MINUTES OF THE JANUARY 26, 2006
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Chairman William J. Raggio called a regular meeting of the Interim Finance Committee (IFC) to order on January 26, 2006, at 8:47 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 William J. Raggio, Chairman
Assemblyman Morse Arberry Jr., Chairman
Assemblyman Moises Denis
Assemblywoman Heidi Gansert
Assemblywoman Christina R. Giunchigliani
Assemblyman Lynn Hettrick
Assemblyman Joseph Hogan
Assemblywoman Ellen Koivisto
Assemblywoman Bonnie Parnell sitting for Assemblywoman Sheila Leslie
Assemblyman John Marvel
Assemblywoman Kathy McClain
Assemblyman Richard Perkins
Assemblyman Bob Seale
Assemblywoman Debbie Smith
Assemblywoman Valerie Weber
Senator Bob Beers
Senator Bob Coffin
Senator Bernice Mathews
Senator Dean Rhoads
Senator Dina Titus

COMMITTEE MEMBERS EXCUSED:

Assemblywoman Sheila Leslie
Senator Barbara Cegavske

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda J. Erdoes, Legislative Counsel
Risa Lang, Chief Deputy Legislative Counsel
Mark W. Stevens, Fiscal Analyst, Assembly
Steve Abba, Principal Deputy Fiscal Analyst

Gary L. Ghiggeri, Fiscal Analyst, Senate
Bob Guernsey, Principal Deputy Fiscal Analyst
Connie Davis, Interim Finance Committee Secretary
Becky Lowe, Fiscal Analysis Division Secretary

A. ROLL CALL.

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

*B. APPROVAL OF MINUTES FROM THE NOVEMBER 9, 2005 MEETING.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF THE NOVEMBER 9, 2005, MEETING MINUTES.

ASSEMBLYMAN ARBERRY SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

C. WORK PROGRAM REVISIONS APPROVED BY THE GOVERNOR DUE TO AN EMERGENCY PURSUANT TO NRS 353.220(5) (a) PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

Chairman Raggio announced that the work program listed under Item C was provided for informational purposes only and did not require action.

Department of Public Safety – Emergency Management Assistance – FY 06 – Addition of $194,098.00 in Federal Emergency Management Agency (FEMA) Hurricane Disaster Interim Housing Grant funds to aid Clark County in moving hurricane evacuees from short-term housing to long-term housing. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

The Department of Public Safety work program was approved by the Governor under emergency provisions pursuant to *Nevada Revised Statutes* (NRS) 353.220 subsection 5 in order to allow the Department to accept a $194,098 grant from FEMA. Funding provided by the grant would aid Clark County in moving families displaced by Hurricanes Katrina and Rita from short-term housing to long-term housing. FEMA established a deadline of December 1, 2005, for the transition to take place; therefore, the Governor approved the work program as an emergency in order to meet the established deadline.

Action was not required.

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

Chairman Raggio announced that the items listed under Item D were provided for informational purposes only and did not require action. The Chairman indicated, however, that testimony would be heard on Item D.2.

1. **Office of the Military - Office of the Adjutant General - FY 06** - Addition of $1,100,000.00 in federal Department of Defense funds to provide security guard services at the Air National Guard Base in Reno through use of a good-of-the-state contract arranged for by the Purchasing Division. Requires Interim Finance approval since the amount added to the Air Security category exceeds 10 percent of the legislatively approved level for that category.

   Action was not required.

2. **Department of Health and Human Services – Division of Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 06 –** Transfer of $1,043,655.00 from the Personnel Services category to the Professional Services category to support the corrective action plan in response to the Centers for Medicare and Medicaid survey which identified serious deficiencies in the areas of staffing, therapy groups, and supervision. Requires Interim Finance approval since the amount transferred to the Professional Services category exceeds $50,000.00.

Dr. Jonna Triggs, Ed.D., Director, Southern Nevada Adult Mental Health Services (SNAMHS), Division of Mental Health and Developmental Services (MHDS), Department of Human Resources, identified herself for the record and introduced Peter Brand, Administrative Services Officer (ASO), SNAMHS, and Dr. David Rosin, Statewide Medical Director, SNAMHS and MHDS.

Peter Brand, ASO, SNAMHS, provided the information related to the financial aspect of the work program:

- The Centers for Medicare & Medicaid Services (CMS) conducted a “field re-certification survey” on October 17-19, 2005 that “identified deficiencies in staffing, therapy groups and supervision at the SNAMHS inpatient hospital facilities.”

- On November 28, 2005, a Corrective Action Plan submitted to the CMS addressed each of the identified deficiencies and proposed hiring additional contract nurses and psychiatrists, an assistant medical director, and assistant director of nursing.

- The work program transferred $1,043,655 from the Personnel Services category to the Professional Services category to support the need for additional staff identified in the Corrective Action Plan.

Dr. Triggs discussed the problems experienced by SNAMHS in recruiting nurses and reported that a recent news article in the *Reno Gazette Journal* indicated Nevada ranked lowest in the nation for its nursing ratio of 5.54 registered nurses per 1,000 patients. After conducting a recent analysis on local area recruitment of nurses, Dr. Triggs advised that the SNAMHS could not compete with the signing bonuses and rate increases offered by private hospitals. Dr. Triggs further advised that the funding provided through the work program would pay for contracting with temporary nurses to fill staffing vacancies.

Dr. Triggs provided the following information:

- Since January 2005, a recruiting log had been maintained, which provided information on the reasons why nurses accepted or declined employment.

- Since October 2005, 8 inpatient and 3 outpatient nurses had been hired, 2 of whom had resigned; 2 would begin employment on January 30, and 2 would begin employment on February 13, 2005.

- Overall, the SNAMHS had a staffing vacancy rate of 27.7, and an inpatient hospital staffing vacancy rate of 15.32 percent, which was the primary focus of the CMS survey.

Dr. Triggs also advised that in early January representatives of the CMS conducted a survey of outpatient services, medical staff, pharmacy services, and the local governing board. Although no deficiencies were found in outpatient services, Dr. Triggs said it was clear that the current staffing ratios for the inpatient unit were insufficient for the acuity level.

Dr. Triggs provided a brief explanation on how emergency room patients and those in Westcare, a Las Vegas psychiatric facility, were transferred to SNAMHS hospital facilities:

- 54 patients in southern Nevada emergency rooms and 40 at the Westcare facility were currently waiting to be transferred to the SNAMHS hospital facilities.

- A SNAMHS mobile crisis team triaged emergency room patients, who were admitted on “involuntary hold” as a result of being a danger to themselves or others because of mental illness.

- The mobile crisis team diverted 35 to 40 percent of patients away from the SNAMHS, through community resources. Those patients would be seen by SNAMHS physicians the following day.

- 50 percent of hospital emergency room patients placed in the SNAMHS 26-bed observation unit were triaged within 72 hours and discharged to SNAMHS-supported services in the community.

- Remaining, more seriously ill, patients were admitted to the SNAMHS inpatient unit.

Dr. Triggs reiterated that the current staffing ratios of 5:1 nursing and mental health technicians in the SNAMHS hospital and 3:1 in the observation unit were developed ten years ago and were currently insufficient for the acuity level of patients admitted to the hospital. Dr. Triggs indicated that staff had been tracking data since last July 2005 to prepare for the next budget cycle and in order to demonstrate to the Legislature that the ratios developed ten years ago were no longer sufficient.

Dr. Triggs was optimistic that the Corrective Action Plan would be accepted and that the SNAMHS inpatient hospital would be recertified upon implementation of the plan.

Chairman Raggio asked for information on how possible decertification by the CMS would affect the SNAMHS inpatient hospital.

Dr. Triggs indicated that decertification would prevent the opening of the legislatively-approved "downtown" outpatient counseling and service coordination facility and pharmacy.

Additionally, Mr. Brand advised that decertification could result in the SNAMHS losing the ability to bill Medicaid and Medicare, which could cost approximately $5.5 million in Medicaid and Medicare revenue in fiscal year 2007.

In response to Senator Beers, who questioned the correlation between an adverse finding and the "downtown" operation, Mr. Brand confirmed that losing the ability to bill Medicaid and Medicare would mean that funds would be needed to replace the loss that would be encountered if the revenue from the Medicare and Medicaid billings was lost.

In response to Senator Beers, who asked for the reasons 2 recently-hired nurses resigned, Dr. Triggs indicated the nurses cited personal reasons.

In response to Senator Beers, who questioned the difference between a psychiatric nurse and a nurse employed in a cardiac facility, Dr. Triggs, described the patient population inside the inpatient unit as "extremely acute." Many of the patients required 1:1 observation or were on full view, meaning that 1 nurse had to constantly observe 2 patients, which took away from group and other interactive therapies.

In response to Senator Beers, who asked for the percentage of acute patients that were a danger to themselves and others, Dr. Triggs advised that she did not have the breakdown but would forward the information.

Assemblywoman Weber asked if the SNAMHS was on track to hire the psychiatrists and nursing positions approved by the 2005 Legislature.

Dr. Triggs reiterated problems the SNAMHS had encountered in recruiting nurses and advised that the SNAMHS Director of Nursing was visiting nursing schools in a recruitment effort. Additionally, a brochure outlining state employment benefits had been developed and was being widely distributed. Dr. Triggs advised that the possibility existed that staff would return to the Committee to request a transfer of funds from vacancy savings to contract funds.

In response to a question Assemblywoman Giunchigliani asked concerning whether the 2005 Legislature had provided what the agency requested, Dr. Triggs advised that sufficient staff for the new hospital was requested and approved during the 2005 Legislature.

Assemblywoman Giunchigliani questioned the outdated staffing ratios, and Dr. Triggs explained that the ratios had not been modified since statistical data had only been collected since July 2005. Dr. Triggs indicated additional therapists, social workers, psychologists, and a full-time medical director were requested.

In response to Assemblywoman Giunchigliani, who questioned the number of medical directors on staff, Dr. Triggs advised that Dr. Rosin, in his capacity as Statewide Medical Director, provided services as Medical Director on a half-time basis.

Assemblywoman Giunchigliani indicated that during the 2007 Legislative Session, a full-time Medical Director and staffing ratios needed to be addressed to ensure that patient needs were met and that members of the staff were not placed in jeopardy.

In response to a question from Assemblywoman Giunchigliani, Dr. Triggs advised that shift differential pay was permitted and was addressed in the recruitment brochure. Additionally, Dr. Triggs clarified that a full-time Medical Director was requested and approved during the 2005 Legislative Session and would begin employment on May 1, 2006.

In response to Assemblywoman Giunchigliani, who commented that it appeared that southern Nevada needed 2 full-time Medical Directors to serve the patient population, Dr. Triggs indicated she would pass that information on to the division administrator but wanted to ensure that it was understood the Corrective Action Plan included upgrading an existing Senior Psychiatrist position “to an Assistant Medical Director, who would provide supervision and adequate psychiatric coverage.”

In response to Assemblywoman McClain, who asked if there was a difference between a psychiatric nurse and a registered nurse, Dr. Triggs advised that the only difference was on-the-job training after graduating from nursing school. While prior experience in

psychiatric services was preferred, Dr. Triggs advised that SNAMHS was prepared to provide training.

In response to questions Senator Beers asked regarding the nursing contracts and why nurses preferred to work on contract, Mr. Brand advised that temporary nurses were hired through several major nursing contract companies for various reasons.

Senator Mathews advised that most nurses, who worked through temporary service agencies did so because the pay was higher and they did not need a benefit package.

Senator Beers requested a status report on the opening of 20 new beds for mentally ill offenders at the Dini-Townsend Hospital in northern Nevada.

Gus Nunez, Deputy Manager, Professional Services, Public Works Board, indicated that the Public Works Board had contracted with Casazza HMC Architects and Clark and Sullivan Contractors, the original designer and contractor on the Dini-Townsend Hospital, to work on the project. Mr. Nunez indicated that the project was currently on schedule for completion by April 1, 2006.

E. WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5) (c) REQUIRED EXPEDITIOUS ACTION WITHIN 45 DAYS AND WAS PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

Chairman Raggio announced that the item listed under Item E was provided for informational purposes only and did not require action.

Department of Corrections – Southern Nevada Women's Correctional Center – FY 06 – Addition of $25,025.00 in Addiction Recovery Commitment to Healing (ARCH) grant funds transferred from Public Safety to establish funding and corresponding expenditure authority for the Therapeutic Community's intensive treatment program. Requires Interim Finance approval since the amount added to the ARCH category exceeds 10% of the legislatively approved level for that category.

Action was not required.

*F APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS, ALLOCATION OF BLOCK GRANT FUNDS AND POSITION CHANGES IN ACCORDANCE WITH Chapter 353, *NEVADA REVISED STATUTES*.

Chairman Raggio noted that:

- Work program Items 2, 17, 25, 41 related to J.4; and 43 were revised but would not be called for testimony
- Work program Items 5, 13, 15, 19, 28, 29, 67 and M16.b, 69, and 72 would be called for testimony
- Work programs Items 23, 34, and 38 required a public hearing
- Work program Item 59 was withdrawn

Senator Titus requested that representatives of the Homeland Security Commission provide information on the status of federal funding for recent flooding in northern Nevada.

Chairman Raggio indicated testimony regarding the status of funding for the recent flood would be heard under Item M. Informational Items.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ALL OTHER ITEMS AND POSITION CHANGES NOT ENUMERATED BY THE CHAIRMAN.

ASSEMBLYWOMAN WEBER SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

1. **Office of the Attorney General – Workers Compensation Fraud – FY 06 –** Transfer of $20,800.00 from Personnel category to the Operating category to fund a temporary contract investigator to assist in the prosecution of a complex health insurance fraud case. Requires Interim Finance since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

   Refer to motion for approval under Item F.

2. **Office of the Secretary of State – FY 06 –** Addition of $111,694.00 in fees for expedited services transferred from the account for Special Services to replace the Optical Storage Access and Retrieval Unit to store scanned Commercial Recordings and Uniform Commercial Code (UCC) documents. Item 2 required Interim Finance approval pursuant to NRS 225.140 (3) b.

   Chairman Raggio announced that the amount of fees for expedited services was revised from $111,694 to $106,414.

Refer to motion for approval under Item F.

3. **Department of Administration – Indigent Persons, Hospital Care – FY 07 –** Transfer of $28,900,807.00 from the Reserve category to the Claims category to cover Indigent Accident claims through the remainder of Fiscal Year 2007. Requires Interim Finance approval since the amount transferred to the Claims category exceeds $50,000.00.

   Refer to motion for approval under Item F.

4. **Department of Administration – Indigent Persons, Supplemental Fund – FY 06 –** Transfer of $1,076,635.00 from the Reserve category to the Current Claims category to cover expenditure claims through the remainder of Fiscal Year 2006. Requires Interim Finance approval since the amount transferred to the Current Claims category exceeds $50,000.00.

   Refer to motion for approval under Item F.

5. **Department of Administration – Indigent Persons, Supplemental Fund – FY 07 –** Transfer of $867,872.00 from the Current Claims category to the Transfer to Health Insurance Flexibility and Accountability (HIFA) Holding Account category and $3,312,100.00 from the Reserve category to the Transfer to HIFA Holding Account to allow for the quarterly transfer of funds from the Supplemental Account to the HIFA Holding Account in the General Fund per A.B. 493 of the 2005 Legislative Session. Requires Interim Finance approval since the amount transferred to the Transfer to HIFA Holding Account category exceeds $50,000.00.

Assemblywoman Giunchigliani requested clarification regarding the request for transfer of funds provided through A.B. 493, 2005 Legislative Session.

Mary Keating, Administrative Services Officer, Department of Administration, advised that Budget Account 3244 was closed prior to passage of A.B. 493, at which time it was agreed that the transfer of funds would be implemented through accounting transactions at a later date.

In response to a question Assemblywoman Giunchigliani asked regarding the revenue source, Ms. Keating explained that Budget Account 3244, Indigent Supplemental, was funded through a tax of 1 cent on every $100 of assessed property value, and Budget Account 3245, Indigent Accident Account was funded through 1.5 cents on every $100 of assessed property value. Ms. Keating advised that the methodology by which the funding and the uses of the funding were allowed were changed in A.B. 493, and "at some point," the funds would be added together to serve the indigent population.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ITEM F.5.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

6. **Department of Education – Nutrition Education Programs – FY 06 –** Addition of $1,453,989.00 in federal School Breakfast Program Grant funds, $8,612,950.00 in federal School Lunch Program Grant funds to continue the programs to serve free or reduced breakfasts and lunches to eligible children. Requires Interim Finance approval since the amount of the grant added to the National School Lunch Program category exceeds $50,000.00.

   Refer to motion for approval under Item F.

7. **Nevada System of Higher Education – University of Nevada Las Vegas – Law School – FY 06 –** Addition of $87,535.00 in Non-Resident Tuition Fees and $45,505.00 in Registration Fees to expand additional tuition and fees based on actual fees collected in the fall semester and current projections for spring student fees based on a five-year historical relationship between actual fall and spring collections. Requires Interim Finance approval per S.B. 522 of the 2005 Legislative Session.

   Refer to motion for approval under Item F.

8. **Nevada System of Higher Education – University of Nevada Las Vegas – Dental School – FY 06 –** Addition of $173,842.00 in Registration Fees to expand additional tuition and fees based on actual fees collected in the fall semester and current projections for spring student fees based the historical relationship between actual fall and spring collections. Requires Interim Finance approval per S.B. 522 of the 2005 Legislative Session.

   Refer to motion for approval under Item F.

9. **Nevada System of Higher Education – Great Basin College – FY 06 –** Addition of $7,843.00 in Non-Resident Tuition Fees to expand additional tuition and fees based on actual fees collected in the fall semester and current projections for spring student fees based on a five-year historical relationship between actual fall and spring collections. Requires Interim Finance approval per S.B. 522 of the 2005 Legislative Session.

   Refer to motion for approval under Item F.

10. **Nevada System of Higher Education – Western Nevada Community College – FY 06 –** Addition of $42,882.00 in Non-Resident Tuition Fees to expand additional tuition and fees based on actual fees collected in the fall semester and current

projections for spring student fees based on a five-year historical relationship between actual fall and spring collections. Requires Interim Finance approval per S.B. 522 of the 2005 Legislative Session.

Refer to motion for approval under Item F.

11. **Department of Cultural Affairs – State Historic Preservation Office – FY 06 –** Addition of $45,813.00 in interest payments transferred from the Commission for Cultural Affairs bond proceeds to adjust anticipated revenue authority to reflect revised interest income projections used to fund one of the department's Historic Preservation Specialist I positions. Requires Interim Finance approval since the amount added to the Survey and Planning category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

12. **Department of Cultural Affairs – State Library and Archives – Library Services – FY 06 –** Addition of $500,000.00 in Commission on Education technology funds transferred from the Department of Education to provide statewide database licenses to school libraries for access to research databases and other online resources. Requires Interim Finance approval since the amount added to the Statewide Databases category exceeds $50,000.00.

    Refer to motion for approval under Item F.

13. **Department of Agriculture – Plant Industry – Registration and Enforcement – FY 06 –** Addition of $320,000.00 in Pesticide Registration Fee and $46,000.00 in Fertilizer Tonnage Fee to establish a new full-time Agriculturist position in BA 4545 and its attendant costs and establish equipment reserve category. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds 10% of the legislatively approved level for that category and includes new staff. **Relates to Item 15.**

    Chairman Raggio announced that Item 13 would be heard in conjunction with Item 15

Don Henderson, Director, Department of Agriculture, identified himself for the record and introduced Rick Gimlin, Deputy Director, Department of Agriculture. Mr. Henderson was before the Committee to request approval to receive the addition of increases in Pesticide Registration and Fertilizer Tonnage fees, which were approved by the Board of Agriculture in September 2005.

In response to a request from Chairman Raggio for clarification on the necessity for an increase in fees, Mr. Henderson explained that fees charged to manufacturers of pesticide and fertilizer products provided them the ability to sell their products in Nevada. Mr. Henderson advised that funding collected from the fees was used to

support the operation of a consumer protection program that tested pesticide and fertilizer products and to provide the state's share of the cost in conjunction with an Environmental Protection Agency (EPA) grant. Mr. Henderson explained that increased salary, operating, and administrative costs, as well as "various state cost recovery loads" had placed a strain on the "fee-based budget," which prompted the State Board of Agriculture fee increase in September 2005. Mr. Henderson said the fees, as increased by the Board, were currently comparable to fees collected by Departments of Agriculture in surrounding western states.

Additionally, Mr. Henderson advised that S.B. 293, 2005 Legislative Session, provided the authority to use a portion of the money collected from registration fees to support an Agriculturist II position in the Plant Industry, Registration and Enforcement budget. The position was currently funded with federal funds in the Pest, Plant Disease and Noxious Weed Control budget. Mr. Henderson explained that the funds currently used to fund the position in the Pest, Plant Disease and Noxious Weed Control account would be transferred to the Noxious Weed Management category to provide additional sub-grants to the approximately thirty coordinated weed management areas established statewide during the last five years.

In response to questions Chairman Raggio asked regarding the fee increase, Mr. Henderson advised there was no public opposition to the fee increases.

Chairman Raggio recalled that the 2005 Legislature considered a $20 increase in the pesticide registration fee under S.B. 293. The fee was opposed by the Governor and ultimately S.B. 293 was amended to eliminate the $20 increase. Chairman Raggio asked if the Governor supported the current $60 fee increase.

Mr. Henderson reiterated that the Board of Agriculture, who were appointed by the Governor, had approved the fee increase in September 2005.

Chairman Raggio asked department representatives to comment on whether they would replace federal funding with revenue from the increased fees to support the Agriculturist II position.

Mr. Henderson advised that the EPA grant funding had not been increased by the federal government in almost ten years. With reduced EPA funding as well as other expenses, the Department of Agriculture proposed to transfer a Chemist IV position from the EPA grant to the Agriculture Registration and Enforcement Account. The position would be paid for from the pesticide registration fee rather than the EPA grant and would allow the use of limited EPA grant funds for "on-the-ground management."

In response to Chairman Raggio, who requested additional information on how the federal funds would be used, Rick Gimlin, Deputy Director, Department of Agriculture, explained that there were two federal funds under discussion. The Agriculturist II position, previously paid for with U. S. Forest Service funds, was being transferred from the Pest, Plant Disease and Noxious Weed Control, Budget Account 4552 to the Plant

Industry Registration and Enforcement, Budget Account 4545. Mr. Gimlin advised that by transferring the Agriculturist II position and funding it with pesticide registration fees, federal funds could be maximized to issue more sub-grants to cooperative weed management areas and provided the opportunity for additional match. Mr. Gimlin said that with reduced EPA grant funding and the demands of indirect cost rate recovery, the Department had a choice to either lay off a Chemist IV and deprive the state of services, or use the funding from the increase in the pesticide funds to accommodate the loss of value in the EPA agreement and increase the department's match against the EPA grant.

In response to a request from Senator Beers for clarification on the Governor's approval of the fee increase, Andrew Clinger, Director, Department of Administration, advised that the Department of Administration understood the need for the programs and approved of the rate increase.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF WORK PROGRAM ITEMS 13 AND 15.

SENATOR RHOADS SECONDED THE MOTION.

