

**MINUTES OF THE
LEGISLATIVE COMMITTEE FOR THE FUNDAMENTAL
REVIEW OF THE BASE BUDGETS OF STATE AGENCIES
(NRS 218E.440)**

July 7, 2010

The Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies (NRS 218E.440) held its first meeting of the 2009-11 Interim on July 7, 2010, in room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to room 2135 of the Legislative Building, 401 S. Carson Street, Carson City, Nevada.

SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Senator Joyce Woodhouse, Chair
Senator Valerie Wiener
Assemblyman Marcus Conklin

SUBCOMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator William J. Raggio
Assemblyman Pete Goicoechea
Assemblywoman Debbie Smith

SUBCOMMITTEE MEMBERS ABSENT:

None

STAFF MEMBERS PRESENT IN LAS VEGAS:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division

STAFF MEMBERS PRESENT IN CARSON CITY:

Tracy Raxter, Assembly Fiscal Analyst, Fiscal Analysis Division
Brenda Erdoes, Legislative Counsel, Legal Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Patti Sullivan, Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A](#) – Agenda and Meeting Packet

[Exhibit B](#) – Attendance Record

[Exhibit C](#) – Opening Remarks, Senator Joyce Woodhouse

I. ROLL CALL.

Senator Joyce Woodhouse, Chair, called the meeting of the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies to order at 9:31 a.m. and asked for the roll call. Senator Woodhouse, Senator Weiner and Assemblyman Conklin were present in Las Vegas. Senator Raggio, Assemblyman Goicoechea and Assemblywoman Smith attended in Carson City.

II. OPENING REMARKS AND INTRODUCTIONS. SENATOR JOYCE WOODHOUSE, CHAIR

Senator Woodhouse read her opening remarks ([Exhibit C](#)).

Senator Woodhouse asked the members to introduce themselves and voice their thoughts about the role of the Committee.

Assemblyman Marcus Conklin, District 37, Clark County, said he was glad to be a member of the Committee and looked forward to learning more about some of the budgets to be reviewed by the Committee. Mr. Conklin first served on the Assembly Committee on Ways and Means in the 2009 Session and said it was a long and tedious process to learn the complexities of the budget. He hoped to offer his private industry experience to provide ideas for better utilization of the State's money.

Senator Valerie Wiener, District 3, Clark County, learned a lot from studying the meeting packet and looked forward to working with the other members. She thought the Committee was entrusted with the important responsibility of creating the effectiveness and efficiencies in state government the citizens of Nevada expected.

Senator Raggio, District 3, Washoe County, Senate Minority Leader, welcomed the Committee and its goals. He had also served as Senate Majority Leader and Chairman of the Committee on Senate Finance in previous Legislative Sessions. When he joined the Committee on Senate Finance in 1972, the State budget was only about one-half of an inch thick and thought it contained more detail than the 2009 budget, which spanned four volumes. He indicated the budget was larger now due to the rapid population growth in the State. The growth had necessitated new requirements and the larger need for essential services, which had increased dramatically since his early days in the Legislature. Nevada was inviting as one of the lowest states in the nation per capita for taxes, had no personal state income tax and no corporate income tax. Like all states, Nevada was in an economic downturn and he thought it was necessary to continue to explore ways to be more efficient in the way the budget was constructed. He said efficiency in government had always been the goal. Decades ago, he introduced a bill that would have required zero-based budgeting; however, that type of change could not be achieved in a single session. He thought the Committee provided a great start to evaluate whether efficiencies could be developed in the way the State's budget was structured. He said a law established in 1979 required state expenditures never to

exceed growth plus inflation and the law had not been violated. The State had always remained within the limits of the law even in tough economic times, but consequently severe and drastic cuts had been made in what many people would term essential services. He thought the role of the Committee was important whether performance-based budgeting, zero-based budgeting, or a combination of the two was considered. Senator Raggio said he had served in the Legislature through six Governor's and always had the full cooperation of the Executive Branch working on these types of issues during the interim period between legislative sessions. He was disappointed a letter from Governor Jim Gibbons indicated there was unwillingness from the Executive Branch to work together with the Legislative Branch on the fundamental review of the base budgets. He hoped that might change so the Committee could work together with the Executive Branch in the remaining months of the Governor's term to develop efficiencies in government.

Assemblywoman Debbie Smith, District 30, Washoe County, agreed with Senator Raggio's comments as well as Senator Woodhouse's opening statement on the possibilities for the Committee. Mrs. Smith said there was never enough time in the regular process to thoroughly evaluate every budget and obtain all the necessary detail. The Committee gave the members an opportunity to look at ways to do things differently in the future. She never cared for performance indicators because she did not think they were consistent, but was excited about the process to both delve into the budget and to assess new performance measures.

Assemblyman Pete Goicoechea, Assembly District 35, said he looked forward to the process and discussing zero-based budgeting. He thought exploring the budgets in great depth was overdue. However, he was afraid as the Committee worked through the budget process the members would hear about programs that might need to be cut because of necessity during the 2011 Session. Mr. Goicoechea said it was a hard and difficult road, but thought the time the Committee spent was important since there was little time in the regular session to serve justice to the budget.

Senator Woodhouse asked for introductions of the Fiscal Analysis staff.

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, introduced himself and Tracy Raxter, Assembly Fiscal Analyst, Fiscal Analysis Division. He also introduced Eric King, Program Analyst, scheduled to present the Fundamental Review of the Base Budget pertaining to the Buildings and Grounds Division's non-state-owned building lease program and Scott Edwards, Program Analyst, scheduled to present regarding the Division of Parole and Probation.

Senator Woodhouse thanked everyone for attending the meeting. She invited the Committee members to ask questions during the testimony. If the questions could not be answered at the meeting, a formal record would be made and those questions sent to the agencies or individuals for the Committee to receive the information.

III. FUNDAMENTAL REVIEW OF BASE BUDGETS:
A. DEPARTMENT OF ADMINISTRATION – BUILDINGS AND GROUNDS DIVISION
(NON-STATE OWNED BUILDING LEASE PROGRAM).

The fundamental review of the base budget of the Department of Administration, Buildings and Grounds non-state owned building lease program was presented by Eric King, Program Analyst, Fiscal Analysis Division.

Mr. King said the Buildings and Grounds Division indicated it managed state facilities and provided state office space for most state agencies except the Legislature, Nevada System of Higher Education, Department of Public Safety, Department of Motor Vehicles, Department of Transportation and Boards exempt from the Executive Budget Act. The Buildings and Grounds Division (B&G) provided information for the basis of the report located in the meeting packet ([Exhibit A](#)) starting on page 3 in response to questions for this study.

Mr. King said the general background information section on page 3 listed the services provided by B&G; however, his presentation would focus on two particular services as follows:

- Providing office space for agencies in state-owned buildings to the extent such space was available.
- Procuring leases in privately owned buildings when state-owned space was not available.

Mr. King explained that B&G provided space for agencies in state-owned buildings on a space available basis. Unfortunately, the state did not have enough owned space to house all its state agencies; therefore, B&G also procured leased space in privately owned buildings for those agencies that could not be housed in state-owned buildings. The primary funding source for the Division was rent charged on state-owned space. Of the 61.25 FTE approved for the Division during the 2009-11 biennium, B&G indicated that 1.83 FTE provided leasing services for the State, which included 3 percent of the Administrator's time and 15 and 65 percent respectively for a Management Analyst IV and a Management Analyst II. In addition, a Program Officer I spent 100 percent of his time on leasing services. All of the positions were located in Carson City.

Mr. King said the authority for B&G to do its job was provided in NRS 331.010 through 331.145 inclusive. Specifically, with regard to the leasing function, B&G's authority resided in NRS 331.110. Pursuant to NRS 331.120, B&G was to determine the occupancy of state-owned and leased buildings in such a manner as "the public service may require," and was responsible for providing suitable quarters for the Executive Branch agencies and boards and commissions that were not exempt from the State Budget Act. The State Administrative Manual (SAM), Section 1020, provided administrative authority for the Divisions leasing function. SAM provided that once an agency determined the need for office space, B&G was to approve and issue all leases for state leased office space based upon the using agency's request. These requests

were to be submitted to B&G in adequate time to procure the lease as well as complete tenant improvements, which included installation of walls, doors, and other fixtures that improved the space for use for its intended purpose.

Pages 4 and 5 addressed the Division's mission statement, goals, vision and philosophy. Mr. King noted the mission statement could be improved by including the reasons B&G's services were important to other state agencies and the citizens of Nevada. He also said the Division's goal statement for leasing services could be improved by incorporating a declaration about cost savings as a goal.

On page 5, Mr. King noted there was a preliminary finding with regard to the definition of the performance indicators as well as the data set used to calculate the performance indicators. B&G stated that its leasing performance indicators provided the annual average savings to the state per year achieved through the Division's negotiations of leases on behalf of state agencies. Mr. King explained the Division determined the per square foot values per month for the average cost of leased space. The Division then made a separate determination through conversations with real estate agents and published market reports for the average market cost of leased space in the major urban areas. Once the cost for the state and the average market cost was determined, it was multiplied by the square footage that was under lease by the State in the three major urban areas multiplied by 12. Finally, B&G took the State's total cost from those computations minus the total market cost to determine the State's savings, which was the difference between the calculated market rate and the States average cost for leases. Mr. King said the Division did not provide definitive definitions or the data used to calculate those values. He thought the Division should be asked to provide that information to staff for analysis in order to see if the information had been used consistently. Mr. King also said a performance indicator was missing that would address customer satisfaction, to indicate how the customers thought the Division was doing at providing services.

Regarding lease cost savings on page 7, Mr. King noted that staff attempted to assess the lease rates paid by non-governmental agencies in the market, compared to actual rates paid by the State. He found the major real estate firms that published the market reports – typically on a quarterly basis – classified the space differently than the Division; therefore, he was not able to provide any meaningful analysis. He looked at the performance indicators, which included the average cost of state lease space per square foot per month. Mr. King pointed out, since FY 2008, the average market cost of leased space had decreased by 9.04 percent, which was greater than the 8.64 percent rate reduction paid by the State, approximately a 0.5 percent difference. He understood it took time to work through lease agreements to renegotiate contracts in order to take advantage of the current market conditions, but thought the Division should be asked about its actions to expedite the renegotiation of leases to take advantage of the current market conditions. In addition, the amount of state leased space from FY 2008 to FY 2010 increased by 3.29 percent. It seemed less space would be needed considering the reductions to state operations due to the current economic conditions;

therefore, he said the Committee might want to question why the leased space had increased.

