

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

A regular meeting of the Interim Finance Committee was called to order by Chairman Morse Arberry, Jr., on November 17, 1999, at 8 a.m., in Room 1214 of the Legislative Building, in Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry, Jr., Chairman
Senator William J. Raggio, Vice Chairman
Senator Bob Coffin
Senator Lawrence E. Jacobsen
Senator Bernice Mathews
Senator Joseph M. Neal, Jr.
Senator Raymond D. Rawson
Assemblyman Bob Beers
Assemblywoman Barbara K. Cegavske
Assemblywoman Vonne Chowning
Assemblywoman Marcia de Braga
Assemblyman Joseph E. Dini, Jr.
Assemblywoman Sheila Leslie, sitting as an alternate for
 Assemblywoman Jan Evans
Assemblywoman Genie Ohrenschall, sitting as an alternate for
 Assemblywoman Christina R. Giunchigliani
Assemblyman Wendell P. Williams, sitting as an alternate for
 Assemblyman David E. Goldwater
Assemblyman Lynn Hettrick
Assemblyman John Marvel
Assemblyman David R. Parks
Assemblyman Mark Manendo, sitting as an alternate for
 Assemblyman Richard D. Perkins
Assemblyman Bob Price

COMMITTEE MEMBERS ABSENT:

Senator William R. O'Donnell, Excused
Assemblywoman Jan Evans, Excused
Assemblywoman Chis Guinchigliani, Excused
Assemblyman David Goldwater, Excused
Assemblyman Richard Perkins, Excused

LEGISLATIVE COUNSEL BUREAU STAFF:

Brenda J. Erdoes, Legislative Counsel
Gary Crews, Legislative Auditor
Daniel G. Miles, Fiscal Analyst, Senate
Mark W. Stevens, Fiscal Analyst, Assembly
Gary Ghiggeri, Principal Deputy Fiscal Analyst
Robert Guernsey, Principal Deputy Fiscal Analyst
Yhvona Martin, Secretary

A. ROLL CALL.

Ms. Erdoes called the roll and announced that a quorum of each committee was present.

B. APPROVAL OF MINUTES FROM THE SEPTEMBER 21, 1999, MEETING.

MR. MARVEL MOVED TO APPROVE THE MINUTES OF SEPTEMBER 21, 1999. SECONDED BY MRS. DE BRAGA AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

C. APPROVAL OF GIFTS, WORK PROGRAM REVISIONS AND POSITION CHANGES in accordance with Chapter 353, *Nevada Revised Statutes*.

Chairman Arberry asked Mr. Perry Comeaux, Administrator, Department of Administration, to advise all of the state agencies that handouts to be provided to the Interim Finance Committee should be submitted to the legislative Fiscal Analysis Division 15 days prior to the meeting date. If the legislative Fiscal Analysis Division staff has not been able to review the handouts in a timely fashion prior to the meeting, the handouts will be returned to the state agencies.

Chairman Arberry requested testimony on the following work programs included in Volume I of the meeting packets: items 4, 5, 6, 7 and 10 on page 1; items 11 and 17 on page 2. Volume II--items 20, 24 and 25 on page 3; items 26, 27, 30, 31 and 32 on page 4; item 39 on page 5; items 46, 47 and 48 on page 6; items 49, 53, 54 and 55 on page 7. Volume III--items 57, 58 and 61 on page 8; items 66 and 67 on page 9; items 76, 77 and 78 on page 10; items 86, 87, 88 and 89 on page 11; items 90 and 91 on page 12.

SENATOR RAGGIO MOVED TO APPROVE ALL ITEMS NOT PREVIOUSLY ENUMERATED ABOVE. SECONDED BY MR. DINI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

1. **Office of the Attorney General - Attorney General Administration - FY 00** - Addition of \$242,930 in Federal Tobacco Compliance Enforcement Grant to continue the tobacco compliance enforcement program.
Refer to motion for approval under item C.
2. **Office of the Attorney General – AG Administration – FY 00** – Addition of \$36,677 in AG Agency Charges to increase legal services for the Colorado River Commission.
Refer to motion for approval under item C.
3. **Office of the Attorney General – AG Administration – FY 01** – Addition of \$49,995 in AG Agency Charges to increase legal services for the Colorado River Commission.
Refer to motion for approval under item C.
4. **Office of the Attorney General – AG Administration – FY 00** – Addition of \$36,677 in AG Agency Charges to increase legal services for the Common Interest Communities Program of the Division of Real Estate of the Department of Business and Industry.

In addressing items 4, 5, 24 and 25, Mr. Gene Etcheverry, Chief Financial Officer, Office of the Attorney General, introduced Mr. Jonathan Andrews, Chief Deputy Attorney General, AG Civil Division, and Ms. Joan Buchanan, Administrator, Real Estate Division. Approval of the four requests, Mr. Etcheverry explained, would provide the authority to the Real Estate Division to transfer funds for the remainder of FY 2000 and for FY 2001 in its entirety from the reserve in its Common Interest Communities account to the Office of the Attorney for the costs of an additional half-time Deputy Attorney General to provide legal services for the Ombudsman for the Common Interest Communities Program.

Chairman Arberry inquired as to why the Real Estate Division anticipates the need for additional legal support at this time when the need was not anticipated during the 1999 Legislative Session. Ms. Buchanan pointed out that a number of new programs had been created in the Real Estate Division over the last 10 years as the result of legislation passed by the Legislature. When the homeowners' association bill (S.B. 451) was passed by the 1999 Legislature, Ms. Buchanan said the Real Estate Division did not realize the amount of legal work that would be involved in handling subpoenas and other related legal matters. According to Ms. Buchanan, approximately 55 hours each month were currently being expended on homeowners' association support issues. She also indicated that there was a backlog of requests in the Ombudsman's office pertaining to litigations on construction defects and other matters that were beyond the scope of the Real Estate Division to respond to. As a result of the passage of S.B. 451, the Real Estate Division has already collected \$111,000 in fees during the first quarter. Since the money is available, Ms. Buchanan told the committee that the money would be well spent in providing service to the people in the Common Interest Communities Program.

Senator Rawson recalled the discussions on S.B. 451 during the 1999 Legislative Session and the Fiscal Note that indicated additional staff would be needed. Senator Rawson wanted to know whether this request was for staff to support the homeowners' association bill, as well as other programs. Ms. Buchanan noted that the two positions requested in the Fiscal Note for S.B. 451 were not approved. Ms. Buchanan said those two positions would be reviewed when the Governor's Steering Committee to Conduct a Fundamental Review of State Government meets to review agency staffing needs.

Senator Rawson said he would like to know today whether those two positions were needed or not. Ms. Buchanan indicated that the Real Estate Division would prefer to submit additional information on the need for the two positions at a later date because one new position had been hired as support for the Ombudsman's office in October 1999, and the Real Estate Division intends to reassess the workload in the Ombudsman's office prior to requesting additional positions.

Senator Rawson wanted to know whether the Deputy Attorney General positions were exempt from the Governor's Fundamental Review Study. Mr. Etcheverry apprised the committee that all of the positions within the Office of the Attorney General were currently undergoing fundamental review, not only from a need aspect, but from the aspect of agency assignments as well.

Since he had a number of constituents who had complained to him about the homeowners' associations, Senator Rawson wanted to know whether there was currently a backlog of work in this particular area and Ms. Buchanan responded affirmatively. Senator Rawson told Ms. Buchanan that she should request the necessary positions to handle that workload.

Senator Coffin said he was receiving similar complaints from his constituents. Senator Coffin suggested, however, that a number of the questions which had been posed to him would not require the services of a lawyer, but rather they were common-sense questions that employees of the Real Estate Division who were familiar with the statutes could answer at much less cost. Senator Coffin spoke in opposition to a shift in the alignment of staff at this time.

Senator Raggio said he had some similar concerns as Senator Coffin, not only in regard to the requests from the Real Estate Division, but to some of the other agency requests to be considered by the committee today as well. Senator Raggio reminded state agency representatives attending this meeting that it had been less than 6 months since the 1999 Legislative Session had addressed new position requests from various departments, including the Office of the Attorney General. He also recalled that the Fiscal Note for S.B. 451 did not indicate additional legal support would be needed, but rather that additional staff would be required to handle the increased workload. Since he thought the issue had been raised as to whether the information provided on Fiscal Notes was accurate or not, Senator Raggio said it would be his suggestion that those people who provide Fiscal Notes to the Legislature in the future be more involved in the process so that the Interim Finance Committee was not asked to approve additional positions only several months after

adjournment of the Legislature.

Since it was his understanding that two Deputy Attorneys General had already been assigned to the Real Estate Division, Senator Raggio said he could not support approving additional legal staff based on the fact that the Real Estate Division now has subpoena power and that it had generated \$111,000 in fees. Furthermore, Senator Raggio thought it would be helpful to the committee if the legislative Fiscal Analysis Division staff were to do a workload analysis of all of the Deputy Attorney General positions being requested today. Senator Raggio said it would be his recommendation to defer the Real Estate Division's requests until the committee has been fully satisfied that the existing legal representation was insufficient. The information provided in the meeting packets explaining the increased workload, according to Senator Raggio, was more generalized than specific.

