MINUTES OF THE SEPTEMBER 15, 2005
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 Thursday September 15, 2005, at 8:55 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
Assemblyman Bernie Anderson sitting for Assemblywoman Sheila Leslie
Assemblyman John Marvel
Assemblywoman Kathy McClain
Assemblyman David Parks sitting for Assemblyman Richard Perkins
Assemblyman Bob Seale
Assemblywoman Debbie Smith
Assemblywoman Valerie Weber
Senator Bob Beers
Senator Barbara Cegavske
Senator Bob Coffin
Senator Bernice Mathews
Senator Dean Rhoads
Senator Dina Titus

COMMITTEE MEMBERS EXCUSED:

Assemblywoman Sheila Leslie
Assemblyman Richard Perkins

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda J. Erdoes, Legislative Counsel
Mark W. Stevens, Fiscal Analyst, Assembly

Steve Abba, Principal Deputy Fiscal Analyst
Gary L. Ghiggeri, Fiscal Analyst, Senate
Connie Davis, Interim Finance Committee Secretary
Donna Thomas, Fiscal Analysis Division Secretary

A. ROLL CALL.

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

*B, C, D, E. APPROVAL OF MINUTES FROM THE MARCH 23, 2005; MARCH 31, 2005; MAY 6, 2005; AND JUNE 23, 2005, MEETINGS.

ASSEMBLYMAN SEALE MOVED APPROVAL OF THE MINUTES FROM THE MARCH 23; 2005, MARCH 31, 2005; MAY 6, 2005; AND JUNE 23, 2005, MEETINGS.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

THE MOTION CARRIED.

F. WORK PROGRAM REVISIONS, IN ACCORDANCE WITH NEVADA REVISED STATUTES (NRS) 353.220(5)(c) AND POSITION CHANGES IN ACCORDANCE WITH NRS 353.224(2). INFORMATIONAL ONLY – REQUIRED ACTION WITH 45 DAYS.

Chairman Raggio announced that all items listed under Item F were provided for informational purposes only and required no action.

1. **Department of Education – Teacher Education and Licensing – FY 05 –** Addition of $30,000.00 in Fingerprint Fees to allow for fingerprint fees related to teacher licensing for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Fingerprint Fees category exceeds $50,000.00.

2. **Department of Taxation – FY 05 –** Transfer of $8,300.00 from the Personnel Services category to the Operating category, $6,700.00 from the Out-of-State Audit category to the Operating category, $132,500.00 from the Information Services category to the Operating category, and $2,000.00 from the Training category to the Operating category to fund projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds $50,000.00. **WITHDRAWN 8-16-05**

3. **Department of Business and Industry – Transportation Services Authority – FY 05 –** Addition of $23,700.00 in Annual License Fees due to an increase in limousine fees collected in fiscal year 2005. Requires Interim Finance approval since

the cumulative adjustments made to the Operating category exceed $50,000.00**.** **WITHDRAWN 7-25-05**

4 **Department of Business and Industry – Manufactured Housing – FY 05 –** Transfer of $50,172.00 from the Reserve category to the Transfer to Manufactured Housing category to establish authority for cost allocation of salaries to the Lot Rent Trust Subsidy budget, Mobile Home Parks budget and Manufactured Housing Education/Recovery budget as a result of an LCB audit recommendation. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds $50,000.00.

5. **Department of Business and Industry – Taxicab Authority – FY 05 –** Transfer of $41,116.00 from the Reserve category to the Personnel Services category to fund projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the Reserve category exceeds $50,000.00.

6. **Commission on Economic Development – Rural Community Development – FY 05** Transfer of $16,865.00 from the Revolving Loans category to the Personnel category to cover anticipated salary expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred from the Revolving Loan category exceeds 10% of the legislatively approved level for the category.

7. **Department of Corrections – Nevada State Prison – FY 05 –** Transfer of ~~$14,231.00~~ **$53,060.00** from the Inmate Drivens category to the Personnel Services category to fund projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred to the Personnel Services category exceeds 10% of the legislatively approved level for that category. **REVISED 7-13-05**

8. **Department of Corrections – Southern Nevada Women's Correctional Center – FY 05 –** Transfer of $45,000.00 from the Personnel Services category to the Inmate Driven category to fund projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred to the Inmate Driven category exceeds $50,000.00.

9. **Commission on Peace Officers' Standards and Training – FY 05 –** Transfer of $19,000.00 from the General Fund Reserve category to the Personnel Services category to fund projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the General Fund Reserve category exceeds 10% of the legislatively approved level for that category.

*G. 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 announced that Items 20, 24, 28, would be called for testimony. The Chairman noted Item 29 was revised, but would not be called for testimony. Additionally, Item 31 would be considered with Item K, and Items 33, 41, and 54 would be called for testimony.

Senator Coffin requested that Item 51, which was a work program request for the Nevada Department of Transportation (NDOT) to receive $295,000 in Homeland Security Grant Program funds be called for testimony.

ASSEMBLYMAN HETTRICK MOVED APPROVAL OF ALL WORK PROGRAMS THAT HAD NOT BEEN ENUMERATED.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED.

1. **Office of the Secretary of State – HAVA Elections Account – FY 06 –** Addition of $300,000.00 in Federal Help America Vote Act grant funds to fund polling place improvements to ensure individuals with disabilities have full access to the electoral process. Requires Interim Finance approval since the amount added to the Polling Place Improvements category exceeds $50,000.00.

   Refer to motion for approval under Item G.

2. **Department of Administration – Division of Buildings and Grounds – Marlette Lake - FY 06 –** Transfer of $246,739.00 from the Reserve category to the Special Projects category to assess the integrity of the Marlette Lake pipelines. Requires Interim Finance approval since the amount transferred to the Special Projects category exceeds $50,000.00.

   Refer to motion for approval under Item G.

3. **Department of Education – Drug Free Schools – FY 06 –** Deletion of $85,355.00 in Federal Drug Free Schools grant funds to align budget authority with funding levels approved by the federal government for Drug Free Schools. Requires Interim Finance approval since the amount deducted from the Aid to Schools category exceeds $50,000.00.

   Refer to motion for approval under Item G.

4. **Department of Education – School Health Education - AIDS – FY 06 –** Addition of $70,284.00 in Federal Comprehensive School Health grant funds and the deletion of $48,749.00 in funds balanced forward from the previous year to align budget authority with funding levels approved by the federal government for Comprehensive School Health and to move authority previously budgeted in the Reserve category to the Aid to Schools category. Requires Interim Finance approval since the amount added to the Aid to Schools category exceeds 10% of the legislatively approved level for that category.

   Refer to motion for approval under Item G.

5. **Department of Education – Discretionary Grants Restricted – FY 06 –** Addition of $652,924.00 in Federal Character Education grant funds to align budget authority with funding levels approved by the federal government for the Partnership in Character Education Program. Requires Interim Finance approval since the amount added to the Partnership in Character Education category exceeds $50,000.00.

   Refer to motion for approval under Item G.

6. **Department of Education – ECIA Chapter 2 State Programs – FY 05 –** Transfer of $10,938.00 from the State Assessments, Administration and Technical Assistance, category to the Personnel Services category to fund Personnel Services expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred from the State Assessments, Administration and Technical Assistance, category exceeds 10% of the legislatively approved level for that category.

   Refer to motion for approval under Item G.

7. **Department of Education – ECIA Chapter 2 State Programs – FY 06 –** Addition of $485,848.00 in Federal Mathematics and Science Partnerships grant funds and transfer of $136,171.00 from the Teacher Quality-ATS category to the Teacher Quality-State Program category, $73,618.00 from the Teacher Quality-ATS category to the Teacher Quality-Administration and TA category, $51,580.00 from the Technology-Administration category to the Technology-Technical Assistance category and $20,340.00 from the Technology-ATS category to the Technology-Technical Assistance category to align revenue authority with funding levels approved by the federal government and to establish two expenditure categories to effectively display costs in order to comply with the requirements of the Teacher Quality and Technology programs. Requires Interim Finance approval since the amount added to the Math and Science Partnerships-Aid to Schools category exceeds $50,000.00.

   Refer to motion for approval under Item G.

8. **Department of Education – Child Nutrition Programs – FY 05 –** Transfer of $65,000.00 from the School Breakfast category to the Child/Adult Day Care Food category to allow the Child Nutrition Department to properly track federal grant funds

available through September 30, 2006. Requires Interim Finance approval since the amount added to the Child/Adult Day Care Food category exceeds $50,000.00.

Refer to motion for approval under Item G.

9. **Department of Education – Child Nutrition Programs – FY 06 –** Addition of $160,000.00 in Federal Summer Food Service Program for Children grant funds and $10,000.00 in Prior Year Refunds; and transfer of $10,344.00 from the Personnel Services category to the National School Lunch Program category, $386,380.00 from the Breakfast in the Classroom category to the National School Lunch Program category, $7,000.00 from the Indirect Cost category to the Child and Adult Care Audit category, $20,000.00 from the Indirect Cost category to the Summer Food Service Program Administration category, and $100,000.00 from the Child/Adult Day Care Food category to the Milk Programs category to align Summer Food Service Program budget authority with levels approved by the federal government and to establish authority for prior year refunds for funds returned to department by child nutrition program sponsors to be paid back to the United States Department of Agriculture (USDA). The Breakfast in the Classroom grant was not funded by the USDA and funding levels for Indirect Costs and Milk Programs are being modified to appropriate levels. Requires Interim Finance approval since the amount added to the National School Lunch Program category exceeds $50,000.00.

   Refer to motion for approval under Item G.

10. **Department of Business and Industry – Division of Insurance – Insurance Recovery – FY 05 –** Addition of $193,433.00 in Recovery Fees to record actual licensee fees collected during the fiscal year. Requires Interim Finance approval since the amount added to the Transfer to Insurance Education and Research category exceeds $50,000.00.

    Refer to motion for approval under Item G.

11. **Department of Business and Industry – Division of Insurance – Insurance Examiners – FY 05 –** Addition of $290,455.00 in Examination Fees and $64,896.00 in Administrative Fees to pay examination expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Insurance Company Examinations category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item G.

12. **Department of Business and Industry – Division of Insurance – Captive Insurers – FY 05 –** Addition of $5,150.00 in Licenses and Fees, $500.00 in Application Fees, and $7,586.00 in Insurance Premiums due to an increase in the number of qualifying examinations of applicants. Requires Interim Finance approval since the amount added

to the Program Expenses category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item G.

13. **Department of Business and Industry – Real Estate Division – Real Estate Education and Research – FY 06 –** Transfer of $42,045.00 from the Reserve category to the Transfer to Real Estate category to fund a portion of the salaries, rent and other costs in the Real Estate Division's budget. Requires Interim Finance approval since the amount transferred to the Transfer to Real Estate category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item G.

14. **Department of Business and Industry – Real Estate Division – Real Estate Education and Research – FY 07 –** Transfer of $44,024.00 from the Reserve category to the Transfer to Real Estate category to fund a portion of the salaries, rent and other costs in the Real Estate Division's budget. Requires Interim Finance approval since the amount transferred to the Transfer to Real Estate category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item G.

15. **Department of Business and Industry – Real Estate Division – Common Interest Communities – FY 06 –** Transfer of $150,000.00 from the Reserve category to Mediation Program category to reestablish authority for the Alternative Dispute Resolution Subsidy Program. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds $50,000.00.

    Refer to motion for approval under Item G.

16. **Department of Business and Industry – Real Estate Division – Common Interest Communities – FY 07 –** Transfer of $150,000.00 from the Reserve category to Mediation Program category to reestablish authority for the Alternative Dispute Resolution Subsidy Program. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds $50,000.00.

    Refer to motion for approval under Item G.

17. **Department of Business and Industry – Division of Mortgage Lending – FY 06 –** Transfer of $61,490.00 from the Reserve category to the Operating category and $376,800.00 from the Reserve category to the Investigative Expense category to fund temporary staff, process fingerprint cards and to cover projected hearing expenditures. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item G.

18. **Department of Business and Industry – Housing Division – Low Income Housing Trust Fund – FY 06 –** Transfer of $3,000,000.00 from the Reserve category to the Loan Disbursements category for anticipated payments to local governments for projects to be completed during the fiscal year. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item G.

19. **Department of Business and Industry – Athletic Commission - FY 05 –** Addition of $59,266.00 in Ticket Surcharge revenue to record an increase in actual receipts associated with regulating the amateur boxing program. Requires Interim Finance approval since the amount added to the Amateur Boxing Program category exceeds $50,000.00.

    Refer to motion for approval under Item G.

20. **Commission on Tourism – FY 06 –** Transfer of $100,000.00 from the Reserve category to the International Offices category to fund half the cost of operating a Nevada Office of Tourism in Mexico in cooperation with the Las Vegas Convention and Visitors Authority. Requires Interim Finance approval since the amount transferred to the International Offices category exceeds 10% of the legislatively approved level for that category.

    Bruce Bommarito, Executive Director, Nevada Commission on Tourism, appeared before the Committee to request approval to transfer $100,000 from the Reserve category to the International Offices category to fund, in collaboration with the Las Vegas Convention and Visitors Authority, a Nevada Office of Tourism in Mexico.

    Mr. Bommarito indicated the Nevada Commission on Tourism did not have the opportunity to fully present the proposal to both houses of the Legislature during the 2005 Legislative session because of time constraints placed on the legislative body.

    Mr. Bommarito discussed the increased competition for domestic and international tourism markets and the need to aggressively market around the world and to select the best markets of which, he said, Mexico was one.

According to U. S. Department of Commerce statistics, Mr. Bommarito said the People's Republic of China was first, Japan second, and Mexico third in tourism spending dollars per person. Although tourism offices had been established in China and Japan, representation had not been established in Mexico until the 2003-05 biennium, which Mr. Bommarito indicated was an important market that had shown a strong tourist propensity to gamble and shop.

Mr. Bommarito advised that the Las Vegas Convention and Visitors authority had established offices, in cooperation with the Nevada Commission on Tourism, in Seoul, London, and Toyoko and agreed that Mexico was an extremely strong market. Mr. Bommarito pointed out that although Las Vegas represented Nevada's number one tourist destination, the Nevada Commission on Tourism represented the entire state, and the Mexican market offered a great potential throughout the entire state. Mr. Bommarito indicated that Mexico was a proven growing market and pointed out that tourists came to Nevada as a result of aggressive marketing work.

Mr. Bommarito advised that Krys Bart, Executive Director of the Reno-Tahoe International Airport; Cam Usher, Director of International Sales, Las Vegas Convention and Visitors Authority; Mayor Geno R. Martini, City of Sparks; Mayor Bob Cashell, City of Reno; and Austin Sass, Heavenly Mountain Ski Resort, who represented the "very important" ski market from Mexico City and Guadalajara, were in attendance to express their support to fund the Nevada Office of Tourism in Mexico.

Chairman Raggio asked what effect the $100,000 transfer, if approved, would have on the Commission's Reserve.

Mr. Bommarito advised that the Reserve, after the first several months of fiscal year 2006, appeared to be ahead of projections and would not go below the minimum amount necessary.

Krys T. Bart, Executive Director, Reno-Tahoe Airport Authority, and the Reno-Tahoe International Airport, identified herself for the record. Ms. Bart advised that she was before the Committee to underscore the Nevada Commission on Tourism's (NCOT) "need and desire for representation in Mexico" and to share her perspective on behalf of air service issues in the northern Nevada region.

Ms. Bart advised that air service was key to the tourism economy in northern Nevada and the entire northern Nevada region. Citing the Reno-Tahoe International Airport's successful working relationship with the NCOT over the years, Ms. Bart advised that one of the successes, parallel to the request before the Committee, was the China success. As a result of the tourism office in China and the relationship and the effort of NCOT in China, Ms. Bart advised that the Reno-Tahoe International Airport had been selected by Air China to be the diversion airport for cargo for northern Nevada, which meant that cargo was being pulled out of the Bay area in California and into northern Nevada. Additionally, Ms. Bart indicated negotiations had begun for permanently

scheduled Air China cargo service into the Reno-Tahoe International Airport. Ms. Bart advised that those successes would not have occurred if not for the fact that NCOT had offices in China.

With the focus now on Mexico, Ms. Bart advised that work with Mexicana Airlines had been ongoing for five years, and just a month ago, Mexicana Airlines received landing rights from the U. S. Government to land at the Reno-Tahoe International Airport. Ms. Bart advised that Nevada needed to maintain constant communication and effort with both the Mexican government and its citizens to support the air service effort, which she indicated could not be done without the offices that NCOT could provide with the transfer of funds requested. Ms. Bart said that without the air service into the northern Nevada region, the large Mexican tourism market and business economy could not be supported.

In conclusion, Ms. Bart asked for the Committee's favorable consideration of the request to fund offices in Mexico City and Guadalajara, which she said represented key markets and locations for Mexicana Airlines and would constitute an investment into Nevada's future as well as current business and economic opportunities.

Cam Usher, Director of International Sales, Las Vegas Convention and Visitors Authority (LVCVA), advised the members of the Committee that annual visitation increases for Mexico had been monitored for several years. After concluding that Mexico was their second largest market and warranted the same level of representation as the United Kingdom, Germany, France, Australia, Korea and Japan, which were smaller markets than Mexico, a Nevada Office of Tourism with three staff members was opened in Mexico in the spring of 2004 with a branch in Guadalajara.

Ms. Usher advised that tourism spending, especially in the areas of shopping, entertainment, and gaming had been excellent and exceeded expectations. Currently, Ms. Usher indicated there were 61 flights or 7,700 seats a week from Mexico to Nevada, which was more than any other country. Additionally, Ms. Usher said Mexicana Airlines and Air Mexico were both considering additional service and anticipated a 15 percent passenger increase in 2005. Expressing the LVCVA's commitment to the Mexico market, Ms. Usher welcomed a continued partnership with the Nevada Commission on Tourism and asked for the Committee's favorable consideration of the request for funding.

Geno Martini, Mayor, City of Sparks, identified himself for the record and addressed the importance of tourism for the economy of Sparks. While Sparks was a resort community that offered gaming, golf, entertainment, dining, skiing, and "popular annual festivities that helped to sustain the economy," Mayor Martini indicated the City did not take its success for granted.

As previously indicated by Mr. Bommarito, Mayor Martini reiterated that competition for tourism dollars was intense, not just among cities and states, but internationally as well. Additionally, Mayor Martini advised that representatives from Mexico understood the

current world market and business climate, which enabled Nevada tourism leaders to act on information as it became available.

Mayor Martini pointed out that developing the Mexican market was a joint effort between the Nevada Commission on Tourism and tourism representatives from Sparks, Reno, Lake Tahoe, and the Reno-Tahoe International Airport. As partners in the Mexican market endeavor, Mayor Martini advised that NCOT's participation in opening the Mexico office facilitated action on behalf of all the partners in promoting the area as a tourism destination, and City of Sparks representatives recognized there were certain doors that state government could open that a city could not.

As previously stated, Mayor Martini advised that visitors from Mexico enjoyed casinos, shopping, and dining, and an office representing the entire state could assist in achieving that goal while visitors could also be introduced to many more attractions.

In closing, Mayor Martini requested the Committee's favorable consideration of the request and indicated that without a representative working on behalf of all the partners, many opportunities to build tourism and business with Mexico would be lost.

Austin Sass, Director of Sales, Heavenly Mountain Ski Resort, expressed strong support for increased sales and marketing efforts in Mexico. Mr. Sass provided statistics for sister ski resorts in Vail, Colorado beginning with Vail's 43,800 skier visits a year from Mexico. Beaver Creek, Breckenridge, and Keystone ski resorts in Colorado brought in another 20,000 skier visits from Mexico.

Mr. Sass advised that the average skier spent approximately $70 on a lift ticket and over $100 a night on lodging and another $50 to $100 on food in addition to what might be spent on gambling or entertainment in the Stateline area.

Mr. Sass further advised that Heavenly Mountain Ski Resort currently had 3,717 skier visits a year out of Mexico, with the potential, if compared to Vail, for another 40,000 skier visits and a lot of money that could come into the northern Nevada area.

In closing, Mr. Sass remarked that Heavenly was not getting a fair share of the Mexican market but that increased marketing and sales efforts would improve the numbers and produce "a lot of revenue for the northern Nevada area."

Assemblyman Arberry pointed out that during final negotiations, the 2005 money committees did not approve the Governor's recommendation to continue funding for the tourism office in Mexico. Assemblyman Arberry said he could not support the request since it appeared Commission representatives were attempting to circumvent legislative intent, and he indicated funding should be sought through local entities.

Chairman Raggio noted that the request was approved during the 2005 Legislative Session by the Senate Committee on Finance and rejected by the Assembly Committee on Ways and Means, not the entire legislative body. The Chairman expressed his

support for the request and indicated the Interim Finance Committee was not legally precluded from considering such issues. Additionally, he said the Committee should be available during the interim between sessions to consider additional reasons why certain requests should be supported.

Chairman Raggio said a compelling case had been made with the potential for direct flights to northern Nevada from Guadalajara, expansion of the ski market, and support by the Mayors of Reno and Sparks.

Assemblywoman Giunchigliani agreed with Assemblyman Arberry's comments and said the Interim Finance Committee should not consider issues rejected by a legislative body. Additionally, Assemblywoman Giunchigliani pointed out that at the end of the 2003 Legislative Session, Senator Rawson's bill for a Triage Center in Clark County was rejected by the Senate. When the issue was brought before the Interim Finance Committee, the subcommittee that was appointed recommended not to change policy by having the Interim Finance Committee make a decision on an issue the Legislature had rejected, even though the Triage Center was sorely needed.

Assemblywoman Giunchigliani agreed that a compelling case had been made for the tourism office but indicated that approving the request would set a precedent for similar future requests. Assemblywoman Giunchigliani also suggested funding through local authorities and a return to the 2007 Legislature with a request for state funding.

In a correction for the record, Chairman Raggio advised that when the request for the Triage Center was brought before the Interim Finance Committee, the members of the Senate Committee on Finance approved the request and the Assembly did not.

Assemblywoman Giunchigliani clarified that the Assembly voted against the request for the Triage Center because the Subcommittee recommended not approving the request based on the Senate's rejection of the bill during the 2003 Legislative Session.

Chairman Raggio reiterated that the Interim Finance Committee was not legally precluded from considering such requests.

Drawing further distinctions between the request before the Committee and the vote on the Triage Center, Senator Beers pointed out that funding the Tourism office in Mexico did not come before the Legislature as a bill, but rather as "a small component of a much larger appropriation." At that time, Senator Beers said the question was whether additional funding should be appropriated, but the question before the Committee was whether existing resources could be reallocated in a manner to better facilitate increased visitation throughout the state.

Assemblyman Seale questioned how $100,000 would be used to accomplish the Commission's goals.

Mr. Bommarito advised that the $100,000 could be effectively used to provide familiarization trips to bring the top ski tour operators from Mexico City and Guadalajara to northern Nevada to demonstrate the state's product. Additionally, trade shows, involving tour and travel operators, would represent the entire state rather than just Las Vegas.

Assemblyman Seale indicated his understanding was that the funding would not be used to hire additional employees and establish offices, but rather to make the most of what was already available and to accomplish the goals outlined to the Committee.

Mr. Bommarito affirmed that Mr. Seale's understanding was correct.

Mr. Sass advised that familiarization tours were integral to driving future business. Additionally, Mr. Sass informed the Committee that Heavenly Mountain Ski Resort had undergone a $36 million capital improvement investment over the last thee years with another $20 million slated during the next three years. With over one million visitors in the previous year, Mr. Sass said the resort, nationally ranked as number 12, was currently enjoying its highest visitation point. Mr. Sass told the members of the Committee that Heavenly was a mountain on the move, was getting a lot of "buzz," and that it was the best time to start bringing people in from new markets to drive future visitation.

Ms. Bart advised that in continued efforts to develop air service, it was common practice to offer incentives, typically in the form of the advertising packages and promotions Mr. Bommarito described. Ms. Bart indicated those advertising packages and promotions would be brought to the table in order to lock in Mexicana Airlines' doing business in Reno.

Ms. Bart further advised that a "very aggressive policy, program, and effort" was being promulgated by the Governor of California to make Sacramento International Airport the gateway to ski. At the same time, Ms. Bart said Nevada was aggressively defending its territory as the gateway to ski. With resources key to developing new markets and because the Mexico market was so important to the skiing industry, Ms. Bart indicated that approval of the request for funding was critical to help Reno maintain an edge as the gateway to ski and to bring tourism dollars into northern Nevada.

Assemblyman Marvel expressed his support for the request and agreed that California's gateway to ski promotion would definitely impact northern Nevada.

Assemblyman Arberry expressed support for Nevada tourism but pointed out that the Commission on Tourism opened an Office of Tourism in Mexico City and Guadalajara in 2004 using budget savings. Continued funding for the office was requested through a budget recommendation during the 2005 Legislative Session, which the Legislature ultimately rejected. Assemblyman Arberry again indicated he would not support the request since approval would set a precedent for similar future requests.