Mr. King moved to space standards and guidelines on page 8. He said there was a preliminary finding, based on the process used by the Division for an agency to justify the space needed for their operation. The Division's space request form used by the agency to request space was shown on page 17. The form provided guidelines for the agency to compute the amount of space needed, as well as collected contact and funding information. He said the only change in the guidelines since 2005 was to adjust the standard for clerical/support staff positions from an absolute 90 square feet to a range of 45-90 square feet based on the job function of the position. The agency filled out a space justification spreadsheet (page 21) to summarize the space requested by position, as well as any other special requirements to be included in the lease. B&G indicated the trend had been to move away from standard guidelines based on pay level, or what types of positions deserved or required a specific amount of space, to just a general guideline based on organizational needs. The 3-page space request and justification form B&G provided for the agency was meant to be used as a guideline. Mr. King noted that other states used 100-page documents to determine what space was required by position. He thought the Committee should ask the Division for additional information regarding the methods used to determine if the amount of space requested by an agency was reasonable, and if the agency's space needs were met in an equitable and consistent manner. He thought based on the information provided by B&G for the fundamental review, the Division should be more involved with the space allocation rather than relying on information provided by the agency, a non-expert in that area. The table on page 9 showed the standard square footage for other states based on position type. Nevada was similar to other states in square footage provided for each job category, except for middle supervisors and professional support positions where the State was on the high end of the scale. Some states established a position level below which justification for private offices was required. Nevada, however, did not appear to have an established threshold, or address justification for private offices. Private offices were more expensive in a lease agreement. Mr. King thought in cases where it was not obvious that an office was needed for a position the agency should be required to provide more information to justify the need for a private office.

Mr. King addressed the assignment of state owned space on page 9. B&G stated its first obligation was to place agencies in state-owned space; however, there was not enough state-owned space to accommodate all state agencies. He thought B&G should be obligated to consider the funding source used by an agency to pay its lease costs. Those agencies that use General Funds for lease costs should receive priority to occupy state facilities, since state-owned space costs less to operate than leased space. B&G indicated that when state-owned space became vacant, agencies adjacent to that space were asked whether the vacant space would be needed for their operation. If agencies adjacent to the space did not need additional space then it was offered to other tenants in the building. The concern from staff was that B&G was assigning space without the completion of an evaluation to determine whether the agency already located in the building could justify the use of the additional space. To

make sure agencies were not occupying more space than necessary B&G should evaluate the occupancy of state-owned space on a routine basis.

Referring to page 10 – lease assessments – Mr. King said B&G charged using agencies an assessment for providing leasing services. The assessment for the 2009-10 biennium was 0.65 percent of the using agency's fiscal year lease cost. However, based on the information from the Division, it appeared the Division was not always compensated for the full cost of its leasing services. For example, in FY 2009, revenues generated from the assessment were \$185,101 and operating expenditures were \$211,763, for a difference of \$26,662. Staff wondered if there was some way for the Division to recoup those unreimbursed costs from prior fiscal years, even though it had not been done in the past. The Division indicated it used an estimate, which included a comparison of base year expenditures with base year revenues. Mr. King said that projection would fall behind because it was based on base year actual assessment revenue, which only occurred every two years. He thought the Division should use a projection of the cost of services in the year in which they were provided, versus every two years. In addition, Mr. King pointed out that the budget instructions from the Budget Division for the 2011-13 biennium instructed agencies to request funding sufficient to pay a 0.50 percent lease assessment, which was reduced from 0.65 percent in the 2009-11 biennium. He questioned whether the reduced leasing assessment would be sufficient to pay the operating cost to provide leasing services during the 2011-13 biennium, especially since added staff time would be required to renegotiate leases for cost savings.

Addressing lease cost savings measures and a program to track energy use in buildings occupied by the state on pages 10 and 11, Mr. King noted there were no preliminary findings for either. Section 17 of A.B. 6 of the 26th Special Session required agencies to identify additional General Fund reductions for the renegotiation of contracts for rental or lease of buildings, facilities or real property. He thought the Committee should question the Division on what the anticipated General Fund savings would be for the renegotiation of lease contracts. The program to track energy use in buildings, including buildings owned and leased by the state was approved in S.B. 358 during the 2009 Session. S.B. 358 required information to be collected from leased buildings regarding energy usage for comparisons of utility bills, identification of errors in utility bills and meter readings, identification of cost savings, and other associated efforts to conserve energy. Mr. King said the Committee might want to ask the Division how efforts to institute the energy program included in NRS 331.095 was progressing.

Lastly, on page 12 was the privatization of the leasing function. Mr. King determined that it would not make sense to privatize the lease function, based on the information from the Division. He said it costs approximately \$200,000 annually for B&G to provide leasing services to state agencies. That money would be expended quickly on commissions paid to real estate agents; therefore outsourcing the state's leasing function would not be cost effective. Mr. King concluded his presentation and asked for questions from the Committee.

Senator Raggio commended Mr. King on his thorough analysis of this part of B&G's budget. He emphasized the presentation was an analysis of only one function of the Division that had multiple functions in one budget account, and B&G was only one of many agencies that made up the State system. Analyzing all the state budgets was a monumental task and not something done in a short amount of time, or during a legislative session. However, Senator Raggio thought it was a good place to start. In his opinion, the Division's approach and management of procuring leases in privately owned buildings, when space was not available in state-owned buildings was good. Overall, he was impressed and thought the Division was meeting its objective for information required by an agency for its space request and space justification. However, he agreed with Mr. King that additional criteria could be added to make the request form more thorough. He added that an ongoing issue particularly during an economic downturn was whether the cost of maintenance and operation of state-owned building space was lower, equivalent to, or more than leased space. Whether an agency was housed in a state-owned building or a leased space depended on availability, and unfortunately, state-owned space was not always available. Regarding lease renegotiations, Senator Raggio said he could not recall the total budget amount for the remainder of the biennium as mandated during the 26th Special Session. However, he was interested in finding out if the Division was on target to meet the goal of that budgeted amount, especially since the Budget Division and B&G were reporting differing figures. Senator Raggio expressed it was unfortunate that Governor Gibbons prevented B&G from attending the meeting because the Division could have responded on the estimated amount of General Funds saved to date by the renegotiation of lease contracts.

Assemblyman Conklin said there was no indication in the Division's goal regarding cost savings on page 5 ([Exhibit A](#)). He thought the Division's goal was not necessarily cost savings, but to maximize cost savings, which was a subtle difference. Mr. Conklin said the only available cost savings might be as little as 1/100 of 1 percent. That amount would still be a cost savings and all the agencies should be challenged to maximize saving state funds. He said it was a standard business premise and many questions came to mind on how state agencies could maximize cost savings. For example, how stringent should the Division's guidelines be? How flexible were the guidelines? How much space should a Director or Deputy Director have? If an agency had to define exactly how much space it needed it would be difficult to save money because it was possible the cost savings could be achieved by getting more space, depending on the location. He thought the Committee should suggest for the Division to include an absolute maximization of cost savings in its mission statement or goals. If the existing guidelines were too stringent then a certain amount of flexibility should be created to achieve a real maximization of cost savings. He added that incentives came in a variety of ways. When someone was obligated to save money in the private sector then there was a reason to work toward the goal, but he thought that was difficult to resolve in state government. In closing, Mr. Conklin said Mr. King's presentation was well put together and like Senator Raggio, he too was disappointed the agency was not present at the meeting.

Regarding Senator Raggio's question about the savings built into the 2009-11 biennium budget, with respect to anticipated renegotiations of contracts and leases, Mr. Krmpotic recalled about \$10 million in General Fund savings was estimated. He said the amounts listed on page 11 of [Exhibit A](#) identified total savings, but did not necessarily break it out between General Fund and non-General Fund. Staff would be looking at contract savings accrued to date in FY 2010 and comparing that amount with the estimated \$10 million in closing the General Fund gap in the 2009-11 biennium.

Senator Raggio said he thought the \$10 million figure was correct, which not only included leases, but also contracts. Mr. Krmpotic agreed.

Senator Wiener was interested in finding out how many leases had been or were in the process of renegotiation. She wanted to see the level of activity and the cost savings as a result of the renegotiations since legislative action was enacted during the 26th Special Session.

Assemblywoman Smith wondered if the State was getting the best deals based on the large number of leases the State negotiated, or if enough savings were incurred based on volume. She thought the State should look at all the budgets to determine if maximum savings were being achieved because of the number of contracts that the State negotiated. She asked Mr. King if he got a sense from the Division whether they were taking advantage of maximizing savings in the renegotiation of leases based on volume, or only negotiating leases on an individualized basis.

Mr. King responded he had not been able to determine if the State was getting the best deals in renegotiating leases primarily because he was not able to use the market cost provided by the major real estate firms in Las Vegas and Reno as a comparison with the State's leasing costs. The real estate market cost information included different types of office classifications that could not be cross-matched with the State's cost; therefore, the information did not lend itself to an "apples to apples" comparison. However, looking at the indicators it appeared there was an 8 percent versus 9 percent decrease in the States cost of leases. B&G was the only division managing leases and the only source for leasing services for the other state agencies. Mr. King said that at least the lease procurement function was consolidated in one state agency.

Mrs. Smith thought during budget hearings in the 2011 Session it was important to explore whether the State was getting the best deals in the lease renegotiation process. She said the Division might not have been using the space request and space justification form fully. She thought if there was adjacent office space available B&G should use its expertise to determine if an agency really needed to expand its space, or if another agency could utilize that space better. These were exactly the types of situations that could help the State look deeper in order to save money. Mrs. Smith thanked Mr. King for his extraordinary effort, particularly for the identification of issues for the Legislature to consider during the 2011 Session.

Senator Woodhouse also thanked Mr. King for the work he did on the B&G report and presentation. She learned a lot about the Division from the information.

Senator Wiener wanted to build on what Mr. Conklin said about maximizing cost efficiencies in terms that acquiring more space might be more economical when negotiating leases. However, she wanted clarification about how the State had been creating greater efficiencies to shrink state government, yet page 8 ([Exhibit A](#)) clearly showed that the State's leased space had increased by 3 percent or approximately 46,000 square feet since 2008. She wanted to know what caused the expansion of leased space when programs were getting smaller.

Mr. Conklin clarified that he was not suggesting that more space was always less expensive, but he thought it was an important option and a better bargaining tool to use when negotiating leases whether for state government or private industry. He stressed the sole goal should be to maximize cost savings; however, other factors such as flexibility and being held accountable for cost maximization were also important. During the meeting, he said he received an email from a friend of his who he would consider a real estate expert. His friend thought that possibly the State was not asking the right questions with regard to market cost. Mr. Conklin also wondered if the Division consulted with experts in the private industry in order to make sound decisions. Do real estate brokers take advantage of the State because the brokers know the State must adhere to a strict formula? Could the State save money by having citizen advisors who were experts in their field involved with decision making by the Division? He would be interested in hearing from the Director's office.