Senator Neal said he had observed that a number of "gated" communities had been constructed throughout Clark County in recent years. At the request of several of his constituents who called him and asked him to represent them, Senator Neal said he had the opportunity recently to attend a homeowners' association meeting. Senator Neal said he had learned from conversing with the people in attendance at the meeting that although the Real Estate Division now has subpoena power, the rights of individual homeowners were not being adequately addressed legally. Senator Neal pointed out that the people who live in common interest communities do not have the same type of problems that people have who live in older communities where the homes and land were individually owned. Although Senator Mike Schneider introduced S.B. 451 during the 1999 Legislature to address this particular problem, it was Senator Neal's belief that S.B. 451 had not solved the problem because there was no one to prevent the homeowners' associations from exceeding their authority. As additional "gated" communities are built, Senator Neal thought there would continue to be problems in interpreting the laws unless the Real Estate Division, who has been charged with the responsibility of overseeing the common interest communities, was given additional legal staff to help deal with the problems. While he could understand Senator Raggio's concern about budgetary matters, Senator Neal said he intended to support the Real Estate Division's requests because he was convinced of the need for additional legal representation.

Senator Raggio said he would not disagree with Senator Neal about the need for legal representation; however, he thought the two Deputy Attorney General positions that had been assigned to the Real Estate Division should be able to handle the workload. Senator Raggio reiterated his desire for a workload analysis to be done by the legislative Fiscal Analysis Division and until that review could be accomplished, he recommended that the requests be deferred until the next meeting.

SENATOR RAGGIO MOVED TO DEFER ACTION ON ITEMS 4, 5, 24 AND 25 UNTIL THE NEXT MEETING TO ALLOW FOR A WORKLOAD ANALYSIS TO BE DONE BY THE LEGISLATIVE FISCAL ANALYSIS DIVISION. SECONDED BY MR. MARVEL AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

5. **Office of the Attorney General – AG Administration – FY 01** – Addition of \$49,995 in AG Agency Charges to increase legal services for the Common Interest Communities Program of the Division of Real Estate of the Department of Business and Industry.

Refer to testimony and motion to defer under item 4.

6. **Office of the Attorney General – AG Administration – FY 00** - Addition of \$46,303 in AG Agency Charges to increase legal services for the Division of Financial Institutions of the Department of Business and Industry.

Speaking to items 6, 7, 26 and 27, Mr. Etcheverry introduced Mr. Scott Walshaw, Commissioner, Financial Institutions Division, who he said would discuss the requests in detail, and Mr. Jonathan Andrews, Chief Deputy Attorney General, Civil Division. Mr. Etcheverry explained that the committee's approval of the four requests would provide the services of a full-time Deputy Attorney General position and all costs associated with that position for the Financial Institutions Division commencing on December 1, 1999, through FY 2001. Although this particular position was requested during the 1999 Legislative Session, Mr. Etcheverry said the Legislature, in lieu of funding the position, invited the Office of the Attorney General to bring a request to the Interim Finance Committee if the need arose to hire a full-time position based upon increased workload resulting from passage of A.B. 64 by the 1999 Legislative Session. Since the workload in the Civil Division had increased since October 1, 1999, Mr. Etcheverry said the Office of the Attorney General was requesting approval to hire the new position.

It was Senator Raggio's recollection that a fee to be charged for the licensure of mortgage agents was originally included in A.B. 64 and that revenue derived from this fee was to be used to support new staff and for a new Civil Deputy Attorney General to represent the Financial Institutions Division. He said, however, prior to its enactment, A.B. 64 was amended and the requirement for licensure of mortgage agents, along with the fee, was removed from A.B. 64. Since there is no fee, it was Senator Raggio's understanding that the new position would have to be funded through a transfer from the reserve category in the agency's Investigative account. Although the Office of the Attorney General has indicated that it could not provide additional support to the Financial Institutions Division with its current resources, Senator Raggio pointed out that information provided by the Office of the Attorney General indicates that only 248 hours were charged to the Financial Institutions Division during the first quarter of FY 2000. If this trend were to continue for the remaining three quarters, the Financial Institutions Division would only be billed for a total of approximately 1,000 hours, which would be only slightly more than half the number of hours that were charged to the Division for FY 1999. In view of this information, Senator Raggio said he did not believe the case had been made at this point in time to add a new Deputy Attorney General position.

Chairman Arberry recognized Commissioner Scott Walshaw, Financial Institutions Division, who said he would like to address Senator Raggio's comments since he was personally involved in the discussions on A.B. 64 during the 1999 Legislative Session and his office was called upon to prepare a Fiscal Note based on the original version of A.B. 64. He acknowledged that the original version of the bill had a provision in it that would have required the licensure of mortgage agents. As a result of the Governor threatening to veto any bill that had a fiscal impact, Commissioner Walshaw said his office suggested an amendment to A.B. 64 that would provide for mortgage agents to be registered rather than licensed, which would basically accomplish the same thing that was originally intended in A.B. 64 without the fiscal impact. The original proposal envisioned the Financial Institutions Division having to administer a licensing program and hiring one support person to help administer the licensing and the related administrative duties associated with such a program. According to Commissioner Walshaw, the Financial Institutions Division would require all mortgage agents to complete a form listing all individuals who have been employed as a loan agent. In addition, a law enforcement check will be conducted on each individual through the Gaming Control Board to determine whether they have been convicted of a felony (the NRS prohibits the employment of any person convicted of a felony by a licensed mortgage brokerage firm). The Gaming Control Board will charge \$55 for this service. Commissioner Walshaw suggested that this \$55 fee was far less money than the \$500 that was associated with the original proposal.

In continuing his testimony, Commissioner Walshaw indicated that the Office of the Attorney General had also prepared a Fiscal Note for A.B. 64 that was related to two issues. The first issue was shifting the criminal jurisdiction from local law enforcement authorities to the Office of the Attorney General. This responsibility was included in the final version of A.B. 64 that was passed. The Office of the Attorney General anticipated the need for at least one support person in the form of a secretary and one Deputy Attorney General to staff that function. In addition, the Fiscal Note proposed a Civil Deputy Attorney General to take care of all of the mandatory actions required by A.B. 64. Commissioner Walshaw indicated that the committee that was hearing this Fiscal Note decided not to refer it to the money committees, but rather invited the Office of the Attorney General to bring a request to the Interim Finance Committee at a later date if a case could be made to hire a Criminal Deputy Attorney General. The Fiscal Note also indicated that the new position would be funded not necessarily out of the reserve category, but out of the ongoing revenues that flow each year into the Investigative account that was administered by the Financial Institutions Division. He said,

however, because of the accounting mechanism where each agency has a certain spending authority, the rest of the money would immediately go into the reserve category. Since the reserve category contains a very large surplus at this point in time, Commissioner Walshaw said he was asking permission to transfer funds from the reserve category to pay for the position. Commissioner Walshaw indicated, however, that the new position would be paid for in future years out of the revenues flowing into the Investigative account, which, based on historic trends, would be more than enough to support the operating needs of the Financial Institutions Division, as well as this new position.

To respond to Senator Raggio's question as to whether the actual events that have transpired since the passage of A.B. 64 would justify hiring the new position, Commissioner Walshaw said he could only point out that since A.B. 64 became effective on October 1, 1999, the Office of the Attorney General had expended a number of hours drafting the implementing regulations. Because of the mandatory fining language and mandatory actions in A.B. 64, Commissioner Walshaw said the Financial Institutions Division wants to "stay ahead of the curve" because it anticipates having an increase in administrative hearings and administrative paperwork associated with those hearings, as well as an increased incidence of fines, conservatorships, suspensions, and receiverships, against licensees.

Senator Raggio wanted to know how many Deputy Attorneys General had been assigned to the Financial Institutions Division for this purpose. According to Commissioner Walshaw, Senior Deputy Attorney General Doug Walther, who handles the legal work in the Carson City office, had been assigned to the Financial Institutions Division on an ad hoc basis, which equates to about a half-time position. He said a Deputy Attorney General had been assigned in a similar fashion to the Financial Institutions Division's office in Las Vegas; thus, one full-time Deputy Attorney General had been assigned to the two locations.