Chairman Raggio noted that the work program request also utilized $166,000 of the increased fee revenue to re-establish an equipment reserve category and increase the general reserve by $164,017. The Chairman asked department representatives to comment on why it was necessary to establish a new reserve category for equipment.

Mr. Gimlin explained that in fiscal year 2004, the Department of Agriculture established a separate category as a reserve for equipment to ensure that funding was in place as needed. Mr. Gimlin said it was determined during preparation of the biennial budget request that funding for equipment was insufficient, and establishing a reserve category would "adequately" display the fact that $166,000 of equipment had to be replaced on a regular basis.

Chairman Raggio noted that during the November 9, 2005, IFC meeting, the Committee authorized the transfer of $142,965 from reserves to the equipment category for specialized laboratory equipment in fiscal year 2006. The Chairman asked for additional comment on the need to establish a separate reserve for equipment.

Mr. Gimlin explained that sufficient funding remained in the equipment category to fund equipment needs for fiscal year 2006, and at the close of fiscal year 2006, funding from the equipment reserve would be used to fund estimated equipment needs for fiscal year 2007.

In response to concerns Assemblywoman McClain expressed regarding the reserve, Mr. Gimlin advised that Department representatives had projected future needs based on times of insufficient cash flow to replace needed equipment.

In response to additional concerns Assemblywoman McClain expressed regarding the reserve, Mr. Henderson advised that the State Board of Agriculture had the statutory authority to establish increased fees and had responded to ideas put forth by department representatives to address some of the various program and funding needs. Additionally, Mr. Henderson advised there was no opposition to the increase in fees from members of the public or from the Nevada Farm Bureau. In regard to the reserve, Mr. Henderson advised that a five-month reserve had been established over the next two years with about $160,000 of replacement equipment needed on an annual basis. Mr. Henderson explained that fees were only collected once a year, which provided a cash flow situation, and department representatives were reluctant to appear before the Committee on a regular basis to maintain the programs.

Senator Beers indicated that if the Farm Bureau supported the utilization of the fee increase to establish a reserve they most likely lacked a clear understanding of the department's budget. Senator Beers indicated the work program request appeared to be "a circumvention of legislative and gubernatorial intent" and said he intended to vote nay.

In response to Assemblyman Arberry's request for a response from the Governor's Office, Andrew Clinger, Director, Department of Administration, reiterated an earlier statement that the Administration supported the fee increase.

In response to Assemblyman Denis, who asked for clarification on who paid the pesticide registration fee, Mr. Henderson said that approximately 8,000 pesticide manufactures paid the fee in order to sell their products in Nevada.

> THE MOTION CARRIED. (Senator Beers and Senator Coffin voted nay; Senator Cegavske was excused; Assemblywoman Weber, Assemblywoman McClain, Assemblywoman Gansert, Assemblyman Arberry, Assemblyman Denis, and Assemblywoman Giunchigliani voted nay.)

14. **Department of Agriculture – Plant Industry – Pest, Plant Disease and Noxious Weed Control – FY 06 –** Addition of $115,000.00 in United States Department of Agriculture Saltcedar Leaf Beetle Cooperative Agreement funds to continue the cooperative research agreement for surveying and monitoring the Saltcedar Leaf Beetle populations throughout the state. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

    Refer to motion for approval under Item F.

15. **Department of Agriculture – Plant Industry – Pest, Plant Disease and Noxious Weed Control – FY 06 –** Transfer of $32,518.00 from Personnel Services category to the Noxious Weed Management category to utilize funds previously funding weed management position being established in BA 4545 for sub grants to Certified Weed Management Areas. Requires Interim Finance approval since the amount added to the Noxious Weed Management category exceeds 10% of the legislatively approved level for that category. **Relates to Item 13.**

    Refer to narrative and motion for approval under Item 13.

16. **Department of Agriculture – Animal Health – Veterinary Medical Services – FY 06 –** Addition of $20,104.00 in United States Department of Agriculture Scrapie Disease Survey Cooperative Agreement funds to continue partial funding of a temporary veterinarian position and to convert it to permanent status. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds $50,000.00 and since the work program includes new staff.

    Refer to motion for approval under Item F.

17. **Department of Agriculture – Measurement Standards – Gas Pollution – FY 06 –** Addition of $6,000.00 in transfer of federal funds from the Nevada Health Division, $6,000.00 in Clark County Receipts, $14,500.00 in private grants. (Western States Petroleum Association Marketers of Nevada and Alliance of Automobile Manufacturers), and $8,500 from reserve to contract with the Desert Research Institute (DRI) to conduct a study on the technical issues associated with the consolidation of the volatility schedule of gasoline in the state of Nevada. Requires Interim Finance approval since the amount added to the DRI Fuel Study category exceeds 10% of the legislatively approved level for that category.

    Chairman Raggio noted that Category 82 in the work program was revised to Category 86.

    Refer to motion for approval under Item F.

18. **Commission on Mineral Resources – Division of Minerals – FY 06 –** Transfer of $38,000.00 from the Reserve category to the Special Projects category to support the Nevada Bureau of Mines and Geology projects for digitizing mining public information files and to complete the new state geological map and geologic mapping program. Requires Interim Finance approval since the amount transferred to the Special Projects category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

19. **Department of Health and Human Services – Director's Office – Administration – FY 06 –** Addition of $400,000.00 in federal Youth Suicide Prevention and Early Intervention Grant funds to support suicide prevention efforts in Nevada by refining the current comprehensive statewide plan, expanding the Clark County pilot project and implement a utilization-focused evaluation system. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00 and includes new staff.

Mary Liveratti, Deputy Director, Department of Health and Human Services introduced Misty Allen, Statewide Suicide Prevention Coordinator, Department of Health and Human Services, and Dave Prather, Administrative Services Officer, Department of Health and Human Services. Ms. Liveratti was before the Committee to request approval for the Department to accept a $400,000 Youth Suicide Prevention grant and to establish revenue and expenditure authority in Budget Account 3150 for fiscal year 2006. The grant awarded $400,000 for each year in a three-year period for a total of $1.2 million.

In response to Chairman Raggio, who asked how the funding would be utilized, Ms. Allen said funds from the grant would be used to support her work in coordinating a statewide suicide prevention plan and to expand a Clark County pilot project identified as the Columbia University TeenScreen Program.

In response to questions Chairman Raggio asked regarding utilization of funding for two new positions, Ms. Allen advised that the grant provided funding for a full-time project director while another position was provided as the result of action by the 2005 Legislature. Ms. Allen advised that a half-time accounting position would be used to implement fiscal measures and subcontracting efforts required through the Clark County TeenScreen Project.

In response to Chairman Raggio, who asked how the accounting position would be funded at the end of the three-year grant period, Ms. Allen advised that if the grant were to be discontinued at the end of the three-year period, the accounting position would be eliminated. Ms. Allen said, however, that as Suicide Prevention Coordinator, it was her job to sustain the programs and she would "be seeking outside funding through other grant sources."

In response to questions Assemblywoman Giunchigliani asked regarding the TeenScreen project, Ms. Allen advised that the Columbia University TeenScreen pilot project was a screening program being conducted in ten schools in the Las Vegas area. Additionally, Ms. Allen said that grant funding would be used to enhance and expand education and awareness efforts.

Assemblywoman Giunchigliani asked if TeenScreen was the same program that had recently been criticized by parents, who claimed they did not know their children were being screened.

Ms. Allen indicated that although she was unaware of any criticism, TeenScreen was the only screening program in southern Nevada related to suicide prevention.

Assemblywoman Giunchigliani asked that Department representatives look into whether parents were being provided notification that their children were being screened and that students were aware of what was being asked of them. Additionally, Assemblywoman Giunchigliani indicated the TeenScreen project should be linked with homeless youth programs.

Ms. Allen advised that all screening for the Columbia University TeenScreen project and the Suicide Prevention Program required parental consent, but there were several similar programs across the nation to which she could not attest that parental consent was required.

In response to Senator Beers, who questioned the need for a half-time accounting position, Mr. Prather, indicated that the demand for the programs provided through the grant justified a half-time position that would be combined with an existing, but currently vacant half-time position in the Director's Office.

ASSEMBLYWOMAN MCCLAIN MOVED TO APPROVE WORK PROGRAM ITEM 19.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

20. **Department of Health and Human Services – Director's Office – Grants Management Unit – FY 06 –** Addition of $40,835.00 in Prior Year Refunds to return federal Enterprise Grant funds to the United States Department of Finance. Requires Interim Finance approval since the amount added to the Clark County Enterprise Grant category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

21. **Department of Health and Human Services – Director's Office – Grants Management Unit – FY 06 –** Addition of $187,014.00 in federal Community-Based Child Abuse Prevention Grant funds to allocate additional funds to community-based programs that prevent child abuse. Requires Interim Finance approval since the amount added to the Children's Trust Fund Grants category exceeds $50,000.00.

    Refer to motion for approval under Item F.

22. **Department of Health and Human Resources – Health Division – Environmental Public Health Tracking System – FY 06 –** Addition of $388,924.00 in Environmental Public Health Tracking System Grant funds to continue to support community-based organizations and other state agency efforts to address environmental and health problems and issues. Requires Interim Finance approval since the amount added to the Environmental Health category exceeds $50,000.00.

    Refer to motion for approval under Item F.

23. **Department of Health and Human Services – Health Division – Community Health Services – FY 06 –** Addition of $45,523.00 in Temporary Aid to Needy Families (TANF) funds transferred from the Welfare Division; transfer of $53,437.00 from the Operating category to the Personnel Services category and $99,123.00 from the Operating category to the TANF category to fund the 10th step for non-General Fund positions and to reflect TANF funds in the appropriate category. **Requires Interim Finance approval since this work program involves the allocation of block grant funds and this action requires a public hearing.**

Chairman Raggio announced that Item 23 involved the allocation of block grant funds and required a public hearing.

Alex Haartz, Administrator, Health Division, Department of Health and Human Services, identified himself for the record, and introduced Richard Whitley, Deputy Administrator, and Amy Roukie, Administrative Services Officer, Health Division, Department of Health and Human Services.

Mr. Haartz advised that approval of the work program would increase authority for the Temporary Aid to Needy Families (TANF) Program. Funds would be used by the Health Division to fund Community Health Nursing positions in 14 rural counties in order for the state to meet a major TANF goal to reduce out-of-wedlock births primarily focusing on teen pregnancy prevention.

In response to Chairman Raggio, who asked if increasing the authority for the TANF Program had any impact on TANF funding, Mr. Haartz advised that TANF funds were available to support the request.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ITEM 23.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

There was no response to Chairman Raggio's request for public testimony.

Assemblyman Arberry asked if the request would have an impact on General Fund dollars.

Mr. Haartz said that the work program request would have no impact on General Fund dollars within the budget account.

THE MOTION CARRIED. (Senator Cegavske was excused.)

24. Department of Health and Human Services – Health Division – Communicable Disease Control – FY 06 – Addition of $78,498.00 in federal Systems–Based Diabetes Prevention and Control Programs Grant funds, transfer of $40,998.00 from the Personnel Services category to the Diabetes Program category and $189.00 from the Operating category to the Diabetes Program category to reimburse community-based organizations for the development and implementation of systems to improve care to persons who have diabetes and to educate those at risk of developing diabetes. Requires Interim Finance approval since the amount added to the Diabetes Program category exceeds $50,000.00.

Refer to motion for approval under Item F.

25. Department of Health and Human Services – Health Division – Communicable Disease Control – FY 06 – Transfer of ***$58,322.00 from the Tobacco Control category to the Personnel Services category***, $2,420.00 ~~form~~ ***from*** the TB Elimination category to the Personnel Services category, $2,113.00 from ~~Authority~~ ***Arthritis*** category to the Personnel category, $8,742.00 from the Personnel Services category to the Comprehensive Cancer category, and $63,840.00 from the Personnel Services category to the National Cancer Prevention ***and Control*** category to properly allocate salary costs to correct funding sources and to utilize salary savings from vacant federally funded positions for operational support of the programs. Requires Interim Finance approval since the amount transferred to the National Cancer Prevention and Control category exceeds $50,000.00. **REVISED JANUARY 13, 2006.**

Chairman Raggio noted that the work program was revised with the transfer of $58,322 from the Tobacco Control category to the Personnel Services category and $2,113.00 from the Arthritis category to the Personnel category.

Refer to motion for approval under Item F.

26. **Department of Health and Human Services – Health Division – Sexually Transmitted Disease Control – FY 06 –** Addition of $56,061.00 in Rebate funds received from pharmaceutical companies to provide additional assistance to AIDS clients. Requires Interim Finance approval since the amount added to the Rebate category exceeds $50,000.00.

    Refer to motion for approval under Item F.

27. **Department of Health and Human Services – Health Division – Sexually Transmitted Disease Control – FY 06 –** Addition of $85,306.00 in federal Housing Opportunities for Persons with AIDS (HOPWA) Grant funds to continue the program to provide housing and utility assistance for persons with HIV/AIDS. Requires Interim Finance approval since the amount added to the HOPWA category exceeds $50,000.00.

    Refer to motion for approval under Item F.

28. **Department of Health and Human Services – Health Division – Sexually Transmitted Disease Control – FY 06 –** Addition of $1,046,759.00 in General Fund appropriation to transfer General Funds from Fiscal Year 2006-07 to support projected costs for medication for the Aids Drug Assistance Program (ADAP) for the remainder of the fiscal year. Requires Interim Finance approval pursuant to A.B. 576, section 35(4), chapter 434 of the 2005 Legislative Session. **Relates to Item 29.**

Chairman Raggio announced that work program Items 28 and 29 would be considered concurrently.

Alex Haartz, Administrator, Health Division, Department of Health and Human Services, appeared before the Committee to request approval to transfer $1,046,759 from the Sexually Transmitted Disease Control budget for fiscal year 2007 to fiscal year 2006 in order to address increased costs for AIDS medication in the AIDS Drug Assistance Program (ADAP).

Mr. Haartz recalled discussion in budget hearings during the 2005 Legislative Session that based on prior years' experience, ADAP caseload growth and pharmaceutical costs were not projected to increase. Mr. Haartz said, however, that since the close of the 2005 Legislative Session, pharmaceutical costs had increased on average of $96 per client per month, and caseload had increased to an average of 735 clients each month.

Mr. Haartz also recalled that the agency was directed not to cap enrollment or establish a waiting list. In view of escalating pharmaceutical costs and caseload increases, Mr. Haartz advised that the Division would utilize, with the approval of the Interim Finance Committee, an option outlined in a letter of intent issued by the money committees to allow transfer of funds for ADAP medications between fiscal years for the 2005-07 biennium.

In response to Senator Beers, who asked for information on cost-containment strategies, Mr. Haartz provided the following recommendations:

- ✓ Pay insurance premiums for individuals who were employed if the premium was less expensive than enrollment in the ADAP.

- ✓ Use pharmaceutical assistance programs, offered through the University Medical Center (UMC) Wellness Center and Northern Nevada HOPES, to provide eligible clients free medications sponsored by the pharmaceutical industry.

Mr. Haartz advised that although placing a "cap" on the pharmaceutical benefit had not been reviewed, a meeting with UMC Wellness Center and Northern Nevada HOPES representatives would be scheduled to discuss available pharmaceuticals based on individual need. Mr. Haartz said, however, that if the request to transfer funds was approved, a "practical cap" would essentially be created limiting enrollment at 735 with an average per month per person pharmaceutical cost of $941 until either new strategies were employed or additional funds were provided.

In response to Assemblyman Denis, who asked about the possibility that funding provided through the Ryan White Title II CARE Act might be increased, Mr. Haartz advised that it appeared that the federal grant award on April 1 would remain "flat," although some reallocation of funds that would place more emphasis on pharmaceuticals and less on the program could occur.

In response to questions Assemblyman Denis asked regarding funding availability through fiscal year 2007, Mr. Haartz projected a shortfall after December 31, 2006. Mr. Haartz advised that unless costs could be successfully contained, either a supplemental appropriation or a contingency fund request would be required.

Assemblywoman Giunchigliani also recalled discussion during the 2005 Legislative Session related to the ADAP and said it would be "reprehensible" to create a waiting list.

In response to a question Assemblywoman Giunchigliani asked regarding a "means test," Richard Whitley, Deputy Administrator, Health Division, advised that client eligibility was based on a standard of 400 percent of poverty or below. Mr. Whitely advised that clients were screened for any other benefits for which they could qualify, and an "insurance assistance program" provided under the Ryan White Title II CARE Act helped to support clients with co-payments and deductibles.

Having noted that Nevada had one of the largest AIDS case rates in the western United States, Assemblywoman Giunchigliani asked if medications were available through the Canadian drug program.

Although Canadian pharmaceuticals had not been specifically researched, Mr. Haartz reiterated that Division representatives would be meeting with UMC and Northern Nevada HOPES representatives to review ways in which to obtain a lower average monthly pharmaceutical cost per client.

In response to a question Assemblywoman Giunchigliani asked regarding generic drugs, Mr. Haartz advised that, for the most part, generic drugs were non-existent with the exception of a generic for the drug identified as zidovudine (AZT).

In response to questions Senator Beers asked about the Division's plans to negotiate with providers, Mr. Haartz indicated it was the responsibility of Division representatives to meet with the two major providers, UMC and Northern Nevada HOPES to discuss the "practical realities" of the situation and to attempt to accomplish the greatest good with available funding.

In response to a question Senator Beers asked regarding a match requirement for the Ryan White funding, Mr. Haartz explained that while there was no match requirement, a "maintenance of effort" (MOE) was required, which meant the state was expected to maintain the General Fund dollar funding from the prior year each year going forward. Although verification would be required, Mr. Haartz indicated that it was believed there would be no impact on the MOE since the same amount had been budgeted over the biennium.

In response to a question Chairman Raggio asked regarding the MOE requirement, Mr. Haartz explained that the federal government expected that whatever the state contributed in a prior year would be maintained going forward.

Senator Beers asked if going beyond the MOE by transferring funding from fiscal year 2007 for expenditure in fiscal year 2006 and the need for a supplemental appropriation in 2007 would increase the MOE requirement for the following biennium.

Mr. Haartz advised that Division representatives would work with federal government officials to determine how a situation involving rapid caseload growth and increased pharmaceutical costs would be evaluated.

In response to Assemblywoman McClain, who asked if the 400 percent of poverty standard was a federal regulation, Mr. Whitley advised that the AIDS Drug Assistance Program (ADAP) advisory committee, had, at one point, established a 600 percent of poverty standard that targeted more of the working poor. However, as the demographics of epidemic shifted, the level was lowered to 400 percent of poverty as a cost-saving strategy. Mr. Whitely advised that the majority of program users fell

between 200 and 300 percent of poverty with less than 50 clients at 300 to 400 percent of poverty.

In response to a question Chairman Raggio asked regarding co-payments, Mr. Whitely confirmed that co-payments were not required for clients who met the 400 percent of poverty level. Mr. Whitley advised that a sliding-scale fee was another cost-saving strategy under review.

Senator Beers expressed concern regarding increasing the MOE and indicated that cost-saving strategies, such as co-payments and adjusting the poverty level should be reviewed.

Assemblyman Hettrick concurred with Senator Beers and discussed the possibility of a supplemental appropriation that might be required in 2007, which he indicated would automatically raise state funding over the biennium and increase the federal MOE requirement. Assemblyman Hettrick encouraged a review of other cost-saving options, such as adjusting the poverty level percentage and adding co-payments as suggested by Senator Beers.

In response to Chairman Raggio, who asked Division representatives how the projected $1,046,759 shortfall should be addressed, Mr. Haartz advised that one option would be to reduce the pharmaceutical benefit from $941 per client per month to $476 per client per month. However, Mr. Haartz indicated that UMC and Northern Nevada HOPES representatives had not been contacted, and he was uncertain that a combination of drugs with a therapeutic benefit could be provided for $476 a month. Mr. Haartz also indicated eligibility criteria could be adjusted.

Assemblyman Hettrick suggested delaying action on the transfer of funds to the following meeting when Division representatives could return with additional information on whether drugs that provided a therapeutic benefit could be purchased at a reduced cost.

Assemblyman Arberry indicated being in favor of taking action on the request during the ongoing meeting and allowing agency representatives to provide an update at the following meeting.

Senator Raggio pointed out that concern had been expressed that approval of the request would provide for an eventual increased MOE.

Mr. Haartz clarified that the MOE would be based upon expenditures and not upon legislatively approved authority. Mr. Haartz advised that if the request for transfer was approved, Division representatives would “aggressively” pursue cost-reducing strategies.

In response to Assemblywoman McClain, who questioned the amount of the Ryan White award, Mr. Haartz indicated federal funding was expected to amount to

approximately $2,517,000, which with the requested transfer of funds was anticipated to cover costs through the close of fiscal year 2006.

> ASSEMBLYWOMAN MCCLAIN MOVED TO APPROVE ITEMS 28 AND 29.

Chairman Raggio indicated he would not accept a motion until other members of the Committee had an opportunity to comment.

Noting that the MOE was based on expenditures rather than a General Fund appropriation, Assemblywoman Smith suggested that the agency representatives return to the IFC meeting in April with a cost-containment plan that could significantly reduce expenditures.

Mr. Haartz advised that if the request was approved, the number of enrollees in the program could be limited to 735, but pharmaceutical costs, in terms of ensuring that clients received medications that provided a therapeutic benefit, was an issue beyond the agency's control. If the request was not approved, approximately 93 individuals currently receiving medications would be transitioned to other programs.

In response to questions Chairman Raggio asked regarding delaying action until the April IFC meeting, Mr. Haartz advised that the Sexually Transmitted Disease Control Budget would be out of cash by March unless providers were willing to forego reimbursement.

Chairman Raggio indicated that withholding provider payment was an unreasonable request.

In response to a question Assemblywoman Gansert asked regarding the federal government time frame for the MOE, Mr. Haartz explained the MOE was tied to the federal grant period of April 1 to March 31.

In response to questions Assemblywoman Gansert asked regarding how the MOE would be affected by IFC approval of the request, Mr. Haartz reiterated that the federal government required that any funding the state contributed in a prior year would be maintained going forward.

In response to additional questions regarding the MOE from Chairman Raggio, Amy Roukie, Administrative Services Officer, Health Division, Department of Health and Human Services, explained that the funding expended prior to the end of the federal fiscal period, March 31, would be expected to be replaced as a MOE. Ms. Roukie indicated that the Division would be without funding if the transfer of funds was not available between the current time and the federal grant award on April 1. Ms. Roukie reiterated that the funding expended prior to March 31 would be counted toward the MOE in the next application for federal grant.

Assemblyman Hettrick questioned whether expenditures could be delayed until after the April 1, 2006 award, which would provide time for the division to return to the Committee with cost-containment recommendations. As previously stated, Assemblyman Hettrick expressed concerns that approving the transfer would guarantee an increased MOE going forward.

Mr. Haartz advised that if the transfer of funds was not approved, a meeting would be scheduled with the UMC and Northern Nevada HOPES representatives regarding the need to reduce the average pharmaceutical cost. Additionally, Division representatives would appear before the Committee in April to request the transfer of funds to pay providers.

Chairman Raggio discussed authorizing the request conditioned on holding funding expenditures until after March 31.

