transfer of \$22,723 from the Personnel Services category to the A.B. 389/533 Stale Claims Repayment (NRS 209.246) category to cover a projected shortfall. Requires Interim Finance approval since the cumulative amount added to the A.B. 389/533 Stale Claims Repayment (NRS 209.246) category exceeds \$75,000. **Work Program #C23012**

Refer to motion for approval under Agenda Item E.

- 81. Department of Corrections - Prison Industry - FY 2012** - Transfer of \$34,632 from the Personnel Services category to the Lovelock Correctional Center (LCC) Garment Factory category to fund a projected shortfall due to an increase in sales. Requires Interim Finance approval since the cumulative change to the Personnel Services category exceeds \$75,000. **Work Program #C23075**

Refer to motion for approval under Agenda Item E.

- 82. Department of Corrections - Prison Industry - FY 2012** - Transfer of \$175,840 from the Personnel Services category to the Operating category to fund a projected shortfall due to an increase in inmate payroll. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$75,000. **Work Program #C23078**

Refer to motion for approval under Agenda Item E.

- 83. Department of Corrections - Prison Dairy - FY 2012** - Transfer of \$218,107 from the Retained Earnings category to the Operating category to provide funding for a projected shortfall through the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the operating category exceeds \$75,000. **Work Program #C23037**

Refer to motion for approval under Agenda Item E.

- 84. Department of Motor Vehicles - Automation - FY 2013** - Addition of \$72,000 in reimbursements from the Assistance of Off Highway Vehicle (OHV) Titling Trust Fund account for the continuation of a contract programmer to address OHV programming issues. Requires Interim Finance approval since the amount added to the OHV Registration category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23459**

Refer to testimony and motion for approval under Agenda Item E-88.

- 85. Department of Motor Vehicles - Central Services - FY 2012** - Transfer of \$44,666 from the National Motor Vehicle Title Information System category to the Operating category and \$200,334 from the License Plate Factory category to the Operating category to cover a projected shortfall that is primarily due to postage

costs being higher than budgeted. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$75,000. **Work Program #C23224**

Refer to motion for approval under Agenda Item E.

- 86. Department of Motor Vehicles - Central Services - FY 2012** - Addition of \$14,120 in reimbursements from the Assistance of Off Highway Vehicle (OHV) Titling Trust Fund account for printing and regulation review costs related to the start-up and implementation of the OHV program. Requires Interim Finance approval since the cumulative amount added to the OHV category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23259**

Refer to testimony and motion for approval under Agenda Item E-88.

- 87. Department of Motor Vehicles - Central Services - FY 2012** - Addition of \$81,000 in Registration Fees due to higher than budgeted costs for manufacturing special license plates. Requires Interim Finance approval since the amount added to the Special Plates category exceeds \$75,000. **Work Program #C23326**

Refer to motion for approval under Agenda Item E.

- 88. Department of Motor Vehicles - Central Services - FY 2013** - Addition of \$85,000 in reimbursements from the Assistance of Off Highway Vehicle (OHV) Titling Trust Fund account to conduct a statewide OHV public education campaign. Requires Interim Finance approval since the amount added to the OHV category exceeds \$75,000. **Work Program #C23261**

Chairwoman Smith announced that Agenda Items E-84, 86, and 88 would be heard together at Assemblyman Bobzien's request.

Rhonda Bavaro, Administrator, Central Services and Records Division, Department of Motor Vehicles (DMV), explained items 84, 86, and 88 related to the Off Highway Vehicle (OHV) Titling Trust Fund.

- Item 84 included a request for a six-month extension for the contract programmer to complete programming for the OHV program as well as to address any problems once the program goes live. Ms. Bavaro explained that beginning July 1, 2012, OHV registration and titles would be available, and programming would still be required for renewals, sub-decals, online registration transactions, and any other issues identified.
- Item 86 was a request for reimbursement funds for the OHV program's implementation and start-up, which would include printing envelopes, Legislative Counsel Bureau regulation review, and a shredder.

- Item 88 requested transfer of funds for advertisement of the OHV program, which would include radio and billboards.

Assemblyman Bobzien asked what the visibility of the final decal would be in the field so that the OHV could be identified at a distance. Ms. Bavaro replied the registration decal would be the size of a motorcycle plate, and the font size would be as large as possible.

Assemblyman Bobzien asked whether there were estimates of how many off-road vehicles there were in the state and the amount of revenue that would be raised to support the operations of the program.

Ms. Bavaro said it was difficult to project the amount of revenue because the number of OHVs and prospective new vehicles in Nevada was unknown. The DMV based its projections on a similar program in Utah, which had approximately 200,000 OHVs. Ms. Bavaro said the state was predicting 200,000 vehicles, and the registration decals would cost \$20 each.

Assemblyman Bobzien asked how the Department was addressing support of the program when the amount of revenue was unknown.

Ms. Bavaro replied predicting the amount of revenue available was difficult. The Department had approached the program very conservatively; one DMV Services Technician 4 had been hired, and one Compliance Investigator II would be hired in July. In addition, existing staff would be cost allocated to the OHV program on an as-needed basis. She said the program's revenues would be monitored very closely the first year.

Assemblyman Bobzien thanked Ms. Bavaro for the information. He looked forward to implementation of the program, adding that any changes or adjustments to the program could be made in the 2013 Legislative Session.

Chairwoman Smith asked whether the Department had attended a regulation hearing recently. Ms. Bavaro replied staff had just attended a regulation workshop, and it went well. One of the concerns was the size of the decal, which was being addressed. Other concerns involved the requirements for the dealers, and those too were being addressed.

Chairwoman Smith asked whether the registration decal renewals would be due on the same date or if the renewal dates would be staggered. Ms. Bavaro replied they would be staggered.

Assemblyman Hardy asked whether off-road vehicles purchased in other states would be required to register and pay retroactive taxes. Ms. Bavaro replied owners would have to show proof that the back taxes had previously been paid; there would be no cutoff date.

Assemblyman Hardy asked whether there would be a reciprocal agreement among states whereby if an individual purchased an OHV and paid the tax in another state, the tax would be remitted to Nevada. Ms. Bavaro replied yes, there was a reciprocal agreement.

Assemblywoman Carlton asked how much of the initial \$500,000 provided by Clark County to implement the program remained and whether it would be enough to launch the program.

Ms. Bavaro replied after processing the three work programs, items 84, 86, and 88, it was estimated a total of \$22,000 would be remaining for program start-up.

Assemblywoman Carlton asked whether consideration had been given to repaying Clark County the \$500,000 start-up funding.

Deborah Cook, Administrator, Administrative Services, Department of Motor Vehicles, said she believed the OHV Committee would make the determination whether to repay Clark County.

Senator Rhoads commented that after six years of effort on the program, he was glad to see it finally being implemented. He asked when the program would expand to the rural counties and Washoe County. Ms. Bavaro replied the program would be statewide starting July 1, 2012.

Chairwoman Smith asked for public comment; there was none.

ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL OF
AGENDA ITEMS E-84, 86, AND 88.

SENATOR RHOADS SECONDED THE MOTION.

MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote; Assemblyman Conklin and Senator Denis were not present for the vote.)

89. Department of Motor Vehicles - Verification of Insurance - FY 2012 - Transfer of \$420,000 from the Reserve category to the Operating category to cover a projected shortfall primarily due to an increase in insurance verification certified postcards being mailed. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$75,000. **Work Program #C23116**

Rhonda Bavaro, Administrator, Central Services and Records Division, Department of Motor Vehicles (DMV), explained Agenda Item 89 was a request for transfer of funds to cover the increased postage costs in the Nevada Live program. The number of insurance verification postcards being sent had progressively increased from 500 to 2,500 per day six days a week. Postcards were sent to customers for vehicle

registrations that could not be matched to an insurance record requesting the name of the customer's insurance company. The Department then contacted the insurance company electronically requesting confirmation of insurance coverage.

Ms. Bavaro said customers had 20 days to respond to the postcard. If they did not respond, certified letters were automatically sent requesting the information and notifying the customer that his registration could be suspended. She said in addition to the increased number of postcards, postage costs had risen for certified letters.

Chairwoman Smith observed the problems with the system appeared to be declining. She had received only one constituent complaint, and she thought that was a good sign the program was working.

Ms. Bavaro replied there had been fewer complaints, and there was more programming to be done that should further reduce the complaints. Once the Department was able to receive monthly updates on the insurance companies' books of business, the Department would be able to better match the insurance companies with new policies and send out fewer postcards.

Assemblyman Goicoechea observed that because 2,500 postcards were being sent each day, the increase in suspensions should cover the postage. He asked how much the suspension fines were for lack of insurance coverage.

Ms. Bavaro replied fines and fees for suspensions started at \$250 and could go as high as \$1,250. She acknowledged that revenue was increasing.

Sean McDonald, Management Analyst, Central Services and Records Division, Department of Motor Vehicles, replied the Division was utilizing the revenues generated from the fines to fund additional postage, but the postage costs were much higher than anticipated.

Senator Parks stated Senate Bill 323 (2011 Legislative Session) was his bill. The program was generating a considerable amount of revenue that should offset additional costs. He said there were individuals who normally and routinely let their insurance coverage lapse because the \$250 fine was less than the cost of insurance. By increasing the fines to up to \$1,250, the program was definitely doing what it was intended to do. Senator Parks thanked the Department for its hard work in implementing the provisions of the bill.

Assemblyman Conklin had received a certified letter for a lapse in insurance coverage that never occurred. The problem was resolved, but it was upsetting. He said the goal was to increase the number of insured drivers on the road, but there was a customer-service aspect to the program as well. He assumed the better reporting from the insurance companies would result in a more accurate program and satisfied customers.

Assemblywoman Carlton echoed Assemblyman Conklin's concerns. She wondered how many postcards sent out were actually for lapsed insurance. She asked whether a percentage of legitimate postcards could be determined.

Ms. Bavaro replied only about 10 percent of recipients may actually have had their insurance lapse. More often than not, there was an issue, such as a change in policy number or insurance company, and the Department could not match the information up with the registration. She said the Department was addressing the matter, which she believed was the last problematic issue with the program. She reiterated that programmers were currently working to upgrade the program to be able to accept the complete policies from the insurance companies and then extract any information that was different than what was in the DMV system. Mr. Bavaro said testing of the upgrades should be conducted within the next month; the number of postcards should be significantly reduced.

Assemblywoman Carlton asked whether there were more difficulties with the smaller insurance brokers. Ms. Bavaro replied yes, there were more problems with the smaller companies because many of them changed underwriters, and DMV could not access that change information.

Assemblywoman Carlton said the insurance companies were required to notify customers that insurance coverage needed to be reported to DMV, but ultimately it was the customer's responsibility to ensure their insurance was recorded correctly. Ms. Bavaro said she was correct.

Chairwoman Smith asked for public comment; there was none.

ASSEMBLYMAN GOICOECHEA MOVED FOR APPROVAL OF
AGENDA ITEM E-89.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote; Senator Denis was not present for the vote.)

- 90. Department of Public Safety - Forfeitures - Law Enforcement - FY 2012 -**
Transfer of \$84,062 from the Reserve category to the Department of Public Safety (DPS) Building Security category to upgrade the card access system at the DPS Headquarters office, install card access systems at the Training Division and DPS Highway Patrol, Reno office, and upgrade the closed circuit television system at the DPS Highway Patrol, Reno office. Requires Interim Finance approval since the amount added to the DPS Building Security category exceeds \$75,000.
Work Program #C22866

Refer to motion for approval under Agenda Item E.

91. Department of Public Safety - Forfeitures - Law Enforcement - FY 2012 -
Transfer of \$330,000 from the Reserve category to the Nevada Division of Investigations (NDI) Federal category to replace ten vehicles. Requires Interim Finance approval since the amount transferred to the NDI Federal category exceeds \$75,000. **Work Program #C23339**

Mark Teska, Administrative Services Officer, Department of Public Safety, explained Agenda Item 91 requested utilization of Forfeiture funds to replace 10 aging vehicles in the Nevada Division of Investigations (NDI).

Chairwoman Smith asked why replacement of the vehicles was being requested now instead of during the 2011 Legislative Session.

Elizabeth Conboy, Chief, Nevada Division of Investigations, Department of Public Safety, replied there were a number of reasons the request was not made during the 2011 Legislative Session. The Division of Investigations incurred significant budget reductions during the Session, which resulted in the elimination of 12 positions. She did not think it would be prudent at the time to eliminate positions on one hand and request new vehicles for other officers on the other hand.