Since there are approximately 1,300 vacant positions in state government at the present time that are not being filled, the Governor has an ongoing Steering Committee to Conduct a Fundamental Review of State Government, and the probability exists that future revenues may not be sufficient to support existing programs, Senator Raggio thought it would be prudent for the state agencies to exercise caution when filling positions or creating new positions. In addition, in view of the 248 billable hours posted during the first quarter, Senator Raggio suggested that it might be premature to add a new position. Senator Raggio thought it would be helpful to the committee if an explanation were to be provided of the types of events that would make it necessary to hire a new position now to "stay ahead of the curve." Speaking on behalf of Senior Deputy Attorney General Doug Walther, Chief Deputy Attorney General Jonathan Andrews explained that the legislative intent in A.B. 64 was clear that both the Office of the Attorney General and the Financial Institutions Division were expected to more closely regulate the mortgage industry and the Fiscal Note requested two Deputy Attorneys General positions to accomplish that task. The legislative committee that heard A.B. 64 suggested that the Office of the Attorney General return to the Interim Finance Committee to request to fill those positions. Since the provisions in A.B. 64 did not become effective until October 1, 1999, Chief Deputy Andrews said the billable hours posted earlier in the year would not reflect the anticipated workload. He said although the Office of the Attorney General was not requesting additional support on the criminal side, Chief Deputy Andrews said the Office of the Attorney General was asking for one Civil Deputy Attorney General position at this time because it did not want to fall behind in not getting the work done that the Legislature has required of the Financial Institutions Division and the Office of the Attorney General.

Senator Neal wanted to know what specific public interest would be affected if this new Deputy Attorney General was not approved today. Commissioner Walshaw indicated that there had been some rather dramatic changes imposed by A.B. 64 relative to the manner in which the Financial Institutions Division administers the mortgage companies. For example, the Financial Institutions Division was previously responsible for administering one mortgage company act. With passage of A.B. 64, it now administers two mortgage company acts since A.B. 64 split the licensing requirement into what are now called mortgage companies and mortgage brokers. According to Commissioner Walshaw, there are some stiff penalties within the mortgage brokers act for violations of statute and regulations. As a result of implementation of A.B. 64, the Financial Institutions Division anticipates having a very large increase in the amount of workload being funneled to the Office of the Attorney General.

When examiners audited the mortgage companies prior to implementation of A.B. 64, Commissioner Walshaw pointed out that the Financial Institutions Division had some discretion as to whether or not to recommend administrative action against a particular licensee. Since implementation of A.B. 64, Commissioner Walshaw he said that if a particular licensee does not follow the law, the Financial Institutions Division was required to implement a fine and take the necessary action either to suspend or revoke their license. When the Financial Institutions Division takes such action, it must be referred to the Office of the Attorney General to draft the necessary paperwork to handle an administrative hearing. Commissioner Walshaw told the committee that the ultimate purpose of A.B. 64 was for the Financial Institutions Division to protect the public by being much more onerous in the way it regulates this particular activity. It was Commissioner Walshaw's belief that if the Financial Institutions Division were to fall behind in processing administrative actions, arguably the public would suffer. The original Fiscal Note for A.B. 64 anticipated that the incidence of administrative hearings and actions would increase to the extent that a Deputy Attorney General would need to be hired to handle that workload and, according to Commissioner Walshaw, the workload had already increased and A.B. 64 had only been in effect for one month.

In addressing the issue, Chief Deputy Andrews pointed out that the cases tend to be complex and time intensive. As a result of the new mandatory provisions in A.B. 64, Chief Deputy Andrews said he expects the cases would be much more aggressively defended. He added that contested cases take more time and manpower.

To highlight Chief Deputy Andrews' remarks, Commissioner Walshaw indicated that when a violation resulted in the implementation of a fine under the previous law, a \$500 fine was imposed compared to a \$10,000 fine under A.B. 64. Commissioner Walshaw contended that individual licensees would be more willing to challenge the imposition of a \$10,000 fine than a \$500 fine.

To be consistent with the action taken by the committee on the previous requests, Senator Raggio recommended that the requests be deferred until the next meeting. Senator Raggio asked Commissioner Walshaw and Senior Deputy Attorney General Walther to meet with the legislative Fiscal Analysis Division staff regarding the need for additional positions.

SENATOR RAGGIO MOVED TO DEFER ITEMS 6, 7, 26 AND 27 UNTIL THE NEXT MEETING TO ALLOW THE LEGISLATIVE FISCAL ANALYSIS DIVISION TO DO A WORKLOAD ANALYSIS. SECONDED BY MR. MARVEL.

Mr. Dini said he agreed with Senator Raggio's motion. Since the Financial Institutions Division has legal support at this time and A.B. 64 only went into effect on October 1, 1999, Mr. Dini thought that it would be appropriate to wait a couple of months so the workload and staffing needs could be reviewed.

Senator Coffin said his wife was a Director of a new bank and the Federal Deposit Insurance Corporation (FDIC) examiner told his wife's board on Friday last week that there were four new bank startup applications and he assumed the Financial Institutions Division had received copies of those applications. Senator Coffin said he was concerned that the Financial Institutions Division intends to use funds from the reserve category for the new position when additional funds might need to be transferred from the reserve category to handle the new bank applications. With all of the big banks merging, Senator Coffin thought people were fleeing to small banks so they could get better service. Commissioner Walshaw apprised the committee that the Financial Institutions Division was given the authority within its main operating budget, which is paid for by fees generated from examining and licensing the various types of financial institutions, to hire eight new examiners over the biennium, with approximately one examiner being phased in each quarter. Commissioner Walshaw said the eight new positions should be sufficient to handle not only the increased workload attributable to new banks, but for a general across-the-board increase in all licensing aspects, including mortgage companies. Commissioner Walshaw indicated that the investigative account was established by the 1985 Legislature specifically to handle a variety of investigative related expenditures for which the Financial Institutions Division previously would have been required to secure the approval of the Interim Finance Committee.

Senator Raggio thought it would helpful to the legislative Fiscal Analysis Division staff and the committee if the Office of the Attorney General were to provide a listing of the names of the Deputy Attorneys General, their assignments, and their billable hours. Mr. Etcheverry said he would be happy to provide that information to the legislative staff.

Commissioner Walshaw pointed out that the investigative account had a balance of approximately \$35,000 the first fiscal year after it was created in 1985, and the balance had grown to approximately \$600,000 as of the current fiscal year. Commissioner Walshaw also emphasized that the purpose of that money was to defray costs associated with doing such things like the Financial Institutions Division did two weeks ago when it put a mortgage company into conservatorship.

Chairman Arberry called for a vote on the motion.

MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

7. **Office of the Attorney General – AG Administration – FY 01** – Addition of \$86,520 in AG Agency Charges to increase legal services for the Division of Financial Institutions of the Department of Business and Industry.

Refer to testimony and motion to defer action under item 6.

8. **Office of the Attorney General - Special Litigation Account – FY 01** – De-augmentation of \$18,335 in Appropriation to meet contract obligations for expert witnesses in litigation.

Refer to motion for approval under item C.

9. **Office of the Attorney General – Special Litigation Account – FY 01** – De-augmentation of \$18,335 in Appropriation to meet contract obligations for expert witnesses in litigation.

Refer to motion for approval under item C.

10. **Office of the Secretary of State – FY 00** – Addition of \$480,256 in Transfer from Special Services Account to continue implementation of business process reengineering study recommendations including additional enabling technologies and training.

The committee was provided with a copy of the Office of the Secretary of State's Annual Report for Fiscal Year 1999, a copy of which is included in the meeting minutes as Exhibit A.

Secretary of State Dean Heller introduced Mr. Donald Reis, Chief Deputy, and Mr. Bill Reinhard, Administrative Services Officer. Secretary of State Heller provided a chart that shows the activity and the growth being experienced in the Office of the Secretary of State's Web Site. Although the chart does not show the activity for the month of October, Secretary of State Heller indicated that there were over 1.1 million hits on the Web Site during the 1999 Legislative Session. It was Secretary of State Heller's belief that the growth in the activity of the Web Site demonstrates how a number of the customers of the Office of the Secretary of State have moved from using the telephone and mail directly to the Web Site.

Continuing his remarks, Secretary of State Heller apprised the committee that the two requests today were primarily to continue implementation of the Business Process Reengineering (BPR) Study's recommendations and provide additional staff for the office. One of the request items is a larger server for the Web Site so that the Office of the Secretary of State would be able to go into the next phase of the BPR, which would include campaign contribution reporting on the Internet, electronic filing of new business entities, notaries and UCC filings, as well as e-commerce, and others. Also, with the impending presidential election next year, approval of the requests would provide additional features that would allow on-line viewing of election results. Secretary of State Heller said it was important that his office be prepared and ready for the activities that were expected to occur next year.

To respond to an inquiry from Chairman Arberry, Secretary of State Heller said that although some Secretary of State offices in other states were charging a transaction fee, his office does not currently charge a fee to customers who use the Web Site. He said, however, his staff had been discussing the possibility of charging a transaction fee at some future date.

It was Chairman Arberry's understanding that the requests were going to be revised. Secretary of State Heller said he had provided a revised work program via Fax to Dan Miles, Senate Fiscal Analyst, depicting changes to both in-state and out-of-state travel. A copy of the revised work program is included in the meeting minutes as Exhibit B.

MR. MARVEL MOVED TO APPROVE THE AMENDED REQUESTS IN ITEMS 10 AND 11. SECONDED BY MR. HETTRICK AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

11. **Office of the Secretary of State – FY 01** – Addition of \$158,101 in Transfer from Special Services Account to continue implementation of business process reengineering study recommendations including additional enabling technologies and training.

