MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Cochair Bernice Mathews called a regular meeting of the Interim Finance Committee (IFC) to order on March 24, 2009, at 7:35 a.m. in Room 4100 of the Legislative Building. Exhibit A is the agenda. Exhibit B is the guest list. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

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

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda J. Erdoes, Legislative Counsel
Eileen O'Grady, Chief Deputy Legislative Counsel
Mark W. Stevens, Fiscal Analyst, Assembly
Gary L. Ghiggeri, Fiscal Analyst, Senate
Brian Burke, Principal Deputy Fiscal Analyst
Connie Davis, Interim Finance Committee Secretary
Vickie Kieffer, Committee Assistant

A. ROLL CALL

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

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

1. **Treasurer's Office – Bond Interest and Redemption – FY 2009 –** Transfer of $47,549,443 from the Reserve category to the Capital Improvement Bonds category to provide funding for anticipated debt service payments related to capital improvement bonds. Requires Interim Finance approval since the amount transferred to the Capital Improvement Bonds category exceeds $50,000.

2. **Department of Employment, Training and Rehabilitation – Employment Security Division – FY 2009 –** Adds $2,077,749 in Federal Administrative Cost Allowance to allow the agency to manage an increased number of unemployment insurance benefits claimants. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.

Gary Ghiggeri, Senate Fiscal Analyst, Fiscal Analysis Division, reviewed the informational work programs listed under Item B and advised the members of the Committee that the work programs were approved under Paragraph (b) of subsection 5 of *Nevada Revised Statutes* (NRS) 353.220, relating to 15-day expeditious action. The work programs were provided for the Committee's information only.

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

1. **Department of Health and Human Services – Director's Office – Administration – FY 2009 –** Addition of $111,110 in Early Childhood Comprehensive Systems (ECCS) grant funds to support the Headstart Coordinator position in fiscal year 2009, travel and operating expenses, and sub-grants to community partners. Requires Interim Finance approval since the amount added to the ECCS grant category exceeds $50,000.

Shawna DeRousse, Administrative Services Officer, Department of Health and Human Services, Director's Office, advised that work program C40235 would shift the $111,110 Early Childhood Comprehensive Systems (ECCS) grant from the Health Division to the Department of Health and Human Services Director's Office. Ms. DeRousse indicated that the staff from the Director's Office was endeavoring to become more involved in

planning and coordination efforts, and the grant would support the Head Start Coordinator position.

ASSEMBLYMAN ARBERRY MOVED APPROVAL OF ITEM C.1

ASSEMBLYMAN DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Oceguera was not present for the vote.)

2. **Department of Health and Human Services – Health Division – Maternal Child Health Services – FY 2009 –** Deletion of $70,355 in ECCS grant funds promoting early childhood health. The funds will be shifted to the Director's Office in budget account 3150 to support the Headstart Coordinator position and related expenses and for sub-grants to community partners. Requires Interim Finance approval since the amount deducted from the Personnel category exceeds $50,000.

Mary Keating, Administrative Services Officer, Department of Health and Human Services, Health Division, advised that work program C14445 shifted the Early Childhood Comprehensive Systems (ECCS) grant to the Department of Health and Human Services Director's Office because that office was assuming responsibility for the ECCS grant program.

ASSEMBLYWOMAN SMITH MOVED APPROVAL OF ITEM C.2

ASSEMBLYMAN DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Oceguera was not present for the vote.)

3. **Department of Conservation and Natural Resources – Forestry Division – FY 2009 –** Addition of $746,750 in United States Forest Service (USFS) 2009 American Recovery and Reinvestment Act (ARRA) Stimulus Grant funds to complete the Lincoln County Forest and Rangeland Health Enhancement Project. Requires Interim Finance approval since the amount added to the USFS ARRA 2009 Stimulus category exceeds $50,000.

Pete Anderson, State Forester, Division of Forestry, requested Committee approval for the addition of $746,750 in United States Forest Service (USFS) 2009 American Recovery and Reinvestment Act (ARRA) stimulus grant funds to complete the Lincoln County Forest and Rangeland Health Enhancement Project.

Mr. Anderson told the Committee that the Division of Forestry applied for grants to complete the Lincoln County project as well as several other statewide conservation

projects, for which a decision should be received within the next several weeks. Additionally, he thanked Division of Forestry staff and representatives of Lincoln County for working so hard to make the project a reality and advised that the work would begin within seven days of the release of the funding.