Mr. Haartz indicated that if the transfer was authorized, the providers would be advised payments would be delayed until after March 31.

Assemblywoman Giunchigliani discussed the responsibility to serve clients and indicated that it appeared the MOE would increase despite any action taken by the Committee since it was unlikely that either the caseload or the cost of drugs could be reduced. Assemblywoman Giunchigliani indicated the larger problem was the flat federal funding and the increasing cost of prescription drugs.

In response to questions from Senator Beers regarding the advisory committee recommendations, Mr. Whitely advised that although cost containment was a standing agenda item, there was a reluctance to contain costs in terms of influencing prescribing patterns to establishing a waiting list.

In response to Senator Beers, who asked if it was unreasonable to expect cooperation on cost containment from the advisory committee, Mr. Whitely indicated that the advisory committee would provide information on the impact of each cost containment recommendation.

Senator Beers indicated that approving the request for transfer of funds and delaying expenditure of the funds until April 1 would provide additional time to review recommended containment measures.

Mike Torvinen, Deputy Director, Department of Health and Human Services, expressed concern regarding the way federal officials would interpret funding accrued prior to March 31, 2006 and delaying expenditure of that funding until April 1, 2006. Mr. Torvinen indicated the funding could be considered spent as of March 31, 2006 and asked to be provided time to determine whether federal officials would approve the accounting method under discussion.

ASSEMBLYMAN ARBERRY MOVED APPROVAL OF ITEMS 28 AND 29.

Before accepting Assemblyman Arberry's motion, Chairman Raggio indicated additional testimony would be heard.

In order to assist the Committee in making an informed decision, Assemblyman Hettrick asked Division representatives to investigate whether the current MOE would apply if the requested transfer was approved but funds were not expended until April 1.

Mr. Torvinen testified that Government Accounting Standards required reporting based on recognition of accrual not expenditures.

Senator Beers suggested an alternative would be to approve expenditure of the funds on April 1, 2006, and to tell the providers they would not be paid as a result of a lack of funds in the last five days of March. While some patients might have to pay for a portion of their medication through that action, Senator Beers said the program would be preserved and more individuals would be assisted in the long run.

Assemblywoman Gansert suggested that in addition to conferring with federal officials regarding the accounting method, a stopgap measure to provide only a portion of the funds until additional cost-containment information was provided should also be reviewed.

Chairman Raggio indicated a vote on the issue would be delayed until Mr. Torvinen could confer with federal officials and return to the Committee with the requested information.

Assemblywoman Giunchigliani also requested information on whether the problem would be compounded and the MOE increased in fiscal year 2007 if the Committee deferred action on the request and cost-containment measures were not approved.

Chairman Raggio indicated that the Committee wanted to ensure that all eligible clients were provided medication in a timely and effective manner and requested that Division representatives return to the next IFC meeting in April with additional cost-containment recommendations from the advisory committee as well as any internal considerations by Division representatives.

Mr. Haartz returned to the witness table later in the meeting and reported that during the interval, Division representatives met with the Committee's staff and also requested and received information from federal government representatives. Mr. Haartz provided the following information:

- The program would encounter a shortfall for the purchase of medications in mid-February 2006.

- The MOE was based upon the federal grant period from April 1 through March 31 and not on the biennium as had been incorrectly stated by Health Division staff.

- Information provided via a telephone call to a federal government representative indicated that "Nevada's mandatory annual contribution to the program" would not be increased in either 2006 or 2007 because of a "one-time event." Documentation that the transfer of funding into the fiscal year 2006 budget to cover the shortfall would not affect the MOE was requested, and Health Services and Resources Administration (HRSA) staff indicated an email to that effect would be sent later in the afternoon.

Mr. Haartz advised that the accounting method based on accrual became a moot point with information from a federal spokesperson that the MOE would not be affected.

In response to Chairman Raggio, who asked about the transfer of funds as a one-time event, Mr. Haartz advised that Division staff would work with the ADAP advisory committee and the UMC and Northern Nevada HOPES medical directors and pharmacists to implement cost containment strategies by July 1, 2006. Mr. Haartz projected a $2 million to $3 million shortfall would be experienced in fiscal year 2007 without the implementation of cost-containment measures other than a cap on enrollment and limiting the average monthly cost of medications to $941.

Chairman Raggio indicated a motion for approval would be accepted conditioned on cost-containment recommendations were provided by Division staff at the following IFC meeting.

Senator Beers noted that funding had been expended at a little less than twice the budgeted amount and asked whether Division staff would be reprimanded for failing to note the funding problem in a timely fashion and bringing it to the Committee's attention.

Mr. Haartz indicated the funding issue would be a topic of discussion.

ASSEMBLWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ITEMS 28 AND 29 ON THE CONDITION THAT HEALTH DIVISION REPRESENATIVES PROVIDED COST-CONTAINMENT PROPOSALS FOR FISCAL YEAR 2007 AT THE APRIL MEETING OF THE INTERIM FINANCE COMMITTEE.

ASSEMBLYMAN ARBERRY SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Beers voted nay, Senator Cegavske was excused; Senator Coffin was not present for the vote. Assemblyman Hettrick voted nay;

Assemblyman Perkins and Assemblyman Marvel were not present for the vote.)

29. **Department of Health and Human Services – Health Division – Sexually Transmitted Disease Control – FY 07 –** Deletion of $1,046,759.00 General Fund appropriation to transfer General Funds to Fiscal Year 2005-06 to support projected costs for medication for the Aids Drug Assistance Program. Requires Interim Finance approval pursuant to A.B. 576, section 35(4), chapter 434 of the 2005 Legislative Session. **Relates to Item 28.**

    Refer to narrative and motion for approval under Item 28.

30. **Department of Health and Human Services – Health Division – Maternal Child Health Services – FY 06 –** Transfer of $7,433.00 from the Baby-Your-Baby category to the Personnel Services category to convert a contract employee to a state employee to answer the toll-free maternal and child health information line and translate written materials into Spanish. Requires Interim Finance approval since this work program includes new staff.

    Refer to motion for approval under Item F.

31. **Department of Health and Human Services – Health Division – Maternal Child Health Services – FY 06 –** Transfer of $11,763.00 from the State-Based Care Injury Program category to the Personnel Services category to convert a temporary contract employee to a full-time position effective April 1, 2006. Requires Interim Finance approval since this work program includes new staff.

    Refer to motion for approval under Item F.

32. **Department of Health and Human Services – Health Division – Women, Infants and Children Food Supplement – FY 06 –** Addition of $35,000.00 in Prior Year Refunds and transfer of $12,346.00 from the Reserve category to the Vendor Refunds category to cover administrative costs of the Women, Infants and Children Nutritional program. Requires Interim Finance approval since the amount added to the Vendor Refunds category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

33. **Department of Health and Human Services – Health Division – Office of Minority Health – FY 06 –** Addition of $145,577.00 in Office of Minority Health State Partnership Grant funds to improve the quality of, and increase access to, health care services for members of minority groups and to disseminate information to and educate the public on health care matters of interest to minority groups. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00 and includes new staff.

    Refer to motion for approval under Item F.

34. **Department of Health and Human Services – Health Division – Bureau of Alcoholism and Drug Abuse – FY 06 –** Transfer of $32,000.00 from the Substance Abuse Prevention and Treatment Block Grant category to the Kinkead Relocation category to cover the costs to move out of the Kinkead Building to leased space on Technology Way. **Requires Interim Finance approval since the amount involves the allocation of block grant funds and this action requires a public hearing. RECEIVED JANUARY 4, 2006.**

Chairman Raggio announced that Item 34 involved the allocation of block grant funds and required a public hearing.

Alex Haartz, Administrator, Health Division, Department of Health and Human Services, appeared before the Committee to request approval to transfer $32,000 from the Substance Abuse Prevention and Treatment Block Grant category to the Kinkead Relocation category to fund moving costs for the federally funded positions from the Kinkead building to a location on Technology Way. Mr. Haartz advised the transfer of funds had no impact on either treatment or prevention services.

There was no response to Chairman Raggio's request for public testimony.

ASSEMBLYMAN ARBERRY MOVED APPROVAL OF ITEM 34.

ASSEMBLMAN DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

35. **Department of Health and Human Services – Division of Welfare and Supportive Services – Administration – FY 06 –** Addition of $378,490.00 in USDA Food Stamp Nutrition Education Plan Grant funds to pass through grant funds to the University of Nevada, Reno for the Food Stamp Nutrition Education program, which targets specific children groups and provides nutrition education programs intended to promote healthier eating habits. Requires Interim Finance approval since the amount added to the Nutrition Educational Network category exceeds $50,000.00.

    Refer to motion for approval under Item F.

36. **Department of Health and Human Services – Division of Welfare and Supportive Services – Child Support Enforcement – FY 06 –** Addition of $102,630.00 in federal Child Support Grant funds and transfer of $52,870.00 from the Reserve category to the Information Services category to cover contract expenditures associated with converting the existing Child Support Collections and Disbursement System to a DataBase 2 (DB2) supported File Net Enterprise Content Management System. Requires Interim Finance approval since the amount added to the Information Services category exceeds $50,000.00.

    Refer to motion for approval under Item F.

37. **Department of Health and Human Services – Division of Welfare and Supportive Services – Child Support Enforcement – FY 07 –** Addition of $17,820.00 in federal Child Support funds and transfer of $9,180.00 from the Reserve category to the Information Services category to cover contract expenditures associated with converting the existing Child Support Collections and Disbursement System to a DB2 supported File Net Enterprise Content Management System. Requires Interim Finance approval since the amount added to the Information Services category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

38. **Department of Health and Human Services – Division of Welfare and Supportive Services – Child Care Assistance and Development – FY 06 –** Addition of $1,173,598.00 in federal Child Care Development Discretionary Block Grant funds addition of $309,424.00 in federal Child Care Development Mandatory/Matching Block Grant funds, and deletion of $100,000.00 in federal Community Integrated Services System Grant funds; transfer of $1,321,463.00 from the Reserve category to the Mandatory/Matching category, $1,070,000.00 from the Reserve category to the Quality Assurance category, $450,000.00 from the Reserve category to the Discretionary Child Care category and $200,000.00 from the Neon Child Care category to the Mandatory/Matching category to reconcile federal Fiscal Year 2006 federal Child Care Development Grant funds

and to align corresponding expenditure categories in order to help families attain a level of self-sufficiency adequate to avoid dependency on public assistance and to improve the quality of child care throughout the state. This work program also eliminates the federal Community Integrated Services System grant since it was discontinued effective July 2005. **Requires Interim Finance approval since this work program involves the allocation of block grant funds and this action requires a public hearing.**

Chairman Raggio announced that Item 38 involved the allocation of block grant funds and required a public hearing.

Nancy Ford, Administrator, Division of Welfare and Supportive Services, introduced Roger Mowbray, Administrative Services Officer, Division of Welfare and Supportive Services and Jerry Allen, Chief, Child Care Program, Division of Welfare and Supportive Services.

Ms. Ford appeared before the Committee to request approval of work program Item 38, which she indicated would reconcile revenue authority to the current available grant award and to transfer $2,841,463 in expenditure authority from category 86 reserve into various expenditure categories.

There was no response to Chairman Raggio's request for public testimony.

ASSEMBLYMAN HETTRICK MOVED APPROVAL OF ITEM 34.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION FOR APPROAVAL CARRIED. (Senator Cegavske was not present for the vote.)

39. Department of Health and Human Services – Aging Services – Older Americans Act – FY 06 – Addition of $44,714.00 in federal State Health Insurance Program (SHIP) Grant funds through the Centers for Medicare and Medicaid Services to continue program funding which supports a network of 82 volunteers located throughout the state who provide technical assistance to seniors. Funds also support education, outreach and long-term care planning through subgrants to providers. Requires Interim Finance approval since the amount added to the SHIP category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

40. Department of Employment, Training and Rehabilitation – Employment Security – FY 06 – Addition of $116,100 in federal Administrative Cost Allowance Funds to allow for the security enhancement of the Department of Employment, Training and Rehabilitation's e-mail system. The enhancement will prevent the

unencrypted transmission of confidential client information such as social security numbers. Requires Interim Finance approval since the amount added to the Information Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

41. **Department of Employment, Training and Rehabilitation – Employment Security Special Fund – FY 06 –** Transfer of $750,000.00 from the Reserve category to the Las Vegas Admin Building category to allow for estimated cost increases associated with the construction of the Department of Employment, Training and Rehabilitation's Las Vegas Administrative Building. Construction costs nationwide have increased significantly since September 2004 due to higher costs for labor and materials. Requires Interim Finance approval since the amount transferred to the Las Vegas Administration Building category exceeds $50,000.00. **Relates to Item J.4.**

    Chairman Raggio noted that the transfer of $750,000 from the Reserve category to the Las Vegas Administration Building category was revised to a transfer of $900,000 on January 20, 2006.

    Refer to motion for approval under Items F and Item J.4.

42. **Department of Motor Vehicles – Verification of Insurance – FY 06 –** Transfer of $275,000.00 from the Reserve for Reversion category to the Operating category to cover projected postage expenditure requirements for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

    Refer to motion for approval under Item F.

43. **Department of Public Safety – Emergency Management Division – FY 06 –** Addition of $322,999.00 in Office of Domestic Preparedness (ODP) Homeland Security Grant program funds transferred from the Emergency Management Assistance Account to purchase systems and equipment for the new Emergency Operations Center (EOC). Requires Interim Finance approval since the amount added to the EOC Construction category exceeds $50,000.00.

    Chairman Raggio noted the work program was revised from an addition of $322,999 to $486,500.

    Refer to motion for approval under Item F.

44. **Department of Public Safety – Criminal History Repository – FY 06 –** Transfer of $115,575.00 from the Reserve category to the Information Services category to develop an interface between Clark County's Shared Computer Operation for Protection and Enforcement (SCOPE) and Wanted Vehicle System (WVS)

systems and the department's server. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

45. **Department of Public Safety – Criminal History Repository – FY 06 –** Transfer of $21,958.00 from the Reserve category to the Operating category, $8,353.00 from the Reserve category to the Equipment category, $23,370.00 from the Reserve category to the Information Services category, and $1,483.00 from the Reserve category to the Utilities category to facilitate the move of the Repository's Las Vegas office including setup of a training room for the Nevada Criminal Justice Information System (NCJIS). Requires Interim Finance approval since the amount added to the Information Services category exceeds $50,000.00.

    Refer to motion for approval under Item F.

46. **Department of Public Safety – Investigations Division – FY 06 –** Addition of $38,447.00 in FEMA funds transferred from the Division of Emergency Management (DEM) to receive reimbursement from FEMA for the costs associated with sending three officers to the Gulf Coast in response to Hurricane Katrina. Requires Interim Finance approval since the amount added to the DEM category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

47. **Department of Public Safety – Training Division – FY 06 –** Addition of $15,000.00 in Traffic Accident Reconstruction funds transferred from the Office of Traffic Safety to provide training to sworn officers for the development of investigative and operational skills needed to handle complex accidents. Requires Interim Finance approval since the amount added to the Traffic Accident Reconstruction category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

48. **Department of Public Safety – Office of Traffic Safety – FY 06 –** Addition of $350,000.00 in Federal Motor Carrier Safety Administration (FMCSA) Grant funds to pass-through grant funds in support of the Nevada Citation and Accident Tracking System to the Highway Safety Plan and Administration budget. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00. **Relates to Item 49.**

    Refer to motion for approval under Item F.

49. **Department of Public Safety – Highway Safety Plan and Administration – FY 06 -** Addition of $350,000.00 in FMCSA Grant funds transferred from the Office

of Traffic Safety to support the Nevada Citation and Accident Tracking System including the standardization of the collection and analysis of truck, bus crash, and citation data. Requires Interim Finance approval since the amount added to the FMCSA Grant Program category exceeds $50,000.00. **Relates to Item 48.**

Refer to motion for approval under Item F.

50. Department of Public Safety – Fire Marshal – FY 06 – Addition of $55,110.00 in Transfer from Homeland Security Grant funds Division of Forestry to enable the agency to deliver Hazardous Materials training to the Nevada Division of Forestry fire fighting staff. Requires Interim Finance approval since the amount added to the NDF Hazmat Training category exceeds $50,000.00.

Refer to motion for approval under Item F.

51. Colorado River Commission – Power Delivery Project Fund – FY 06 – Addition of $109,198,702.00 in Power Sales to increase Revenue Authority to accommodate increased power purchases costs over approved budget level during this fiscal year. Requires Interim Finance approval since the amount added to the Advances to the Water District category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

52. Colorado River Commission – Power Delivery Project Fund – FY 07 – Addition of $98,876,996 in Power Sales to increase Revenue Authority to accommodate increased power purchases costs over approved budget level during this fiscal year. Requires Interim Finance approval since the amount added to the Advances to the Water District category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

53. Department of Conservation and Natural Resources – Division of Water Resources – FY 06 – Addition of $26,478.00 in Federal Emergency Management Agency (FEMA) Dam Safety Grant funds and $1,000.00 in the Association of State Dam Safety Officials Grant funds to continue dam safety activities. Requires Interim Finance approval since the cumulative amount added to the FEMA Dam Safety category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

54. Department of Conservation and Natural Resources – Environmental Protection – Bureau of Waste Management and Corrective Actions – FY 06 – Addition of $350,000.00 in United States Environmental Protection Agency Brownsfield Assessment Grant funds to make an assessment of the Gooseberry

Mine site in Storey County involving soil and waste samples to characterize the contamination and develop appropriate clean-up plans for the site. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

Refer to motion for approval under Item F.

55. Department of Conservation and Natural Resources – Environmental Protection – Bureau of Waste Management and Corrective Actions – FY 06 – Addition of $60,000.00 in Fines and Penalties and $988.00 in Prior Year Refunds to increase fine authority pursuant to NRS 444.616. Requires Interim Finance approval since the cumulative amount added to the Transfer to State Agencies category exceeds $50,000.00.

Refer to motion for approval under Item F.

56. Department of Conservation and Natural Resources – Environmental Protection – Bureau of Waste Management and Corrective Actions – FY 06 – Addition of ***$85,748.00*** ~~$85,746.00~~ in United States Environmental Protection Agency Exchange Network federal grant funds to continue to support IT staff involved in the Exchange Network program related activities via salaries and train and training funds. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds $50,000.00 and includes new staff.

Refer to motion for approval under Item F.

57. Department of Conservation and Natural Resources – Environmental Protection – Bureau of Waste Management and Corrective Actions – FY 06 – Addition of $103,454.00 in Environmental Public Health Tracking System transferred from the Health Division to continue to support IT staff involved in the Environmental Health Tracking System related activities via salaries and IDC funds. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds $50,000.00 and includes new staff.

Refer to motion for approval under Item F.

58. **Department of Conservation and Natural Resources – Environmental Protection – Bureau of Waste Management and Corrective Actions - FY 06 –** Addition of $300,000.00 in United States Environmental Protection Agency for National Environmental Information Exchange Network Grant funds to expand Nevada's portion of the National data base to regulated facilities in the state. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

    Refer to motion for approval under Item F.

59. **Department of Conservation and Natural Resources – Environmental Protection – Bureau of Waste Pollution Control – FY 06 –** Transfer of $32,100.00 from the Reserve category to the Water Pollution 106 category to purchase a replacement vehicle and three replacement desktop computers and to partially fund the acquisition of a printer and miscellaneous equipment for field inspections. Requires Interim Finance approval since the amount transferred to the Water Pollution 106 category exceeds 10% of the legislatively approved level for that category. **WITHDRAWN JANUARY 4, 2006**.

    Item 59 was withdrawn.

60. **Department of Conservation and Natural Resources – Division of Forestry – FY 06 –** Addition of $45,000.00 in United States Forest Service Forest Stewardship Grant funds and $50,000.00 in United States Forest Service Forest Health Management Grant funds to complete additional restoration and rehabilitation work relating to the Waterfall Fire, to prevent disease and insect outbreaks on state and private forest lands, and to permit a spatial analysis to illustrate and assess the various consolidated program grant programs and their effect on the landscape over time. Requires Interim Finance approval since the cumulative amount added to the Forest Health Management category exceeds $50,000.00.

    Refer to motion for approval under Item F.

61. **Department of Conservation and Natural Resources – Division of Forestry – Conservation Camps – FY 06 –** Addition of $99,065.00 in transfer from BA 4196, Fire Suppression/Emergency Response to reimburse conservation camps for fuel and vehicle maintenance expenses incurred in fire suppression activities during Fiscal Year 2006 fire season to database vehicle rates. Requires Interim Finance approval since the amount added to the Various Camp categories exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

62. **Department of Conservation and Natural Resources – Division of Forestry – Intergovernmental Forestry – FY 06 –** Addition of $621,200.00 in Washoe

County Receipts, $254,061.00 in Elko County Receipts, $189,358.00 in Storey County Receipts, $117,771.00 in Clark County Receipts, $62,315.00 in Eureka County Receipts, $64,844.00 in Douglas County Receipts, $63,458.00 in Carson City Receipts, and $35,924.00 White Pine County Receipts; documentation of ($115,245.00) in FEMA Forest Fire Suppression federal grant funds, ($3,924.00) in Forest Fire Reimbursements and ($1,317.00) in Insurance Proceeds to reconcile legislatively approved fire district budgets with those approved by the individual county commissions for Fiscal Year 2006. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

63. **Department of Conservation and Natural Resources – Division of Forestry – Intergovernmental Forestry – FY 06 –** Transfer of $91,000.00 from the Reserve category to the Elko County category, $2,000.00 from the Reserve category to the Storey County category, $74,658.00 from the Reserve category to the Carson City category, $40,000.00 from the Reserve category to the White Pine County category and $46,734.00 from the Reserve category to the Washoe County category to refund surplus monies to the county fire districts for specific projects approved by the county fire district commissioners for Fiscal Year 2006. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds $50,000.00.

Refer to motion for approval under Item F.

64. **Department of Wildlife – Administration – FY 06 –** Addition of $35,000.00 in Publication Sales to facilitate the sale of Game Record Books to the public. Requires Interim Finance approval since the amount added to the Game Record Books category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

65. **Department of Wildlife – Wildlife Boating Program – FY 06 –** Addition of $18,750.00 in Dingell Johnson federal aid (Clean Vessel Act) funds to replace depreciated pump-out facility at Las Vegas Marina. Requires Interim Finance approval since the amount added to the Buildings/Improvements category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

66. Department of Transportation – Administration – FY 06 – Addition of $1,063,000.00 in Sale of Gas and Oil to increase authority for income generated from resale of oil and gas to other state agencies due to higher-than-anticipated fuel costs. Requires Interim Finance approval since the amount added to the Sale of Gas and Oil category exceeds $50,000.00.

Refer to motion for approval under Item F.

67. **Department of Transportation – Administration – FY 06 –** Addition of $75,000 in Highway Fund Authorization to ensure adequate funding is available to continue current construction programs. Requires Interim Finance approval since the amount added to the Land and Building Improvements category exceeds $50,000.

Chairman Raggio announced that Item 67 would be considered in conjunction with Item M. 16 b., a report on the Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-range Projects.

Jeff Fontaine, P.E., Director, Nevada Department of Transportation (NDOT), identified himself for the record and introduced Robert Chisel, Assistant Director for Administration, NDOT, and Phillip Peckman, President and Chief Executive Officer, Greenspun Corporation, and Chairman of the Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-range Projects.