Beyond that, Ms. Conboy explained, at the time the Las Vegas office was closed and the positions were eliminated, NDI conducted a statewide assessment of the entire vehicle fleet, and 11 of the worst vehicles were sent to surplus. The remaining vehicles were reallocated to NDI offices around the state, which was thought to be sufficient for the fleet.

Ms. Conboy said the 11 vehicles had since needed some major repairs, and maintenance and repair costs were increasing, particularly for those with over 100,000 miles. The agency did not think it was prudent to continue repairing the vehicles; the budget for vehicle repair and maintenance was nearly exhausted, which was the reason for the current request.

Chairwoman Smith asked whether the request for vehicles was in NDI's original budget request for the 2011-2013 biennium. Ms. Conboy replied NDI did not request vehicles in the 2011 Session because a commensurate reduction in staff would have been required to compensate for the purchase of the vehicles.

Chairwoman Smith asked for further questions from the Committee; there were none. She asked for public comment on item E-91 and seeing none, she called for a motion.

SENATOR PARKS MOVED FOR APPROVAL OF AGENDA
ITEM E-91.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

Assemblyman Hardy remarked that 100,000 miles did not seem excessive for a vehicle; he had a number of vehicles in his fleet with 150,000 to 200,000 miles. He did not understand the Division's problems with the 100,000 mile threshold.

Ms. Conboy replied Assemblyman Hardy was correct – 100,000 miles for some vehicles was not that significant, and it was difficult to anticipate repair and maintenance costs. She added that it was not the mileage issue driving the request – it was the cost of maintenance and repairs, and the agency did not believe it was prudent to continue to put money into vehicles when some of them could be replaced.

Assemblyman Hardy asked why the vehicles were requiring so many repairs. Ms. Conboy replied they were driven significant miles and oftentimes in off-road situations. She encouraged employees to treat the vehicles as their own and provide scheduled maintenance.

Senator Cegavske noted Fiscal staff indicated that this was a one-time request from the Reserve category. She asked how the agency would fund future replacement of vehicles.

Ms. Conboy replied the agency was taking a conservative approach in replacing vehicles. She believed the request for 10 vehicles at this time was a prudent request. Preparation of the 2013-2015 biennial budgets was underway, and she did not anticipate requesting vehicles in the 2013 Legislative Session; the current request should suffice.

Senator Cegavske asked whether the Division had another plan for scheduled replacement.

Mr. Teska replied ideally, the Division would like to implement an ongoing replacement schedule according to age and mileage, but usage was not consistent across the fleet. Vehicles may be required one year, and then there may not be a need for the next two or three years. He said as the next biennial budget was prepared, the fleet would be evaluated to determine whether a schedule of vehicle replacement would be possible.

Senator Cegavske asked that the Division provide Fiscal staff with a plan for vehicle replacement once it was determined.

THE MOTION CARRIED. (Assemblyman Hogan was excused and not present for the vote; Senator Denis was not present for the vote. Assemblyman Hardy voted no.)

- 92. Department of Public Safety - Forfeitures - Law Enforcement - FY 2013 -**
Transfer of \$103,261 from the Nevada Highway Patrol Federal Forfeitures category to the Northwestern Command School category, \$68,609 from the Parole and Probation Federal category to the Northwestern Command School category, and \$33,957 from the Nevada Division of Investigations Federal category to the

Northwestern Command School category to align like costs within one category. Requires Interim Finance approval since the amount added to the Northwestern Command School category exceeds \$75,000. **Work Program #C23165**

Refer to motion for approval under Agenda Item E.

- 93. Department of Public Safety - Forfeitures - Law Enforcement - FY 2013 -** Addition of \$75,000 in Fines/Forfeitures/Penalties to perform a process review at three Department of Public Safety evidence vaults. Requires Interim Finance approval since the amount added to the Evidence Vault category exceeds 75,000. **Work Program #C23305**

Refer to motion for approval under Agenda Item E.

- 94. Department of Public Safety - Highway Patrol - FY 2012 -** Transfer of \$737,913 from the Personnel Services category to the Operating category to cover a projected shortfall due to the increase in fuel costs. Requires Interim Finance approval since that amount transferred to the Operating category exceeds \$75,000. **Work Program #C23245**

Refer to motion for approval under Agenda Item E.

- 95. Department of Public Safety - Parole and Probation - FY 2012 -** Addition of \$126,580 in Transfer from Department of Public Safety Criminal Justice Community Oriented Policing Services (COPS) grant funds under the Child Sexual Predator Program (CSPP) to locate unregistered sex offenders, track and apprehend fugitives wanted for sex offenses and verify addresses of registered sex offenders required to register their residence addresses with law enforcement. Requires Interim Finance approval since the amount added to the COPS CSPP Child Predator category exceeds \$75,000. **RELATES TO ITEM 96. Work Program #C23044**

Refer to motion for approval under Agenda Item E.

- 96. Department of Public Safety - Division of Investigations - FY 2012 -** Deletion of \$121,376 in Transfer from Department of Public Safety Criminal Justice Community Oriented Policing Services (COPS) grant funds under the Child Sexual Predator Program to align the remaining grant authority for FY 2012. Requires Interim Finance approval since the amount deducted from the Sexual Predator Grant category exceeds \$75,000. **RELATES TO ITEM 95. Work Program #C23263**

Refer to motion for approval under Agenda Item E.

- 97. Department of Public Safety - Emergency Management Assistance Grants - FY 2012 -** Transfer of \$29,720 from the Reserve for Federal Funds category to the

Major Medical Response category, \$92,173 from the Reserve for Federal Funds category to the Homeland Security Grant Program (HSGP) category, \$46,285 from the Reserve for Federal Funds category to the Urban Area Initiative category, \$53,230 from the Reserve for Federal Funds category to the Emergency Management Program Grant Aid to Locals category, \$370 from the Reserve for Federal Funds category to the Federal Emergency Management Assistance category, \$594 from the Reserve for Federal Funds category to the Emergency Management Assistance Compact category, and \$12,672 from the Reserve for Federal Funds category to the Federal Emergency Management Agency New Years Flood 2006 category to align necessary grant expenditures related to emergency management programs. Requires Interim Finance approval since the amount transferred to the HSGP grant program exceeds \$75,000. **Work Program #C22379**

Refer to motion for approval under Agenda Item E.

- 98. Department of Public Safety - Emergency Management Assistance Grants - FY 2012** - Addition of \$256,900 in Reimbursement Emergency Management Assistance Compact (EMAC) Arizona funds for the amount owed to the Nevada Army National Guard for activities related to the January 2010 winter storm in Northern Arizona. Requires Interim Finance approval since the amount added to the EMAC Hurricane category exceeds \$75,000. **Work Program #C23236**

Refer to motion for approval under Agenda Item E.

- 99. Department of Public Safety - Criminal History Repository - FY 2012** - Transfer of \$56,432 from the Reserve category to the Civil Name Check/Las Vegas Metro Police Department Scope category and \$371,752 from the Reserve category to the Federal Bureau of Investigations (FBI) Fingerprint category to cover projected expenditures for the remainder of FY 2012. Requires Interim Finance approval since the amount transferred to the FBI Fingerprint category exceeds \$75,000. **Work Program #C22936**

Refer to motion for approval under Agenda Item E.

- 100. Department of Conservation and Natural Resources - Forestry - FY 2012** - Addition of \$73,763 in federal Environmental Protection Agency, Clean Water Act grant funds transferred from the Nevada Division of Environmental Protection (NDEP) to cover the costs associated with the task of stabilizing stream banks and adjacent meadows along the South Fork of the Humboldt River using invasive weed management and re-vegetation with native plant species resistant to erosion. Requires Interim Finance approval since the amount added to the NDEP South Fork Agreement category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C23286**

Refer to motion for approval under Agenda Item E.

- 101. Department of Conservation and Natural Resources - Forestry - FY 2012 -** Addition of \$1,151,707 in Indirect Cost authority to establish and implement an indirect cost funding structure for the agency in accordance with direction from the division's cognizant agency, the U.S. Department of Agriculture, Forest Service. The indirect cost rate will be applied to all eligible grants/programs for the Fiscal Year beginning July 1, 2011. Corresponding expenditure authority is placed in each of the participating grant/program categories. This new indirect cost structure is revenue neutral to the overall grant/program awards and merely provides for the transfer authority from the grants/programs to fund the indirect cost structure. Requires Interim Finance approval since the amount added to the Indirect Cost category exceeds \$75,000. **Work Program #C23153**

Refer to motion for approval under Agenda Item E.

- 102. Department of Conservation and Natural Resources - Forestry - Forest Fire Suppression - FY 2012 -** Addition of \$2,772,671 in Federal Emergency Management Agency (FEMA) Fire Management Assistance grant funds to cover FEMA eligible emergency incident fire response costs. Interim Finance approval is required since the amount added to the FEMA Fire Assistance Grants category exceeds \$75,000. **Work Program #C23097**

Refer to motion for approval under Agenda Item E.

- 103. Department of Conservation and Natural Resources - State Parks - FY 2012 -** Addition of \$80,000 in reimbursement funds from the Tahoe Regional Planning Agency (TRPA) to pay the salaries and fringe benefits for seasonal park aids to perform check-in and check-out inspections of water craft at Lake Tahoe Nevada State Park to ensure they have been inspected for aquatic invasive species. Approval of this request is contingent upon the Board of Examiners (BOE) approval of the amendment to the current interlocal agreement between the TRPA and the Division of State Parks for these services. The amendment has been placed on the April 3, 2012, BOE agenda. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$75,000. **Work Program #C23247**

Jay Howard, Parks Supervisor, Lake Tahoe Nevada State Park, Nevada State Parks, Department of Conservation and Natural Resources, explained Agenda Item E-103 requested augmentation of an interlocal agreement that was approved in 2011 for funding of seasonal employees to conduct seal inspections for the Lake Tahoe boat inspection program.

Assemblyman Bobzien noted that the subject was an important one during the 2011 Legislative Session. He asked what the augmentation involved.

Mr. Howard replied the program had been changing since its inception in 2007. The boat inspection program started in 2008 when the Tahoe Regional Planning Agency

(TRPA) mandated that all boats entering the lake had to be inspected. He said inspections were first conducted onsite; they were moved offsite in 2011, but boats still had to be unsealed as they entered the water and sealed again once they exited the water. In order to accomplish the inspections, the TRPA funded the hiring of Park Aid seasonal employees to perform the unsealing and sealing. Mr. Howard explained the program was for one year, and item 103 would reinstate the program for the upcoming season.

Assemblyman Bobzien surmised that the amendment to the interlocal agreement was a continuation of the previous program and there were no programmatic changes. Mr. Howard indicated he was correct.

Assemblywoman Bustamante Adams asked how many Park Aids would be hired. Mr. Howard replied the program provided three employees each at the boat ramps at Cave Rock and Sand Harbor.

Assemblywoman Bustamante Adams asked how the public was being informed of the program. Mr. Howard replied the program was operated by the TRPA and the Tahoe Resource Conservation District, which had a public outreach element to inform the public through print publications, media, websites, and commercials. He said State Parks employees were also educated in order to inform individuals coming into the boat ramps.

Assemblywoman Bustamante Adams said she was aware there were some aquatic invasive species in Nevada; she asked whether Lake Tahoe was currently threatened.

Mr. Howard replied that so far Lake Tahoe did not have the Quagga and Zebra mussels, which were the primary threatening species. It was his understanding that the mussels were in Lake Mead, and that veligers [the microscopic larvae of the Zebra mussel] had tested positive at the Lahontan and Rye Patch recreational areas.

Chairwoman Smith called for public comment; there was none.

ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL OF
AGENDA ITEM E-103.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and
not present for the vote.)

104. Department of Conservation and Natural Resources - State Parks - FY 2012 -
Deletion of \$43,806 in federal Recreation Trails Administration funds to align state and federal authority. Requires Interim Finance approval since the cumulative change to the State Trails category exceeds 10 percent of the

legislatively approved amount for that category. **Work Program #C23251. WITHDRAWN 4-12-12.**

- 105. Department of Conservation and Natural Resources - Historic Preservation - FY 2012** - Addition of \$5,040 in federal Department of Energy (DOE) Section 106 National Historic Preservation Act grant funds transferred from the Nevada Division of Environmental Protection to support the ongoing review of all reports and environmental documentation sent by the DOE regarding qualifying environmental restoration projects in Nevada. This request also transfers \$9,960 from the Survey and Planning category to the Cultural Resources Information category to place authority in the correct category. Requires Interim Finance approval since the cumulative change to the Cultural Resources Information category exceeds \$75,000. **Work Program #C23291**

Refer to motion for approval under Agenda Item E.

Chairwoman Smith announced that Agenda Items E-106, 109, 117, and 124 would be heard together, pursuant to Assemblyman Bobzien's request.