Senator Beers said the request should be reconsidered based on the presentation of new information not available during the legislative session and the fact that California was marketing Sacramento as the gateway to skiing. Senator Beers said that message had to be responded to before it became the truth for an entire nation whose economy was emerging and a nation that presented "a very viable, valid market for Nevada."

Assemblyman Arberry again expressed an unwillingness to deviate from a determination by the 2005 Legislature and to set a precedent for similar future requests.

Senator Coffin expressed support for Assemblyman Arberry's arguments regarding the legislative process and agreed that passage of the request would produce requests for other issues that failed during the legislative session. While the Committee might have the legal authority to approve the request, Senator Coffin advised that, if approved, the Committee would "be under constant pressure" for the next 18 months to review issues that were not approved by the Legislature.

Assemblyman Hettrick indicated the Interim Finance Committee's function was to consider the merits of requests that were not processed during the legislative session, and a decision should not be based on comparing what was approved for one region or another. Assemblyman Hettrick expressed his strong support to move forward with the request, which he said would utilize funding from the Commission's Reserve to promote and benefit the entire state of Nevada.

Chairman Raggio advised that most issues brought before the Interim Finance Committee were considered in one aspect or another during legislative sessions. If limits were set, Chairman Raggio said the Committee would face future requests requiring action that could not be taken. Chairman Raggio expressed a need for flexibility and understanding when issues were brought before the Committee for which there was compelling support.

Nancy Dunn, Deputy Director, Commission on Tourism, appeared before the Committee, as a private citizen, to speak in support of the request. Ms. Dunn encouraged the members of the Committee to consider the request on its merits and its importance to the state of Nevada. Ms. Dunn pointed out that the funding request was not approved during the 2005 Legislative Session because of a technicality.

Concluding her remarks, Ms. Dunn said that staying ahead of the curve was a necessity in the tourism industry and waiting 18 months to be provided the authority to access a lucrative market would be a loss for the state.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM 20.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

Assemblyman Arberry expressed his intent to vote nay but indicated that if the motion was approved, the same consideration would be expected for future "gray area" requests that came before the Committee.

Chairman Raggio indicated such an example was established when the Senate was willing to approve the Triage Center. The Chairman called for a roll call vote.

ASSEMBLYMAN DENIS, ASSEMBLYWOMAN GIUNCHIGLIANI, ASSEMBLYMAN HOGAN, ASSEMBLYWOMAN KOIVISTO, ASSEMBLYMAN ANDERSON, ASSEMBLYWOMAN MCCLAIN, ASSEMBLYMAN PARKS, ASSEMBLYMAN ARBERRY VOTED NAY.

ASSEMBLYWOMAN GANSERT, ASSEMBLYMAN HETTRICK, ASSEMBLYMAN MARVEL, ASSEMBLYMAN SEALE, ASSEMBLYWOMAN SMITH, ASSEMBLYWOMAN WEBER VOTED YEA.

SENATOR BEERS, SENATOR CEGAVSKE, SENATOR MATHEWS, SENATOR RHOADS, SENATOR TITUS, CHAIRMAN RAGGIO VOTED YEA.

SENATOR COFFIN VOTED NAY.

THE MOTION FAILED.

21. **Department of Human Resources – Director's Office – Office of Disability Services – FY 06 –** Transfer of $6,642.00 from the Deaf Resource Centers category to the Technology Related Assistance category, $27,569.00 from the Deaf Resource Centers category to the Hearing Devices category, $12,894.00 from the Deaf Resource Centers category to the Independent Living category, and $109,017.00 from the Deaf Resource Centers category to the Reserve category to align legislatively approved authority to the amounts recommended by the Public Utilities Commission at their June 2005 meeting pursuant to NRS 426.295. Requires Interim Finance approval since the amount transferred from the Deaf Resource Centers category exceeds $50,000.00.

Refer to motion for approval under Item G.

22. **Department of Human Resources – Division of Health Care Financing and Policy – Medicaid – FY 05 –** Addition of $1,113,000.00 in Federal Title XIX grant funds and $2,085,000.00 in County Reimbursements to align provider medical payments to actual fiscal year 2005 expenditures, adjust unapplied cash, and properly record receipts as expenditure reductions to applicable categories. Requires Interim Finance approval since the amount added to the Child Welfare Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item G.

23. **Department of Human Resources – Division of Mental Health and Developmental Services – Facility for the Mental Offender – FY 06 –** Addition of $56,539.00 in Washoe County Receipts to continue conducting psychiatric evaluations for the Washoe County District Court. Requires Interim Finance approval since the agency is requesting a new part-time Clinical Psychologist I position.

    Refer to motion for approval under Item G.

24. **Department of Human Resources – Division of Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 06 –** Addition of $131,816.00 in receipts from Clark County to purchase three vehicles for psychiatric caseworkers assigned to the Mental Health Court in Clark County and to fund one contract Licensed Clinical Social Worker to provide counseling services to Mental Health Court clients. Requires Interim Finance approval since the amount added to the Mental Health Court category exceeds $50,000.00.

    Judge Jackie Glass, Eighth Judicial District Mental Health Court; Jonna F. Triggs, Ed.D., Director, Southern Nevada Adult Mental Health Services (SNAMHS); and Peter Brand, Administrative Services Officer, SNAMHS, identified themselves for the record.

    Dr. Triggs appeared before the Committee to request approval to establish authority to receive $131,816 from the Eighth Judicial District Court to fund three vehicles for three Mental Health Court psychiatric caseworkers and a therapist.

    Although access was available for vehicles from the state pool, Dr. Triggs said those cars were used by service coordinators and other individuals to make home visits, and the Eighth Judicial District Court wanted to ensure the availability of cars for the exclusive use of service coordinators from the Mental Health Court. The court also wished to have a therapist who would be specifically trained to work only with the forensic patient population.

    ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ITEM 24.

    ASSEMBLYMAN DENIS SECONDED THE MOTION.

    THE MOTION CARRIED.

25. **Department of Human Resources – Division of Mental Health and Developmental Services – Desert Regional Center – FY 05 –** Transfer of $140,908.00 from the Certified Jobs and Day Training category to the Family Support category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Family Support category exceeds $50,000.00.

    Refer to motion for approval under Item G.

26. Department of Human Resources – Division of Mental Health and Developmental Services – Desert Regional Center – FY 05 – Transfer of $49,630.00 from the Certified Jobs and Day Training Centers category to the Resident Placement category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred to the Resident Placement category exceeds $50,000.00.

Refer to motion for approval under Item G.

27. Department of Human Resources – Health Division – Health Facilities – FY 06 – Addition of $48,500.00 in Federal Medicare Certification grant funds to purchase tablet personal computers for survey staff. 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 G.

28. Department of Human Resources – Welfare – Energy Assistance Program – FY 06 Addition of $1,000,000.00 in Low Income Household Energy Assistance Federal grant funds to implement a Residential Energy Assistance Challenge pilot project targeting 1,100 low-income households and focusing on energy education and holistic approaches to creating family accountability. **Requires Interim Finance approval since the amount of the grant exceeds $100,000.00 and requires a public hearing since the action involves the allocation of block grant funds.**

Chairman Raggio noted that Item 28, a request for approval to receive $1 million in Low Income Household Energy Assistance block grant funds, required a public hearing.

Roger Mowbray, Administrative Services Office, Welfare Division, testified that the request before the Committee was for approval to receive $1 million to implement the Residential Energy Assistance Challenge pilot project and required a public hearing.

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

ASSEMBLYMAN SEALE MOVED APPROVAL OF ITEM 28.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED.

29. Department of Human Resources – Division of Child and Family Services – Children, Youth and Family Administration – FY 06 – Addition of $866,304.00 in Federal Title IV-B [~~11~~] **II** grant funds from the U.S. Department of Health and Human Services to continue providing family preservation and support services, family re-unification services, adoption promotion and adoption services for children currently in,

or at risk of placement in, the division's custody. Requires Interim Finance approval since the amount added to the Promoting Safe and Stable Families category exceeds $50,000.00. **REVISED 8-16-05**

Refer to motion for approval under Item G.

30. Department of Human Resources – Division of Child and Family Services – Children, Youth and Family Administration – FY 06 – Addition of $978,801.00 in Federal State Infrastructure grant funds from the Substance Abuse and Mental Health Services Administration and the deletion of $84,889.00 in Federal Title IV E Entitlement grant funds to continue studying Nevada's system of mental health services delivery for children and adolescents. Requires Interim Finance approval since the amount added to the State Infrastructure Grant category exceeds $50,000.00.

Refer to motion for approval under Item G.

31. Department of Human Resources – Division of Child and Family Services – Youth Alternative Placement – FY 06 – Addition of $145,727.00 in funds transferred from the Interim Finance Committee and $250,269.00 in County Participation Funds to pay the state's share of merit increases, holiday pay, utility and food cost increases and the addition of six new full-time employees for the China Spring Youth Camp in Douglas County pursuant to Senate Bill 1 of the 22nd Special Session. Requires Interim Finance approval since the amount added to the China Spring Youth Camp category exceeds $50,000.00. **Relates to an action item submitted under a separate agenda item.**

Chairman Raggio announced that Item 31, a request from Division of Child and Family Services regarding the China Spring Youth Camp and adjacent facility, would be considered along with Item K, a request from Division of Child and Family Services for $145,727 from the Contingency Fund.

Before proceeding with the requests, Chairman Raggio asked Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, to provide a report on the status of the Contingency Fund. Refer to Item H. Statement of Contingency Fund Balance.

Jone Bosworth, Administrator, Division of Child and Family Services, introduced Diane Comeaux, Deputy Administrator, Division of Child and Family Services, and Steve Thaler, Director, China Spring Youth Camp/Aurora Pines Girls Facility. Ms. Bosworth was before the Committee to request approval for the transfer of funds from the Interim Finance Committee Contingency Fund and County Participating Funds for distribution to Douglas County for the state's share of merit increases, holiday pay, utilities, and food cost increases, as well as the addition of 6 new fulltime staff for China Springs Youth Camp. The addition of the new positions would bring the facility to a 1:10 staff to youth ratio.

Chairman Raggio noted, for the record, the request for approval before the Committee was to establish revenue and expenditure authority to expend $145,727 in General Fund and $250,269 in County Participating Funds.

ASSEMBLYMAN HETTRICK MOVED APPROVAL OF ITEM G.31 AND ITEM K.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED.

32. **Department of Human Resources – Division of Child and Family Services – Southern Nevada Child and Adolescent Services – FY 06 –** Addition of $320,435.00 in Federal Safe Schools Healthy Students grant funds from the Clark County School District and the deletion of $24,818.00 in funds balanced forward from the previous year to continue providing behavioral health prevention services to children referred by Clark County School District or other social service providers who are at-risk for drug and alcohol use and/or violent behavior. Requires Interim Finance approval since the amount added to the Clark County School District Contract category exceeds $50,000.00.

Refer to motion for approval under Item G.

33. **Department of Employment, Training and Rehabilitation – Employment Security Division – FY 06 –** Addition of $528,500.00 in Federal Department of Labor Base Realignment and Closure (BRAC) grant funds to assist the state in responding to the federal government's actions to close, consolidate, and realign federal military installations that may occur. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

Chairman Raggio expressed appreciation that the Hawthorne Army Depot and Reno's Air National Guard wing would not be affected by the Department of Defense Base Realignment and Closure (BRAC). The Chairman thanked Nevada's Congressional Delegation, state legislators, local and state authorities, and the community of Hawthorne for their combined efforts in responding to the challenge.

Birgit Baker, Director, Department of Employment, Training and Rehabilitation, (DETR) introduced Tim Rubald, Interim Executive Director, Commission on Economic Development, and Martin Ramirez, Administrative Services Officer, DETR.

Mr. Ramirez requested the Committee's approval to accept a $528,500 planning grant from the U.S. Department of Labor (USDOL). Mr. Ramirez advised that the grant would be used to create an economic diversification plan in Mineral County.

In response to Chairman Raggio's discussion regarding use of the funds, Mr. Ramirez explained that upon submittal, Department of Labor representatives indicated the grant

was applicable for economic diversification whether or not the military bases were closed or realigned.

In response to a question from Senator Beers regarding the original purpose of the grant, Ms. Baker advised that initially the idea was to create an economic diversification plan that allowed for finding new jobs for those individuals who would have been displaced by base closures. Ms. Baker advised that the proposal had changed slightly and DETR would be creating an economic diversification plan, but in doing so would use some of the funding to train individuals in Mineral County with new skills to target the companies that might be brought in through the diversification plan.

Considering Mineral County's small population, Senator Beers indicated it appeared emphasis should be placed on economic development prior to finding new jobs for displaced workers and requested information on how funds would be expended.

In response to Senator Beers, Ms. Baker advised that the planning grant narrative, due to the Department of Labor on September 30, was developed in conjunction with Nevadaworks, the Northern Nevada workforce investment board responsible for the coordination of workforce investment activities in Mineral County, the Commission on Economic Development, and the Mineral County Economic Development Authority. Ms. Baker advised that the funds would be passed through to Nevadaworks, and as the local board, Nevadaworks would establish a planning group that would determine the most appropriate expenditure of the funds. Ms. Baker advised that after the planning process, half of the funds could be used to develop the economic diversification plan, and the other part of the funds could be used for training, if recommended through the plan.

In response to questions Senator Beers raised concerning what appeared to be a duplication of effort by DETR and the Economic Development Authority of Western Nevada (EDAWN), Ms. Baker advised that DETR's only involvement was to administer the grant. Ms. Baker said that Nevadaworks, the local board, along with the Mineral County Economic Development Authority, and the Commission on Economic Development would be developing the plan.

In response to questions Senator Beers asked regarding Nevadaworks, Ms. Baker explained that Nevadaworks was the local workforce investment board established to administer funds provided through the Workforce Investment Act, including BRAC planning grant funds. Additionally, Ms. Baker advised that DETR and Nevadaworks were required to administer the funds and had responsibility for the use of funds, which was to develop an economic diversification plan. Ms. Baker indicated that since Nevadaworks planned to work closely with all of the "stakeholders," there would be no duplication of effort.

Senator Beers indicated he wanted to ensure that the funding was used for economic diversification and development and not for finding people jobs since the base closure was no longer an issue.

Tim Rubald, Interim Executive Director, Nevada Commission on Economic Development, advised that the Commission on Economic Development had been involved in the planning and diversification proposal since notification that grant funds would be received. Although the plan had changed since the Hawthorne Army Ammunition Depot would remain open, Mr. Rubald explained that the Mineral County Economic Diversification Authority, the Commission's development authority in Mineral County, would be working with the workforce investment board representative, Tom Fitzgerald, and the Commission on Economic Development throughout the process. Mr. Rubald advised that EDAWN was the Commission's development authority that serviced the Reno-Sparks area.

Mr. Rubald explained that the Nevada Commission on Economic Development attempted to create jobs, and, as stated by Ms. Baker, had been integrally involved in the planning process in conjunction with Nevadaworks, and the Mineral County Economic Development Authority. Mr. Rubald advised that a number of economic diversification and planning activities would be considered perhaps through hiring consultants, as well as target industry studies, skill sets inventories to determine the target industries that could be attracted, and some community development activities, such as economic restructuring to design work and other community development planning issues.

Assemblyman Anderson advised that he had an opportunity to testify before the BRAC Commission and had been impressed by the thorough Mineral County presentation challenging the closure of the Army Depot. Assemblyman Anderson asked if the grant funds could be used to reimburse expenditures that had been used in the preparation of Mineral County's case. Additionally, Assemblyman Anderson expressed concern that perhaps a future BRAC Commission might indicate that funding for economic diversification had not been properly utilized.

In response, Ms. Baker advised that the funds were strictly planning grant funds and until the planning grant narrative was submitted and the plan created, the expenditures, as indicated Mr. Rubald, had been defined at only a broad level by category. Ms. Baker further indicated her understanding was that expenditures already incurred could not be reimbursed.

Additionally, Ms. Baker advised that Mineral County was being provided a "unique" opportunity to receive federal funding to assist in developing a documented plan, which she said the community had been working toward for many years. Ms. Baker advised that the initial planning team included three Mineral County Nevadaworks board members and development of the plan would involve "key stakeholders."

Senator Titus indicated she had worked with Shelly Hartman, Executive Director of the Mineral County Economic Development Authority, to prevent the Hawthorne Army Depot closure.

Senator Titus asked Mr. Rubald whether regulations were being drafted to distribute funding through S.B. 1, 22nd Special Session, which would put $3 million into economic development for the rural counties, and, as a result of the plan being developed, might benefit Mineral County.

Mr. Rubald advised that a number of different funding opportunities had been received, and regulations were in the process of being drafted. Mr. Rubald was hopeful that work shops could be conducted both in the northern and southern areas of the state in the next month or six weeks that would begin putting funding provided through S.B. 1, 22nd Special Session, to work in the rural areas. Unless unforeseen problems were encountered, Mr. Rubald indicated that regulations should be promulgated and applications accepted by the first of the year.

In response to her request, Mr. Rubald agreed to keep Senator Titus updated on the status of the regulations and applications for funding.

Senator Coffin also commended the efforts of Nevada's Congressional Delegation and BRAC Commissioner Jim Bilbray's behind the scenes efforts to reverse the Pentagon's decision to close the Hawthorne Army depot.

Senator Coffin suggested using some of the funding to approach the Pentagon with a proposal that would allow additional use of the Hawthorne facility.

Mr. Rubald advised that the value of the resource had been recognized and opportunities were being investigated to allow private industry use of some of the Hawthorne Army Depot's facilities as well as increasing the mission of the base. Mr. Rubald indicated that through Shelly Hartman's aggressive efforts and work with the Congressional Delegation, assurance had been provided that a bill would be introduced provide the authority for such expansion opportunities.

After hearing the information provided by Mr. Rubald, Senator Beers indicated that perhaps the funding should be directed into grants for the Mineral County Economic Development Authority.

Ms. Baker explained that the funds would be provided to DETR, the state workforce agency and passed through to the local workforce investment board, Nevadaworks, which were the two entities required to administer the funds. Ms. Baker reiterated that, as a part of the process, all stakeholders would be involved in developing the plan. Additionally, Ms. Baker said the opportunity existed for expenses incurred by Mineral County, that were related to creating the Economic Diversification Plan, to be reimbursed.

SENATOR BEERS MOVED TO APPROVE ITEM 33 WITH A STATEMENT TO THE NEVADAWORKS BOARD THAT THE INTERIM FINANCE COMMITTEE WAS INTERESTED IN SEEING

FUNDING USED TO PROVIDE DIRECT GRANTS TO THE MINERAL COUNTY ECONOMIC DEVELOPMENT AUTHORITY.

Ms. Baker advised that while it might not be possible to provide grants, there might be some ability to reimburse contracts.

The Chairman agreed that funds could be provided within the appropriate legal limits, and, if the motion was approved, the intent of the Committee members had been expressed and documented.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED.

34. Department of Corrections – Northern Nevada Correctional Center – FY 06 – Addition of $250,000.00 in Federal Forest Service Biomass grant funds to partially fund the Biomass Energy Program. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

Refer to motion for approval under Item G.

35. Department of Corrections – Inmate Welfare Account – FY 06 – Transfer of $740,043.00 from the Retained Earnings category to the Stale Claims Repayment (AB 389 and 533) category to fund medical stale claims resulting from incidents described in NRS 209.246. Requires Interim Finance approval since the amount transferred to the Stale Claims Repayment (AB 389 and 533) category exceeds $50,000.00.

Refer to motion for approval under Item G.

36. Department of Motor Vehicles – Central Services – FY 05 – Transfer of $14,000.00 from the Personnel Services category to the ***[~~Outsource Microfilming~~]*** Datamailers and Decals category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred to the Outsource Microfilming category exceeds $50,000.00. **REVISED 8-24-05**

Refer to motion for approval under Item G.

37. Department of Motor Vehicles – Salvage/Wreckers/Body Shops – FY 05 – Addition of $195,000.00 in Salvage Title Fees to distribute funds to the Central Services budget to cover projected personnel expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Salvage Titles 2003 (AB 325) category exceeds $50,000.00.

38. Department of Public Safety – Director's Office – FY 06 – Addition of $75,000.00 in Drug Diversion Byrne grant funds transferred from the Office of Criminal Justice

Assistance to implement an outreach program aimed at keeping teenagers from using and abusing drugs. Requires Interim Finance approval since the amount added to the Drug Diversion Byrne Grant category exceeds $50,000.00.

Refer to motion for approval under Item G.

39. Department of Public Safety – Highway Patrol – FY 06 – Addition of $51,219.00 in funds balanced forward from the previous year and $136,760.00 in Insurance Recoveries to replace vehicles that have been totaled as the result of accidents. Requires Interim Finance approval since the amount added to the Crash Fund category exceeds $50,000.00.

Refer to motion for approval under Item G.

40. Department of Public Safety – Highway Patrol – FY 06 – Addition of $80,500.00 in High Intensity Drug Trafficking Area (HIDTA) Task Force funds received from the Las Vegas Metro Police Force to accept reimbursement for overtime and drug interdiction training. Requires Interim Finance approval since the amount added to the HIDTA Task Force category exceeds $50,000.00.

Refer to motion for approval under Item G.

41. Department of Public Safety – Parole and Probation – FY 06 – Addition of $73,716.00 in Law Enforcement Terrorism Prevention grant funds transferred from the Division to purchase windbreakers with law enforcement identification. Requires Interim Finance approval since the amount added to the Homeland Security Grant category exceeds $50,000.00.

Mark Teska, Administrative Services Officer, and Martin Stepina, Chief, Fugitive Apprehension Unit, Division of Parole and Probation, Department of Public Safety, identified themselves for the record.

Mr. Stepina and Mr. Teska appeared in place of Amy Wright, Division of Parole and Probation, Department of Public Safety, who was attending an Interstate Compact Conference in Phoenix.

Mr. Teska advised that the original work program that had been submitted was for the receipt and disbursement of federal Homeland Security Grant funds to purchase emergency vehicle lights and windbreakers with law enforcement identification. After discussion with legislative staff, the work program was amended to include only the funding for the windbreakers with law enforcement identification.

Chairman Raggio noted for the record that the work program request was amended by reducing the $73,716 request to $8,580 to allow for the purchase of windbreakers.

ASSEMBLYMAN ARBERRY MOVED APPROVAL OF THE WORK PROGRAM AS REVISED TO ALLOW THE DIVISION TO PURCHASE WINDBREAKERS WITH LAW ENFORCEMENT IDENTIFICATION FOR $8,580.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED.

42. Department of Public Safety – Training Division – FY 06 – Addition of $33,000.00 in Traffic Accident Reconstruction grant 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 G.

43. Department of Public Safety – Office of Traffic Safety – FY 06 – Addition of $69,115.00 in 163 Incentive grant funds received from the National Highway Traffic Safety Administration to continue funding highway safety programs. Requires Interim Finance approval since the amount added to the 163 Incentive Program category exceeds $50,000.00.

Refer to motion for approval under Item G.

44. Department of Public Safety – Highway Safety Plan and Administration – FY 06 – Transfer of $60,953.00 from the 163 Incentive Program category to the Personnel Services category to transfer an Information Systems Specialist position from the Highway Safety Grants' budget to continue the Nevada Citation and Accident Tracking System Program. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $50,000.00.

Refer to motion for approval under Item G.

45. Department of Conservation and Natural Resources – Forestry – Intergovernmental Agreements – FY 05 – Transfer of $221,000.00 from the Reserve category to the Personnel Services category to cover projected salary costs for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00.

Refer to motion for approval under Item G.

46. Department of Conservation and Natural Resources – Forestry – FY 06 – Addition of $250,000.00 in United States Forest Service Hazardous Fuel Reduction grant funds to continue the fuels reduction program on nonfederal lands. Requires Interim Finance

approval since the amount added to the Fuels Reduction Grant category exceeds $50,000.00.

Refer to motion for approval under Item G.

47. **Department of Conservation and Natural Resources – Forestry – FY 06 –** Addition of $284,000.00 in Forest Service Federal ~~***Fuels Reduction***~~ Urban and Community Forestry funds, $75,000.00 in Forest Health Management funds, $350,000.00 in State Fire Assistance funds, $1,591,400.00 in State Fire Assistance, National Fire Plan, funds, $197,000.00 in Lincoln County State Fire Assistance Congress funds, $58,400.00 in Volunteer Fire Assistance funds, $15,000.00 in Conservation Education funds, and $172,000.00 in Forest Stewardship funds to continue programs of forest stewardship, urban forestry, conservation education, forest health, volunteer fire department assistance, and statewide fire coordination and prevention funded through the United States Forest Service Consolidated Program. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00. **REVISED 8-31-05**

Refer to motion for approval under Item G.