Refer to testimony and motion for approval under item 10.

12. **Department of Museums, Library and Arts - Nevada State Museum - FY 00** - Addition of \$8,233 in Gifts and Donations to provide for an increase in authority to accept gifts and donations from museum private funds to reclassify Program Assistant III position to Exhibit Preparator II position and increase from .80 FTE to 1 FTE.

Refer to motion for approval under item C.

13. **Department of Education – EICA Chapter 1 – FY 00** – Addition of \$1,000,096 in Federal Basic Grant, \$132,758 in Federal Migrant Aid, \$120,515 in Neglected and Delinquent Grant, \$244,318 in Even Start Grant, \$19,073 in School Reform Demo Grant, and De-augmentation of \$11,166 in Capital Expenditures Grants to align FY 00 current grant authority with actual grant awards received. Provides \$100,000 for the Council to Establish Academic Standards for Public Schools from Title I Administrative and Program Improvement funding. Align the indirect cost funding with currently approved rates (from 11% to 12.7%).

Refer to motion for approval under item C.

14. **Department of Education – ECIA Chapter 2 State Programs – FY 00** – Addition of \$393,798 in Title VI Federal Grant and \$129,892 in Eisenhower Federal Grant to align FY 00 current grant authority. The alignment reserves \$45,646 for Title VI FY 01 administrative expenses and \$126,096 for Title II Eisenhower administrative expenses for FY 01.

Refer to motion for approval under item C.

15. **Department of Education – School to Careers – FY 00** – Addition of \$285,000 in US Department of Labor Federal Grant to continue the Administration of the School to Careers Program. The School to Careers Coordinator position was previously reduced to .50 in FY 00 this grant will increase the position to 1.00 FTE through December 2000. The Management Assistant and Grants Analyst positions were funded at .50 through December 1999 and this grant will increase the positions to 1.0 effective January 1, 2000 through December 2000. Sufficient reserves have been established to fund salary costs for FY 2001 through December 2000.

Refer to motion for approval under item C.

16. **Department of Education – Continuing Education – FY 00** – Addition of \$193,319 in Federal Adult Basic Ed and \$4,540 in Receipts from JTPA to align FY 00 current grant authority with actual grant awards received. \$1132,595 of the Job Training Partnership Grant is reserved for administrative expenses for FY 01.

Refer to motion for approval under item C.

17. **Department of Administration – Printing Division – Printing Equipment Purchase – FY 00** – Transfer of \$77,995 from Reserve category to Equipment Purchase category to allow for purchase of a digital imagesetter and supply cassette for the imagesetter machine ordered prior to the end of fiscal year 1999 but not delivered until after the close the books for the fiscal year.

Mr. Donald L. Bailey, Sr., State Printer, State Printing Division, introduced his Deputy, Mr. Rod Corbit, and Mr. Tracy Raxter, Administrator, Administrative Services Division. Mr. Bailey noted that the 1997 Legislature had appropriated \$450,000 in the form of a General Fund loan to the Printing Division specifically for the purchase of a two-color printing press. After the press was purchased, there was a balance remaining in the \$450,000 appropriation of about \$83,000. Mr. Bailey said he approached the Budget Division about the possibility of purchasing a used small, two-color printing press to replace an existing 25-year old press. Mr. Bailey said although he received approval to purchase a used press, he was unable to locate one within a price range of \$83,000. He returned to the Budget Division and received approval to purchase an imagesetter and cassette.

Mr. Bailey explained that the reason he wanted to purchase an imagesetter and cassette was because electronic text file transfers were the new state-of-the-art technology in the printing industry and would facilitate the printing of the Nevada Revised Statutes (NRS) and many of the Legislative Counsel Bureau's (LCB) publications. Although the imagesetter and cassette were purchased after the 1999 Legislative Session adjourned, Mr. Bailey said he was pleased to report that the new Color King press was very successful in allowing the Printing Division to complete the printing of the NRS one month earlier than any previous record that had been set. It was Mr. Bailey's hope that the imagesetter would further enhance the Printing Division's production during the 2001 Legislative Session and afterwards, and also would allow it to provide increased services to the other 150 state agencies it serves as well. Since many of those 150 state agencies have small printing budgets and keep small inventories on hand, they need a quick turnaround time on documents.

While he wished to commend Mr. Bailey for finding a printing press for less money, Chairman Arberry wanted to know whether the imagesetter and cassette was an integral part of the new printing press. Mr. Bailey said the imagesetter and cassette was not a direct part of the new printing press, but rather it drives the material that creates the plates that go to the press.

Chairman Arberry questioned why Mr. Bailey had indicated in budget hearings during the 1999 Legislative Session that the new printer had cost approximately \$400,000 (this total was later corrected to \$366,955). No indication was given during budget hearings or closings that additional costs relative to the printing press purchase were pending. Mr. Bailey said his main objective at the time was to speed up the printing process during the 120-day Legislative Session. Since there was a balance remaining in the appropriation, Mr. Bailey said he had requested and received approval from the Budget Division to purchase the imagesetter and cassette.

Chairman Arberry told Mr. Bailey that he had set a bad precedent because the language in Section 40 of A.B. 660 (1997 Legislature) stated that any unencumbered balances remaining from the \$450,000 General Fund appropriation made by the 1997 Legislature were to be reverted to the fund from which it was appropriated. Chairman Arberry said he could not support this particular purchase because if the Printing Division were allowed to circumvent the NRS, other state agencies would want to be treated accordingly.

Mr. Beers wondered how the Printing Division had made the plates during the 1999 Legislative Session. Mr. Bailey indicated that the Printing Division currently has a standard plate-making facility. He said, however, the imagesetter would allow the Printing Division to image directly to plate, which would eliminate a step and reduce the cost to the state agencies.

Since a step was being eliminated, Mr. Beers asked Mr. Bailey if a position could be eliminated. Mr. Bailey said it would not be possible for the Printing Division to eliminate a position because a position had already been eliminated during the 1999 Legislative Session.

Chairman Arberry asked Mr. Bailey if he was familiar with the language in NRS 353.255 and Mr. Bailey said he was not.

Chairman Arberry read into the record the following sections of NRS 353.255:

Section 1. The sums appropriated for the various branches of expenditure in the public service of the state shall be applied solely to the objects for which they were respectively made, and for no others.

Section 2. Any person violating the provisions of subsection 1 shall be punished by a fine of not more than \$500.

Since it was his belief the statutory language was clear that the \$450,000 appropriated by the 1997 Legislature was to be spent for the new printing press, and nothing else, and since the purchase of the Imagesetter could not very well be rescinded without creating a bad business relationship with the vendor, Chairman Arberry said he wished to defer action on this request until the next Interim Finance Committee meeting to

demonstrate to state agencies that the committee would not tolerate circumvention of the statutes in the future.

18. **Department of Business and Industry - Housing Division - FY 00** - Addition of \$98,858 in Loan Repayment - Non Principle Government and \$7,000 in Loan Repayments - Principle Government to cover increase in projected loan repayments associated with the Home Investment Partnership Program.

Refer to motion for approval under item C.

19. **Department of Business and Industry – Insurance Education and Research – FY 00** – Transfer of \$20,000 from Reserve category to Seminars for Public category to pay for costs associated with conducting insurance related seminars.

Refer to motion for approval under item C.

20. **Department of Business and Industry – Insurance Education and Research – FY 00** – Transfer of \$110,000 from Reserve category to Information Services category to purchase integrated database and licensing software. (Note: A future Word program may be required to address DoIT costs incurred in FY 2000 for oversight of the project.)

Ms. Alice Molasky-Arman, Commissioner of Insurance, Insurance Division, introduced Ms. Marilyn Espinosa, Administrative Services Officer, and Mr. Gerald Sandstrom, Vice President, Client Services, Nevada Development Authority. Ms. Arman explained that the work program requests the transfer of \$110,000 from budget account 3824 for the initial purchase of a comprehensive insurance accountability and database system called COSMOS. According to Ms. Arman, COSMOS would provide the Insurance Division with data collection and manipulation capabilities required to support many of the Insurance Division's insurance research projects and industry studies it plans to pursue. By way of background information, Ms. Arman indicated that an infrastructure upgrade report, dated November 30, 1998, prepared by the Department of Information Technology (DoIT), confirmed the Insurance Division's need for an entirely new computer system. During the 1999 Legislative Session, the Insurance Division's hardware became inoperable. According to Ms. Arman, a funding request for replacement hardware, as well as supporting software, was included in the Insurance Division's original biennial request. She said, however, due to the anticipated economic shortfall, that request was not brought forward to the 1999 Legislature for consideration. It was her intention at the time to resurrect the request for the next biennium. Ms. Arman also noted that the Insurance Division had received an Attorney General's Opinion (AGO) stating that the use of funds from budget account 3824 (Education and Research) for this purpose was an appropriate expenditure.