- 106. Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$21,938 from the Reserve category to the Transfer to Game Management category for sage grouse conservation activities. Requires Interim Finance approval since the cumulative amount added to the Transfer to Game Management category exceeds \$75,000. **RELATES TO ITEM 117. Work Program #C23281**

Refer to testimony and motion for approval under Agenda Item E-124.

Chairwoman Smith announced that Agenda Items E-107 and 115 would be heard together, pursuant to Assemblyman Bobzien's request.

- 107. Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$54,935 from the Reserve category to the Transfer to Conservation Education category for the redesign and redevelopment of the agency's public website. Requires Interim Finance approval since the amount transferred to the Transfer to Conversation Education category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 115. Work Program #C23282**

Refer to testimony and motion for approval under Agenda Item E-115.

- 108. Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$29,216 from the Transfer to Fisheries Management category to the Reserve category to align authority with estimated expenditures through the end of FY 2012. Requires Interim Finance approval since the cumulative change to the Transfer to Fisheries Management category exceeds \$75,000. **RELATES TO ITEM 119. Work Program #C23289**

Refer to motion for approval under Agenda Item E.

- 109. Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$24,700 from the Transfer to Operations category to the Reserve category due to an offset of funds provided by the California Department of Fish and Game for flight services related to surveys of the bi-state population of Greater Sage Grouse. Requires Interim Finance approval since the cumulative change to the Transfer to Operations category exceeds \$75,000. **Work Program #C23324**

Refer to testimony and motion for approval under Agenda Item E-124.

- 110. Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$1,568 from the Boating Reserve category to the Transfer to Operations category, \$6,618 from the Reserve category to the Transfer to Operations category, \$624 from the Reserve category to the Transfer to Conservation Education category, \$13,145 from the Boating Reserve category to the Transfer to Law Enforcement category, \$6 from the Restricted Reserve category to the Transfer to Law Enforcement category, \$44,118 from the Reserve category to the Transfer to Law Enforcement category, \$73 from the Restricted Reserve category to the Transfer to Game Management category, \$13,444 from the Reserve category to the Transfer to Game Management category, \$1 from the Trout Reserve category to the Transfer to Fisheries Management category, \$10,064 from the Reserve category to the Transfer to Fisheries Management category, \$4 from the Restricted Reserve category to the Transfer to Wildlife Diversity category, \$2,717 from the Reserve category to the Transfer to Wildlife Diversity category, \$3,698 from the Restricted Reserve category to the Transfer to Habitat category, and \$3,809 from the Reserve category to the Transfer to Habitat category to provide funding for increased fuel and vehicle maintenance costs. Requires Interim Finance approval since the cumulative amount added to the Transfer to Law Enforcement category exceeds \$75,000. **RELATES TO ITEMS 114, 116, 118, 120, AND 125. Work Program #C23179**

Refer to motion for approval under Agenda Item E.

- 111. Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$24,750 from the Restricted Reserve category to the Transfer to Habitat category for the printing of new guzzler atlases for sale to the public. Requires Interim Finance approval since the cumulative amount added to the Transfer to Habitat category exceeds \$75,000. **Work Program #C23277**

Refer to motion for approval under Agenda Item E.

- 112. Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$62,500 from the Trout Reserve category to the Transfer to Fisheries Management category to replace a well at the Mason Valley Hatchery. Requires Interim Finance approval since the cumulative amount added to the Transfer to Fisheries Management category exceeds \$75,000. **RELATES TO ITEM 121. Work Program #C23290**

Refer to motion for approval under Agenda Item E.

- 113 Department of Wildlife - Wildlife Fund - FY 2012** - Transfer of \$17,621 from the Reserve category to the Transfer to Habitat category for expert technical guidance and monitoring of Plans of Operations to determine potential negative impacts and/or opportunities to enhance fish and wildlife resources associated with mining, energy, and other industrial development activities in Nevada. Requires Interim Finance approval since the cumulative amount added to the Transfer to Habitat category exceeds \$75,000. **RELATES TO ITEM 126. Work Program #C23313**

Refer to motion for approval under Agenda Item E.

- 114. Department of Wildlife - Director's Office - FY 2012** - Addition of \$1,829 in Indirect Cost Allocation funds and \$185,898 in Vehicle Cost Allocation funds to provide funding for increased fuel and vehicle maintenance costs. Requires Interim Finance approval since the amount added to the Vehicles and Cost Allocations category exceeds \$75,000. **RELATES TO ITEMS 110, 116, 118, 120, AND 125. Work Program #C23171**

Refer to motion for approval under Agenda Item E.

- 115. Department of Wildlife - Conservation Education - FY 2012** - Addition of \$54,935 in Transfer from Wildlife Funds for the redesign and redevelopment of the agency's public website. Requires Interim Finance approval since the cumulative amount added to the Administration category exceeds \$75,000. **RELATES TO ITEM 107. Work Program #C23266**

Chairwoman Smith announced that Agenda Items E-107 and E-115 would be heard together, as requested by Assemblyman Bobzien.

Assemblyman Bobzien noted the large cost of redesign and redevelopment of the new Nevada Department of Wildlife (NDOW) public website and asked what would be included.

Patrick Cates, Deputy Administrator, Department of Wildlife, replied the request for approximately \$55,000 would result in a cutting-edge website. The Department had previously received a donation of \$10,000 from *The Nevada Wildlife Record Book*. The current website was eight years old, very data rich with over 6,000 web pages, not very well organized, and extremely difficult to navigate and update. Mr. Cates said the contractor would develop an architecture for the new website using the existing Ektron Content Management System (CMS) that was licensed through the state's Enterprise Information Technology Services (EITS) Division. The contractor would help the Department design a system using the software for its robust data and convert the existing website to the new CMS. Upland game and waterfowl surveys were currently conducted through postcards and compiled manually by staff, but the surveys would be available and automated on the website.

Mr. Cates added that the website would include more tools for social media, capabilities for geographic information services (GIS) mapping interfaces, and staff training. The contractor was KPS3 Marketing, a Reno firm.

Assemblyman Bobzien stated that mapping was very important, and access was extremely important to the public and developers. He said the plan for the new website appeared to be a wise and appropriate use of sportsmen's dollars.

Assemblywoman Bustamante Adams asked whether continued customer service and maintenance would be included in the contract cost.

Mr. Cates replied the contract included training, and the software to be used was licensed through the Enterprise Information Technology Division, which had staff to maintain the system going forward.

Assemblywoman Smith asked for public comment; there was none.

ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL OF
AGENDA ITEMS E-107 AND E-115.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Grady was not present
for the vote; Assemblyman Hogan was excused and not present for
the vote.)

- 116. Department of Wildlife - Law Enforcement - FY 2012** - Addition of \$173 in federal Boating Access funds, \$5,406 in Federal Coast Guard grant funds, \$43,308 in Transfer of License Fees, \$13,145 in Transfer of Boating Reserve funds, \$810 in Transfer of Guide Fees, and \$6 from Transfer of Operation Game Thief funds to provide funding for increased fuel and vehicle maintenance costs. Requires Interim Finance approval since the cumulative amount added to the Cost Allocations category exceeds \$75,000. **RELATES TO ITEMS 110, 114, 118, 120, AND 125. Work Program #C23174**

Refer to motion for approval under Agenda Item E.

- 117. Department of Wildlife - Game Management - FY 2012** - Addition of \$65,813 in federal Wildlife Restoration W64 funds and \$21,938 in Transfer of Wildlife Funds for sage grouse conservation activities. Requires Interim Finance approval since the amount added to the Sage Grouse Conservation category exceeds \$75,000. **RELATES TO ITEM 106. Work Program #C23280**

Refer to testimony and motion for approval under Agenda Item E-124.

- 118. Department of Wildlife - Game Management - FY 2012** - Addition of \$17,377 in federal Wildlife Restoration W48 funds, \$3,448 in federal Wildlife Restoration W64 funds, \$30 in federal Small Grant funds, \$13,444 in Transfer of Wildlife Unrestricted Reserve funds, \$72 in Transfer of Predator Fees, and \$1 in Transfer of Elk Damage Fees. Requires Interim Finance approval since the cumulative amount deducted from the Cost Allocations category exceeds \$75,000. **RELATES TO ITEMS 110, 114, 116, 120, AND 125. Work Program #C23175**

Refer to motion for approval under Agenda Item E.

- 119. Department of Wildlife - Fisheries Management - FY 2012** - Deletion of \$87,646 in federal Sportfish Production funds and \$29,216 in Transfer of Unrestricted Revenue funds to align authority with estimated expenditures through the end of FY 2012. Requires Interim Finance approval since the amount deducted from the Personnel Services category exceeds \$75,000. **RELATES TO ITEM 108. Work Program #C23279**

Refer to motion for approval under Agenda Item E.

- 120. Department of Wildlife - Fisheries Management - FY 2012** - Addition of \$10,876 in Federal Sportfish F20 funds, \$11,126 in Federal Sportfish F32 funds, \$4,526 in Endangered Species Section 6 funds, \$1,108 in federal State Wildlife grant funds, \$2,186 in federal Small Grant funds, \$10,064 in Transfer of Unrestricted Wildlife Reserve funds, and \$1 in Transfer from Trout Stamp reserve funds to provide funding for increased fuel and vehicle maintenance costs. Requires Interim Finance approval since the cumulative amount deducted from the Cost Allocations category exceeds \$75,000. **RELATES TO ITEMS 110, 114, 116, 118, AND 125. Work Program #C23176**

Refer to motion for approval under Agenda Item E.

- 121. Department of Wildlife - Fisheries Management - FY 2012** - Addition of \$187,500 in U.S. Fish and Wildlife Services Wildlife Sportfish Restoration funds and \$62,500 in Trout Stamp funds for the replacement of a well at the Mason Valley Hatchery. Requires Interim Finance approval since the amount added to the Hatchery Refurbishment category exceeds \$75,000. **RELATES TO ITEM 112. Work Program #C23265**

Refer to motion for approval under Agenda Item E.

- 122. Department of Wildlife - Diversity - FY 2012** - Addition of \$11,347 in Bureau of Land Management funds to identify key performance measures related to Nevada's Wildlife Action Plan. Requires Interim Finance approval since the cumulative amount deducted from the State Wildlife Grant Plan Implementation category exceeds \$75,000. **Work Program #C23039**

Refer to motion for approval under Agenda Item E.

- 123. Department of Wildlife - Diversity - FY 2012** - Addition of \$33,550 in Department of Energy funds to develop a useful and consistent source of mapped biological information across the state that will be regionally compatible with other western states. Requires Interim Finance approval since the cumulative amount deducted from the State Wildlife Grant Plan Implementation category exceeds \$75,000.
Work Program #C23202

Refer to motion for approval under Agenda Item E.

- 124. Department of Wildlife - Habitat - FY 2012** - Addition of \$35,800 in Bureau of Land Management Wildlife Program Assistance funds to support an environmental contractor to produce a conservation action plan for the Bi-State population of the Greater Sage Grouse. Requires Interim Finance approval since the cumulative amount added to the Habitat Small Grants category exceeds \$75,000.
Work Program #C22817

Chairwoman Smith stated that Agenda Items E-106, 109, 117, and 124 would be heard together.

Ken Mayer, Director, Nevada Department of Wildlife, introduced Patrick Cates, Deputy Director, Nevada Department of Wildlife (NDOW).

Assemblyman Bobzien asked Mr. Cates to explain the purpose of the four work programs involving sage grouse management.

Patrick Cates, Deputy Director, Nevada Department of Wildlife, explained that items E-106 and E-117 related to truing up the Game Management Division's grant for sage grouse management. State and federal funds totaling \$65,000 would be used for a variety of projects, including on-the-ground habitat projects, pinyon-juniper removal, meadow restorations, studies related to sage grouse, impacted transmission lines, and habitat studies in the Virginia Mountain range.

Mr. Cates said item E-109 involved a contract between NDOW and California Fish and Game in which California paid Nevada for its air operations program to conduct sage grouse survey flights of the bi-state sage grouse population. He noted that California Fish and Game had experienced an accident the year before and was unable to perform the flights.

Agenda Item E-124, Mr. Cates continued, involved approximately \$36,000 from the federal Bureau of Land Management (BLM) for the Habitat Division to support an environmental contractor to develop a conservation action plan for the bi-state sage grouse population. The contractor was working with inter-agency technical teams and local working groups to develop the plan.

Assemblyman Bobzien asked Mr. Mayer to explain the current status of the sage grouse management program and the prospective listing of the sage grouse under the Endangered Species Act (ESA) by the U.S. Fish and Wildlife Service (Service).