48. **Department of Wildlife – Wildlife Administration – FY 06 –** Addition of $2,500.00 in National Fish and Wildlife Foundation grant funds and $2,280.00 in mining assessments transferred from Wildlife, and transfer of $40,220.00 from the Reserve category to the Mining Transfer Obligated Reserve category to continue support of the Upland Game Bird Program in the Wildlife Obligated Reserve budget. Requires Interim Finance approval since the amount transferred to the Mining Transfer Obligated Reserve category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item G.

49. **Department of Wildlife – Wildlife Obligated Reserve – FY 06 –** Addition of $40,000.00 in National Fish and Wildlife Foundation grant funds and $45,000.00 in mining assessments transferred from Wildlife to continue projects for the protection and enhancement of upland game birds and their habitat. Requires Interim Finance approval since the amount added to the Upland Game Bird Program category exceeds $50,000.00.

Refer to motion for approval under Item G.

50. **Department of Transportation – Transportation Administration - FY 06 –** Transfer of $250,000.00 from the Operating category to the Equipment category to purchase a Storage Area Network System. Requires Interim Finance approval since the amount transferred to the Equipment category exceeds $50,000.00.

Refer to motion for approval under Item G.

51. Department of Transportation – Transportation Administration – FY 06 – Addition of $295,500.00 in Homeland Security Grant Program funds to purchase necessary resources to provide critical communication, facility protection, and rapid support response in both natural and terrorist events. Requires Interim Finance approval since the amount added to the Equipment category exceeds $50,000.00. **REVISED 8-26-05**

Robert Chisel, Assistant Director of Administration, Nevada Department of Transportation (NDOT), appeared before the Committee to request approval to receive $295,500 in Homeland Security grant funds to purchase satellite phones, expansion equipment for security systems at NDOT maintenance facilities, and changeable message signs that would be deployed throughout the state.

Chairman Raggio referenced the list of equipment (Exhibit E) that would be purchased with the grant funds.

Senator Coffin requested a more specific explanation regarding expenditure of the grant funds in view of the recent hurricane disaster in Gulf Coast states and communication a topic of concern with respect to state, local, and national response efforts.

Mr. Chisel advised that satellite phones would provide a fallback if radio, telephone, and other methods of communication were disrupted for any reason and would provide a means to communicate between the NDOT's major maintenance station, headquarters, and emergency operation centers. Additionally, Mr. Chisel advised that the changeable message signs would be used to provide direction to travelers and members of the public regarding destination sites, road information, as well as Amber Alert information.

With respect to communication problems encountered after Hurricane Katrina, Mr. Chisel advised that radio sites were flooded, batteries could not be charged, emergency generators were under water, natural gas was shut off, and technicians were prevented from entering the area to work on repeater sites. Similar communication problems were encountered during the fire that spread through San Diego and burned down mountaintop sites and cell sites.

While some Nevada mountaintop sites overlapped, Mr. Chisel advised that there was not enough money or resources in the rural areas to provide duplicate mountaintop sites, and in the past, portable repeater sites had been utilized. Mr. Chisel further advised that in recent meetings with representatives from Washoe County, Reno, and Sparks, communication problems were discussed and meetings on problem area issues would continue and would include other communication users in the state. Additionally, Mr. Chisel said that Department of Information Technology (DoIT) representatives recently met in Las Vegas with representatives from the Department of Homeland Security's SAFECOM Program, and 70 public safety users throughout the state regarding communications inoperability issues in a major catastrophe. Mr. Chisel indicated that while a state might never be ready to face a disaster such as Hurricane Katrina, he felt Nevada was better prepared than states that had experienced the recent weather catastrophes.

Senator Coffin discussed the need for fuel storage diversification and indicated that it was likely northern and southern Nevada would experience a fuel shortage in the event of a disaster.

Mr. Chisel advised that NDOT major maintenance stations had diesel powered generators and diesel tanks from which fuel could be hand pumped, if necessary. Additionally, Mr. Chisel said the mountaintops had generators fueled by propane and enough propane to last for approximately two months without a refill as well as some portable generators.

In response to a request from Senator Beers, Mr. Chisel agreed to provide the name of the NDOT's liaison to the Amateur Radio Emergency Service (ARES) at the following meeting of the IFC.

In response to Assemblywoman Giunchigliani's inquiry regarding the request for 16 portable traffic and crowd control devices for $240,000, Mr. Chisel advised that some cities and counties had a few changeable message signs but that most of the signs were rented from contractors.

After further discussion, Mr. Chisel agreed to provide information on the number of changeable message signs in the NDOT inventory to Assemblywoman Giunchigliani.

With respect radio and communication inoperability, Assemblywoman Giunchigliani asked for an accounting of how the approximate $67 million in Homeland Security funds that had been provided to the state had been expended.

Mr. Chisel pointed out that full interoperability had been achieved with the Washoe County Regional system, which covered all law enforcement and public safety responders in Washoe County, and work continued with the Las Vegas Metropolitan Police, who were in the process of procuring a new radio system.

In response to Assemblywoman Giunchigliani's inquiry regarding compatibility, Mr. Chisel advised that the Las Vegas Metropolitan Police's new radio system was compatible with the NDOT's system as well as the City of Henderson's 800 MHz Snak system.

In response to a question Assemblywoman Giunchigliani asked regarding agreements to prevent the purchase of equipment that was not communication linked, Mr. Chisel, suggested that representatives of the Department of Information Technology (DoIT) might want to respond since they had taken the lead in the area of interoperability.

Assemblywoman Giunchigliani asked that the communication issue be placed on the agenda for additional discussion at a future meeting. Additionally, Assemblywoman Giunchigliani expressed an interest in seeing information on how the

$67 million in Homeland Security funds was expended including the areas for which purchases were made as well as an overall plan.

Terry Savage, Director and Chief Information Officer, Department of Information Technology, advised that A.B. 441, 72nd Legislative session, required development of a communications plan and once the plan was approved, it was mandatory that state and local governments purchase according to that plan. Mr. Savage further advised that the Nevada Communications Steering Committee recently completed the first version of the plan, which he said pointed to the direction for achieving interoperability

In response to Chairman Raggio's inquiry, Mr. Savage advised that the intent off the plan was to prevent the purchase of equipment that was incompatible with other equipment.

In response to questions Senator Titus asked regarding the state's overall disaster plan aside from communications, Mr. Chisel advised that he was only personally involved in the communication portion but would ask the Division of Emergency Management Department of Public Safety representatives, who had the responsibility to maintain the plan to forward a copy to her.

In response to Senator Rhoads who asked if the $295,000 grant award was based on population, Mr. Chisel advised that the Division of Emergency Management, Department of Public Safety administered the Department of Homeland Security grants. Mr. Chisel indicated that while over $4 million was allocated to the state of Nevada, he was uncertain as to how the overall grant was provided.

In response to questions Assemblywoman McClain asked regarding notifying the general public on how they should proceed in the event of a natural or terrorist attack, Mr. Chisel again advised that the Division of Emergency Management, Department of Public Safety, was in charge of developing the plan and informing the public on how to proceed in the event of a catastrophic event. Additionally, Mr. Chisel advised that the reverse 911 system had been implemented in most Nevada counties and was recently utilized in the truck fire in Fernley.

Chairman Raggio asked staff to place the Division of Emergency Management on the agenda for the next IFC meeting to provide an update on the emergency plan.

ASSEMBLYWOMAN MCCLAIN MOVED APPROVAL OF ITEM 51 AS REVISED.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED.

52. Department of Transportation – Transportation Administration - FY 06 – Addition of $748,133.00 in Highway Fund Authorization and transfer of $90,005.00 from the Land

and Building Improvements category to the Consultants category to fund Safety Management System and Location Information System projects during the fiscal year. Requires Interim Finance approval since the amount added to the Consultants category exceeds $50,000.00.

Refer to motion for approval under Item G.

53. Department of Transportation – Transportation Administration – FY 06 – Addition of $1,876,321.00 in Highway Fund Authorization to purchase a Right of Way Inventory System and a Project Scheduling and Management System during the fiscal year. Requires Interim Finance approval since the amount added to the Consultants category exceeds $50,000.00.

Refer to motion for approval under Item G.

54. Department of Transportation – Transportation Administration – FY 06 – Addition of $12,522,435.00 in Highway Fund Authorization to re-establish unexpended fiscal year 2005 budget authority for equipment. Requires Interim Finance approval since the amount added to the Equipment category exceeds $50,000.00.

Robert Chisel, Assistant Director of Administration, Nevada Department of Transportation (NDOT), introduced Rick Nelson, Assistant Director of Operations, NDOT, and Greg Smith, Administrator, State Purchasing Division.

Mr. Chisel appeared before the Committee to request approval to balance forward $12,522,435 in unexpended budget authority for fiscal year 2003, 2004, and 2005 as a result of difficulties in utilizing price agreements to purchase trucks. Mr. Chisel explained that after a number of years of being unsuccessful in their attempts to purchase trucks, NDOT and State Purchasing representatives worked together during the past two years to revise specifications. Mr. Chisel advised that the specifications had been revised and State Purchasing had pending purchase orders for over $12 million in truck equipment.

Chairman Raggio indicated one company had been “very critical” that NDOT’s specifications did not accommodate any of their equipment and asked why the specifications were so specific that companies could not compete.

Greg Smith, Administrator, State Purchasing Division, responded that staff had worked on moving from descriptive to functional specifications. Mr. Smith provided that, for example, a descriptive specification for a 5-3/8” in diameter brake pad, under the law, could not be deviated from unless it could be proved that the part met or exceeded the specification.

Chairman Raggio advised that it appeared as though one company was consistently excluded from meeting the specifications because of very minor requirements.

In view of similar complaints that had been received from other companies, Mr. Smith advised that staff from NDOT and State Purchasing had worked with the vendor community to revise specifications. Mr. Smith further advised that a number bids that met specifications were received in the last bidding process.

In response to Chairman Raggio, who asked whether resolution had been reached, Mr. Smith indicated the specification issue was well on its way to being resolved. Mr. Smith advised that for a period of approximately two years no acceptable bids had been received because specifications could not be met, but during the last several months, many acceptable bids had been received after working with the vendor community to provide functional specifications they could meet.

In response to Chairman Raggio, who asked if all companies were satisfied with the revised specifications, Mr. Smith acknowledged what while he could not speak for the vendor community and hesitated to say all companies were satisfied, there had been no utilization of the protest process. After notification of award, Mr. Smith explained there was a 10-day period in which a vendor had an opportunity to protest the award.

In response to Chairman Raggio who questioned the effect of approval of the request, Mr. Smith advised that approval of the request would solidify the purchase orders that had already been issued. Additionally, Mr. Smith indicated it was a continuing process to satisfy the Department of Transportation's requirements with what the vendors had to offer.

Chairman Raggio asked that the provision for major vendors' to equally participate in the bidding process be placed on the agenda for the next Interim Finance Committee meeting in November. Additionally, Chairman Raggio requested that vendors be provided time to comment.

Assemblyman Marvel requested a list of successful vendors.

Mr. Smith provided the following information on local successful vendors:

- Sierra Freightliner - Sparks, Nevada -- 22 snowplow trucks.
- Peterbilt Truck Parts and Equipment – Sparks, Nevada -- 22 snowplow trucks.
- Silver State International Trucks – Sparks, Nevada -- 14 to 16 large water trucks.

Mr. Smith reiterated that in a period of one year, the Purchasing Division had gone from receiving no bids to recently receiving a number of bids that met specifications.

In response to Assemblywoman Giunchigliani, who questioned the reason for separate *Nevada Revised Statutes* (NRS) Chapters 332 and 333 for Local Governments Purchasing and State Purchasing, Mr. Smith indicated there were significant differences in Local Government Purchasing and State Purchasing. Mr. Smith explained that Local Governments Purchasing managed construction projects while at the state level, the Public Works Board, not State Purchasing managed construction projects. Mr. Smith

advised, however, that a significant partnership existed between State Purchasing and Local Governments Purchasing, particularly in the less populated rural counties.

Assemblywoman Giunchigliani indicated that time had come to, perhaps, review *Nevada Revised Statutes* Chapters 332, 333, and 338. Additionally, Assemblywoman Giunchigliani indicated that a similar expectation should be provided to vendors despite location.

Mr. Smith agreed since he said that in many cases vendors predominately worked with local governments and were confused when bidding on a state proposal.

Ms. Giunchigliani indicated that perhaps the Chairman of Government of Affairs would review *Nevada Revised Statutes* Chapters 332, 333, and 338 for the 2007 Legislative Session.

Chairman Raggio reiterated to staff that the provision for major vendors to equally participate in the bidding process be placed on the agenda for the next Interim Finance Committee meeting in November and that vendors be provided time to comment.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM 54.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED.

55. Department of Transportation – Transportation Administration – FY 06 – Transfer of $535,752.00 from the Land and Building Improvements category to the Personnel Services category, $171,918.00 from the Land and Building Improvements category to the In-State Travel category, $105,396.00 from the Land and Building Improvements category to the Operating category, and $12,402.00 from the Land and Building Improvements category to the Out-of-State Inspection Audit category to correctly allocate bond construction related expenditures. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $50,000.00.

Refer to motion for approval under Item G.

WORK PROGRAMS RECEIVED AFTER THE AUGUST 19th DEADLINE

56. Department of Conservation and Natural Resources – Environmental Protection – Bureaus of Waste Management and Corrective Actions – FY 05 – Transfer of $38,386.00 from the Reserve category to the Transfer to State Agencies category to increase transfer authority of Tire Revenue to Washoe and Clark counties and Nevada Department of Taxation per NRS 444.616. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item G.

57. **Department of Conservation and Natural Resources – Forestry – Forestry Nurseries – FY 06 –** Transfer of $36,855.00 from the Reserve category to the Seed Bank category and $36,650.00 from the Reserve category to the United States Forest Service Native Seed Grant category to support provision of seed orders to the Nevada Department of Wildlife for habitat improvements and restoration projects for outside agencies and acquire a refrigerated truck and radio for delivery of plant materials. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds $50,000.00.

    Refer to motion for approval under Item G.

58. **Department of Human Resources – Welfare Division – Child Support Federal Reimbursement – FY 06 –** Addition of $291,176.00 in Federal Child Support Program grant funds to match the general fund appropriation in section 2 of Assembly Bill 580 that was approved by the 2005 Legislature. Requires Interim Finance approval since the amount added to the Aid to Nevada Governmental Units category exceeds $50,000.00.

    Refer to motion for approval under Item G.

59. **Department of Human Resources – Health Division – Consumer Protection – FY 06 –** Addition of $172,761.00 in Federal Department of Energy, Agreement in Principle, grant funds to continue the program of oversight, monitoring and sampling of drinking water in the Division of Environmental Protection. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

    Refer to motion for approval under Item G.

60. **Department of Agriculture – Veterinary Medical Services – FY 06 –** Addition of $129,000.00 in United States Department of Agriculture National Animal Identification System (NAIS) grant funds to implement and maintain the NAIS in Nevada. 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 G.

II. RECLASSIFICATIONS

Agency	Agency/ Budget Account	Position Number	Present Class, Code, Grade & Salary	Proposed Class, Code, Grade & Salary
Department of Administration - Buildings and Grounds	082/1349	0106	Administrative Assistant III, 2.211, grade 27, step 9, $41,300.64, Employee/ Employer-Paid	Program Officer I, 7.649, grade 31, step 7, $45,038.16, Employee/ Employer-Paid
Department of Information Technology - Communications	187/1388	0009	Communications Systems Specialist II, 6.977, grade 35, step 10, $55,833.12, Employer-Paid	Computer Network Specialist I, 7.919, grade 36, step 10, $58,422.24, Employer-Paid
Department of Information Technology - Communications	721/1388	0011	Communications Systems Specialist II, 6.997, grade 35, step 3, $45,038.16, Employee/ Employer-Paid	Computer Network Specialist I, 7.919, grade 36, step 3, $47,000.88, Employee/Employer-Paid
Department of Human Resources -WIC	406/3214	0032	Administrative Assistant I, 2.213 grade 23, step 1, $23,030.64, Employer-Paid	Accountant II, 7.136, grade 36, step 1, $39,254.40, Employer-Paid
Department of Public Safety - Criminal History Repository	650/4709	0003	Records & ID Section Supervisor, 11.142, grade 36, step 1, $39,254.40, Employer-Paid	Administrative Services Officer I, 7.218, grade 37, step 1, $40,987.44, Employer-Paid
Department of Public Safety - Criminal History Repository	650/4709	0200	Fingerprint Tech IV, 11.144, grade 34, step 1, $36,018.00, Employer-Paid	Administrative Services Officer I, 7.218, grade 37, step 1, $40,987.44, Employer-Paid
Office of Veterans - Veterans' Home	240/2561	027300	Licensed Physical Therapist Assistant, 10.624, grade 29, step 1, $29,273.76, Employer-Paid	Administrative Assistant II, 2.212, grade 25, step 1, $24,909.84, Employer-Paid

H. STATEMENT OF CONTINGENCY FUND BALANCE.

Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, referred to a September 13, 2005 memo to the Interim Finance Committee regarding the Contingency Fund Balance (Exhibit D) included in the members' packets.

Mr. Ghiggeri provided the following Contingency Fund balance information:

Unreserved funding $14,130,540.79
Reserved funding.....$14,678,026.29

Pending requests from the Unreserved funding.....$2,760,000.00

Unreserved General Fund balance, if all General Fund requests were approved as submitted.....$9,370.541.44

For costs associated with implementing A.B. 489 and S.B. 509, 2005 Legislative Session – Property Tax Relief (S.B. 1, 22nd Special Session, Section 41):

Balance $1,000,000.00
Pending request from the Department of Taxation revised 9/06/05.....$750,000.00
Balance if pending request approved.....$250,000.00

For allocation to Douglas County for the state's share of merit increases, holiday pay, utility and food cost increases and the addition of 6 new fulltime positions (S.B. 1, 22nd Special Session):

Balance Available $169,833.00
Pending request from Douglas County $145,727.00
Balance if pending request approved.....$24,106.00

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

1. Office of the Attorney General – Request for an allocation to purchase three high-capacity scanners to meet the requirements of electronic case filing and support the implementation of the federal judiciary's Case Management/Electronic Case Filing System $30,000

Teri Sulli, Chief Financial Officer, Office of the Attorney General, introduced Chuck Moltz, Data Processing Manager, Office of the Attorney General, and Gerald Gardner, Chief Deputy Attorney General, Las Vegas Office of the Attorney General.

Ms. Sulli appeared before the committee to request a $30,000 allocation from the Interim Finance Committee Contingency Fund to purchase three high-capacity scanners

to support the implementation of the federal judiciary's Case Management/Electronic Case Filing System. Ms. Sulli advised that the Office of the Attorney General was informed on August 16, 2005, that the Management/Electronic Case Filing System was mandated effective January 1, 2006. Ms. Sulli said that approval of the request would place one high-capacity scanner in each of the Reno, Las Vegas, and Carson City offices to address current workload.

In response to an inquiry from the Chairman regarding the cost for each scanner, Ms. Sulli advised the quote being reviewed from the Dell website was $7,241 per scanner and $2,700 for the software, or $10,000 per each scanner for a total of $30,000.

In response to Chairman Raggio, who asked for an explanation on why the request constituted an emergency measure that required funding through the Interim Finance Committee's Contingency Fund, Gerald Gardner, Chief Deputy Attorney General, Las Vegas Office of the Attorney General, advised that he learned of the January 1, 2006 implementation deadline while attending a federal court electronic case filing committee meeting on August 16, 2005. Mr. Gardner advised that the Office of the Attorney General would file approximately 620,000 pages in the federal system and needed a scanner to process that number of pages.

Assemblyman Denis questioned the need for three scanners and whether one or possibly two scanners could be shared between offices.

It was Ms. Sulli opinion that the distance between offices in Las Vegas, Reno, and Carson City, was too great to efficiently share the scanners.

In response to Assemblyman Denis' inquiry regarding how a separate request to purchase 19 desktop scanners at $300 each related to the request for the three high-capacity scanners, Ms. Sulli advised that the desktop scanners would be necessary to assist with conflicting deadlines, high-capacity scanner downtime, and any redundancy within the offices. Ms. Sulli indicated the future work program request for the desktop scanners would ask for approval to move $5,700 from category 04 – Operating into category 26 – Information Services.

Senator Beers questioned staff as to whether vacancy savings or other budgeted funding existed that could be used to cover the scanner expense rather than using funding from the Contingency Fund.

Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, indicated he did not know the status of the Attorney General's budget since it was so early in the fiscal year. Although the Office of the Attorney General was provided funding, through the budget process, for other information services items, Mr. Ghiggeri indicated he did not know whether purchases would be made and whether the budgeted amount would equal the actual purchase price.

Chairman Raggio noted there was some urgency to accommodate the request by January 1, 2006.

In response to concerns expressed by Senator Beers, Chairman Raggio suggested a motion to approve the request contingent on the ability to fund the equipment from another budget source depending on the availability of existing funding.

Ms. Sulli advised that since most vacant positions had been filled, salary savings was nonexistent, and analysis provided that category 26 - Information Services appeared to have been underfunded by at least 9 printers as the result of a budget error.

SENATOR BEERS MOVED TO APPROVE $30,000 FROM THE CONTINGENCY FUND FOR THE 3 HIGH-CAPACITY SCANNERS CONDITIONED UPON STAFF'S APPROVAL UNLESS FUNDING COULD BE PROVIDED FROM THE OFFICE OF THE ATTORNEY GENERAL'S EXISTING BUDGET.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED.

2. Department of Human Resources – Division of Mental Health and Developmental Services - Southern Nevada Adult Mental Health Services – Request for an allocation to cover a FY 2005 revenue shortfall due to the late filing of the agency's FY 2004 Medicare Cost Report. WITHDRAWN 9-1-05 .....~~$250,000~~

Chairman Raggio announced that the $250,000 request from the Contingency fund for the Southern Nevada Adult Mental Health Services had been withdrawn.

3. Department of Conservation and Natural Resource Forestry Division:

a) Request for an allocation to cover a projected FY 2005 revenue shortfall due to delays in receipt of funds from the federal government as a result of a new federal payment system. WITHDRAWN 8-30-05 .....~~$660,000~~
REINSTATED 9-9-05 .....$230,000

Pete Anderson, State Forester Firewarden, Nevada Division of Forestry, appeared before the Committee to request a $230,000 allocation from the Contingency Fund to cover a projected fiscal year 2005 revenue shortfall. The shortfall was attributed to delays in receipt of funds from the federal government as a result of a new federal payment system, and the Committee was advised that the allocation would be fully reimbursed upon receipt of outstanding federal funds. Although the United States Forest Service (USFS) continued to work on their fiscal processing issues, Mr. Anderson said resolution had not yet been achieved.

Additionally, Mr. Anderson explained that in January 2005, the USFS relocated their payment center to Albuquerque, New Mexico; in April 2005, the Forest Service instituted a 60-day moratorium on payment of billings and grant draws; and in June 2005, the Division of Forestry submitted multiple billings anticipating the "busy summer project season." Although turnaround time had initially improved, Mr. Anderson said Hurricane Katrina changed federal agencies' priorities to a focus on hurricane relief and recovery. After daily communication with Forest Service representatives, Mr. Anderson indicated billings were beginning to "flow through the new system," and once the system was fully functional, a three-day turnaround was projected.

In response to Chairman Raggio who questioned the reason for the Division of Forestry's delay in submitting its federal grant draw requests, Mr. Anderson advised that during the 2005 Legislative Session, a central reporting unit had been established for the Division of Forestry, which had "greatly improved" their ability to process bills. However, Mr. Anderson acknowledged lag time problems continued to be experienced, which he attributed to the overlap of federal and state fiscal years, especially during the high fire months of July and August.

Expressing the Committee's concern over delays in submitting claims, Chairman Raggio strongly suggested expediting the billing process in an effort to prevent further delay in receipt of payment.

Assemblywoman Giunchigliani recalled that, at one time, the Division of Forestry's accounting process had been transferred to the Director's office. The Assemblywoman suggested that it was perhaps time to look at moving the accounting function back to the Director's office and to establish a policy for a reasonable time period for billing submittal for which the Division would be held accountable.

In response to questions Assemblywoman Giunchigliani asked regarding the Division's turnaround time, Mr. Anderson advised that the Division had initiated monthly reporting and would be happy to provide the reports to the Committee as well.

Debra Crowley, Administrative Services Officer, Division of Forestry, advised that draw requests were being submitted on a monthly basis as opposed to the past quarterly submittals. Ms. Crowley also advised that the majority of the Division's June billings were submitted by August with payment expected before the close of the fiscal year. However, it appeared the processing of federal grant draws would be delayed by the Forest Service's new computer system problems as well as the hurricane disaster.

Assemblywoman Giunchigliani indicated returning the accounting function to the Director's office should be a topic for future discussion.

Senator Rhoads expressed his appreciation to Mr. Anderson, the Division of Forestry crew, and other government agencies that assisted in saving the Rhoads Ranch in a recent fire in Tuscarora.

