

**MINUTES OF THE
LEGISLATIVE COMMITTEE FOR THE
FUNDAMENTAL REVIEW OF THE BASE BUDGETS OF STATE AGENCIES
(Nevada Revised Statutes 218.5382)
April 11, 2000**

A meeting of the Committee for the Fundamental Review of the Base Budgets of State Agencies (created through passage of A.B. 194, 1995) was held at 9:30 a.m. on Tuesday, April 11, 2000, in Room 2134 of the Nevada Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was video-conferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Exhibit “A” is the Meeting Notice and Agenda; Exhibit “B” is the Attendance Record; and Exhibit “C” is the Meeting Packet.

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

**Senator Dean A. Rhoads, Chairman
Assemblyman Morse Arberry Jr.
Assemblyman John W. Marvel**

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

**Senator Joseph M. Neal, Jr.
Senator William R. O’Donnell**

COMMITTEE MEMBERS EXCUSED:

Assemblyman David R. Parks

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Rick Combs, Program Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Mary Matheus, Local Government Budget Analyst
Dan Miles, Senate Fiscal Analyst
Jo Rasey, Secretary to the Committee
Mark Krmpotic, Program Analyst
Mark Stevens, Assembly Fiscal Analyst

Chairman Rhoads called the meeting to order at 9:35 a.m and instructed the secretary to call the roll. He asked to have the record indicate Assemblyman Parks is excused. He stated this was the third time in six years this Committee has been asked to review the base budgets of selected agencies.

Department of Administration – Purchasing Division

Bill Moell, Administrator, Purchasing Division, Department of Administration, introduced Tracy Raxter, Administrator, Administrative Services Division, and Mary Matheus, Local Government Budget Analyst, Fiscal Analysis Division, Legislative Counsel Bureau. He told the Committee the overall goal of the State Purchasing Division is to leverage

State buying power to provide best value purchases for State agencies, cities, and counties, and other government entities. The Division has been fairly successful in that goal. Purchasing is changing; the way it did business four years ago is not the way it does business today, and is probably not the way it will do business four years from now. It is a very dynamic field after being stagnant for 150 years. It changes almost daily.

In response to the Committee wanting to know some of the newer types of purchasing arrangements that benefit multiple users, Mr. Moell said the Division is doing an increasing number of multi-state bids where it partners with other states to leverage buying power. The most successful is the State Pharmaceutical bid involving approximately 35 states, managed by the state of Minnesota, where substantial discounts are obtained on pharmaceuticals and medical supplies.

Another multi-state bid for computers involving 25 states garners an additional 5 percent discount on computer equipment, such as Dell, Gateway, and Compac. If last year was any indication, that contract will save an additional \$550,000 for State agencies. Purchasing is using a shared contract with the University of Nevada, Reno (UNR), the experts in videoconferencing. UNR has approximately 65 sites, while the State has about 10. The State uses the UNR contract to secure video teleconferencing equipment. It also uses a Corel software suite from a City of Las Vegas contract. It is in the process of looking at loaders using an Oregon contract and computer communication equipment is being developed from a Utah contract. The Division is reaching out, making sure dollars are maximized, and the wealth is shared.

Chairman Rhoads asked if the Division monitors prices, or simply takes for granted the best prices are obtained because 35 states are involved.

Mr. Moell replied they absolutely monitor prices, that is the primary responsibility of the lead state.

Chairman Rhoads stated that several years ago he purchased groceries in large lots in Elko. He subsequently found that 70 percent of the products were priced higher in the local area than at discount stores in Reno.

Mr. Moell responded they double check prices. In fact, Purchasing has increasingly moved toward that role. Historically, his department had been a purchase requisition processing office. It no longer operates that way. It is getting out of the paper pushing business and into the contract management process. Purchasing needs to get out from between the customer and the vendor, to be off to the side where it can monitor contracts.

Assemblyman Marvel asked if it was too soon the develop performance indicators on Purchasing's overall Mission Statement, particularly in light of the change in how it now assesses the various state agencies.

No, Mr. Moell answered. Purchasing is looking at the utilization of the various good of the state open term contracts. Utilization is growing. Purchasing is also examining the discounting involved. That goes back to the contract management. If employees are not spending all their time pushing paper, there is time to examine how well the contracts are performing. The Department is looking at discounting, delivery, and payment by State agencies as well as being heavily involved in the role of mediation and problem solving.

Assemblyman Marvel questioned if any figures had been developed on what the total savings has been with the new methodology versus the way things had been done in the past.

Mr. Moell replied no, but said he would have that information for the next budget. Savings on computers is an additional 5 percent but they were coming to a threshold that would take a couple more percent off that. The Grainger Catalog balance and line contract's discount is in the neighborhood of 40 to 45 percent, an increase clearly of about 15 percent over what occurred before Purchasing had that catalog. Janitorial is 15 percent lower than the previous bid. There are significant savings. There are also time and productivity savings, which are much harder to measure. However, if agencies can go directly to the open-term contracts and not have to go through Purchasing, it is a much more efficient method of operating.

Assemblyman Marvel inquired if local governments were utilizing Purchasing's services.

Very much, Mr. Moell responded. That is continuing to grow. Elko can get fair, but not great, prices while places like Eureka, West Wendover, or Wells cannot get pricing at all. They buy off of Purchasing's contracts. That is substantial. The City of Ely was paying retail for office and janitorial supplies. Purchasing was able to cut their bill in half.

Assemblyman Marvel asked if Purchasing received many orders for Prison Industries' products.

Mr. Moell said Prison Industries did not go through Purchasing.

Assemblyman Marvel wondered if Purchasing bought anything off the Internet.

Mr. Moell replied No. The Nevada Department of Transportation (NDOT) purchases some parts off the Internet through the Commercial Card Program that Purchasing established. In general, Purchasing is not set up to buy off the Internet, but hopes to be within a couple of years.

Chairman Rhoads questioned what a multiple award open-term contract was.

A perfect example of that is automobiles, Mr. Moell testified. The pricing on automobiles is not contingent upon whether 100 or 1,000 vehicles are purchased. Fleet pricing is either available or is not available. Purchasing asks for bids and negotiates fleet pricing, but maintains contracts with Ford, Chevrolet, General Motors, Dodge, etc., and in that way can give customers the option of buying what is best for them. Fleet managers for the various agencies make the determination of what vehicles fit within their fleet management.

Assemblyman Rhoads asked if any agency had ever been analyzed to determine if it would be better off out of the car business and better served by leasing cars.

No, Mr. Moell responded. Purchasing only provides agencies with products they report they need.

Purchasing provides eight training classes a year, in Reno and Las Vegas, Mr. Moell continued. Four are on commodity purchasing through the Department of Personnel. The other four are on the proper way to contract for services, offered jointly through Risk Management, the Attorney General's office, and Purchasing. Individual training is also provided to new staff of any agency whenever it is requested. A contracting class was recently held for Buildings and Grounds. That type of customer training is critical to business and will assist in obtaining the goods they desire.

Chairman Rhoads asked if there were many problems with training people and then losing them.

Yes, particularly in Las Vegas, Mr. Moell responded, where there is a huge salary differential. People move around just to keep up with inflation. It happens quite often. Historically, Purchasing has been involved in keeping staff up to date on the latest versions of software being used. That has slowed somewhat as Purchasing makes decisions not to utilize, or postpone use of, some versions of software. That has allowed them to focus on staff development. The professionalism of the Purchasing staff is critical as it moves forward, processing less paper and performing more analysis. Eight people are currently studying for their Certified Purchasing Manager Certification, a four-part study course offered by the National Association of Purchasing Managers, a private purchasing entity. The National Association of Purchasing Managers was chosen as opposed to the National Institute of Governmental Purchasing because it is broader, more innovative, and brings much more depth to the staff. Mr. Moell said he believes training will remain relatively constant. Software upgrades are a maintenance item and continually change, modify, and interact with each other so it will continue to be upgraded, but hopefully, not as rapidly as in the past. Staff turnover is anticipated so staff training will continue.

Assemblyman Marvel noted there was quite a short fall from projected income and asked when Purchasing might more accurately predict income.

Mr. Moell responded that was a self-correcting problem in the next biennium. One problem is the assessment - it was budgeted in Purchasing's budget but not in the individual agency budgets. Of approximately \$1.5 million, about \$7,000 will be projected in shortage on the assessment. Next year will be totally different. Purchasing realizes there will be

significant difficulties for agencies, primarily for the Department of Conservation and Natural Resources.

Assemblyman Marvel thought the amount some agencies had purchased had been minimal compared to the assessment. He was sure many agencies would experience quite a short fall because they certainly did not budget for that impact.

Purchasing was aware of that, Mr. Moell answered. At the time Purchasing thought it was a good idea to include the number of purchase orders as part of the assessment calculation. However, that created inequities that will be corrected during the next biennium. That method will be replaced with one that uses the percentage of usage of a contract that Purchasing has put in place. It is fairer, more even, and should solve that particular problem. Examples are the Grainger, the windshield, the travel agency, and the airline contracts. There are numerous contracts in place for the good of the State that impact a large number of agencies. These contracts do not generate revenue and cause an unfair burden for those who send purchase requisitions through Purchasing. The other problem has to do with cities, counties, and other government entities. S.B. 341 from the 1999 Legislative Session allowed agencies to go directly to contract vendors without going through Purchasing. That is a good thing but it certainly impacted revenue from those agencies. Purchasing has been able to put in place rebates from a selected few open-term contract vendors that will cover the cost of processing. Finally, in Services, the primary area of the shortfall, Purchasing did not anticipate the number of good of the state contracts and severely underestimated the cost of doing a Request for Proposal (RFP). Some were complex, some were rushed, some required shipping through Federal Express; those costs had not adequately been covered.

Does Purchasing prepare all RFP's for the agencies, Assemblyman Marvel asked.

Purchasing prepares all RFP's that exceed \$100,000 that it makes sense to do. For example, it makes no sense for Child and Family Services to bid for group homes or placement of foster children because they take everyone they can possibly get for those contracts. Purchasing has recommended agreements be put in place rather than bidding. Only if it makes sense and if value can be added to the process will Purchasing prepare an RFP.

How is a fee assessed, queried Assemblyman Marvel.

On RFP's where Purchasing thinks it makes more sense to find a different method of doing something, it does not assess a fee. Purchasing re-bid the Diner's Club contract. The Department became experts and had to find a number of stakeholders to perform the evaluation on that process. Afterward, Purchasing inherited the management of that contract, which is substantial. The State gave up \$37,000 in incentives last fiscal year because the contract was difficult and time consuming to manage. Purchasing is meeting with the Attorney General's office and Personnel on April 18, 2000, to discuss what to do with employees who are late in payment, refuse to pay, or make inappropriate payments. Purchasing will be much more aggressive in that type of contract. That also takes staff time.

Assemblyman Marvel asked how Purchasing is compensated for its time.