Mr. Mayer replied the Fish and Wildlife Service would make a final decision on its twelve-month findings in September 2013. The Service would begin writing its decision in September 2012. He said the NDOW had conducted expanded surveys of the sage grouse population, and he was glad to report that six new leks [nesting habitats] were found and birds were spread in several areas they had not been seen before. Mr. Mayer said the population numbers were up, and it was his goal to make it as difficult as possible for the Service to make the decision to list the bird as an endangered species just from a population perspective.

Mr. Mayer said the Service had identified several threats that were driving the listing, one of which was pinyon/juniper (PJ) encroachment into the sagebrush habitat. The Department was supporting PJ removal in habitats that still had sage grouse through the Nevada Partners for Conservation and Development. Mr. Mayer explained that as long as there was sagebrush underbrush, the sage grouse would use it, but once the PJ growth outcompeted the sagebrush, the sage grouse use would decline.

Mr. Mayer said NDOW was doing everything possible at the bi-state level to frontload the data call from the Fish and Wildlife Service that would come in September 2012. Once the Service made its decision in 2012, history had shown that it would take a huge effort or act to change it when the final decision was made in 2013.

Continuing, Mr. Mayer explained the next benchmark would be for the greater range-wide area, which would be in September 2015. The Bureau of Land Management and the U.S. Forest Service were currently working on their environmental impact statement processes to modify all of the land management plans. The preliminary decision was expected in August or September of 2014 for the 11 western states. All of the states were working on the larger effort.

Mr. Mayer said in his career he had never seen federal agencies work as cooperatively as they were at this time. They were working in unison to try to address the problems, and they had incorporated state agencies and agency biologists into their thought process and planning process so that the states could ask questions along the way. Mr. Mayer said recently a Conservation Objectives Team made up of Fish and Wildlife Service scientists and state scientists was created to develop a listing bar for endangered species. If successful, it may set the tone and tenor for ESA work. The state was actually being given the opportunity to provide input on the criteria for determination of whether a species should be listed. Mr. Mayer said previously the state always felt left out of the process.

Assemblyman Grady asked why sage grouse were still being hunted if they were close to being listed as an endangered species.

Mr. Mayer replied he was often asked the question, and he explained the U.S. Fish and Wildlife Service did not make its decision on whether the listing was warranted based on the number of birds, but more on the number of threats. There were 19 threats to the sage grouse. The first four were habitat quantity, habitat quality, wildfire, and habitat fragmentation; predation was listed as number 12 and hunting was number 16. Mr. Mayer said the Service would list the sage grouse whether or not it was hunted.

Mr. Mayer went on to explain that one of the important reasons all of the western states, except North Dakota and Washington, were still hunting sage grouse was \$2.5 million in sportsmen's funding had been invested in the sage grouse environment, and that funding would no longer continue if hunting were stopped. Secondly, there were cans placed around the state, and the wings of harvested birds were put in the cans to identify whether they were young or old; the population could be modeled from that data. Mr. Mayer said without trends and demographic data, it would be difficult to estimate the status of the sage grouse population over a large area.

Assemblyman Hardy asked where the contractor for the bi-state conservation action plan would obtain the data and what was expected from the plan.

Mr. Mayer replied that in 2004, the Bi-State Sage-Grouse Planning Group, which included a collaboration of all state and federal agencies and several private entities, ranchers, and farmers, developed the *Greater Sage-Grouse Conservation Plan for the Bi-State Areas of Nevada and Eastern California*. Department of Wildlife staff attended all of the meetings and asked the technical team to review the plan, identify items that had been accomplished and those that had not, determine what needed to be done in the future, and write an action plan outlining what steps needed to be taken. The contractor went to the meetings, took the minutes, and was in the process of being directed by the technical team, which was a multi-disciplinary group that was actually doing the staff work to write the conservation action plan. Upon approval of the technical team, the plan would go before the Executive Oversight Committee, which, in addition to himself, included Bob Abbey, Nevada BLM Director; Bruce Petersen, Nevada Director, Natural Resources Conservation Service (NRCS); and Jeanne Higgins, Forest Supervisor of the Humboldt-Toiyabe National Forest. The Oversight Committee was providing the human and financial support to complete the plan, which was currently in draft form.

Chairwoman Smith asked for further questions or public comment on Agenda Items E-106, 109, 117, and 124.

Assemblyman Aizley remarked he had not heard a plan for an increase in the sage grouse population, but he thought there might be one. He asked whether there was any area of the state showing an increase in population.

Mr. Mayer replied there was an increase in primarily adult birds across the state. There had been two good winters of precipitation, followed by a mild winter, and the mortality rate over the past winter had been low. The prediction was that some of the range

would be dry this summer, causing a decrease in chick survival. He said the state's argument to the Fish and Wildlife Service would be that the population numbers looked good and the state was addressing the major threats. Mr. Mayer believed that by providing sufficient data, it would be difficult for the Service to determine that the sage grouse species was threatened.

ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL OF AGENDA ITEMS E-106, E-109, E-117, AND E-124.

SENATOR KIECKHEFER SECONDED MOTION.

THE MOTION CARRIED. (Assemblyman Grady was not present for the vote; Assemblyman Hogan was excused and not present for the vote.)

- 125. Department of Wildlife - Habitat - FY 2012** - Addition of \$4,952 in Federal Wildlife Restoration FW3T funds, \$4,991 in Federal Wildlife Restoration FW4D funds, \$1,284 in federal Wildlife Restoration W61 funds, \$6,869 in federal Wildlife Restoration W58 funds, \$1,774 in Federal Sportfish FW3T funds, \$1,055 in Federal Sportfish FW4D funds, \$3,809 in Transfer of Unrestricted Wildlife funds, \$61 in Transfer of Habitat Conservation Fees, \$909 in Transfer of Duck Stamp fees, \$1,055 in Transfer of Mining Assessment fees, and \$1,673 in Transfer of Upland Game Stamp fees to provide funding for increased fuel and vehicle maintenance costs. Requires Interim Finance approval since the cumulative amount added to the Cost Allocations category exceeds \$75,000. **RELATES TO ITEMS 110, 114, 116, 118, AND 120. Work Program #C23178**

Refer to motion for approval under Agenda Item E.

- 126. Department of Wildlife - Habitat - FY 2012** - Addition of \$35,948 in Federal Wildlife Restoration FW3T funds, \$10,044 in Federal Sportfish FW3T funds, \$6,872 in Federal State Wildlife Grant FW3T funds, and \$17,621 in Transfer of License Fees to provide funding for expert technical guidance and monitoring of plans of operations to determine potential negative impacts and/or opportunities to enhance fish and wildlife resources associated with mining, energy, and other industrial development activities in Nevada. Requires Interim Finance approval since the cumulative amount added to the Transfer to Habitat category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 113. Work Program #C23314**

Refer to motion for approval under Agenda Item E.

- 127. Department of Transportation - FY 2012** - Addition of \$1,350,000 in Sale of Oil and Gas proceeds to provide adequate authority to reimburse the department for all costs associated with the resale of gas and oil to state and county agencies at NDOT fueling stations located throughout the state. Requires Interim Finance

approval since the amount added to the Sale of Gas and Oil category exceeds \$75,000. **Work Program #C23142**

Refer to motion for approval under Agenda Item E.

- 128. Department of Transportation - FY 2012** - Transfer of \$268,000 from the Equipment category to the In-State-Travel category to fund a projected shortfall resulting from multiple factors such as an extended construction season due to a mild winter; the state stimulus program; ARRA funded projects; and several projects funded by federal earmarks that provided substantial improvement to Nevada's transportation infrastructure. Requires Interim Finance approval since the amount transferred to the In-State-Travel category exceeds \$75,000. **Work Program #C23222**

Refer to motion for approval under Agenda Item E.

- 129. Department of Transportation - FY 2012** - Transfer of \$1,838,458 from the Equipment category to the Operating category to fund a projected shortfall due to rising fuel costs. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$75,000. **Work Program #C23308**

Refer to motion for approval under Agenda Item E.

- 130. Adjutant General and National Guard - Military - FY 2012** - Addition of \$178,236 in federal Department of Defense Funds and \$46,284 in Transfer from Interim Finance funds; transfer of \$8,000 from the Personnel Services category to the Utilities category; and transfer of \$20,000 from the Communications category to the Utilities category to cover a budget shortfall in utilities and increase federal support for operations and maintenance costs. Requires Interim Finance approval since the amount added to the Maintenance category exceeds \$75,000. **RELATES TO AND CONTINGENT UPON ITEM H.4. Work Program #C22709**

H. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (GENERAL FUND) PURSUANT TO NRS 353.268.

- 4. Office of the Military – Request for an allocation of \$46,284 to provide for projected utility expenditures for the remainder of Fiscal Year 2012.**

Chairwoman Smith announced that Agenda Items E-130 and H.4., Office of the Military, would be heard together.

Jennifer McEntee, Administrative Services Officer, Office of the Military (Office), introduced Lieutenant Colonel Rick Blower, Staff Judge Advocate, Office of the Military, and Lieutenant Colonel Peyton Chappell, Construction Facilities and Management Officer, Nevada National Guard.

Ms. McEntee explained the Office of the Military had made great strides in conserving energy, implementing energy-saving measures, and pursuing renewable energy resources in response to a Presidential Executive Order, a Governor's Executive Order, and the National Guard Bureau Environmental Management System. She said the measures taken corresponded to the requirements of reducing energy intensity and increasing use of renewable energy; they included converting to a four-day ten-hour-per-day (4-10) workweek, implementing building retrofits to conserve energy and conducting an awareness campaign. Another strategy replaced grid-based energy with solar power for the three locations that used the most electricity.

Ms. McEntee said the energy-saving measures implemented had been very successful, and overall the cost of utilities had decreased by \$198,000 over the base year. Nearly 60 percent of the Office of the Military's overall electrical needs was produced through renewable energy.

Ms. McEntee explained that to accomplish the move to solar energy, the Office entered into a power-purchase agreement. The state did not have any upfront expenses. Under the agreement, the vendor provided solar portable photovoltaic panels and was responsible for the financing, design, procurement, construction, operation, and maintenance of the equipment. In return, the company recovered its capital investment by receiving a fixed-rate cost per kilowatt hour for the energy produced.

Ms. McEntee further explained that the ratio of funding varied for the statewide facilities, and most had a larger share of federal funds. Because the three solar locations were supported by a higher percentage of General Fund, there was a shortfall in state funding. She said although the overall costs for utilities decreased, the state's portion increased by more than the amount anticipated. Savings from other categories had been used to offset \$28,000 of the shortfall, and the Office of the Military was requesting funds from the IFC Contingency Account for the remaining shortage of \$46,284.

Chairwoman Smith asked why the fixed rate per kilowatt hour was more than the market rate and whether the contract was a statewide contract. She recalled some controversy over the approval of the statewide contract.

Ms. McEntee replied the contract was signed in 2009, and the Office of the Military was the pioneer for solar power. The higher fixed rate was agreed upon in order for the contractor to receive a return on its investment for financing and providing the equipment.

Chairwoman Smith said she understood it was a fixed rate, but she questioned why the fixed rate was higher than the market rate. The idea had been that the state would not lose money on solar energy.

Ms. McEntee replied Chairwoman Smith was correct. It was her understanding the contract required the rate to be at the current market rate, but the first contract was not written with that stipulation.

Jeff Mohlenkamp, Director, Department of Administration, testified that a request for proposal (RFP) was issued for a statewide contract, a contract was awarded, and there had been ongoing discussions with the vendor. He had met with the vendor and the Office of Energy, and there were some sites that the contractor believed would be viable if two things occurred: (1) federal tax credits were granted, and (2) NV Energy rebates were received.

Mr. Mohlenkamp said his instructions were very clear that solar energy contracts needed to be cost-neutral, which meant the state would not pay more for energy than under normal commercial terms. He said some sites would be viable, but others would not be based on the dynamics of providing solar energy versus the cost of traditional fossil fuel.

Chairwoman Smith asked whether the Military project was from 2009 or 2010 and if it was part of the statewide contract.

Mr. Mohlenkamp replied the Office of the Military contract was an older contract. The Office entered into a power-purchase agreement at a starting rate higher than the current rate of electricity. He said it was troublesome, but it was a lesson learned. He believed there were good opportunities for solar, but they needed to provide energy savings.

Chairwoman Smith asked whether the Military RFP stipulated that the state would be held harmless between the construction and the rates and it would not cost the state more for solar energy.

Lieutenant Colonel Rick Blower, Staff Judge Advocate, Office of the Military, explained that when the RFP was issued, it was based on an existing cost of about 14 3/4 cents per kilowatt. The contractor that was ultimately awarded the contract proposed 15 cents per kilowatt on a 20-year contract. At the time, the rate was based on existing rates and an anticipated increase of 3 percent to 5 percent in electric rates in 2009. However, he said, rates had been decreasing due to a number of other events, including hydro-fracking and reduction in natural gas rates.