Also critical of the slow response time by firefighters, Senator Rhoads indicated the fire began on a Friday, burned 99,000 acres from Midas to Tuscarora by Tuesday, and firefighters were not seen until Monday morning.

In response to Senator Rhoads' inquiry regarding the major team players in fighting the fire, Mr. Anderson advised that the Bureau of Land Management (BLM) held the major responsibility for fire operations and worked in conjunction with the Winnemucca Volunteer Fire Department, and the Division of Forestry. Mr. Anderson advised that members of the team were closely reviewing the "initial attack response" and that a copy of the analysis would be provided to Senator Rhoads. Additionally, Mr. Anderson advised that a presentation on the "initial attack response" would be provided to the next meeting of the Public Lands Committee.

> SENATOR MATHEWS MOVED APPROVAL OF ITEM 3.A. $230,000 TO COVER A PROJECTED FY 2005 REVENUE SHORTFALL DUE TO DELAYS IN RECEIPT OF FUNDS FROM THE FEDERAL GOVERNMENT
>
> ASSEMBLYMAN DENIS SECONDED THE MOTION.
>
> THE MOTION CARRIED.

b) Request for an allocation to cover projected fire-related expenditures in the Fire Suppression and Emergency Response Account due to above-average fire activity in the southern region of the state ...$2,500,000

Pete Anderson, State Forester Firewarden, Nevada Division of Forestry, appeared before the Committee to request a $2,500,000 allocation from the Contingency Fund to cover claims pertaining to expenses incurred through Budget Account 4196, Fire Suppression and Emergency Response.

Mr. Anderson advised that to date, September 14, 2005, Nevada had experienced 695 wildland fires totaling 1,116,000 burned acres compared to 902 wildfires and only 41,000 acres destroyed in the same time period to date, September 2004. While the majority of the acres burned in fiscal year 2006 occurred on federal lands in Lincoln and Clark Counties, Mr. Anderson advised that some "very serious and damaging" wildland fires impacting both private and public land had occurred in Elko, Humboldt County, and Eureka County over the past two months.

Based upon Nevada Division of Forestry's cost-share agreements, incident management team, financial tracking and internal fiscal monitoring, Mr. Anderson requested $2,500,000 from the Contingency Fund to cover costs incurred during the fiscal year 2006 wildland fire season. Mr. Anderson advised that monthly status reports on reimbursement of funds would be provided to the Committee's staff.

In response to questions Chairman Raggio asked regarding the projected reimbursement amount, Mr. Anderson advised that typically 75 percent of the cost of Federal Emergency Management Agency (FEMA) declared fires would be provided through a grant to offset suppression costs. However, Mr. Anderson indicated that the Nevada Division of Forestry was responsible for the cost of fires that occurred under their jurisdiction.

In response to Senator Rhoads' inquiry regarding a private landowner's responsibility for payment of fire suppression costs, Mr. Anderson advised that a private landowner, who resided in a fire protection district, such as Tuscarora, would not be billed for fire protection costs.

In response to Assemblyman Marvel, who questioned the ability to access fire protection district funds, Mr. Anderson explained that under the provisions of *Nevada Revised Statutes* (NRS) 473, the state and counties shared in the cost of operation for fire protection districts. More specifically, Mr. Anderson explained that the counties paid for the operational day-to-day costs of a fire, and the state covered extraordinary costs while other grant sources were pursued to try to minimize the cost impact to the state.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF THE REQUEST FOR A $2,500,000 ALLOCATION FROM THE CONTINGENCY FUND.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED.

4. Office of Veterans' Services – Nevada State Veterans' Home – Request for an allocation to replace the existing billing and clinical computer system with an integrated single database software system $250,227

Chairman Raggio announced that Item I.4. would not be considered since the request for an allocation to replace the billing and clinical computer system had been deferred by the Board of Examiners on September 13, 2005.

5. Division of Emergency Management /Office of the Military – Request for a loan from the Contingency Fund to support relief efforts associated with hurricane Katrina. *RECEIVED 9-7-05*` $3,600,000

Chairman Raggio announced that Item I.5. had been withdrawn.

6. State Public Works Board – Request by State Public Works Board to extend the reversion date for the $1 million allocation approved by the IFC at their November 8, 2004 meeting for Support of CIP 01-M04, Grant Sawyer Building. This item relates to item *P.8 Project 05-C01, Repair exterior of Grant Sawyer Building. *RECEIVED 9-5-05*

Chairman Raggio announced that Items I.6. and P.8., which pertained to issues for the repair of the exterior of the Grant Sawyer Building would be considered concurrently.

Evan Dale, Deputy Manager, Administration and Finance, Public Works Board (PWB), appeared before the Committee to request an extension of the reversion date for a $1 million allocation approved by the Interim Finance Committee at the November 8, 2004, meeting for support of CIP 01-M04, Repair of the Grant Sawyer Building. Mr. Dale explained that while the completion date for CIP 01-M04 was extended during the 2005 Legislative Session, a request to extend the reversion date for the Contingency Fund allocation was inadvertently omitted.

In response to questions Chairman Raggio asked regarding the process that would be used to repair the exterior of the Grant Sawyer Building, Gustavo Nunez, Deputy Manager, Professional Services, Public Works Board, advised that in a report provided by the state's tile expert, MC^2 Consultants, the initial cost for a stucco system was $1,541,323 less than a tile system. Taking the long-term maintenance cost into consideration, Mr. Nunez said the stucco system provided an $812,588 cost advantage.

Mr. Nunez introduced the state's legal counsel, Richard Campbell, Senn Meulemans LLP; and the state's tile expert, Pat Livingston, MC^2 Consultants; and representatives from KGA Architecture and Western Tile Contractors. Since receipt of the August 16, 2005 report from MC^2 Consultants, Mr. Nunez said PWB staff had learned that the cost comparison, provided in the report, was based on a cementitious stucco system. Should the Committee approve a stucco finish over tile, Mr. Nunez indicated the PWB staff recommended an acrylic stucco finish, which cost approximately $1 million more than a cementitious stucco system.

Chairman Raggio pointed out that a decision on the exterior finish for the Grant Sawyer Building was the issue before the Committee and further advised that it would be inappropriate to discuss the legal issues in connection with the case against the original contractor and subcontractors.

Additionally, Chairman Raggio advised that all of the existing tile and substrate material had to be removed prior to application of a new finish for which the Committee had three options:

- Replace the existing tile with tile for a cost of $1.5 million more than a stucco system
- Replace the existing tile with an acrylic stucco system for a cost of $1 million more than a stucco system
- Replace the existing tile with a stucco system for a cost of $1.5 less than a tile system

In response to Chairman Raggio, who questioned the need to extend the reversion date for the $1 million Contingency Fund allocation, Mr. Nunez clarified that an extension

would be required if the Committee made a determination to utilize the acrylic stucco system.

In response to Chairman Raggio who questioned the preference for an acrylic system over the cementitious system, Mr. Nunez advised that cementitious stucco had a propensity to crack, discolor, and stain.

Chairman Raggio asked about the availability of warranties for each system, and Mr. Nunez explained that warranties would be provided on condition that the original substrate material was removed.

Mr. Livingston advised that a ten-year warranty, including the entire assembly on labor was available for a tile system, and a five-to-ten-year warranty could be expected for an acrylic system but had to be negotiated with the manufacturer.

Chairman Raggio questioned the difference between cementitious and acrylic systems.

Mr. Livingston advised that an acrylic system looked like stucco, but was not subject to cracking while the industry standard for cementitious stucco was a year warranty, not including staining.

Chairman Raggio asked the state's legal counsel, Rick Campbell, whether action taken by the Committee on Items I.6 and P.8. would, in any way, impair the state's position in reference to the claims being made.

Rick Campbell, Senn Meulemans LLP, advised that having an actual amount of damages presented in a court or arbitration procedure made it easier to claim and prove damages as opposed to having only an estimate of damages.

Chairman Raggio asked if there was any reason not to proceed with a decision for the exterior finish for the Grant Sawyer Building.

Mr. Campbell advised that from a proof point, a decision in favor of tile would permit actual costs to be provided to a judge or jury. If stucco was selected, Mr. Campbell said estimated costs would be provided, and the attorneys would argue to the judge or jury that the state was entitled to the benefit of the bargain, which was tile.

Having recently visited the Grant Sawyer Building, Senator Cegavske asked for information on how much money had been spent and what had been accomplished on the exterior of the building thus far.

Mr. Campbell advised that legal fees had contributed to a large expenditure in the process of litigating the state's claims against the original contractor, subcontractors and architect. Additionally, Mr. Campbell said that the Division of Buildings and Grounds had spent a significant amount on protective barricades and netting, and MC^2

Consultants had been retained to conduct forensic testing to determine the cause of the tile failure.

In response to Senator Cegavske, who questioned the testing currently being conducted on the Grant Sawyer Building, Mr. Campbell advised the defendants were, most likely, conducting testing since the state's testing had been completed.

In response to Senator Cegavske, who asked for a total of expenditures in all categories, Mr. Campbell indicated that approximately $500,000 had been expended thus far including forensic testing, legal fees, and protective barricades.

In response to a question from Chairman Raggio, who asked when the case would be heard, Mr. Campbell advised that a non-binding mediation procedure was scheduled for October 4, 2005, followed by a court trial, if the mediation procedure was unsuccessful.

In response to Senator Rhoads who asked if simply painting the substrate material was an option, Mr. Nunez advised that the PWB could not recommend painting the substrate since the forensic study determined the substrate material had been compromised and had to be removed.

Additionally, Mr. Livingston advised that initially it was believed the substrate material could be salvaged by the addition of a "cracked isolation membrane," to hold the material together and prevent further deterioration. However, Mr. Livingston indicated that construction standards did not allow for a cracked isolation membrane to be successfully painted.

Senator Beers indicated that the potential recovery from the responsible parties insurance coverage would be important in deciding how much could be expended for the repair.

Mr. Campbell advised that insurance policies had been received from the general contractor, subcontractors, and manufacturers, and it was believed the policies and/or assets from the companies provided adequate coverage to recover the total amount of damages.

In response to questions Senator Beers' asked about recovery of the legal fees and whether total damages could be recovered regardless of the finish, Mr. Campbell reiterated that the state would be limited to the "benefit of the bargain theory," which meant the attorneys could argue for the cost of the same finish placed on the building in the initial construction. Specifically, Mr. Campbell advised that costs for a stucco or acrylic finish that exceeded the cost of the initial finish could not be recovered. Additionally, Mr. Campbell advised that there was no legal fee recovery provision in the contract the State Public Works Board had with the general contractors.

As an attorney, Chairman Raggio opined that no attorney could guarantee the outcome of any litigation.

Assemblywoman Giunchigliani indicated that her initial basis for advocating a less expensive exterior coating was based on the building at Cashman Field that had the same exterior stucco finish for 20 years without repair. Assemblywoman Giunchigliani pointed out that the Grant Sawyer Building cost about $10 million to construct and approximately $9 million was being requested to replace the tile.

Assemblywoman Giunchigliani expressed dissatisfaction in the way Capital Improvement projects and estimates for those projects were prepared and indicated that private contractors she had spoken to had estimated a cost of perhaps $1.5 million to $2 million, not $8 million to finish the exterior of the building. Assemblywoman Giunchigliani indicated that better estimates were needed for future Capital Improvement projects.

In response to Assemblyman Hettrick who asked if the remainder of the building was finished with stucco or acrylic, Mr. Nunez advised that the entire exterior of the Grant Sawyer Building was finished with tile.

Chairman Raggio noted some indecision on the part of the Committee members in response to his request for a show of hands on their preference for each finish.

Assemblywoman Gansert expressed concern regarding the durability of the finishes and whether falling tile would be experienced again if the Committee decided on a tile system.

Chairman Raggio indicated that it appeared the recommendation from the PWB was for an acrylic system.

Mr. Nunez provided clarification that the PWB recommended using an acrylic finish should the Committee decide on stucco. However, Mr. Nunez advised that the PWB recommended tile as the most durable finish.

After a request for a show of hands in favor of an acrylic finish, Chairman Raggio indicated it appeared the majority would vote for acrylic and entertained a motion for approval of an acrylic system.

> ASSEMBLYWOMAN KOIVISTO MOVED APPROVAL TO PROVIDE IFC AUTHORIZATION TO REPLACE THE EXTERIOR TILE SYSTEM ON THE GRANT SAWYER BUILDING WITH AN ACRYLIC FINISH SYSTEM.
>
> ASSEMBLYMAN HOGAN SECONDED THE MOTION.

Assemblyman Arberry asked if the $1 million Contingency Fund allocation, previously authorized by the Committee, would be required for an acrylic system.

Gary Ghiggeri, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised that the acrylic exterior finish would utilize the additional $1 million, but the plain stucco finish would not.

Assemblyman Denis requested clarification on which system was more durable, tile or acrylic.

Mr. Nunez advised that the PWB recommended tile as a more durable system and one that would require less maintenance and would prove more economical in a 30-year life cycle.

In response to Assemblyman Denis, who asked about maintenance issues for an acrylic system and whether falling tile would be experienced again, Mr. Nunez indicated an acrylic system would require a higher degree of maintenance than tile. Additionally, Mr. Nunez advised that a representative from Western Tile was present and could provide information on several tile projects in the Las Vegas area.

Chairman Raggio attributed the falling tile to improper installation.

In response to questions Chairman Raggio asked regarding the difference in cost between the acrylic and the tile, Mr. Nunez advised that the cost for the acrylic finish and the tile finish would compare "almost identically." Mr. Nunez explained that if the Committee recommended a tile finish, the PWB recommended a cementitious backer board rather than a mortar bed system, which would reduce the cost by about $500,000.

Cost aside, Assemblyman Seale asked for information on the difference between a tile and acrylic stucco system.

Mr. Nunez advised that an acrylic stucco system would most definitely look different and that perhaps MC^2 representatives could provide some additional detail.

In response to a question Senator Mathews asked regarding the warranties, Mr. Nunez advised that the three major tile manufacturers indicated a ten-year warranty could be provided for the tile system, if the original substrate material was removed.

In response to a question from Chairman Raggio regarding whether a future contract would include penalties, Mr. Nunez advised that PWB contracts typically included penalties only for liquidated damages. However, Mr. Nunez agreed that a clause for the recovery of attorneys' fees and costs could be included in the new contract.

Chairman Raggio requested that Mr. Campbell assist in drafting the contract to include recovery of attorneys' fees and costs.

Assemblyman Anderson asked if the state would be placed in a better litigation position by replacing tile with a tile finish rather than acrylic.

As previously stated Mr. Campbell advised that the damage argument would be made based on tile, and firm cost numbers would make the case easier to prove than estimates.

Chairman Raggio noted it was evident that there was almost no difference in the cost between tile and acrylic systems.

Mr. Nunez agreed that there was basically no difference in the cost and reiterated that tile was a more economical system over a 30-year life cycle period.

Given the information presented, Senator Beers provided that:

- Cost was equal for acrylic and tile
- There was less maintenance with tile
- Tile was more durable
- Tile provided “the cleanest legal case”

Assemblywoman Koivisto and Assemblyman Hogan withdrew their motion for approval of an acrylic finish system.

Chairman Raggio entertained a motion for approval of a new tile finish.

> SENATOR BEERS MOVED APPROVAL OF ITEM I.6 AND P.8 FOR THE REMOVAL AND REPLACEMENT OF THE EXTERIOR TILE FROM THE GRANT SAWYER BUILDING BASED UPON THE REPRESENTATIONS MADE BY THE PUBLIC WORKS BOARD THAT THE COST FOR A NEW TILE SYSTEM WAS ESSENTIALLY THE SAME AS AN ACRYLIC SYSTEM, PROVISION OF A 10-YEAR WARRANTY, INCLUSION OF SUITABLE ENFORCEMENT PROVISIONS, AND EXTENSION OF THE REVERSION DATE FOR THE $1 MILLION ALLOCATION APPROVED AT THE NOVEMBER 8, 2004, INTERIM FINANCE COMMITTEE MEETING.
>
> ASSEMBLYMAN SEALE SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblywoman Giunchigliani voted nay.)

Chairman Raggio requested a progress report be provided to the Committee at each meeting of the Interim Finance Committee and indicated the Committee expected the PWB to move expeditiously on the project.

*J. REQUEST FOR ALLOCATION FROM THE CONTINGENCY FUND – CHAPTER 7, 22ND SPECIAL SESSION, SECTION 41, DEPARTMENT OF TAXATION – Request for an allocation for costs incurred to implement A.B. 489 and S.B. 509 from the 73rd Session of the Nevada Legislature.

REVISED 9-6-05..... ~~$1,000,000~~ $750,000

Charles Chinnock, Executive Director, Department of Taxation, introduced Terry Rubald, Chief, Division of Assessment Standards (DOAS) and advised that Senate Bill 1 of the 22nd Special Session appropriated $1 million to the Interim Finance Committee for costs related to the implementation of property tax relief. Mr. Chinnock appeared before the Committee to request an allocation from the Contingency Fund to allow the Department of Taxation to reimburse the counties for costs they incurred as a result of implementing property tax relief under the provisions of A.B. 489 and S.B. 509, 73rd Session of the Nevada Legislature.

Mr. Chinnock reported that the Department of Taxation had collected "sufficient documentation to substantiate expenditures" through county assessors, treasurers, and, in some cases, their information technology sections. Additionally, Mr. Chinnock advised that the Department of Taxation initially requested a full allocation of $1 million to reimburse the counties, but after meeting with Budget Division and Fiscal Analysis Division analysts reduced the request to $750,000.

Mr. Chinnock referenced a five-page spreadsheet (Exhibit F) that reflected a five-tier structure, developed by the Department, to reimburse the counties' costs.

Mr. Chinnock provided the following overview of the tier structure:

Tiers	FY 2005 Cost		FY 2006 Cost	
Tier 1	Programming, Temporary Help and some Overtime	$254,343.75	Programming, Temporary Help and some Overtime	Estimated $128,590.66
Tier 2	Scanners, printers, and other hardware	$219,433.52		
Tier 3	Funding not currently recommended		Scanners, printers, and other hardware	Estimated $69,096.97
Tier 4	Mailing Costs	$259,886.09	Estimated Mailing costs not currently recommended.	Estimated $211,871.47
Tier 5	In-house staff and travel	Funding not recommended		

Mr. Chinnock provided the following summary of recommendations:

- Tier 1, Tier 2 and Tier 4 – reimbursement of actual costs incurred in fiscal year 2005

- Tier 1 - reimbursement of $38,780 for fiscal year 2006 year-to-date costs to Advanced Data Systems for programming costs for 15 counties

- Tier 3 – funding for 2006 costs for scanners, printers, and other hardware was proposed to be held for a later date

- Tier 4 – reimbursement of $259,886.69 for fiscal year 2005 mailing costs

Mr. Chinnock explained that the Tier 4 mailing costs to Clark County were reduced by $97,000 as a result of duplicate mailing of taxpayer verification cards.

In response to Chairman Raggio who asked if the $750,000 allocation request included the $97,000 reduction, Gary Ghiggeri, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised that the reduction was included in the $750,000 request for allocation from the Contingency Fund.

Chairman Raggio entertained a motion based on staff's recommendation for approval of Item J. as presented by the Department of Taxation to provide $14,000 in Contingency Funding to pay any late fiscal year 2005 bills leaving approximately $250,000 for fiscal year 2006 billings. Fiscal year 2006 billings were recommended to be accumulated, and the total allocated to all counties based on a ratio of costs incurred by county to total costs.

Chairman Raggio advised representatives of the Department of Taxation to notify the counties of the availability of limited funding and to utilize it wisely. Additionally, the Chairman advised Department representatives to ensure that all county claims for fiscal year 2006 were accumulated and totaled before prorating funding for reimbursement.

Mr. Chinnock acknowledged the Chairman's requests and indicated the counties would be notified accordingly. Additionally, Mr. Chinnock advised that the cost information received from the counties would be reflected on a spreadsheet and provided to the Committee at the close of fiscal year 2006.

In response to Chairman Raggio's agreement with the policy to reimburse actual costs not estimates, Mr. Chinnock advised that Department staff were reviewing both the invoices and justification for cost.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ITEM J., BASED ON RECOMMENDATIONS BY STAFF, FOR AN ALLOCATION FROM THE CONTINGENCY FUND OF $750,000.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED.

*K. REQUEST FOR ALLOCATION FROM THE CONTINGENCY FUND CHAPTER 7, 22ND SPECIAL SESSION, SECTION 35, DIVISION OF CHILD AND FAMILY SERVICES, YOUTH ALTERNATIVE PLACEMENT - Request for an allocation for the state's share of merit pay, holiday pay, utility and food cost increases and the addition of six new employees at China Spring Youth Camp – Fiscal Year 2006 ..... $145,727

Refer to motion for approval under Item G. 31.

*L. OFFICE OF THE SECRETARY OF STATE – Request for approval, per Section 61 of A.B. 500, 2005 to pay from the Account for Special Services, created pursuant to NRS 225.140, the costs associated with establishing and maintaining the website on the Internet for public information maintained, collected or compiled that relates to elections.

Renee Parker, Chief Deputy Secretary of State, Office of the Secretary of State (SOS), appeared before the Committee to request approval to pay for the costs of establishing and maintaining a website as required by A.B. 500, 73rd Legislative Session. Ms. Parker testified that several scenarios had been analyzed that involved the purchase of software and hardware to comply with the provisions of the bill, which required the maintenance of the abstract of votes on the website in a format that would permit searching for specific information.

Ms. Parker referred to an August 23, 2005 memo (Exhibit G) submitted to the Committee with a report that provided details on Options A, B, and C that were developed to meet the technical requirements of A.B. 500. Ms. Parker advised that an Option D, which would have allowed for expansion into Option A had also been considered. Ms. Parker advised that with the impending election cycle, implementation of statewide voter registration, and the availability of resources, Option A would most closely meet the intent of the bill.

However, Ms. Parker said that in order to extract the precinct level data from the county level Sequoia voting machine databases, it would presently be "easier" to begin with Option B and move in the direction of Option A. Or, Ms. Parker indicated the Committee could authorize expenditures up to the $118,000 reflected in Option A to purchase the database server. Additionally, Ms. Parker indicated that if authorization to purchase the hardware and software required under Option A was not provided, the SOS would have to request the authority to do so during the 2007 Legislative Session.

In response to questions Chairman Raggio asked regarding the availability of funding in the Special Services Account, Ms. Parker indicated sufficient funding currently existed to approve Option B as well as Option A.

In response to questions Chairman Raggio asked regarding Option B, Ms. Parker explained that costs for Option B included the purchase of a web server and licensing fees, and Option A added the database server to expand the searchable criteria. Additionally, Ms. Parker explained that the Option B web server would be utilized under Option A and would reduce the costs listed under Option A.

Senator Beers questioned why a new server would be required under Option B since searchable Adobe "portable Data Format" (PDF) files currently existed on the SOS website.

Ms. Parker advised that the current SOS website provided limited file searches and expressed concern that website traffic would exceed the capacity of the web server during the election process. Additionally, Ms. Parker explained that the additional web server would be needed under Option A. Ms. Parker also advised that converting Sequoia voting machine data into a HyperText Markup Language (HTML) file rather than PDF was being contemplated since there were some issues with the way PDF was stored in the Sequoia system.

In response to questions Senator Beers asked regarding the current web server capacity, Ms. Parker advised of the need to "farm out" the last election cycle data to a "server farm" and to Department of Information Technology (DoIT) backup servers. Ms. Parker also pointed out that heavy website traffic occurred immediately preceding an election and on election night as well as in the period immediately following the election when voting trends by districts or specific precincts might be accessed.

Ms. Parker indicated a new web server was purchased in the last budget cycle, but passage of A.B. 500 had not been contemplated at that time. Additionally, Ms. Parker expressed concerns with regard to the sensitivity of election data, the need for a new web server, and "pulling" voting machine data, which she indicated could lead to additional problems when the data was converted to HTML.

Senator Beers pointed out that by waiting to purchase an additional server, the SOS could develop a comprehensive plan to comply with the intent of the legislation. Additionally, Senator Beers indicated that typically hardware costs decreased and technology improved with time.

In response to Chairman Raggio's request for a recommendation to meet the January 1, 2006, requirement of A.B. 500, Senator Beers suggested that the SOS could meet the minimum requirements of the bill by providing a searchable HTML file while working over the interim to develop a searchable online database and purchase the new server at some point in the future.

Ms. Parker advised that the SOS could move forward to comply with the bill by linking to Clark County while continuing to move in the direction of Option A. However, Ms. Parker indicated that the SOS had investigated placing the 2004 election results on the web site, but there was concern among staff that with the large election projects, website traffic, ballot questions, and statutory initiatives, placing the 2004 election results on the website would be too onerous. Ms. Parker advised that the SOS experienced so much traffic on their website during the last election that had they not farmed out to a server farm, the website would have gone down on election night. Ms. Parker said that with the Statewide Voter Registration System, ballot questions, property tax and other initiatives, the SOS did not currently have the capability to put the 2004 election results on the website. Ms. Parker indicated that without a new web server, the SOS would be limited to converting the 2006 election data to an HTML file, which would meet the basic criteria of the statute.