Senator Woodhouse said there were a number of questions raised by Mr. King during his presentation and also by Committee members. She asked to entertain a motion for a formal document to be prepared and sent to the agency head, which would request answers to all the questions posed during the meeting.

Lastly, Mrs. Smith wondered how American Recovery and Reinvestment Act funding factored into the program to track energy use. She thought there might be new requirements to track energy use since stimulus funds were being utilized to retrofit various buildings and asked to explore that topic.

ASSEMBLYMAN CONKLIN MOVED TO FORMALLY ASK THE BUILDINGS AND GROUNDS DIVISION FOR ANSWERS TO QUESTIONS POSED BY COMMITTEE MEMBERS AND STAFF REGARDING THE NON-STATE OWNED BUILDING LEASE PROGRAM AND THE PROGRAM TO TRACK ENERGY USE.

SENATOR WIENER SECONDED THE MOTION

THE MOTION PASSED UNANIMOUSLY.

B. DEPARTMENT OF PUBLIC SAFETY – DIVISION OF PAROLE AND PROBATION.

The fundamental review of the base budget of the Department of Public Safety – Division of Parole and Probation was presented by Scott Edwards, Program Analyst, Fiscal Analysis Division. Mr. Edwards wanted to present some initial findings in the budget; therefore, he would move through areas of general or informational reference and focus on the core areas where there were potential issues that may interest the Committee.

Mr. Edwards directed the Committee to the table of revenues and expenditures for the Division on pages 23 and 24 ([Exhibit A](#)). He noted the revenues and expenditures were provided by category level, with revenues further broken down by individual revenue source. He said the table represented FY 2009 actual revenues and expenditures as well as the legislatively-approved funding levels for FY 2010. In addition, there was also an adjusted budget column representing FY 2010 work program adjustments completed year-to-date for the Division, which included reductions made during the 26th Special Session. There were also FY 2010 actual revenues and expenditures provided as of May 15, 2010. The table on page 24 showed FY 2010 year-end revenues and expenditures as projected by the agency as well as authorized full-time positions, which equaled 452.98 positions to date.

Senator Raggio asked if actual expenditures of \$35.8 million as of May 15, 2010, shown on page 24 was on target for the agency to meet its adjusted budget, or if the agency would be overspent.

Mr. Edwards said the Division was not over budget and projected to spend \$41.8 million in FY 2010. Senator Raggio said some very serious cuts had been made in what he thought was a critical budget. He was concerned and wanted to make sure where the Division stood considering the circumstances of the budget cuts. Mr. Edwards said using the agency's projected FY 2010 expenditures the agency was within its adjusted budget.

Page 25 provided an overview of the Division, which was primarily accountable for the community supervision of probationers, parolees and conditionally released inmates. Mr. Edwards said the Division's programs included the following:

- Pre-sentence investigations and making objective sentencing information and recommendations to the District Courts.
- Monitoring and enforcing offender compliance.
- Conducting pardons investigations and making recommendations to the Pardons Board.
- Conducting pre-parole, conditional release and incoming interstate compact investigations.
- Assisting offenders in reintegrating into society.
- Reporting misconduct and supervision violations to the District Courts.

- Collecting restitution payments and disbursing monies to the victims of crime.
- Collecting Court or Board ordered financial obligations.

Mr. Edwards noted the Division maintained multiple offices throughout the State with several offices in Las Vegas, which were recently consolidated into the state-owned Campos Building. The Division also maintained a central administration office, or headquarters, in Carson City and district offices in Carson City, Reno, Elko and Las Vegas. The Division was primarily supported by the General Fund. Secondary funding was provided through offender supervision fees, residential confinement fees and reimbursements including psychological evaluations and DNA testing. The Division also received federal funding for participation in task forces and other special operations as well as special programs concerning substance abuse counseling and child sexual predator programs. The Division operated under authority provided by NRS 480, 176, 176A, 209 and 213. The Division also operated under regulations provided in the *Nevada Administrative Code* (NAC), including NAC 213.220 to 213.280 pertaining to the Division's ability to collect fees to defray the cost of supervising offenders.

Mr. Edwards pointed out the Division's mission statement on page 26:

"The mission of the Division of Parole and Probation is to ensure public safety, offender accountability and victims' rights through effective community corrections."

It appeared to staff that the agency's mission statement generally reflected its core functions to the extent that ensuring public safety, offender accountability, and effective community corrections could be attributed to Offender Supervision, Fugitive Apprehension, and Pre-Sentence Investigations. Furthermore, he noted the agency's website suggested that the agency's efforts to collect and distribute restitution was what they associated with protecting victim's rights. Mr. Edwards said the Committee may wish to ask the agency to explain its mission and clarify how its core functions correlate to the actual mission statement. The mission statement was somewhat general and the Committee might want to understand how the agency correlated its core function to the mission it created.

Mr. Edwards said that apart from the performance indicators, the agency did not appear to have established goals, objectives, and/or strategies for achievement of its mission. Without clearly defined goals, objectives, and implementation strategies the Committee may wish want to address the agency in order to find out how the agency actively monitored its effectiveness and overall success to achieve its mission.

Pages 27 through 30 listed the agency's performance indicators. Mr. Edwards pointed out the table on page 27 that contained six relevant indicators, which remained consistent with those submitted as a part of The Executive Budget. He said that some notable trends were observed in the data that was provided by the Division. Mr. Edwards said indicator number 1, Supervision Fees Collected, would be discussed in the revenue section of the report. In regard to performance indicator number 2, the

Percentage of Parolees Exited Successfully (those that are discharged or terminated from supervision without being re-incarcerated or experiencing revocation), the agency reported a change from 86 percent success rate in 2009 to a 77 percent success rate in 2010, which was a decline of approximately 9 percent. For performance indicator number 3, Percentage of Probationers Exited Successfully, the percentage reported remained consistent from year to year; however, the success rate when comparing parolees and probationers dropped off considerably. Whereas the parolees experienced a success rate of 86 percent and 77 percent respectively, the probationers experienced a success rate of 63 percent and 62 percent, respectively. Mr. Edwards said indicator number 5 showed a 20 percent decline from FY 2009 (reported actual) to FY 2010 (projected) in the success rate for the 317 Program, which was first and second time felonies for non-violent offenders. Lastly, Restitution Fees, indicator number 6, were projected to decline approximately 11.1 percent from \$3,426,000 in FY 2009 to \$3,045,781 in FY 2010. He said the agency was projecting a further decline of 10.7 percent to \$2.7 million in FY 2011 for restitution fees collected. Written material on all the performance indicators followed the table and Mr. Edwards highlighted several. He started with the Percentage of Parolees (exited successfully) and said the agency reported a 77 percent success rate in the table, which appeared to be less than the same indicator reported monthly throughout the year, which averaged 83 percent as of April 2010. He thought the agency should be asked to explain the disparity between statistics provided by the agency for that report and statistics provided routinely throughout the year. Next was the Percentage of Probationers (exited successfully) and Mr. Edwards said the Committee might want to ask the agency to discuss the factors that contributed to reduced success rates for probationers in comparison to success rates for parolees. He also noted there were disparities between the statistics the agency reported monthly and the data provided for this report concerning the Percentage of 317 Program Participants (exited successfully). The Committee may also wish to ask why the agency's 68 percent projection for 317 Program Participants in FY 2010 was 20 percent below the success rate reported for this measure (88 percent) in FY 2009. In regard to Restitution Fees, the agency reported a projected 11.1 percent decline for FY 2010 when compared to FY 2009, and a further 10.7 percent decline from FY 2010 to FY 2011. Mr. Edwards provided a table on page 29 with information from the agency, which highlighted an active account outstanding for restitution fees, an inactive account outstanding for restitution fees, actual receipts including the projection the agency provided for FY 2010, and a summary of the restitution fees distributed. The agency reported active accounts totaled \$88.2 million as of May 31, 2010, an approximate 6.3 percent increase over FY 2009 and inactive accounts totaled \$278.2 million as of May 31, 2010, which was an approximate 11 percent increase over FY 2009.

Senator Raggio said he did not know what an active account and an inactive account meant. He asked if an inactive account was one where restitution had been ordered, but was not being paid.

Mr. Edwards said that was an assumption that could be made, but the agency should be asked to define an active versus and inactive account. In addition, he thought the agency should explain why it projected a decline in the total restitution receipts for both FY 2010 and FY 2011. He also noted there was an apparent decline from FY 2009 to FY 2010 of \$1.3 million or 36 percent. Therefore, the Committee may wish to ask the agency why the amount of restitution distributed had declined when compared to the previous fiscal year.

Senator Raggio said the data showed only about one-fifth of the restitution ordered was being paid. He said that from his experience as a prosecutor, he knew it was very difficult for anyone who left parole or probation to make restitution, so those numbers did not surprise him. In the poor economy, when people were out of work and employment was scarce, it was not startling to have that high of a figure for unpaid restitution. He thought it would be helpful for the agency to provide an overview.

Mr. Edwards said page 30 showed statistical data for the following additional performance indicators not published in The Executive Budget:

- Percentage of Prison Recommendations (received Court Concurrence)
- Percentage of Probation Recommendations (received Court Concurrence)
- Percentage of 298 Program Participants (exited successfully from the compassionate release program)
- Percentage of 184 Program Participants (exited successfully from the drug court program)

Mr. Edwards moved on to pages 31 and 32, Parole and Probation Functions and Activities. The areas of core functions identified for the agency included the following:

- Offender Supervision
- Pre-Sentence Investigations-Court Services
- Fugitive Apprehension
- Re-Entry and Residential Confinement Programs
- Interstate Compact Unit
- Pre-Release Unit

Continuing, on pages 33 to 37 Mr. Edwards said the Division's Command Structure and Authorized Staffing was provided with the respective structure, staffing, and core functions summarized for each command throughout the State. For orientation purposes, he noted information for each command contained a table that summarized the command's authorized positions and associated functions.

The first section on page 33 addressed the Division's Headquarters, which included the Interstate Compact Unit, Pre-Release Unit and Fugitive Apprehension. In addition, this command provided administrative, general service, executive audit and fiscal support to the Division. The Division reported actual monthly caseload data, which demonstrated statewide totals of 22,313 units for April 2010. Headquarters represented 5,331 units or

approximately 23.9 percent of the total statewide caseload, primarily consisting of pre-release, warrants and interstate compact cases. In regard to authorized staffing, he pointed out the Division Chief (only in Headquarters), was the first authorized position listed followed by Majors, Captains, Lieutenants, Sergeants and Officers with their correlating numbers of authorized FTE. The sworn FTE were followed by Civilian positions including an Administrative Services Officer, Management Analyst, Parole and Probation Specialists and Administrative support staff. For the Headquarters command, Mr. Edwards identified a Lieutenant overseeing the Executive Audit and General Services functions in addition to an Officer assigned to the General Services function itself. He noted that the General Services Unit, as described on the agency's website, provided technical support to Division staff for computer hardware and software. It also oversaw the installation of criminal history repository software as well as training, maintained archived defender files, and was responsible for disseminating this information. The General Services Unit also conducted internal policy compliance audits, performed firearm coordination and safety inspections, and facilitated the Headquarters telecommunications system. Mr. Edwards said it was not clear why the General Services Unit would require a Lieutenant (a sworn position) for supervision, or why there was an Officer position assigned to the unit since Officer positions were budgeted in this agency to perform offender supervision functions. He thought the Committee may wish to seek an explanation for the purpose of these positions assigned to the General Services Unit, and ask whether the Officer position maintained a supervision caseload. In addition, the Committee may wish to ask if the assignment of this Officer position caused offender supervision cases to be assigned to other sworn staff in excess of legislatively-approved offender-to-officer supervision ratios.