Robert Chisel, Assistant Director for Administration, NDOT, appeared before the Committee to request approval to augment Highway Fund authorization by $75 million to ensure that adequate funds were available to continue to pay for the Department's current "fast-paced" construction program.

Mr. Chisel testified that it was estimated the NDOT would expend approximately $467 million, or 70 percent of the total program funding, in fiscal year 2006 on contractor payments and $201 million, or 30 percent of the capital expenditure outlay, for construction engineering, consultant work, and right-of-way activity. The two components totaled $668 million, $164 million of which was needed for bond expenditures, leaving $504 million of the authorization.

Mr. Chisel requested an augmentation of only $75 million despite projections indicating the capital outlay category would experience a shortfall of $175 million. With six months remaining in the fiscal year, Mr. Chisel advised that the category would continue to be monitored and, if necessary, an additional request for augmentation would be submitted to the Committee later in the fiscal year. With the additional authorizations, Mr. Chisel said it was anticipated that the Highway Fund would have a balance of approximately $230 million at the close of fiscal year 2006.

Senator Beers asked representatives to comment on the Department's ability to remain above the Highway Fund's minimum threshold balance of $150 million.

Mr. Fontaine advised that the Department's goal was an ending cash balance of $150 million based on what was determined to be needed for two months of expenses and indicated that a Highway Fund balance of $230 million was a conservative estimate. Mr. Fontaine discussed the receipt of weekly cash flow reports that included contractor payments and other expenses paid during the previous weekly period and projections on expenditures for the foreseeable future. If it appeared expenditures would exceed projections, Mr. Fontaine said the program would be adjusted to delay "letting" some contracts in order to reach the ending cash balance projection.

SENATOR BEERS MOVED APPROVAL OF ITEM 67.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

68. Department of Transportation – Administration – FY 06 – Addition of $3,368,720.00 in Highway Fund authorization to cover projected expenditures for the remainder of the fiscal year to include fuel for department vehicles, property insurance for heavy equipment, salt and sand, and an increase in betterment costs due to the rising costs of liquid asphalt. Requires Interim Finance approval since the amount added to the Operating category exceeds $50,000.00.

Refer to motion for approval under Item F.

69. Office of the Military – FY 06 – Addition of $21,375.00 in federal receipts to purchase kitchen equipment in support of the agency food service operations at the Carson City Readiness Center. Requires Interim Finance approval since the amount added to the Equipment category exceeds 10% of the legislatively approved level for that category.

Miles Celio, Administrative Services Officer, Office of the Military, appeared before the Committee on behalf of Brigadier General Kirkland, who could not attend because of a previously scheduled meeting. Mr. Celio requested approval for the addition of $21,375 in federal receipts to purchase kitchen equipment to support the food service program at the Carson City Readiness Center.

Mr. Celio provided the following background information:

- ✓ During the Readiness Center's design phase, engineers projected that the number of "full-time federal employees" who would be employed in the building would increase over the number of people that normally occupied the armory.

- ✓ Services to the Blind funded approximately $43,000 worth of kitchen equipment and operated a cafeteria-type operation at a loss for two years.

- ✓ Services to the Blind representatives offered to sell the used kitchen equipment to the Office of the Military for $28,500.

- ✓ Federal officials agreed to pay 75 percent of the kitchen equipment cost, or $21,375, if federal funds could be obligated by September 30, 2005, and if the state agreed to pay the remaining 25 percent, or $7,125.

- ✓ The Office of the Military purchased the equipment for $28,500 on September 20, 2005, using the agency's General Fund equipment money to fund the state's $7,125 share of the purchase.

Mr. Celio was advised by the staff from the Fiscal Analysis Division, Legislative Counsel Bureau that the purchase should not have been processed without approval from the Interim Finance Committee (IFC).

In response to questions Chairman Raggio asked regarding utilization of funds approved by the 2005 Legislature to purchase replacement trucks, Mr. Celio advised that funding approved for trucks and other equipment later in the fiscal year had been expended for the purchase of the kitchen equipment.

Chairman Raggio asked for confirmation that if the request was approved, $7,551 in General Funds savings from the purchase of floor scrubber machines would be reserved for reversion to the state General Fund at the end of fiscal year 2005-06 and would not be utilized for other purposes without prior approval of the IFC.

Mr. Celio provided confirmation that the $7,551 would revert to the General Fund and that he would use proper budgeting procedures in regard to any future purchases that had not been budgeted. Mr. Celio discussed the possible purchase of a vehicle from the federal motor pool fleet at a reduced price but indicated that he would approach the Committee's staff with additional information in regard to such a purchase.

Chairman Raggio pointed out that control had to be maintained over the budget process and admonished Mr. Celio to work with the Budget Office and Fiscal Division staff in the future.

In response to Chairman Raggio, who asked if Budget Division representatives concurred with the request, Andrew Clinger, Director, Department of Administration indicated he did.

SENATOR COFFIN MOVED APPROVAL OF ITEM 69 UPON THE CONDITION THAT $7,551 WOULD BE RESERVED FOR REVERSION TO THE STATE GENERAL FUND AND WOULD NOT BE UTILIZED FOR OTHER PURPOSES WITHOUT APPROVAL OF THE COMMITTEE.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

70. **Office of the Military – FY 06 –** Addition of $23,000 in federal receipts to fully fund a new Administrative Assistant III position in the facilities office of the Army National Guard. Requires Interim Finance approval since the amount added to the Personnel Services category includes new staff.

    Refer to motion for approval under Item F.

71. **Department of Health and Human Services – Division of Child and Family Services – Child Welfare Trust – FY 06 –** Transfer of $97,000.00 from the Reserve category to the Refund SS/Client Rural category and $431,000.00 from the Reserve category to the Refund SS/Client Clark County category to establish an accurate account for the trust fund balances for state custody children in the rural communities and to transfer balances for Clark County children to Clark County through the Social Security Administration. Requires Interim Finance approval since the amount transferred to the Refund SS/Client Rural category exceeds $50,000.00. **RECEIVED JANUARY 6, 2006.**

    Refer to motion for approval under Item F.

72. **Department of Education – Discretionary Grants – Unrestricted – FY 06 –** Addition of $425,000.00 in National Governors Association Private Grant funds to fund three programs designed to improve student performance in Nevada's high schools: 1) Advanced Placement Expansion; 2) Turning Around Low-Performing Schools; and 3) Developing a Statewide Longitudinal K-16 Data System. Requires Interim Finance approval since the amount added to the Advanced Placement Expansion category exceeds $50,000.00. **RECEIVED January 11, 2006.**

Gloria Dopf, Deputy Superintendent, Public Instruction, Department of Education, appeared before the Committee to request approval to receive $425,000 of a National Governors Association (NGA) grant that would be used to finance three programs to improve student performance in Nevada high schools.

Application for the grant was based upon a comprehensive improvement plan for high schools entitled STARS: *Nevada's Blueprint for High School Improvement.* Ms. Dopf advised that the improvement plan provided three strategies for which the state was eligible to apply, and demonstration of fulfillment of the initial plans in the first year of operation to the NGA would be required in order to receive the second year grant award of $425,000.

Ms. Dopf provided the following information regarding the three strategies:

1. Turn Around Low-Performing Schools – Identify practices within successful Nevada high schools and tie those practices into a mentoring system for low-performing high schools through an expanded partnership with the International Center for Leadership in Education (ICLE).

2. Expand Advanced Placement Preparation – Previously received Advanced Placement (AP) Test Fee grant funds would be used to provide the 100 percent match, $250,000, required by the NGA grant. Utilization of the federal funds would expand AP assistance in populations of high poverty and diversity and to implement strategies at the middle school level to increase academic preparation for student AP participation.

3. Develop a Statewide Longitudinal K-16 Data System – Information from all 17 school districts and identification "unique" to each student was currently collected and integrated into the Department of Education's System of Accountability Information for Nevada (SAIN) database. A goal of the project was to expand availability of the data through a longitudinal analysis process and to train providers to use the data.

   The Nevada System of Higher Education (NSHE) currently used a system of identifying and capturing student data that was unlike the state's system. Members of the University Board of Regents and the State Board of Education recently agreed a need existed for compatible systems that provided transferable K-12 student data upon student enrollment in the NSHE. A portion of the grant funds would be used to "bridge" the two systems by looking at best practices models. The state of Florida's K-16 longitudinal data as well as two other best practices models would be studied to provide recommendations on compatibility between the systems.

In response to questions Assemblywoman Giunchigliani asked regarding the inability by the NSHE to track student progression as transfers occurred from community college to either a state college or university, Ms. Dopf advised that the NSHE was currently in the process of changing their identification system. As previously discussed, the need for compatibility between systems was recognized, and Ms. Dopf advised that an attempt was currently being made to transfer data across the systems and to study what needed to take place in the future.

In response to a question Assemblywoman Giunchigliani asked regarding educational requirements for learning specialists, Ms. Dopf advised she was unaware of licensing status for learning specialists.

ASSEMBLYMAN DENIS MOVED APPROVAL OF ITEM 72.

ASSEMBLYWOMAN GANSERT SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

II. RECLASSIFICATIONS

Agency	Agency/ Budget Account	Position Number	Present Class, Code, Grade & Salary	Proposed Class, Code, Grade & Salary
Office of the Secretary of State, Notaries Division	040/1050	0047	Administrative Assistant IV, 2.210, grade 29, step 10, $42,783.12, Employer-Paid	Program Officer I, 7.649, grade 31, step 10, $46,729.44, Employer-Paid
Office of the State Treasurer, Millennium Scholarship	053/1088	0002	Administrative Assistant IV, 2.210, grade 29, step 4, $36,352.08, Employee/Employer-Paid	Program Officer I, 7.649, grade 31, step 4, $39,567.60, Employee/Employer-Paid
Department of Taxation	130/2361	2065	Compliance/Audit Investigator II, 11.365, grade 33, step 1, $34,577.28, Employer-Paid	Management Analyst I, 7.637, grade 33, step 1, $34,577.28, Employer-Paid
Department of Tourism	101/1522	0027	Accounting Assistant III, 2.301, grade 27, step 1, $26,956.08 Employer-Paid	Accountant Technician II, 7.141, grade 32, step 1, $33,094.80, Employer-Paid
Department of Agriculture	550/4550	0020	Livestock Inspector, 1.511, grade 25, step 6, $33,470.64, Employee/Employer-Paid	Program Officer I, 7.649, grade 31, step 2, $36,352.08, Employee/Employer-Paid
Department of Conservation and Natural Resources, Division of Environmental Protection	709/3185	0615	Administrative Assistant III, 2.211, grade 27, step 2, $30,860.64, Employee/Employer-Paid	Management Analyst I, 7.637, grade 33, step 1, $37,980.72, Employee/Employer-Paid
Department of Transportation	800/4660	803034	Administrative Assistant III, 2.211, grade 27, step 1, $26,956.08, Employer-Paid	Transportation Planner Analyst I, 7.731, grade 34, step 1, $36,018.00 Employer-Paid

*G. APPROVAL OF WORK PROGRAM REVISIONS IN ACCORDANCE WITH SECTION 45 OF ASSEMBLY BILL 576, 2005 LEGISLATIVE SESSION (REDESIGN OF CHILDREN'S MENTAL HEALTH RESIDENTIAL TREATMENT SERVICES) AND IN ACCORDANCE WITH CHAPTER 353, *NEVADA REVISED STATUTES*.

Chairman Raggio announced that testimony would be heard on the concept of the redesign of the Children's Mental Health Residential Treatment Services and noted that certain items under Item G required specific action. Refer to Exhibit E to review work programs under Item G.

Diane Comeaux, Deputy Administrator, Division of Child and Family Services (DCFS), introduced Fernando Serrano, the newly appointed Administrator, DCFS; Charles Duarte, Administrator, Division of Health Care Financing and Policy (DHCFP); and Patrick Cates, Administrative Services Officer, DHCFP.

In response to a request from Assemblyman Arberry, acting as temporary Chairman of the Committee, Ms. Comeaux proceeded with a presentation of the work program requests. Ms. Comeaux advised that, based upon a proposal presented to the 2005 Legislature to "transform" Children's Mental Health Residential Treatment Services, permissive language was included in the General Appropriations Act, A.B. 576, 2005 Legislature, to allow for positions and or sums appropriated to the DCFS and the DHCFP to be transferred between the various budget accounts of each of the divisions in order to implement a redesign of Children's Mental Health Residential Treatment Services.

Since the close of the 2005 Legislative Session, the Department of Health and Human Services' divisions, in partnership with community stakeholders, providers and consultants had progressed toward "transforming" Children's Mental Health Treatment Services. Ms. Comeaux reported that the applicable Medicaid statute had been rewritten to eliminate the tiered system that had been in use and treatment services were expanded. The development of new rates supported the new chapter and included core treatment service rates, add-on fees for services, and room and board per diem rates. Additionally, the utilization management system was "collapsed" into a single system.

As previously indicated, Ms. Comeaux advised that the work programs under Item G recommended the transfer of resources between the DCFS and the DHCFP to support the transformation. Resource transfers were categorized into five primary areas: rural emergency and rehabilitative services; room and board per diem for non-custody youth; contract services, performance-based contracting; and utilization review.

Agenda Items 1 and 2, identified as work programs for the DCFS Rural Child Welfare budget de-augmented the Rural Child Welfare budget and transferred Rehabilitation Treatment Services funding from the DCFS to the DHCFP. Agenda Items 19 and 20, identified as the work programs for the DHCFP, accepted the funds from Rehabilitation Treatment Services.

Patrick Cates, Administrative Services Officer, DHCFP, advised that expenditure categories for work program Items 19 and 20 had been revised to divide the expenditure funds between categories 12 and 19.

At Chairman Arberry's request, Gary Ghiggeri, Fiscal Analyst, Legislative Counsel Bureau, Fiscal Analysis Division, clarified that work program Items 19 and 20 were revised to allocate the expenditure authority between categories 12 and 19. Mr. Ghiggeri provided the following breakdown:

- Work program Item 19 was revised to reflect an allocation of $5,207,992 in category 12 and $3,363,423 in category 19.

- Work Program Item 20 was revised to reflect an allocation of $11,039,415 in category 12 and $7,129,471 in category 19.

Mr. Cates agreed with the revisions provided by Mr. Ghiggeri.

In response to Chairman Arberry's request to provide highlights related to block grant request Items 3, 4, 25, 26, 27, and 28, which required public testimony, Ms. Comeaux advised that the Nevada Medicaid budget reimbursed residential and non-residential treatment services under the Mental Health Rehabilitation Authority, which did not cover room and board expenditures. Ms. Comeaux explained that an unintended consequence of transforming services was that parents or guardians of children, who were not in the custody of a child welfare agency, would have been responsible for paying the room and board for their treatment services. A number of concerns were raised by providers and/or parents, and the use of other federal funds to support the room and board costs was explored. It was determined that Title XX, Social Services Block Grant was an appropriate federal funding source, and thus a transfer from the Welfare Division to the Director's Office to the Division of Child and Family Services was requested to pay for the room and board costs for non-custody youth. As previously indicated by Chairman Arberry, Ms. Comeaux noted that agenda items 3, 4, 25, 26, 27 and 28 requested an allocation of block grants and required a public hearing.

Chairman Arberry requested public testimony for Items 3, 4, 25, 26, 27, and 28 but received no response to his request.

Chairman Arberry indicated he would accept a motion for approval of Items 19 and 20 as revised.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ITEMS 19 AND 20 AS REVISED.

ASSEMBYMAN MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ALL OTHER ITEMS UNDER ITEM G (1, 2, 3, 4, 5, 6, 7,

8, 9. 10, 11, 12, 13, 14, 15, 16, 17, 18, 21, 22, 23, 24, 25, 26, 27, AND 28).

SENATOR RAGGIO SECONDED THE MOTION.

THE MOTION CARRIED (Senator Cegavske was excused.)

Chairman Raggio, who had resumed the duties of the Chair, requested that a progress report be provided to the members of the Committee at the next meeting.

Assemblyman Marvel extended congratulations to Fernando Serrano, on his recent appointment as Administrator, Division of Child and Family Services.

H. STATEMENT OF CONTINGENCY FUND BALANCE.

Gary Ghiggeri, Fiscal Analyst, Legislative Counsel Bureau, Fiscal Analysis Division, referred to a document (Exhibit F) entitled, *Agenda Item H. Statement of Contingency Fund Balance*. Mr. Ghiggeri reported that the Contingency Fund had an unreserved General Fund balance of $7,605,102.33 available for allocation by the Interim Finance Committee.

Additionally, Mr. Ghiggeri advised that a $1.5 million request from the State Board of Examiners to restore the balance in the Statutory Contingency Account had been increased to $2 million. Approval of the $2 million request by the Committee would reduce the Contingency Fund balance to approximately $5.6 million.

*I. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY FUND (NRS 353.269).

1. STATE BOARD OF EXAMINERS – STATUTORY CONTINGENCY ACCOUNT – Request for a $1,500,000 allocation to restore the balance in the Statutory Contingency Account. **Request was increased to $2 million.**

Andrew Clinger, Director, Department of Administration, distributed a document, (Exhibit G) that listed expenditures in the Statutory Contingency Fund for the period of fiscal year 2001 through fiscal year 2006.

Mr. Clinger directed the Committee's attention to the beginning balance of $764,651 in the Fiscal Year 2005 column and a $3 million appropriation by the 2005 Legislature. Additionally, the Committee was directed to the first line item under expenditures for fiscal year 2005, which showed $1,027,129.92 was expended for the employment of special counsel by the Office of the Attorney General.

Chairman Raggio questioned the state's involvement in a $265,000 contract with a private law firm to conduct an investigation regarding the Royal Links Golf Course.

Daniel Wong, Chief Solicitor General, Office of the Attorney General, advised that the Senn Meulemans Law Firm was hired by Attorney General Chanos to conduct an investigation regarding the Royal Links Golf Course based upon a determination by the Attorney General that a conflict of interest existed.

Continuing his presentation, Mr. Clinger provided the following information regarding Statutory Contingency Fund expenditures for fiscal year 2005:

- Post-Conviction Relief - $447,651.85
- Publication Costs - $472,093.65 – reimbursement to counties for statewide ballot measures
- Total expenditures - $2,366,056.57

Moving to the Fiscal Year 2006 Year-to-Date column, Mr. Clinger reported that the beginning balance of $1,418,217 for fiscal year 2006 was what remained of the $3 million appropriated to the fund by the 2005 Legislature. Mr. Clinger pointed out that the higher-than-anticipated expenditures in the prior year were attributed to employment of special counsel and publication costs.

Additionally, Mr. Clinger pointed out that expenditures for special counsel in the first six months of fiscal year 2006 totaled $1,234,640.27, which he indicated was "significantly higher" than expenditures for special counsel in previous years. Mr. Clinger also pointed out that as of January 10, 2006, the ending balance for fiscal year 2006 totaled $25,958.75, and on January 25, 2006, less than $2,500 remained in the account.

The Pending Fiscal Year 2006 column reflected $646,787.85 in expenditures not yet paid but pending. Mr. Clinger advised that when the request for a $1.5 million allocation was made, he was not aware of the $646,787.85 in pending bills for attorney fees.

Chairman Raggio expressed concern that if the request was approved, the Interim Finance Committee Contingency Fund would be reduced to approximately $5.6 million, which would limit requests for funds prior to the 2007 Legislative Session.

Mr. Clinger indicated he was mindful of the Contingency Fund balance and pointed out that the last column of the chart projected a deficit in the Statutory Contingency Fund of $1.9 million. Mr. Clinger advised that the request before the Committee, if approved, would take the Statutory Contingency Fund through the current fiscal year; however, representatives of the Budget Division would need to request a subsequent allocation from the Contingency Fund for fiscal year 2007.

Assemblywoman Giunchigliani questioned the need to encumber funds to hire special counsel for cases not currently being litigated. Assemblywoman Giunchigliani pointed out that *Nevada Revised Statutes* (NRS) 41.03435 allowed the employment of special counsel by the Attorney General, "if the Attorney General determines at any time prior to trial that it is impracticable, uneconomical, or could constitute a conflict of interest for the legal service to be rendered by the Attorney General."

Mr. Wong advised that while he recognized the specific language of the statute, investigation, evaluation, and preparation were necessary in order to properly present a trial.

In response to questions Assemblywoman Giunchigliani asked regarding jurisdiction and the need to encumber funds for an investigation, Mr. Wong indicated that encumbering funds for special counsel was “absolutely necessary” in order to prepare for trial and for cases in which the Office of the Attorney General could not conduct an investigation without creating a conflict of interest.

In response to additional questions Assemblywoman Giunchigliani asked regarding hiring of outside counsel because of a conflict of interest, Mr. Wong advised that there were many cases involving a conflict of interest and several cases in which a court order required the Office of the Attorney General to hire outside counsel.

In response to a request from Assemblywoman Giunchigliani to provide additional information regarding cases that involved a conflict of interest, Mr. Wong advised that in the Simon v Schlegel and the Schneider v. Schlegel cases, a conflict existed because the Office of the Attorney General represented the Nevada Highway Patrol in actions against state employees. Another case involved former Office of the Attorney General employees, who sued the state of Nevada and the Office of the Attorney General.

In response to Assemblywoman Giunchigliani, who questioned the conflict of interest issue regarding Memeo v Ethics Commission, Mr. Wong recalled that a Transportation Services Authority (TSA) employee filed an Ethics Commission complaint against the Chairperson of the TSA. Mr. Wong advised that the Nevada Ethics Commission retained its own outside counsel, and although he could not specifically recall the issue, involvement by the Office of the Attorney General would have created a conflict.

Assemblywoman Giunchigliani also questioned the case of NERC v Memeo, and Mr. Wong explained that the Office of the Attorney General normally represented district court judges within the state. However, the Office of the Attorney General could not defend the judge as a result of being involved in a Nevada Judicial Discipline Commission investigation of the judge.

In response to Assemblywoman Giunchigliani, who asked if there was any other policy that delineated the hiring of special counsel, Mr. Wong advised that the Office of the Attorney General was “governed by Nevada Revised Statutes,” and he was unaware that any other policy more clearly defined the need for special counsel.

Assemblywoman Giunchigliani spoke of what she felt appeared to be a waste of taxpayer money in hiring special counsel for cases lacking a conflict of interest.

In response, Mr. Wong explained that the Office of the Attorney General did not always have the necessary expertise to handle a case, citing, for example, construction defects

and the Yucca Mountain issue. Additionally, Mr. Wong advised that the Office of the Attorney General thoroughly reviewed all cases for conflict of interest and to determine whether a Deputy Attorney General with the necessary experience and training was available to handle a case. Mr. Wong assured the Committee that the Office of the Attorney General handled all cases for which there was no conflict of interest and for which they had the expertise.

In response to Assemblywoman Giunchigliani, who questioned the case of Hussein v NSHE, Mr. Wong advised that Hussein v NSHE was a case involving a professor who had sued the Nevada System of Higher Education (NSHE), and NSHE provided their own counsel.