In response to questions Chairman Raggio asked regarding the funding requirements in A.B. 500, Ms. Parker advised that the bill required the SOS to submit a report to the IFC by October 1, 2005, regarding the establishment and maintenance of the website including the estimated cost, and with approval of the IFC, the SOS would pay for the cost with funds from the Account for Special Services.

Senator Beers recommended that the SOS post election results converted to an HTML or PDF format on the website, or temporarily link to Clark County while working to develop a database that allowed for queries after each election.

In response to Chairman Raggio, who asked whether the recommendation was to deny or defer Option B, Senator Beers indicated that there was a component of Option B that did not involve the purchase of hardware, and, as previously stated, said the SOS would benefit by purchasing an additional server in the future when the hardware was less expensive and the technology improved.

Ms. Parker indicated the SOS's current web server did not have the capacity to hold the additional data and provide the searchable functions, and an alternative would need to be explored.

Senator Beers responded that an additional 120 gigabyte hard drive that would hold the amount of data under discussion would cost several hundred dollars.

Assemblyman Denis agreed that for the time being the capacity of the server could be increased by adding another hard drive and memory.

Roy Cage, Information Systems Manager, Office of the Secretary of State, identified himself for the record and advised that Option B, as proposed, provided for a server that would hold additional data and could be expanded to move to Option A in the future. While adding another drive was an option that had not been explored, Mr. Cage indicated that if that was the recommendation, the SOS staff would do the best they could with what they had.

In response to Chairman Raggio, who questioned the cost of adding memory to the current web server, Mr. Cage indicated the cost would be less than $1,000.

Assemblywoman Giunchigliani expressed her appreciation to representatives of the SOS in their efforts to meet the intent of A.B. 500 and agreed with the recommendations of Senator Beers and Assemblyman Denis to expand the current server memory and link to Clark County.

> SENATOR BEERS MOVED APPROVAL TO PROVIDE IFC AUTHORIZATION TO EXPEND $1,000 FROM THE ACCOUNT FOR SPECIAL SERVICES TO ALLOW FOR THE EXPANSION OF THE OFFICE OF THE SECRETARY OF STATE'S CURRENT WEB SERVER, AND TO REQUEST THAT THE OFFICE OF THE SECRETARY OF

STATE DEVELOP A DETAILED LONG-RANGE PLAN TO COMPLY WITH THE INTENT OF A.B. 500, 73RD LEGISLATIVE SESSION.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

In response to questions Assemblywoman Gansert asked regarding the proposed link to Clark County's database, Ms. Parker advised that Clark County's database was searchable through a "control/find" function as the SOS database would be with the expansion of the web server. As a lawyer, Ms. Parker indicated she could argue in court that the database was searchable with the "control/find" function, although specific information by district or precinct would not be available.

In response to questions Senator Mathews asked regarding Option A's estimated cost of $118,000, Senator Beers pointed out that the information the Committee was provided for Option A did not include programming time, most likely an even more significant cost than the items listed. Additionally, Senator Beers expressed concern regarding the lack of a comprehensive plan to meet the intent of the legislation.

Assemblyman Anderson expressed concern over what appeared to be an inability to develop a historic pattern of voting behavior on ballot questions by precinct or district in elections prior to 2006.

Senator Beers explained that while the data was available, the problem was that the current system of tallying the votes did not extract the election results by precinct, or district into a data table that could be further manipulated. Rather, the data was extracted into a static document, in either a PDF or HTML format that provided limited search capability, which was not the intent of A.B. 500. Senator Beers explained that a database that could be queried to access a voting pattern for ballot questions in a specific precinct or district would meet the intent of the legislation, which neither Option A or B could achieve at this point.

In response to Assemblyman Anderson who reiterated concerns with respect to accessing historical voter behavior data by precinct, Senator Beers indicated that once a system was designed to access data going forward, a plan could also be designed to also access historical data, which he said "interested non-governmental parties" had all already accomplished.

Assemblyman Anderson indicated that the ability of the Office of the Secretary to plan for a meaningful computer utilization program would be limited by the Committee's authorization of a short-term solution.

After studying the documentation, Senator Beers indicated it was his opinion the SOS had not developed a viable plan for the approval of Option A, but if a plan could be brought forward prior to the 2007 Legislative Session, the Committee could consider authorizing funding at that time.

Ms. Parker indicated that if in order to meet the January 1, 2006, deadline, the Committee's preference was to authorize a $1,000 allocation to expand the current web server and link to the counties, the SOS staff could work with Senator Beers and Assemblywoman Giunchigliani in an effort to come forward with a better plan. In response to Senator Beers, who had earlier noted a lack of programming costs, Ms. Parker indicated that in order to minimize the cost, in-house Information Services staff would have provided the necessary programming duties.

Chairman Raggio called for a vote on the motion to authorize $1,000 from the Account for Special Services to provide for an enhancement of the Office of the Secretary of State's web server with the understanding a detailed plan would be forthcoming.

THE MOTION CARRIED. (Assemblyman Anderson voted nay.)

*M. DEPARTMENT OF HUMAN RESOURCES – DIRECTOR'S OFFICE – Request for approval of the Department's plan for coordinating the state programs with the Medicare Part D benefit as required by Section 6 of A.B. 524 and Section 15 of A.B. 495.

Laurie Olson, Program Manager, Senior Rx and Disability Rx Program, identified herself for the record and advised that A.B. 495, and A.B. 524, 73rd Legislative Session, required the Department of Health and Human Services to provide the Interim Finance Committee with a plan for coordinating the Senor Rx and Disability Rx Program with the Medicare prescription benefit.

Ms. Olson reported that under the provisions of A.B. 495, 2.5 percent of tobacco settlement monies from the Fund for a Healthy Nevada would be set aside to subsidize the cost of providing prescription drugs and pharmaceutical services to persons with disabilities under the age 62. The initial income limit was the same as used for the Senior Rx program, currently $23,175 for single persons and $30,168 for couples. Ms. Olson advised that there would be no asset test, but a one-year residency was required.

A public workshop had been held on the proposed regulations for Disability Rx, and a hearing would be held on October 17, 2005. Additionally, Ms. Olson reported that A.B. 495 and A.B. 524 contained identical mandates that directed the Department to coordinate each state pharmaceutical or medical program with Medicare Part D in a way that maximized federal benefits, minimized disruption to eligibility enrollment, and minimized out-of-pocket expenses from Medicare Part D beneficiaries. Implementation of the Medicare Part D Wrap-Around Plan and Disability Rx benefits was targeted for January 1, 2006, which Ms. Olson indicated left limited time to put a plan in motion and work out the mechanics of coordinating benefits with the Centers for Medicare and Medicaid Services and the prescription drug plans (PDP) that would operate in Nevada.

In accordance with existing statutes, Ms. Olson advised that the Wrap-Around Plan had been presented to the Task Force for a Healthy Nevada earlier in the week and, under

the provisions of A.B. 495 and A.B. 524, a presentation was required to be made to the Interim Finance Committee.

Mary Liveratti, Deputy Director, Department of Health and Human Resources, identified herself for the record and referred to a document entitled "Nevada Senior Rx and Disability Rx Plan for Medicare Part D Wrap-Around Coverage as Mandated by AB495 and AB524 August 2005" (Exhibit H), from which she provided an overview.

Ms. Liveratti advised that the traditional Senior Rx Program had been divided into four groups:

- Traditional Senior Rx Members – Non-Medicare eligible members
- Basic Part D Beneficiaries – Medicare eligible members with incomes greater than $14,355 for singles and greater than $19,245 for couples
- Very Low-Income Part D Beneficiaries – Medicare eligible members with incomes of less than $12,919 for singles and less than $17,320 for couples
- Low Income Part D Medicare eligible members with incomes of less than $14,355 for singles and less than $19,245 for couples

Ms. Liveratti provided the following overview of the Department's six recommendations and policy considerations and reminded the members of the Committee that the Senior Rx Program did not currently collect premiums or deductibles, had no coverage gap up to the $5,000 limit, and had a $10 co-payment for generic drugs and $25 for brand-name drugs.

1. **Medicare Part D as Primary Payer**
   For Nevadans, who were eligible for prescription benefits through Medicare Part D, the Department recommended that Senior Rx and Disability Rx would become a supplemental resource that assisted only with out-of-pocket expenses. Additionally, Nevadans, who were eligible for Medicare Part D low-income subsidies would be required to apply in order to utilize federal resources before relying on state resources.

2. **Senior Rx/Disability Rx as a Resource for Premium Payments**
   The Department recommended that Senior Rx and Disability Rx would offer assistance with out-of-pocket expenses for persons in the Basic Part D and Low-Income groups. At a minimum, the assistance would be provided in a way that utilizing members were financially "no worse off" than under the current Senior Rx or Disability Rx benefit package and would not exceed their current out-of-pocket expenses.

3. **Senior Rx and Disability Rx as Coverage Gap Protection**

The Department recommended that Senior Rx and Disability Rx would provide protection coverage for Basic Part D beneficiaries eligible for Part D but not eligible for federal subsidies that bridged the standard coverage gap, referred to as the "donut hole."

Ms. Liveratti explained that when Senior Rx members received $2,250 in benefits, the benefit stopped and 100 percent out-of-pocket payment was required until $5,100 in total drug costs was reached. The Department proposed to use Senior Rx to fund 100 percent of prescription drug costs for basic beneficiaries, who had entered the Part D coverage gap. Ms. Liveratti pointed out that 27 percent of beneficiaries entered the "no coverage zone" in the latter part of each calendar year, and it was anticipated that the program, which would begin January 1, 2006, would not see many members entering the "donut hole" until fiscal year 2007.

4. **Adapt Stop-Loss Threshold to Conform to Part D**
   The Senior Rx benefit package currently capped benefits at $5,000 annually. The plan recommended increasing the Senior Rx and Disability Rx stop-loss threshold to conform to the $5,100 threshold for Part D.

5. **Medicare and Full Medicaid (Dual Eligible) Co-Payments**
   The plan recommended covering the premium costs for beneficiaries, who were eligible for Medicare Part D as well as full Medicaid benefits, and who were defined as dual eligible. Currently Medicare beneficiaries received pharmacy benefits through Medicaid, but in January 2006, pharmacy benefits would be received through Medicare Part D, and a co-payment would be required. With incomes of $579 a month or less and limited assets, Ms. Liveratti pointed out that dual-eligible beneficiaries did not have discretionary funds to expend on even small co-payments, and medications should be maintained in an effort to avoid other expensive services. Ms. Liveratti indicated some increases in hospital costs and emergency room costs were expected.

6. **Flexibility for Hardship Cases**
   The Department's plan proposed flexibility to respond to unexpected enrollment increases, benefit utilization trends, and/or unusual situations that might require special handling on an individual basis.

Ms. Liveratti advised that the proposed recommendations were presented to the Task Force for a Healthy Nevada on September 12, 2005, and under the provisions of *Nevada Revised Statutes* (NRS) 439.630, the Department was required to consider Task Force recommendations. The Task Force for a Healthy Nevada voted unanimously to support the Department's six recommendations with the "caveat" that premiums for dual-eligible beneficiaries should be paid for with General Fund revenue prior to utilizing tobacco settlement dollars and that co-payments for dual eligibles be built into future Medicaid budgets.

Ms. Liveratti indicated that if changes were required after the first six months the Senior Rx and Disability Rx Program for wrap-around coverage was in operation, Department representatives would return to the IFC to report their experience and provide additional recommendations.

Chairman Raggio commended Department representatives and staff for the exceptional work they had accomplished preparing the plan for the Committee's approval.

In response to questions Chairman Raggio asked regarding the implementation date and the regulations that would govern the program, Ms. Liveratti advised that Part D coverage would begin on January 1, 2006, and a workshop on the benefits had been broadcast via video conference to the northern and southern areas of the state providing an opportunity for participation by interested parties.

In response to Chairman Raggio, who asked about appointing a subcommittee to study the impact of Medicare Part D, Ms. Liveratti expressed concern with respect to the timing element. Pointing out that enrollment for Medicare Part D benefits would take place November 15, 2005 through May 2006, and benefits were to begin on January 1, 2006, Ms. Liveratti advised that regulations had to be adopted and clients educated on the wrap-around coverage prior to January 1, 2006.

Ms. Olson commented on the technical aspects of implementing the program and coordinating the benefits between the various entities by January 1, 2006.

Chairman Raggio asked about the possible ramifications of not requiring eligible Senior Rx members to apply for Part D benefits. Additionally, Chairman Raggio asked when Senor Rx members would be informed of the requirement for application.

Ms. Liveratti advised that a grant had been received to assist with transitioning the Senior Rx program into the federal program, and a call center had been established to provide information to callers. Additionally, Ms. Liveratti advised that Senior Rx representatives were working with the Nevada Division for Aging Services' Senior Health Insurance Advisory Program (SHIP) counselors to ensure that all members had been advised of the Medicare Part D wrap-around coverage.

In response to questions Chairman Raggio asked regarding how Senior Rx members would be encouraged to apply for Part D benefits, Ms. Liveratti advised that members had been provided information by mail and were notified that meetings were being held that would address the program and its impact on members. Ms. Liveratti also indicated that the federal government's prescription drug plan was being released the following week, and Senior Rx representatives would be able to study the formularies to compare the medications members used to the various plans.

In response to questions Chairman Raggio asked regarding whether Senior Rx funds would be used to reimburse beneficiaries for their Part D premiums, or to pay the

premiums directly to the insurer on behalf of the beneficiary, Ms. Liveratti indicated it was anticipated that payment would be made directly to the prescription plans.

In response to a question Chairman Raggio asked regarding whether administrative costs for the Senior Rx program would increase, Ms. Olson indicated costs could not be determined until the plan was approved, but said that some increase was expected.

In response to questions Chairman Raggio asked regarding beneficiaries' current out-of-pocket costs and the percentage of Medicare Part D premiums that should be paid with Senior Rx funds, Ms. Olson referred to the schedule in Exhibit H, page 7, entitled "Very Low-Income Part D Beneficiary" and provided the following examples of how the typical utilizing member would be affected by the wrap-around coverage:

- The schedule reflected income of less than $12,919 for a single person or $17,320 for couples with low assets and under the current plan for Senior Rx, in that income category, members had no premium or annual deductible, and the average utilizing member obtained four prescriptions a month at an average cost of approximately $17.03 or $68.12 a month. The members had no coverage gap, but had a coverage limit of $5,000 a year. The typical utilizing Senior Rx member spent $817.44 a year.

- The next column entitled, Medicare Part D with Subsidy reflected no premium or annual deductible; co-payments for four prescriptions at $12.56 a month; no coverage gap; no coverage limit; and out-of-pocket expenses would drop to $150.72.

- The last column entitled, With Proposed Part D Wrap Around provided that no wrap around was being proposed since, as reflected in the first two columns, beneficiaries were better off under Medicare Part D with the federal subsidy.

Chairman Raggio expressed concern regarding the percentage of Medicare Part D premiums that should be paid with Senior Rx funds. Since the premiums were likely to increase each calendar year, the Chairman indicated he would rely on staff's recommendation to defer a recommendation by the Committee until the November meeting. Chairman Raggio pointed out that if a decision was made to provide 100 percent of the payment and premiums increased in the future, it would be difficult to reduce the benefit. In the meantime, Chairman Raggio indicated that the regulations should be adopted and a method for the payment of the premium costs should be developed.

Chairman Raggio next addressed the Department's proposal to use Senior Rx funds in the amount of $490,025 for a half year in fiscal year 2006 and $1.8 million in fiscal year 2007 (full year) to pay for 100 percent of prescription drug costs for basic beneficiaries in the Part D coverage gap or "donut hole." The Chairman indicated that paying for prescription drugs while a beneficiary was in the Part D coverage gap

appeared to be necessary to ensure the beneficiary was not required to pay more for prescription drugs under Part D than for the same drugs under Senior Rx.

Chairman Raggio next addressed the Department's proposal to increase the Senior Rx benefit package cap from $5,000 to $5,100 to conform to the point at which catastrophic coverage for Medicare beneficiaries would begin. Chairman Raggio asked the Department representatives to comment on the consequences of failing to adjust the Senior Rx benefit cap to the higher level and whether increasing the cap would result in significant cost increases for the Senior Rx program for those beneficiaries who were not eligible for Part D benefits.

Ms. Liveratti advised that if the cap was not increased, coverage would stop at $5,000 and the member would be required to pick up the $100 before they could be provided federal coverage.

Chairman Raggio indicated a number of issues had been raised regarding the Department's proposal to use the Senior Rx to fund co-payments for Medicare and full Medicaid dual eligibles. The Chairman asked if the Department had determined the method that would be used to transfer funds from the Senior Rx program to pay the co-payments for dual eligible beneficiaries.

Ms. Olson advised that options under consideration included Medicaid invoicing the Department for the co-payments, and another was to directly pay the prescription plans for the co-payments.

Chairman Raggio asked if all dual eligible beneficiaries would be required to enroll in Senior Rx. The Chairman noted that the Department indicated that 13,865 dual eligible beneficiaries used prescription coverage during fiscal year 2004, and the current enrollment in Senior Rx was approximately 9,000.

Ms. Olson advised that if either the option to directly pay the prescription plans or to be invoiced by Medicaid were used, dual eligible beneficiaries would not be required to enroll in Senior Rx or Disability Rx programs. Ms. Olson indicated that enrolling dual eligible beneficiaries was an unnecessary step that would prove difficult for the Senior Rx Program's small staff since the latest figure received from Medicaid indicated 16,000 were eligible.

In response to questions Chairman Raggio asked regarding administrative cost increases and whether additional staff would be needed to process co-payments for over 14,000 dual eligible beneficiaries, Ms. Olson indicated that administrative cost increases were not anticipated and further advised that additional staff would not be needed if dual eligible beneficiaries were not required to be enrolled.

Chairman Raggio asked department representatives to clarify their request for flexibility for hardship cases and cautioned that the plan that was ultimately approved could not be changed without approval of the Interim Finance Committee.

Ms. Olson advised that flexibility for hardship cases was requested in an effort to respond to situations that had not been anticipated. Ms. Olson indicated that there was concern about one of the program's highest users and in a worst case scenario, that member would reach the $5,000 limit and would pay over $4,000 in out-of-pocket costs during the later part of the year. The same member would be subject to a deductible at the beginning of January, or would perhaps be out of funds by January and could not pay the deductible. On a case-by-case basis, Ms. Olson indicated it would be helpful to be able assist members out of difficult situations.

In response to questions Chairman Raggio asked regarding whether such hardship requests would require a change in the plan, Ms. Olson advised that staff only wanted the ability to respond to difficult situations and a change in the plan would not be required.

Assemblywoman McClain advised that after hearing the Department's proposal on September 12, 2005, the Task Force for a Healthy Nevada was in agreement that co-payments should be paid for Medicare and Medicaid dual eligible beneficiaries. However, Assemblywoman McClain indicated that since the Senior Rx Program was funded with tobacco settlement money, and Medicaid recipients had previously been excluded from receiving Senior Rx benefits, tobacco settlement funds should not be used to subsidize a Medicaid program. Assemblywoman McClain advised that the Task Force voted that a General Fund appropriation to the Senior Rx Program authorized during the 73rd Legislative Session, not tobacco money, should be used to pay the Part D co-payments for the Medicaid/Medicare Dual Eligible beneficiaries.

Assemblywoman Giunchigliani questioned whether another component of the plan was needed that would assist beneficiaries in determining the need for the number of medications being prescribed for them.

Senator Mathews indicated senior citizens usually required a greater number of prescriptions than others.

Ms. Liveratti advised that for the past several years, staff representatives worked with a medication management program at the Sanford Center for Aging that provided a utilization review by geriatric pharmacists for those beneficiaries with 7 or more prescriptions.

Chairman Raggio expressed appreciation to Rick Combs, Program Analyst, Fiscal Analysis Division, for his efforts in furthering the Committee's understanding of a complex issue.

Mr. Combs clarified, for the record, that the Department's plan (Exhibit H) did not reference the September 12, 2005, recommendation from the Task Force for a Healthy Nevada to use General Funds to cover co-payments for dual eligibles. Mr. Combs advised that there would probably be sufficient General Funds in the Senior Rx budget

in fiscal year 2006 to cover the cost of co-payments if the estimate for the number of participants was accurate. However, Mr. Combs indicated that sufficient General Fund revenue to cover the cost of co-payments for dual eligible beneficiaries would not exist in fiscal year 2007. Mr. Combs indicated the Task Force for a Healthy Nevada had recommended that the General Fund be used prior to using Senior Rx funds and that the next Legislature would have the opportunity to determine whether tobacco funds were an appropriate funding source to pay for Medicare Part D premiums.

In response to questions Chairman Raggio asked regarding the use of General Fund revenue, Mr. Combs reiterated that the Task Force voted to use General Fund resources before using tobacco settlement funds. Additionally, Mr. Combs advised that the Interim Finance Committee could vote to agree with the Task Force recommendation with the understanding that in the second year of the biennium, some tobacco settlement funds would be spent.

Barry Gold, Associate State Director for Advocacy, American Association of Retired Persons (AARP), Nevada, advised the members of the Committee that AARP Nevada representatives had examined the Department of Health and Human Resources' proposal and commended the Department for its commitment to provide a consistent and meaningful benefit to older adults and persons with disabilities. Mr. Gold expressed AARP's strong support for the proposal and indicated it was crucial to provide access to affordable prescription medications.

Chairman Raggio indicated he would accept a motion to approve the Department's plan to use Senior Rx funds to pay for Medicare Part D premiums in addition to a recommendation from the Fund for a Healthy Nevada to utilize General Funds to the extent of availability to cover co-payments for dual eligibles and defer until the November IFC meeting approval of the percentage of premiums that should be paid with Senior Rx funds. In the meantime, Chairman Raggio indicated the Department should move forward with its effort to adopt appropriate regulations.

> ASSEMBLYWOMAN MCCLAIN MOVED TO APPROVE THE DEPARTMENT'S PLAN TO USE SENIOR RX FUNDS TO PAY FOR MEDICARE PART D MONTHLY PREMIUMS IN ADDITION TO A RECOMMENDATION FROM THE FUND FOR A HEALTHY NEVADA TO UTILIZE GENERAL FUNDS TO THE EXTENT AVAILABLE TO COVER CO-PAYMENTS FOR DUAL ELIGIBLES AND TO DEFER UNTIL THE NOVEMBER 2005 IFC MEETING APPROVAL OF THE PERCENTAGE OF PREMIUMS THAT SHOULD BE PAID WITH SENIOR RX FUNDS.
>
> ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

Mike Willden, Director, Department of Health and Human Resources, questioned how the Medicare Part D premium percentage should be addressed prior to the next Interim Finance Committee meeting.

Chairman Raggio reiterated the Committee's concern regarding future premium increases, and Mr. Willden agreed that Department representatives would work with staff.

In response to a question Assemblywoman McClain asked regarding the availability of the Centers for Medicare and Medicaid Services (CMMS) plan, Mr. Willden indicated the CMMS' plan would provide information on the prescription drug plan (PDP) premiums and formularies and would be available by the end of September.

In response to questions Assemblywoman Giunchigliani asked about how information could be provided to beneficiaries without the expectation that 100 percent of the monthly premium would be paid, Ms. Liveratti advised that in an effort to avoid the expectation, the Department would not communicate that 100 percent of the premium would be paid. Currently, Ms. Liveratti advised that the average premium cost was about $32 while some premiums were expected to be as low as zero and some as high as $35. Ms. Liveratti agreed that, as the Chairman had indicated, the costs of monthly premiums, deductibles and co-payments could increase by an inflationary factor each year.

Ms. Olson advised that the Department's plan called for paying the monthly premium at $32.20, but a percentage had not been established.

Chairman Raggio indicated a preference for following the recommendation of the staff to defer establishing a percentage until the following meeting, and called for a vote on the motion by Assemblywoman McClain.

THE MOTION CARRIED.

*N. DEPARTMENT OF MOTOR VEHICLES – POLLUTION CONTROL ACCOUNT – Pursuant to Section 4 of NRS 445B.830(4A.), request for approval to distribute grant awards to local government entities from funds equal to one-sixth of the amount received for each form issued:

Troy Dillard, Administrator, Pollution Control Account, Compliance Enforcement Division, Department of Motor Vehicles (DMV), appeared before the Committee to request approval to distribute grant awards to local government entities from funds equal to one-sixth of the smog certificate sales revenue in the Pollution Control budget.

Mr. Dillard reported smog certificate sales revenue exceed projections at the end of fiscal year 2005, and the request, before the Committee, was an end-of-the-year "true-up" for the authority to distribute funds to Clark County Department of Air Quality Management and Washoe County District Health Department, that were collected in excess of the budgeted authority.