As previously noted there was a Lieutenant supervising one Management Analyst and a Parole and Probation Specialist IV in the Executive Audit Unit. Since the materials provided by the agency did not adequately describe the functions of the Executive Audit Unit, the Committee may wish to ask the agency to explain the Executive Audit function, the purpose of the unit and why a Lieutenant appeared to be assigned and supervise two civilian positions. Furthermore, in regard to both the General Services and Executive Audit Units, the Committee may wish to ask how the Division measured its relative and respective effectiveness of these Units, and how these functions related to the agency's mission statement.

The Northern Command's jurisdiction encompassed Washoe, Churchill, Lyon, Storey, Carson City and Douglas counties. This Command typically performed offender supervision, court services and re-entry programs. It represented 4,500 units as of April 2010, which is 20.2 percent of the total statewide caseload. Mr. Edwards noted there were 57 Officer II positions listed for the Northern Command, with 2 Officer II positions identified for court services functions and 2 Parole and Probation Specialist III positions, which were identified under Offender Supervision Units. He also said the Northern Command designated 1 Officer as a GPS Officer II (repeated designation in the Southern Command) and the agency reported that there were no offenders in its GPS program at this time. He thought the agency should explain the designation as well as the specific functions of the GPS Officer in relation to other Officer positions

assigned to offender supervision functions. Since there were no offenders monitored by GPS, do these Officers designated for GPS responsibilities therefore assume standard offender supervision caseloads?

In addition, the Northern Command included two Officer positions that appeared to be assigned to Court Services. Mr. Edwards explained the court service function historically had involved the use of non-sworn personnel. He said the agency should clarify what functions these positions performed and how the assignment of these positions to Court Services affected the ability of the Division to supervise offenders. There were also two Parole and Probation Specialist III positions that appeared to be assigned to offender supervision areas. The agency had previously reported that two Parole and Probation Specialist positions in the Northern Command were assigned to absconder caseload rather than Pre-sentence Investigations caseload. He said the agency should confirm the purpose and functions of the two Parole and Probation Specialist III positions assigned to the Offender Supervision Unit.

The Northern Command Rural jurisdiction comprised Elko, Humboldt, Pershing, Lander, Eureka, White Pine, Mineral, Esmeralda, Nye and Lincoln counties. The Command typically performed supervision and court services functions. The monthly caseloads reported for April 2010 represented approximately 990 units or 4.4 percent of the total statewide caseload. Authorized staff included four Sergeants, which appeared to perform supervision functions, including maintaining actual offender supervision caseloads. Mr. Edwards said he was not aware that Sergeants were assigned offender supervision caseloads in the rural commands. He said Sergeants had not been factored into the agency's caseload driven staffing requirements, which in the past had been applied to the number of Officers necessary to maintain legislatively-approved offender-to-officer supervision caseloads. Therefore, the agency should explain how Sergeants were utilized in rural locations and how the Sergeants specifically in Winnemucca, Elko, Ely, Tonopah and Pahrump maintained supervision caseloads. If the four Sergeants in the rural areas supervised offenders in the same manner as an Officer II he questioned if the Sergeants should be included in future calculations to determine the number of positions required to meet the Division's caseload requirements.

The Southern Command covered Clark County and performed Offender Supervision, Court Services, Re-entry Program and Fugitive Apprehension in addition to specialized substance abuse counseling programs and specialty units including the Parole Board, the Division of Investigations and other areas. The Southern Command represented approximately 51.5 percent of the total statewide caseload as reported for April 2010. The table on page 36 showed the authorized staffing for the Southern Command. He pointed out in the table there were descriptions provided for Lieutenants and Sergeants that also applied to Officers, which depicted other functions performed. Those functions depicted in the table represented specialty units such as Spanish Speaking, Drug Court and Interstate Compact functions. Mr. Edwards noted the agency's organizational chart depicted one Lieutenant in the Southern Command without assigned staff. The agency should explain the position's function and clarify whether staff had been assigned to this

position. The Southern Command also appeared to have one Officer II assigned to Court Services functions, one Officer II assigned to Parole Board functions and two Officer II positions to Division of Investigation functions. Staff previously understood that the two Officers assigned to the Division of Investigations function participated in U.S. Marshal's Fugitive Investigative Strike Team task force, but it was not clear if those Officers also maintained offender supervision caseloads. He thought the agency should explain the functions of the Officers assigned to Court Services, the Parole Board and the Division of Investigations since it was not clearly defined, and clarify if those Officers maintained offender supervision caseloads. The agency's organizational chart also included a Management Analyst position that appeared to be assigned to support the Major position for the Southern Command. Also, a Captain appeared to be supported by one Administrative Assistant II and one Administrative Assistant IV. Mr. Edwards said that in each of these cases the agency should clarify the actual tasks performed by these support positions. The organizational chart also depicted a Public Safety Training Office, which consisted of one Parole and Probation Specialist IV and three Parole and Probation Specialist III positions. The agency should explain the apparent change in the structure and functions performed by the Public Safety Training Office, which consisted of two Officer II positions as depicted during the 2009 Session. Lastly, the Southern Command's organizational chart depicted a Risk Control Unit consisting of 3 Sergeants, 20 Officer IIs and I Administrative Assistant. Mr. Edwards said it appeared to be a newly created unit since the 2009 Session. He thought the Committee may wish to know the purpose and function of the Risk Control Unit.

Senator Raggio said he did not understand what the Risk Control Unit was and how its purpose fit into all the other components of the Division.

Mr. Edwards said the agency was asked to explain the function of the Risk Control Unit in an e-mail dated June 15, 2010, but unfortunately, an answer was not forthcoming.

Mrs. Smith asked if an agency could create a new unit after their budget was developed during session.

Mr. Edwards said the agency's organizational chart had changed over time to suit the agency's needs. To the extent defined units were created, dissolved and recreated in another form to meet the agency's operational need and functions, that may be under the agency's authority to do so for their ongoing daily operations in performing its mission. Mr. Edwards said staff was not clear if the Risk Control Unit was previously called another name in the past, and was represented by a prior organizational structure. There was not a clear link or nexus between the previous units reported and what was represented in the agency's new organizational chart. The agency may have performed the functions of the Risk Control Unit in the past; it just may have been called something else.

Moving on to pages 38 and 39, which provided an overview of the caseload trends for the Division. Mr. Edwards provided the legislatively-approved caseload ratios for offender-to-officer supervision including pre-sentence investigations and other caseload ratios as follows:

64:1 PSI/Supplemental PSI
70:1 Regular Supervision
30:1 Intensive Supervision/House Arrest/Inmate
45:1 Sex Offender Units
150:1 Miscellaneous
250:1 Headquarters

Mr. Edwards referred to the table depicted in the middle of page 38, which provided the actual average caseloads by fiscal year from FY 2006 through FY 2009. In addition, the FY 2010 legislatively-approved caseload level, which was the projected caseload utilized during the 2009 Session to establish the offender-to-officer supervision levels as it related to Officer requirements. The last column of the table provided the actual average caseload for FY 2010 through April 2010. He noted that the projected caseload information utilized by the Legislature during the 2009 Session to approve budgeted Officer and Specialist positions represented an increase of 1.8 percent when compared to the 2009 actual average caseloads. However, the actual average caseload experiences in FY 2010 demonstrated a decline of 3.9 percent, when compared to FY 2009.

Senator Raggio asked if the reduction in percentage would carry through to the end of FY 2010 since the data in the table only measured through April 2010.

Mr. Edwards explained the table represented the average caseload for FY 2010 through April 2010. Meaning, the table represented a 10-month period between July 2009 and April 2010 of total statewide caseload information reported by the agency on a monthly basis. The table provided represented the average for that period of time. He thought over the ten months of FY 2010 the reports had showed the average to remain consistent throughout the year. Senator Raggio said it would be helpful to have additional current information since the fiscal year was nearly finished. Mr. Edwards further explained there was a lag time between the month-end and the agency's ability to report caseload data with May 2010 data just recently received.

Referring to information regarding an Officer assigned in the North and the South to GPS monitored offenders, Senator Wiener asked Mr. Edwards to find out from the agency if those Officers were factored into the average caseloads since there were no GPS cases. She wondered what the ratio might be if those Officers were taking cases.

Mr. Edwards said there were several instances where Officers had been assigned to functions such as the Parole Board, the Division of Investigations, the General Services Unit and Court Services and it was not clear from the agency whether those Officers were maintaining caseloads. He agreed with Senator Wiener that was an area that

should be explored with the agency to determine whether additional caseloads were being dispersed among the other Officers, or if those Officers in the specialized units were sharing in the offender supervision caseload levels.

Senator Wiener asked Mr. Edwards when he acquired that information if he would make a comparison of the numbers to see if those Officers were carrying the statutorily mandated caseload or not. She said she would appreciate seeing that comparison.

Mr. Edwards said that the average caseload trends had been depicted as generally flat from year-to-year, or a modest decline. The agency cited there were several factors that contributed to this trend including the passage of A.B. 259 during the 2009 Session, which allowed gross misdemeanants to earn good time credits resulting in earlier discharges. In addition, the agency reported there were fewer offenders placed on supervision due to fewer referrals from the various judicial districts. He noted the Pre-Sentence Investigations caseload had declined by approximately 6 percent from 2008 to 2009 followed by a further decline of approximately 9 percent from 2009 to 2010. He thought the Committee may wish to ask the agency to discuss the decline in the average number of Pre-Sentence Investigation from 2008 to 2010, in order to better understand the factors contributing to this trend.

On pages 40 to 43 was information on the Division's revenues. Mr. Edwards said the chart provided on page 40 depicted the projected revenues by source for FY 2010. The chart showed that approximately 92 percent of the Division's funding was derived from the General Fund, which included projected reversions. The source of the remaining 8 percent was largely driven by supervision fees followed by minimal funding derived from other fees and transferred from the Office of Criminal Justice (federal funding). He noted that for FY 2009 and FY 2010 the General Fund typically represented 92 to 93 percent of the annual revenue. In addition, the General Funds provided for the Division by the 2009 Legislature represented a \$5.4 million decrease from FY 2009 actual funding. Furthermore, during the 26th Special Session, the Division's General Funds were reduced by approximately \$1.5 million, which included position eliminations and associated non-personnel expenses approved as reductions in response to the projected General Fund shortfall.