Mr. Moell said they are compensated by a percentage of the people who use the contract. If, for example, there is \$10 million on the Diner's Club, that usage will be divided by budget account to determine a gross figure. That will be done with all contracts in place and will result in a more equitable distribution of the assessment.

Assemblyman Marvel wondered what kind of assessment formula would be used.

It will be on the utilization of contracts Purchasing has put in place, Mr. Moell replied. Purchasing takes the total volume by budget account, the amount a given budget account has spent out of that contract, and that becomes part of the formula for assessment in future years. It will actually be budgeted by an individual category in the next biennium.

What will happen with agencies that have not budgeted money, Assemblyman Marvel asked.

Some kind of adjustments will have to be made, Mr. Moell answered. That money cannot be forgiven because the Federal government dictates every agency be treated the same across the board. Purchasing will have to determine some way to deal with those agencies. Buildings and Grounds' budget for the water treatment plant, for instance, no longer exists. Some adjustments must be made which will result in equity for the agencies.

Assemblyman Marvel expressed concern that some agencies do not have money in their budgets for the biennium. He wondered how that shortfall would be overcome.

Mr. Moell said that was part of the assessment criteria for the next biennium. Obviously, blood cannot be obtained from a turnip. There must be some way so the Federal government does not think some agencies are paying more than their fair share with their federal dollars.

What are the sanctions, Assemblyman Marvel asked.

Tracy Raxter, Administrator, Administrative Services Division, Department of Administration, said the sanctions would disallow any charges to federal programs. If there are agencies in the second year of the biennium that cannot find the money, Purchasing may have to remove that assessment, or adjust it in FY 2001, and then reapply that charge to 2002, because an equitable base must be maintained for all agencies.

Would it be in accounts receivable, Assemblyman Marvel questioned.

Not really a receivable, Mr. Raxter responded. Purchasing will have to dip into reserves this biennium. Enough money exists for that. The assessments will be made the first month of the new biennium.

What kind of reserve is being carried now, Assemblyman Marvel asked.

The projection for the end of this biennium is \$500,000, Mr. Raxter answered.

How much would be needed from the reserve to make up for the shortfalls, Assemblyman questioned.

It will be very close at the end of the biennium, somewhere in the neighborhood of \$200,000, maybe even lower, Mr. Raxter responded.

Assemblyman Marvel asked what Mr. Raxter thought was a safe reserve.

It was set at \$500,000 because we knew there would be problems in revenues, Mr. Raxter said. There was no track history on the services procurement unit and assessments were levied that were not budgeted for in agency budgets. It is possible to get it down in the neighborhood of \$200,000 for future years and be safe.

Do you feel these problems will correct themselves in the next biennium, Assemblyman Marvel inquired.

We do because it will be budgeted for in individual agency budgets, Mr. Raxter replied. That has been the big problem this year. We will also have a track record on services so we will be able to collect it through the assessment and billing of the agencies. Revenues will be there in the future, this transition biennium has been a problem.

Jim Manning, Budget Analyst, Budget Division, Department of Administration, stated he, Mr. Raxter, and Mr. Moell are looking at the revenue problems being created for 2001, and trying to use the reserves, if needed, and still maintain an adequate reserve level. As far as the new biennium is concerned, and using this new procedure for assessments based on utilization, it has not been tested but seems like it will be the answer to being more equitable in determining assessments to the agencies.

Assemblyman Marvel stated everyone was probably at fault for this situation, the Legislature included, because the bill was passed late in the session after all budgets had more or less been closed. The impact had not been contemplated.

Mr. Manning stated it was late in the Governor's recommended base when the decision was made on what type of assessments they had. The decision was made in his office not to project that cost out and have to deal with general funds and the agencies as far as giving them new revenues and making those corrections.

Assemblyman Marvel stated he appreciated Mr. Manning's efforts. It was time for a change.

Chairman Rhoads asked Mr. Moell if, in his opinion, the fee assessment worked better than the old method, or did he think it was a toss up.

With the administrative charge, Mr. Moell responded, it is absolutely a wash in revenue. It is very difficult to project how many purchases will be made during a given period of the year. It also forces Purchasing to be a transaction-based agency. The Division had to count on the number of purchase requisitions that came across their desks in order to generate the revenue. The assessment freed them from worrying about individual transactions and moved them into areas where they could become more creative. They could do multi-state procurements and buy off contracts with other agencies. Purchasing could remove itself from between the customers and the vendors and get into the management business. That is part of the transition now occurring. It will, over time, involve much less paper work and will allow for a much better job being done for the agencies.

Mr. Moell expanded on the Purchasing's vision of future staffing requirements. He reported the Integrated Financial System (IFS) has been in operation for approximately 15 months, but was not yet decentralized. Purchasing still performs data entry for all agencies not directly on line with the IFS. That process will begin in earnest in July and that workload will move to the agencies. Purchasing is also implementing more open-term contracts to allow agencies to purchase direct. A Bill Draft Request (BDR) will soon be submitted to raise the definition of fixed assets from \$500 to \$1,000. Many things are shifting the workload.

Mr. Moell believes Purchasing will end up with fewer staff, at least in commodity purchasing. They may be higher salary grades because the skills needed for contract management and contract analysis are very different from those needed for data entry and for the processing of purchase requisitions. He believed there will be some adjustments over the next two biennium, but did not know what they will be.

What percentage of the total volume is \$500 to \$1,000, Chairman Rhoads asked.

Mr. Moell said it would eliminate about 1,800 items from the fixed asset file and estimated it might be 10 percent, perhaps higher. The vast majority of agency purchases are not large. They are for ongoing items. It is rare when an agency has lots of money for equipment or computers. The open-term contracts will be the major form of purchasing three years from now. Purchasing's job is to make using open-term contracts easier for agencies than it is not to use them. The short answer to the Chairman's question is, "I do not have a clue."

Vacancies, Mr. Moell continued, are not single-issue things; they are events, particularly if you have good staff. For example, when Kathy Dow left Purchasing the first thing the Division did was clear the Employers Insurance Company of Nevada (EICON) Reemployment List, which took two to three weeks. We then promoted Julie Butler from our staff, who was on maternity leave at the time. We subsequently had four purchasing officer positions, two which were essentially vacant. The Division recruited for the purchasing officer position, which meant we had to re-clear the EICON list which took another three weeks. We then did a recruitment that was relatively fast and were able to hire a quality person from the Prison contracting unit. We lost four man months, or in this case woman months, of productive time in that process. Purchasing is a service agency and must maintain customer service. RFP's must be processed in a timely manner and bids must be placed on time. That was accomplished with overtime. Three hundred and thirty five hours of overtime were spent in the Contract Services Section during those four months to offset the loss. Overtime is directly related to providing quality service and dealing with staff shortage events.

Assemblyman Marvel asked what expenses and revenues Mr. Moell anticipated would be able to be removed from the base budget.

Overtime, Mr. Moell confessed, was a surprise. They had not anticipated nearly enough. Salary savings, however, offset much of that overtime. He felt overtime in base budgets should be minimal. Purchasing would move away from that type of operation and be able to work within their staffing hours.

Mary Matheus, Local Government Budget Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, suggested overtime could be eliminated from the base budgets and re-justified when Purchasing comes in with their maintenance

or enhancements. There were also some one-time office supply purchases. She asked Mr. Moell to discuss the out-of-state travel levels that were significantly higher than had been budgeted and whether he thought those needed to remain in the base budget. Overtime is the primarily item that can be removed from the base budgets.

Mr. Moell responded the trips that had been budgeted and justified were the National Association of State Procurement Officers (NASPO) Conference, National Electronic Commerce Coordinating Council (NECCC), the NASPO Vendor Meeting, and the Bank of America Utilization Conference. The three trips not budgeted were a result of multi-state bids. Bill Lawless, for instance, went to Santa Fe, New Mexico, and that \$758 expense was instrumental in \$550,000 worth of savings. A trip is planned to Salt Lake City on computer communications equipment that should result in significant savings on that type of equipment. Utah is the lead state on that. Mr. Moell did not know if direct savings would be realized on the Portland, Oregon, trip, a multi-state procurement for loaders. Considerable debate exists regarding benefits and the need for a multi-state loader bid. That debate is between dealers of loaders and manufacturers of loaders. It has become a political debate that exists in the Governors' offices of six states. We do not know where that trip will lead but it is part of the process, part of why we went there, why we had pre-bid meetings, and why we discussed it with the various players, to determine if it viable. If it does not work, it is money well spent to keep the Division out of trouble and out of the courts. If it does work, it could save a considerable amount of money. One hundred loaders would be purchased as opposed to six.

Chairman Rhoads asked what the advantage was of being a lead state, and questioned if Nevada was a lead state on any type of commodity purchasing.

Mr. Moell responded the Division was in the process of becoming a lead state on industrial tools and supplies. The advantages are minimal, but it is one of those things where we have to share the wealth. If Nevada is going to work off a New Mexico, Minnesota, Utah, or Oregon contract, it must bite the bullet and do something where other states can purchase off our contracts.

Chairman Rhoads asked if any rule exists that a state must be a lead state.

Mr. Moell replied no, but Nevada was the first state to put in place an industrial tools and supplies, market-basket type of procurement with the balance of the line in place. It has been very, very successful and is about a \$3.8 million contract.

Chairman Rhoads asked if Nevada receives a rake-off from the other states.

It will be minimal, Mr. Moell responded. There is an administrative fee but certainly no profit. Yes, he admitted, the Division should budget for this type of ongoing purchase. Purchasing wants to do more of these. Certainly the western states are interested in leveraging whenever possible.

Of particular note regarding operating supplies, Mr. Moell continued, are the publications and periodicals where the Division spent \$12,633 more than was budgeted. That represents two contracts. The first is Dun and Bradstreet where the Division budgeted about \$300 dollars last time. That will end up being in the neighborhood of \$6,000 to \$8,000. The Division performs credit and financial background checks on many of the service procurements to ensure they can perform as they claim. We do not want a vendor whose largest contract to date is \$10,000 performing a \$250,000 statewide contract. We do not want a vendor with pending lawsuits against them. Dun and Bradstreet performs these background checks.

The second contract, Mr. Moell said, is the Standard and Poor's 500 Stock Index, a shared contract with the City of Las Vegas. This contract builds escalation clauses into our commodity bids. For instance, if a dealer says it needs 5 percent because of inflation, we check the Standard and Poor's Index to verify that 5 percent inflation. It gives us a basis for limiting escalation clauses. This is new and it is an opportunity with the City of Las Vegas we thought we needed to take advantage of.

Chairman Rhoads asked what the Nevada Mall Program is.