1. Clark County Department of Air Quality Management..... $94,208

2. Washoe County District Health Department, Air Quality Management Division..... $52,690

ASSEMBLYMAN SEALE MOVED APPROVAL OF ITEM N.

ASSEMBLYWOMAN GANSERT SECONDED THE MOTION.

THE MOTION CARRIED.

*O. DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES – `DIVISION OF STATE LANDS:

1. Pursuant to Section 1 of Chapter 391, Statutes of Nevada 2003 - Request for approval of an agreement to transfer to the City of Las Vegas all the interest of the state of Nevada in the real property commonly known as Floyd Lamb State Park.

Pam Wilcox, Administrator, Division of State Lands, identified herself for the record and introduced David Morrow, Administrator, Division of State Parks, and Chris Knight, Director of Administrative Services, City of Las Vegas. In a brief overview, Ms. Wilcox advised the members of the Committee that Floyd Lamb State Park was acquired by the state from the City of Las Vegas in 1977, and with the growth that had occurred since that time, the City now surrounded the Park.

Ms. Wilcox advised that under the provisions of S.B. 444, 72nd Legislative Session, the state was authorized to enter into an agreement with the City of Las Vegas to transfer the property, and the transfer agreement was to be approved by the Legislature if it was in session, or by the Interim Finance Committee if the Legislature was not in session.

Ms. Wilcox was before the Committee to recommend approval of the transfer agreement that had been negotiated by representatives of the Division of State Lands with representatives of the City of Las Vegas and approved by the Las Vegas City Council in June 2005.

Chairman Raggio indicated the Committee's consideration of a legal issue was required in that S.B. 444 provided that after the transfer, the state would not be liable for any expenses incurred to operate or maintain the property or the facilities.

Ms. Wilcox advised that as the agreement was negotiated, it became clear that a transition period was needed for the management of the Park to move from the state to the City. Ms. Wilcox explained that language in the agreement indicated the state would continue to maintain the Park after transfer of the property until the end of the current biennium was provided late in the negotiation and was contrary to the statute.

Ms. Wilcox indicated that while a transition period was still intended, approval from the Committee was requested to amend that section of the agreement to comply with provisions of the statute that the state "must not be liable for any expenses to operate or maintain the property." Ms. Wilcox advised that the transition period would occur prior to transfer.

In response to Chairman Raggio's request for her opinion, Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau, advised the Chairman that if the Committee wished to approve the request, a revision of the provisions governing the date of the transfer could be included in the resolution approving the transfer.

In response to questions Chairman Raggio asked regarding the state's retention of the forestry site and water rights, Ms. Wilcox advised that as a condition of closing, the transfer agreement provided that the City would survey the portion of the Park identified by the State for the use of the Division of Forestry to create a separate parcel, which would be reserved for the state when title was transferred.

Assemblywoman Giunchigliani addressed the issue of whether to transfer the lease to the City of Las Vegas for 1,056 acres of Bureau of Land Management (BLM) land adjoining the Park. Ms. Giunchigliani expressed concern that, although she understood it was not currently the intent of the City to do so, application could be made for potential future use changes. Assemblywoman Giunchigliani asked Ms. Erdoes whether the resolution could also include, if the Committee so determined, a condition not to transfer the BLM lease.

Ms. Erodes advised that while a change regarding transfer of the leased BLM property could be included in the resolution, the revision to either transfer or not transfer the property would be conditioned on approval by the City of Las Vegas.

Assemblywoman Giunchigliani expressed the collective concern of Assemblyman Parks, Assemblywoman Kirkpatrick, and herself that the historical and archaeological integrity of the 1,056 acres of BLM property be preserved and that Floyd Lamb State Park be preserved as a Park.

In response to a question from Assemblywoman Giunchigliani on how the Las Vegas City Council might react to the amendments, Chris Knight, Director of Administrative Services, City of Las Vegas, advised that the amendments would be provided to the members of City Council for consideration. Mr. Knight recalled that issues debated during deliberation of the transfer agreement included the opportunity to control 680 acres of state-owned land and 1,056 acres of Recreation and Public Purposes Act (R&PP) land and the legacy opportunity versus the maintenance cost. Mr. Knight indicated the legacy opportunity appeared to have overruled the cost. Additionally, Mr. Knight explained that the reason for the two-year transition period was to allow the City time to review its budgetary considerations and prepare to take on the maintenance of the park.

Assemblywoman Giunchigliani requested the opportunity to confer privately with Ms. Erdoes concerning a motion that would ensure the preservation of the historical and archaeological integrity of the 1,056 acres of BLM land.

Assemblyman Parks expressed some reservations regarding the state's relinquishment of its current RP&P lease of 1,056 acres of BLM land to the City of Las Vegas and asked whether the state had previous experience in transfers of that nature.

Ms. Wilcox indicated precedents had been set and advised that under the provisions of S.B. 444, the state was required to relinquish the lease in favor of the City with the condition that the City had an application in place to accept the property.

Assemblyman Parks also expressed his support to preserve the integrity of Floyd Lamb State Park and the adjoining BLM land he described as a "priceless piece of property."

Chairman Raggio indicated it appeared an impasse had been reached with regard to a motion for approval and called upon Ms. Erdoes to suggest an appropriate motion that included the revision for the transfer of title and the state's obligation to maintain the property setting aside, for the moment, the issue regarding the 1,056 acres of BLM land,

Ms. Erodes indicated she believed the Committee could move to approve the transfer agreement with the condition that after the transfer, the state would not be liable for any expenses incurred to operate or maintain the property or the facilities.

In response to a question from the Chairman regarding the length of time the state would continue to maintain the Park, Ms. Erdoes indicated it was her understanding that the transfer period, during which the state would continue to maintain the Park, would occur before the actual approval of the agreement.

Assemblywoman Giunchigliani questioned whether the motion could include language that any change of use of the 1,056 acres of BLM land would be cause for the lease to revert to the state.

Ms. Wilcox advised that caution should be exercised in attempting to place a legal restriction upon land owned by the BLM and future use after the state relinquished their interest.

In response to questions from Chairman Raggio regarding the length of the lease, Ms. Wilcox advised that the length of a lease was typically 25 years and renewable. Ms. Wilcox further advised that the purpose of the lease was to ensure that the state used the land for the purposes for which it was granted and title to the land could not be taken until it was developed for the use for which it was granted. Ms. Wilcox advised that the best protection for the citizens of Las Vegas, who had concerns about the property, would be to work with the City and the BLM to ensure that the City could not enter into the lease until they had a plan of development in place that reflected the use that the citizens wanted to see.

In response to a request from Assemblywoman Giunchigliani to confer with legal counsel with respect to placing a restriction on the use of the BLM land, Chairman Raggio called a recess at 1:20 p.m. to provide time for interested parties to meet with counsel to determine whether accommodation could be provided for the suggested amendments.

The Chairman called the meeting back to order at 1:42 p.m. and provided Ms. Erdoes the opportunity to suggest an appropriate motion.

Ms. Erdoes advised that the proposal included two conditions, one that the date of the transfer would occur upon transfer of the duty to pay the maintenance costs of the property, and secondly, that the City and the state would engage in a public planning process to ensure that Floyd Lamb State Park and the adjoining 1,056 acres of BLM land would be used only for recreational, conservation, and critical municipal infrastructure uses.

In response to Chairman Raggio, who asked if the motion suggested by counsel was acceptable, Ms. Wilcox indicated the conditions as stated were satisfactory. However, Ms. Wilcox expressed concern that Mr. Knight could not speak for the Las Vegas City Council, and pointed out that the conditions, stated in the motion, required approval by the Las Vegas City Council.

In response to the Chairman's suggestion to defer the request until the November meeting since it appeared the BLM acreage condition could not be resolved, Ms. Wilcox advised that the transfer agreement had a 120-day deadline and would have to be renegotiated if the Committee did not act on it. Ms. Wilcox reiterated her concern that while the condition was acceptable, the condition would require approval by the Las Vegas City Council.

Ms. Erdoes pointed out that by adopting the two conditions, the Committee was, in effect, deferring approval until the November meeting, if the City Council did not agree to the conditions.

Chairman Raggio indicated he would accept a motion with the understanding that if the conditions were not approved, the request would be returned to the Committee for consideration at the following meeting.

Mr. Knight said the conditions that were not a part of the original transfer agreement would be provided to the members of the Las Vegas City Council and their response would be provided to the Committee.

> ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF THE TRANSFER AGREEMENT WITH THE CONDITION THAT THE TRANSFER OF THE PROPERTY COINCIDE WITH PAYMENT OF THE MAINTENANCE COSTS AND WITH THE CONDITION THAT BEFORE

THE TRANSFER OCCURRED, THE CITY AND THE STATE WOULD ENGAGE IN A PUBLIC PLANNING PROCESS TO ENSURE THAT FLOYD LAMB STATE PARK AND THE ADJOINING 1,056 ACRES OF BLM LAND WOULD BE USED ONLY FOR RECREATIONAL, CONSERVATION, AND CRITICAL MUNICIPAL INFRASTRUCTURE USES.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED.

Chairman Raggio indicated that the motion was approved with the conditions stated and a report indicating the Las Vegas City Council's approval or disapproval was requested to be provided to the Committee. The Chairman further indicated that if the City Council did not approve of the conditions placed upon the agreement, further action would be required by the Committee.

2. Pursuant to NRS 322.007 – Request for approval of a retroactive amendment to an interlocal agreement between the Division of State Lands and Clark County relating to the premises known as the West Neighborhood Care Center.

Pam Wilcox, Administrator, Division of State Lands, appeared before the Committee to request approval of a retroactive amendment to an existing interlocal lease agreement between the Division of State Lands and Clark County relating to premises known as the West Neighborhood Care Center located at 6171 West Charleston, Las Vegas, Clark County, Nevada.

Ms. Wilcox indicated the purpose of the request was to increase the existing square footage use from 6,795 square feet to 13,585 square feet. Additionally, because the lease included an automatic annual cost-of-living increase, the lease cost would increase from $1.65 per square foot to $1.70 per square foot. Ms. Wilcox indicated that the adjustment in cost per square foot together with the increase in use of square feet would change the monthly payment to the state from $11,211.75 to $23,094.50 retroactive to October 1, 2004.

ASSEMBLYMAN DENIS MOVED APPROVAL OF ITEM O.2.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED.

3. Pursuant to NRS 353.335(2)(c) – Request approval to accept a donation from Newmont USA Limited of 15,825.23 acres of land on behalf of the Department of Wildlife.

Pam Wilcox, Administrator, Division of State Lands, appeared before the Committee to request approval to accept, on behalf of the Department of Wildlife, a donation of 15,825.23 acres of land from Newmont USA Limited.

Ms. Wilcox advised that the property, known as the Humboldt Wildlife Management area, was in a “checkerboard land” configuration near Lovelock and had been leased by the Department of Wildlife for many years. Ms. Wilcox indicated that the transfer of title would not incur any management changes or costs to the state.

In response to a question from Chairman Raggio regarding whether the property would be taken off the tax rolls, Ms. Wilcox indicated the property would be taken off the tax rolls, but pointed out that Department of Wildlife was the only state agency that had to make payments in lieu of taxes to local governments when land was removed from the tax rolls. Since the Department of Wildlife was currently paying lease fees to Newmont, Ms. Wilcox indicated they would simply use a portion of the money that would have been used to pay lease fees and pay the counties in lieu of taxes, which would cancel out any loss of tax revenue.

In response to Assemblyman Marvel who questioned whether the transaction was fee simple or whether Newmont USA Limited would retain the property’s mineral rights, Ms. Wilcox indicated the mineral rights were being transferred with the property. However, Ms. Wilcox said Newmont was retaining future royalty rights in the event mining was resumed, which was unlikely since the property was part of a wildlife management area.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM O.3.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED.

*P. STATE PUBLIC WORKS BOARD

1. Project 01-C07, Veterans’ cemetery expansion, Phase IV, Boulder City – Expansion of scope to construct an additional columbarium wall, manufacture and place single and double lawn crypts. Increase project expenditure authority by up to $5 million in federal grant funds.

Gustavo Nunez, Deputy Manager, Professional Services, Public Works Board, appeared before the Committee to request a change in scope for Project 01-C07, Southern Nevada Memorial Cemetery, to receive and spend up to an additional $5 million of federal grant money. Mr. Nunez said the additional funding would be used to construct an additional columbarium wall with 1,408 niche units and the manufacture and placement of 1,319 single lawn crypts and 2,557 double lawn crypts.

ASSEMBLYWOMAN MCCLAIN MOVED APPROVAL OF ITEM P.1.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

THE MOTION CARRIED.

2. Project 03-M17, Renovate windows and showers at Northern Nevada Correctional Center (NNCC) – Reduction of scope to eliminate the restroom upgrades for housing units 1 and 2 and remove or reduce shower column replacements in units 4 and 5, if necessary.

Gustavo Nunez, Deputy Manager, Professional Services, Public Works Board, appeared before the Committee to request a change in scope for Project 03-M17, Renovate the Windows and Showers at the Northern Nevada Correctional Center (NNCC). Mr. Nunez said that if the change in scope was approved, restroom upgrades for housing units 1 and 2 would be eliminated, and, if necessary, the shower column replacements in housing units 4 and 5 would be removed or reduced.

Mr. Nunez explained that the bid for the project came in over budget and the priority for the Department of Corrections was to renovate the restrooms in unit 3 and any remaining funding would be used to renovate the existing shower columns in housing units 4 and 5.

Chairman Raggio noted that since the project was approved by the Legislature in 2003, the scope had been reduced from the remodel of restrooms and showers in six housing units and replacement of windows and window glazing in four housing units to the remodel of the restrooms and showers in only one housing unit and partial remodel of the showers in two housing units. The Chairman questioned the availability of funding and whether the project was considered a high priority.

Mr. Nunez advised that the project was considered a high priority, but because costs had continued to increase, the scope of the project had to be reduced to fit in the available construction budget.

Chairman Raggio recalled that during the 2005 Legislative Session, Public Works Board representatives testified that changes were being considered to make it easier for small contractors to be qualified by the Board, thereby potentially increasing the number of bidders for maintenance projects. The Chairman noted the project had only one bidder and questioned whether the Board's list of potential bidders had been expanded.

Mr. Nunez indicated that while the Board had a number of qualified bidders, most contractors currently were busy with other projects.

In response to the Chairman, who asked for comments on what the request would accomplish if it were to be approved by the Committee.

Mr. Nunez indicated that if the change in scope was approved, the new scope of work would include restroom renovations including Americans with Disabilities Act (ADA) upgrades for housing unit 3. Any remaining funds would be used to replace existing shower columns in housing units 4 and 5.

In response to Chairman Raggio, who asked whether the NNCC could live with the restroom problems for another biennium, Mr. Nunez indicated he had not discussed the remainder of the work, as originally envisioned, with the Warden.

In response to questions the Chairman asked regarding the length of time the construction would take, Mr. Nunez indicated that if the upgrades to restrooms in housing unit 3 were approved, the construction period, not including the bidding process, should take between four and six months.

Chairman Raggio asked if the housing units could be occupied during construction, or whether inmates would need to be relocated.

Donald Helling, Warden, Northern Nevada Correctional Center, indicated the inmates would remain in the unit. Warden Helling explained that there were four bathrooms in each wing and half of the restrooms in each wing would be renovated at the same time and when completed, construction would move to the other half. Warden Helling indicated that unit 3 was chosen because NNCC had a regional medical facility, and part of Unit 3 was used as the medical intermediary care unit for those inmates who were suffering from medical issues but did not need the acute care provided by a medical facility.

Warden Helling also indicated that Unit 3 housed a senior structured living program for elderly inmates, thus he said that renovating bathrooms and providing ADA structures for the unit was a necessity. Warden Helling indicated that units 1, 2, and 3 had been continually occupied on a 24-hour-per-day, seven day-a-week basis for 40 years. During that time, Warden Helling said the bathrooms had been continually used, had minimal renovations, repair parts were difficult to locate, and the bathrooms were hard to clean.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF P.2.

ASSEMBLYWOMAN WEBER SECONDED THE MOTION.

THE MOTION CARRIED.

3. Project 03-P12L, Student Services Addition, UNLV, Design through Construction Documents, and Project 05-C67L, Student Services Building Addition and Renovation of Frazier Hall – Change in scope to remove Renovation of Frazier Hall from 05-C67L and utilize the funds in 03-P12L for construction of the Student Services Addition.

Gustavo Nunez, Deputy Manager, Professional Services, Public Works Board (PWB), appeared before the Committee to request a change in scope for CIP 03-P12L, Student Services Addition, University of Nevada, Las Vegas (UNLV), Design through Construction Documents and Project 05-C67L, Student Services Building Addition and Renovation of Frazier Hall to remove the renovation of Frazier Hall from CIP 05-C67L and to utilize $500,000 in CIP 03-P12L for construction of the Student Services building.

In response to questions Chairman Raggio asked regarding the renovation of Frazier Hall, Mr. Nunez indicated PWB staff had been advised by representatives of the University of Nevada Las Vegas (UNLV) that the future of Frazier Hall had not been determined, and there were no further improvements currently planned for the building.

In response to questions Chairman Raggio asked regarding the change of scope, Mr. Nunez indicated that Frazier Hall would not be renovated, and the bidding process and construction for the Student Services building addition would proceed.

Chairman Raggio recalled that the funding for CIP 03-P12L, Student Services Addition, provided for design through construction documents.

Mr. Nunez advised that although the Legislature approved an additional $500,000 under Project 03-P12L, the project was originally designed under a 2001 CIP.

Chairman Raggio pointed out that the funding provided through CIP 03-P12L was for design through construction documents for the Student Services Building addition, and the 2005 Legislature approved separate funding for construction of the addition. Additionally, Chairman Raggio indicated that approval of the request for a change in scope for CIP 03-P12L would appear to set a precedent whereby funds for advance planning would be utilized for construction.

Thomas Hagge, Associate Vice President, Facilities Management and Planning, UNLV, advised that subsequent to CIP 03-P12L, the regents approved a master plan in March 2004, contemplating the demolition of Frazier Hall and thus, investing money toward renovation did not appear prudent. Additionally, Mr. Hagge said that the project did not receive an added amount for inflation in the 2005 Legislative Session.

In response to Chairman Raggio, who asked if a request had been made to include an inflationary factor, Mr. Hagge clarified that while the Legislature approved the project estimate, the inflation factor had been inadvertently omitted in the budget request. Mr. Hagge asked for the Committee's favorable consideration in changing the scope of CIP 03-P12L, which would provide $500,000 in project funds to supplement the budget and meet the current $7.9 million cost estimate.

In response to questions Chairman Raggio asked concerning the size of the Student Services building and the latest estimate for construction, Mr. Hagge advised that the building measured 22,800 square feet, and the latest estimate in June was $7,916,000.

Chairman Raggio asked about the availability of the $1 million proposed to be provided by the UNLV for the Student Services building and whether that funding was included in the $7.9 million cost estimate.

Mr. Hagge indicated that while the $1 million was included in the $7.9 million, he was uncertain of the status of its availability.

Directing his comments to Mr. Nunez, Chairman Raggio discussed the requirement that pending availability of funding from UNLV, the Board was prohibited from executing a contract for construction of the project.

Mr. Nunez advised the Chairman that the PWB had not yet received the $1 million and acknowledged the funding had to be made available prior to award of the construction contract.

Chairman Raggio asked whether the UNLV representatives would request future state funding for the demolition of Frazier Hall and whether the facility was currently in use.

Mr. Hagge advised that Frazier Hall was slated for demolition in the long term and funding for demolition would not be requested during the 2007 Legislative Session.

In response to Assemblywoman Giunchigliani who asked for a definition of long term, Mr. Hagge said that every square foot of space was essential to the campus, which was short of space, and while there was no current plan for demolition, one might be developed in the next three to five years.

In regard to the precedence issue raised by the Chairman, Assemblywoman Giunchigliani questioned why the issue of the $500,000 was not brought forward during the 2005 Legislative Session when the funding could have been properly reallocated. Assemblywoman Giunchigliani agreed that advance planning funds utilized for construction would set a precedent and was an inappropriate request. Assemblywoman Giunchigliani indicated policy should be addressed during the 2007 Legislative Session that a project design had to be completed within the designated time period or the funding would revert.

Assemblyman Hettrick noted that the Project Cost Estimate (Exhibit I) for CIP 05-C67L indicated a total project cost of $10 million, not $7.9 million.

Mr. Hagge clarified that $7.9 million was the construction cost and the total project cost was $10 million.

Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, clarified that the $10 million in the original project cost estimate included $153,641 in construction contingency funding, which the Public Works Board indicated was insufficient for the project. Mr. Ghiggeri suggested that if the Committee did not wish to

approve the change in scope for CIP 03-P12L, the furniture, fixtures, and equipment (FF&E) portion of the budget could be deferred and requested during the 2007 Legislature.

In response to questions Chairman Raggio asked regarding the deferral of the FF&E until next session, Mr. Nunez reiterated that the building was designed, ready for bid and immediately upon receipt of the $1 million in UNLV funding, construction would begin.

In response to questions from Chairman Raggio, who asked about the length of the bid process and how long it would take to construct the building, Mr. Nunez explained that the design was completed, the project would be advertised for about five weeks, and 30 days was required to award the construction contract with 12 months projected for construction.

Chairman Raggio pointed out the Legislature would be in session by the time the building was constructed.

Mr. Nunez indicated that the request for the FF&E could be deferred to the 2007 Legislative Session, if funding could be provided early in the legislative session.

Chairman Raggio pointed out that while the project was important, the request was outside the scope of what was legislatively approved.

> SENATOR COFFIN MOVED TO APPROVE THE CHANGE IN SCOPE WITH THE UNDERSTANDING THERE WOULD BE NO FUNDING PROVIDED UNTIL THE $1 MILLION FROM THE UNLV WAS AVAILABLE FOR EXPENDITURE.
>
> ASSEMBLYMAN PARKS SECONDED THE MOTION.

Chairman Raggio asked the members of the Committee to be aware that they were deviating from standard practice by authorizing the utilization of funds for advance planning, and in the event such an issue resurfaced, the same consideration provided the UNLV would be necessary for others.

> THE MOTION FAILED. (Assemblyman Hogan, Assemblywoman Koivisto, Assemblywoman McClain, Assemblyman Parks voted aye. Assemblyman Arberry, Assemblyman Denis, Assemblywoman Gansert, Assemblywoman Giunchigliani, Assemblyman Hettrick, Assemblyman Anderson, Assemblyman Marvel, Assemblyman Seale, Assemblywoman Smith, Assemblywoman Weber voted nay. Senators Coffin, Mathews, Titus and Chairman Raggio voted aye. Senators Beers, Cegavske and Rhoads voted nay.)

Mr. Nunez asked if it would be appropriate to use the FF&E funding for construction. In order to remove $500,000 from the construction project, Mr. Nunez indicated that the square footage would have to be reduced by at least 2,000 square feet, requiring funding for a redesign and additional time, which would incur additional inflation costs.

Chairman Raggio suggested looking into whether outside funds could be raised in addition to the $1 million the UNLV would provide. The Chairman also suggested that, in the meantime, the bidding process should be slowed.

Evan Dale, Deputy Manager, Administration and Finance, Public Works Board, asked if it would be acceptable to use the design funding provided in 2003 to redesign the Student Services building addition.

Chairman Raggio advised the PWB staff to return to the November IFC meeting with a request for consideration.

4. Project 05-M03, Fire Code Renovations at Red Mountain Building at TMCC – Change of scope to allow up to $1 million to be used for the Edison Campus Applied Technology Center's Gas Piping, Re-roofing and Cooling Project. **WITHDRAWN 9-2-05.**

Item 4 was withdrawn.

5. Project 05-C16, Greenspun College of Urban Affairs Building at UNLV – Request IFC approval to utilize a Construction Manager at Risk (NRS 341.161).

Chairman Raggio advised the members of the Committee that the request for approval to utilize a Construction Manager at Risk (CMAR) delivery method for the following projects listed under Items 5, 6, and 7 would be considered concurrently.

- Project 05-C16, Greenspun College of Urban Affairs Building at UNLV
- Project 05-C18, Design and construction of electrical and industrial technology building at Great Basin College
- Project 05-C19, purchase and remodel building for Elko branch office (Department of Agriculture)
- Project 05- 20c, New classroom building on West Charleston Campus of CCSN

Gustavo Nunez, Deputy Manager, Professional Services, Public Works Board (PWB), advised the members of the Committee that when the Legislature was not in session, *Nevada Revised Statutes* (NRS) 341.161 required Interim Finance Committee (IFC) approval to award contracts for services, which would assist the Public Works Board in the design and construction of projects of capital improvement.

Mr. Nunez indicated the CMAR delivery method would save a minimum of at least six months per project, which would accommodate the participating agencies request for expediency.