Mr. Anderson explained that although the actual grant award amounted to $1,314,000, the initial addition of $746,750 would cover the following four components of the Lincoln County Multi-Disciplinary Project:

- Beaver Dam State Park – Invasive species treatment and forest health treatments.

- Spring Valley and Echo Canyon State Parks - Erosion control, tree planting, fuels reduction, and herbicide spraying program.

- Nevada Department of Transportation Right-of-Way Fuels Reduction –Removal of Pinion pines and Juniper trees along Highway 93 and State Route 319.

- Pioche Fuels Treatment and Reentry – Create defensible space and fuel breaks on newly developed private lands, treat interface forested lands to address new vegetation die-offs, remove dead and downed fuels, and eradicate cheat grass and rye grass with herbicide and subsequent reseeding.

Mr. Anderson told the Committee the Division would be moving forward with the contracts, which would create 23 new jobs that would utilize state, local, and private contractors for the 18-month grant period.

Senator Raggio questioned whether the creation of the new jobs would supplant work that was presently accomplished by inmate crews.

Mr. Anderson advised that because of the magnitude of the work and the 18-month grant period, the work would be accomplished with a combination of inmate crews and private-sector contractors.

Senator Raggio questioned whether stimulus funding was available to clear the Lake Tahoe Basin of hazardous fuel materials.

Mr. Anderson advised that "tens of millions of dollars" was being provided for the Lake Tahoe Basin, and fuels reduction work was being maximized on the Nevada side of the Lake. Additionally, he advised that another $5 million federal appropriation for the Lake Tahoe Basin would be received during fiscal year 2009.

In response to Senator Raggio, who expressed an interest in seeing evidence of the progress being made to reduce the fire danger, Mr. Anderson advised that he would make a PowerPoint presentation available for review.

Assemblywoman Buckley pointed out that the actual amount of the grant was $1,314,100, but because the Education First Initiative prohibited the Legislature from funding any expenditures beyond fiscal year 2008-09 until the bill funding K-12 education was approved, only $746,750 was being released.

Mr. Anderson advised that the grant funding, from a timing perspective, would not present a problem since seeding and tree planting were activities better suited to the fall season.

Assemblywoman Buckley questioned whether the project would begin by March 25, 2009, as required by the ARRA.

Mr. Anderson advised that Division representatives would begin working with the contractors on March 24, 2009.

Assemblywoman Buckley asked for information concerning the length of the projects and the associated job duties.

Mr. Anderson advised that the fuels treatment and reduction projects were anticipated to take 18 months to complete. He further advised that the work would consist of a combination of tree removal, seeding, erosion control, and pesticide application on noxious weeds.

In response to Assemblywoman Buckley, who questioned whether approval of the work program at the funding level through June 30 would meet the requirements of the ARRA, Mr. Anderson indicated that compliance requirements would be met.

Assemblywoman Buckley asked for information concerning the biomass utilization coordinator position and whether stimulus funding would be used to fund the position.

Mr. Anderson advised that since the new administration had taken office, federal funding was being provided through a continuing resolution and some uncertainty existed that funding for the biomass utilization coordinator would be continued. He said, however, sufficient funding currently existed for the position and that none of the funding in the work program was targeted to fund the biomass utilization coordinator.

Mr. Anderson further advised that the role of the biomass utilization coordinator was critical to the operation of the biomass facility at the Northern Nevada Correctional Center and that Division representatives wanted to ensure that the thousands of tons of biomass generated would keep the plant supplied.

In response to Assemblywoman Buckley, who questioned again whether any of the stimulus funding would be used to fund the coordinator position, Mr. Anderson reiterated that ARRA funding would not be used for the biomass utilization coordinator and explained that initially a miscommunication from his office had created some confusion over funding the position.

Assemblywoman Buckley questioned whether it was anticipated that additional stimulus funding would be received in the near future for similar projects.

Mr. Anderson advised that Nevada Division of Forestry staff had submitted applications to the USFS for over $16 million in competitive grant funding and were currently awaiting a decision.

Assemblyman Hogan pointed out that the ARRA stimulus grants funds would create the first real "boots on the ground" project that would put people to work in Nevada. Assemblyman Hogan said the project was worthy of publicity, which would encourage Nevadans by letting them know that the stimulus funding was creating jobs.

Assemblywoman Smith questioned the reasoning behind using inmate crews since stimulus grant funds were expected to be used to create jobs.

Mr. Anderson explained that the inmate crews were experienced in conservation work and were needed to "kick-start" the various components of the project until contractors could be hired and mobilized to begin work.