The Nevada Mall Program, Mr. Moell responded, is near and dear to him. He had reported that Purchasing needed to get out from between the customers and vendors and make it easier to use State open-term contracts than it is not to use State open-term contracts. The Nevada Mall Project is a web-based shopping cart password protected purchasing service. When a city, county, or state agency gets into this website they are assured everything purchased meets the public purchasing requirements. They are assured it is a legal purchase. They can purchase office supplies, industrial supplies, tools, etc. It routes the approval process through the appropriate business practices and then sends out electronic purchase orders directly to the agencies.

How long has it been in operation, Chairman Rhoads asked.

It is relatively new, Mr. Moell responded. Purchasing had been thinking about it for six or eight months but thinks it will be implemented in the next biennium or the biennium after that. There are four players: State Purchasing, Advantage AMS 2000 System, Ariba Software, the software that for the last three years has been putting the Division's major open-term contract vendor catalogs on websites. Purchasing thought a third party vendor would be needed. However, American Management Systems (AMS) and Ariba came together. It became a no-brainer and Purchasing felt the reduction of risk was the primary driving criteria. It moved the entire process up very quickly. Purchasing would like to go ahead with it today, but revenues are not available. It does all the things the Division is supposed to do. It is a public/private partnership and allows agencies to shop directly. It gets Purchasing into the contract management basis and is a purchasing service. No software, hardware, upgrades, or maintenance is purchased.

Is the cost to set it up \$150,000, Chairman Rhoads questioned.

That is still under negotiation, Mr. Moell answered.

Chairman Rhoads asked if this will be in the Purchasing budget for the next biennium.

Yes, Mr. Moell assured him. It should move about 20,000 transactions the first year.

Assemblyman Marvel asked if revenues and reserves would be sufficient to fund the \$150,000 cost.

Absolutely, if it is built into the budget, Mr. Moell assured him. It may be appropriate for Purchasing to pay the subscription fee of approximately \$75,000 and distribute the other almost nominal costs across the board to the agencies and vendors. Vendors are the big winners in this, they end up paying the majority of the costs. Corporate Express, for example, receives 11,000 pieces of paper a year. With this system they will now receive 11,000 electronic purchases a year. That is a tremendous savings, a difference of from \$100 to \$5 or \$6 per order to process. That savings should eventually be passed back to Purchasing. More importantly, vendors should pay most of this cost.

Ms. Matheus did not believe Mr. Moell would request this until the second year of this biennium. He would have to go to the Interim Finance Committee (IFC).

Assemblyman Marvel asked if it would be in the next Purchasing budget.

Yes, and then only if there is IFC approval, Mr. Moell answered. Otherwise, it will be in the next biennium.

Chairman Rhoads questioned the projected reductions in the data processing costs.

Mr. Moell stated Purchasing has in its budget upgrades of software to newer versions. The Division has elected not to purchase some upgrades because it does not see the benefit versus the cost. Sometimes upgrades in software are more trouble than they are worth because they have to interact with all other upgrades. Purchasing holds off and is very careful about upgrades. That is particularly true with the NetWare, Arc Serve, and Winfax. Most of the savings has to do with Department of Information Technology (DoIT) charges. Some charges are in dispute and the Division is waiting responses to questions that we have been working on for some time. We are not sure how much savings will be but it will be substantial. Purchasing is not contesting the \$12,000 a year because we have a local area network. It is not contesting the \$32,000 a year because it is on the wide area network. It is, however, contesting some telephone and

facility charges. The Division does not have anything on the mainframe and there is a real problem with those charges.

Ms. Matheus asked if Purchasing would have an increase in purchases in the next biennium if the software purchases were postponed this base year.

Mr. Moell responded that upgrading versions of software is a maintenance item. It is "pay me now or pay me later." Purchasing is being very judicious about the upgrades because, like Dominos, if one software is upgraded it impacts all the other software on the other machines. Yes, Purchasing will have to continue to upgrade software packages.

Senator Neal asked how many employees Purchasing has.

Mr. Moell responded there are 38 employees in Purchasing: two in Las Vegas in the Warehouse Section; 10 at the Reno Warehouse which includes the Commodities Services Procurement; 14 in Commodity Purchasing in Carson City; six in Services Procurement in Carson City; two in Fixed Assets in Carson City; one in Federal Surplus; and two Administrative. The one half time position in Federal Surplus is being eliminated.

Senator Neal asked when the organization chart was last revised.

Three weeks ago, Mr. Moell responded.

Is that where the vacancy is shown, Senator Neal questioned.

Yes, that is a half time position which is not needed, Mr. Moell replied. It will not be filled.

Senator Neal asked why Purchasing Equipment, budget account 1364, does not appear on the organization chart.

There are no positions in that budget account, Mr. Moell clarified. It is strictly a depreciation account where major pieces of equipment are purchased. Mr. Moell said he oversaw the budget account but no positions are assigned to it.

It must have some kind of hands-on activity, Senator Neal insisted.

It is very limited, Mr. Moell explained. Equipment is purchased out of that account. Most agencies have a category 05 account. Purchasing, as a service fund, can depreciate equipment. That depreciation money is then transferred to budget account 1364 and becomes the area from which any replacement equipment is purchased.

Why does the account not show up on the organizational chart, Senator Neal questioned.

Mr. Moell explained the organizational chart reflects positions. As no positions are paid out of that account, it is not included on the organizational chart.

Senator Neal asked the difference between Central Commodity Purchasing and Commodity Food Distribution.

Commodity Purchasing, Mr. Moell explained, purchases computers, trucks, cars, office furniture, items the agencies need. The Commodity Food Distribution program takes USDA surplus food and distributes it in manageable quantities to food banks, schools, senior centers, etc. through warehousing and distribution programs.

Senator Neal asked how the fee assessment associated with Assembly Bill 591 passed in the 1999 Legislative Session was working out.

Overall, it is working fairly well for the commodity purchases, Mr. Moell answered. Of the \$1.5 million, about \$7,000 will be shortfall. There are some inequities which have to do with including the number of purchase orders into the formula. That will be removed from the formula consideration next time. Some serious problems will exist next year because agencies were not budgeted and budgets are much tighter the second year of the biennium. Generally, equipment is purchased the first year of the biennium, not the second so that will leave them short.

Senator Neal asked Mr. Moell if there are any changes he would like to make to improve the four functions in his organization.

Yes, Mr. Moell said emphatically. The four areas are Services Procurement, Commodity Food Distribution, Commodity Purchasing, and Property Management. The one area that makes the most sense to change is rolling budget account 1367, which has one person and minimal budget, into budget account 1358 where the Federal surplus property has become an internet-based program. It can be managed with one person. That person also deals with State excess property and inventories. That one organizational change makes sense during the next biennium.

Mr. Raxter further clarified Senator Neal's question on the property purchasing equipment account, saying it is strictly maintained for accounting purposes to track the amount of money set aside for depreciation. It is available for equipment purchases in future years and is part of the administrative program. No positions are associated with it.

Department of Conservation and Natural Resources – Division of State Parks

Wayne Perock, Administrator, State Parks Division, Department of Conservation and Natural Resources, introduced Steve Weaver, Chief, Planning and Development, and Bob Francke, Chief, Field Operations and Maintenance. He said the Division of State Parks was established in Chapter 407 of the Nevada Revised Statutes (NRS) to acquire, develop, operate, and maintain a system of state parks for historic, scenic, and scientific importance for the citizens of Nevada. The Division provides public places to recreate and enjoy. The system is comprised of 24 state parks and encompasses approximately 132,000 acres. The Division employs 95 full time equivalent employees and approximately 138 seasonal employees who work three to six months a year.

Chairman Rhoads asked when the last state park had been created.

The Old Las Vegas Mormon Fort State Historic Park, and previous to that Big Bend Of The Colorado State Recreation Area, Mr. Perock replied.

Mr. Perock commented on progress made toward accomplishing the Division goals and objectives listed in the Strategic Plan. He measured bills the Division had recommended and that had passed through the legislature. The Division has been fortunate over the years to have programs approved that initiated operations in some of the park areas and that added staff. Initial operation costs are measured. The main objective is satisfaction of park visitors. The Division has initiated a Visitors Survey that provides feedback on how the parks and personnel are performing. Each park supervisor receives a copy of their respective park survey so they can adjust programming and staffing, if necessary. Employee morale is also a function he is measured against, as well as the Division performance indicators, Mr. Perock stated.

Regarding anticipated revenue sources, Mr. Perock said the Division looks for money wherever it can be found. The Division would like at some point to establish a non-profit status for the Division, a state park foundation that could perform fund raising and take advantage of grants not available to government entities.

Assemblyman Arberry asked if the paperwork had been submitted for the non-profit request, and how long would it take before the Division becomes a non-profit.

Mr. Perock stated the Division plans to suggest doing a feasibility study in the budget request as an enhancement to determine how becoming non-profit can be accomplished. It was initially tried; there was a foundation in the early 1980's, which fizzled two or three years later. Mr. Perock felt the foundation had tried to grab too much, did not have any particular project, and the administrator had tried to do it all himself. Mr. Perock wanted to hire a consultant to give guidance on how to accomplish it so that the Division could have a non-profit status outside State government.

Assemblyman Marvel asked if it would be similar to what the Museums have.

Yes, Mr. Perock replied. The Division has some non-profits, fringe groups generally attached to an individual state

park. They do not perform much fund raising, but perform a lot of volunteer work Spring Mountain Ranch State Park in southern Nevada has approximately 100 docents, trained by the park's administrator who is familiar with the history and natural sciences. The foundation would be a means of fundraising and receiving grants.

Assembly Marvel asked if a procedure exists to account for non-profit money so it does not become combined with other monies.

They would provide grants to the Division, Mr. Perock explained. As a non-profit, they would account for their money. An agreement would exist where their money would be brought into the park system to fund projects. The grant award recently received from the United States Department of the Interior under the Land and Water Conservation Fund (LWCF) State Conservation Grant will bring quite a bit of money to Nevada. The State acquired many of the State parks during the 1970's and early 1980's when the Land and Water Conservation Fund was active. It required a 50 percent match.

It sounds like that may be coming back, Assemblyman Marvel said.

It is, Mr. Perock affirmed.

Assemblyman Marvel stated that as a member of the Audit Subcommittee since its inception, he learned the museums sometimes were not meticulous in tracking grant money and it became mixed with other monies. Auditors had a difficult time sorting it out. It is something the Division of State Parks must be very careful of.

Mr. Perock stated he had spoken with several state park directors throughout the United States on various ways to account for the money. Most of the recommendations were that he should stand alone at arm's length. The non-profits are accountable for that money which is gifted to the states. They have their own structure and their own employees. A feasibility study would explain exactly how to structure it.

In light of the fact that President Clinton's Land Legacy Act could become a reality, does the Division anticipate receiving any Federal money, Chairman Rhoads asked.