Continuing her testimony, Ms. Arman told the committee that the COSMOS system would support the National Association of Insurance Commissioners' (NAIC) state interface technology enhancement project; otherwise known as I-SITE, a consumer complaint database, and financial applications and market conduct applications. In addition, the COSMOS system would support the Producer Information Network (PIN) for the NAIC's producer database. Ultimately the COSMOS system would support the System for Electronic Rate and Form (SERF), which is also a project of the NAIC. Ms. Arman explained that members of the insurance industry participate in the SERF program. The insurance industry members submit their rate and form filings via electronic transmissions. The Insurance Division receives thousands of rate and form filings each year. Although she had hoped to wait until the next Legislative Session to make this request, Ms. Arman said she also wanted to wait to see what Congress decided to do as far as the financial modernization bill. That bill, which allows banks to sell insurance, was enacted almost 2 weeks ago and also contains a provision that would preempt state regulation of insurance if the state does not adopt uniform standards for licensing. The Insurance Division not only regulates licenses for residents of the State of Nevada, but also licenses for non-residents. Nevada's non-resident licensing population has doubled within the last six years from about 8,500 to over 17,000.

Ms. Arman told the committee that what really prompted her to come forward with the request at this time was when she was approached by a major member of the insurance industry, an insurer whose company holds a major market share of the insurance business in Nevada. According to Ms. Arman, this company was desirous of setting up a call center in Las Vegas that would employ between 1,000 and 2,000 persons. The company expects that between 1,000 to 1,500 persons would become licensed resident agents in Nevada. She was told that the company recognizes Nevada as being strong and fair in its regulatory environment and offers very attractive amenities. Together with Bob Shriver and Kay Scherer with the Commission on Economic Development, Ms. Arman said she and several of her staff members met with members of the company, whose name must be maintained in confidence at this time because of proprietary planning. The representatives from the prospective company were very impressed by the opportunities presented for employment and education in Nevada. Ms. Arman said she later learned that the prospective company was also working with the Nevada Development Authority (NDA) and that Nevada was one of three states being seriously considered to locate the service center.

Continuing, Ms. Arman indicated that although she had been able to address a number of the prospective company's concerns, she had not been able to address all of them. Although the company recognizes that Nevada has a responsible regulatory environment, it also recognizes that Nevada has not been especially responsive at this time because of the number of licensees that need to be addressed and also Nevada's inability to participate in the NAIC producer database and PIN. Those networks would enable the Insurance Division to use the same systems that are used in other states. For example, if Nevada were to have 1,000 new resident licensees who are doing business on a nationwide basis, those licensees would need a non-resident license in 48 other states, which would amount to about 48,000 transactions because Nevada would need to work with and provide letters of clearance to the other states. Ms. Arman said she wished to point out that Mr. Hollingsworth, Director, NDA, had been in communication with the Governor on this program. In talking with the Governor, Ms. Arman said the Governor had confirmed to her his support of the Insurance Division's plan to address the needs of this particular company to encourage the growth of the insurance industry. Ms. Arman noted that Mr. Sandstrom was prepared to testify regarding the impact on the economy of this particular insurance company doing business in Nevada.

Mr. Sandstrom said he appreciated the opportunity to talk to the committee about this particular client. NDA had been working with this client for several months and the Governor was very enthusiastic about attracting this type of company to southern Nevada. Mr. Sandstrom provided a four-page handout entitled "Nevada Regional Project Assessment System – Project Description in Greater Las Vegas," and a copy of which is included in the meeting minutes as Exhibit C. The handout is a product of an economic input/output model that NDA purchased. The Commission on Economic Development in Carson City uses a similar model. The chart on page 1 of the handout (Exhibit C) shows that 1,000 employees would be hired the first year. The payroll for those 1,000 employees would be \$29,369,700. The company's skill mix would be 75 percent skilled and 25 percent semi-skilled. The construction of the company's 325,000-square foot facility would cost approximately \$45 million and equipment purchases would total an approximate \$17,250,000. The company estimates that it would grow from 1,000 employees to 2,000 employees over a 5-year period, with a total of approximately \$271 million in personal income over that same period. Because of the company's competitive wage level, it would be eligible for state incentives and its use tax would be reduced during the first year. Mr. Sandstrom directed the committee's attention to the chart on page 2 of the handout (Exhibit C) which shows that a total of 3,317 jobs would be created over the 5-year period. The economic output over the 5-year period would be \$803,789,605, or almost \$1 billion. The chart also shows the fiscal impact over the 5-year period would be \$11,300,000 to local governments and \$6,331,900 to state government.

In continuing his remarks, Mr. Sandstrom told the committee that the prospect of this company coming to southern Nevada was very exciting to NDA. According to Mr. Sandstrom, this company was one of four insurance companies that had expressed an interest in locating a service center in Nevada. The companies would be offering customer service, as well as doing sales both in and out of Nevada. Two of those companies, State Farm Insurance and AIG, have decided to locate in El Paso, Texas and in Albuquerque New Mexico, respectively, partially because of the difficulty in licensing agents in Nevada. He indicated that the company in question was also considering locating in the State of Washington, who has agreed to license their agents in 4 days. By comparison, when the company met with Ms. Arman, they were told that it

would take 3 to 4 weeks to license their agents. This would necessitate hiring people, paying them 3 or 4 weeks wages, without their being able to do any work. Mr. Sandstrom told the committee that it was essential that the Insurance Division's computer system be upgraded.

Since she assumed this was a "if you build it they will come" proposition, Mrs. de Braga wanted to know what specific benefits would be derived by the state if the Insurance Division were allowed to purchase the COSMOS computer system. Ms. Arman told the committee that the presence of this insurance company in Nevada was important not only to the policyholders, but the consumers of insurance in Nevada as well. If Nevada can attract major regional service or call centers, Ms. Arman said she believes that would enhance the Insurance Division's ability to offer available insurance markets to the consumers of Nevada. It would also enhance competition; thus, the affordability of insurance in Nevada. Ms. Arman indicated that if the Insurance Division does not move toward the uniform treatment of insurance agents as other states have, Nevada faces preemption by the federal government, which would establish a national board to license insurance agents and brokers. Although it used to have a 10-day turnaround time for licensing, the Insurance Division currently has a licensing turnaround time of between 4 and 5 weeks because of the increased population of the resident and non-resident agents. Ms. Arman noted that the insurance agents' licenses were their livelihood.

It was Ms. de Braga's belief that even if this company does not locate in Nevada, there would still be a very significant benefit to Nevada for the Insurance Division to have the upgraded computer system. Ms. Arman agreed with Ms. de Braga's statement and added that since the software for the Insurance Division's present computer was 20 years old and the computer was not an integrated system; it was only a matter of time until it fails.

Senator Coffin said he wished to declare that he was a licensed insurance broker and insurance agent for life and health in the State of Nevada. Senator Coffin wanted to know whether the solicitors would be calling inside of the State of Nevada or from other states. It was Ms. Arman's understanding that the agents would be operating nationwide. She also pointed out that the company in question was actually a group of companies that control a major share of the insurance market in Nevada. Ms. Arman also thought that if it were possible to attract this particular company, it would encourage other companies to follow suit.

Senator Coffin wanted to know whether the prospective company's resident agents would take the same examinations that Nevada licensed resident agents currently take and Ms. Arman responded affirmatively. Senator Coffin wanted to know whether the policyholders would benefit from a home office exemption, which would reduce the premium tax. Ms. Arman said she had discussed with the prospective company the provision in the law that offers a home office credit. Ms. Arman said the Insurance Division does not determine whether or not a company satisfies the requirements to meet that law, but rather the Department of Taxation has the authority to make such a determination. Since there are a number of criteria that would need to be satisfied, Ms. Arman said she was not sure whether the prospective company would qualify for the home office credit.

Since it was her recollection that other state agencies had implemented new computer systems and then found it necessary later on to return to the Interim Finance Committee to request additional funding for support staff, Mrs. Chowning said she wished to know what the long-term costs for support staff for the new computer system would be. It was also Mrs. Chowning's recollection that DoIT had told the money committees during the 1999 Legislative Session it does not have adequate staff to deal with Oracle-based computer software. Ms. Marilyn Espinosa, Administrative Services Officer, Insurance Division, explained that the Insurance Division had included in its projections the recurring costs. Ms. Espinosa indicated that the system was a pre-packaged program rather than a customized program. According to Ms. Espinosa, the cost of the required maintenance package from the vendor, which would maintain the integrity of the system and minimize the risk of failure, would be \$82,500 per year. In addition, the Oracle licenses, which require annual maintenance, would cost \$7,500 per year for 25 licenses. Ms. Espinosa indicated that the total recurring costs, after the first year of implementation, would be \$90,000 per year. Since the vendor has demonstrated in other states that it has the capability to maintain the systems that are already in place, Ms. Espinosa said the Insurance Division would rather retain the services of the vendor than pay DoIT to provide the services. She estimated that this level of support would be needed for a minimum of 2 years. After that period of time, an evaluation would be done to determine whether the level of support could be reduced. Ms. Espinosa indicated that DoIT had recommended this course of action for the new computer system. Ms. Espinosa also apprised the committee that additional funding might be requested for the vendor to provide additional in-house training and to improve the functionality of the system.