Assemblywoman Giunchigliani suggested that, in view of their well qualified staff of attorneys, the Office of the Attorney General should exercise more caution in hiring special counsel for cases lacking a conflict of interest

Assemblywoman Smith asked if funding was expected to be recovered from the litigation involving the Grant Sawyer Building and the Southern Nevada Veterans' Home.

Mr. Wong advised that funding was expected to be recovered with respect to the litigation involving the Southern Nevada Veterans' Home and the Grant Sawyer State Office building.

> ASSEMBLYWOMAN MCCLAIN MOVED APPROVAL TO ALLOCATE $2 MILLION FROM THE INTERIM FINANCE COMMITTEE CONTINGENCY FUND TO THE STATUTORY CONTINGENCY ACCOUNT.
>
> ASSEMBLYMAN HOGAN SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Titus voted nay. Senator Cegavske was excused. Senator Coffin and Assemblyman Perkins were not present for the vote. Senator Titus withdrew her objection and voted aye.)

2. DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES – DIVISION OF FORESTRY – Request for a $454.11 allocation to pay a stale claim for Fiscal Years 2002 ($257.62) and 2003 ($196.49) from the Fire Suppression/Emergency Response account.

   WITHDRAWN JANUARY 18, 2006.

3. DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES – DIVISION OF FORESTRY – Amend September 15, 2005 resolution to expand permissible use of allocated funds. **RECEIVED JANUARY 25, 2006.**

Pete Anderson, State Forester, Department of Conservation and Natural Resources, Division of Forestry, introduced Jennifer Kizer, Administrative Services Officer, Department of Conservation and Natural Resources, Division of Forestry. Mr. Anderson was before the Committee to request an amendment to the Contingency Fund allocation approved at the September 15, 2005 Interim Finance Committee meeting.

Mr. Anderson explained it was recently discovered that the September 15, 2005 Contingency Fund Resolution that allocated $2,500,000 to the Division of Forestry restricted the use of funding to all fires within the southern region of the state. Mr. Anderson requested expansion of the resolution to include other emergency incidents that might occur including wildfires and flooding.

Mr. Anderson advised that the Division of Forestry emergency account had been utilized in the past for emergencies that included a flood in 1996-97, a contaminated poultry incident in Las Vegas, and recovery of the Challenger space shuttle debris. Use of the emergency account for the 2006 New Year's Day flooding would facilitate faster payment to the many small vendors that supported the emergency in western Nevada. Additionally, Mr. Anderson advised it was possible Division representatives would need to request additional funding to cover all of the fiscal year 2006 fire suppression and emergency response activities.

In response to a question from Chairman Raggio regarding the request, Mr. Anderson reiterated that an amendment was being requested to expand permissible use of the $2,500,000 of the September 15, 2005 allocation.

In response to a question from Chairman Raggio regarding staff concerns, Mr. Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised that staff had no concerns, but asked that the Division of Forestry continue to keep the Fiscal Division advised of billings and reimbursements that were related to statewide fire suppression and flood control activities.

Chairman Raggio indicated that a motion for approval should include that the Division of Forestry would provide in timely manner information to the Fiscal Analysis Division regarding expenditures and the status of billings and reimbursements related to fire suppression emergency response and flood activity.

> ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF THE DIVISION OF FORESTY'S REQUEST TO AMEND THE SEPTEMBER 15, 2005 INTERIM FINANCE COMMITTEE RESOLUTION TO EXPAND PERMISSIBLE USE OF ALLOCATED FUNDS AND THAT THE DIVISION OF FORESTRY PROVIDE INFORMATION IN A TIMELY MANNER TO THE FISCAL ANALYSIS DIVISION, LEGISLATIVE COUNSEL BUREAU, REGARDING THE STATUS OF BILLINGS, AND REIMBURSEMENT OF

EXPENSES RELATED TO STATEWIDE FIRE SUPPRESSION, EMERGENCY RESPONSE, AND FLOOD ACTIVITIES.

In response to a question from Senator Rhoads regarding statewide use of the funding, Mr. Ghiggeri explained that the funding approved by the Committee at the September 15, 2005 meeting was limited to the southern region of the state, and the expansion requested by the Division of Forestry would provide for statewide usage of the funding.

ASSEMBLYWOMAN PARNELL SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused. Senator Coffin was not present for the vote.)

*J. STATE PUBLIC WORKS BOARD.

Chairman Raggio announced that Items J.1 and J.3 would be called for testimony out of agenda order to accommodate individuals, who had to attend a Board of Regents meeting.

1. Project 03-C91L, Maxey Science Center, Building Renovations and Addition. Request to receive and spend up to $1,500,000 of additional funds from the Desert Research Institute.

Gus Nunez, Deputy Manager, Professional Services, Public Works Board (PWB), appeared before the Committee to request approval to receive and expend up to $1,500,000 of additional funds from the Desert Research Institute (DRI) for Project 03-C91L. Mr. Nunez advised that approval of the request would allow the PWB to award the base bid including the four alternates to the low bidder whose bid was within 10 percent of the PWB total construction funding. The bidder was holding the price on the low bid pending approval of the request before the Committee.

Dr. Stephen Wells, President, DRI, assured the members of the Committee the $1,500,000 in additional funds was “on hand.”

In response to questions Chairman Raggio asked regarding the total cost of the project and inclusion of the alternates, Mr. Nunez advised that the project budget totaled $5,500,000 including the alternates. Mr. Nunez explained that the base bid for the project was $3,701,107, and the cost for the four alternates totaled $916,342 for a total of $4,617,444.

ASSEMBLYMAN SEALE MOVED APPROVAL OF ITEM J.1.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske was excused.)

2. Project 03-C23, UNLV Science Engineering and Technology Complex Construction. Request to receive and spend up to $7,130,201 of additional funds from UNLV and change in scope.

Gus Nunez, Deputy Manager, Professional Services, Public Works Board (PWB), appeared before the Committee to request approval to receive and expend up to $7,130,201 of additional funds from the University of Nevada, Las Vegas (UNLV) and a change of scope for Project 03-C23.

Mr. Nunez advised that the funds would be used for the construction of the Science Engineering and Technology Complex "cold/warm" rooms and nanotechnology laboratories as well as to complete tenant improvements to the fourth floor. Mr. Nunez advised that the $7,130,201 would increase the existing contract with Sletten Construction from $70.4 million to $77,535,201 with a current total project cost estimated at $93 million. Mr. Nunez further advised that a request for furniture, fixtures and equipment (FF&E) would be requested in the 2007 Capital Improvement Program (CIP).

In response to Chairman Raggio, who asked how much of the project the UNLV was funding, Mr. Nunez said the UNLV had committed $32 million toward the project.

Chairman Raggio noted that with approval of the request before the Committee, staff calculated that the Science Engineering and Technology Complex would cost approximately $99 million, including the estimated $14 million for FF&E.

Mr. Nunez estimated the project costs at $92 million and indicated that approximately $15 million in FF&E costs would be submitted to the 2007 Legislature. Ultimately, Mr. Nunez indicated the project would cost approximately $107 million.

Chairman Raggio noted that the UNLV project would be one of the largest public works projects in state history.

Chairman Raggio asked staff to provide information on how the UNLV planned to repay the bank loan they had secured for the fourth floor improvements.

Gary Ghiggeri, Fiscal Analyst, Legislative Counsel Bureau, Fiscal Analysis Division, indicated the loan would be repaid through indirect cost recoveries.

Tom Hagge, Associate Vice President, Facilities Management and Planning, UNLV, confirmed that the university had secured a bank loan for the $7 million in fourth floor improvements, which would be repaid through indirect cost recoveries.

In response to Chairman Raggio, who asked for more specificity on the indirect cost recovery, Mr. Hagge indicated that as Vice President, Facilities Management and Planning, he could only speak in general terms that "the change in indirect cost recovery created additional revenue" with which to repay the bank loan.

In response to questions Chairman Raggio asked regarding the likelihood the project would be completed at the current funding level, Mr. Nunez indicated the only potential increase envisioned was the request for FF&E, which would be submitted in the 2007 CIP. Mr. Nunez added that the request before the Committee would bring the Sletten Construction total construction contract to $77,535,201 and change orders could be issued on that amount.

In response to questions Chairman Raggio asked regarding the status of the project, Mr. Nunez advised that although a little over 10 percent of construction had been completed, Sletten Construction Company, for a variety of reasons, was currently behind schedule on the project. Mr. Nunez indicated, however, that Sletten Construction Company had a recovery plan and anticipated the time would be made up.

In response to questions Chairman Raggio asked regarding project management, Mr. Nunez advised that Chris Chimits, PWB, stationed in Carson City, served as the Project Manager with daily on-the-job assistance provided by a PWB Project Manager stationed in Las Vegas. Additionally, extended project management services were provided through a contract, and the project's architect also provided assistance in construction management.

Chairman Raggio requested that a status report on construction progress of the UNLV Science Engineering & Technology Building be provided at every IFC meeting.

Mr. Nunez assured the members of the Committee that the PWB had a good working relationship with the contractor, who had a good performance record on another project for the PWB, which was on schedule. Mr. Nunez agreed to provide a monthly progress report on the project schedule.

In response to questions Senator Beers asked about the Project Manager positions, Mr. Nunez reiterated that Chris Chimits served as the PWB Project Manager out of Carson City while Wayne Schreiner, served as the PWB Project Manager out of Las Vegas, and extended project management services were provided through a contract. Additionally, Mr. Nunez advised that Mr. Chimits managed additional projects as did all other PWB Project Managers. Mr. Nunez explained that two project managers and extended project management services were required on projects estimated at $50 million and above. Rather than placing a full-time Project Manager and assistants on a large project, Mr. Nunez said the services were outsourced since there were so few projects estimated at $50 million and above.

Assemblywoman Giunchigliani questioned the PWB involvement in projects for which project management services had been outsourced.

Mr. Nunez explained that PWB Project Managers had administrative duties and internal processes they coordinated between the user agency, the architect, the PWB, and in addition provided supervisory duties over the contracted Project Manager.

Assemblywoman Giunchigliani requested a list of the duties required of PWB Project Managers that could not be accomplished by the contracted Project Manager or that the contracted Project Manager could not provide because of the way the contract was written.

Chairman Raggio indicated it was his understanding that the duties of a Construction Project Manager required him to be on the job site daily to observe and to ensure that the contractor was performing construction duties according to the specifications of the contract and that any deviations were immediately corrected.

Mr. Nunez agreed and indicated the Project Manager was required in accordance with the terms of the contract to put the contractor on notice in regard to deviations to the contract.

Chairman Raggio pointed out that the cost of the buildings should not be enhanced with huge litigation costs at the end of the contract.

> SENATOR BEERS MOVED APPROVAL OF THE REQUEST FOR A CHANGE IN SCOPE AND TO RECEIVE AND EXPEND UP TO $7,130,201 OF ADDITIONAL FUNDS FROM THE UNLV.
>
> ASSEMBLYMAN ARBERRY SECONDED THE MOTION
>
> THE MOTION CARRIED. (Senator Cegavske was excused.)

3. Request a change in scope for Project 01-C25, Academic and Student Services Building, Nevada State College and Project 05-C64L, Academic and Student Services Building, Nevada State College.

Gus Nunez, Deputy Manager, Professional Services, Public Works Board (PWB), appeared before the Committee to request approval for a change in scope for Projects 01-C25 and 05-C64L. Approval of the request would allow the PWB to reduce the Nevada State College building square footage from 100,000 square feet to approximately 42,000 square feet. Mr. Nunez explained that the project had been delayed and during the delay inflation rendered the budget insufficient to complete the original scope. Currently, Mr. Nunez advised that the PWB was ready and proceeding with the design of the 42,000 square-foot building.

Additionally, the construction site had been relocated, and Mr. Nunez said the Henderson City Council had approved funding and authorized their Public Works Department to proceed with building the infrastructure for the roadway and utilities.

Fred Maryanski, Ph.D., President, Nevada State College, identified himself for the record and commended representatives of the State Public Works Board, who, he said had been helpful in "putting the project together."

Chairman Raggio asked for information regarding long-term plans for the Dawson Building, which was located adjacent to the college campus site. Additionally, noting the substantial reduction in square footage from 100,000 square feet to 42,000 square feet, Chairman Raggio asked for information regarding space allocations in the reduced structure.

Dr. Maryanski advised that the 42,000 square-foot structure would include 5 science laboratories, 6 classrooms, and 45 faculty offices that were considered critical to the college. Dr. Maryanski also advised that after cost estimates for a 56,000 square-foot building, the structure had been further reduced to 42,000 square feet by deleting administrative offices and reducing the size of computer laboratories and open gathering space for students.

Assemblywoman Giunchigliani expressed appreciation for the dynamics involved in dealing with current construction needs and the creative approach taken in reaching out to community college campuses for assistance in solving issues related to reduced space.

Dr. Maryanski advised that an agreement had been signed with the Presidents of the Community College of Southern Nevada (CCSN), Truckee Meadows Community College (TMCC), and Western Nevada Community College (WNCC) to offer Nevada State College four-year degree programs on their campuses. In order to fulfill their statewide mission, Dr. Maryanski said, "it was important to take advantage of existing facilities" and work in partnership with the community colleges to offer the programs that would be responsive to some of the state's economic development needs.

Assemblywoman Giunchigliani expressed appreciation that student needs were being met and asked if the light rail transportation system was planned to begin at the campus of the NSC in Henderson.

Dr Maryanski advised that the southern terminus of the proposed light rail system was located across the street from the NSC campus. He explained that work was being conducted with City of Henderson representatives on a joint master plan for the Nevada State College's 511 acres of property and the City of Henderson's 100 acres.

Assemblywoman Giunchigliani asked if there was a possibility of providing training programs that could be linked to the needs of businesses being recruited to southern

Nevada by the Nevada Development Authority (NDA). Assemblywoman Giunchigliani also asked whether the use of the combined property was restricted to educational use only.

Dr. Maryanski advised that the NSC property was restricted to educational use only, but the City of Henderson's property was not. In response to the question regarding the need for training programs for businesses being recruited to southern Nevada, Dr. Maryanski advised that Somer Hollingsworth, Chief Executive Officer, Nevada Development Authority, provided information regarding community relations issues through his membership on the President's Council.

Senator Beers said that the NSC project had been plagued with missteps from the beginning and indicated that "virtually" every PWB project in the past several years had to convert its furnishings budget to primary construction materials due to inflation costs. Pointing out that additional funds would be required to finish the building, Senator Beers requested staff perspective on the impact of denying the request.

Gary Ghiggeri, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the following information:

- $1 million was appropriated by the 2005 Legislature for furniture, fixtures and equipment (FF&E)
- $9 million in Estate Tax revenue was available for reallocation costs
- $13 million was available in either General Obligation Bonds or General Fund monies

Mr. Ghiggeri advised, however, that if the request was denied, a number of issues regarding current student enrollment and continuation of student education would need to be addressed.

Senator Beers discussed the possibility of suspending the project for the time being while continuing to advance the concept of the Nevada State College by enhancing the four-year degree program through the community colleges and providing for students through existing classrooms.

Senator Coffin questioned the number of classes that could be offered in 6 classrooms with professors commuting between campuses.

Dr. Maryanski advised that there were 6 classrooms in the Dawson Building, while upper division education, nursing, and business classes were being offered in leased space in downtown Henderson and lower division science courses were offered at the main campus in Henderson. Dr. Maryanski indicated it was also important to note that one-third of the NSC courses were offered online primarily due to limited space. Dr. Maryanski further advised that staff had been working closely with the faculty to plan where classes should be offered, optimal scheduling, and to attempt to minimize the

commute for students and faculty since there was a 10 minute drive between the two sites.

In response to questions Senator Coffin asked regarding the available number of classrooms, Dr. Maryanski advised there would be 12 classrooms at the NSC college campus site and 10 classrooms at the downtown site in addition to 2 nursing laboratories.

In response to Senator Coffin's comments regarding too few classrooms for the number of students, Dr. Maryanski advised that the ratios remained approximately the same with classes scheduled Monday through Thursday, 7:00 a.m. to 10:00 p.m. as well as classes through the afternoon on Friday and Saturday. Additionally, classrooms were being utilized by the Clark County School District GED Program when not in use by the NSC.

Senator Coffin expressed concern that the mission to serve students might not be fulfilled if space was provided for 45 faculty offices. Senator Coffin asked if any thought had been given to designing the facility offices in order for professors to share space.

Dr. Maryanski advised that currently many of the faculty shared space in the Dawson Building, and the ten faculty members who would be hired in the next year would also share space. Dr Maryanski further advised that while the 9 x 12 offices were not luxurious, faculty needed to be provided their own space in the long term to accomplish their work and to have the ability to interact with students who came to see them during office hours.

Senator Coffin expressed dismay that although the City of Henderson had provided funding for infrastructure for the road and utilities, they had not provided funding for the project.

Dr. Maryanski advised that the City of Henderson's contribution of over $1 million would save $1.5 million in building the infrastructure for the road and utilities.

Assemblywoman Giunchigliani recalled that many NSC faculty members were also employed by the Community College of Southern Nevada (CCSN) and the Clark County School District. Assemblywoman Giunchigliani asked how many of the faculty would be dedicated to teaching for Nevada State College only.

Dr. Maryanski advised that currently the NSC employed 33 full-time faculty and over 100 part-time instructors, many of whom were also employed by the Clark County School District and the CCSN. Dr. Maryanski indicated that the 45 offices that were planned to be built would be, for the most part, occupied by full-time faculty while part-time instructors would share space.

In response to questions Assemblywoman Giunchigliani asked regarding the provision of laptop computers to faculty, Dr. Maryanski advised that, for the most part, the faculty

had access to the Internet. However, some part-time instructors were not on site since they taught online classes but were provided laptop computers, if necessary.

In response to questions Assemblywoman Giunchigliani asked regarding space needs and the ratio of 6 classrooms to 45 offices, Dr. Maryanski advised that science laboratories were the first priority for the college since space for science laboratories could not be leased. Dr. Maryanski further advised that the 6 classrooms projected to be needed by 2008 were the second priority assuming that additional facilities would be on line in 2010. Dr. Maryanski indicated that the approximate 20 classrooms among the various sites were currently adequate for the NSC needs.

In response to a question from Assemblywoman Giunchigliani regarding the number of classrooms that would have been provided in the original 100,000 square-foot building, Dr. Maryanski explained that by the time he had been hired, the square footage had been reduced to 56,000 square feet. Dr. Maryanski advised, however, that the administrative space was deleted to focus on science and computer laboratories and classrooms.

Additionally, in response to Assemblywoman Giunchigliani, who questioned whether faculty offices were designed to be converted to classrooms, Dr. Maryanski advised that three bays of faculty offices could be easily converted, if needed, because fewer walls would be erected.

Directing a question to Mr. Nunez, Assemblywoman Giunchigliani asked for a breakdown of the 42,000 square feet dedicated to faculty, laboratories, and classrooms.

Mr. Nunez indicated that he would forward the breakdown to Assemblywoman Giunchigliani.

Assemblywoman Giunchigliani recalled there were 6 classrooms located in the Dawson Building and asked for the number of offices in the Dawson Building.

Dr. Maryanski indicated there were currently 4 offices of random size on the ground floor and 12 on the upper floor in the Dawson Building. Additionally, Dr. Maryanski advised that during the previous semester, 5 faculty were located in one of those offices and 4 in another.

In response to Senator Titus, who questioned whether the City of Henderson was being paid rent for space occupied by the NSC, Dr. Maryanski, advised that the lease payment for the Dawson Building on Water Street and Basic Road was $1.00 a year paid to a private developer, not the City of Henderson.

Senator Titus noted the additional $1,576,802 in architectural and engineering services to redesign the project and the Public Works Board project management and inspection fees, which had increased from $706,831 to $1,113,692. Senator Titus questioned the

need to increase project management and inspection fees by 58 percent for a building that was reduced to less than half the original square footage.

Noting that Project Management and Inspection fee line item currently totaled $762,816, Mr. Nunez provided background information involving the master plan and design process for the original 100,000 square-foot building. Mr. Nunez discussed delays that were incurred when it was determined that only 86,000 square feet could be built and the expenditure of nearly all of the project management and inspection fees by the time the design was almost completed for the 86,000 square foot building. Mr. Nunez explained that currently with a new location and the project further reduced to 42,000 square feet, a new effort was required. Additionally, Mr. Nunez indicated that with additional delays, construction costs would continue to escalate.

Evan Dale, Deputy Manager, Public Works Board, clarified that prior to the request before the Committee, the PWB had collected $350,876 in costs, which together with the $762,816 line item totaled $1,113,692 in project management and inspection fees.

In response to Assemblywoman Giunchigliani, who asked for information for the services provided by project management and inspection fees, Mr. Nunez advised that Public Works Board services included managing the contract, in-house peer review of schematic design, design development and construction documents, and, once the project was bid, construction administration and field inspections to ensure conformance to the plans and specifications.

Chairman Raggio asked if with approval of the change in scope, the project could be accomplished for the projected funding.

Mr. Nunez indicated that based upon PWB projections, the newly designed project was feasible within the projected funding.

> ASSEMBLYMAN SEALE MOVED APPROVAL TO CHANGE THE SCOPE OF PROJECT 01-C25, ACADEMIC AND STUDENT SERVICES BUILDING, NSC AND PROJECT 05-C64L, ACADEMIC AND STUDENT SERVICES BUILDING, NSC.
>
> ASSEMBLYMAN MARVEL SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Cegavske was excused; Senator Beers and Senator Coffin voted nay; Senator Mathews voted aye with reluctance.)

4. Project 01-E01, New Office Building for Employment Security Division. Request to receive and spend up to $750,000 from the Employment Security Division. ***Relates to Item F.41***.

Evan Dale, Deputy Manager, Administration and Finance, Public Works Board (PWB) noted that the work program approved under Item F. 41 was revised to increase the funds being transferred from the Employment Security Division from $750,000 to $900,000. Committee approval of Item J. 4 would provide utilization of the funds for construction cost increases associated with the construction of the Department of Employment, Training and Rehabilitation's (DETR) Las Vegas Administrative building. Refer to motion for approval under Item F.41.

Gus Nunez, Deputy Manager, Professional Services, PWB, provided a brief overview of problems that had occurred in the construction of the Las Vegas Administrative building. Mr. Nunez attributed "significant unanticipated costs," to additional site work that was required for "ground water drainage," "higher than expected costs of bringing electrical power to the project site," as well as "numerous public improvements required by the City of Las Vegas, which were not disclosed during the original design approval process."

In response to questions Chairman Raggio asked regarding whether the additional funds would allow construction of the building to be completed, Mr. Nunez indicated that the building could be completed with the additional funds being requested.

In response to questions Assemblyman Arberry asked regarding utility problems, Mr. Nunez explained that the site was located in a developed area of town with power and water adjacent to the property. When it was discovered that sufficient power and water could not be accessed from the adjacent sources, a determination was made to move ahead with construction rather than delay the project and experience inflationary consequences.

In response to Assemblywoman McClain, who asked if a private developer would have faced the same roadblocks, Mr. Dale advised that anyone in the construction business would have encountered the same difficulties.

In response to Assemblyman Denis, who asked if the building would by occupied by May 2006, Mr. Nunez indicated that although there would be "punch list items" to address, the building was expected to be occupied by May. Additionally, Mr. Nunez indicated that PWB representatives were working with the contractor on pricing for a channel adjacent to the back of the building that the DETR requested as an amenity.