Moving on to Supervision Fees, Mr. Edwards said pursuant to NRS 213.1076 the agency was authorized to charge each parolee, probationer or person supervised by the Division through residential confinement a fee to defray the cost of their supervision, which equated to a monthly fee of at least \$30.00 payable to the Division of Parole and Probation. He explained the Division Chief had the statutory authority to waive the fee to defray the cost of supervision, either in whole or in part, if the Chief determined the payment of the fee would create an economic hardship on the offender. Unless the fee was waived by the Division Chief, the payment of the fee was a condition of the offenders' parole, probation or residential confinement. On page 41, a table comparing FY 2009 and FY 2010 Supervision Fees was provided concerning active accounts outstanding for restitution fees, inactive accounts outstanding for restitution fees, and receipts. The agency reported for FY 2010 there was approximately \$9 million in

outstanding active accounts, a \$3.1 million increase over FY 2009 or 53.8 percent. For inactive accounts, the agency reported \$17.7 million for FY 2010, which was a slight increase over FY 2009. The agency projected receipts totaling approximately \$3.0 million for FY 2010, an approximate 4.9 percent decline from FY 2009. Mr. Edwards suggested that the Committee ask the agency to explain the difference between an active and an inactive account. He also thought the Committee may wish to have the agency explain the factors that contributed to an increased balance in outstanding active accounts (53.8 percent) despite a declined caseload, as well as the factors contributing to the 4.9 percent projected decline in actual Supervision Fee receipts. Mr. Edwards noted that according to NAC 213.270, the agency was limited to accepting checks or money orders payable to the Division of Parole and Probation for Supervision Fee payments. The regulation restricted the agency from accepting cash payments. The Committee may wish to ask the agency whether or not it had pursued regulatory amendments to expand Supervision Fee payments to include cash, debit cards or other forms of electronic payment, and if the regulatory changes were enacted would the agency anticipate an increase in the level of collected receipts.

Senator Wiener said since Supervision Fees were a mandatory part of an offenders parole, probation or residential confinement unless waived by the Division Chief she would be interested to know how many offenders not in compliance with paying their fees were granted a waiver.

Mrs. Smith asked if the agency had ever implemented a payment plan or a collection process through an offender's employer. To clarify, Mr. Edwards asked Mrs. Smith if she was referring to garnishing an offender's wages through his employer. He said the policies and procedures for collecting Supervision Fees had already been requested of the agency; but he would follow up on her question as well. Mrs. Smith said she would like to look at the collection rates for offenders who were employed versus the collection rates for offenders who were unemployed. She wondered if there was a strict policy in place, if an offender was working, to pay or be in violation of his parole or probation.

The next revenue area on page 41 was Transfers from Criminal Justice, which represented federal funds subgranted to the Division for the purpose of implementation of the following programs: Substance Abuse Counselors, Substance Abuse Counseling Assistance Program and Child Sexual Predator Program. Mr. Edwards noted there were correlating expenditure categories for these programs, which would be discussed later in the presentation.

Pursuant to NRS 353.220, Section 5(a), Governor Gibbons approved \$430,895 in Federal Justice Assistance Grant funds provided through the American Recovery and Reinvestment Act for the Substance Abuse Counselor program. The purpose of the sub-grant to the Division was to establish a pilot program consisting of three substance abuse counselors and related costs within the Southern Command. The purpose of the counselors was to provide offenders who had counseling as a special condition of their parole/probation (primarily for controlled substance abuse) with timely evaluations and ongoing counseling services in an effort to decrease recidivism. Mr. Edwards said

federal funds for FY 2011 were included as a component of this award and were placed in reserve. Furthermore, the Interim Finance Committee at its November 2009 meeting approved the agency for \$250,000 in Federal Justice Assistance Grant funds provided through a Congressionally Selected Award for the Substance Abuse Counseling Assistance program. This program provided vouchers to offenders for participation in licensed substance abuse counseling programs with the goal of decreased recidivism by those completing the program. Lastly, at the February 2010 Interim Finance Committee meeting the agency was approved for \$28,129 in federal funding under the Child Sexual Predator Program, which was a component of the COPS 2009 funding and awarded to the agency for incurring necessary overtime for participation in the program. The program was primarily implemented by the Division of Investigations with participation from Parole and Probation, in order to locate unregistered sex offenders and apprehend fugitives wanted for sex offenses.

Mr. Edwards said other agency revenues were derived from Psychosexual Evaluation Testing Fees, Residential Confinement Fees, GPS Program Fees and DNA Testing Fees. GPS Program Fees were assessed to offenders on house arrest, but revenue was dependent on the number of offenders on GPS monitoring, as well as the actual amount paid by the offenders. The agency reported there were no offenders currently on GPS monitoring. The agency also received reimbursements directly related to costs incurred for overtime while participating in drug related task forces with the U.S. Marshal, local Carson City Sheriff's Office and High Intensity Drug Trafficking (HIDTA). The agency also had the ability to receive reimbursements relative to extradition services required.

Senator Raggio thought the agency should be asked if there were any other potential federally funded grants that might be available to the Division.

Mr. Edwards said the Committee could ask the agency for information on federal funding opportunities to support continuation of programs already in place, or other programs that might support the agency's mission. He added, at the Interim Finance Committee's June 2010 meeting, the agency was approved for funding for the PRIDE (Purpose, Respect, Integrity, Determination and Excellence) program, an interlocal agreement with the Department of Employment, Training and Rehabilitation. The program established two Parole and Probation Specialists to provide additional employment and other assistance to offenders in reintegrating into society. To his knowledge, it was not a federally funded program; however, it was a source of other assistance provided to the agency in FY 2011.

Mr. Edwards said pages 44 to 52 contained information regarding the agency's Expenditures. Category 01 represented personnel costs, which was salary and benefit costs for the agency's filled positions and accounted for approximately 83 percent of the the FY 2010 projected expenditures. The Division had 452.98 authorized positions – 260 sworn and 192.98 civilian positions. He pointed out the table on page 44, which depicted the number of Officer and Specialist positions authorized as of June 25, 2010, and their respective vacancy rates. These authorized positions were budgeted

based upon the Division's caseload requirements. The 198 authorized Officer positions included the reductions implemented during the 26th Special Session. As of June 25, 2010, there were 173 filled positions with a 12.6 percent vacancy rate or 25 vacant positions.

Page 44 also showed a table of the caseload driven number of Officers required to maintain cases under a legislatively-approved offender-to-officer supervision ratio – Regular Supervision (70:1), Intensive Supervision or House Arrest (30:1), Sex Offender Units (45:1), and Miscellaneous Caseloads (150:1). Based on the average caseload in FY 2010 (through April 2010) using the applicable supervision ratios the total number of Officers required was 218 (rounded). However, based upon the total number of authorized staff, it appeared the Division had 20 fewer Officers than necessary to supervise the actual number of offenders. Coupled with the vacancy rate, it appeared there were 45 fewer Officers than required based upon the actual supervision and legislatively-approved offender-to-officer supervision ratios. Given the apparent shortfall of Officers, he thought the Committee may wish to ask the agency what caseload ratios were currently being maintained for the sex offenders and the intensive supervision offenders.

Mrs. Smith thought the State was already on the high end of the national scale for Officer caseloads. Adding the vacancy rate would put the caseload ratio even higher. She commented it seemed the State was not in very good shape with those two factors combined.

Mr. Edwards indicated that data was not available to depict the State was on the higher end of the national caseload ratio. Fiscal Analysis Division and Research Division staff collaborated to conduct a non-scientific survey of six states, which were geographically dispersed nationwide, to assess the type of caseload ratios in effect across the country. The preliminary findings suggested there was no clear indication as to where Nevada would fit on a nationwide level. The survey showed that states set their own individualized ratios according to their respective needs taking into consideration the context of the services they are required to provide, and the caseloads experienced.

Mr. Edwards said that historically the agency had addressed a shortfall of Officers via an Administrative Bank. As of June 1, 2010, the agency reported 1,695 offenders on the Administrative Bank in Las Vegas. The Administrative Bank represented all gross misdemeanants and Category E felons who did not have a conviction involving violence, and who typically would be classified under regular supervision. The Division indicated three Officers were assigned to the Administrative Bank cases, which was an approximate average caseload of 565:1. The legislatively-approved ratio for these cases was 70:1 and would require 24 Officers to supervise the Administrative Bank cases at that level, instead of the 3 Officers assigned to date. He said the agency reported that it has always had more cases than it could supervise. The agency attributed its higher caseloads and use of the Administrative Bank to unfilled positions, officers in the academy, and/or officers on extended leave. Mr. Edwards said the Committee may wish to ask the Division about the practice of using an Administrative

Bank and its effectiveness in supervising offenders to ensure compliance on the part of the parolees and probationers.

Senator Raggio seriously questioned the effectiveness of the Administrative Bank even though it was supposedly limited to offenders charged with gross misdemeanors or non-violent Category E felonies. He thought 565:1 was an impossible supervisory rate for three Officers and not realistic. He was concerned whether other types of offenders may fall into the Administrative Bank because of the shortfall of supervisory personnel in the regular supervision category. Senator Raggio was interested in finding out from the Division if the Administrative Bank included any other categories of offenders besides gross misdemeanants and Category E felons. He thought the lack of supervision in the Division had been a problem for a long time and the Division was never funded adequately. It was typically one of the first places to receive cuts, which was unfortunate because it was a vital area of public safety.

Mr. Edwards noted that information obtained in the non-scientific survey of six states showed Oregon and Pennsylvania had implemented an Administrative Bank.

In regard to the number of Parole and Probation Specialists; however, Mr. Edwards said it appeared that the agency had a sufficient number of Specialists to satisfy the average caseload requirements as reported through April 2010.