MR. PARKS MOVED TO APPROVE THE REQUEST. SECONDED BY MRS. DE BRAGA AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

21. **Department of Business and Industry – Transportation Services Authority – FY 00** – Transfer of \$25,190 from Reserve category to Equipment category to purchase new high band radios for investigative vehicles pursuant to S.B. 504.

Refer to motion for approval under item C.
22. **Department of Business and Industry – Manufactured Housing – Education/Recovery Fund – FY 00** – Transfer of \$75,000 from Reserve category to Court Ordered Payments and \$11,500 from Reserve category to Education Program to cover pending court ordered payments and training held by NCS/BCS for mobile home installation procedures.

Refer to motion for approval under item C.
23. **Department of Business and Industry – Energy Office – Energy Conservation – FY 00** – Addition of \$100,000 in Federal School Bus. AFV Program to develop educational materials, a training program and train-the-trainer materials to educate school bus fleet operators.

Refer to motion for approval under item C.
24. **Department of Business and Industry – Common Interest Communities – FY 00** – Transfer of \$36,677 from Reserve category to AG Cost Allocation category to pay for the costs associated for a half-time Deputy AG position.

Refer to testimony and motion to defer action under item 4.
25. **Department of Business and Industry – Common Interest Communities – FY 01** – Transfer of \$49,995 from Reserve category to AG Cost Allocation category to pay for the costs associated for a half-time Deputy AG position.

Refer to testimony and motion to defer action under item 4.

26. **Department of Business and Industry – Financial Institutions Investigations – FY 00** - Transfer of \$46,303 from Reserve to AG Cost Allocation to provide for additional costs associated with a greater use of Deputy AG time due to an increase in work load required by the agency.
- Refer to testimony and motion to defer action under item 6.
27. **Department of Business and Industry – Financial Institutions Investigations – FY 01** - Transfer of \$86,520 from Reserve category to AG Cost Allocation category to provide for additional costs associated with a greater use of Deputy AG time due to an increase in work load required by the agency.
- Refer to testimony and motion to defer action under item 6.
28. **Department of Tourism and Economic Development – Motion Pictures Division – FY 00** – Addition of \$30,000 in Miscellaneous Reserve to allow for receipt of unanticipated revenue as a result of increased ad sales and listing sales for the Nevada 2000 Production directory to assist in contractual service provided for scouting location costs.
- Refer to motion for approval under item C.
29. **Department of Tourism and Economic Development – Rural Community Development Division – FY 00** – Addition of \$2,970,504.62 in Federal HUD Contract and \$358,516.00 in Federal Grant to reestablish remaining FY 99 federal authority in FY 00 and bring forward disaster recovery grant fund authority to FY 00.
- Refer to motion for approval under item C.
30. **Department of Tourism and Economic Development – Commission on Economic Development – FY 00** – Addition of \$73,000 in Transfer from University Funds to develop a program to assist Nevada based manufacturers in conjunction with the University MAP program.

Ms. Karen Baggett, Deputy Director, Commission on Economic Development (CED), introduced Ms. Tina Tomasco, Management Analyst. Ms. Baggett noted that the CED had entered into an interlocal sub-agreement with the University and Community College System of Nevada (UCCSN) for a Manufacturer's Assistance Program (MAP) position to be housed within the CED. The CED has provided indirect matching costs of \$2,500 for this position. In providing historical information on the MAP, Ms. Baggett explained that the MAP was an industrial outreach program within the UCCSN whose primary purpose was to work directly with Nevada companies to feed the flow of new technology, information, and workforce development, by providing both direct and referral services to client companies. MAP focuses on small- and medium-size manufacturers, construction companies, and the mining industry. Ms. Baggett noted that the CED had tentatively outlined some of the duties that would be performed by the new position, which are: to develop a program to assist and promote Nevada-based manufacturers by the use of marketing efforts, seminars, product deliveries, and to create a Web Site. There are at least 300 small- to medium-size companies that make products in Nevada and this position would assist those companies in marketing their products.

Ms. Baggett also apprised the committee that the CED was in the process of upgrading its Web Site and it should be online by December 1, 1999. A portion of the Web Site will be devoted to "Made in Nevada" products, as well as to tie into the Commission on Tourism's Web Site so that people would be able to buy items from Tourism as well. As a partner of UCCSN, specifically the Small Business Development Center (SBDC), and the Small Business Administration (SBA) on the federal level, Ms. Baggett said the CED anticipates that the new position would not only provide seminars, workshops, and other expertise to the smaller companies, but would make those companies part of the Annual Governor's Conference on Economic Development, allowing them to display their products. Ms. Baggett indicated that CED's mission was not only to attract business, but to support businesses within the state as well.

Since there were no comments or questions from the committee, Chairman Arberry said he would accept a motion.

MR. DINI MOVED TO APPROVE THE REQUEST. SECONDED BY MR. PRICE AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

31. **Department of Human Resources – Director's Office – DHR Administration – FY 00** – Transfer of \$350,000 from Maximus Reserve category to MH/DS category to provide funds to make corrections to the fire ventilation system in Building 3 of the Southern Nevada Adult Mental Health campus. (Note: This proposal is in lieu of a IFC Contingency Account Allocation.)

Chairman Arberry announced that items 31 and 61 would be heard together.

In addressing items 31 and 61, Mr. Mark Roberts, Administrative Services Officer, Director's Office, Department of Human Resources, introduced Mr. Eric Raecke, Manager, State Public Works Board (SPWB), and Dr. Carlos Brandenburg, Administrator, Division of Mental Hygiene and Development Services (MH/DS). Mr. Roberts explained that the work programs in items 31 and 61 would provide the funding mechanism to do the ventilation projects for the Southern Nevada Adult Mental Health Services (SNAMHS), Building No. 3. Mr. Roberts added that Mr. Raecke and Dr. Brandenburg would provide specific information on the project and that he would be happy to respond to questions from the committee.

Senator Raggio wanted to be assured of the availability of funding in the Maximus Reserve category for this project. If the committee approves the two requests, Mr. Roberts indicated that there would be a balance of approximately \$2.1 million in the Maximus Reserve category.

Senator Rawson said he had heard that Mr. Roberts was leaving state service and he wished to express his regret for his departure and to wish him well in any future endeavors. Senator Rawson also told Mr. Roberts that he had appreciated his forthright approach when explaining funding requests in the past.

Mr. Marvel wanted to know the age of Building 3, the building that was experiencing the ventilation problems. Dr. Brandenburg indicated that Building 3 was constructed in 1988. It was Dr. Brandenburg's understanding that because Building 3 did not meet the fire codes when it was constructed in 1988, the building had to be retrofitted to meet present day fire codes.

Since he thought a building constructed as recently as 1988 should have been built to meet the fire codes, Mr. Marvel asked Mr. Raecke to explain the situation. Although he was not employed by SPWB at the time, it was Mr. Raecke's understanding that the building was constructed under the 1985 edition of the Uniform Building Code (UBC). Although the UBC did not require that the building be separated into different smoke zones, it did require that the first and second floors be separated horizontally. Mr. Raecke said he had talked with several people who were involved in the construction of the building who remembered that the

building was built to accepted standards and methods used in Las Vegas at the time. After a brief forensic examination of the building was done, Mr. Raecke said he had discussed what would be necessary to bring the building up to code with the State Fire Marshal and the State Health Division and the consensus was that the building needs both a vertical smoke barrier and a horizontal fire barrier.

In continuing his remarks, Mr. Raecke said he had also talked with the Las Vegas architectural firm of Harry Campbell Architects, the architects of record at the time of construction, and they have provided an estimate of about \$270,000. He said, however, SPWB had calculated that it would require about \$350,000 to complete the project. Mr. Raecke said he had provided several options to the Department of Human Resources. The first option was to include this project in the next Capital Improvements Program (CIP) and do it when money becomes available. This option would not be feasible because of the federal Health Care Financing Administration (HCFA) funding attached to the project. The second option was to reallocate present funding in the 1999 CIP since there were six or seven projects on the SNAMHS campus; however, Dr. Brandenburg indicated that all of those projects were necessary. The third option was to ask the Interim Finance Committee to approve funding from the Contingency Fund or the Maximus Fund.

To provide historical information, Mr. Raecke explained that Building 3 had been certified for about the last 10 years by the State Health Division. On January 13, 1999, the State Health Division inspected Building 3 and determined that a number of heating, ventilating and air conditioning (HVAC) dampers were needed to make the smoke separation. Mr. Raecke said he did not become aware of the problems with Building 3 until August of 1999. On September 9, 1999, he called a meeting that was attended by the State Fire Marshal, the State Health Division, and MHDS representatives, to plan the strategy. In October of 1999, he mailed a letter to the Department of Human Resources outlining the options he described previously and the time lines. If the committee approves the funding, Mr. Raecke said the project could be bid by January or early February 2000, and the project should be completed by August or early September of 2000. HCFA has given SPWB an extension until December 31, 2000, to complete the corrections to Building 3.