Mr. Perock said H.R. 701, the Conservation and Reinvestment Act (CARA), is a parallel bill to President Clinton's land legacy. Legislation is also in the Senate. It has a number of elements but the one important to state parks is the Land and Water Conservation Fund. The bill also deals with revitalization of coastal states with off shore drilling, funds for historic preservation, non-game wildlife, etc. If the land and water comes back, it would bring \$4.2 million a year to Nevada in grants. By Federal law, 50 percent of that money would be used to provide grants to the political subdivisions. The remaining 50 percent would remain with the Division for planning and development of major maintenance renovations, etc. The Division is looking for the match. In the past that has been done with the General Fund, with bonding, and a variety of sources. The Division would like to find other avenues outside the General Fund.

Steve Weaver, Chief, Planning and Development, State Parks Division, said one distinction between the CARA Legislation, H.R. 701, and the Clinton Administration's Lands Legacy Act needs to be made. The main difference regards acquisition. The CARA legislation leaves the stateside grants decision to the states. In general, the states do not support the Administration's proposal because many of the decisions are made in Washington, D.C., and it essentially requires that three fourths of the so-called stateside funding be used for acquisition. The western states, in particular, object to that because their needs are not for acquisition, but for development. Some eastern states even concur with that. Different needs exist in different states. The states are advocating the CARA legislation which leaves the decision to them to meet their own demands.

Assemblyman Marvel asked if that money could be used for operating purposes.

No, Mr. Weaver responded. The Land and Water Conservation Funds can be used for acquisition, development of new facilities, replacement facilities, and major rehabilitation. It cannot be used for routine maintenance or operations.

Assemblyman Marvel asked if more employees would be required if this money becomes available.

Mr. Perock replied that if facilities are added which require more services, additional employees will be required. If a facility is enlarged allowing more public to attend, additional staff will be required and, hopefully, more revenue will be generated. Nevada, he said, is one of the fastest growing states in the Nation and capacity in some of the park facilities has not been expanded for almost 20 years.

Assemblyman Marvel acknowledged that whenever a budget crunch occurs, the Division of State Parks is one of the first to suffer.

Mr. Perock responded the Division is looking at a variety of ways to accomplish things. One of the newer things the Division accomplished was done in conjunction with its partner, the Wildlife Division. The Division used some of the sports fishing and boating access fund to develop and maintain boat launch facilities. It is using TEA-21, Federal Highway Transportation Enhancements. Historic restorations have been made at the Buckland Station, the big white building seen as one travels on the way to Yerington. That was purchased with Q5 parks and wildlife bond money, and with a 95:5 match. We did the first phase of the restoration and will do more.

How much Q5 money remains, Assemblyman Marvel questioned.

Mr. Weaver responded approximately \$100,000 remains unspent. About \$91,000 of that the Division hopes to match with Land and Water Conservation Fund in FY 2000 to build basic campground facilities at Kershaw-Ryan State Park where facilities were completely destroyed in 1984 and never replaced.

Assemblyman Marvel asked if the facilities would be moved to another site.

Mr. Weaver replied the facilities would be moved to a location in the park that would hopefully not be subject to flash floods.

Mr. Perock stated the budget Congress passed last October contained \$40 million in land and water conservation funds for this fiscal year. Nevada realized \$453,000 and half of that would be granted to the political subdivisions; the Division would use its half to accomplish a number of projects.

Would there be any land acquisition, Assemblyman Marvel questioned.

No, Mr. Perock responded. It would be inholdings and things like that from the willing seller. The Division is not aggressive in that respect. It is very strong in opposition to acquiring land in a state that is currently 97 percent. The Division wants to maintain and renovate existing facilities, and to add some new facilities where a visitor demand exists. Another fund used is the Bureau of Reclamation with Rye Patch State Recreation Area. At Lahontan State Recreation Area, some maintenance money is provided. License plate money is used at Lake Tahoe Nevada State Park.

Mr. Perock commented on measurable objectives the Division employs to determine whether goals are achieved. The Division revised its Strategic Plan, it is part of the budget process. The recommendations made are listed in Exhibit "C". In 1999, the legislature passed A.B. 439, which revised the policy for issuance of annual passes to senior citizens. A couple other items were added that refer to the grants for the National Recreation Trails (RecTrails) program and the Land and Water Conservation Fund.

As far as measurements are concerned, Mr. Perock continued, many things are done outside the performance indicators. A list is maintained of major renovations and minor maintenance projects. New projects are added as the Division is made aware of them and projects are deleted which have been approved. The IFC is provided with quarterly reports on park improvement programs. As far as staff ratios are concerned, there are on a statewide average 23.3 thousand visitors per full time equivalent. Some parks such as Lake Tahoe Nevada State Park exceed that number with approximately 68,000 visitors per full time equivalent.

Regarding evaluation of performance indicators, Mr. Perock said the Division recommended deleting some it did not think measured and provided management information; some new ones were added for planning and development regarding grants. Some were added so the Division could measure the cleanliness of facilities and the service park

visitors receive. Mr. Perock said he had not thought about comparing Nevada parks with those of other states. He did talk with officials of other states, especially regarding law enforcement. Nevada is fairly lean in staffing levels compared to many states. Some other states are more specialized, particularly in law enforcement and interpreters. Nevada rangers wear many hats.

Assemblyman Marvel asked if any rangers are Peace Officer Standards and Training (PST) trained.

Yes, Mr. Perock responded. All rangers who wear a badge or are in the ranger series are POST certified and commissioned. They have full power to enforce NRS regulations within the boundary of that park. Their jurisdiction, however, is strictly within the park.

The survey, Mr. Perock continued, is based on a scale of one to five, with five being outstanding. It is a simple document. Even at that, visitors often do not want to complete them. Surveys that have been returned have been good. Even more than the performance indicators, the survey is a management tool. They are sent to the individual parks after processing so they can see how they are doing; it is a form of report card.

Chairman Rhoads asked if the survey is available for Committee review.

Mr. Perock reported it is an ongoing survey and is being performed continually. In the past, the Division had performed surveys where it hired a consultant and they did the interviews. This survey also gives an idea of what visitors are doing in the parks: camping, fishing, sightseeing, hiking, etc.

The title, "Marina Development Fund," Mr. Perock said, gives a false impression of what that fund really is. Originally, it was used as a title indicator for Marina Development, but years later the Budget Office saw a need to reduce dependency on the General Fund, saw those dollars available, so they added language that allows it to also be used for operation and maintenance. It is put into the Division's operations and maintenance. About 25 percent of the operating budget comes from the marina fuels. The Division shares that fund with Wildlife and they use it for marina development. In fact, they have used some of that money to renovate some of State Park's boat launch facilities. They also use it for other boat-related programs.

However, not your 25 percent, Chairman Rhoads asked.

It is probably 50 percent, Mr. Perock responded. It is a 50:50. They do not use any of State Parks', but through grants it is in their best interest, and the interest of the boating population, that the facilities are maintained.

Last year declining fees in Region II amounted to about \$16,000, Mr. Perock said. That Region includes Lake Tahoe Nevada State Park, Washoe Lake State Park, Mormon Station State Historic Park, and Dayton State Park. One probable cause was a delay in the Shakespeare Festival making a payment. Also, the Tahoe Regional Planning Agency (TRPA) implemented the ban on two-cycle carbureted engines at Lake Tahoe which resulted in a 17.9 percent decrease in boating activity. August had one week of cold weather which could account for almost the entire \$16,000 at Lake Tahoe. Lastly, there are new wetlands at the south end of Washoe Lake State Park. The Nevada Department of Transportation (NDOT) had developed those with State Parks. They mitigate taking wetlands out for freeway development in the Reno area. We had grazing on that land which was removed. It is always good to remember that parks and use of parks, visitation and revenues, are weather-based and many elements can affect revenue. Revenues are generally made during the warm months of the year, although parks are open all year around. When people recreate they do it primarily on weekends in the summer holidays.

Bob Francke, Chief, Field Operations and Maintenance, State Parks Division, said a pilot program had been established to test the automated fee machines at Valley of Fire State Park. The Division thought that was a good site because at the time the machines were to be installed, a lot of revenue was being collected through the self-registration envelope system where visitors would, or should, stop at the entrance, place their park user fee in the envelope, and then enter the park. The automated machines were supposed to offer some advantages in that the visitor did not receive a ticket unless money was deposited. The machines did offer the visitor the option of making change on smaller bills, which was felt to be a positive aspect of the machines. The machines also would accept credit cards. The Division did not count on the

machines malfunctioning as much as they did. They are high tech machines and State Parks might have been ahead of the power curve on this. The technology has not played out as well as the manufacturer advertised. The machines are down a considerable amount of time in the scope of the entire operation. When that occurs, the park has to revert to the old envelope system, or collect fees with field staff. At the same time, an entrance fee station was installed and manned part of the time, particularly during the busy periods and during the day. That removed some of the emphasis from self-registration. That had been very successful. When the visitor contact station is utilized at the park entrance, it can be assured that 100 percent compliance is obtained because every person is contacted as they enter the park. All fees are collected from everyone who enters through that entrance station. The compliance rate with the automated machines really did not increase that much, about 1 percent as close as can be figured, which puts it at approximately 35 to 38 percent compliance. Again, it is an honor system. If no one is present to enforce it, the park relies on visitors to put their money in the machine to receive a receipt and a ticket. We have had problems with the machines that have not helped our efforts. The credit card feature on the machine, which we thought would be a good boon because visitors might not have correct change, has malfunctioned many, many times, the last time in June 1999, when visitors would put their credit card in and not get a receipt. They would insert it again and get recharged and not get a receipt. We had visitors who put their cards in five and six times, and at the end of the month received a bill for entering their card on the same date, one minute apart, five and six times. The Division refunded their money. We shut down that component of the machine because it could not be trusted to function reliably. Also, the accounting on that part of the credit card component was not to our expectation. It was difficult to reconcile our accounting records when it reached our office, when we received the treasury reports, trying to balance when charges were made. Apparently, the records that we received from that machine are not as good as the records we receive when we use credit cards at an entrance station where the familiar black box is used. We do not have a problem with that credit card operation, but on the machines, we do.

In summation, Mr. Francke said the private program did not work out as well as the Division wanted it to. The machines are continuing to be used but only on a limited basis, without credit cards, and only as a back-up system for when the entrance station is unmanned. We had hoped the machines would pay for themselves within a three-year period. It looks like the amortization rate will probably be around 10 or 12 years at this rate.

Chairman Rhoads asked how many machines were in use.

Three, Mr. Francke replied. All are located in Valley of Fire State Park. We are considering moving one of those machines to another park where it might work better than it currently is.

Was there much vandalism, Chairman Rhoads inquired.

Yes, Mr. Francke answered. One of the machines, unfortunately, the day it went into operation was vandalized the night before. The other two machines have survived pretty well and are a little heavier duty. When we sent the vandalized machine back to the factory for repairs, we had it beefed up and hopefully that is the one we are going to move to a different location.

Mr. Perock said a question arose whether uniform expenses will be reflected in salaries when the base budget is presented this year. That will be the case. Uniform losses will continue to be a salary expense with the exception of items the Division issues individually to employees.