ASSEMBLYMAN DENIS MOVED TO APPROVE ITEM 4 PROJECT 01-E01, NEW OFFICE BUILDING FOR EMPLOYMENT SECURITY DIVISION AT THE REVISED LEVEL OF $900,000.

ASSEMBLYMAN ARBERRY SECONDED THE MOTION.

THE MOTION CARRIED (Senator Cegavske was excused.)

5. Project Status Report (informational only).

Chairman Raggio advised that the Public Works Board (PWB) indicated a request would be made at the next Interim Finance Committee meeting to cancel CIP Project 05-P20, Planning for UNR Biotechnology and Genomics Research Facility (Exhibit H).

Evan Dale, Deputy Manager, Administration and Finance, advised that Project 05-P20 was approved during the 2005 Legislative Session with funding to be provided by the Nevada System of Higher Education (NSHE). Representatives of the University of Nevada, Reno (UNR), indicated they now wanted to proceed with a full design and construction project rather than design only, and Mr. Dale reported the funding for the $74 million project would be provided through the NSHE.

In response to Chairman Raggio, who noted that the 2005 Legislature appropriated $10 million for the project, Mr. Dale advised that the NSHE had control of the $10 million Legislative appropriation. Mr. Dale indicated he would not request that an account for the project be established through the State Controller's accounting system since the NSHE would have control of all of the funding. However, Mr. Dale said the PWB would be managing the project for the NSHE and would maintain some records of the project spending off line.

In response to comments from Chairman Raggio regarding the funding to be provided by the NSHE, Mr. Dale advised that the NSHE planned to use in addition to the $10 million appropriated by the 2005 Legislature, $60 million in revenue bonds serviced by indirect cost recovery funds and $4 million in gifts and donations.

Chairman Raggio indicated that the Interim Finance Committee would require a full report on the project, and asked if approval for a change in scope would be requested.

Mr. Dale advised that the Committee would only be requested to approve a cancellation of Project 05-P20.

Chairman Raggio noted that the request for cancellation was being provided as an informational item only, and the cancellation of the project would be acted upon at the following meeting of the IFC.

Senator Mathews questioned the status of Project 01-M05, Clear Creek Improvements and Maintenance.

Mr. Nunez advised that the Division of Buildings and Grounds had placed the project on hold pending the outcome of a request for proposal (RFP) they had initiated to find an operator for the Clear Creek facility

On behalf of the Committee, Chairman Raggio accepted the PWB Project Status Summary Report.

In response to Assemblywoman Giunchigliani's question regarding the payment of prevailing wage, Mr. Nunez advised that in accordance with *Nevada Revised Statues* (NRS) 338, prevailing wage was paid to workers for projects totaling $100,000 or above.

*K. DEPARTMENT OF CULTURAL AFFAIRS – Pursuant to Section 33 of Senate Bill 1, 22nd Special Session, a request for approval of substantial changes to the list of state artifacts approved for purchase from the $371,125 General Fund appropriation to the State Museum system.

Scott Sisco, Interim Director, Department of Cultural Affairs, identified himself for the record and introduced Peter Barton, Director, Nevada State Railroad Museum. Mr. Sisco was before the Committee to request approval to redirect $70,000 of funds provided under S.B. 1, 22nd Special Session, to purchase Virginia City Steam Locomotive #1251. Mr. Sisco explained that the owner of the Virginia City Steam Locomotive was currently undecided on whether to sell that part of his collection, and although negotiations were being continued, the purchase was not expected to take place in the very near future.

Mr. Sisco said that in the meantime a need existed to complete restoration of the McKeen Motor Car No. 22. The McKeen Car was one of 200 motor cars built in the early 1900s and one of only two known to remain in existence (Exhibit I). Mr. Sisco reported that the McKeen Motor Car No. 22, built in 1910, ran for 35 years between Reno and Minden, and after it was sold, a diner was operated out of the car for ten years. After it was sold again, Al's Plumbing business was operated from the car for 30 years. In 2005 the McKeen Car was placed on both the National Register of Historic Places and State Register of Historic Places. The McKeen Car was donated to the Nevada State Railroad Museum in 1996 with a provision from the donor that restoration to operating condition was to be completed within five years. Mr. Sisco advised that restoration was partially completed, and with approval by the Committee, the $70,000 originally intended for the Virginia and Truckee Steam Locomotive would be used to purchase a diesel-powered motor for the McKeen Motor Car.

Peter Barton, Director, Nevada State Railroad Museum, testified that the McKeen Motor Car was "a highly significant artifact," and by the turn of the 20th Century the railroad industry recognized they could not support passenger service on lightly traveled rural branch lines with the capital investments traditional in the industry at that time. Mr. Barton said the self-powered motor car enabled the railroad to save costs and preserve passenger railway and express service on lightly traveled lines, like the V&T. Mr. Barton reported that there were no known examples of the original 200 horsepower gasoline engine in existence, but a contemporary diesel-powered unit would be purchased to make the car fully operational.

In response to Chairman Raggio, who asked what percentage of the restoration had been completed thus far, Mr. Barton advised that approximately two thirds of the restoration process had been completed.

Noting that the restoration was to have been completed within five years, Chairman Raggio asked if there was any certainty the donor would actually donate the car to the Nevada State Railroad Museum.

Mr. Sisco advised that reasonable assurance had been provided by the donor that even though restoration had gone beyond the 5-year date, the commitment to donate the car to the Railroad Museum would be honored.

Assemblyman Hettrick indicated a written commitment should be required from the donor that upon completion of the restoration, the McKeen Motor Car No. 22 would be donated to the Nevada State Railroad Museum.

Chairman Raggio suggested that a motion for approval be contingent upon the donor acknowledging in writing that upon completion of restoration, the car would be donated to the Nevada State Railroad Museum.

In response to Senator Beers, who asked if the diesel-powered engine would operate more quietly than a gasoline-powered engine, Mr. Barton advised that the diesel-powered engine operated with considerably less noise.

In response to questions Assemblyman Denis asked regarding funding to purchase railroad stock for Boulder City, Mr. Sisco clarified that $15,000 had been appropriated under S.B. 1 to transport to the Nevada State Railroad Museum in Boulder City the locomotive that had been used to move “nuclear bombs” on the Nevada Test Site. Mr. Sisco advised that the purchase of the Nevada Test Site locomotive would occur in a month.

In response to Chairman Raggio, who asked when the restoration for the McKeen Car would be completed, Mr. Sisco indicated restoration would be completed in approximately two years. Mr. Sisco advised the members of the Committee that the McKeen Car donor was committed to the restoration and had donated a second piece of equipment as well as $20,000 to the restoration effort.

> ASSEMBLYMAN SEALE MOVED APPROVAL TO REDIRECT $70,000 OF FUNDING, APPROVED UNDER S.B. 1, 22ND SPECIAL SESSION, TO PURCHASE A MOTOR FOR THE MCKEEN CAR UPON WRITTEN COMMITMENT FROM THE DONOR THAT THE RESTORED CAR WOULD BECOME THE PROPERTY OF THE NEVADA STATE RAILROAD MUSEUM.
>
> ASSEMBLYMAN HOGAN SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Cegavske was excused.)

*L. DEPARTMENT OF EDUCATION – Approval of policies, procedures and criteria for the review of requests from school districts for allocations for unexpected expenses related to providing health insurance to employees pursuant to Senate Bill 525, (Chapter 450), 2005 Legislative Session.

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, Department of Education, appeared before the Committee to request approval of policies, procedures, and criteria (Exhibit J) established for the purpose of reviewing requests from school districts for allocation of unexpected expenses related to providing health insurance for school district employees.

Mr. Thunder advised that Section 22, S.B. 525, 2005 Legislature, appropriated $4 million to the Interim Finance Committee to provide allocations to school districts that could demonstrate they had incurred group insurance costs that exceeded budgeted funding. As required under the provisions of S.B. 525, policies, procedures, and criteria were established for use in review of the request for funding. The policies, procedures, and criteria were approved by the Board of Examiners, and submitted to the Interim Finance Committee for approval.

SENATOR RHOADS MOVED APPROVAL OF THE PROPOSED POLICIES, PROCEDURES, & CRITERIA FOR UNEXPECTED EXPENSES IN PROVIDING HEALTH INSURANCE FOR SCHOOL DISTRICT EMPLOYEES.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED: (Senator Cegavske was excused; Senator Coffin, Assemblyman Perkins and Assemblyman Arberry were not present for the vote.)

M. INFORMATIONAL ITEMS – Reports on letters of intent and various reports from agencies. Refer to Exhibit C for a complete list of Item M. Informational Items.

Chairman Raggio announced that Senator Titus' request for information regarding the status of federal funding for the recent floods in northern Nevada would be heard in conjunction with Informational Items under Item M. Additionally Chairman Raggio advised that testimony would be heard on Item 4 which was related to Item 15.a; Item 5.b; Item 11.a; Item 11.b; Item 12.a; and Item 12.b.1. With respect to 12.e, which was requested to be withdrawn, Chairman Raggio allowed the withdrawal but requested a revised report during the Committee' following meeting. The Chairman also advised that testimony would be heard on Item 13, Item 15a, Item 16b, and Items 18 and 19.

Status of Federal Funding for Recent Flood Victims in Northern Nevada

Frank Siracusa, Chief, Department of Public Safety, Division of Emergency Management (DEM), identified himself for the record and introduced Kamala Carmazzi, Deputy Chief, Department of Public Safety, Division of Emergency Management.

Mr. Siracusa discussed provisions contained within A.B. 572, 2005 Legislature, regarding the establishment by the DEM of a revolving fund to provide grants to Nevada homeowners whose homes were damaged during a disaster. Mr. Siracusa advised that in the process of writing regulations for the program, clarification on several questions was requested from the Legislative Counsel Bureau's Legal Division. The information was provided, and Mr. Siracusa indicated emergency regulations in draft form would be submitted to the Governor's Office during the following week for completion prior to the anticipated receipt of a Presidential Declaration requested by the Governor.

Mr. Siracusa advised that once the Presidential Declaration was received, a disaster field office would be established to dispense various services through the federal program to both public and private individuals whose homes, property, or businesses were damaged as a result of the flooding.

Kamala Carmazzi, Deputy Chief, DEM, addressed several issues of concern regarding the $5 million revolving fund. Ms. Carmazzi advised that there was currently no provision to replenish the revolving fund, and a fair and equitable distribution of funds had not been determined should the requests exceed funding availability. Additionally, Ms. Carmazzi pointed out that in the event a balance remained in the account, the same service could not be provided to victims of a future flooding disaster.

Senator Titus advised that the funds for the establishment of a revolving account for disaster relief were provided from unclaimed funds for the one-time tax rebate program. Senator Titus indicated the grant program had been established since the federal government, in the past, could not assist individual property owners that had been affected by a flooding disaster. Senator Titus indicated that while she was hopeful a way could be found to maintain an account to assist victims of future disasters, the state should not be precluded from going forward to help as many people as possible for the most recent disaster.

Mr. Siracusa concurred that normally Presidential Declarations only provided federal assistance for public infrastructure, not for home owners.

In response to Senator Beers, who asked whether the damage had been catalogued, Mr. Siracusa advised that a preliminary damage assessment immediately subsequent to the flooding was used as a guide for the Governor's Declaration as well as a Presidential Declaration. Mr. Siracusa advised that damage in dollars for both public infrastructure and 255 individual homes currently stood at approximately $17 million. Mr. Siracusa also advised that Small Business Administration (SBA) assistance was

anticipated to be received with the declaration, which would provide low-interest loans to both small businesses and home owners. Mr. Siracusa indicated the number of businesses and home owners that suffered damage would increase by the time the Presidential Declaration was received.

In response to questions Senator Beers asked regarding the flood damage, Mr. Siracusa advised that most of the damage had occurred along the Truckee River and in the Reno-Sparks area.

In response to Assemblywoman Smith, who asked how the funding in the revolving account was intended to be used, Mr. Siracusa indicated that one of the areas for which clarification was requested was the definition of a home. Mr. Siracusa indicated that the definition of a home would be written into the regulations, and additional information would be provided to the Committee in a future meeting.

Chairman Raggio indicated he would provide Mr. Siracusa with an analysis from a person with an interest in the utilization of communication services and ensuring the ability for rapid communication between officials involved in a disaster relief effort.

4. DEPARTMENT OF ADMINISTRATION – Letter of Intent – Nevada State Motor Pool – Report to the IFC regarding the location selected for the Las Vegas facility and status update on moving plans. Item 4 was related to Informational Item 15.a. DEPARTMENT OF CONSERVATION AND NATURAL RESOURES, State Lands – Letter of Intent – Report on the new site selection for the Motor Pool in Las Vegas.

Keith Wells, Administrator, Department of Administration, State Motor Pool, identified himself for the record and introduced Pamela Wilcox, Administrator, Department of Conservation and Natural Resources, Division of State Lands.

Mr. Wells was before the Committee to report that a site, located at La Cienega Street and Arby Avenue adjacent to the McCarran Airport Consolidated Rental Car facility, had been selected for the new State Motor Pool facility. A map (Exhibit K) of the site was provided in Volume II of the meeting packet. Mr. Wells advised that the proposal included a five-year “build-to-suit” lease. The facility would be leased at a rate of $22,000 a month for the first two years and adjusted for inflationary increases the remaining three years with an option to purchase at the end of five years for a pre-determined price of $2.5 million.

Mr. Wells pointed out that the lease with McCarran International Airport had expired in December 2005, and the Motor Pool was currently renting the facility on a month-to-month basis. Although agreement had been reached to continue the current lease through the fall of 2006, Mr. Wells said an extension could be required since it was possible the facility could not be constructed quickly enough to be completed by the fall. Mr. Wells indicated the location was ideal, and the cost was in line with other properties in the area.

Pamela Wilcox, Administrator, Division of State Lands, indicated that after looking for a site for several years, the La Cienega Street and Arby Avenue property was in an ideal location and was financially a good deal for the state. Ms. Wilcox indicated the Motor Pool could not afford to remain on the land being rented from the Airport, and the "build-to-suit" lease would place the state in a much better position on property that could be immediately controlled.

In response to Chairman Raggio, who questioned whether the current facility would require demolition, Ms. Wilcox advised that when the State Motor Pool vacated the current premises, the facility would be returned to the Airport and no demolition would be required.

In response to questions Chairman Raggio asked regarding moving expenses, Mr. Wells indicated authorization would be requested to use funding authorized by the 2005 Legislature for moving expenses rather than demolition since no demolition expenses would be incurred. Mr. Wells advised that the largest expense associated with the move would be the cost of moving the "above-ground" fuel tank, and the remaining incidental moving expenses would be absorbed through the Motor Pool budget.

In response to Chairman Raggio, who questioned the cost of the monthly lease, Ms. Wilcox advised that although the $22,000 a month lease was on the high end of comparable properties, the five-year lease and "build-to-suit" facility would be designed to meet the needs of the Motor Pool. Although the original monthly lease was $18,000 a month, the rental payment was increased to $22,000 per month with the addition of an automated car wash and the additional tax burden placed on the landlord.

In response to questions Chairman Raggio asked regarding whether the Motor Pool would increase their rental rates to cover expenses, Mr. Wells advised that in the later part of fiscal year 2007, the Motor Pool might increase rates. However, Mr. Wells indicated there were factors in the rate structure including the revenue stream that would be derived from additional vehicles that had not yet been determined. If the cost of fuel remained at the same inflationary level, and a larger revenue stream was provided through additional vehicles, Mr. Wells indicated that rental rates could be increased from $.01 to $.02 per mile to cover the additional operating expenses. Mr. Wells advised that a $.02 cent increase on a daily rental vehicle would only impact an agency's budget by $1.36.

In response to a question Chairman Raggio asked regarding the current status of the "build-to-suit" lease, Ms. Wilcox indicated that a contract currently being developed with the seller would be sent to the State Board of Examiners but did not require Interim Finance Committee approval.

In response to questions Senator Beers asked regarding the shuttle route from McCarran International Airport to the new site, Mr. Wells advised that the new facility would be constructed in close proximity to McCarran International Airport and within

600 feet of the Consolidated Rental Car facility. Additionally, shuttle service provided by the Airport would be available to state employees who missed the Motor Pool shuttle or needed transportation after hours. When asked by Senator Beers, Mr. Wells expressed confidence that use of the Airport shuttle would be available to state employees.

In response to questions Senator Beers asked regarding the specific interstate route to the new location, Mr. Wells advised that taking the Hidden Well Road exit from I-215 to George Crockett Road provided access to the site located adjacent to the Consolidated Rental Car facility.

5. DEPARTMENT OF TAXATION
   b. White Pine County Financial Status Report.

Chuck Chinnock, Executive Director, Department of Taxation, identified himself for the record and introduced Terry Rubald, Chief, Division of Assessment Standards.

Mr. Chinnock was before the Committee to report on White Pine County's financial status, to answer specific questions concerning their severe financial emergency, and to provide information on the recovery plan recently adopted by the Nevada Tax Commission. Additionally, Mr. Chinnock indicated he planned to discuss the possibility of securing additional funding to hire a county manager/fiscal oversight consultant for White Pine County.

Mr. Chinnock provided the following information:

- A recovery plan in a Phase I and Phase II format was developed for White Pine County in November 2005.

- The process for oversight of severe financial emergency followed provisions under *Nevada Revised Statutes* (NRS) 354 and included technical assistance provided by the Committee on Local Government Finance and action by the Nevada Tax Commission.

- The Committee on Local Government Finance and the Nevada Tax Commission each met as a subcommittee of three members and held a public hearing in White Pine County on November 15, 2005.

- A recommendation of a formal recovery plan was adopted in a special November 29, 2005 meeting of the Nevada Tax Commission.

Mr. Chinnock advised that the recovery plan would implement a series of expense mitigations and mandated revenue enhancements to ensure solvency and to begin the process of returning White Pine County to sound financial status.

Additionally, Mr. Chinnock said work had begun on Phase II of the recovery plan, which would include working with the White Pine County community to "institutionalize" sound

financial management. Mr. Chinnock envisioned a three-to-four year process to return White Pine County to sound financial status and indicated that process included:

- ✓ establishing proper priorities for services
- ✓ establishing a proper method of paying and sharing services
- ✓ providing necessary public services
- ✓ visiting the right mix of management and employees
- ✓ reviewing the cost of providing benefits

Mr. Chinnock indicated that while the revenue enhancements outlined in Phase I of the recovery plan were temporary, work was continuing with the community to implement permanent and ongoing revenue enhancements.

Terry Rubald, Chief, Division of Assessment Standards, Department of Taxation, provided the following presentation on Phase I of the White Pine County Financial Recovery Plan. Ms. Rubald said that Phase I was designed to stabilize the 2005-2006 fiscal year and avoid insolvency by mitigating expenses and enhancing revenues.

The following expense mitigation strategies were applied:

- ✓ Transfers out of the General Fund to other program funds would be minimized. Scheduled transfers from the General Fund for the Senior Citizens Center and the Road Fund would not be made resulting in expense savings of $108,000 to the General Fund.

In response to Chairman Raggio, who asked how the Senior Citizens Center would be affected, Ms. Rubald advised that two grants were obtained from the E. L. Cord Foundation, which would allow the Center to continue operating for the remainder of the fiscal year.

Continuing her presentation, Ms. Rubald advised that the second strategy in expense mitigation provided for a reduction in force, which would provide a total net savings of $96,873.

- ✓ 3 positions would be laid off
- ✓ 3 positions would remain vacant
- ✓ 1 employee would retire

Ms. Rubald advised that the most recent reduction in force was in addition to a previous reduction the county commissioners administered in June 2005 prior to the Department of Taxation's involvement.

The third strategy was a reduction in services and supplies, which would result in a net savings of $140,871 for a grand total of $345,744.

Ms. Rubald referred to a document, *Nevada Department of Taxation Cash Flow Projections* (Exhibit L) and advised that through expense mitigation the current General Fund negative ending fund balance would be reversed with a small positive ending fund balance of $223,897 by the end of the fiscal year in June 2006.

Moving on to revenue enhancements, Ms. Rubald said the recovery plan provided for the following tax increases:

- ✓ The lodging tax levy would be increased by an additional 1 percent from 11 percent to 12 percent. The local Tourism and Recreation Board administered the tax and would begin collections on February 1, 2006. The lodging tax increase was expected to generate approximately $50,000 per fiscal year, but only about $20,000 for the remainder of fiscal year 2006.

- ✓ Governmental Services Tax (GST) would be increased by $.01 per dollar of value of vehicles. The GST was administered by the Department of Motor Vehicles, and effective March 1, 2006, all new White Pine County vehicle registrations would be subject to the increased GST. The tax was expected to generate about $170,000 per year, or a little over $50,000 for the remainder of fiscal year 2006.

- ✓ Sales tax would be increased by ¼ of one percent to begin in July 2006, and annual revenue was expected to increase by approximately $300,000.

- ✓ Property tax would be increased from $3.66 to $4.50 per $100 of assessed value. Although NRS 354.705 allowed an increase up to $4.50 per $100 of assessed value, there was some uncertainty regarding how much revenue the tax rate increase would generate because of limitations imposed by A.B. 489 and S.B. 509, 2005 Legislature. A revenue projection report, expected to be produced in the next month, would provide information on approximately how much revenue could be raised at different tax rate levels.

In response to questions Chairman Raggio asked regarding the property tax increase, Mr. Chinnock explained that tax increases were limited to 3 percent for single-family, owner-occupied residences and were not to exceed 8 percent on all other properties while the full tax rate could be applied to new property. Mr. Chinnock advised that White Pine County had a substantial number of single-family residences, which would be affected by the 3 percent increase.

Ms. Rubald pointed out that Department of Taxation staff wanted to see how well the County was recovering before a final tax rate for the 2006-07 year was recommended.

Ms. Rubald advised that Phase II of the recovery plan was focused on devising a long range five-to-ten-year plan designed to bring about permanent stability. Phase II would engage in strategic planning with possible reorganization of departments and advisory boards and the employment of financial and management professionals to implement

the recovery plan. As mentioned earlier in the meeting, Ms. Rubald indicated that if a county manager/finance director could be hired to administer the recovery plan on a day-to-day basis, the Department of Taxation would continue to assist and direct implementation of the plan but would withdraw from day-to-day oversight over the next several years.

Ms. Rubald reported that the Nevada Tax Commission had directed the Department of Taxation to implement the following additional strategies:

- ✓ Request the County Commission to adopt resolutions and/or ordinances to increase various local fees including the rates charged for ambulance services, golf course fees, and rentals. At their meeting on January 25, 2006, the County Commission adopted an ordinance to increase ambulance fees to $600 per ride plus $10 per mile. The County Commission also passed the first reading of an ordinance implementing a franchise fee of 2 percent on electric telecommunications and cable utilities.

- ✓ Request the television district to make an inter-fund loan to the county if cash flow requirements required it. The television district had expressed reluctance to do so citing its own infrastructure needs that would be occurring in the next several years brought about by changes in Federal Communications Commission (FCC) requirements.

- ✓ Perform a common cost allocation study to appropriately allocate costs to all funds. The results of that study would be applied during preparation of the 2006-07 budget.