On page 45, Mr. Edwards pointed out the next expenditure categories Out-of-State Travel (Category 02) and In-State Travel (Category 03). Funding for Out-of-State Travel represented one employee to attend the annual conference for the American Association of Probation and Parole. He said In-State Travel was a primary expenditure area for the Division. In-State Travel included monthly Motor Pool rental charges, which the agency was projecting to be just under \$1.3 million for FY 2010 and would represent nearly all of the projected expenditures for the In-State Travel category. Historically, Motor Pool vehicles for the Division had been approved based upon the authorized number of Officers using a vehicle to perform Offender Supervision functions. Due to the budgetary reductions in the 26th Special Session, staff requested the Division to provide an updated Motor Pool listing of its assigned vehicles in its rental fleet. Staff reviewed the information (March 2010 data) and found the Division had 211 vehicles in its Motor Pool rental fleet. Mr. Edwards said 172 vehicles had a designated purpose of "Officer II Caseload" and appeared to be assigned to a filled position. However, 1 vehicle with a designation of "Caseload General Supervision" was assigned to a vacant position. He said it appeared that 173 vehicles were designated for Offender Supervision, which was generally consistent with the number of authorized Officer positions filled as of June 25, 2010. The Division was asked to provide justification or an explanation of how it was using the remaining 38 assigned Motor Pool rental vehicles. According to the information provided by the Division, it appeared the 38 vehicles were not assigned for Offender Supervision functions. The Division reported that 7 vehicles were being used by their Court Services staff and 11 vehicles were assigned to the Division Chief, Majors, 4 Captains, 3 Lieutenants and 1 Sergeant. Mr. Edwards said the reason for these vehicle assignments included travel to

Department of Public Safety Headquarters for meetings, personnel hearings, hiring boards, firearm meetings and interview panels. Furthermore, the agency indicated there was also travel to the Training Division to attend background review hearings, training meetings and to conduct training. Inter-agency travel responsibilities included meetings with the Department of Corrections, the Parole Board and Legislative budget meetings and hearings. The agency also cited audit functions that required travel to offices across the state. It was also reported that when the vehicles were not in use by assigned command positions they were being used by civilian staff to attend Court and Parole Board functions, delivery of time sensitive items and making bank deposits. Mr. Edwards said the Committee may wish to ask the agency about the practice of assigning Motor Pool vehicles to command staff for these purposes. Does command staff utilize these vehicles for daily commuting to and from their personal residences? Had the agency conducted a cost/benefit review of utilizing personal vehicles for some or all of these functions with state-funded mileage reimbursement rather than vehicle rental charges?

Mr. Edwards pointed out the agency had also identified a pick-up truck that had been assigned to a Sergeant who served as the designated Armorer, and a vehicle assigned to a Lieutenant in the Elko office for required extensive travel to offices in Pahrump, Tonopah, Ely, Winnemucca and Elko. Vehicles were also assigned to Sergeants in rural offices responsible for supervision of offenders as well as supervision of Officers. The agency also reported 15 Motor Pool vehicles assigned to personnel for select command staff and for specific functions including General Supervision, Sex Offender Unit, Gang Unit, Spanish Speaking Unit, House Arrest Unit, Intensive Supervision Unit and the Risk Control Unit. The report showed both Lieutenants and Sergeants in various offices utilized the 15 vehicles for supervision of personnel and administrative functions. These positions were responsible for field operations with high profile cases and worked in conjunction with other law enforcement, judicial and community agencies within the framework of community corrections. These vehicles were the first ones assigned to new Officers when cleared to work in the field on their own. Mr. Edwards said the Committee may wish to ask the agency to clarify and explain how the vehicles were utilized in the specific functional areas as noted.

Continuing with Expenditures, Mr. Edwards said the Operating Category (Category 04) represented various areas of expenditures including supplies, ammunition, printing, insurance, contractual (e.g. alarm system monitoring) and professional (e.g. temporary staff) services, building rent and maintenance, gasoline, postage, dues and registrations, operating lease payments, and other general expenses attributed to the agency's ongoing operations. Of the \$2,162,200 projected by the agency for FY 2010, building and office rent accounted for \$1,658,342 (approximately 76.7 percent) with costs divided between state-owned (\$549,379) and non-state-owned (\$1,108,963) facilities. In FY 2010, three Parole and Probation offices in Las Vegas were combined in the newly constructed state-owned Campos Building. Although the Campos Building was shared by other Public Safety agencies including the Director's Office, Criminal History Repository, Highway Patrol, Administrative Services and the Technology Division, the Division of Parole and Probation was the primary Public Safety tenant.

Mr. Edwards noted the agency conducted site tours of the Campos Building to provide insight into the consolidated Las Vegas operation and the Division indicated it might sub-lease additional space to other agencies. He said the Committee may wish to confirm the status of the Division's relocation to the Campos Building as well as ask the Division to discuss its operational status within the new facility and if it anticipated using all of the space originally allocated for Parole and Probation functions.

Mr. Edwards indicated the lease for the Reno office located in downtown Reno was anticipated to expire on June 30, 2010. The agency requested One-Shot funding in Non-State-Owned rent appropriations during the 2009 Session in order to relocate the Reno building. The funding included operating costs as well as equipment and related information services. He said the agency received authority to balance forward these remaining funds to FY 2011 in case the relocation was delayed past FY 2010. The Committee may wish to ask the agency for the status of the Reno office relocation and the expected change in annual lease expenses associated with the new space.

Moving on to Equipment (Category 05), Mr. Edwards said \$111,744 budgeted in FY 2010 was for furniture associated with the Reno office relocation. The agency projected \$95,822 in savings due to the majority of furniture requirements included in the new Reno office lease. The Committee may wish to ask the agency to explain how their furniture requirements for the new Reno office were met through the building lease and if it would result in the agency paying more for the furniture over time.

Mr. Edwards said Police and Fire Physicals (Category 15) was reported by the agency to have a projected savings of \$63,493, which was attributed to vacancies. Of the 260 authorized sworn positions, 230 positions were filled (an 11.5 vacancy rate); therefore, it was not clear why the agency would only project to expend approximately 57 percent of its funding for staff physicals. The Committee may wish to ask the agency to explain its expenditure projection for this category.

In the interest of time, Mr. Edwards indicated he would not go into detail on the remaining expenditure areas on pages 49 through 51. He noted the functional expenditure areas included the following:

- Parole and Probation Return (Category 16) – extradition of offenders back to Nevada
- Drug Tests (Category 17) – costs associated with drug testing offenders
- Switcher (Category 20) – special communication line linked to other enforcement agencies
- Community Programs in Las Vegas and Reno (Categories 22 and 23) – services that worked with probationers and parolees to assist in job placement
- Psychosexual Evaluations (Category 24) – exams ordered by the court
- Information Services (Category 26) – information systems support related to the Department of Public Safety's Records and Technology Division
- Specialty Equipment (Category 29) – ballistic vest and uniform replacement for authorized officer positions

- Training (Category 30) – travel, course dues, and registrations associated with employee training
- Interstate Compact (Category 33) – membership dues for the Interstate Compact
- Meth Target Enforcement (Category 34) – overtime costs for participation in a federally funded statewide program targeting illegal use of controlled substances
- HIDTA Grant (Category 35) – overtime costs for participation in a federally funded High Intensity Drug Trafficking task force
- Residential Confinement (Category 36) – contractual services for the electronic monitoring of offenders on house arrest
- GPS Tracking (Category 37) – officer related expenses for two officers (one in North and one in South) for GPS monitoring of offenders
- COPS Child Sexual Predator Program (Category 38) -- overtime costs for participation in program increasing statewide effectiveness against child sexual predators
- Substance Abuse Counseling Assistance Program (Category 52) – provided vouchers to offenders for purpose of participating in licensed substance abuse counseling program with the goal of decreased recidivism
- Substance Abuse Counselors (Category 55) – established a pilot program consisting of three substance abuse counselors within the Southern Command
- Utilities (Category 59) – cost for utilities at the Division’s office locations
- NHP Dispatch Cost Allocation (Category 81) – costs associated with funding the Department of Public Safety’s dispatch center
- Inter-Agency Cost Allocation (Category 82) – costs associated with department-wide expenses
- NDOT 800 MHZ Radio Statewide Cost Allocation (Category 83) – reimbursement to the Department of Transportation for access and use of the radio system
- Reserve for Federal Funds (Category 85) – Federal Justice Assistance Grant Funds for three substance abuse counselors within the Southern Command
- Purchasing Assessment (Category 87) – the Division’s share of costs for funding the state’s Purchasing Division

Mrs. Smith asked if Residential Confinement was a state-funded program and Mr. Edwards said yes.

Senator Raggio said the presentation showed a tremendous amount of time and effort by staff and provided a lot of good information. He said for decades it was debated whether Parole and Probation fit under the Department of Public Safety or the Department of Corrections for budgeting purposes, and thought that situation could be looked at again. In his opinion, there certainly could be efficiencies, but Parole and Probation had consistently been underfunded. The State needed to focus on the Division’s mission. The Division’s mission was important, that being public safety. He said public safety and dealing with the offenders special problems was important, especially the first-time offenders. He thought a much bigger and strenuous effort should be geared toward the first-time offender to decrease recidivism. Ordinarily the offenders that came out of the State’s penal system were repeat offenders and he said he was not implying that those offenders could not be changed, but the likelihood was

not as great. With the high caseload-to-officer ratios, he thought very little could be accomplished for most offenders, even though the Officers were working hard at their jobs. Parole and Probation was always a place where cuts were proposed and Senator Raggio said that was definitely a problem.

Senator Woodhouse entertained a motion to submit a formal letter to the agency to include the questions posed in Mr. Edwards's written document and additional questions posed by Committee members.

ASSEMBLYMAN CONKLIN MOTIONED TO FORMALLY ASK THE DIVISION OF PAROLE AND PROBATION FOR ANSWERS TO QUESTIONS POSED BY COMMITTEE MEMBERS AND STAFF REGARDING THE FUNDAMENTAL REVIEW OF THE BASE BUDGET.

SENATOR WIENER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Mrs. Smith commented that it was unfortunate the Building and Grounds Division and the Division of Parole and Probation could not have been present at the meeting to thoroughly discuss their budgets as well as answer questions. She thought it would have saved much of staff's time and solved issues at the meeting rather than whatever staff would have to do in the coming weeks and months to get the information. She wanted information and an update on the 305 DUI Program due to the Reno Gazette Journal article chronicling some of the offenders in the program that were on house arrest, and should not have been, subsequently leading to re-incarceration. She wanted information on that situation because it affected the performance indicators shown in the meeting packet. Mrs. Smith expressed her frustration that the agency was not allowed to attend the meeting and answer questions so the Legislators could make plans for the 2011 Session. She thanked the Fiscal Analysis Division staff for providing extraordinary information.

Senator Woodhouse said all the Committee members agreed with Mrs. Smith, but under the circumstances would just have to proceed in the best manner possible. She also expressed her gratitude to Fiscal Analysis Division staff for all the hard work on the information presented at the meeting.