The sustained decrease in printing expenses, Mr. Perock explained, is primarily due to fewer envelopes being used. Senator Neal asked how many individuals wear uniforms.

Mr. Perock explained that about 50 park employees in the park ranger class wear uniforms. Maintenance and seasonal employees also wear uniforms. Of the 95 permanent employees, roughly 80 are in uniform. There could be another 100 seasonal summer employees hired each year in another class of uniform.

Senator Neal asked what items are included in a uniform.

Permanent ranger class employees, Mr. Perock explained, are basically issued several shirts, several trousers, footwear,

and a jacket. Maintenance employees wear a green uniform with a different quality of trousers, shirt, jacket, and footwear.

Senator Neal asked if rangers are issued several pairs of trousers a year.

Mr. Perock said there are specifications. Permanent employees, he thought, receive two pair per year. A replacement schedule exists in policy that allows them to replace a particular item through a wear period. A jacket may last up to four or five years whereas a pair of trousers or shirt may last only one year.

Mr. Perock added that a "Smokey Bear" hat is also issued. It is important the public identifies park rangers and the Smokey Bear hat accomplishes that. Mr. Perock stated he was very proud of that because he sees the attitude of the park employees toward customer service, which has improved with that identity.

Senator O'Donnell asked where the automated fee machines are located.

The machines, Mr. Perock explained, are located at Valley of Fire State Park. The primary machine is at the west entrance where the fee booth is located. Another is located in the campground. The one that was vandalized is at the east entrance on the Overton side of the park.

Senator O'Donnell questioned if any cost benefit analysis had been performed on the use of the machines versus manually collecting fees.

Mr. Perock responded the Division first thought about using the machines at Lake Tahoe Nevada State Park and at Lahontan State Recreation Area. He felt it was good wisdom that the decision was to use them at Valley of Fire State Park. That park is primarily a day use park and entrance fees are where we make the money. That was the rationale used as to where to place the machines.

Chairman Rhoads stated that earlier testimony indicated the Division thought it would take three years to recoupe the money, but because of problems, it is now twelve years.

Mr. Francke reiterated that originally when the machines had been purchased the hope was payback would be roughly three years. The Division assumed it would save \$3,500 to \$4,000 per year, part of that in staff costs, part in savings and printing costs because envelopes would no longer need to be printed, and part because the Division thought, and was told, the compliance rate would go up. That had been factored in. The machines cost about \$16,000 each and the Division assumed payback would be somewhere between three to four years. That has not happened because the machines have not been reliable. Another item not figured on is that if the machines are going to continue to be used, we will have to factor in what might be a sizeable maintenance or repair cost, which dilutes the pay back efficiency.

Senator O'Donnell thought the Division should ask the manufacturer of the machines for the money back if the product is not performing and the promises made have not been kept in terms of compliance and revenue.

Mr. Francke assured the Committee the Division is working with the company trying to receive better service from them. The service company is based in Southern California which is part of the problem; the manufacturer is based in Northern California. The Division is working with the manufacturer's representative to put pressure on their service representatives in Southern California to get better service. Hopefully, that will improve things.

Mr. Perock stated printing expenses are lower primarily due to the reduction in use of envelopes at the Valley of Fire State Park. The longer the fee booth is in operation, the better the compliance. Visitors who enter through the gate must pay when a human being is present. The envelopes, machines, and the automated gates simply do not have the compliance rate. Also, fee booths use cash registers which print permits rather than handing the visitor a ticket or using an envelope.

Mr. Perock continued, saying the water testing at Lake Tahoe Nevada State Park to comply with Federal and State water and wastewater discharge will be an ongoing expense. The park has three sewer plants, the major one at Sand Harbor and smaller ones at Spooner Lake and Memorial Point. It is not known when abnormal conditions will arise, but from

experience, it is known they do arise and when bad tests occur, retesting is necessary. Problems occurred with one plant when someone threw photographic development chemicals into Memorial Point. That cost the Division extra expenses to correct.

Following the 1999 Legislative Session, Mr. Perock said, the Assembly Standing Committee on Elections, Procedures and Ethics had given a proposal to the Department of Taxation requesting it conduct a survey of other states to determine what dedicated tax and other funding sources these states use to fund and support the acquisition, development, renovation, operations, and maintenance of their park systems. That did not happen. The Chair, Chris Giunchigliani, had asked what the bottom line is: it is funding. The Parks Division had asked the Department of Taxation to perform a survey of the other 49 states to determine if they have any special dedicated funding sources, fees, taxes, etc. dedicated to the operation, maintenance, and development of their state parks. Thirty-eight or 39 states responded. A variety of things were being done, but Mr. Perock did not feel he could make the survey public as it should go to the Committee Chairman. Basically, other states collect a share of room taxes, a portion of the sales tax, recreational vehicle registration fees, real estate transfer taxes, etc. Our analyst looks at a portion of room taxes and tourism. State parks are an attraction. When someone visits Nevada they want to sightsee, some visitors want to camp. That survey should be available soon. He thought the letter of intent asked that it be to them by the beginning of the 2001 Legislature.

Assemblyman Marvel asked how much money could be removed from the base budget.

Mark Krmpotic, Program Analyst, Fiscal Division, Legislative Counsel Bureau, stated he had summarized some of the base budget adjustments on page 88 of Exhibit "C" but did not have a total dollar figure at this time.

Assemblyman Marvel asked if there was anything on revenue enhancements.

Mr. Krmpotic responded transfers from the Commission on Tourism, the increase that was built into the budget for one-time maintenance projects, should be requested as an enhancement in the next biennium. The transfer from the Department of Motor Vehicles and Public Safety (DMV&PS) for the Environmental Improvement Program (EIP) for Lake Tahoe Basin would also result as an enhancement request next biennium.

Assemblyman Marvel asked if that was coming out of the smog fee.

Correct, Mr. Krmpotic affirmed.

Assemblyman Marvel stated there had probably been resistance to that. Since the Committee is dealing with base budgets, Assemblyman Marvel wanted to know what modifications would be made in the base budget and what would be moved into maintenance. At one time, we were thinking about zero base budgeting. Of course, it would be quite an exercise to accomplish. We are looking at rejustifying the Mission Statement with the base budgets. The Mission Statement should justify the base budget.

Chairman Rhoads asked why the figures on page 94 of Exhibit "C" are a little distorted. For instance, the total at the bottom of the page is \$199,839 for 1996 and only \$100,668 in 1997. All the figures are basically higher in 1996 than in 1997.

Mr. Perock clarified that total represented only South Fork State Recreation Area. Page 95 of Exhibit "C" shows the statewide totals.

Chairman Rhoads stated he is amazed that Nevada's population went from 300,000 to over 2 million in a very short period of time, yet visitors to our parks did not go up as rapidly. He asked if the trend is that fewer people just do not visit parks.

Mr. Perock said many things affect park usage. Weather is a big factor. Lahontan State Recreation Area is very weather dependent. People recreate there in the spring. Bad weather on a weekend will play havoc. In 1998, high water levels diminished the amount of available space. Weather is probably the major factor. Also, during that time

changes were made to the fee schedule. When that happens, a dip in usage occurs the first year then visitors return the following year. As far as acceptance of outdoor recreation is concerned and support of it, California just overwhelmingly passed a several billion dollar bond issue support of parks and recreation. That is the trend across the United States.

Assemblyman Marvel said parks have always been the first on the budget cuts list and it has caused a maintenance problem. It has always been catch-up; parks never have gotten to their optimal point where they were attractive for people to visit. Parks are an asset the State of Nevada has to think about. The State has some beautiful parks and it is our obligation to ensure they are brought up to a better standard than they currently are.

Mr. Perock explained that Assemblyman Marvel is seeing what he is hearing from people who travel to Nevada. Directors from other states compliment us on what fine parks we have. There are some real jewels that we should be very proud of. Our citizens over the years have made investments in these parks and we need to maintain them.

Assemblyman Arberry asked what Mr. Perock thought will happen at Lake Mead when it begins charging for launching boats next month. Will that be a deterrent to usage?

Mr. Perock thought there would be some community outrage. One of the big challenges will be visitors to Valley of Fire State Park who gain access to Lake Mead. They pay a fee to Nevada as well as a National Park fee. The Federal government has the fee demonstration program and Lake Mead is one of those. It is just coming up on line. Those fees will stay in that unit for the betterment of the National Recreation Area.

Senator Neal asked if there is anything Mr. Perock would like to change about the parks in terms of the structure or operation, with the exception of the fee collection machines.

As far as the fee collection machines are concerned, Mr. Perock said the real answer is to have a human being at the gates when we can afford them. There are opportunities, especially in the shorter seasons, when the seasonals are not on staff and the parks operate with a minimum permanent staff. People still recreate but on the honor system. They do not always pay the fees so the parks need help in making the compliance. The envelope system is almost like a donation. Visitors enter, take the envelope, and even though it asks for \$5, they might put in a dollar, they might not put anything in. Some visitors are happy and put in \$10, but it does not have the control and it is hard to be dependent on the envelopes.

Senator Neal asked if there should be a permanent fee.

A fee is charged year round, Mr. Perock responded. It is simply a matter of the mechanics of collection. That is the real challenge. The parks are charged in statute with interpreting the system of things. We have only a few interpreters so we are not fully performing the educational element. The parks are great resources for the public who wants to learn about the natural and cultural resources. Many schools take advantage of the parks for field trips. They visit Fort Churchill State Historic Park where the ranger tells them what a Civil War union soldier was like and his lifestyle. The ranger puts the uniform on them and lets them shoot the cannon. Spring Mountain Ranch State Park in southern Nevada receives many school children where we do not have the staff to accommodate the full potential of interpretation.

Senator Neal asked if he is to understand from Mr. Perock's statement that nothing in the park system needs to be changed.

This is a conservative group, Mr. Perock responded, and he was going to be fiscally conservative. Staffing. Colorado recently had a consultant evaluate its staffing and park system. They are a little larger than Nevada and are asking for 80 new positions. Mr. Perock said he could come to the Committee with a laundry list of things he needs. There are always needs. The infrastructure of state parks is like the infrastructure in our cities and highways. They deteriorate with time and investments in them have to be made to take care of them.

Senator Neal explained he was speaking in terms of the way the system is presently structured. He understands parks have to maintain an infrastructure. He asked if there is anything structural wise Mr. Perock would like to see changed.

The basic structure of the organization is good, Mr. Perock responded. He has mentioned the interpretative education element. Mr. Perock said he was proud of the parks and the Committee can be proud of the agency. He did not see any major structural changes or reorganization.

Do senior citizens receive a discount to enter the parks, Senator Neal asked.