To respond to several questions from Mr. Marvel, Mr. Raecke said that although he was aware an addition to the third floor of Building 3 was contemplated at one time, he had not done a structural examination to see whether Building 3 would support a third floor nor had he calculated the cost. He said, however, he would doubt that it would be feasible to add a third floor because of the changes in the earthquake codes. Regarding the issue of public safety posed by Mr. Marvel, Mr. Raecke told the committee that the State Fire Marshal and the Health Division were adamant about getting the smoke separation done between the first and second floors. If the State Fire Marshal and the State Health Division do not certify Building 3, Mr. Raecke indicated that HCFA would probably decertify Building 3 and he thought Dr. Brandenburg could provide the committee with the details on what that would mean in terms of actual dollars.

To follow up on some of Mr. Marvel's concerns, Chairman Arberry said that although he realized the code violation problem occurred prior to Mr. Raecke's employment with SPWB, it was his understanding that the architect of record, the contractor, the SPWB, and the State Fire Marshal were involved in the inspection process when Building 3 was under construction. Mr. Raecke acknowledged that Building 3 was a SPWB project and that the SPWB inspectors were responsible for inspecting Building 3. He also acknowledged that the UBC at that time called for the first and second floors to be separated to control smoke. He said the floors should have been corrected during the original construction, but they were not.

Chairman Arberry questioned why SPWB would want to bring in the original architects who designed Building 3 and who created the blunder. Since the original architects felt responsible to come back and correct the mistake, Mr. Raecke apprised the committee that the architects had done a fairly comprehensive forensic examination free of charge. A decision was made by the State Health Division, the MH/DS, the SPWB, and the original architect, that the corrections should be made to conform to current UBC, which require that the building be separated longitudinally to provide for two separate smoke zones that could evacuate smoke in case of fire.

Chairman Arberry asked Mr. Raecke if he thought SPWB would be able to complete the work for \$350,000. Mr. Raecke said the architects who examined Building 3 had estimated the cost of the project at \$270,000; however, when design costs were added, the total cost of the project would be \$350,000. Mr. Raecke said he was confident that the work could be done for \$350,000.

It was Senator Neal's recollection that S.B. 214 was passed by the 1981 Legislative Session, which exempted existing state buildings from certain building codes; however, buildings constructed after that date were supposed to conform to all current building standards. Senator Neal asked Mr. Raecke if he were familiar with S.B. 214. Mr. Raecke said that he could recall that a large project was created several years ago to upgrade fire sprinklers and fire safety in existing buildings. Mr. Raecke added that there was no doubt in his mind that Building 3 was not built to meet the codes under the 1985 edition of UBC.

Mr. Dini asked Dr. Brandenburg to speak to the HCFA implications if Building 3 were not brought up to code. Dr. Brandenburg indicated that it would result in SNAMHS incurring a loss of approximately \$1.7 million per year in Medicare revenue.

MR. MARVEL MOVED TO APPROVE ITEMS 31 AND 61 WITH THE PROVISIO THAT THE MAXIMUS FUNDS BE TRANSFERRED DIRECTLY TO SPWB, RATHER THAN TO THE DIVISION OF MH/DS; THAT SPWB BE GIVEN THE RESPONSIBILITY OF OVERSEEING THE NECESSARY REPAIRS TO BUILDING 3; THAT PERMISSION BE GRANTED TO CARRY THESE FUNDS FORWARD FROM FY 2000 TO FY 2001, IF NECESSARY; AND THAT ANY REMAINING FUNDS BE RETURNED EITHER TO THE DIRECTOR'S OFFICE OR REVERT TO THE STATE. SECONDED BY MR. HETTRICK AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

Speaking for the committee as a whole, Senator Raggio told Mr. Roberts that the members of the committee who had worked with him over the years had a great appreciation for his dedication and efforts and regretted to see him leave state service. Senator Raggio said he wished to extend his and the committee's best wishes for Mr. Roberts' success in his future endeavors.

Chairman Arberry announced a 10-minute break.

Chairman Arberry reconvened the meeting and recognized Ms. Blaine Rose, Administrative Services Officer, Department of Human Resources.

32. Department of Human Resources - Community Services Block Grant - FY 00 - Addition of \$2,072 in Food and Nutrition Grant to provide funds to the Division of Aging Services to continue statewide community food and nutrition initiatives for seniors.

Ms. Rose introduced Ms. Debbie Dimit, Administrative Services Officer, Aging Services Division. Ms. Rose explained that this work program provides for a small increase of \$2,072 in Community Services Block Grant federal funding for the Community Food and Nutrition Program.

Chairman Arberry opened the meeting to a public hearing. After inquiring as to whether anyone in the audience wished to testify and hearing no response, Chairman Arberry entertained a motion for approval of the request.

SENATOR RAWSON MOVED TO APPROVE THE REQUEST. SECONDED BY MR. DINI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

33. **Department of Human Resources - Child and Family Services - Youth Community Services - FY 00** - Addition of \$600,000 in Title IV-E Funds to pass through federal funds to Washoe County for temporary care of eligible children.
- Refer to motion for approval under item C.
34. **Department of Human Resources - Child and Family Services - Community Juvenile Justice Programs - FY 00** - Addition of \$281,668 in Combating Underage Drinking Grant to continue program to design and implement innovative community specific underage drinking prevention strategies and education techniques to lower tolerance of underage drinking and curtail purchase of alcohol by minors.
- Refer to motion for approval under item C.
35. **Department of Human Resources - Child and Family Services - Community Juvenile Justice Programs - FY 00** - Addition of \$360,000 in Combating Underage Drinking Grant to continue program of community specific underage drinking prevention strategies, curtail the purchase of alcohol by minors and host a state conference on issues and strategies to prevent underage drinking.
- Refer to motion for approval under item C.
36. **Department of Human Resources – Child and Family Services – Community Juvenile Justice Program – FY 00** – Addition of \$147,091 in Office of Juvenile Justice Delinquency Prevention Program Grant to continue juvenile delinquency prevention programs at the local level and to correct FY 99 funds that should have been drawn to cover a portion of the Community Corrections Grant costs.
- Refer to motion for approval under item C.
37. **Department of Human Resources – Child and Family Services – Youth Corrections Services – FY 00** – Addition of \$152,896 in Office of Juvenile Justice Delinquency Prevention Program Grant to continue programs to prevent juvenile delinquency.
- Refer to motion for approval under item C.
38. **Department of Human Resources Child and Family Services - U.N.I.T.Y. - FY 00** - Addition of \$188,820 in Title IV - E Funds to continue Washoe County participation in the U.N.I.T.Y. project.
- Refer to motion for approval under item C.
39. **Department of Human Resources – Child and Family Services – Child Care Services – FY 00** – Addition of \$100,000 in Child Care Development funds to add 1.51 FTE Child Care Surveyor positions to address the caseloads of licensing child care facilities, add .51 FTE Management Assistant for clerical support, upgrade a Child Care Surveyor position to a Child Care Supervisor, fund associated operating, equipment, moving and rental costs.

Mr. James Baumann, Administrative Services Officer, Division of Child and Family Services (DCFS), explained that 1.5 full-time equivalent (FTE) Child Care Surveyor II positions were being requested to manage the current child care licensing caseload of 220 families, with a license capacity of 8,508 and 22 pending applications. Licenses were renewed annually, Mr. Baumann explained, with a minimum of two mandated surveys conducted per license. One Child Care Surveyor II position will be located in Las Vegas, a half-time Child Care Surveyor II position will be located in Carson City to serve the northern and rural area, and a half-time Management Assistant will provide clerical support. It was Mr. Baumann's understanding that the federal funds had become available as a result of the federal government stressing quality child care by expanding child care licensing and monitoring activities. This work program has been discussed and approved by the Child Care Advisory Committee and it will be added to their strategic plan with respect to expanding child care and licensing activities.

Chairman Arberry opened the meeting to a public hearing. He inquired as to whether anyone in the audience wished to testify. After hearing no response, Chairman Arberry entertained a motion for approval of this request.

SENATOR COFFIN MOVED TO APPROVE THE REQUEST. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

40. **Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 00** – Addition of \$411,024 in Federal New Wish Grant to continue program of the integration of behavioral health services into Head Start sites in urban Clark County. Continues 9.55 FTE.
- Refer to motion for approval under item C.
41. **Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 00** – Addition of \$999,160 in Federal Neighborhood Care Center Project Grant to continue the program to enhance the existing local interagency service system for Clark County children with severe emotional disturbances through the development of multi-disciplinary case management teams located at neighborhood sites. Continues 15 FTE positions.
- Refer to motion for approval under item C.
42. **Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 00** – Addition of \$250,000 in Neighborhood Care Center Project Grant to provide additional site development, upgrade a Mental Health Counselor II, provide furniture and equipment and add a .51 FTE Mental Health Counselor for training and provide contracts for neighborhood and regional steering committee development.
- Refer to motion for approval under item C.