IV. DISCUSSION OF APPROACHES TO BUDGETING.

Mr. Krmpotic directed the members to page 53 of the meeting packet ([Exhibit A](#)) to information pertaining to different budgetary formats commonly used throughout the United States. He said the information was provided due to interest from the members at the April 29, 2010, Interim Finance Committee meeting, when the Fundamental Review Committee was established and appointed. The members were interested in

different budget approaches or possibly different ways the Legislature could review the budget to improve its effectiveness. Page 53 showed a survey obtained from the National Conference of State Legislators (NCSL) website, which listed the budgeting approaches that various states used including a traditional incremental budgetary approach, a performance-based approach, a program-based approach and zero-based budgeting. He said pages 57 to 61 contained information on the incremental approach to budgeting, performance-based budgeting and zero-based budgeting, and pages 63 to 72 had detailed information on performance-based budgeting and zero-based budgeting. Mr. Krmpotic said he could not find detailed information regarding program-based budgeting. In the survey on page 53, Nevada was listed as utilizing a traditional incremental budgeting approach with an asterisk leading to a footnote on page 55, which indicated that the State was moving toward a performance-based structure.

He said Nevada predominately had a traditional incremental approach to budgeting as well as elements of other approaches. He explained there were portions of Nevada's budget that isolated the cost of a program in a single budget account and would be considered a program budget. He cited the Energy Assistance Program within the Division of Welfare and Supportive Services, and the Pollution Control Program within the Department of Motor Vehicles as examples. There were also parts of Nevada's budget that used a zero-based budgeting approach. The equipment category or equipment expenditures were a zero based expense in that whatever the agency spent in the prior fiscal year was eliminated from the base budget and was requested as new funding in The Executive Budget. In the last 10 to 15 years, there had been a concerted effort to include performance indicators in The Executive Budget; however, Nevada did not undertake a performance-based budgeting approach. Mr. Krmpotic said there were approximately 400 budget accounts reviewed by the money committees during each legislative session. To include expanded performance indicators for each of those budget accounts would take up considerable space in The Executive Budget, which was already three volumes of information to be reviewed. He said five or six performance indicators had been integrated into The Executive Budget in the past, depending on the available space.

Mr. Krmpotic said that staff did not have much to say about which approach was better. The Office of the Governor and the Executive Budget Office required agencies to list their major functions. He thought the Executive Branch attempted to prioritize major functions within agencies, and then agencies were tasked with assigning dollars and cost for those functions.

Mrs. Smith asked for the Committee to be provided with the letter that the Governor sent to the agencies regarding prioritizing its major functions. She wanted the members to see it in order to understand what would be happening for the budget submittals.

Mr. Krmpotic said that over time some of the budgets in state government had changed. He thought the biggest change was trying to align the budget structure to the organizational structure of an agency. He cited an example, using the Division of

Welfare and Supportive Services, and said the budgets were aligned along the lines of administration and field services, but not necessarily the major programs they were involved in such as TANF, food stamps and Medicaid. Similarly, The Department of Motor Vehicles' budgets used to be aligned along its major programs including registration and drivers' license. About 10 to 15 years ago the Department aligned its budgets along the lines of its organizational structure, field services, central services, and management services. In terms of Nevada's budget structure this was what staff had observed over the last 10 to 15 years. He asked the members for questions or comments.

Mr. Conklin thought the traditional method of budgeting was neither the most efficient or effective, but said it was probably the only method that fit the State's limitations. He did not suggest keeping it; however, thought staff or somebody from the outside could evaluate the States' legitimate options. He said the traditional method of state budgeting was basically a roll-up from the previous year and made assumptions that demand had grown with population and inflation, which was not entirely true. It also assumed that the economy today was exactly the same as it was when the last budget was passed, which was not true either. The traditional method also made a variety of other assumptions, but not to have assumptions required someone to spend time evaluating the budget, and that task was incumbent of the Legislators. Mr. Conklin thought Nevada's biggest limitation for this type of budgeting was that it had a part-time Legislature made up of Legislators who had jobs, families and private lives. Although the Legislators spent many hours of private time evaluating the budget it was still not enough. Another limitation was that the Legislature had term-limits and Legislators could only serve 12 years in the Senate or Assembly, which amounted to 24 months of legislating. By comparison, Nevada's 24 months of legislating in the 12-year term equated to one 2-year full-time term in California. He expressed that was not enough experience with a budget of this magnitude where six volumes that were 5 inches thick was just the Governor's Executive Summary. He was also concerned that a large portion of the budget was not exclusively governed by the Legislature, but by multiple elected governing bodies. If the budget was going to be performance-based then all those bodies would need to decide what the performance measures were. Not having sole control would mean that those multiple governing bodies could change the performance measures once the money was budgeted, and the goal of the Legislature at the end of Session might be morphed into something else. He thought we needed to find a new way to budget and make the budgeting process better than the present system, but would have to find a "Nevada blend" because just performance-based or traditional zero-based budgeting was not the answer.

Senator Raggio agreed with Mr. Conklin's comments especially about being limited as a part-time Legislature. He added that meeting biennially also meant Nevada had to budget for a longer cycle than other states. It was a monumental task to look at such a large budget in such a short amount of time. He thought the best approach would be to look at alternative budgeting or target budgeting, which was referenced on page 70 ([Exhibit A](#)). In addition to submitting their regular budget, the agencies would also submit an alternative budget. Before the 2009 Session, the Executive Branch

requested the agencies submit a regular budget and also alternative budgets with varying percentages of cuts. Senator Raggio said the Legislature would not be able to make sweeping changes to the budget all at once because of the limited parameters the Legislature operated under as the third branch of government.

Mrs. Smith said she appreciated the information. She thought Nevada could explore and look at the processes that worked for other states and then choose the pieces that could work in Nevada considering the limited timeframes of the Legislative Session. In Texas, some agency budget hearings were performed outside of the regular process and that was a concept she wanted to look into and consider for Nevada. She thought it could be helpful given the tight time constraints for determining budgets and open the process to the public. The public had been very receptive to town hall meetings for budget discussions during the Special Sessions.

Senator Woodhouse agreed that the town hall meetings were successful and helped in preparation for the Special Sessions. She added that the material in the meeting packet provided great information on the budgeting processes, which may be utilized in the future for developing Nevada's budgets.

V. DISCUSSION OF PUBLICATION OF THE NEVADA TAXPAYERS ASSOCIATION, *NEVADA ISSUES*, "SPENDING REFORMS FOR NEVADA."

Carole Vilardo from the Nevada Taxpayers Association discussed the publication *Nevada Issues*, "Spending Reforms for Nevada," located on page 73 ([Exhibit A](#)) and the Association's website www.nevadataxpayers.org. She said the article contained 64 recommendations on spending and was a compilation of some of the recommendations the Association had been making since 1990. The recommendations were not just cuts to the budget, but the article provided ideas on how to spend money more efficiently for today's times and in ways that were not available 10 or 15 or 20 years ago. She cited technology as a prime example, such as filing reports online and making deposits for various professional licenses. Technology allowed a state agency to manage its operation and personnel better and she said one of the problems was that the State had not invested in technology across the board. The State used multiple platforms, but if common platforms were developed it would improve information sharing between agencies, and reduce costs associated with maintaining those different platforms. The use of technology would also enhance employee productivity.

On page 76, Ms. Vilardo said the Taxpayers Association made very definite budget reform recommendations for times when a projected surplus in the budget was predicted. In order to have more efficiency throughout the State, one of the recommendations was to invest in technology improvements with both hardware and software, and to train employees how to use it. She remembered stories from the 1990s where computers were ordered, but sat in hallways because no one arranged for the installation or employee training. Ms. Vilardo said the Association also

recommended for supplemental reports to be available on disk or online and said she appreciated that The Executive Budget, due to the size and volume of the material, was also available online. She had taken part in the SAGE Commission, which developed some worthy recommendations and she encouraged the Committee to review them. She pointed out that the SAGE Commission wanted to survey state employees on some issues, but could not because common web and e-mail platforms did not exist. Ms. Vilardo thought the lack of technology statewide was inexcusable.

Ms. Vilardo said there was no one recommendation or a “silver bullet” in the Association’s report; although, she wished there was an easy answer to solve the State’s budget problems going into the 2011 Session. There were, however, recommendations in the report that the Association thought the State could implement immediately. Ms. Vilardo said she agreed with Senator Raggio about the difficulty in changing the whole budget process. She expressed that the Association had recommended program-based budgeting in the past and even included a pilot program in one of the bills in the 2009 Session. In its report, the Association wanted to present very clear objectives, which fit with statute. She said goals were something that one may want to do, but might never get to; however, an objective was a target that one could absolutely shoot for. For example, on the Association’s recommendation of performance management (page 75), an objective could be used to create management goals.

On page 84, the Association made various recommendations regarding education. One of the recommendations concerned expanding the use of technology in all school districts to assist English language learners (ELL) with specialized computer programs. School districts in the state of Utah and 85 schools in Clark County had been using a computer program designed for individual ELL students called Imagine Learning. Both Utah and Clark County schools had shown proven benefits in ELL and it had proven to be cost effective as well. The program was available in 12 languages, which alleviated the need to hire a teacher at a high cost to teach students who spoke a language other than English. Ms. Vilardo said there were 29,000 ELL students in Utah utilizing the Imagine Learning program. Utah calculated that hiring teachers to teach those students at an average of \$16,000 each would equate to about \$70 million. The master license for the program costs approximately \$7 million but because the Imagine Learning Company was based in Utah, the Utah school districts received a discount and paid \$3.5 million. Ms. Vilardo related a story of a student who came into the Clark County school district only speaking Russian. She wondered how a school district would provide an education to a student like that. A colleague of hers said the greatest need in Clark County schools was instruction for Spanish speaking students, but the second greatest need was instruction for students that speak the Tagalog (Philippines) language. One advantage of the computer program was if a student switched schools, within 24 hours the program could be installed in the new school. Ms. Vilardo said the program was selected on an open bid process and she had an opportunity to have a demonstration of the program. She was quite impressed with the program demonstration.

Ms. Vilaro said the Association had supported zero-based budgeting or priority budgeting as she liked to call it. Perry Comeaux, a staff person on the SAGE Commission explored other states budgets and made a presentation to the Commission. He found the state of Arkansas' laws were similar to Nevada and utilized a budget process called priority budgeting, which was started in 1945 and established three tiers of budgeting. In the first year, the agency would establish those priorities that had to be funded. In the second year, the next set of priorities would be identified, and the third year would categorize those items that would be nice to have but the lowest priority. She thought one of the constant problems with zero-based budgeting was the temptation that everything would become a priority to an agency. The priorities would have to be established utilizing some criteria such as if it were court mandated or federally mandated then it had to be on the priority list and there was no choice. It would be a way to start looking at priorities and identifying what was the most important.

Ms. Vilaro said the Association made some very basic recommendations; however, if implemented statewide the savings would be vast. She could not put a dollar amount on the savings, but the Association asked for the State to streamline processes and bring processes up to date with the results of the savings realized in the future. She hoped the Committee had a chance to look at the recommendations. She thanked the Committee for the opportunity to speak and expressed her gratitude for the reactivation of the Fundamental Review of the Base Budgets of State Agencies. She thought the Committee was necessary, even though it would be impossible to discuss every budget during the Interim; however, it was an opportunity to explore ideas. Ms. Vilaro said she would be happy to work with the Committee and would attend all the subsequent meetings.