- ✓ Work with local governments, including the City of Ely and county officials to identify potential functional mergers and to revise and update various inter-local agreements, which were currently expired.

- ✓ Encourage a ballot initiative removing or redirecting the ¼ cent sales tax currently imposed for the maintenance of a swimming pool that was not yet built and to redirect the funds already collected to other uses.

- ✓ Approach the federal delegation with regard to the possible early release of federal Payments in Lieu of Taxes (PILT) grant funding, prior to June 2006.

Mr. Chinnock advised that the recovery plan adopted by the Nevada Tax Commission at their November 29, 2005 meeting included a provision for White Pine County to secure a loan from the Department of Taxation's Severe Financial Emergency Fund, which currently held $627,000. White Pine County had entered into a loan agreement, approved by the Attorney General's Office, and would be provided a loan of up to $500,000 in $100,000 increments. Mr. Chinnock advised that in the previous week White Pine County had a bank balance of approximately $150,000 and since their revenue was received in "peaks and valleys" and expenses continued on a level line, a

loan from the Severe Financial Emergency Fund would ensure a positive cash flow was maintained. Additionally, Mr. Chinnock pointed out that it appeared that PILT funds mentioned earlier by Ms. Rubald would be awarded in the amount of $625,000 in June.

In response to a question from Chairman Raggio, Mr. Chinnock explained that the PILT or payment in lieu of taxes could be used for operating expenses.

In a final note, Mr. Chinnock discussed the Department of Taxation and the Division of Assessment Standards' current workload. Mr. Chinnock advised that five analysts provided oversight for 264 local taxing jurisdictions with two of the analysts currently assigned to White Pine County. Mr. Chinnock defined the work of overseeing and managing White Pine County's finances on a day-to-day basis as a tremendous workload which justified the need to hire a county manager/fiscal oversight consultant for a two-year period. Mr. Chinnock indicated that, if approved, the Department would advertise for a position, establish qualifications, evaluate applicants and select a person for the position. Mr. Chinnock estimated the cost for a qualified individual would be approximately $200,000 a year beginning somewhere near the end of fiscal year 2006.

In response to questions Chairman Raggio asked regarding Committee approval, Mr. Chinnock advised that at some point approval would be required and unless there was strong objection, the Department of Taxation staff would begin the process to fill the position.

Chairman Raggio indicated that the need was apparent, and he did not believe the Committee could object. The Chairman requested that Department staff continue to provide progress reports to the Committee.

Assemblyman Seale asked if costs for the consultant position would be passed on to White Pine County or absorbed by the state.

Mr. Chinnock advised that under the provisions of NRS, the costs could be passed on to White Pine County. However, the plan was not to pass the cost on since the County would need to absorb the cost of additional fiscal and clerical oversight positions.

In response to Senator Rhoads, who asked if any other counties were experiencing a similar financial situation, Mr. Chinnock advised that the Department of Taxation believed there were no other counties that were in a severe financial emergency status, but there might be counties that were close to perhaps needing technical financial assistance. Mr. Chinnock advised that the Department of Taxation had become more attuned in the last several years to working with the counties in order to avoid a financial situation similar to the one being experienced in White Pine County.

Senator Beers asked if any thought had been given to implementation of measures that while not "duly restrictive" would avoid a future financial crisis.

Mr. Chinnock advised that one of the things that had changed in the last few years was submittal of a mandatory county quarterly financial status and economic conditions report. Mr. Chinnock reported that financial status reporting had become generalized and needed to be returned to a mandatory and more specific type of reporting.

In response to a question Senator Beers asked regarding mandatory reporting, Ms. Rubald advised that submittal of quarterly financial reports was changed to an economic overview about four years ago. Ms. Rubald indicated it was believed that it might be helpful for at least counties that were experiencing financial problems to provide quarterly financials again.

Senator Beers requested that staff from Legislative Counsel Bureau's Research Division prepare a research brief on that particular reporting requirement.

Chairman Raggio agreed to request the brief from the Research Division and asked that the Department of Taxation continue to provide status reports on White Pine County's financial status.

11. DEPARTMENT OF BUSINESS AND INDUSTRY

a. Manufactured Housing – Letter of Intent – Semi-annual report as of December 1, 2005, on the budget's revenue and expenditure activity with corresponding impact to reserve levels, as well as the industry's position on the existing fee structure and when a reduction to fees was projected to be implemented.

Bill Maier, Administrative Services Officer, Director's Office, Department of Business and Industry, appeared before the Committee in the absence of Renee Diamond, Administrator, Manufactured Housing Division.

On behalf of the Committee, Chairman Raggio extended condolences to Ms. Diamond, on the loss of a family member.

Mr. Maier advised that although Ms. Diamond had provided the Committee information on revenues, expenditures, and the Division's reserve levels, she was scheduled to meet with representatives of the Nevada Manufactured Housing Association in February to address concerns regarding revenue collection.

Mr. Maier advised that an increase in inspection revenue was found to be related to park closings, not actual growth in manufactured homes and manufactured home placement. Additionally, Mr. Maier advised that in tracking manufacturers' data, Ms. Diamond had noted a decrease in the number of mobile homes built and shipped nationally. Ms. Diamond proposed to continue to monitor national trends and indicated she would expand her response to the Committee regarding the Division's reserve level after meeting with the Nevada Manufactured Housing Association in February.

Chairman Raggio expressed concern regarding the Division's revenue growth, which he indicated was twice the legislatively authorized level. While a letter, (Exhibit M) had been received from Ms. Diamond that provided information regarding efforts to reduce the reserve level, Chairman Raggio asked when a final recommendation would be provided.

Mr. Maier advised that Ms. Diamond was working on a recommendation which she anticipated providing to the Director, Department of Business and Industry, for review in April. Additionally, Mr. Maier advised that the Manufactured Housing Division was recovering from a period when approximately six years ago, due to the collapse of the manufactured housing industry, revenue was lost, and the Division's reserve became "dangerously low." Mr. Maier advised that Ms. Diamond had built the reserve over the last four years to its current level of $1.31 million.

In response to questions Chairman Raggio asked regarding a plan to reinstate deleted positions, Mr. Maier explained that the Division continued to process all of the functions of the office with fewer employees after positions were eliminated during the 2003-05 biennium. Mr. Maier advised that three positions were held vacant and five employees were relieved of their duties. Currently, the Division employed two inspectors who provided all northern Nevada inspections and three who provided inspections for southern Nevada, one employee who handled title activity and loan verification for every mobile home in the state and four administrative assistants who handled licensing and registration duties.

Mr. Maier explained that the Administrator had built the reserve level to its current $1.30 million level by working with fewer staff, providing office supplies, and through recycling efforts. Mr. Maier advised that the Administrator had set aside 20 to 25 percent of her operating budget to build the reserve to its current level and had indicated a six months reserve level was required in the event of another industry collapse.

In response to a question Chairman Raggio asked regarding the next semi-annual report, Gary Ghiggeri, Fiscal Analyst, Legislative Counsel Bureau, Fiscal Analysis Division, indicated the Administrator could be requested to provide a report at the next meeting of the Interim Finance Committee in April 2006.

Chairman Raggio agreed that the Committee would review the report in April and asked Mr. Maier to pass the Committee's concern regarding the reserve level on to the Administrator.

b. Division of Mortgage Lending – Letter of Intent - Report on the reserve balance for the Division of Mortgage Lending.

Scott Bice, Commissioner, Department of Business and Industry, Division of Mortgage Lending, appeared before the Committee to address concerns that were raised at the November 2005 meeting regarding the Division's reserve level and reduction of fees.

Mr. Bice reported that the Division of Mortgage Lending, a self-funded agency, was created through the passage of A.B. 490, 2003 Legislature. It was projected, upon passage of A.B. 490, the Division would license approximately 400 companies and 4,000 agents. Since that time, the number had increased to approximately 1,230 mortgage companies whose licensing fees had substantially increased the Division's revenue. Additionally the number of licensed agents had increased from 4,000 to 12,600. Mr. Bice indicated that although the number of companies and agents had been expected to diminish based on interest rates and the current real estate market, another 50 companies had been licensed with "150 to 200" applications pending since November 2005. Additionally, the number of agents had increased in the past two months from 12,600 to 13,000.

Mr. Bice advised the Committee that while the Division's fees were set by statute, the Agent License Renewal Fee, which could not exceed a maximum limit of $175, could be reduced. Mr. Bice proposed to reduce the Agent License Renewal Fee to $100 effective February 2006.

In response to Chairman Raggio, who asked what the Commissioner considered an appropriate reserve level, Mr. Bice indicated that $2,250,000, which included six months of operating expenses provided an adequate reserve. The following recommendations for the use of funds to reduce the reserve were provided:

- ✓ $500,000 – Funds for Potential Failures/Liquidation
- ✓ $500,000 – Funds to establish a Recovery/Restitution Fund
- ✓ $20,000 – Funds to provide for Continued Consumer Education

In response to Chairman Raggio who asked for information regarding the suggested reduction in the Agent License Renewal fee, Mr. Bice advised that reducing the fee to $100 per agent would result in an annual reduction to the Division's fee income of approximately $750,000 based on current numbers but could potentially reduce the Division's fee income by $900,000. Mr. Bice reiterated that the reduced Agent License Renewal Fee could be implemented by February 2006.

In response to Chairman Raggio, who asked for comments regarding the possibility of reducing the Agent Non-Refundable Application Fee, Mr. Bice advised that the Agent Non-Refundable Application Fee, currently set at a maximum level of $185, was not anticipated to be reduced due to the work required in processing background checks.

In response to Chairman Raggio, who asked for comments regarding the Division's personnel requirements and other program enhancements, Mr. Bice indicated he would approach the Interim Finance Committee in the near future with work program requests to address the Division's staffing needs and other program enhancements. Mr. Bice also indicated the Division would approach the 2007 Legislature with issues related to consumer protection and flexibility related to the structure of fees.

Noting that the Division of Mortgage Lending was a relatively new agency that was relying on short-term experience, Chairman Raggio indicated the Committee would look forward to receiving additional information as plans were developed.

Senator Beers pointed out that typically, two months of operating expenses were considered sufficient to maintain an adequate reserve rather than the six months set forth by the Division. Additionally, Senator Beers asked how the $1 million in earmarked funds for failures and restitution was derived. Senator Beers said the Division had accumulated a substantial reserve level and wanted assurance that funding was not being needlessly obligated and expended.

Mr. Bice responded that the funds earmarked for proposed use of the Division's reserve were estimated. Mr. Bice advised that although he believed $500,000 might not be enough to "hedge" against problems within the mortgage lending industry, funds should be set aside to protect consumers.

Chairman Raggio accepted the report and asked again that information on the Division's needs and recommendations for proposed usage of the Division's reserves be provided at the next meeting of the IFC.

12. DEPARTMENT OF HUMAN RESOURCES

a. Division of Health Care Financing and Policy – Letter of Intent – Proposed rate for hospitals.

Charles Duarte, Administrator, Division of Health Care Financing and Policy (DHCFP), reported that a September 15, 2005 letter of intent, generated by the legislative money committees, instructed Division representatives to report hospital rate increases that were not budgeted by the 2005 Legislature and that required amendments to the state plan.

Reporting on the DHCFP's proposal to increase hospital reimbursements effective January 1, 2006, Mr. Duarte advised that hospitals that contracted with the Nevada Medicaid program last received an 8.43 percent rate increase in October 2001 based on 1999 cost figures. A rate increase totaling $67 million over the biennium was proposed in the agency budget request but was not included in the Governor's recommended budget.

Mr. Duarte advised that the rate methodology to pay hospitals for medical/surgical beds, maternity and newborn bed days was changed effective September 1, 2003, from a tiered rate to a per diem day rate. Additionally, Mr. Duarte advised that the methodology was changed in an effort to comply with the Health Insurance Portability and Accountability Act (HIPAA) in order to facilitate implementation of the new claims system.

Mr. Duarte advised that although there had been no intent to reduce reimbursement rates paid for hospital inpatient services, providers realized a 7.57 percent reduction in rates with the per diem day rate change. Mr. Duarte reported that after discussions with the Hospital Association and the Governor, a proposal was made to the Centers for Medicare and Medicaid Services (CMMS) to make hospital providers whole for 25 months of underpayments effective January 1, 2006 through July 1, 2007.

In response to Chairman Raggio, who asked whether there had been a commitment to conduct a subsequent analysis after the rate change, Mr. Duarte advised that a commitment had been made to hospital providers to conduct a subsequent analysis to determine if the change from the tiered to the per diem rate methodology resulted in budget and revenue neutrality. Mr. Duarte explained that in a preliminary analysis prior to completion of the Governor recommended budget, it appeared there would be no material impact to the reimbursement rate.

In response to questions Chairman Raggio asked regarding the rate change and the Medicaid Management Information System (MMIS), Mr. Duarte explained that the previous Medicaid Claims System used a method of payment that paid for a block of bed days. Mr. Duarte explained that the HIPAA required electronic data transactions, and the MMIS was not programmed to pay tiered rates, which he indicated were not very common across the nation.

In response to questions Chairman Raggio asked regarding the 2005 Legislative budget hearings, Mr. Duarte advised that when the agency request was prepared, a preliminary study on a limited period of data indicated the rate change would not materially impact the providers. An agreement with the Hospital Association provided that an impact of anything less than 5 percent would be disregarded and at the time it was about 4 percent. After the close of the 2005 Legislative Session, subsequent analysis over a longer period of time showed a material impact of about 7.57 percent. Based on the analysis, Mr. Duarte reiterated the Division's proposal to effect a 10.01 percent rate increase effective January 1, 2006.

In response to a question Chairman Raggio asked regarding the cost to the General Fund, Mr. Duarte advised that the rate increase would have a projected General Fund impact of $3,373,289 for fiscal year 2006 and $7,148,277 for fiscal year 2007, and an additional $950,000 Upper Payment Limit (UPL) loss of benefit.

In response to Chairman Raggio, who asked about the number of hospitals used in the model that calculated the total UPL to be distributed among public hospitals, Mr. Duarte advised that four hospitals were used in the model.

In response to a question Chairman Raggio asked regarding whether the proposed rate increase would require a state plan amendment, Mr. Duarte advised that prior to implementation of the increase, a state plan amendment would be required.

b. Division of Mental Health and Developmental Services.
   1. Medicaid billing progress report as of October 31, 2005.

Jeffrey Mohlenkamp, Administrative Services Officer (ASO), Department of Human Resources, Division of Mental Health and Administrative Services (DMHAS), appeared before the Committee to provide a progress report regarding the status of Medicaid billing issues.

Mr. Mohlenkamp reported having been in his position as ASO for the Division of Mental Health and Administrative Services for only a few months. Although billing problems had been experienced with the AVATAR system that had been in place for over a year, Mr. Mohlenkamp reported the AVATAR system was exclusively used for the billing of all services rather than a variety of password systems that had been used in the past.

Mr. Mohlenkamp provided a summary of billing progress as of October 31, 2005 for the following regions:

- ✓ Northern Nevada Adult Mental Health Services (NNAMHS) – all billings through October 31, 2005 had been completed through exclusive use of the AVATAR system.

- ✓ Rural Clinics – Billings had been submitted through September 2005 and all billings for fiscal years 2004 and 2005 had been completed.

- ✓ Southern Nevada Adult Mental Health Services (SNAMHS) – SNAMHS was also using the AVATAR billing system but was currently one year behind in completing Medicaid billing for its services. Mr. Mohlenkamp attributed SNAMHS billing problems to inattention by First Health Services and a less experienced billing staff in the south.

In response to Assemblyman Hettrick, who asked how the SNAMHS could survive when it was a year behind in completing Medicaid billing for its services, Mr. Mohlenkamp indicated the SNAMHS had the ability to survive based on the cash advances they received and also because Medicaid billings were a small portion of their budget.

Mr. Mohlenkamp indicated he had been directed to focus on bringing the SNAMHS up-to-date on Medicaid billings. Mr. Mohlenkamp explained he and a team of employees from the north would engage in a concentrated effort in the south to bill for nine months of services in a week and a half. Mr. Mohlenkamp indicated he expected to report to the Committee in the near future that if the billing for SNAMHS was not up-to-date, they were at least close.

Chairman Raggio noted in a report that had been provided to the Committee that Desert Regional Center (DRC) had not submitted any billings for fiscal year 2006 to date, and

approximately $6.3 million in claims for fiscal years 2004 and 2005 had been rejected by First Health Services and placed in either denied or pending status.

Mike Torvinen, Deputy Director, Department of Human Services, advised the Chairman and members of the Committee that problems had occurred throughout all Mental Health sister agencies on Medicaid billing through First Health Services. Mr. Torvinen indicated that a core group of fiscal employees representing each of the Developmental Service agencies held bi-weekly meetings with representatives of First Health Services to review negative balance reports and to attempt to resolve outstanding issues. As indicated in earlier testimony, Mr. Torvinen said the agencies survived on advances based on pending, but not denied claims.

In response to Chairman Raggio, who questioned Sierra Regional Center's success in resolving Medicaid billing issues, Mr. Mohlenkamp advised that Sierra Regional Center had implemented a process wherein they were specifically able to identify certain pended or denied claims. As previously indicated, Mr. Mohlenkamp indicated a team from the Sierra Regional Center would be traveling to the Desert Regional Center in the south to attempt to implement the same process. Additionally, Mr. Mohlenkamp reported some recent success in working with the "new fiscal team and billing coordinator," who were coordinating with First Health and Health Care Financing and Policy (HCFAP) to resolve the claims issues. Mr. Mohlenkamp indicated he hoped to provide an updated progress report in the next several weeks.

Chairman Raggio accepted the report and said he looked forward to receiving a report showing some improvement at the next meeting of the IFC.

Mr. Mohlenkamp indicated he anticipated significant improvement by the Committee's next meeting

e. Division of Child and Family Services – Child Welfare Future Funding Plan – Response to IFC to provide a General Fund analysis of the "swap."

A request to withdraw the provision of the plan was allowed by Chairman Raggio. However, the Chairman advised that the Committee was concerned about receiving the plan and asked that a revised report be provided to the next scheduled meeting of the Interim Finance Committee.

13. DEPARTMENT OF CORRECTIONS – Medical Division – Notification of the conversion of several Correctional/Psychiatric Nursing positions into Licensed Practical Nursing and Certified Nursing positions and addition of 3.0 FTE with salary savings.

Chuck Schardin, Administrative Services Officer, Department of Corrections, Medical Division, identified himself for the record and apologized for the absence of Dr. Ted D'Amico, Director, for the Department of Corrections, Medical Division.

Mr. Schardin reported that a reclassification request had been submitted to the Department of Personnel to convert several registered nurse (RN) positions to licensed practical nurse (LPN) and certified nursing assistant (CNA) positions. Mr. Schardin advised that the reclassification changes would result in cost savings, a portion of which could be utilized to fund three full-time equivalent (FTE) certified nursing assistant positions. In addition to additional nursing staff to serve the increased inmate population, Mr. Schardin said the change would reduce the Department's need to recruit registered nurses and would take advantage of the overlap of duties between registered nurses, licensed practical nurses, and certified nursing assistants.

Chairman Raggio noted that information provided to the Committee indicated the number of registered correctional/psychiatric nurses at the Regional Medical Facility would be reduced from 41 positions to 34.

Mr. Schardin explained that prior to the reclassification change, the Department of Corrections had 131 registered nurses, including correctional and psychiatric nurses, and with the change, the number of registered nurses would be reduced to 122. The current total of 166 nursing personnel would be increased by the 3 FTE positions for a total of 169 nursing personnel that included registered nurses, licensed practical nurses, and certified nursing assistants.

Chairman Raggio asked if assurance could be provided that, with the reclassifications, adequate staffing would exist for nursing functions that could only be performed by licensed practical nurses or registered nurses in accordance with the Nevada Nurse Practice Act, *Nevada Revised Statutes* (NRS) 632.

Mr. Schardin responded that prior to the reclassification, approximately 80 percent of the nursing personnel were registered nurses and 20 percent certified nursing assistants and licensed practical nurses. After the reclassification, 72 percent of nursing personnel were registered nurses and 28 percent licensed practical nurses and certified nursing assistants.

Senator Mathews expressed concern regarding the reduced number of registered correctional/psychiatric nursing positions and the performance of duties by licensed practical nurses and certified nursing assistants. Additionally, Senator Mathews asked for the current inmate population, the current number of psychiatric nurses and whether Department representatives had consulted with the members of the State Board of Nursing prior to requesting the reclassification changes.

Mr. Schardin responded that the State Board of Nursing had not been consulted; the prison population was at approximately 11,000 inmates, and the current 31 psychiatric nurses would be reduced to 27 with the reclassification change.

Senator Mathews pointed out that licensed practical nurses and certified nursing assistants could not perform duties outside of their scope of practice without jeopardizing their licenses.

Mr. Schardin advised that the Medical Director and nursing staff had reviewed the scope of practice for nurses and that even with the change, 70 percent of the nursing personnel were registered nurses. Mr. Schardin agreed that licensed practical nurses and certified nursing assistants could not perform the duties of registered nurses, but he said certified nursing assistants could perform approximately 25 percent of the basic duties of registered nurses.

Senator Matthews requested that a more substantive report regarding the reclassification changes be provided by Department of Corrections at the next scheduled meeting of the Interim Finance Committee.

Chairman Raggio agreed and asked that staff meet with the Department of Corrections Medical Director to determine the appropriateness of the reclassification.

Assemblywoman McClain also expressed concern regarding the reclassification request and said it appeared an attempt was being made to save costs through a less than qualified staff to provide medical care to the inmate population. Assemblywoman McClain supported the request for additional information regarding the reclassification changes and asked that the report also include information on the Casa Grande release program, the Educational and Vocational Opportunities Leading to Valuable Experience (EVOLVE) program at the Southern Nevada Women's Correctional Center, the Offender Management Information System, and in particular the Southern Nevada Correctional Center that was funded $15 million to reopen as a correctional center for youthful offenders. Assemblywoman McClain requested a full report be provided at the next meeting of the Interim Finance Committee.

Assemblywoman Parnell asked that an explanation also be included in the report on why non-nursing medical staff, who had been working four ten-hour days were now required to work five, eight-hour days.

Mr. Schardin advised that all staff were being required to work five eight-hour shifts in an effort to provide better service.

Assemblywoman Parnell reiterated her request that additional information be provided on the necessity for the change and specifically the nature of problems, if any, that were created by staff working four ten-hour shifts.

16. DEPARTMENT OF TRANSPORTATION

    b. Report on Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-range Projects.

Jeff Fontaine, P.E., Director, Nevada Department of Transportation (NDOT), introduced Phillip Peckman, President and Chief Executive Officer, Greenspun Corporation, and Chairman of the Blue Ribbon Task Force to Evaluate Nevada Department of

Transportation Long-range Projects. Mr. Fontaine acknowledged Mr. Peckman's willingness to chair the Task Force and undertake what he described as "a difficult, but important task."

Mr. Fontaine reported that the NDOT was in the midst of its largest highway construction program, including six "Super Projects" to relieve traffic congestion. Additionally, he said that the State Transportation Board felt it was vital to begin to address Nevada's long-term transportation needs in order to preserve the state's quality of life and economic prosperity.