Chairwoman Smith asked who was making the profit.

Lieutenant Colonel Blower explained the Office of the Military paid the contractor, Sierra Solar One, a monthly invoice for all of the kilowatts generated by the solar panels. He said the contractor was receiving payment for every kilowatt generated, which the contractor would maintain was reimbursement for its \$15 million capital investment. The trade-off was there were no upfront costs for the state, and the contractor would receive the long-term stream of revenue.

Chairwoman Smith asked whether there was always the assumption that the state would not have to pay more for its utility costs.

Lieutenant Colonel Blower said the assumption was that the Office would be paying at or near the market utility costs. The Department of Administration had conducted an analysis that indicated there would be a break-even point in the second year. The contract proposal had included higher break-even rates in the sixth year or later when the state would be paying equal to or less than the ongoing market rate for electricity. He said there was an expectation in the early years of the contract that the agency would pay a higher rate than the ongoing rates.

Chairwoman Smith asked why sufficient funds were not budgeted.

Ms. McEntee replied it was anticipated a higher rate would be paid during the initial years, and the Office of the Military planned to reduce its overall consumption to bring the rates down, which had occurred. She said it had become a fund mapping issue in which overall the costs were down for the state, but because the three sites had a larger state share than any other facilities, the state's share was higher than anticipated.

Chairwoman Smith recommended the Office work with Fiscal Analysis Division staff on mapping for the next budget cycle to ensure the situation did not occur again. She understood the value of solar energy, but she was concerned that the state should be protected against paying higher rates.

Senator Horsford asked whether there was any ability to renegotiate the provisions of the contract during the 20-year term of the power-purchase agreement.

Mr. Mohlenkamp replied he did not believe this particular contract would allow renegotiation. The contractor had a large amount of equipment on site.

Senator Horsford asked whether the Attorney General (AG) had been consulted. He noted the agreement was initiated by the former State Office of Energy Director under former Governor Gibbons.

Mr. Mohlenkamp said he believed that was true; he had not consulted with the Attorney General concerning the agreement, but that was something he could do.

Senator Horsford replied it seemed to him the AG's office should be consulted. The state was paying a higher per kilowatt rate than what could be found in the current market. The problem was not the technology or the approach on renewals. A bad deal was negotiated on behalf of the state, which needed to be corrected so the state would not be paying a higher rate for the duration of the contract.

Mr. Mohlenkamp said time would tell whether the deal was a bad one, although he would concede the state was not benefitting financially. He would pursue the possibility of renegotiating the contract.

Senator Horsford requested that the Legislature's Legal Counsel contact the Attorney General's office to determine whether there were any provisions for renegotiation of the contract.

Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau, replied she would review the contract and contact the Attorney General's office. She assumed there would be a non-appropriation clause in a 20-year contract.

Lieutenant Colonel Blower stated the Office had spent six months working with the Attorney General's office in 2011 to try to renegotiate the terms of the contract. Some concessions were made concerning the method payment would be made, but the contractor was adamant that it could not and would not negotiate kilowatt-hour rates. The contractor argued that it was the upfront investment that generated the revenue stream to justify the capital investment. Lieutenant Colonel Blower noted there were 18 years left on the contract, and future energy prices were unknown. He said the contract did include a non-appropriation clause, which would be a reason to terminate the contract.

Senator Horsford remarked even if the financial aspect turned out to be beneficial in the long term, the agency's budget did not provide for shortfalls, which was a problem in the short term and required funds from the IFC Contingency Fund, which was limited.

Ms. McEntee said the Office of the Military was aware of the shortfall and tried to address it by decreasing its energy consumption, but it had not anticipated that the state's portion would be as much as it was. She said overall the cost to the taxpayers was nearly \$200,000 less than the amount budgeted for base year utilities; however, the split between state and federal funding was incorrect.

Chairwoman Smith directed the Office of the Military to work with Fiscal staff to resolve the problem in the future.

SENATOR RHOADS MOVED FOR APPROVAL OF AGENDA
ITEMS E-130 AND H.4.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Carrillo, Grady, and
Hickey were not present for the vote; Assemblyman Hogan was
excused and not present for the vote.)

- 131. Adjutant General and National Guard - Military - FY 2012** - Addition of \$552,678 in federal Department of Defense funds to support the Army National Guard facilities' ongoing expenses, maintenance and construction projects, and 2011 CIP projects in process that are estimated to be paid within Fiscal Year 2012. Requires Interim Finance approval since the amount added to the Training Site category exceeds \$75,000. **Work Program #C23344**

Refer to motion for approval under Agenda Item E.

- 132. Office of Veterans' Services - Veterans' Home Account - FY 2012** - Addition of \$1,329,249 in Medicare funds and \$373,919 in Medicaid charges to align the Southern Nevada Veterans' Home budget authority with the agencies revised revenue projections for the remainder of the fiscal year. The additional revenue will be used to cover projected shortfalls in operating, building maintenance, and information services. Requires Interim Finance approval since the amount added to the Operating category exceeds \$75,000. **Work Program #C23371**

Refer to motion for approval under Agenda Item E.

Reclassifications

Agency	Agency/ Account Number	Position Number	Present Class Title, Class Code, Grade & Salary	Proposed Class Title, Class Code, Grade & Salary
Department of Administration Division of Human Resource Management	070/1363	0036	Code: 7.521 Grade 34/01 Personnel Analyst II Employee/Employer Paid Retirement \$42,553.44	Code: 2.211 Grade 27/01 Admin. Assistant III Employee/Employer Paid Retirement \$31,862.88 WITHDRAWN 4-10-12
Department of Business and Industry - Dairy Commission	745/4470	0014	Code: 11.363 Grade 35/01 Compliance/Audit Investigator III Employee/Employer Paid Retirement \$44,411.76	Code: 07.148 Grade 36/01 Auditor III Employee/Employer Paid Retirement \$46,146.24
Department of Health and Human Services Division of Health Care Financing and Policy	403/3158	0187	Code: 7.625 Grade 35/01 Management Analyst II Employee/Employer Paid Retirement \$44,411.76	Code: 12.318 Grade 35/01 Social Services Program Specialist II Employee/Employer Paid Retirement \$44,411.76
Department of Health and Human Services Division of Welfare and Supportive Services	407/3267	0053	Code: 07.612 Grade 39/03 Management Analyst IV Employer Paid Retirement \$51,594.48	Code: 12.301 Grade 39/03 Social Services Chief II Employer Paid Retirement \$51,594.48
Department of Public Safety Division of Parole and Probation	652/3740	0560	Code: 07.637 Grade 33/01 Management Analyst I Employer Paid Retirement \$40,862.16	Code: 12.614 Grade 31/01 Parole & Probation Specialist II Employer Paid Retirement \$37,563.12
Department of Transportation	800/4660	73003	Code: 09.625 Grade 26/01 Custodial Supervisor I Employee/Employer Paid Retirement \$30,610.08	Code: 07.649 Grade 31/01 Program Officer I Employee/Employer Paid Retirement \$37,563.12

Office of the Attorney General - Although the majority of AG Investigator positions were moved to the classified service during the 2011 Legislative Session, a position was inadvertently left out during the budget process. To maintain consistency and equity among positions, this position is being submitted for review and approval.

<u>Agency/Department</u>	<u>Class Code</u>	<u>Proposed Title</u>	<u>Proposed Salary</u>
Attorney General	U0900	AG Criminal Investigator II	\$64,302

Refer to motion for approval under Agenda Item E.

F. DEPARTMENT OF ADMINISTRATION – STATE PUBLIC WORKS DIVISION –
REPORT FROM THE IFC’S SUBCOMMITTEE TO REVIEW PUBLIC WORKS
DIVISION MATTERS IN ACCORDANCE WITH NRS 218E.405.

Chairwoman Smith referred Committee members to the Chairman’s Report of the April 23, 2012, Meeting of the Interim Finance Committee’s (IFC’s) Subcommittee to Review Public Works Board Matters ([Exhibit D](#)), which had been distributed earlier.

Gus Nuñez, Administrator, State Public Works Division (SPWD), Department of Administration, stated that the Division concurred with the Subcommittee’s recommendations and had nothing to add. He offered to answer questions from the Committee.

Chairwoman Smith asked Mr. Nuñez to review the actions taken at the Subcommittee meeting, after which the Committee would ask for further information if necessary.

Mr. Nuñez said the first request was to modify the scope of Capital Improvement Program (CIP) project 09-C18, the Southern Nevada Veterans’ Cemetery Expansion. The federal government had offered to add up to \$7.5 million for the expansion, and the funds had to be committed before the end of federal fiscal year (FFY) 2012. He said most of the funds were currently available, except for \$800,000, which could not be obligated until the federal funding was awarded in June or July. The Subcommittee recommended approval of the addition of up to \$7.5 million and requested that SPWD report back to the Subcommittee if any portion of the \$800,000 was awarded and the scope of the project was expanded.

Chairwoman Smith asked for questions from the Committee; there were none.

Mr. Nunez explained CIP project 09-C13, Field Maintenance Shop Facility at the Las Vegas Readiness Center, required modification to its scope in order to accept, receive, and spend approximately \$3.5 million in federal authority. The additional funds would be used for a new vehicle wash rack, military vehicle parking shade shelters, and a photovoltaic system for production of electricity. He said the additional construction costs totaled \$3,009,355, and the remaining amount, \$519,173, would provide a 4.8 percent construction cost contingency, which was appropriate for the size of the project. The Subcommittee recommended approval of the modified scope.

Chairwoman Smith asked for questions from the Committee; there were none.

The third request, Mr. Nuñez continued, was to modify the scope of CIP project 09-M05, Sedimentation Remediation for the Marlette Lake Water System, to construct a water storage tank emergency overflow pipe to eliminate water discharges. He explained the Board of Examiners had approved a settlement agreement between the state and the property owner of a ranch located at the mouth of McEwen Creek, who claimed the discharges were causing sedimentation problems on his ranch. Mr. Nuñez said the revised scope reduced the cost of the overall project and mitigated much of the future

risk that was envisioned through the settlement process. The Subcommittee recommended approval of the item.

Chairwoman Smith asked for questions from the Committee; there were none. She noted the remaining items in the report were for the Committee's information, but she asked Mr. Nuñez to discuss item 4, CIP project 09-C15, New Elko County Readiness Center.

Mr. Nuñez said design of the Elko Readiness Center was complete; the SPWD had received the guaranteed maximum price from the Construction Manager at Risk, and the amount was within budget. Federal funding for the project was expected to be received within the next few months.

Mr. Nuñez recalled that the Nevada System of Higher Education (NSHE) testified concerning the environmental remediation necessary for the site. The Fire Science Academy facility was now closed, and the product in the ground was no longer excess product; it was now soil contamination because the Academy was shut down. As part of the sales agreement from the University of Nevada, Reno (UNR) to the state, UNR would be responsible for the soil remediation and demolition of the existing fire props. Mr. Nuñez said the total cost of the site's remediation and demolition was estimated to be \$4.1 million, which would be paid by UNR.

Assemblyman Goicoechea asked whether the \$10 million had been paid to UNR from the National Guard Bureau or if payment was still pending.

Mr. Nuñez replied the project was funded by approximately \$8 million from the state and \$8 million from the National Guard Bureau, and the federal funds were expected to be received within the next month or so.

Assemblyman Goicoechea remarked the project continued to drag out, and he was concerned with the burden on NSHE and the projected costs of remediation.

Chairwoman Smith asked for further questions from the Committee; there were none.

ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL OF THE
CHAIRMAN'S REPORT OF THE SUBCOMMITTEE TO REVIEW
STATE PUBLIC WORKS DIVISION MATTERS.

SENATOR HORSFORD SECONDED THE MOTION.

Chairwoman Smith asked for public comment, and there was none.

THE MOTION CARRIED. (Assemblyman Grady was not present
for the vote; Assemblyman Hogan was excused and not present for
the vote.)

G. STATEMENT OF CONTINGENCY ACCOUNT BALANCE.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, referred Committee members to the balance statement of the Interim Finance Contingency Account in the meeting packet (copy attached as [Exhibit E](#)), and reviewed the current balances reflected on the statement.

Unrestricted General Fund Balance	\$11.9 million
Unrestricted Highway Fund Balance	\$ 1.7 million
Restricted Funds Balance	\$24.6 million

Mr. Combs said if the allocations requested at this meeting were approved, the remaining balance of Unrestricted General Funds would be approximately \$9.6 million.