Senator Hardy noted that one of the provisions of the ARRA funding was that contractors would be paid at the prevailing wage rate for similar projects and questioned whether inmates too would be paid at the prevailing wage rate.

Mr. Anderson advised that Department of Corrections' inmates were not employees and, as incarcerated individuals, would not be paid at the prevailing wage rate and provided assurance that the use of inmate labor would not violate the requirements of the ARRA. Additionally, Mr. Anderson indicated that with the potential for additional stimulus funding, a time would come when there would be more work than there were contractors.

Senator Hardy indicated he did not want to jeopardize future funding by agreeing to anything that might be contrary to what was envisioned.

Assemblyman Goicoechea requested a list of other projects for which ARRA funding was anticipated and pointed out that White Pine County's fuel-reduction program was just as essential as Lincoln County's program.

Mr. Anderson advised that he would forward a spreadsheet to Assemblyman Goicoechea that included all of the projects.

Assemblyman Hardy questioned whether the prison camps would financially benefit from the work accomplished by inmate crews.

Mr. Anderson explained that all inmate crews worked on a billable basis and received revenue whether the crews worked on stimulus-funded projects, local government

projects, or fire assignments. Additionally, Mr. Anderson said that during the fire season, which was quickly approaching, inmate crews typically did not have time to work on conservation projects, which he indicated would work out well with the contractors moving in behind the inmates to work on the projects.

Assemblyman Hardy questioned how much revenue the prison camp system generated when inmates were working for less than minimum wage.

Mr. Anderson advised that the revenue target for the past biennium was $2.8 million annually and that established revenue target had been met or exceeded every year. Additionally, Mr. Anderson pointed out that the target figure was "over and above" the payment to inmates.

Assemblywoman Smith wanted to ensure that the Committee was not violating the prevailing wage provisions of the ARRA and asked Division of Forestry representatives to work with the Committee's staff concerning inmate wages for the conservation projects.

Mr. Anderson agreed to work with the Committee's staff concerning whether inmate wages were subject to the prevailing wage provision.

At Cochair Mathews' suggestion, since members of the press had just arrived, Assemblyman Hogan repeated his earlier request that the receipt of ARRA grant funding that would put people to work be publicized.

Allen Biaggi, Director, State Department of Conservation and Natural Resources, advised the members of the Committee that his office staff had prepared two press releases concerning the conservation work that would be accomplished with stimulus funding and that the press release would be provided to the press again.

Assemblyman Hardy asked for additional information concerning the revenue generated by inmate crews and whether that revenue was directed to the General Fund.

Scott Sisco, Administrative Services Officer, Deputy State Forester, Division of Forestry, explained that the conservation work funded by the grant funds would supplant other work in which the inmate crews would have been engaged and would not affect the budget.

He said, however, that inmate crews were paid $1 an hour for fighting fires while "federal cooperators" were paid minimum wage and the difference between the $1 an hour paid to inmates for fighting fires and the minimum wage payment went into the Forest Fire Suppression budget account 4196, which helped to pay for the state's fire suppression efforts. Additionally, Mr. Cisco pointed out that the state realized a savings in paying inmates $1 an hour to fight fires versus a wage ranging from $42 to $105 an hour paid to other firefighters.

In response to Assemblyman Goicoechea, who asked if the amount of billable funding went into the General Fund or the camp budget, Mr. Cisco advised that the revenue was a part of the camp budget. Mr. Cisco explained that none of the camps were totally self-supporting and that for 2009, the camp budgets would be funded approximately 71 percent by the General Fund and 29 percent by revenue generated from the Lincoln County project, which lowered the amount of funding support required from the General Fund.

Assemblyman Goicoechea questioned whether the revenue generated by the project might increase to 30 or 40 percent.

Mr. Cisco explained that the crews would be working every day and whether they were working on the Lincoln County project or other projects, it was anticipated that several hundred thousand dollars more would be generated than was budgeted, depending on the fire season, and that at the end of the year, any additional funding would be reverted to the General Fund.

> ASSEMBLYMAN ARBERRY MOVED APPROVAL OF ITEM C.3.
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> ASSEMBLYMAN DENIS SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblyman Hogan was not present for the vote.)

D. PUBLIC COMMENT.

There was no public comment.

E. ADJOURNMENT.

Cochair Mathews adjourned the meeting at 8:04 a.m.

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Senator Bernice Mathews, Cochair
Interim Finance Committee

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

EXHIBITS INTERIM FINANCE COMMITTEE		
Exhibit	**Witness/Agency**	**Description**
A		Agenda
B		Guest List
C		
D		
E		
F		