Mrs. Smith thanked Ms. Vilaro for her presentation and her support for the Committee as well as the budget reform information from the Nevada Taxpayers Association. She thought the Committee served a valuable purpose in supplying budget information during in the Interim. With term limits in effect it would be a valuable training tool for newer members.

Ms. Vilaro said she thought discussing the budgets in the Interim might allow the public to become more engaged in the process to understand the parameters of providing the different programs.

Senator Woodhouse asked Ms. Vilaro if the three or four reforms she identified in her presentation were the ones she thought were priorities, or if there were others that might be number one for reform.

Ms. Vilaro said the reforms were grouped within a functional category. She believed all the reforms were important, but in her opinion, it would be important to focus immediately on one or two in each functional group. She cited examples of priorities for the following functional areas: Nevada System of Higher Education, K-12 Education and Technology. Ms. Vilaro said a priority for the university system was to effectively move the state classified employees into the university system. She explained that the

non-educational employees were on the state system not the university system, which meant different retirement systems, grievance procedures, promotion policies and pay scales. She thought the university system President's should be given flexibility to efficiently and effectively run their respective campuses. For K-12 Education, the priorities would be to assist English language learners and to give the school districts flexibility to determine the best use of class-size reduction funds because one size did not fit all. School districts could be required to have the approval of the State Board of Education for the alternate plan for the funds or be required to report on use of the funds. In the functional area of Technology she reiterated her thoughts on the importance of moving from paper generated reports and documents to the availability on disk and online.

Mr. Conklin wanted to comment on Ms. Vilardo's presentation regarding the consolidation of programs. Mr. Conklin said he wanted to give his thoughts on cost savings with program consolidation or program-based budgeting as opposed to line item budgeting. He said cost savings came in a variety of fashions and might not necessarily be a budget reduction, but it might be a significant increase in the number of people helped that came through efficiency. In many cases, the State's budgeting efficiency may not result in a dollar amount, but result in an amount of people helped, which equated to a cost savings. Sometimes when things were evaluated, it was not necessarily about the dollars that came back to the budget as much as it was about how much was spent per person helped. Mr. Conklin said he agreed with Ms. Vilardo's comments on program consolidation, which were positive about program-based budgeting or performance-based budgeting.

Senator Raggio thanked the Nevada Taxpayers Association and Ms. Vilardo for the presentation and the information. He thought the report was a thorough compilation of ideas most of which the Legislature had talked about over the years, and were all worthy of comment and support. However, he said the report primarily focused on expenditures, which was only half of the picture and the other half was revenues. While the ideas were all very good, he said there were a few he did not agree with. When discussing budgeting expenditures, revenues needed to be considered. He noted the first reform on page 75 included the phrasing essential services and he wondered who was going to agree on what essential services were. That is what the Legislature looked at every time the budget was built and everybody had a different opinion as to what defined essential services. The Legislature as a whole had always tried to compromise, decide what the essential services were and then prioritize the expenditure of funds.

Continuing, Senator Raggio said reform number 5 on page 76 referred to balancing the budget between revenues and expenditures and was something the Legislature had always done. The Legislature made sure that at the end of any fiscal year there was a balanced budget in place and that the State's expenditures did not exceed growth plus inflation. He said that there needed to be the same type of input or study on revenues and a study for local government as well. There were many suggestions included in the report pertaining to employee compensation, employee benefits and education, which

were state requirements and state mandated funding obligations. It was a difficult process to balance those obligations against the available revenues between the State and the local governments. He said he was not trying to be argumentative, but the State could not have budget reform unless the level of available revenues was considered and were appropriate for the needs to be addressed. He had supported the need for a credible study on how the State's revenues were performing for many years, and whether the State had a good tax base to date, or whether the State needed to adjust it and whether revenues were being properly allocated.

Ms. Vilaro said the Nevada Taxpayers Association would release a comparable study on July 15, 2010, for local governments. The Association planned to present its revenue reform positions to their Board of Directors in September. She said she had hoped to use information from Moody's Analytics to either counter or support those positions. Relative to revenue there were some things that needed to be done and the Association had supported certain revenue changes. She related that an encouraging aspect on the revenue side was that Congress finally introduced the Main Street Fairness Act, which would allow the collection of Use Tax. Ms. Vilaro said there had not been much discussion about revenues since the 1981 to 1985 timeframe because the economy was good. She thought the positive aspect of the present economy thus far was the reactivation of the Fundamental Review Committee. It had people analyzing the sustainability of past actions, what the State could do better to maximize the existing revenues, and how the State should start measuring for sustainability in the future, relative to priorities. She said she appreciated the questions and looked forward to working with the Committee.

Mrs. Smith thought the downturn in the economy gave the Legislature an opportunity to figure out a better way to do business so a better system would be in place when the economy picked up again.

VI. DISCUSSION OF REVIEW PROCESS AND FUTURE MEETINGS.

Senator Woodhouse said there were two motions at the meeting asking for additional information from the Buildings and Grounds Division and the Division of Parole and Probation. Letters would be drafted to these two agencies requesting answers to questions posed during the meeting and asking the agency heads to attend the next meeting. She noted there were a number of reviews scheduled for the meeting in August 2010.

Mr. Krmptic said the next Committee meeting was scheduled for August 10, 2010. On April 29, 2010, the Interim Finance Committee motioned for the Fundamental Review Committee to hear budgets from several agencies including the Buildings and Grounds Division and the Division of Parole and Probation, which were heard at this meeting. In addition, the other scheduled agencies included the Department of Education, primarily their administrative accounts; the Medicaid Compliance Unit coupled with the Attorney General Medicaid Fraud Unit; and the Housing Division within the Department of

Business and Industry. In order to obtain the necessary information to prepare reports for the August meeting staff submitted written questions to those agencies. The Fiscal Analysis Division received written confirmation from the Governor that the Executive Branch did not intend to respond to submitted questions pertaining to the Housing Division or follow-up questions pertaining to the Division of Parole and Probation. There was indication from the Attorney General's Office that they would respond to questions regarding the Medicaid Fraud Unit. However, no formal statement had been received pertaining to requested information regarding the Compliance Unit within the Division of Health Care Financing and Policy. All requested responses to those questions were due back to Fiscal Analysis Division staff by July 9, 2010. Since the administrator of the Division of Health Care Financing and Policy worked under the authority of the Governor, it was assumed that written responses to the questions would not be received. The Department of Education indicated that Superintendent Keith Rheault was working on staff's questions. Staff hoped to receive them soon in order for the compilation to be included in the packet for the August meeting.

Mr. Krmptic suggested the Committee consider formally requesting responses to questions posed to the Housing Division and the Division of Health Care Financing and Policy. The questions to the agencies included information on the agency's mission, their statutory authority, updated information on performance indicators and other pertinent parts of the budget. He explained that some of this information was available to staff and staff did try to ascertain the available information before asking the questions. The main reason for asking the questions was to get updated information from the agency since the last agency budget request was submitted, and be able to have the Committee review the most up-to-date information. He said it was clear from the meeting that the Committee desired to have the Division of Parole and Probation and the Buildings and Grounds Division present at a future meeting. The Committee may wish to formally request those agencies to be present at a future meeting. He noted that staff was contemplating a meeting in late September or early October. He explained the normal process of the fundamental review was that following the initial hearing for the agency's fundamental review and responses to questions from Committee members, staff would then include recommendations on a final report for consideration for the Committee to either strengthen the agency's goals, mission, performance indicators and/or information or expenditure levels that are included in the base budget for the next biennium.

Mr. Conklin said he would like to motion to request the agencies to appear and have the Committee's questions answered ahead of time. He thought it would help the process and the Committee could respond and act more efficiently.

Senator Wiener indicated she would second the motion but wanted to clarify that the request would be in the form of a letter.

Senator Raggio wanted to understand the motion. He asked if the motion was for the Committee to request information (which had already been requested by staff) from the Housing Division and the Division of Health Care Financing and Policy to be presented

at the next meeting and request that representatives from the Division of Parole and Probation and the Buildings and Grounds Division appear at the next meeting.

Mr. Krmpotic said the motion was to request the presence of the Division of Parole and Probation and the Buildings and Grounds Division at the next meeting, and also the Housing Division and the Division of Health Care Financing and Policy. The motion also included to formally request responses posed by staff to the Housing Division and the Division of Health Care Financing and Policy Medicaid Compliance Unit.

Senator Raggio asked if a timeline of when the requested information to be received by staff should be included in the motion.

Mr. Krmpotic said the timeline for the requested responses for the Division of Health Care Financing and Policy and the Housing Division was July 9, 2010. He said staff would need that time forward to prepare the report for the August 10, 2010, meeting.

Senator Woodhouse asked if Senator Raggio wanted to put a timeline into the motion. Senator Raggio said he just wanted to understand what was being requested so all the members had the same understanding before approving the motion. He asked if the information was not forthcoming from the agencies then what was the authority of the Committee or the Chair.

Senator Woodhouse said her understanding was the Committee would continue to meet because some of the agencies (Department of Education and the Attorney General's Office) had already committed to testify and answer questions from staff and the members. The Committee would continue to move forward and she was hopeful the formal letters would initiate a breakthrough and cooperation from the Department of Administration and the Governor's Office.

Senator Woodhouse asked if Mr. Conklin was agreeable with the motion. Mr. Conklin wanted to clarify the motion and in light of Senator Raggio's questioning wanted to include a deadline in the formal letter so staff would have enough time to compile and prepare the information before the August meeting.

ASSEMBLYMAN CONKLIN MOVED TO REQUEST THE PRESENCE OF THE DIVISION OF PAROLE AND PROBATION, BUILDINGS AND GROUNDS DIVISION, HOUSING DIVISION AND DIVISION OF HEALTH CARE FINANCING AND POLICY MEDICAID COMPLIANCE UNIT AT THE NEXT COMMITTEE MEETING. IN ADDITION, TO FORMALLY REQUEST RESPONSES TO QUESTIONS POSED BY STAFF TO THE HOUSING DIVISION AND THE DIVISION OF HEALTH CARE FINANCING AND POLICY BY JULY 9, 2010.

SENATOR WIENER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

VII. PUBLIC COMMENT.

No one wished to make a public comment.

VIII. ADJOURNMENT.

Senator Woodhouse thanked the members for their attentive work. She thought the Committee's work was critical in preparation for the 2011 Session and appreciated the member's questions and comments. Chairman Woodhouse adjourned the meeting at 1:08 p.m.

Respectfully submitted,

Patti Sullivan, Committee Secretary

APPROVED:

Senator Joyce Woodhouse, Chair

Date: _____

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.