Yes, they do, Mr. Perock affirmed. The last legislative session changed the law from a person just being 60 years old and a resident, to 60 years old and a resident of the State for five consecutive years. Seniors pay an administrative fee of \$10 and receive a permit for the year which allows them to enter any of the 24 parks, to camp and to launch their boats. They receive a definite discount.

Senator Neal asked if Mr. Perock was at liberty to say how that will impact funding.

The administrative fee, Mr. Perock responded, is being tracked separately. The legislative intent of that fee is to offset the cost of printing the permit, the manpower to issue the permit, and the accountability. We are into this only six months. Cost projections are about \$40,000 a year. It hard to say because we are changing from a system that issued a three year permit to a system that issues a one year permit while one year remains on the old permits that are being honored.

Senator Neal remembered that Mr. Perock came before the last legislature and asked for a change in the way in which parks deposit money. How is that working, he questioned.

Mr. Perock said they are depositing the funds according to the statute within a five-day period. That is working well. Tighter controls have been taken to assure that when a ranger reaches a certain threshold he deposits the money in the bank.

Department of Administration – Public Works Board Inspection Account

Kathy Dow, Deputy Manager, Administration and Fiscal Services, State Public Works Board (SPWB), Department of Administration, stated she had reviewed the report Rick Combs has compiled (Exhibit “C”) and proceeded to answer the questions contained therein. She agreed the Mission Statement could be improved to include a declaration of reasons for the Board’s services stating how they are important to other state agencies and the citizens of Nevada. It will be revised and presented to the Board. Although updated goals developed by the agency are not provided, Ward Patrick, Deputy Manager, Professional Services, and she attended the Performance Measurement Classes offered by the Budget Division and have begun an analysis of the agency’s strengths, weaknesses, opportunities, and threats. She believes that analysis will assist in preparing better goals.

Assemblyman Marvel asked why the SPWB had not provided updated goals and performance measures. He knew the Fiscal Analysts had requested the information a long time ago and just did not receive it.

Ms. Dow responded she did not have a good reason. She has a reason, but it is probably not very good. Lack of staff. Lack of time. The SPWB was completing a fiscal audit at the time. It had also been working very hard on a space planning survey for the Governor’s office in an effort to determine where to build another State office building. Whether it is built in the north, in the south, or uses some of the land on the capitol complex. Her best excuse, Ms. Dow confessed, is simply that a lot of other things got in the way.

Ms. Dow referred to the three bulleted items under Goals beginning on page 102 of Exhibit “C” that were taken from the 1999 version of Perspectives: A Biennial Report of Nevada State Agencies. The first goal is to improve long range facility planning by: performing facility condition analysis and developing a five-year construction program. The goal is now to do a ten-year plan instead of a five-year plan. That is also in accordance with the direction the Governor’s office would like the SPWB to take.

The second goal, Ms. Dow continued, is to reduce capital improvement project time delays and costs. The SPWB is

always doing that. It is not always very easy. In its effort to improve project design reviews and plan checks, reduce non-enhancement change orders, and minimize construction time extensions, the SPWB is working with the Attorney General's office to develop a system that authorizes the SPWB to accept a best bid rather than the lowest bid for a project. Currently the Board is required to take the low bid.

The last goal, Ms. Dow said, is to pre-qualify contractors to identify non-responsible bidders prior to bid openings. She stated the regulations for the pre-qualification program had been developed and had been through the Nevada Administrative Code (NAC) hearings before the pre-qualification statutes were amended during the 1999 Legislative Session. The items the SPWB will review in determining whether to pre-qualify a contractor will include whether the contractor is appropriately licensed, the length of his experience, the quality of his experience, his past performance, his safety program and safety record, his organizational structure, his personnel, his financial status, his bonding capacity, and his relations with owners, architects, subcontractors, and suppliers. We feel this list of criteria will help select contractors bidding on projects that will help reduce many of the change orders and minimize time extensions. Yes, the SPWB needs to review the objectives to reduce some of the change orders and the problems with time extensions. Another thing the SPWB is doing is tracking the reason for each change order. Currently, each project manager is required to list one specific reason out of four or five categories as to why the change order was necessary. Whether it is because an architect requested it or made a mistake, whether the contractor did not bid the project properly, or because it is a code violation State Public Works Board inspectors found. Those reasons are now going to be tracked as far as why change orders are being made.

Assemblyman Marvel asked Ms. Dow how old the oldest uncompleted capital improvement project (CIP) was. Are the 1993 projects all completed?

Not quite, Ms. Dow responded. There is one 1989 project that has not been closed out.

Which one is that, Assemblyman Marvel asked.

It is related to the Supreme Court Building where the amphitheater is located, Ms. Dow answered. There is a plaque that has not been delivered at this time.

What about the major CIPs, Assemblyman Marvel asked.

Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said there is a handful of 1993 CIPs that remain open. He could provide a list of those with a brief description.

Assemblyman Marvel asked if Ms. Dow would be requesting more positions in the next budget. He indicated that in 1983 when there were serious budget shortfalls the State Public Works Board was cut substantially.

Ms. Dow stated the SPWB still has vacant positions. The Board has had difficulty filling inspector positions in the south because State salaries are not competitive. People who start out with the State Public Works Board, if they come from out of state and are qualified, take the position until they gain enough experience and then go to one of the local entities that pays significantly more. That has been the experience so far.

Performance indicator number 1, the average number of design agreements in progress, Ms. Dow said, is used to measure the beginning of a project. Performance indicator number 2, the average number of construction contracts in progress, is the beginning of the construction of a project. These let us know, now that we have a four-year time limit on projects, if we are getting started on time. Performance indicator numbers 6, 10, and 14 are related to the cumulative expenditures for each one of the years of the CIP program. That helps us determine if we are getting close to going over the dollar amounts that we know we have. That is also tracked individually for each project.

The last paragraph on page 104 of Exhibit "C" reads, "Based on the legislative requirement that all projects be completed within four years of approval, the Committee may wish to ask the Manager of the Board why the agency's goal for completion of the 1995 CIP is to have only 95 percent of the program complete by the end of FY 2000." Ms. Dow said out of 109 1995 projects, there are about 18 that have had their reversion dates changed from 1999 to either

June 30, 2000, June 30, 2001, or June 30, 2003, and that is actually about 20 percent of the 95 projects.

Mr. Combs said the key is not that the reversion dates have been extended, it is the fact that by implementing this four year plan in the various CIP bills, the legislature has clearly shown it is a goal set for the State Public Works Board to have these projects completed within four years. If this is not kept as the main goal, that yardstick continues to move, a year later or a year after that, and then the agency is basing its performance on whether or not it has met an amended goal. The agency is not really determining whether or not it has accomplished what the legislature asked it to do.

Ms. Dow said the Board agrees to revise the manner in which the SPWB measures its performance by comparing its outcome to the progress made with respect to each CIP program to ensure the projects can be completed within four years, which is basically what Mr. Combs just said. The SPWB needs to look at that. Ms. Dow believes the SPWB needs new performance measures based on the performance measurement classes she and Ward Patrick attended and the information received from the Budget Office on performance indicators. She definitely thinks the SPWB performance indicators need to be revised to take into account the progress the SPWB is making in maintaining current buildings and conducting retrofits required by the Americans with Disabilities Act (ADA).

Ms. Dow quoted from the last paragraph on page 105 of Exhibit "C": "Although NAC contains regulations that address many aspects of the Board's duties, provisions regarding the letting of contracts to assist an architect in the design of a capital improvement project do not appear to have been adopted at this time." No, the provisions have not been adopted, she affirmed. "Has the Board ever let such a contract?" the quote continued. No, she replied. The SPWB has not let such a contract. At this point the American Institute of Architects and the State Public Works Board Manager have met with the Governor's office regarding the benefits of this kind of contract and will certainly get the regulations in place before trying to do any kind of contract. For the design-build statute that was enacted during the last session, the SPWB has not begun adopting the regulations yet. At this point, the way the design-build statute is written, the SPWB is not anticipating ever using it.

In reference to the status of the regulations regarding the program for the qualification of bidders, Ms. Dow reported the SPWB is ready to go through the NAC hearing again. The SPWB had already done the regulations before Assembly Bill 298 was passed and the SPWB will be revising those regulations based upon the amended statutes. Ms. Dow stated she already has a good template from the Clark County School District that is similar to the requirements set forth in Assembly Bill 298. She did not see a reason to reinvent the wheel.

Assemblyman Marvel asked if Ms. Dow believed that the lowest bidder should always receive a state bid award, or should other factors be considered when granting an award.

Ms. Dow responded the SPWB feels other criteria should be evaluated. The SPWB should not necessarily take the low bid. Sometimes there are contractors that bid low to get the bid and they make it up in change orders.

Assemblyman Marvel asked whether Ms. Dow anticipated that a bill draft request would be submitted to remove the low-bid requirement.

We would like to see one, Ms. Dow answered.

One that currently comes to mind is the Lied Library, Assemblyman Marvel mentioned.

That is a good example, Ms. Dow responded.

Assemblyman Marvel said that it may have been awarded to the low bidder, but the contractor was not qualified and the subcontractors have really done most of the work.

If the SPWB had been able to look at experience on similar projects, Ms Dow said, it is possible a different contractor might have been selected for the Lied Library project.

The statements made under "Revenues and Expenditures" on page 106 of Exhibit "C" are accurate, Ms. Dow reported.

The SPWB did not respond to requests for information from the Fiscal Analysis Division in sufficient time. Assemblyman Marvel had earlier asked why the SPWB had not gotten the information to him in time. Staff shortages ranging from an employee death, retirements, resignations, difficulty recruiting inspectors in the south, and recruiting through the EICON list all proved to be very time-intensive for administrative support positions that have been left vacant. The questions that have been asked are good ones, but unfortunately the SPWB accounting data base, which is totally separate from the Controller's office accounting system, does not always allow us to get information quickly; we have to go back through paper files to get information which is time intensive.

Assemblyman Arberry asked what it would take for the SPWB to be able to provide Fiscal staff, or any staff, with information when it is requested. Is this going to continue, that every time Staff puts in a request it takes weeks and months to receive a response?

No, Ms. Dow said. The SPWB's intent is to comply with every deadline given by the Fiscal Analysis Division, or by the legislature, or any other body that requests information.

Assemblyman Arberry said in reading the information that was provided to the Committee the information had been requested by early or mid-January and that more requests kept coming. He understood the SPWB has a lack of staff but no one was aware the SPWB was losing people like that.

That was a lack of communication on the part of the SPWB to the Fiscal Analysis Division, Ms. Dow responded. She reiterated she had previously testified she did not have any good reasons.

Assemblyman Arberry said the Fiscal Analysis Division makes the Committee the best it can be and if Staff cannot get the information, how can we find out what your agency, or any other agency, is doing.

You cannot, Ms. Dow affirmed. The Committee is dependent upon us for the information, she said, and after this experience, she certainly intends not to let it happen again.

We will be watching, Assemblyman Arberry assured her.