Mr. Combs noted there was an item on the agenda requesting \$250,000 for the Governor's Office on Economic Development, and if approved, the Restricted Funds balance would be \$24.3 million.

Chairwoman Smith asked for questions from the Committee; there were none.

H. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (GENERAL FUND) PURSUANT TO NRS 353.268.

1. Supreme Court – Judicial Selection – Request for an allocation of \$10,000 for the cost of filling District Court Judge vacancies for the remainder of Fiscal Year 2012.

Robin Sweet, Director, Administrative Office of the Courts, Nevada Supreme Court, and secretary to the Commission on Judicial Selection, Nevada Supreme Court, introduced Deanna Bjork, Manager of Budgets, Administrative Office of the Courts. Ms. Sweet explained Agenda Item H.1. was a request for \$10,000 from the IFC Contingency Account to complete three judicial selections that were pending before the Commission on Judicial Selection through the remainder of fiscal year 2012.

Assemblywoman Mastroluca asked when the Supreme Court would know the amount of its reversion to the General Fund. Ms. Sweet replied the current projection was approximately \$100,000.

Chairwoman Smith asked for public comment; there was none.

ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF
AGENDA ITEM H.1.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Grady was not present for the vote; Assemblyman Hogan was excused and not present for the vote.)

2. Department of Public Safety – Division of Investigations – Request for an allocation of \$45,000 for excess fuel costs and for the cost of demolishing three structures formerly used by the division.

Mark Teska, Administrative Services Officer, Department of Public Safety (DPS), explained the request from the IFC Contingency Account for the Nevada Division of Investigations (NDI) included \$9,000 for additional fuel costs and \$36,000 for building demolition.

Mr. Teska recalled the NDI Las Vegas office was closed after the 2011 Legislative Session, and the buildings could either be decommissioned or demolished, in which case the property would revert to the Nevada Division of State Lands. He said the Department worked closely with State Lands to evaluate the structures and determine whether they could be used by the Department of Public Safety. Based on the evaluation, there did not appear to be a need for the Department to retain the buildings. Mr. Teska explained the property, which consisted of a single-family residence and two detached structures, was located in a professional office area and was not being used for its intended purpose. The residence would have required significant work to make it a viable office space, should it be decommissioned and then recommissioned at a future date. Based on discussions between the Division of State Lands and the Public Works Division, the determination was that the best value would be to demolish the buildings, revert the land to State Lands, and sell it or hold it in inventory.

Chairwoman Smith asked why the request was being made from the Department of Public Safety rather than the Division of State Lands.

Mr. Teska replied in 1987 the property and structures were donated to the state for public safety use, and DPS had been using the buildings since that time. The Division of State Lands assigned the use and administration of the property to the Department of Public Safety through an agreement in 2006. The agreement included a clause that should DPS determine the buildings were no longer usable, it would be responsible for any administration costs associated with disposal or reversion back to State Lands.

Chairwoman Smith asked what was anticipated for the property once the buildings were demolished. Mr. Teska replied once the demolition was completed, the assignment would be released, and the bare land would revert to the Division of State Lands.

Chairwoman Smith asked if it was known when the property would be put on the market.

Jim Lawrence, Administrator, Division of State Lands, Department of Conservation and Natural Resources, stated the Division had worked closely with DPS on the best future use of the property. Currently the buildings were a liability to the state; there had been some problems with transients located in the residence, and it was not a safe situation. Mr. Lawrence said the best thing to do in the immediate future would be to demolish the structures. In the long term, based on the real estate market, it appeared the best use

of the vacant property would be to retain it in the Division's inventory until the real estate market improved.

Chairwoman Smith asked for further questions from the Committee; there were none. She then asked for public testimony and seeing none, she called for a motion.

ASSEMBLYMAN CONKLIN MOVED FOR APPROVAL OF AGENDA
ITEM H.2.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Hogan was excused and
not present for the vote.)

3. State Department of Conservation and Natural Resources – Division of Forestry – Fire Suppression Account – Request for an allocation of \$2,199,387 to cover fire suppression and emergency response costs projected through the remainder of Fiscal Year 2012.

Pete Anderson, State Forester, Division of Forestry, Department of Conservation and Natural Resources, explained the Division was requesting an allocation of \$2,199,387 from the IFC Contingency Account to cover estimated fire suppression and emergency response costs through the end of fiscal year (FY) 2012. He said unspent funds would revert at the end of FY 2012, and the Division would return to the IFC after the beginning of FY 2013 if necessary due to wildfire activity.

Mr. Anderson noted that Nevada had had and continued to have a drier and warmer weather pattern this winter, with many of the areas of the state receiving 30 percent to 50 percent of average precipitation. There had been three consecutive below-average wildfire seasons, and even though there were less significant fuels throughout the landscape, extremely low fuel moistures, coupled with low humidity and drying winds, set the stage for a potentially active wildfire season.

Mr. Anderson recalled that during 2011, in addition to a very unique fire in January 2012, Nevada experienced four wildfires that qualified for the Federal Emergency Management Assistance (FEMA) fire management assistance grant program. The cost-share dollars would come into the state to assist not only the Division, but Washoe County and the City of Reno as well. During 2011, Nevada experienced 815 wildfires that burned 424,168 acres; the Division of Forestry itself had 74 wildfires that burned 118,806 acres. As of April 20, 2012, Nevada had experienced 49 wildfires and lost approximately 3,844 acres.

Mr. Anderson said as drought conditions were forecasted to persist throughout much of the state, the potential for wildfire ignitions would continue to rise. All Nevada emergency responders were preparing for the coming season.

Mr. Anderson announced that Nevada's Wildfire Awareness Week kicked off on Saturday, April 28, 2012, and activities were planned throughout the state to inform and prepare Nevada residents for this wildfire season, which actually was never-ending.

Chairwoman Smith asked for questions from the Committee. She remarked the request involved a topic most did not want to think about. Although the state had been fortunate over the past several years, the recent disasters were a reminder that everyone needed to be prepared.

Senator Schneider suggested that the Division of Forestry increase its budget in the coming years because of climate adjustment. Scientists, particularly at the University of Arizona, were predicting that more and bigger fires would occur in the coming years because the climate was altering itself. Senator Schneider said the Division could not base its budget on past budgets; substantially more funding needed to be provided.

Chairwoman Smith asked for public comment; there was none. She recommended the motion include direction that any unspent funds at the end of the fiscal year be reverted to the Contingency Account in the State General Fund, and the Division could return to the IFC for additional funding if needed.

SENATOR KIECKHEFER MOVED FOR APPROVAL OF AGENDA
ITEM H.3, WITH THE STIPULATION THAT UNSPENT FUNDS AT
THE END OF FISCAL YEAR 2012 REVERT TO THE
CONTINGENCY ACCOUNT IN THE STATE GENERAL FUND.

Senator Kieckhefer noted that the most recent fire in Washoe Valley burned 29 homes in his district. He said a wildfire raging over a residential area was quite different than an urban house fire, and he commended the local and statewide fire crews for the great job of protecting life and property.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Grady was not present for the vote; Assemblyman Hogan was excused and not present for the vote.)

4. Office of the Military – Request for an allocation of \$46,284 to provide for projected utility expenditures for the remainder of fiscal year 2012.

Refer to discussion and motion for approval under Agenda Item E-130.

- I. REQUEST FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT PURSUANT TO ASSEMBLY BILL 580, SECTION 38 (2011 SESSION) – Office of the Governor – Office of Economic Development – Request for allocation of \$250,000 to encourage the creation and expansion of businesses in Nevada and the relocation of businesses to Nevada.

Steve Hill, Director, Governor's Office of Economic Development (GOED), explained the GOED was requesting a transfer from the IFC Contingency Account of \$250,000 for two sets of projects. The first set of projects involved a potential series of additional grants to the economic development authorities across the state. From the time the *State Plan for Economic Development in Nevada* (State Plan) was published this year, several development authorities had submitted suggestions and ideas to the GOED that they felt they could implement if they had funding, which would have an immediate impact on the state's unemployment situation. Mr. Hill said GOED would reach out to the development authorities across the state to solicit their ideas and to award grants toward the end of May 2012.

Mr. Hill went to explain the second set of projects was a combination of a very large virtual platform for technology commercialization and acceleration across the state and a mentorship program for new companies looking to start up in conjunction with the virtual platform. Mr. Hill said the number of companies would be narrowed to ten as a proof of concept as to how the virtual platform would work. The GOED, in partnership with NIREC (Nevada Institute for Renewable Energy Commercialization), applied for and received a grant from the federal Economic Development Administration (EDA). The project would provide matching funds of \$150,000, and the Nevada System of Higher Education (NSHE) would be contributing \$200,000 in in-kind contributions for the project. [The Fiscal Analysis Division would note that supporting materials indicated a \$100,000 in-kind contribution from NSHE.]

Senator Horsford thanked Mr. Hill for the responsiveness of GOED to the regional economic development authorities. He had received a number of inquiries from the rural areas voicing their concerns that they would not have a chance to compete, and he was glad that the eleven authorities would have the opportunity to compete. Senator Horsford asked whether multiple regional authorities would be allowed to compete in collaboration for one grant.

Mr. Hill replied yes, that would be the case. The request for proposal (RFP) process for the regional development authorities was currently ongoing, and GOED encouraged consolidation among the authorities across the state. He said consolidation was not mandated, but there would be benefits at the regional level to address issues that crossed county lines.

Senator Horsford asked Mr. Hill to make the State Plan available to everyone, including other businesses not within the regional development authorities.

Mr. Hill replied the State Plan had been posted on the GOED website. The Interim Finance Committee (IFC) had funded an upgrade of the website, which was sorely needed, and a full makeover of the site should be completed by the end of May 2012. He said the State Plan and the Brookings Report were posted on the website, but the website currently did not always work.

Senator Horsford asked Mr. Hill to work with the Legislative Counsel Bureau to pursue posting the State Plan on the Legislative website, along with the Vision Stakeholders Report and other resources. Mr. Hill replied he would do so.

Senator Horsford asked for clarification of the funding of the EDA grant, and Mr. Hill explained that NIREC would receive \$150,000 in matching funds for the \$150,000 federal EDA grant, and the NSHE research institutions had provided \$200,000 in in-kind contributions for the project; the Desert Research Institute was also included. [The Fiscal Analysis Division would note that supporting materials indicated a \$250,000 federal EDA grant and \$100,000 in in-kind contributions from NSHE.]

Senator Horsford asked how the funding would be allocated since NIREC was a statewide entity, and Mr. Hill replied the project was a statewide program and outreach would be statewide.

Senator Horsford asked whether the allocation would be made in an equitable manner or if it would be a fifty-fifty allocation.

Mr. Hill replied the outreach would extend throughout the network developed by NIREC and through the technology transfer offices of the two NSHE universities to bring everyone in the entrepreneurial community together. There would be a screening committee for the mentoring program, and awards would be based on merit.

Senator Horsford said he hoped the program would be aligned with the universities' academic programs and tenured or master faculty with the entrepreneurial companies to leverage what everyone was learning and hopefully replicate it in the NSHE academic programs.

Mr. Hill said he agreed with Senator Horsford; alignment was a very high priority, and GOED had hired a Technology Commercialization Manager who would be located at the universities. He was fluent in German and Mandarin and had an undergraduate degree in mechanical engineering. The NSHE was excited to have him on board as well.

Senator Cegavske asked Mr. Hill to clarify GOED's interaction with the rural areas. Some individuals in Ely had indicated to her that they were feeling disenfranchised from the process.

Mr. Hill replied a RFP process for the regional development authorities was currently ongoing, and there had been a series of conversations throughout the state focused on the rural counties. He said the RFP responses from those wishing to be named regional development authorities were due on May 1, 2012, and conversations would be held with the organizations that applied. Mr. Hill said individual counties would not be excluded if they did not feel they fit within a broader regional development authority effort. He said GOED was not trying to disenfranchise anyone, but there were several issues in northeast Nevada, such as housing, mining, and federal and state regulatory

issues, that could better be addressed on a broader scale rather than on a county-by-county basis. By pooling resources, the rural counties could be more effective. Mr. Hill said discussions had been held concerning the problems, and GOED was waiting to see what the organizations' final decisions would be.

Assemblywoman Bustamante Adams asked whether the virtual platform would be housed in GOED and what staff would be required. She also wondered if all of the Sector Specialists had been hired.

Mr. Hill replied the virtual platform would be owned by the state and housed in the GOED office. A part of the grant required that the grantees operate the virtual platform to get it up and running for the first eight months, at which time the Technology Commercialization Manager would assume responsibility for the operation. It was an interactive website, and there would be opportunities for entrepreneurs to talk with potential customers and investors. Part of the platform would be self-sustaining, but it would need maintenance on an ongoing basis.