Additionally, Mr. Nunez said the CMAR method would provide better coordination between Project 05-C18, Design and construction of electrical and industrial technology building at Great Basin College and Project 05-C19, purchase and remodel a building for Elko branch office (Department of Agriculture). Mr. Nunez explained that the building the Department of Agriculture occupied would require demolition before the electrical and industrial technology building at the Great Basin College could be constructed.

In response to Chairman Raggio, who asked if there were costs associated with the CMAR process, Mr. Nunez said there were no additional costs associated with the CMAR method.

Chairman Raggio advised that the Legislature had agreed to the concept that construction managers would be helpful in avoiding problems that had been encountered in the past. The Chairman indicated he would entertain a motion for approval, but advised that since each of the projects required funding in addition to state funding, no contract should be awarded until that funding had been made available. The Chairman cautioned that a motion for approval should be conditioned in each case that the additional funding that was necessary for the project be available for expenditure.

SENATOR RHOADS MOVED APPROVAL OF ITEMS 5, 6, AND 7 CONDITIONED UPON RECEIPT OF FUNDING THAT HAD BEEN PLEDGED IN ADDITION TO STATE FUNDING.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

THE MOTION CARRIED.

6. Project 05-C18, Design and construction of electrical and industrial technology building at Great Basin College and Project 05-C19, purchase and remodel building for Elko branch office (Department of Agriculture) – Request IFC approval to utilize a Construction Manager at Risk (NRS 341.161).

Refer to motion for approval under Item 5.

7. Project 05-C20c, New classroom building on West Charleston Campus of CCSN – Request IFC approval to utilize a Construction Manager at Risk (NRS 341.161) and clarification of project scope.

Refer to motion for approval of CMAR under Item 5.

Gustavo Nunez, Deputy Manager, Professional Services, Public Works Board (PWB), advised that CIP 05-C20c was originally recommended in the 2005-07 Capital Improvement Program for a project cost of $10 million and subsequently approved by the 2005 Legislature for a total project cost of $25 million.

In response to questions Chairman Raggio asked regarding the inclusion of a library within the new classroom building project, Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised that the $30 million project, originally submitted by the Community College of Southern Nevada (CCSN), included a library. However, Mr. Ghiggeri said it was unclear whether the library was included in the augmentation at the time the project was approved by the 2005 Legislature, and clarification was being requested.

Chairman Raggio asked PWB representatives to indicate the number of classrooms that would be constructed if the project scope included a library.

Mr. Nunez advised that the project that was recommended in the 2005-07 Capital Improvement Program for $10 million designated a 28,500 square foot facility for classrooms only. When the 2005 Legislature increased the project funding to $25 million, Mr. Nunez said it was understood by the PWB that the facility would contain a library and classrooms that would encompass a 72,800 square foot facility.

Assemblywoman Giunchigliani questioned how many classrooms were envisioned in a facility that included a library.

Bob Gilbert, Director of Planning and Construction, Community College of Southern Nevada, projected that 25,000 to 30,000 square feet of library space and 20 to 24 classrooms could be constructed with available funding. Mr. Gilbert explained that the difference between the numbers of classrooms depended on whether 60- or 30-person general purpose classrooms were needed.

Assemblywoman Giunchigliani acknowledged the need for a library even though a county library was located in the same area, but requested assurance the new facility would provide enough classroom space to accommodate students.

Mr. Gilbert indicated a facility with 20 to 24 classrooms and a library could accommodate CCSN students.

In response to questions Chairman Raggio asked regarding the plans for the new facility and an existing library, Mr. Gilbert indicated preliminary designs had been developed for a 25,000 to 30,000 square foot central library in a newly constructed building addition. Additionally, Mr. Gilbert acknowledged the existence of a 2,700 square foot library located in an older building on campus.

Senator Cegavske questioned the need for a new library with a county library located on the college campus and discussed collaborating with the county to expand their facility.

Patricia Charlton, Vice President for Finance and Administration, CCSN, explained that the collaboration that existed with the county was for the provision of medical resources for college health programs. Ms. Charlton advised that, even at that level, the county could not keep pace with growth, and because of funding constraints, could not provide the academic library resources needed by CCSN students.

Senator Cegavske questioned whether pooling resources and adding a second floor to the existing county library had been explored.

Ms. Charlton advised that during the past several years, discussions had taken place to determine whether a new home could be found for the existing library in order to provide the opportunity for the CCSN to retrofit the facility. However, Ms. Charlton indicated she was uncertain how an expansion of a facility that did not fall under the purview of the state would work.

Senator Cegavske indicated that before proceeding any further with the request, expansion of the existing library facility needed to be further explored.

Chairman Raggio indicated it was his understanding that at some point there had been agreement between the CCSN and Clark County that allowed the county to construct a library on the CCSN campus. The Chairman asked if it was possible to utilize the funding appropriated by the Legislature to expand the existing county library through an interlocal agreement.

Mr. Gilbert advised that expanding the existing county library had been studied over the past several years, and structural engineers advised that the building was not structurally designed to hold a second floor and to do so would cost more than constructing a new facility.

In response to Senator Cegavske's request for the data, Mr. Gilbert indicated a report on the engineers' findings was available and would be provided.

Assemblywoman Giunchigliani pointed out that public libraries did not necessarily provide the academic books required by college students. In response to a question Assemblywoman Giunchigliani asked regarding CMAR, Mr. Gilbert advised that CMAR contracts were subject to the prevailing wage.

Chairman Raggio questioned whether the $25 million approved by the 2005 Legislature would cover the project design and construction of the classroom and library facility including the furniture, fixtures and equipment (FF&E).

Mr. Nunez indicated information on the FF&E could be provided at a later meeting.

Chairman Raggio suggested that representatives of the PWB return to the November IFC meeting and report on a proposal to construct a library and classrooms, including the FF&E within the $25 million authority granted by the 2005 Legislature. In an effort to reduce the cost of projects, Chairman Raggio cautioned the PWB representatives not to request additional funding for the FF&E.

Despite a protest from Assemblywoman Giunchigliani that the FF&E for the project was not included in the 2005-07 request, Chairman Raggio indicated the issue was deferred to the next meeting of the IFC and again cautioned the PWB representatives to try to accommodate the request in order to effectively utilize the available funding.

8. Project 05-C01, Repair exterior of the Grant Sawyer state office building – Request IFC approval for new building exterior (Section 7 of Chapter 398, 2005).

Refer to narrative and motion for approval under Item I.6.

9. Project 01-C08, Finalize Southern Nevada Veterans' Home – Request to receive and spend $600,000 from HCA, Ltd. pursuant to a proposed settlement between the State Public Works Board and HCA, Ltd.

Daniel O'Brien, P.E., Manager, State Public Works Board (PWB), appeared before the Committee to request authorization to receive and spend $600,000, as a part of a proposed settlement agreement with HCA, Ltd., the architectural firm of the Southern Nevada Veterans' Home project. Mr. O'Brien advised that approval of the request appeared to be in the state's best interests since the funds could be applied toward a future settlement with Addison Inc., the general contractor for the Southern Nevada Veterans' Home project. Additionally, the funding would allow the state to pay HCA, Ltd., $100,000 to resolve claims they had against the state for non-payment of services.

Mr. O'Brien turned the microphone over to the state's special counsel, Richard Campbell, Senn Meulemans LLP, who was before the Committee to answer questions regarding the settlement agreement.

In response to a question from Chairman Raggio regarding the settlement agreement, Mr. Campbell indicated the state would receive about $500,000 in net proceeds, and the amount remaining on the $1 million insurance policy was approximately $600,000. Additionally, Mr. Campbell explained that HCA, Ltd. had a claim against the state for

breech of contract for approximately $250,000, with a proposed settlement agreement of approximately $100,000.

In response to questions Chairman Raggio asked regarding assignment of rights, Mr. Campbell indicated there were four sub-consultants that the state now had the ability to legally pursue with regard to design errors.

In response to questions Chairman Raggio asked regarding the arbitration hearing with Addison, Inc., Mr. Campbell advised that an arbitration hearing was scheduled for November 7, 2005. Additionally, Mr. Campbell indicated that with the ability to move against the architect's sub-consultants, it might be possible to resolve the case through one more mediation hearing prior to the arbitration hearing.

Chairman Raggio questioned why it would be in the state's best interests to enter into the proposed settlement agreement with the HCA, Ltd., prior to the arbitration process with Addison, Inc.

Mr. Campbell advised that HCA, Ltd. had a self-depleting insurance policy and attorneys' fees and costs from their participation in the arbitration process and attending depositions would reduce the insurance policy to almost zero.

Chairman Raggio provided the following two options suggested by staff:

- Option 1 - Approve the authority to receive up to $600,000 from HCA, Ltd, and revert those funds to the fund of origin for the CIP project less the $100,000 that to be paid to HCA, Ltd. as part of the proposed settlement agreement.

- Option 2 - Approve the authority to receive and expend the settlement funds as requested by the State Public Works Board, including applying the approximate $500,000 in net proceeds received from HCA, Ltd. to any future settlement with the general contractor for the CIP.

In response to questions Chairman Raggio asked regarding whether to reserve the settlement funds or to revert the funds to the fund of origin for the project, Mr. Campbell suggested it might be best to reserve the funds for possible application toward a future settlement with Addison, Inc.

Mr. O'Brien pointed out that any future settlement with Addison Inc., would be brought before the Interim Finance Committee for approval and agreed with Mr. Campbell on the option to reserve the funds.

Chairman Raggio indicated he would accept a motion to approve Option 2.

> ASSEMBLYMAN MARVEL MOVED TO APPROVE THE AUTHORITY TO RECEIVE AND EXPEND THE SETTLEMENT FUNDS AS REQUESTED BY THE STATE PUBLIC WORKS BOARD, INCLUDING APPLYING THE

APPROXIMATE $500,000 IN NET PROCEEDS RECEIVED FROM HCA, LTD. TO ANY FUTURE SETTLEMENT WITH ADDISON, INC., THE GENERAL CONTRACTOR FOR THE PROJECT

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED.

Assemblyman Arberry apologized to the members of the Committee and to the Public Works Board representatives regarding his absence during the discussion on the previous project to include FF&E costs for the new CCSN classroom and library building. Assemblyman Arberry requested that the PWB representatives return to the November meeting with a breakdown of total project costs including FF&E costs and one without FF&E costs.

Chairman Raggio pointed out that the objective was to use the $25 million for total project costs as effectively as possible, and the problem stemmed from the original cost estimate of $1.4 million for FF&E costs for the library/classroom facility versus a current project cost estimate of $3.7 million in FF&E costs.

10. Project Status Report (Informational Only).

*Q. APPOINTMENT OF COMMITTEE ON INDUSTRIAL RELATIONS (NRS 209.4817).

Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised that the existing members of the Committee on Industrial Relations, Senator Beers, Senator Washington, Assemblyman Marvel, Assemblyman Arberry, Michael Mackenzie, Al Puliz, Mike Magnani and Bruce Aguilera, wished to be reappointed to the Committee on Industrial Relations.

ASSEMBLYMAN MARVEL MOVED TO APPROVE THE REAPPOINTMENT OF SENATOR BEERS, SENATOR WASHINGTON, ASSEMBLYMAN MARVEL, ASSEMBLYMAN ARBERRY, MICHAEL MACKENZIE, AL PULIZ, MIKE MAGNANI AND BRUCE AGUILERA, TO THE COMMITTEE ON INDUSTRIAL RELATIONS PURSUANT TO NRS 209.4817.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED.

*R. LEGISLATIVE COUNSEL BUREAU – FISCAL ANALYSIS DIVISION – Pursuant to Section 40 of S.B. 1, 22nd Special Session, approval of contract with vendor for brochures for reporting of test scores of pupils and related services.

Mindy Martini, Education Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, requested the Committee's consideration to continue the contractual services of a consultant to provide brochures for the reporting of test scores for Nevada students. A one-page document (Exhibit J) summarizing the request was distributed to the members of the Committee.

Ms. Martini advised that Section 40, S.B. 1, 22nd Special Session of the Nevada Legislature, appropriated $1.4 million in each fiscal year of the 2005-07 biennium to continue the contractual services of a consultant to provide brochures for the reporting of test scores. Ms. Martini advised that during the 2003-05 biennium, the services, which were intended to improve the performance of pupils on statewide examinations, were provided by The Grow Network for the state of Nevada.

In response to a question from Chairman Raggio, Ms. Martini indicated that The Grow Network adequately provided the services during the 2003-05 biennium.

In response to a question from Assemblywoman Smith, Ms. Martini advised that the current appropriation would provide for the Clark County School District's full participation in services offered by The Grow Network.

Senator Cegavske expressed concerns that the money being spent for the contract did not provide for the delivery of test result information and student needs in a timely manner. Senator Cegavske said that receipt of test results by parents and educators during the following school year did nothing to assist students during the summer. Additionally, Senator Cegavske said that until the Department of Education had a system in place in which information could be provided to a consultant to ensure that printed and electronic resources were made available to parents and educators in a timely manner, approval of the funding was inappropriate.

Ms. Martini confirmed that testing data, from the spring term in fiscal year 2004-05, would not be provided to parents and educators until the fall as a result of the Department of Education not receiving test results from their contractor in sufficient time to provide to The Grow Network.

In response to a request for a recommendation from Chairman Raggio, Ms. Martini indicated that while the "report cards" provided by The Grow Network were useful, timing remained a problem. Testing companies required a certain number of days to return test results, and testing at an earlier date would limit instruction time.

Chairman Raggio recalled that the problems were predicted when testing dates were moved to the spring rather than fall. However, the Chairman indicated it appeared The Grow Network was doing its job, and the reports were necessary and had to be made in the best manner possible.

In response to Assemblyman Arberry, who asked if representatives from The Grow Network were present, Ms. Martini indicated that since there was currently no contract The Grow Network representatives had been asked not to attend the meetings until authorization had been received by the Committee to begin contract negotiations or to proceed with a request for proposal (RFP).

In response to additional questions Assemblyman Arberry asked regarding a RFP, Ms. Martini indicated that under the provisions of S.B. 1, the contract with The Grow Network could be continued without an RFP, or if the Committee so desired to proceed with a RFP.

Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau, confirmed that there was no requirement for competitive bidding under the provisions of S.B.1 or the applicable statute to the contract. Ms. Erdoes advised that the Committee was within the law to continue the contract with The Grow Network.

Assemblywoman Smith pointed out that The Grow Network had spent "a great deal of time learning about the state, the districts, and the communities," as well as having worked with parent groups and conducted teacher training. With the ability to move forward with the knowledge gained since the last contract and to make changes to their report based on information from parents, teachers and district officials, Assemblywoman Smith said it was important to continue the contract with The Grow Network without interruption and to begin working on ensuring that parents received and understood the reports. Assemblywoman Smith agreed that while the timing left something to be desired, the information was helpful.

Assemblywoman Giunchigliani agreed that The Grow Network provided a quality product but indicated that she did not support the original legislation or S.B. 1. Since test scores could be accessed online, Assemblywoman Giunchigliani did not agree with the need to spend funds to print and mail material that she indicated no one bothered to read.

Ms. Martini advised that The Grow Network's main purpose was to provide printed information and electronic resources in order that parents could take steps to help their students improve their test performance, particularly during the summer months. Ms. Martini indicated that not being able to receive the data in a timely manner was disappointing to The Grow Network representatives, and the contract was reduced during the last fiscal year because of that timing.

Assemblywoman Giunchigliani asked if over the period of this contract, the printed material would be phased out since parents and educators also had access to web-based electronic resources.

Ms. Martini advised that the contract before the Committee would not reduce the mailing of paper brochures and indicated that the primary component of The Grow Network was to provide colored brochures unique to each child.

Senator Cegavske questioned the need for a contract to provide test results to parents when the material could not be provided in a timely enough manner to be useful. Senator Cegavske pointed out that students were tested in the spring, and the test results were not received until the students were at the next grade level in the next school year. Senator Cegavske asked if others beside parents were benefiting from receipt of the material.

Ms. Martini advised that in addition to parents, Nevada educators also received the printed material and although the test data was from the previous school year, it was pertinent to the students currently enrolled in an instructor's class.

Senator Cegavske pointed out that although it appeared helpful for instructors to receive the previous year's test results for their new students, remediation classes, which could have been provided during the summer months, had to be made available to students during the school year. Senator Cegavske indicated that while she believed The Grow Network's product was "excellent," she could not support the request to appropriate funds to continue the contract since test result information could not be provided in a timely manner.

In response to a question from Assemblyman Arberry, who asked if The Grow Network worked with neighborhood and low-income groups, Ms. Martini indicated that under the provisions of the contract, The Grow Network provided "focus group presentations to parents," in the Clark County School District.

Assemblyman Arberry indicated that if the request to continue the contract was approved, he hoped to have the opportunity to speak to a representative of The Grow Network to learn more about their outreach efforts.

> ASSEMBLYWOMAN SMITH MOVED TO CONTINUE THE CONTRACT WITH THE GROW NETWORK IN EACH FISCAL YEAR OF THE 2005-07 BIENNIUM.
>
> ASSEMBLYMAN DENIS SECONDED THE MOTION.

In response to Assemblywoman Giunchigliani, who indicated her preference for a motion to simply appropriate $1.4 million in each year of the biennium rather than continue the contract with The Grow Network, Chairman Raggio pointed out that the $1.4 million had already been appropriated for each year of the 2005-07 biennium.

Ms. Martini indicated that although the funding had been appropriated, the Committee could request the issuance of an RFP or continue the contract and enter into negotiations with The Grow Network.

Chairman Raggio indicated the motion was to continue the contractual services with Grow Network and called for a vote.

THE MOTION CARRIED. (Senator Cegavske voted nay.)

S. INFORMATIONAL ITEMS – Reports on letters of intent and various reports from agencies.

Chairman Raggio announced that Informational Items 3.B. and C, Item 5.D.5, Items 6, 7, 11, 12, and 13 would be called for testimony. The Chairman indicated that representatives attending the meeting for Items 12 and 13 would each be allotted 15 minutes for testimony. Refer to Exhibit C to view the entire list of Informational Items

3. DEPARTMENT OF TAXATION

B. Update on the implementation of the Unified Tax System.

Charles Chinnock, Executive Director, Department of Taxation, identified himself for the record and referred to a document entitled, "Unified Tax System (UTS) – Project Update," (Exhibit K). Mr. Chinnock provided the following information:

- Phase I of the UTS had been implemented on May 25, 2005
- The Online Tax component had been implemented on June 1, 2005

Mr. Chinnock advised that the graph on page 1, Exhibit K, showed that Phase II of the UTS Project was initiated in June 2005 and Phases III, and IV would begin in November 2005 and November 2006 respectively.

The graph on page 2, Exhibit K, provided a summary of UTS Phase I expenditures for fiscal year 2005, and Mr. Chinnock provided the following information:

- $14,054,716 allocated for expenditures
- $10,975,423 expended
- $3,979,293 available balance

Mr. Chinnock explained that the variance resulted primarily from $1 million in unused contingency funds and savings as a result of contractual requirements for hardware and software established in the request for proposal. Additionally, expenses for change orders were less than anticipated.

Mr. Chinnock advised that the conversion of Sales and Use data in Phase II was a more complicated project and anticipated that funding would be required for change orders and contingencies.

In response to questions Chairman Raggio asked in regard to the completion of Phase I, Mr. Chinnock advised that all deliverables were operational and currently the UTS was in a production phase to ensure the integration of all of the Department's

business processes. Mr. Chinnock indicated Department of Taxation representatives were “very satisfied” with the progress on the UTS Project thus far.

C. Report on the financial status of White Pine County.

Charles Chinnock, Executive Director, Department of Taxation, reported that with the support of the Nevada Tax Commission and the White Pine County Commission, and after meeting seven provisions of *Nevada Revised Statutes* (NRS) 354.685, White Pine County was declared to be under severe financial emergency.

As a result of the declaration, Mr. Chinnock advised that the Department of Taxation was currently in the position of providing financial oversight of White Pine County’s finances. Mr. Chinnock reported that the county ended the past fiscal year with a cash deficit of approximately $1 million, and the County’s “solvency condition” was deteriorating by the rate of almost $50,000 a month. A “limited scope audit” of the county budget was expected to be completed in several weeks, and actions implemented by the Department were outlined in a report (Exhibit L) that had been provided to the members of the Committee. Mr. Chinnock advised that the Department was directing its efforts to addressing internal accounting and administrative controls, enhancing revenue and cash flow, and mitigating expenses.

In response to questions Chairman Raggio asked about White Pine County’s accounting system, Mr. Chinnock advised that controls had been placed on the accounting system, and three Department of Taxation representatives were currently responsible for approving all county expenditures.

In response to a question Chairman Raggio asked regarding loans and borrowing money between funds without proper procedures, Mr. Chinnock indicated the Department of Taxation anticipated a plan would be established by the end of October to address financial controls, enhance revenue, and mitigate expenses. Mr. Chinnock advised that Department of Taxation representatives planned to address the members of the White Pine County Commission as well as members of the community in an open meeting concerning the issues. Additionally, the Department expected to establish a plan for repayment of loans and to implement a system for management of county finances.

In response to questions Chairman Raggio asked about county cooperation, Mr. Chinnock advised that during the meeting scheduled to take place with White Pine county officials and members of the public, there would, “no doubt,” be some finger pointing, but many issues would be “on the table” and “out in the open” with an opportunity to hear from the public and officials.

Chairman Raggio indicated the intent was to be assistive not punitive and asked if the “county revenue picture” had improved.

Mr. Chinnock advised that revenue collections were “as good if not better than ever,” an improvement had been seen in mining revenue, and a proposal to build a power plant in rural White Pine County looked promising. However, Mr. Chinnock said that because of the immediate outlook with respect to consolidated tax distribution and the final affect of the property tax package, Department of Taxation representatives would remain conservative on the County’s immediate budgetary needs.

Chairman Raggio asked that the Committee be provided with continued status reports on White Pine County’s financial emergency.

5. DEPARTMENT OF HUMAN RESOURCES

D. Division of Child and Family Services - Letters of Intent:

5) Semi-annual report on the status of child welfare integration for the periods ending June 30, 2004, December 31, 2004, and June 30, 2005.

Chairman Raggio deferred the report on the status of child welfare integration for the periods ending June 30, 2004, December 31, 2004, and June 30, 2005.

6. ECONOMIC DEVELOPMENT AUTHORITY OF WESTERN NEVADA (EDAWN) - First 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 (EDAWN), appeared before the Committee to provide the first quarterly performance report on the use of enhanced funding approved by the 2005 Legislature.

Mr. Alvey provided the following information:

- The EDAWN was in the “early stages of making sure” the funding appropriated by the Legislature was being used as effectively as possible.

- The EDAWN was continuing to diversify the Nevada economy with business expansion and retention, serving clients, and working with the Nevada Development Authority (NDA) to continue a statewide marketing campaign.

- Paul Hewen had been hired as Director of Finance to manage the funds.

- The EDAWN had launched a Target Industry and Skill Set Project that would assist in recruiting, starting up, or expanding high-yield target companies.

In response to questions Chairman Raggio asked about the Target Industry and Skill Set Project, Mr. Alvey explained that while EDAWN had been successful in relocating companies to Nevada, a lack of resources had prevented looking at specific community needs. Mr. Alvey said that enhanced funding provided the means to award a bid to a company to conduct economic and workforce assessments, interviews, and bring focus

groups together to determine the strengths and weaknesses of all northern Nevada communities to better determine the type of benefits-paying companies that were wanted. Mr. Alvey indicated that if there were gaps that needed to be filled, EDAWN representatives would turn to the Nevada System of Higher Education, the Legislature, and the workforce to report what needed to be done to bring the best companies to Nevada.

Chairman Raggio acknowledged the state's dynamic growth, particularly in southern Nevada and more recently in northern Nevada.

Mr. Alvey indicated that because growth was a concern, the EDAWN's current focus was on quality companies rather than just more companies. Mr. Alvey advised that a new plan, currently under development, would study the economic impact of jobs and the benefits, volunteer programs, and contributions new companies would bring to a community.

7. NEVADA DEVELOPMENT AUTHORITY (NDA) - First quarterly performance report on the use of enhanced funding as approved by the 2005 Legislature.

A. Somer Hollingsworth, President and Chief Executive Officer, Nevada Development Authority (NDA), appeared before the Committee to provide the first quarterly performance report on the use of funding provided by the 2005 Legislature.

Mr. Hollingsworth advised that he had been given a mandate by the Nevada Development Authority Board to also bring quality companies to Nevada, and, although proceeding conservatively with the enhanced funding appropriation, reported that the NDA was conducting studies that included:

- Defining and measuring the success of NDA endeavors

- The recruitment of quality companies from cities and states with high-tax bases and anti-business attitudes

- Targeting industries and skill sets in conjunction with all municipalities and counties in southern Nevada

In closing, Mr. Hollingsworth expressed his appreciation for the enhanced funding provided to the NDA, which he said provided an opportunity to "step up to the plate" and determine what could be accomplished.