Ms. Dow continued on page 107 of Exhibit "C" with the section entitled Allocation of Account Expenditures to Capital Improvement Projects. Ms. Dow indicated that the amount of project management and inspection fees that were collected from CIP 95-C2 was \$109,180 less than the amount approved by the legislature. The costs of the project exceeded the Board's estimate so project management and inspection fees were transferred to cover other expenses. The current system for estimating the costs for each project, she believes, adequately reflects the actual cost to the agency for performing management and inspection services. She did not believe the SPWB budget suffered because of this shortage of project management and inspection fees because other agency funded projects were picked up during that time. Fees collected from performing those agency projects offset the fees the SPWB would have received from the Desert Willow Juvenile Treatment Center (CIP 95-C2). The bottom line at that time was that the SPWB did not exceed the cost approved by the legislature for that project.

Regarding the program for the qualification of bidders on public works projects, Ms. Dow said the SPWB had finally received the approvals from Personnel and the Budget Office to move forward with filling the position that was approved for that program by the 1999 Legislature. Ms. Dow said she has the EICON list of 29 people that she will go through for recruitment. The work performance standards for that position were written to align directly with Assembly Bill 298 and she expects to have that position filled shortly. She would actually like to see it become more extensive if the SPWB ever has the ability to return to the more detailed criteria approved in the initial NAC hearings before Assembly Bill 298 was passed. That is going to include a lot more information that the SPWB will be able to get about contractors before they are allowed to bid on projects.

Training expenditures, Ms. Dow said, are necessary, especially to keep inspectors certified in each of their specific inspection fields. The general inspectors need to be certified in all of the various fields of inspection. If the SPWB has not given all the necessary information to the Fiscal Analysis Division as of yet, they will certainly be getting it to them.

Assemblyman Arberry asked Ms. Dow if she committed to have the information to the Committee by April 26, 2000.

Yes, Ms. Dow affirmed.

Ms. Dow referred to the last paragraph on page 108 of Exhibit "C" which read, "It is important to determine whether the agency has kept pace in terms of the manner in which its staff is allocated." She did not believe the SPWB had kept pace. The SPWB had recently moved two project coordinator positions based in Carson City to work out of Las Vegas. Hopefully, that will reduce some travel for those people because there are many projects going on and many more anticipated projects going on in the Las Vegas area. The SPWB is trying to recruit for a northern roofing inspector so the roofing inspector in the south will not have to travel as much to the north. Ms. Dow believes more administrative support staff is needed in the south. Currently, one of the biggest complaints is that no one is in the office. There is no clerical staff in the office and when someone calls, all they get is a voicemail system that does not always work. People always appreciate being able to reach a warm body at some point and they cannot even do that now in the southern office. To provide better customer service and to ensure capital improvement projects are completed in a timely and efficient manner, change orders and contracts need to be processed more quickly. This would be possible if we had administrative support staff in the southern office.

Chairman Rhoads asked if that would be requested in the budget.

Yes, Ms. Dow replied.

Assemblyman Marvel thought it might be timely to begin working on a bill draft request (BDR) to change the criteria for awarding contracts.

Ms. Dow responded that she and Eric Raecke had met with Jonathan Andrews and Brett Kandt from the Attorney General's office the prior Friday and they are prepared to do a BDR for the SPWB.

Assemblyman Marvel thought it essential to look at something besides the cost. Other criteria exist that are just as important. He asked Ms. Dow what she anticipated some of the CIPs would be for the next legislative session.

The SPWB has a rather expensive list, Ms. Dow responded, and felt the Governor would have a lot to say about it. She speculated there would be some new State office buildings in order to comply with the Governor's direction and intent to get out of leased space as much as possible.

At what cost, Assemblyman Marvel asked. The State has been meticulous about staying within the 15-cent range on the ad valorem tax. He was thinking ahead a little bit about what our bonding capacity is and how much it is going to cost to do this. He said he agreed and stated the property had been purchased several years ago just for that one intent. Unfortunately, a fire station sits on some of the prime property. It is the logical thing to do. The State does own the capitol complex and he would like to see a lot of the offices built that the Governor is anticipating.

That is the intent, Ms. Dow replied. The Governor has said numerous times that we have all this land and nothing on it. The State pays a lot of money every year for leased office space in the north and the south. We lease over 500,000 square feet in the north and something over that in the south. We spend over \$1 million a year for leased space. The SPWB's recommendation or suggestions to the Governor will probably include building an office building, maybe 200,000 square feet, in the capitol complex, and possibly another building where the Sawyer Office Building is located. There is enough space on that property to build another 200,000 square foot office building similar in size to Sawyer and a parking garage to accommodate parking.

Chairman Rhoads said that in his first session of the legislature in 1977, he was the only Republican on the money committee and his most difficult task was to kill a state office building in Elko because there was a lot of office space already available in Elko. Nobody wanted a state office building. He finally got the legislation killed but it was very difficult to do. He thought there would be an attitude from some people that possibly some of these leases should continue because of the fact that we tax a private office building where a State office building generates no revenue.

Senator Neal said the letter that the Fiscal Analysis Division had submitted asked the SPWB to submit an organizational

chart. He noticed an organizational chart was not part of the records the Committee had received and asked if the SPWB had submitted one.

Mr. Combs responded the SPWB had submitted an organizational chart. He chose, however, not to include it in this portion of the report because the SPWB is going to be required to return at the next meeting and discuss their personnel expenditures. At that point a chart will be available.

Department of Human Resources – Mental Health/Developmental Services Division, Nevada Mental Health Institute, Community Residential Programs

- Chairman Rhoads informed the Committee replacement sheets for pages 119 to 122, (Exhibit “D”) need to be placed into Exhibit “C.”

- Dr. Harold Cook, Clinic Director, Nevada Mental Health Institute, Mental Health/Developmental Services Division, Department of Human Resources, introduced Bob Harnish, Administrative Services Officer, Nevada Mental Health Institute.

The Nevada Mental Health Institute (NMHI) provides mental health services to severely mentally ill individuals, Dr. Cook said, many of whom are indigent and would be homeless or in jail without NMHI support. NMHI provides the bulk of the service and community programs and settings. The focus and intent of NMHI community programs is to assist clients to become self-reliant, self-sufficient, and self-supporting individuals. NMHI community program staff assist in securing housing and then arranging for or providing the support and training necessary for clients to live useful and productive lives. These programs keep people out of institutions such as jails and hospitals and off the streets as homeless. In conjunction with NMHI’s psychosocial rehabilitation programs which assist people in acquiring job skills and acquiring jobs, the community programs comprise a critical and growing feature of State mental health services. The success or failure of any mental health system can be measured by how well it supports people and living in the community symptom-free and free of institutional confinement. Not incidentally, this type of service is also for cost-effective alternative to treatment within an institutional setting.

Dr. Cook said the first issue on page 124 of Exhibit “C” deals with the average daily census in the 10-bed Psychiatric Emergency Service (PES) program and its success in reducing the inpatient census. The PES program was opened in January of this year. It has two units: a 10-bed, 48-hour observation unit which is a locked facility for people who have serious and acute mental health crises. By serious, Dr. Cook explained, these people are a danger to themselves or others and need intensive treatment. Within that particular part of the program, in January an average daily census existed of 4.75. In February that number was 4, and in March it was 4.5.

Chairman Rhoads asked where this facility is located.

Dr. Cook responded it is located on the grounds of the Nevada Mental Health Institute at one of the older buildings that was renovated.

Where did these people go before they went there, Chairman Rhoads questioned.

They were admitted directly into the hospital, Dr. Cook replied. Prior to January, anyone who came to the Institute with any kind of a problem which required some sort of extended treatment would be admitted into the hospital. Many of those people were subsequently discharged within 24 or 48 hours. They did not really require hospitalization services. However, without this other program, there was no other choice. Over the last three months, NMHI has deflected anywhere from 50 to 60 percent of the people coming in for services from hospital-base services. That is probably the primary affect the PES has. It has so far been an extremely effective program. The legislature can be proud of itself for funding it.

The Committee’s second question concerns performance indicators which indicate the success or failure of programs, recidivism rates, jobs, etc. Performance indicators, Dr. Cook said, often coincide with other states, other hospital

performance measures, so that we can compare ourselves to how other facilities and other states are doing. In fact, NMHI gets routine reports from other areas on how they are doing as compared to how we are doing it. It should be noted that when these performance indicators were set up, ex-Assemblyman Close consulted with the Division on this. NMHI has performance measures on all community programs that indicate how well these programs are keeping people out of the hospital and how well they are keeping them symptom-free.

Assemblyman Marvel stated many new medications are being developed and asked Dr. Cook if he feels they are cost effective. He personally thought they are. Even though it may seem expensive at the front end, he thought as we go down the line it is a savings to the State. He asked if Dr. Cook had any information that would support it.

In terms of being cost effective, Dr. Cook stated the newer medications certainly save a lot of money in terms of putting people in hospitals. They save a lot of money in that we do not have to provide other kinds of services for these individuals. Once they are on the new medication they have fewer side effects so they do not require other medication to take care of the side effects. They do not require other staff to be present constantly supervise them. At this point, he said he would have to agree with Assemblyman Marvel, these new medications are proving to be an effective treatment.

Assemblyman Marvel asked if any figures were available on what the savings might be.

Dr. Cook said no figures were currently available on what the savings are.

Mike Torvinen, Administrative Services Office, Mental Health/Developmental Services Division, said the Division is preparing information and studies of pre- and post-treatment of the clients on the newer medications, things like length of time in the community and number of hospitalizations. We do have some pretty good data from the south. That study is being duplicated in the north and we should have some pretty good data by session.

Assemblyman Marvel asked what the indications are now.

Indications are that we are reducing hospitalization substantially, Mr. Torvinen responded; however, we are increasing our need for the community-based services because we need housing supports. But as the people are on the medications longer they are able to start helping support themselves.

With the new hospital, do you think we will have too many beds or do you think it will be about right, Assemblyman Marvel questioned.

We will be OK, Mr. Torvinen answered. We will only be using part of the hospital. It is designed so that sections can be shut down and not really cost a lot of money to maintain.

Dr. Cook said the next issue on page 125 of Exhibit "C" has to do with General Fund dollars and percentage of the program provided by the General Fund. Starting last summer, NMHI started stressing case management, billing, and productivity, and at this point case managers are billing for Medicaid services at a fantastic rate and expect to exceed the target amount.