Mr. Hill added that five Sector Specialists had been hired, and there was a potential to hire a sixth. As more was learned about the process, more than one person might be helpful in some of the sectors. Budget information would be submitted to the IFC at its June 2012 meeting concerning proposed cost sharing with the regional development authorities for additional Sector Specialists. The GOED would pay a portion of the cost of the next two Sector Specialists, but they would not be fully paid by the state.

Assemblywoman Carlton, referring to the grants to the development authorities, asked whether \$100,000 would be shared by all of the development authorities to travel to California and try to recruit companies to come to Nevada.

Mr. Hill replied the proposals provided earlier to the Committee were actually examples of some of the opportunities that were raised by the development authorities. The GOED proposed to provide a deadline over the next two or three weeks for the development authorities across the state to submit their best ideas for quick action, and a decision would be made then.

Assemblywoman Carlton noted Nevada had been recruiting companies in California for a very long time, and she did not understand the value of spending more dollars for recruitment in California.

Mr. Hill replied GOED and two of the development authorities had been in discussions with the California Metals Coalition, which was a targeted approach to provide a business case, marketing outreach, and time-on-the-ground travel costs. He explained there were 225 companies in the Coalition, which had actually reached out to Nevada about six months before and indicated the companies were not happy. They were constrained in their ability to do business in their home state, and they wanted an opportunity to consider Nevada as a group. Additional expense was required, but Mr. Hill said there was a high possibility of achievement and results with the Coalition.

Assemblywoman Carlton remarked she hoped the result would be creation of good jobs rather than jobs contributing to the working poor class. She was still concerned the efforts were a repetition of what the development authorities had been doing for years.

Chairwoman Smith asked for further questions from the Committee; there were none. She then asked for public comment and seeing none, she called for a motion.

SENATOR HORSFORD MOVED FOR APPROVAL OF AGENDA ITEM I.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Grady was not present for the vote; Assemblyman Hogan was excused and not present for the vote.)

J. ESTABLISHMENT OF SALARIES FOR UNCLASSIFIED POSITIONS PURSUANT TO SENATE BILL 505, SECTION 2 (2011 SESSION) – Silver State Health Insurance Exchange – Senate Bill 440 (2011 Session).

Jon Hager, Executive Director, Silver State Health Insurance Exchange (Exchange), introduced Shawna DeRousse, Chief Operating Officer of the Exchange. He explained Agenda Item J was a request to add four new positions on May 1, 2012, and three positions in July. He said the proposed 2013-2015 biennial budget would include a request for two additional positions in July 2013.

Mr. Hager said all of the positions were unclassified, pursuant to *Nevada Revised Statutes* (NRS) 695I.380, and the positions were funded by federal grants from the federal Patient Protection and Affordable Care Act. He said the Exchange would return to the Interim Finance Committee (IFC) at its June meeting to request budget authority for fiscal year (FY) 2013. He noted that this request was not for additional authority; the Exchange currently had authority for the positions due to vacancies that existed prior to the time he, Ms. DeRousse, and other staff were hired.

Chairwoman Smith asked whether positions had been advertised. Mr. Hager replied the positions had been advertised, and the interviews conducted had been with the knowledge that the positions had not been approved by IFC and that the funding could be eliminated after the Supreme Court case in June 2012 or anytime the federal funding ceased. He said all of the employees of the Exchange recognized there were some job security issues.

Chairwoman Smith asked Mr. Hager to confirm that no offers had been made for any of the positions. Mr. Hager replied all discussions with applicants had been pending the approval of the Committee.

Chairwoman Smith again asked whether offers had been made for applicants to accept the positions, and Mr. Hager said offers had been made, with the caveat that the positions must be approved by IFC.

Senator Cegavske asked whether the positions were funded completely with federal dollars, and Mr. Hager replied they were, adding that at some point in the future, the Exchange would have to be self sufficient with fees generated from enrollment in the Exchange. There would be no General Fund dollars requested.

Senator Cegavske asked whether filling the positions could be delayed until after the June Supreme Court ruling. Mr. Hager said he would prefer to delay hiring, but the Exchange was overwhelmed with work. Staff was working many hours well into the night, and many tasks needed to be completed to implement the Exchange and achieve certification in accordance with the requirements of the Affordable Care Act. The federal government needed to be convinced that the state would have a certifiable exchange in full operation by October 1, 2013, but the certification was required by January 1, 2013. Mr. Hager said the Exchange needed to be prepared for open enrollment on October 1, 2013, for a January 1, 2014, start date. He said there were many decisions to be made by the Board of Directors and information needed to be provided to the members in order to make those decisions. Mr. Hager said there were several important tasks yet to be completed, and additional help was sorely needed.

Senator Cegavske asked how long Mr. Hager had been working for the Exchange, and he replied he had been on the job for three months.

Senator Cegavske again asked whether the decision to hire additional positions could wait until the Supreme Court ruling in June. Mr. Hager replied it was possible to wait another month and a half, but the staff was drowning in the amount of work to be done. One of the major requirements for the Exchange was to provide a set of qualified health plans and to set all of the requirements of the Exchange so the carriers would know what for which plans to set rates. The rate-setting process for plans available January 1, 2014, would begin in late summer or early fall of 2013; the Exchange needed to have decisions made by early summer of 2013 to move forward.

Additionally, Mr. Hager continued, the Exchange planned to request a Level 2 Establishment grant as part of the Affordable Care Act process, and the request was to be submitted by June 28, 2012. He reiterated that reports and information needed to be prepared for the Board to make decisions, and currently the Exchange did not have sufficient staff.

Senator Cegavske asked whether the employees would be transferred or terminated completely if the Committee approved filling the positions at this time and funding was no longer available. She also wanted assurance that the prospective employees clearly understood the situation.

Mr. Hager replied he had been very clear and direct with the applicants. He noted that as unclassified staff, those employees would technically be terminated if the funding was no longer available. He had made a commitment to contact other state agency directors in an attempt to locate jobs for the employees, and he had been told that they would be willing to absorb the staff members. If terminated, those employees would not qualify for layoff status because they were unclassified.

Assemblyman Hickey said he understood the prudence in planning ahead for the Exchange. He asked whether a commitment had been made for office space rental.

Mr. Hager replied the Exchange was currently in a sufficient space for the existing staff plus the additional staff requested to be hired May 1. Depending upon the co-tenants, it might be possible to stay in the existing space, but staff was looking for other possible locations. He recognized office space was a consideration, and additional staff would not be hired until there was sufficient space.

Assemblyman Hickey asked whether the Exchange would possibly make a commitment for space that would result in additional cost if the Exchange was terminated. Mr. Hager replied there was a non-appropriation clause in the rental agreement, and the decision for additional space would be delayed until after the Supreme Court ruling in June.

SENATOR HORSFORD MOVED FOR APPROVAL OF THE FOUR UNCLASSIFIED POSITIONS TO BE HIRED MAY 1, 2012, AT THE SALARY LEVELS RECOMMENDED BY FISCAL STAFF, AND THAT THE EXCHANGE RETURN TO IFC WITH REQUESTS FOR FUTURE POSITIONS.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

Chairwoman Smith clarified the intent of the motion was to approve four positions and delay action on the remaining positions until the next IFC meeting. She stated the recommendation to set the salaries as recommended by Fiscal staff would result in the following salaries equivalent to similar positions in the state's classified service:

- Finance and Research Officer – \$79,114 – Equivalent to Grade 39, Administrative Services Officer 2
- Communications Officer – \$72,224 – Equivalent to Grade 37, Public Information Officer 2
- Information Technology Officer – \$90,849 – Equivalent to Grade 42, Information Technology Manager 2
- Administrative Assistant – \$46,416 – Equivalent to Grade 27, Administrative Assistant 3

Senator Denis asked for a further description of the duties of the Information Technology (IT) Officer. Mr. Hager explained the IT Officer position was needed to implement the Business Operations Solution (BOS), which was the backbone of the

Exchange. It would create the web portal and the small business exchange. An individual was needed who was capable of project management and understood IT terminology to oversee the entire project and ensure the vendor was heading in the right direction. Mr. Hager noted the Exchange had minimal in-house information technology and planned to use the services of the Enterprise Information Technology Services (EITS) Division. The individual would also provide BOS interface with the Welfare and Medicaid eligibility engine. The overall requirements of the position were to provide ongoing management of the IT contract.

Senator Denis asked what the Exchange was currently using for IT services, and Mr. Hager replied the services of IT professionals in other agencies, such as Welfare, Medicaid, and EITS, along with consultants to create the request for proposal (RFP). One of the provisions in *Nevada Revised Statutes* (NRS) Chapter 695I was that the Department of Health and Human Services and the Division of Insurance would work with the Exchange to implement the Exchange, and those agencies had provided great support.

Senator Cegavske said she would not support the motion; she believed the decision should be made after the U.S. Supreme Court ruling in June.

Senator Horsford asked the status of the vendor selection process. Mr. Hager replied the RFP was released on March 27, 2012, for the BOS vendor. The proposals would be submitted by May 8, 2012, at which time they would be reviewed and finalists selected. Finalist presentations would take place the end of May, and it was hoped to submit a contract to the Board of Examiners in July.

Senator Horsford said he respected the different views, but the position of the Governor and the Director of the Department of Health and Human Services was that the Affordable Care Act was the law of the land and must be followed to ensure Nevada would be in position to help the 30 percent of Nevadans who were currently uninsured have access to affordable quality healthcare. Senator Horsford said that was what the Committee was trying to do in supporting the new positions for the Exchange. He appreciated the work of the Exchange and was hopeful the program could move forward after the Supreme Court ruling.

Chairwoman Smith noted that the state statutes also had to be enforced, and she commended the Exchange staff for their efforts. She asked Mr. Combs to verify the motion for the record.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, clarified that the motion before the Committee was to approve the four positions requested to begin on May 1, 2012, which included a Finance and Research Officer, Communications Officer, Administrative Assistant, and Information Technology Officer. The recommendation was to set the salary for the Finance and Research Officer at \$79,114, equivalent to an Administrative Services Officer 2 position in the classified service, instead of \$82,852 requested by the Exchange, based on the size of the

agency and the fact that the Exchange had a Chief Operating Officer. The Communications Officer would be approved at a salary of \$72,224, equivalent to a Public Information Officer (PIO) position in the DHHS Director's office rather than the PIO at the Department of Transportation, which was a much larger organization. The Administrative Assistant position would be approved at \$46,416 and the Information Technology Officer position would be approved at \$90,849, as requested by the agency.

THE MOTION CARRIED. (Assemblyman Grady was not present for the vote; Assemblyman Hogan was excused and not present for the vote. Assemblymen Goicoechea, Hambrick, Hardy, Hickey, and Kirner and Senator Cegavske voted no.)

K. INFORMATIONAL ITEMS

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, announced that the Committee would hear testimony on Informational Items K.1.a., Department of Administration; K.9, Department of Corrections; and K.6., Department of Tourism and Cultural Affairs.

Chairwoman Smith also requested testimony on item K.2.b., Department of Education.

1. DEPARTMENT OF ADMINISTRATION

- a. Administrative Services Division – Addition of a permanent Accountant Technician II position to assist the accounts payable team as a result of the merger.

Evan Dale, Administrator, Administrative Services Division, Department of Administration, explained Agenda Item K.1.a. was an informational item regarding the addition of an Accountant Technician II position in the Division. He said since the merger of divisions into the Department of Administration, it was determined that an additional position was needed.

Senator Kieckhefer remarked that this was another instance of positions being created by the Department of Administration without Interim Finance Committee approval. He asked whether the position would be budgeted as an enhancement unit in the 2013-2015 Executive Budget or if it would be included in the Division's base budget.

Mr. Dale believed the position would be included in the base budget because it would be an existing position in the base year. If more funding was needed for the position, the request would be included in a budget enhancement unit.

Jeff Mohlenkamp, Director, Department of Administration, testified that historically new positions had typically come before the Interim Finance Committee, and he had held discussions with Fiscal Analysis Division staff concerning their concerns and the desire of IFC to approve new positions. He said Fiscal staff would be contacted on a case-by-case basis to ensure there was a full understanding of the ramifications of adding positions during the interim. Mr. Mohlenkamp said the position was needed

because of the reorganization of the Department of Administration and the workload estimates.

Mr. Mohlenkamp said he understood the Committee's concerns, and he had discussed the matter with his predecessor; he was willing to review the matter with Fiscal staff.

Chairwoman Smith said part of the concern was that a position had been eliminated during the reorganization and now a position was being added back, which was frustrating to her. She supported the fact that the Division wanted to be more efficient, and she asked whether efficiencies would result from adding the position.