Assemblywoman Giunchigliani noted that both the NDA and the EDAWN budget proposals listed support of S.B. 283. Assemblywoman Giunchigliani pointed out that S.B. 283 was not approved by the 2005 Legislature and questioned whether revised expenditure plans had been developed.

Mr. Alvey indicated that neither he nor Mr. Hollingsworth were aware that S.B. 283 had not been approved and advised that the annual budget proposals would be revised and an update provided to the Committee.

Assemblywoman Giunchigliani expressed her approval of the EDAWN and NDA marketing campaign to target areas of economic need in Nevada and to coordinate education with the employer market. Assemblywoman Giunchigliani commented that the automotive program, offered by the Community College of Southern Nevada (CCSN), provided such a link to community needs and a better opportunity to bring a diversification of businesses to Nevada.

Assemblywoman Giunchigliani questioned whether the NDA and the EDAWN also worked with apprenticeship boards to determine trade industry needs.

Mr. Hollingsworth advised that NDA had a close association with the schools in Clark County and the Clark County Superintendent of Schools served as a member of the NDA Board. Mr. Hollingsworth indicated vocational/technical schools provided an opportunity to keep students in school and advised that the CCSN graduated students in the automotive program, who could earn wages in the range of $45,000 to $90,000 a year.

Mr. Alvey indicated that the EDAWN worked with the Truckee Meadows Community College to find the workforce for industries being recruited to Nevada.

Chairman Raggio accepted the first quarterly reports and requested that both the NDA and the EDAWN develop revised expenditure plans in view of the issues that were raised.

11. DEPARTMENT OF TRANSPORTATION:

B. Project status report on the transition of the Department of Public Safety's radio system for the period ending February 15, 2005.

Robert Chisel, Assistant Director, Administration, Nevada Department of Transportation (NDOT), appeared before the Committee to provide a project status report on the transition of the Department of Public Safety's (DPS) 800 MHz radio system for the period ending February 15, 2005.

Mr. Chisel advised that the transition of the 800 MHz radio system had been completed in Clark County and northwestern Nevada, and the DPS was in compliance with Federal Communications Commission (FCC) regulations statewide.

Mr. Chisel advised that the last step remaining for the project was the transition from the 150 MHz system to 800 MHz in rural Nevada and development of the additional mountaintop sites. Mr. Chisel provided the following information:

- The Department of Information Technology (DoIT) had contracts to construct three sites, Maggie Peak, Penn Hill, and Hickison. Construction had begun on two of the sites.

- The NDOT had assumed responsibility to construct the New Pass site using state forces.

- Four additional sites, Rachel, Caliente, Secret Pass, and Brockway, were being developed in conjunction with other agencies.

- As a result of rising costs, three remaining sites were under review for development of an alternate plan to bring completion of the mountaintop sites within budget.

In response to comments from Chairman Raggio regarding the 2003 Legislature's appropriation of $14.7 million, Mr. Chisel advised that development of the eleven mountaintop sites was originally projected at $2.6 million, but current projections anticipated development of eight sites at $3.6 million. Mr. Chisel pointed out that funding had been saved in purchasing equipment and in other areas of the project.

In response to Chairman Raggio, who questioned the status of development of the Timber Mountain, Big Bald Mountain and Shoshone sites, Mr. Chisel advised that the virgin sites were dropped because of the expenses involved in development. Mr. Chisel further advised that sites along the roadway right-of-way were being explored that would provide the needed coverage.

In response to Chairman Raggio, who asked if the coverage would prove adequate, Mr. Chisel advised that NDOT's goal was for 95 percent portable coverage. Surveys were being completed for those areas, and Mr. Chisel indicated that after data analysis, an update would be provided to the Interim Finance Committee.

Assemblyman Anderson questioned whether the radio system was functional without the three sites.

Mr. Chisel indicated the system was functional, was under utilization, and an attempt was being made to fill in the blank spots. Mr. Chisel pointed out that the NDOT was in partnership with Sierra Pacific Power and Nevada Power sharing and developing sites in western and southern Nevada, which he said was of great benefit to the NDOT. Additionally, Mr. Chisel advised that a commitment had been made that the three sites would not be converted, if the DPS was faced with any officer safety issues.

Although alternatives to obtain coverage were being explored, Mr. Chisel explained that there would always be spots without coverage, which had to be minimized. Mr. Chisel compared the spotty coverage to a cell phone that did not work, even in an urban area.

Chairman Raggio accepted the Committee's report and asked that the Committee continue to be provided with the progress being made on the transition of the Department of Public Safety's radio transition from 150 MHz to 800 MHz.

12. ASSEMBLY BILL 577 (2005) SALARY BILL

A. State Peace Officers Council - Correspondence regarding A.B. 577, 2005 Legislature.

Chairman Raggio advised that correspondence (Exhibit M) provided to the Committee from the State Peace Officers Council would be made part of the record.

Gary Wolff, appeared before the Committee on behalf of the State Peace Officers Council, in affiliation with Teamsters, Local No. 14, to express concerns in regard to 108 law enforcement officers who were not granted a two-grade salary increase during the 2005 Legislative Session.

Mr. Wolff indicated it was his opinion that A.B. 577, 2005 Legislative Session, provided the Director of State Personnel the authority to make an adjustment for those officers not covered under the legislation.

Additionally, Mr. Wolff referred to a September 9, 2005, Attorney General's opinion, that had been requested by the State Personnel Director, and took issue with the opinion's association of University of Nevada System professional employees who were unclassified with classified employees. Mr. Wolff indicated the Legislature had the ability to differentiate in approving pay increases, which was not clear in the bill.

On behalf of the 108 employees that were not provided pay increases, Mr. Wolff asked the Committee to consider addressing the issue again at later date.

Ron Cuzze, President, Nevada State Law Enforcement Officers' Association, formerly the State Peace Officers' Council, discussed personnel problems that had developed as a result of the classes that were not provided the increase. Mr. Cuzze advised that Police Dispatchers received the two-grade increase while Airport Control Officers now earned 5 percent less than Police Dispatchers. Additionally, Mr. Cuzze anticipated retention problems with officers in the Youth Parole Bureau who did not receive the two-grade increase and were applying for positions in the Division of Parole and Probation that had been granted the increase.

Mr. Cuzze discussed his organization's attempts, during the 2005 Legislative Session, to have the salary increase provided for law enforcement officers and advised that as indicated by Mr. Wolff, he too believed that A.B. 577 provided the Personnel Director with the authority to make adjustments for the 108 officers.

In regard to the Attorney General's opinion and the earlier reference to the University of Nevada System professional employees, Mr. Cuzze pointed out the University professional employees were unclassified and the peace officers were classified.

Mr. Cuzze advised that Jeanne Greene, Director, Department of Personnel, had provided a breakdown on a total cost of $799,000 for a two-grade salary increase for those peace officers not provided for in the bill. Additionally, Mr. Cuzze pointed out that many of the officers were in self-funded agencies and many of the other agencies that employed peace officers had available funding in their budget to cover the cost.

Chairman Raggio indicated that the salary increase for law enforcement officers was an informational item for which the Committee could not take action. Additionally, Chairman Raggio advised that the Attorney General's opinion (Exhibit N) dated September 9, 2005, which had been previously referenced, would be made a part of the record. The Chairman pointed out that the opinion provided that only the law enforcement classes for which the Legislature had specifically approved the funding for a two-grade salary increase, through the budget process, were entitled to receive increase, notwithstanding the provision that provided for the Department of Personnel to determine which law enforcement officers would receive the increase.

Chairman Raggio advised that the Attorney General's opinion provided that there was no authority beyond the budget that was approved in A.B. 577 for salary increases for the 108 officers. Chairman Raggio asked Legislative Counsel to provide her comments on the Attorney General's opinion.

Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau, agreed with the opinion of the Attorney General and advised that under the provisions of A.B. 577, Department of Personnel authority and methodology were appropriate under the provisions of *Nevada Revised Statutes* (NRS).

Mr. Cuzze cited NRS 284.175.5(d) which indicated that an equitable relationship should be maintained between classes and reiterated that the Personnel Director had the authority under A.B. 577 to provide the salary increase for the 108 officers.

Ms. Erdoes said that under NRS 284.175, the Director of the Department of Personnel had the authority to determine equity. Ms. Erdoes indicated it was her understanding that the Personnel Director had taken all factors into consideration, and the Director's analysis of the issue was "completely within the law."

In response to Chairman Raggio who indicated the request for equity should be presented to 2007 Legislature, Mr. Cuzze advised that attorneys for the Nevada State Law Enforcement Officers were of the opinion the Personnel Director had the authority under A.B. 577 to provide the salary increase.

Mr. Wolff pointed out that under the provisions of A.B. 577, Sections 11 and 12, the Personnel Director could approach the Board of Examiners for additional funding for the

increase. Mr. Wolff reiterated the request to place the issue on the agenda for the next meeting of the Committee.

Chairman Raggio pointed out that according to the legal opinions, the Committee had no authority nor did the Department of Personnel have the authority to fund beyond the appropriation approved in A.B. 577, which specified that the increase was for certain law enforcement officers, but not all law enforcement officers. While the Chairman indicated the issue could be placed on the Committee's agenda for the following meeting, he pointed out the Committee could not take any action unless the legal opinions changed.

In response to Mr. Wolff, who expressed a lack of understanding on why 2,000 officers received raises and 108 officers did not, Chairman Raggio pointed out that raises were not included in The Executive Budget for everyone in state government.

In response to questions raised by Mr. Wolff concerning the $5 million provided to teachers, Chairman Raggio advised that the Committee had the legal authority to provide that funding.

Mr. Cuzze again asked that the request to be placed on the agenda for the next Committee meeting.

Chairman Raggio advised that if additional information could be provided, or if there was a change in the legal opinions, the salary issue could be scheduled as an informational item on the next agenda.

Assemblywoman Giunchigliani noted an inaccuracy in the second paragraph of the August 15, 2005 letter (Exhibit N) from Mr. Cuzze to Chairman Raggio. Assemblywoman Giunchigliani pointed out that the narrative in that paragraph implied Assemblyman Arberry had confirmed that the intent of A.B. 577 allowed the Director of State Personnel to provide a two-grade increase to all state law enforcement officers, which she indicated was inaccurate. Assemblywoman Giunchigliani said that although the inaccuracy was probably not intentional, a similar problem involving statements attributed to her had occurred during the Legislative Session.

The Chairman indicated the issue would be placed on the next agenda as an informational item.

Brock Croy, Administrative Services Officers, Taxicab Authority, stated that NRS 284.175 did provide a procedure for "setting pay situations." The Taxicab Authority was a self-funded agency with 36 sworn officers, and Mr. Croy advised that the Authority representatives had not been contacted regarding their ability to fund a two-grade increase for officers. Mr. Croy advised that a two-grade pay increase would only impact the Taxicab Authority's reserve by 7.6 percent.

In response to a question Chairman Raggio asked regarding the Taxicab Authority's legal right to increase salaries without legislative authorization, Ms. Erdoes indicated that she did not know but would review the question.

B. Salary levels authorized for fire fighter positions.

Chris Ketring, Fire Captain, Nevada Division of Forestry (NDF), Professional Firefighters of Nevada, appeared before the Committee on behalf of the Nevada Division of Forestry firefighters. Mr. Ketring advised that as a result of "some confusion" at the end of the 2005 Session, Nevada Division of Forestry firefighters were not included in A.B. 577 for the two-grade salary increase although NDF dispatchers were provided the salary increase.

As a result of the inequity and in planning for the 2007 Legislative Session, Mr. Ketring indicated NDF firefighters could provide evidence they were "well below the 30 percent requirements for the law enforcement bill." Mr. Ketring asked that the Committee consider requesting the Department of Personnel to conduct a salary study.

Chairman Raggio advised that a staff analysis suggested that the Department of Personnel could be requested to conduct a salary survey for the firefighter job classification, and that request would be placed on the agenda as an action item for the next IFC meeting. Additionally, Chairman Raggio indicated a copy of the staff analysis (Exhibit O) would be provided to Mr. Ketring and would be made a part of the record.

Assemblywoman Giunchigliani indicated there had been an assumption on the part of legislators that firefighters were included in the salary bill and when it was discovered they were not, insufficient time remained before the end of the Legislative Session to amend the bill to include them. Assemblywoman Giunchigliani agreed that completing a salary study prior to the 2007 Legislative Session was necessary.

Chairman Raggio indicated that if there were no objections, perhaps a salary study could also be conducted for the law enforcement officers.

Assemblywoman Smith clarified that as a participant in the salary discussion at the end of Legislative Session, it appeared that a part of the problem was the issue of who paid the firefighters, which she indicated could be a focus of the study.

In response to questions from Chairman Raggio regarding local involvement, Mr. Ketring advised that the NDF firefighters were funded by the counties. Mr. Ketring suggested that rather than a statewide salary study for paid fulltime staff, the study focus only on Elko County, Washoe County, and Clark County, the three counties for which the firefighters provided protection.

Chairman Raggio reiterated that the request for State Personnel to conduct a salary study would be placed on the next agenda as action item.

13. DEPARTMENT OF ADMINISTRATION, DEPARTMENT OF HUMAN RESOURCES, Director's Office – Information related to the costs of moving various offices from the Kinkead Building to commercially leased office space.

Mike Willden, Director, Department of Health and Human Services, distributed a document (Exhibit P) on the history of the Kinkead Building and provided the following presentation:

The Kinkead Building was a six-story, 80,000 square-foot office building built in 1975. Problematic since first occupied, Mr. Willden said the building currently housed 350 employees from the Director's Office of the Department of Health and Human Services, (DHHS), Mental Health and Developmental Services (MHDS), the Vocational Rehabilitation Division of the Department of Education, portions of the Department of Employment Training and Rehabilitation (DETR), portions of the State Health Division, portions of the Department of Information Technology (DoIT) and a small lunch room operated by Services to the Blind.

Mr. Willden cited problems with sagging floors on the second through sixth floors with deflections of between 4 and 6.2 inches. Additionally, several portions of the concrete floors had cracked and fallen, and engineers had observed areas where pieces of concrete were expected to break loose in the future. Mr. Willden reported that Buildings and Grounds maintenance staff had taken safety measures to prevent people from being hurt by falling pieces of concrete.

Mr. Willden said a May 2004 engineering study indicated that although the floors were not on the verge of collapse, using the 2003 International Existing Building Code (IEBC), the sagging floors were classified as dangerous. The engineering report indicated there was great concern that earthquake activity in the vicinity of the Kinkead Building could result in substantial damage making the building irreparable or that damage could culminate in a partial or complete collapse.

Additionally, Mr. Willden indicated there had been a long list of deferred maintenance because of the expectation that building occupants would be moving to a new lease/purchase building.

Mr. Willden indicated staff morale had been negatively affected as employees had become increasingly concerned with safety issues related to falling concrete, and failing heating/air conditioning and elevator systems. Additionally, Mr. Willden indicated there had been an increased number of workers' compensation claims.

Addressing additional considerations, Mr. Willden advised that the Division of Child and Family Services (DCFS) Administrative staff were currently housed in Northern Nevada Children's Home cottages, which he indicated were in "deplorable condition." Mr. Willden advised of daily problems with leaking roofs and walls, electrical failures,

and tree growth around the buildings was a cause of water and sewer problems and safety concerns.

Addressing another recent problem, Mr. Willden reported that the State Welfare Division Administrative Office, located on College Parkway, had been notified that their lease, due to expire in March 2006, would increase by 36 percent if they wished to remain in their lease space. Additionally, the office would lose approximately one third of their parking area because of a sub-lease issue.

Mr. Willden told the members of the Committee that a work group had spent the last three months gathering information and evaluating five options regarding the Kinkead building, which he presented in priority order:

1. Move the occupants of the Kinkead Building, Division of Child and Family Services (DCFS) and Welfare staff into new available leased space in three buildings in two locations for a four-year period or until a state replacement facility could be constructed.

2. Kinkead tenants would remain in place until a state replacement facility could be constructed and Legislative consideration would be requested to fund advance design and planning in order to more quickly move occupants of the building. Advance funding for the planning design option would move up occupancy for a new building by approximately nine months rather than waiting for approval of funding for design and development by the 2007 Legislature.

3. Option 3 was similar to Option 2 with the exception of no early funding for design and planning.

4. Move the occupants of the Kinkead, DCFS and Welfare staff to leased space for five or more years.

5. Purchase two buildings on Technology Way in the northeast corner of Carson City and build two additional structures in the same complex. Consolidate all DHHS tenants at the Technology Way campus.

Chairman Raggio expressed an understanding of the employee morale problem and indicated the Kinkead Building should be considered as the Capital Improvement Program's highest priority of the 2007 Legislative Session. Chairman Raggio pointed out that the recently constructed building for the Department of Conservation and Natural Resources was a good example of what could be done under a lease/purchase arrangement.

In response to questions Chairman Raggio asked regarding the options, John P. Comeaux, Director, Department of Administration, identified himself for the record. Mr. Comeaux advised that a document entitled "Description & Analysis of Kinkead Options," (Exhibit Q) had been provided to the Committee.

Mr. Comeaux reported that approval of Option 1 provided for immediately moving the Kinkead Building occupants and the DCFS and Welfare Division's Administrative Office staff to leased space that was currently available.

Mr. Comeaux advised that options provided by the owner/developer of the leased space for the two buildings on Technology Way, included a four- to ten-year lease at a $1.25 a square foot for the first 24 months and increasing to 3 percent annually after that, with $200,000 toward tenant improvement and two months free rent for a cost of $4,078,081 over the biennium. The costs were based on an estimated move timeframe of January 2006. If approval of Option 1 was provided in November, Mr. Comeaux said the January 2006 date would move forward by several months with a slight change in cost.

In response to a question Chairman Raggio asked regarding the cost to demolish the Kinkead Building, Mr. Comeaux advised that the $1,600,000 demolition cost was included in the $4,078,081 cost.

In response to Chairman Raggio, who asked for additional information regarding Option 2, Mr. Comeaux advised that Option 2, at a cost of $5,203,000, provided that all current tenants of the Kinkead would remain in place until a replacement building could be constructed. Repairs necessary for continued occupancy for up to four years and advance design and planning documents were currently funded and would allow construction to begin if a new building was authorized in 2007. Additionally, Mr. Comeaux said a new building could be ready for occupancy by late 2008 or early 2009.

Chairman Raggio cautioned that the longer the length of the lease, the less incentive there would be to construct the new building.

Assemblywoman Bonnie Parnell, representing Assembly District 40, the district in which the Kinkead Building was located, appeared before the Committee to express her support for Option 1. Assemblywoman Parnell urged the Committee to approve the option to immediately move Kinkead Building tenants, DCFS, and Welfare staff to available leased space. Assemblywoman Parnell provided her assurance that the Legislature would not forget the employees or lose the vision of the Capital Complex.

Betty Badgett, a state employee housed in the Kinkead Building, appeared before the Committee to request that only the options that involved immediate relocation for employees be considered.

Ms. Badgett discussed the safety of state employees in a building that not only lacked structural integrity, but was plagued with problems related to heating, air conditioning, ventilation, elevator failure, sewer and water as well as fire/safety life issues. Ms. Badgett expressed concerns that in the event of a fire, employees could be trapped in burning stairwells.

Ms. Badgett pointed out that *Nevada Revised Statutes* (NRS) 618.385, provided that employers were not to maintain unsafe or unhealthy places of employment. Ms. Badgett requested that the members of the Committee take action at the November meeting to immediately relocate Kinkead Building tenants to a leased space.

Rena Meyers, representing State of Nevada Employees Association (SNEA), Local 4041 distributed a document, entitled, "The Kinkead Building, Safety and Welfare Concerns Impacting Employees and Members of the Public," (Exhibit R).

Ms. Meyers also expressed support for only those options that involved immediate relocation for Kinkead Building tenants and indicated the document she had provided to the Committee included photos depicting the structural and safety issues discussed in previous testimony. Of particular concern were the extensive fire-code violations listed on Page 3 of the document, any one of which Ms. Meyers said could result in a fire, injury or death. In the event of a fire, Ms. Meyers indicated there were grave concerns difficulty would be encountered in evacuating employees.

Chairman Raggio asked if the DCFS cottages would be demolished under Option 1.

Mr. Comeaux advised that Option 1 included vacating the cottages and maintaining the gymnasium. While the cottages would eventually be demolished, Mr. Comeaux said the cost of demolition was not included Option 1.

In response to Chairman Raggio's request for the cost to close or board up the cottages, Mr. Reese Tietje, Chief Assistant, Planning, Department of Administration, advised that the cost to board up the cottages and isolate them from the Boys and Girls Club and to close the Kinkead Building, if it was not demolished, was $100,000.

Chairman Raggio advised that a request to consider the five options would be placed on the agenda as an action item for the November IFC meeting. Interested parties were invited to provide any additional information that might be pertinent to the Committee's consideration.

Assemblyman Anderson asked if there was anyone present who could advise of when the last safety inspection was conducted for the Kinkead Building.

Officer Mike Dzyak, representing the State Fire Marshal, advised that he conducted inspections of the Kinkead Building in 2001, and 2003. Officer Dzyak reported that after the 2003 inspection, his contact with representatives of the Public Works Board was ongoing. Since a structural survey was being conducted, Officer Dzyak said that an additional life/safety inspection was not conducted until just recently. Although the 2005 life/safety inspection had not changed significantly since 2003, Officer Dzyak indicated there were 46 write-ups resulting in 400 separate violations.

In response to questions Assemblyman Anderson asked regarding a comparison of the 2005 inspection to the 2003 inspection, Officer Dzyak advised that from a fire/life safety standpoint, equipment and cabinets had not been removed from corridors, more escutcheon rings were missing from fire sprinklers than in 2003, and there were five pages of fire related write-ups compared with three pages in 2003.

Assemblyman Hettrick requested a breakdown of all anticipated lease space costs and demolition or building closure costs for the Committee's consideration at the November meeting. Additionally, Assemblyman Hettrick indicated that if the funding was to be provided from the Contingency Fund, he preferred that the initial request be as small as possible and perhaps include the demolition costs as a part of the new building construction. Assemblyman Hettrick also requested that information be provided for the total square footage in the two Technology Way buildings.

Assemblywoman Smith extended her appreciation to the employees who had taken annual leave and remained in the meeting all day to provide testimony and expressed her support to secure a safe structure for the Kinkead Building employees.

In response to questions Senator Mathews asked regarding a forced closure of the building by the State Fire Marshal, Officer Dzyak advised that under the provisions of NRS 477, the Fire Marshall had a duty to inspect state-owned facilities and attempt to gain compliance, but after 31 days responsibility was transferred to the Public Works Board. Officer Dzyak advised that several floors in the Kinkead had been tagged and closed by the Fire Marshall as a result of walls and renovations being built without proper authority.

Chairman Raggio advised that the options provided by the Director of the Department of Health and Human Services would be addressed by the Committee as an action item at the November IFC meeting.

Assemblyman Anderson asked the Committee's staff to keep him informed of the Kinkead Building issue.

T. PUBLIC COMMENT.

There was no public comment.

U. ADJOURNMENT.

Chairman Raggio adjourned the hearing at 4:30 p.m.

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Senator William J. Raggio, Chairman
Interim Finance Committee

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

EXHIBITS INTERIM FINANCE COMMITTEE SEPTEMBER 15, 2005		
Exhibit	**Witness/Agency**	**Description**
A		Agenda September 15, 2005
B		Guest List
C		Informational Items
D	Gary Ghiggeri Fiscal Analysis Division, Legislative Counsel Bureau	Statement of Contingency Fund Balance
E		NDOT List of Equipment to be purchased with Homeland Security grant funds.
F	Charles Chinnock, Department of Taxation	Nevada Department of Taxation spreadsheet
G	Renee Parker, Office of Secretary of State	August 23, 2005 Memo from the Secretary of State
H	Mary Liveratti, Department of Health and Human Resources	"Nevada Senior Rx and Disability Rx Plan for Medicare Part D Wrap-Around Coverage as Mandated by AB495 and AB524 August 2005"
I	Public Works Board	Project Cost Estimate
J	Mindy Martini, Legislative Counsel Bureau	Overview Agenda Item R: Contract with the Grow Network
K	Charles Chinnock	Unified Tax System (UTS) – Project Update
L	Charles Chinnock	White Pine County – Status Report, Severe Financial Emergency
M	Ron Cuzze, President, State Peace Officers Council	Correspondence dated August 15, 2005, August 10, 2005, and August 8, 2005
N	Jeanne Greene, Director, State Department of Personnel	Attorney General's opinion dated September 9, 2005
O	Mark Stevens, Director, Fiscal Analysis Division, Legislative Counsel Bureau	Staff Analysis on a two-grade salary increase for firefighters..
P	Mike Willden, Director, Department of Health and Human Services	History and Background on the Kinkead Building
Q	John P. Comeaux, Director, Department of health and Human Services	Description and Analysis of Kinkead Options
R	Rena Meyers, State of Nevada Employees Association	The Kinkead Building