Bob Harnish, Administrative Services Officer, Nevada Mental Health Institute, stated that over the past year, NMHI, Southern Nevada Adult Mental Health Services (SNAMHS) in the south, and rural clinics, the three distinct groups within Mental Health, have conducted a billing summit under the guidance of Mike Torvinen. This has allowed us to join together quarterly and pool our knowledge with respect to the way we have been billing in the past, some of our different procedures. We are coming up with the best procedures for billing. The main thrust of the entire project is to maximize Federal expenditures. Another thing currently happening, or which has just been completed, is a four-month extensive audit by LCB auditors on the billing procedures at NMHI. They looked into such things as billing for doctors, a lot of the inpatient billing, and some of the outpatient programs. Last November, we had an internal audit conducted by the Internal Audits Division on internal control. We have had a lot of look-sees at the institute. The new awareness on bad debt collection, the Controller's office, has brought about a new awareness of where we are with accounts receivables. Some of our billing procedures and those sorts of things. That keys us down to the final question in this group, what is happening with Advanced Information Management Systems AIMS and is AIMS doing us any good. We have some issues with AIMS. It is not user-friendly. Mr. Harnish did not want to be the one to say NMHI has

another computer system like the Department of Motor Vehicles and Public Safety, but it is not a friendly system. It is not necessarily a business system, it is a system that was used for hospitals, it is mainly for records keeping. His staff in the business office has been pulling their hair out, trying to make the system work. Right now, NMHI is having a very difficult time getting the AIMS system to give an accounts receivable that we feel comfortable with. Accounts receivable is the basic accounting procedure to any business. NMHI is a State business. Mike Torvinen is re-looking this. In this biennium they are requesting money to do a re-engineering study for a computer system that the medical and clinical people, as well as the business people, will feel very comfortable with at our agencies. We have to collect money. The State does not have the money to simply keep pouring into medical care for the mentally ill. We have to figure ways to track the money we receive.

Do you have a better way to do it figured out yet, Chairman Rhoads questioned.

That is what the re-engineering study is doing, Mr. Harnish explained. Right now, we are beating our heads. That is the reason the summits are going on, trying to figure out what the best procedure is for each of the agencies. How the south has done a particular thing. How we have done it. What is the best way. We are starting to come together. We are not north, south, and rural. We are becoming a mental health agency.

Mr. Torvinen said Mr. Harnish is correct. Part of the reason we cannot simply abandon the system is that it provides most of the caseload and service data. It is designed to enter a client as they come in. It is designed to identify them and enter them into the system and track all the services they receive. That is supposed flow forward to the billing process. We have just had significant difficulties in getting a bill out the other end that is useful and accurate. As a result, the accounts receivable process is complicated and spoiled. If he could, Mr. Torvinen said he would abandon it today and find a PC based software that could generate bills all day. Mr. Harnish's staff has identified a few. Unfortunately, the statistical information is very important to us too and we really do not want to run parallel or dual systems. That is why we are proposing. We proposed last session, unsuccessfully. The numbers were very high and we re-looked at it and tried to redesign another proposal for a re-engineering study so that we can really identify our needs and identify a computer system that will work for us.

Chairman Rhoads stated he had not heard of any successful one, but Dan Miles told him the BASN budget system works very well. How long has AIMS been going on, he asked

Mr. Torvinen responded he thought it was first established in the late 1980's or early 1990's. He thought Bob Guernsey had a better knowledge of it.

Bob Guernsey, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said it probably started in the 1980's and there was a lot of preparation prior to implementation. It was started in the south in order, theoretically, to work out the bugs before using it statewide. They brought it to the north and then to rural clinics. He thought there was a lot of adaptation and modifications so it would work properly in the south. They seem to be able to generate some bills from it. It seemed to be a little more user-friendly. When they brought it to the north and to the rural clinics, they encountered some significant problems.

How long has it been in the rurals and in the north, Chairman Rhoads questioned.

Mr. Guernsey said he thought the rurals were getting fully implemented at this point. The Institute has just been using it over the last year or two. It has been a real lengthy process.

So it had been a problem even in the south before it came north, Chairman Rhoads said.

It was a problem, Mr. Guernsey responded, but the problems were not identified as significant as what they are encountering in the north.

Dr. Cook added that even in the south there is a lot of support for the system by manual labor.

The next issue on page 127 of Exhibit "C," Dr. Cook continued, is the success of keeping clients in the least restrictive settings. In a number of areas we have done really well. The Program for Assertive Community Treatment (PACT)

program which has provided services to the most severely mentally ill individuals has shown that a program like that can reduce hospitalization rate by 90 percent and that has only been in effect a short period of time. That is great!

The Residential Treatment Programs (RTP), Dr. Cook said, which has also experienced some difficulties over time, but has kept over the last year something like 17 people out of the hospital. We will be proposing an enhanced community residential program in the next biennium and will be attempting to do more of that type of thing.

The final issue, Dr. Cook said, is how NMHI determines the type of community residential placement a client will go to and what percent of clients pay for some of their living expenses. The basic ideal is for a team meeting to occur which will define what the client needs. A team, at its minimum, will include a case manager from the institute, a client, and a contract provider who will actually go out and secure the services and the house or apartment the individual will live in. In many cases, the team, though, can comprise a client family member, a friend, or someone else, perhaps a guardian, who may want to advocate for the client. Ideally, this team would get together, talk about what is needed, and go out and find it. We are not entirely there yet, but we are getting there.

Mr. Harnish said the question is, "What percentage of clients pay for some of their living expenses?" Of the 159 clients currently in community programs, as of January, 75 to 80 percent of these people contribute in some way. It may be very small, but they do make a contribution. It may not necessarily be insurance, but they may make a personal contribution from a job that they may have. Of the 159 clients that are in this community program, 79 percent have some sort of third party benefits, either Medicare, Medicaid, or private insurance; predominantly Medicare or Medicaid. Twenty one percent of these clients lack any third party insurance at all. Then you go down and look at the figures for the institute as a whole, which is entirely different. As a whole, 48.3 percent of the clients at the institute have no insurance of any type. They are completely indigent. Five point eight percent have private insurance. Medicare, or what we would call inpatient insurance, is 27.5 percent, and Medicaid, or outpatient services, is 18.4 percent for the total population of the institute. That is separate because the inpatient population tends to be more indigent as it should be. A patient comes in, is fairly indigent, is taken care of, it goes through the process and then goes out into the community programs where he or she starts supporting themselves. While they are inpatient, the business office does extensive research as to what sort of benefits we can get, be they State, Federal, whatever. The other category of benefits, not really an insurance, is the Housing and Urban Development (HUD) grant that we use. This is a Federal grant set up for homeless mentally ill people. The HUD grant pays for rent and utilities in support of these people during their progress through the system.

Chairman Rhoads said the other part of the question is if a private person decides to take care of a patient. What part does the agency play in that? Do they receive any refund?

Mr. Harnish responded they have cases where families are taking care of clients, and in that case, the State has some obligation to pay for treatment. Primarily, the family pays for it. Examples of our contracts are contained on pages 141 to 143 of Exhibit "C". We have contracts for each client under a Supported Living Arrangement (SLA) or Shelter Plus Care. The contracts run for one month to three months. Each contract is distinct. The contract is originally written by the provider, and the business office reviews it. Our review is to make sure the State is not paying an absorbent amount. It is like any medical treatment, each client is very unique. It is very time consuming working with each of these clients. Plus, it is interdisciplinary because we have clinical people who are looking out for the best thing for the client. Mr. Harnish said he is the bean counter and he looks out for the State. It becomes a real push and shove but ultimately it is the care of the client.

Assemblyman Marvel asked what the ideal caseload is for a case manager.

An ideal case manager caseload, Dr. Cook said, is 1:35. We currently are very close to that. There is some variability. We have 18 case managers, some may have 30 cases, and some may have 40. It is in that range. Sometimes we have to adjust caseloads because some people have more intense clients to deal with than others. In the PACT program the caseload is 1:12 because those are very seriously mentally ill people. We have outpatient nurses in our medication clinic whose caseload, believe it or not, 1:217, which is a fairly hefty caseload for anyone.

The last issue, Dr. Cook said, is the issue of how do we achieve the program goal of 72 clients for the PACT program. The only way we can do that is to fill all the positions. There are six case manager positions for the PACT program and

with a caseload of 1:12, we would be able to have the 72 clients. Unfortunately, we have never had more than five of those positions filled. We have achieved a caseload of 60 and we have had no success whatsoever in filling the one Licensed Clinical Social Worker III position. Dr. Cook said he could not really say no success. One person was finally found and hired last month. This is a person off the State Personnel List. After we hired that person, we discovered he should not have been on the list and we had to let him go because he did not qualify for the job. Other than that, we have had no luck in filling that position.

Chairman Rhoads asked if any of these services can be contracted out.

The function of the PACT program, Dr. Cook responded, is to provide the services through State staff. We do contract out other kinds of services through Supported Living Arrangements, etc. We do some of that. However, the PACT program is unique in that it is all State staff and at this point Dr. Cook, said he preferred to fill all the positions. We are experiencing some staff turnover in that program right now, but we will do our best to fill those positions as quickly as we get authorization to do so.

Mike Torvinen added that NMHI does contract out, and the contracts in Exhibit "C" show the costs the client and the State will bear. Most of those contracts are through a private provider. Referring to the examples in Exhibit "C," Mr. Torvinen called the Committee's attention to the "Specialized Services" box. Those are provided by third party contractors. The PACT program is really a people-to-people type program and the staff is there to provide any intensive case management. If they are placed in housing, one of these contracts is put together for that housing.

Assemblyman Marvel asked when the new hospital will be completed.

Mr. Torvinen responded the State Public Works Board estimate is late August. The original estimate was January and NMHI does not have any operating money in the budget at this point. We never dreamed it would be done by then. At this point, it is not going to require any additional staff because we are staffed based on the number of people we serve. There might be some additional utility costs and maybe the need for some more custodians.

Will there be any savings with the new facility, Assemblyman Marvel asked.

Mr. Torvinen said he did not believe so. As far as operating, unless they take it off the steam plant. It is not going to be on the steam plant so the utilities should be a little more efficient. It will be bigger than Building 8 which is the hospital right now. There will be some additional costs. Building 8 will not go away, there will be some utilization of that building. There are many different proposals currently on the table.

Assemblyman Marvel asked how the NMHI base budgets look for next session. Will it be similar to the present one, will there be any change in it?

Mr. Torvinen said for the Nevada Mental Health Institute it is going to be pretty flat. The demographer does not project much growth for Washoe County and we are seeing that. Our caseloads really are pretty flat. Probably the only adjustments will be money to continue the people we will put in service through June 30, 2001. Again, the caseloads are pretty flat.

Assemblyman Marvel imagined NMHI is like prisons, client driven.

Absolutely, Mr. Torvinen responded. That is not the case for some of our other budgets though. We are putting preliminary numbers together now for our demographic growth which are fairly substantial.

With no further testimony forthcoming, the Committee set the next meeting date May 31, 2000, at 9:30 a.m. in Carson City.

The meeting adjourned at 12:40 p.m.

Respectfully submitted,

Jo Rasey
Committee Secretary

Approved:

Dean A. Rhoads, Chairman,
Legislative Committee for the Fundamental Review
of the Base Budgets of State Agencies

Date: _____