Mr. Fontaine provided the following projections:

- Nevada's population was expected to increase to 2.8 million by 2020.
- The number of vehicle miles traveled in Nevada was expected to increase by 80 percent by 2020.
- Nevada was projected to experience the largest increase in truck traffic of any state in the nation.
- Per capita highway travel in Nevada had increased since 1990, and at the same time, per capita fuel usage had declined.
- Inflation and right-of-way costs had increased the cost of highway construction. Asphalt, concrete and steel costs, having increased by more than 15 percent over the previous year, were expected to continue to increase.
- Revenue could not keep pace with Nevada's long-term transportation needs.

Mr. Fontaine advised the Committee that the NDOT was currently planning projects to meet future needs that included eight new "Super Projects," estimated to exceed $100 million each and two "Mega Projects" estimated to exceed over $1 billion each. Seven of the projects were in Las Vegas and three in northern Nevada. Additionally, Mr. Fontaine said funding would be needed for the following types of highway projects:

- widening rural two-lane highways
- preservation of pavement and bridges
- new technologies in highway operating systems
- disseminating information to motorists concerning freeway operations

Mr. Fontaine said a total shortfall of $3.8 billion was projected by 2015.

Mr. Fontaine advised that the State Transportation Board of Directors Board established the Blue Ribbon Task Force to Evaluate Nevada Department of Transportation Long-range Projects to which Governor Guinn appointed 14 members, who represented

"a diverse group of stakeholders." The 14-member Task Force approved an additional four at-large members.

Mr. Fontaine provided the three following Task Force objectives:

- Review the need for future department projects, including the impact of the projects to relieve traffic congestion, serviceability and safety of the existing highway system, and the quality of life and economy of Nevada.

- Review the project costs and revenue projections.

- Evaluate various funding options.

Mr. Fontaine reported that the Task Force previously held two public meetings in Las Vegas, and a third meeting was scheduled to be held in Carson City on January 26, 2006 at 1:30 p.m. Another three meetings would be scheduled prior to the Task Force presentation to the Transportation Board in June.

Mr. Fontaine indicated that the Interim Finance Committee would be apprised of Task Force findings and recommendations, and he said that additional information including meeting agendas and presentations could be obtained from the NDOT website, www.nevadadot.com by linking onto the Roads to the Future icon.

Philip Peckman, President and Chief Executive Officer, Greenspun Corporation, identified himself for the record and indicated that his background in the transportation area "uniquely qualified" him to provide advise on Nevada's transportation needs. Mr. Peckman indicated that the Task Force members were in the process of reviewing transportation needs and would provide recommendations on revenue sources and on how to pay for construction programs.

Chairman Raggio referenced a document, (Exhibit D) that listed the members of the Blue Ribbon Task Force and provided a commentary regarding the "Super" and "Mega" projects identified earlier by Mr. Fontaine.

In response to a question Assemblywoman Giunchigliani asked regarding new highway technology, Mr. Fontaine explained that NDOT, in the past, had planned, designed, constructed, and maintained highways. However, new developments in surface transportation, such as the Freeway and Arterial System of Transportation (FAST) in Las Vegas had streamlined metropolitan area traffic operations. Mr. Fontaine advised that the new Traffic Management Center (TMC), located near the corner of Decatur Boulevard and the Interstate-215 Beltway, operated in conjunction with the Nevada Highway Patrol. The TMC managed the coordination of local traffic signals on surface streets, mitigated freeway problems, and a network of Dynamic Message System (DMS) signs provided "an early warning system to the public to alert drivers to slow down because of an accident, or alter their route because of a closed off-ramp."

In response to Assemblywoman Giunchigliani, who asked for information regarding the purpose of the Blue Ribbon Task Force, Mr. Fontaine explained that the Task Force would evaluate long-range transportation project plans, and after review would provide findings and recommendations to the Transportation Board.

In response to questions Assemblywoman Giunchigliani asked regarding hiring women and minorities for construction projects, Mr. Fontaine advised that a recent setback was encountered as the result of a Ninth Circuit Court of Appeals ruling, and hiring goals had been suspended. However, Mr. Fontaine said the NDOT continued to be aggressive in terms of being "race neutral," and a Request for Proposal (RFP) had been initiated to hire a firm to conduct a study on disparity. If the study concluded the NDOT had a discrimination problem, new hiring goals would be established.

Assemblywoman Giunchigliani expressed her appreciation for the desert tortoise statues, which were part of the NDOT landscaping project at the "Spaghetti Bowl in Las Vegas."

Senator Titus asked if a toll road was being considered as a means to fund the Boulder City Bypass, which was listed as a southern Nevada super project. Additionally, Senator Titus asked for information related to plans to correct highway problems along State Route 160, south to Pahrump.

Mr. Fontaine indicated that in a recent meeting of county and state officials, State Route 160 was identified as "a top priority" for federal funding. Mr. Fontaine further indicated that the first phase of a project to widen State Route 160 from Interstate 15 to Rainbow Boulevard was under construction. The next two phases were funded and would be under construction by the close of the year.

Although traffic fatalities had occurred on the east side of Mountain Spring Summit, State Route 160, Mr. Fontaine indicated a number of single-car rollover fatalities had also occurred on the west side. Mr. Fontaine said a project would be bid in March 2006 to widen shoulders and provide other safety improvements on the west side of Mountain Spring Summit.

Additionally, Mr. Fontaine provided the following information:

- County officials were working on a project to widen north-south connections and to install a traffic signal at Durango Road and State Route 160.

- The NDOT was working on improvements to State Route 159.

- The Regional Transportation Commission (RTC) had initiated a study to analyze the potential need for a high-speed connection from State Route 160 to Interstate 215.

Additionally, Mr. Fontaine said tolling for the Boulder City bypass was a funding option that would be reviewed by the Task Force to determine if enough money could be generated to at least offset some of the associated costs.

Chairman Raggio indicated that while on a recent trip to Florida, he noted that toll roads were used extensively.

In response to a question Senator Beers asked regarding communications technology, Mr. Fontaine explained that new technology traffic monitoring devices provided "real time" traffic conditions that were visible to motorists on large overhead message signs on which alternate routes were suggested.

Senator Beers requested historical data on extrapolating into the future gallons of gas sold per capita, per mile driven, which he said would assist the 2007 Legislature in their decision making process.

Although lacking the specific information, Mr. Fontaine advised that in the thirty-year period from 1974 to 2004, per capita fuel usage dropped 27 percent from 626 gallons to 455 gallons.

On behalf of the Committee, Chairman Raggio expressed his appreciation for the information that was presented and indicated the Committee would look forward to a final report from the Blue Ribbon Task Force.

18. ECONOMIC DEVELOPMENT AUTHORITY OF WESTERN NEVADA – Letter of Intent – Second Quarterly performance report on the use of enhanced funding as approved by the 2005 Legislature.

Chuck Alvey, President and Chief Executive Officer, Economic Development Authority of Western Nevada (EDAWN), appeared before the Committee and provided the Second Quarterly Performance Report that outlined the use of enhanced funding approved by the 2005 Legislature.

Mr. Alvey reported that, under the leadership of its Board of Trustees, the EDAWN had continued to work with 65 key prospects with an estimated annual economic impact of $270 million. Additionally, Mr. Alvey reported that year-to-date, the EDAWN had located or expanded 22 companies in northern Nevada with a total annual economic impact of $90 million, representing $690 million over five years.

Providing an example of the types of companies the EDAWN focused on, Mr. Alvey advised that SpecTIR, a "high-tech" company that originally headquartered in Reno with four employees, specialized in high-resolution mapping products that had been licensed and sold to the United States Department of Agriculture (USDA), Department of Defense (DOD), U.S. Environmental Protection Agency (EPA), and the National Aeronautics and Space Administration (NASA). Additionally, SpecTIR was instrumental in a recent analysis of Hurricane Katrina information.

Mr. Alvey also advised that Patagonia, a world leader in environmental consciousness, was a company included in the EDAWN's expansion project. Mr. Alvey reported that EDAWN staff had been working closely with Patagonia representatives in order to take advantage of A.B. 3, 22nd Special Session, which made various changes related to energy, conservation, construction and renovation, and created incentives and standards for green buildings.

Mr. Alvey reported that the EDAWN's Business Builders Program, which provided for business retention and expansion, generated $79 million or 17 percent of the area's year-to-date economic impact. In conjunction with community volunteers, who were members of the EDAWN, Mr. Alvey advised that staff had conducted 364 investor interviews and projected, during the last year, approximately 6,000 new jobs, $6 million in new construction, and $2.6 billion in new capital investments. Mr. Alvey noted the importance of retention efforts because since becoming more successful, other states, communities, and organizations were beginning to recruit Nevada companies.

Mr. Alvey addressed the project, Target 2010, Northern Nevada's New Economy, conducted in conjunction with Angelou Economics and funded from the 2005 Legislative Session appropriation. Target 2010 was publicly launched on December 8, 2005, and since that time, Mr. Alvey said seven focus groups and many one-to-one interviews had been conducted and were continuing to be conducted. A survey form that requested information from citizens and businesses regarding their views on economic and quality-of-life conditions in northern Nevada could be accessed on the website, www.target2010.org. The first report on market assessment would be provided on February 7, 2006, and in early March, Mr. Alvey said that EDAWN representatives would address the specific industries on which focus should be placed.

Additionally, Mr. Alvey advised that the Economic Development-Plus project was a concept the EDAWN was employing to build the economy by ensuring that companies being recruited provided employees a high rate of pay and benefits. A new component of the project would track and measure the social-economic impact provided by the companies being recruited. Mr. Alvey pointed out that efforts would be focused on "high-yield to the community companies," such as International Game Technology (IGT), a local company that donated money to the community, sponsored, and underwrote programs, and provided childcare for their employees.

Mr. Alvey discussed the current statewide marketing campaign that targeted California, the fifth largest economy in the world. Representatives of the EDAWN, the Nevada Development Authority, the Nevada Commission on Economic Development (NCED), Northern Nevada Development Authority (NNDA) Carson City, and Sierra Pacific Power Company worked together on the campaign pooling their resources and ideas over the last several years. After expending approximately $1 million and generating almost $22 million in media coverage, Mr. Alvey said Nevada's image had been changed to a place to do business, and some high-quality companies had been attracted from the California market.

Reviewing material provided to the Committee, Assemblyman Denis questioned a statement that indicated employers in the community ranked productivity highest, stability and quality average, and availability slightly below average.

Mr. Alvey confirmed that employers had some difficulty finding employees in certain skilled positions and advised that the single largest challenge heard from prospective and existing companies was recruiting "key people." While some assistance with recruiting methods was being provided by the EDAWN, Mr. Alvey said the low unemployment rate of 3.2 percent also contributed to the problem employers had in finding the needed workforce.

Assemblyman Denis questioned whether there were enough trained people, or whether a better system of training more people was needed.

Mr. Alvey responded that while some employers could not find qualified employees, others could not attract employees as a result of low pay and benefit rates. However, Mr. Alvey reiterated that in many cases, trained employees were not available. Mr. Alvey advised that the Target 2010 project would assist in determining the number of skilled workers in the state, those who were underemployed but trained, and what needed to be done to develop the training. Additionally, Mr. Alvey indicated that in some cases, recruiting employees outside of the area was necessary.

Assemblywoman McClain suggested that companies begin reviewing flexible schedules and benefit packages to target older workers, who wanted to remain in the workforce.

Mr. Alvey advised that Angelou Economics representatives had been asked to review the issue of workers in the 50 plus age range since many people in that age bracket were moving to the area.

In response to Assemblywoman Giunchigliani, who asked for information on specific skills the workforce lacked, Mr. Alvey advised that individuals trained in technical computer, computer programming, and financial skills were difficult to recruit for positions. Providing an example, Mr. Alvey advised that PC Doctor, a company that the EDAWN had recruited to northern Nevada, provided software diagnostic services. While PC Doctor paid salaries of $25 to $35 an hour, they were recruiting employees from outside of the area.

Assemblywoman Giunchigliani recalled that during the 2005 Legislative Session, legislators had attempted to provide funding to promote technology careers in the K-12 system in preparation for continued training in the higher education system. Assemblywoman Giunchigliani asked if there had been discussions with education officials to ensure that the need to develop training programs for skilled technology and trade workers was being addressed.

Mr. Alvey advised that EDAWN representatives were working closely with school representatives to ensure they understood the community's need for skilled workers. Additionally, Mr. Alvey advised that Chancellor Jim Rogers mentioned in his recent State of the Nevada System of Higher Education Address that educational opportunities for trades and vocational careers needed to be given "full respect."

In response to questions Assemblywoman Giunchigliani asked regarding how the state and local economic development authorities were aligned to ensure the same type of focus for skilled workers was being generated, Mr. Alvey indicated that "simple communication" was being used and further advised that the Target 2010 and Business Builders projects would provide more specifics on the areas on which to focus.

Assemblywoman Giunchigliani asked whether local development authorities could be provided funding from the EDAWN to, for example, provide a grant to create a technology training program.

Mr. Alvey advised that although funding was a possibility, the EDAWN's main objective was to develop partnerships.

19. NEVADA DEVELOPMENT AUTHORITY – Letter of Intent – Second quarterly performance report on the use of enhanced funding as approved by the 2005 Legislature.

Somer Hollingsworth, President and Chief Executive Officer, Nevada Development Authority (NDA) appeared before the Committee and provided the Second Quarterly Performance Report that detailed the use of enhanced funding approved by the 2005 Legislature.

Extending his appreciation to members of the Committee for the 2005 Legislative appropriation, Mr. Hollingsworth reported that the funding had allowed the NDA to recruit companies to southern Nevada that could not have been recruited in the past. Currently, he said meetings were being scheduled in southern and northern California to which select high-tech, bio-tech, and life sciences companies would be invited to listen to why they should consider moving to Nevada.

Additionally, key employees from site-selection companies that delivered corporations to new locations were being brought in from different regions of the country to see southern Nevada and to be advised of Nevada's average wage program and lack of corporate or personal income tax.

Mr. Hollingsworth reported that, due in part to an "in-depth marketing plan," 31 companies with an estimated annual economic impact of $171 million and a five-year economic impact of $885 million had been recruited to southern Nevada in the past six months. The average wage paid by those companies was $22 an hour. Mr. Hollingsworth explained that because of the high cost of land in southern Nevada,

the NDA had shifted away from warehouse distribution centers to focus on the recruitment of high-quality companies that offered good salary and benefit packages.

Mr. Hollingsworth highlighted the following companies brought into southern Nevada over the past year:

- CDW Corporation, a Fortune 500 company, headquartered in Chicago, built a 515,000 square-foot distribution center in North Las Vegas employing approximately 200 people. CDW Corporation was a leading provider of technology products and services to business, government, and education and had sales of over $6 billion during the year. CDW Corporation was listed number 37 in the nation as the company for which one would most want to work.

- Noninvasive Medical Technologies, a high-tech company that moved their headquarters to Las Vegas, developed a prototype of an imaging device that diagnosed internal injuries without performing surgery on patients. The device, currently being reviewed by the Army, could be worn into battle and monitored the condition of a wounded soldier.

- InfoGenesis, a high-tech company out of San Francisco, had leased 50,000 square feet of space and would move 120 people to southern Nevada.

- Solargenix Energy would build Nevada Solar One, a 64-megawatt solar thermal electric generating plant on 385 acres of land outside of Boulder City, Nevada.

Mr. Hollingsworth advised that the NDA participation in the statewide marketing program in conjunction with the Economic Development Authority of Western Nevada, the Northern Nevada Development Authority, and Sierra Pacific Power had generated a lot of business.

Additionally, Mr. Hollingsworth advised that with a technology and telecommunications infrastructure “second to none in the United States,” southern Nevada had a good workforce to draw from, and high-tech companies now had the ability to hire the people they needed from within the area.

Mr. Hollingsworth also discussed Switch Communications Group, a company in southern Nevada that provided collocation, bandwidth and connectivity services to Fortune 1000 corporations and mid-sized enterprises. Mr. Hollingsworth explained that Las Vegas was the “number one disaster recovery center in the United States” and even more so after the hurricanes and problems in Florida and Louisiana.

Mr. Hollingsworth reported that the Nevada Cancer Institute, a facility that fostered scientific research and discovery, had become a magnet for bio-tech and life-science companies since it opened in August 2005. NDA representatives were conferring with companies in San Diego about the Nevada Cancer Institute and the possibilities

provided by its “cutting-edge technology for researching, diagnosing, and treating cancer.”

Additionally, Mr. Hollingsworth discussed the NDA’s review of a community revitalization proposal by the Urban Chamber of Commerce and the Latin Chamber of Commerce. Funding, appropriated through A.B. 576, 2005 Legislative Session, provided for economic development activities involving the inner city or blighted areas within Clark County. The proposal was currently under review, and a recommendation would be provided during the March NDA Executive Committee meeting. Mr. Hollingsworth mentioned that the CDW Corporation, discussed earlier in his presentation, was located in an enterprise community.

Mr. Hollingsworth further advised that funding was also being expended to define and measure success, and to assess the business attitude and anti-business legislation in other states. Additionally, Mr. Hollingsworth advised that a Target Industry and Skill Set Study had been initiated to assist the NDA in better understanding the “unique strengths, weaknesses, opportunities and threats” in the region.

Assemblywoman Giunchigliani suggested breaking wages down between those earned by individual workers and company officials since blending salaries skewed the average. Additionally, Assemblywoman Giunchigliani expressed interest in the outcome of the Target Industry and Skill Set Study that would determine the skill sets available and those still needed. Assemblywoman Giunchigliani indicated that the results could possibly even drive school curriculum and perhaps tap into the senior citizen population, as previously discussed by Assemblywoman McClain.

Assemblyman Seale asked where businesses were finding places to build their facilities in view of the expensive land costs in southern Nevada.

Mr. Hollingsworth advised that facilities were being leased since there was a lack of land or buildings for sale in southern Nevada. Additionally, Mr. Hollingsworth explained that companies from southern California being recruited to southern Nevada were not put off by property costs, since the average price of a home in San Diego was $1 million compared with about $300,000 in Las Vegas. However companies recruited from the midwest, southeast, and northeast regions of the country experienced “sticker shock” at the high cost of property in southern Nevada. Additionally, Mr. Hollingsworth discussed the headquarter moves southern Nevada had been experiencing in the last two years and the sophistication of the companies looking at a long-term situation for business profit. Mr. Hollingsworth pointed out that companies operating out of Las Vegas and Reno were logistically located to market their products to the southwestern and northwestern regions of the United States.

Assemblywoman Parnell asked Mr. Alvey to provide a status report on the $1 million that had been appropriated by the 2005 Legislature for rural economic development.

Mr. Alvey advised that the funding for the rural areas was being handled through the Commission on Economic Development.

In response to Assemblywoman Parnell's request, Chairman Raggio advised that staff would contact Tim Rubald, Executive Director, Commission on Economic Development to request an update for the next meeting.

In response to questions Senator Beers asked regarding the NDA's involvement in outlying areas such as Mesquite and Pahrump, Mr. Hollingsworth advised that the NDA had a working relationship with Pahrump, Lincoln County, and most other counties in southern Nevada. Mr. Hollingsworth said the NDA was instrumental in placing a 750,000 Do It Best Corporation warehouse distribution center in Mesquite. Additionally, Mr. Hollingsworth indicated the NDA was working with individuals in Laughlin, Nevada on the power plant closure and the loss of 375 jobs at an average wage of $85,000.

Assemblyman Hogan questioned whether a formalized assessment of the social contributions of incoming companies, beyond evaluating salaries, would be provided highlighting, in particular, employment of women and minorities in non-traditional fields.

Mr. Hollingsworth advised that while the NDA had no control over hiring practices, an area of focus for the past five years had been to recruit companies that provided a good benefit package for their employees. Thus far, Mr. Hollingsworth said 96 percent of the companies the NDA had recruited provided benefits for their employees, and the better quality companies were socially conscious insofar as hiring women and minorities. Additionally, Mr. Hollingsworth noted that women were at the helm of many bio-tech and life-sciences companies being recruited to Nevada.

Assemblywoman Weber asked if a report would be provided on transportation infrastructure and the education needs of businesses recruited to Nevada. Assemblywoman Weber discussed a recent conversation with a businessman from southern California who wanted to relocate but was concerned about moving goods and services through the I-15 Corridor and McCarran International Airport.

Mr. Hollingsworth advised that infrastructure and education needs were tracked on a continuing basis and indicated a report could be provided. Mr. Hollingsworth said that with an increase in corporate headquarter moves being seen, a need had been expressed for more private schools. Additionally, Mr. Hollingsworth reported that the Superintendent of the Clark County School District (CCSD) and the President of the University of Nevada, Las Vegas (UNLV) were members of the NDA Executive Committee since it was deemed important to learn from them what their problems were and how the NDA could work with them.

Senator Titus expressed appreciation for the large companies being recruited to Nevada but asked if the NDA was directing any effort to perhaps just bringing a grocery store to a neighborhood or assisting the small companies already located in Nevada.

Mr. Hollingsworth responded that while the NDA would not be instrumental in placing, for example, a Wal-Mart in Pahrump, they would work together with the local development authorities to do so. Additionally, Mr. Hollingsworth advised that oftentimes if a company appeared to have a better fit in northern Nevada, the NDA worked with the Economic Development Authority of Western Nevada (EDAWN), and in turn the EDAWN worked with the NDA in placing companies that had a better fit in Las Vegas.

On behalf of the members of the Committee, Chairman Raggio accepted the EDAWN and NDA Second Quarterly Performance Reports.

N. PUBLIC COMMENT.

There was no response to the Chairman's request for public comment.

O. ADJOURNMENT

Chairman Raggio adjourned the hearing at 3:30 p.m.

_____
Senator William J. Raggio, Chairman
Interim Finance Committee

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

EXHIBITS INTERIM FINANCE COMMITTEE		
Exhibit	**Witness/Agency**	**Description**
A	LCB Fiscal Analysis Division	Agenda
B	LCB Fiscal Analysis Division	Guest List
C	LCB Fiscal Analysis Division	Item M. Informational Items
D	Jeff Fontaine, Director, NDOT	Commentary on state transportation needs and list of Blue-Ribbon Task Force members.
E		Item G. Work Programs
F	Gary Ghiggeri, Fiscal Analyst, Legislative Counsel Bureau, Fiscal Analysis Division	Statement of Contingency Fund Balance
G	Andrew Clinger, Director, Department of Administration	Statutory Contingency Account FY 2001-2006
H	Evan Dale, Deputy Manager, Public Works Board	Request to cancel CIP Project 05-P20 Planning for UNR Biotechnology and Genomics Research Facility
I	Scott Sisco, Interim Director, Nevada State Museum	McKeen Motor Car photos
J	Doug Thunder, Deputy Superintendent, Department of Education	Policies, Procedures, & Criteria for Unexpected Expenses for Providing Health Insurance for Employees
K	Keith Wells, Administrator, State Motor Pool	Map providing proposed site of new Motor Pool
L	Terry Rubald, Chief, Division of Assessment Standards, Department of Taxation	*Nevada Department of Taxation Cash Flow Projections*
M	Renee Diamond, Administrator, Manufactured Housing Division	Letter dated December 6, 2005