Mr. Mohlenkamp replied the reorganization doubled the size of the Department of Administration, and the Administrative Services Division had undergone a fairly significant restructure. He believed the additional position would increase efficiencies; over 25 positions had been eliminated, and this was the first position to be added back. He said even if one or two more positions would be needed during the 2013 Legislative Session, the reorganization still would have achieved substantial savings.

Chairwoman Smith thanked Mr. Mohlenkamp and Mr. Dale for working with Fiscal staff to resolve the concerns.

2. DEPARTMENT OF EDUCATION

- b. Semi-annual report entitled Increasing Participation in Nevada's National School Lunch and Breakfast programs (letter of intent, 2011 Legislature)

Chairwoman Smith requested that the Committee receive an update on the state's school nutrition programs.

Donnell Barton, Director, Child Nutrition, Department of Education, said a three-part plan for Nevada's National School Lunch and Breakfast programs had been developed. The first was to form a stakeholders committee, which would be meeting on June 5, 2012. The committee consisted of 19 members from Clark, Washoe and Nye Counties, the Nevada Parent Teacher Association, the University of Nevada Cooperative Extension, the Dairy Council, communities and schools, the State Health Division, the Northern Nevada Food Bank, and the Three Squares Food Bank in the south. Ms. Barton said the committee would consider what school districts could do to increase their participation in nutrition programs.

Ms. Barton noted that Clark County had been able to get all of its Title I schools on the Breakfast After the Bell program. A comparison of meal count percentages was made from July 1, 2010 to February 28, 2011 and July 1, 2011 to February 28, 2012, and there had been a 33 percent increase in breakfast participation. However, there was a one percent decrease in lunch participation during the same timeframe. Ms. Barton said the stakeholders committee would consider ways to replicate the efforts that were working and determine what could be done to increase lunch participation.

The second part of the plan, Ms. Barton continued, was improved communication with the district superintendents, local school board presidents, and food service directors on reports being given to the Legislature and the progress being made.

Ms. Barton said the third part of the plan was program improvement. The menu pattern was changing for the next school year as result of the Healthy Hunger-Free Kids Act of 2010, and she believed it could have a significant impact on participation because the menu would go from a nutrient base to a food base. Food service divisions would be required to provide a reimbursable lunch to include a half-cup to a cup, depending on the grade group, of dark leafy green vegetables and bright orange and red fruits, at least two to three times a week. Ms. Barton said it would be a challenge; she had been reviewing schools, and the last two districts had the same continuous menu of green beans and pineapple chunks, which the kids were throwing away. She said it would be a challenge to encourage the kids to eat fruits and vegetables, and efforts were being made to create seasoning blends to entice them to taste them.

Continuing, Ms. Barton said that staff had been attending training sessions provided by the United States Department of Agriculture (U.S.D.A.), and following the last one in May, training would begin with the food service directors on the new menu pattern and to give them suggestions.

Assemblywoman Mastroluca noted the new meal pattern indicated at least half of the grains would be whole grain rich in 2013, and she wondered whether the districts believed that requirement would be a problem.

Ms. Barton replied it would not be a problem for the districts; several of them had already started to provide half whole grains. The pattern would eventually require all whole grains. When she was observing meals in the districts, she noted many of the pizzas being served had a whole grain crust. She said if the pizzas were prepared correctly, the children would consume them, but there were problems with consumption if they were not prepared correctly.

Assemblywoman Mastroluca asked if Ms. Barton had heard that additional schools would be added to the fresh fruits and vegetables program from the U.S.D.A.

Ms. Barton replied Nevada had received \$2.3 million for the next school year for the fresh fruit and vegetables program, and applications were due back May 1, 2012. She said more schools were anticipated to be added to the program. With the additional funding, the cost could decrease to \$50 per child from \$62, and more schools would be able to participate.

Assemblywoman Mastroluca thanked Ms. Barton for the Department's efforts on child nutrition; she looked forward to hearing that Nevada had moved up from 53rd in the nation for school breakfast participation.

In response to a question from Senator Cegavske, Ms. Barton explained schools were required to provide between \$50 and \$75 per child per school year for the fresh fruit and vegetables program for those students attending at-risk and 50 percent, free, and reduced lunch schools. She said between two and three times a week, fruits and vegetables were taken to the classrooms, and the students were encouraged to try them. Ms. Barton said approximately 34,000 students were participating in ten school districts statewide in the current school year.

Nicole Roarke, Executive Director, Intergovernmental Relations, Clark County School District, testified a plan was presented to the 2011 Legislature to implement a Universal Breakfast Program in 76 Title I schools, and each of the schools qualified for free and reduced lunch for 80 percent or more of the student population. Ms. Roarke said the program had been a great success; 37 schools implemented the program in fall 2011, and the remaining schools began implementation on January 24, 2012.

Ms. Roarke said in fall 2011, there was a jump in breakfast participation from approximately 32 percent to 82 percent in the most at-risk schools. She said the past school year had been spent developing guidelines for implementation, and efforts would continue to make the process smooth for parents, students, and teachers.

Assemblyman Aizley asked whether Ms. Roark's statistics included the lunch program as well the breakfast program. Ms. Roark replied the statistics just included the breakfast program.

9. DEPARTMENT OF CORRECTIONS – Follow-up information from the February 9, 2012, IFC meeting regarding the Department's projected department-wide budget shortfall and the implementation of 12-hour shifts at its institutions.

Greg Cox, Director, Nevada Department of Corrections, testifying from Las Vegas, introduced Deborah Reed, Deputy Director of Support Services, Nevada Department of Corrections (NDOC), who was in Carson City.

Senator Kieckhefer noted that there was excess staff at the Northern Nevada Correctional Center (NNCC), and he asked Director Cox to discuss the overtime situation at the facility.

Director Cox replied there was currently little or no overtime at NNCC because of the closure of the Nevada State Prison (NSP) and movement of NSP staff to NNCC. He acknowledged the closure took place sooner than the Committee had directed, but the closure made sense at the time. Over-staffing at NNCC had basically eliminated overtime. Overtime in the last three or four pay periods at NNCC and Warm Springs Correctional Center (WSCC) had only been \$200 to \$300 per period. Director Cox further stated that as of this date, there were 13 Correctional Officers being laid off as a result of the closure of NSP; originally it was thought there would be 30 layoffs. He said

by the end of May, the layoffs should be down to 9 with projected retirements and some resignations.

Director Cox pointed out that NNCC was fully staffed, and a laid-off Correctional Officer would fill any vacant position occurring in one of the facilities in Carson City. He anticipated that situation would exist until mid-August or September; there had been an average of three to four Correctional Officer vacancies occurring per month.

Assemblywoman Carlton noted the Committee's information indicated that there was a small percentage of change in overtime at NNCC, but a 105 percent change was projected for 2012. A huge increase was also anticipated at Ely State Prison (ESP). She wanted to understand the reason for the projected increases at the two facilities.

Director Cox replied there would be no vacancies in Carson City for the next several months. Based on past projections, especially at NNCC, which included the regional medical facility as well as the intake operation, the projections for 2012 should be accurate. He explained that vacancies accounted for 40 percent to 45 percent of the overtime, and the Department had worked aggressively to reduce the vacancies by conducting multiple academies. There were a number of vacancies at Ely State Prison, which was attributable to a housing shortage. Director Cox said the Department had adopted an approach whereby an individual wanting to be employed with the Department could become employed and then start the training academy later in the month when 10 to 11 candidates were recruited to fill the next academy.

Director Cox said from his thirty years in corrections, he could say NDOC did not have a competent relief factor, and overtime was always required. He cited an audit from Governor Guinn's term that indicated NDOC was short approximately 200 Correctional Officers. He was grateful to the Legislature and the Committee for allowing the Department to move employees from NSP, hire nine additional staff at High Desert Prison State Prison (HDSP) and three positions at Florence McClure Women's Correctional Center, and transfer positions to WSCC and HDSP. However, Director Cox assured the Committee there would continue to be overtime in the Department; there was not a correctional department in the country that did not have overtime. With a 1.10 relief factor, compared to a relief factor of 1.82 applied by most other states, the NDOC would always have overtime.

Assemblywoman Carlton asked how many new staff were needed, and Mr. Cox replied he would hire as many as the Legislature could approve.

Director Cox said one academy with 54 Correctional Officers just started the week before in Las Vegas, and 800 applicants applied for that academy in less than a month. He said the problem was not in attracting applicants; the problem long-term was keeping them employed with NDOC. He had testified a number of times concerning what would be required to retain employees.

Director Cox said it cost the Department \$6,000 to \$7,000 to train a Correctional Officer, and the cost needed to be considered in terms of employees leaving the Department. Four Correctional Officers had been transferred to other law enforcement entities in southern Nevada. He said the Department did a good job training new staff, but the salaries of state Correctional Officers were less than the salaries paid in the major counties.

Assemblywoman Carlton observed the cost of overtime would continue until the Department was properly staffed.

Director Cox said he believed the state had an obligation to retain the staff that was trained at taxpayers' expense. A Correctional Officer started at a salary of \$17.99 an hour, and he suggested that would be sufficient in the present economy, but increases would be required at some point in the future.

Chairwoman Smith asked for clarification of the overtime projection for NNCC in FY 2012.

Deborah Reed, Deputy Director of Support Services, Department of Corrections, replied the NDOC projected overtime expenditures for NNCC would be \$900,300 by the end of FY 2012, which was a reduction of \$523,000 since the Committee had started questioning its overtime. With the closure of NSP and creation of extra staff at NNCC, the overtime had decreased substantially.

With regard to improving the Department's vacancy rate, Director Cox said an agreement had been made with the Division of Human Resource Management, through the Department of Administration, allowing NDOC to proctor its own employment examinations and provide training; additional computers were now available for individuals to apply online for NDOC positions. He said the goal was to reduce lag time and expedite the employment process in an effort to reduce the vacancy rate.

In addition, Director Cox said recruitment was taking place at veterans' services facilities in all parts of the state, including the Naval Air Base at Fallon and Nellis Air Force Base. Aggressive efforts were being made by the Department and its employees to promote corrections.

Director Cox said he wanted to make sure the Committee understood that as the economy improved and the vacancy rates came down, increased salaries were going to have to be considered. He was aware that the Governor was committed to eliminating furloughs and other options, but he emphasized that salaries would be an issue going forward.

Senator Horsford noted there were 200 vacant positions in the Department, and the Director had rightly identified the challenges in filling the positions, including training employees and losing them to better opportunities. He hoped the Department was working with the Budget Division and the Governor to bring a proposal to the

2013 Legislature that would provide a solution to the Department's staffing problem. Senator Horsford noted that the problem at Ely State Prison was people could not afford to live there; there was no housing. The Department offered a position to the Chaplain and Deputy Warden, and they could not find anywhere to live. He suggested that the Department would have to offer the Governor and the next Legislature a roadmap for what would work in the future; keeping 200 positions vacant was not working for the Department. Senator Horsford said he hoped the same discussions would not continue over and over without the Department offering a different approach to resolving the problem.

Director Cox replied there were 97 Correctional Officer vacancies, and 54 were just hired on April 16, so vacant positions were down to 43. The Department was asking recruits whether they wanted to go to Ely, and some wanted to go. Currently there were five applicants in Ely waiting for positions. He assured Senator Horsford that the Department was working very closely with the community of Ely and White Pine County. The ESP Warden sat on the Chamber of Commerce and worked with county employees to pursue housing to attract people to the area. The mines were doing very well as a result; Director Cox did not see the housing shortage changing in the short term.

Chairwoman Smith asked for further questions or comments; there were none.

L. PUBLIC COMMENT

Chairwoman Smith asked for public comment; there was none.

M. ADJOURNMENT

Chairwoman Smith announced the next meeting of the Committee would be held on June 21, 2012, in Carson City. There being no further business to come before the Committee, Chairwoman Smith adjourned the meeting at 3:46 p.m.

Assemblywoman Debbie Smith, Chairwoman
Interim Finance Committee

Tammy Grace, Acting Director,
Legislative Counsel Bureau and
Secretary, Interim Finance Committee

EXHIBITS
INTERIM FINANCE COMMITTEE
April 24, 2012

Exhibit	Witness/Agency	Description
A	*****	Agenda
B	*****	Meeting Packet
C	Carole Vilardo, Director Nevada Taxpayers Association	Letter of Support for Department of Taxation Restructure
D	Gus Nuñez, Administrator State Public Works Division	Report of the April 23, 2012, Meeting of the IFC Subcommittee to Review Public Works Board Matters
E	Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Statement of IFC Contingency Account Balance