43. **Department of Human Resources - DHR - Community Connections - Chapter 1 - Special Education Projects - FY 00** - Addition of \$37,500 in Federal Head Start Grant to balance forward FY 99 unspent federal authority to continue Head Start services and to increase a Child Development Specialist III position from a .51 FTE to a .75 FTE.

Refer to motion for approval under item C.

44. **Department of Human Resources – Welfare Division – Homeless Grants – FY 00** – Addition of \$75,098.94 in Emergency Shelter Grant to continue pass-through funding to sub-grantees who provide emergency assistance to homeless persons and families.

Refer to motion for approval under item C.

45. **Department of Human Resources – Welfare Division – Welfare Administration – FY 00** – Addition of \$119,549 in Federal Food and Nutrition Grant to provide nutrition education for food stamp recipients and other low-income households in Nevada.

Refer to motion for approval under item C.

46. **Department of Human Resources – Welfare Division – Temporary Assistance to Needy Families – FY 00** – Transfer of \$1,200,000 from Cash Assistance category to Transfer to Title XX Budget category to provide TANF funds to the Purchase of Social Services’ budget to meet projected shortfall in the Health Division’s Immunization Program.

In addressing items 46, 53 and 54, Mr. Roberts introduced Mr. Alex Haartz, Administrative Services Officer, Health Division, and Mr. Robert Anderson, Administrative Services Officer, Nevada State Welfare Division (NSWD). He said the three work programs were in response to a request from the Interim Finance Committee for the Department of Human Resources to submit a funding request if supplemental or Contingency Fund funds were needed to provide immunization services. Although he said there was a projected shortfall in immunization services, Mr. Roberts indicated that the Department would be providing a backup plan today in lieu of a Contingency Fund request based on the current shortage in the Contingency Fund. Mr. Roberts requested permission to transfer \$1,200,000 from the Cash Assistance category into the Title XX category and then those Title XX funds would be transferred into the Health Division’s Immunization Program to provide for immunizations.

Mrs. de Braga inquired as to the amount of the shortfall. Mr. Haartz noted that the Health Division was estimating a \$1.2 million shortfall in the current fiscal year based on the projected number of vaccine doses that would need to be purchased. He said, however, due to the continuing resolution at the federal level, the Health Division has not yet received notification other than the proposed level of funding for the immunization program.

Mrs. de Braga wanted to know whether part of the funding for the immunization program would be provided by the federal government and Mr. Haartz responded affirmatively.

It was Mrs. de Braga’s belief that some of the social services programs were going to be hurt by transferring funds from one program to another, which she characterized as a “robbing Peter to pay Paul” process. Mr. Anderson apprised the committee that the money being transferred to the Title XX category was a result of a favorable variance in the Cash Assistance category in the Temporary Assistance for Needy Families (TANF) Block Grant allocation. Specifically, Mr. Anderson explained that there had been a \$550,000 favorable variance during the first four months of the current fiscal year and that NSWD was projecting a \$1.5 million favorable variance for the entire year in the Cash Assistance Grant. Mr. Anderson said he wished to assure Mrs. de Braga that NSWD had the capability of transferring this particular funding without adversely affecting any social services programs. Mr. Anderson also indicated that current caseload projections were showing a 96.2 utilization rate in Cash Assistance payments; therefore, NSWD should have roughly a 6.8 percent favorable variance on \$22 million, which would amount to \$1.5 million.

Since she had heard a lot of discussion about the possibility of providing vaccinations for college students, Mrs. Cegavski said she would appreciate having information provided on the cost of providing vaccinations for Hepatitis C and other communicable diseases at the next meeting. Mr. Haartz said he would provide the information to the legislative Fiscal Analysis Division staff.

Ms. Leslie said she did not recall that health was one of the major goals of the Title XX Program and she wondered if this funding transfer would create a problem. When the immunization shortfall was first brought to his attention, Mr. Roberts noted that the Department of Human Resources’ fiscal action team discussed the various opportunities available and the consensus was that the Title XX Program was the major source of funding to resolve this problem. Mr. Roberts said he called the federal representative in Washington, D.C. who applauded the use of the Title XX funds to provide immunization services so children could enter school and day care centers and parents would have the opportunity to work or look for work. Although Title XX funds could not be used to buy medications, Mr. Roberts said the vaccines were not considered medications on the federal level. The federal representative suggested that Mr. Roberts try to get this funding request approved by the committee before the federal budgets were passed so that the Department of Human Resources could transfer up to 10 percent instead of 4-1/4 percent.

Ms. Leslie said she was concerned that if there should be a turndown in the economy, the state might have a need for the TANF dollars. Mr. Anderson indicated that the NSWD was projecting \$17.1 million in reserves at the end of the current state fiscal year and \$24.5 million in reserves at the end of the biennium. According to Mr. Anderson, the American Public Human Services Association (APHSA), to whom the NSWD refers for guidance in policy making, recommends a reserve of about \$22 million for the State of Nevada in case of an economic downturn. Mr. Anderson said he was comfortable that NSWD had sufficient “rainy day” reserves to cover a mild economic downturn.

Ms. Leslie wanted to know whether all of the families currently under the TANF Program were having their child care needs met or whether there was a waiting list. Mr. Anderson said that although he was not sure whether there was a waiting list, hypothetically NSWD has funding to cover 100 percent of all families that are receiving cash assistance, as well as for a 12-month period for transitional child care.

Ms. Leslie said she was not convinced that child care was being provided to all of the families that were currently receiving cash assistance. If Congress were to appropriate the money for the immunization program, Ms. Leslie wanted to know whether there was a mechanism for shifting the funding back to TANF. Mr. Haartz told Ms. Leslie that the committee’s approval of the Health Division’s request would establish the authority to bring in the revenue as needed. Once the level of the federal immunization award is known, Mr. Haartz said he would share that information with the legislative Fiscal Analysis Division staff. If the federal money comes in higher than planned, Mr. Haartz said the Health Division would not necessarily need to draw the full amount.

Mr. Hettrick thought the Department of Human Resources should be applauded for bringing this innovative plan to the Interim Finance Committee to provide funds for the immunization program because the alternative would either be to request funds from the Contingency Fund or the General Fund.

Mrs. Ohrenschall said she did not understand the projections completely. If the Health Division expects to have an increase in the need for immunizations as a result of an increased population in Nevada, Mrs. Ohrenschall suggested that some of this new population would more than likely need TANF as well; therefore, she thought the projections should show the two programs rising in the same proportion. Mr. Haartz said that under current state policy, families pay only a small administrative fee for immunizations and all children receive equal access; thus, a family's ability to pay for immunizations would not be an issue.

In responding to Mrs. Ohrenschall's concern, Senator Rawson indicated that children have universal access to the immunization program; thus, there should be no correlation between the two programs.

Chairman Arberry opened the meeting to a public hearing and he recognized Ms. Jan Gilbert, who said she was representing the Progressive Leadership Alliance of Nevada (PLAN). Ms. Gilbert said she first wished to state for the record that PLAN supports the immunization program, but it was concerned about how the state intends to support a program of this nature as a long-term commitment. According to Ms. Gilbert, the question as to the best use of TANF funds needs to be addressed. During this past week, Ms. Gilbert said she had talked with the Governor's Office and the NSW. She also attended the Welfare Board's meeting. It was Ms. Gilbert's belief that there was a tremendous need for TANF funds. To respond to Ms. Leslie's previous question about whether there was a waiting list, Ms. Gilbert indicated that there were approximately 3,500 children at the current time on a waiting list. Although the number fluctuates, as of January 1, 2000, Ms. Gilbert estimated that approximately 347 women and children would be dropped from the Welfare rolls and she wondered what would happen to them. Since the grant level has been stagnant for 10 years or longer, PLAN feels that a portion of the huge reserves being projected by NSW could be used to increase the level of that grant. Also, since she thought that TANF funds could be slowly diminished by this type of request, Ms. Gilbert said she would agree with Mrs. de Braga that this request was a perfect example of "robbing Peter to pay Paul" and she urged the committee to keep TANF funds intact to enrich the programs that were already in place.

Speaking to the Title XX Social Services Block Grant funds, Ms. Gilbert said it was her understanding that there was about \$13 million in this fund today. According to Ms. Gilbert, Title XX funding had been cut every year since 1996; it would be cut about 7 percent this year; and eventually would be gone. Ms. Gilbert contended that Title XX funds support many fine state programs. Ms. Gilbert said her main concern with this type of budgeting was that it does not take into account good strategic planning. She maintained that federal grants to Nevada were going to be reduced in the future and that Nevada was going to have to fund programs on a prioritized basis. Since she thought that the immunization program was a high-priority program because it covers all children, Ms. Gilbert urged the committee to put General Fund dollars into this program and make it a strategic plan for the next millennium. Ms. Gilbert stated further:

I am sorry to see this sort of moving money around. It reminds me of a little boy who sticks his finger in the dike to prevent a hole. Well as far as I can see, we have all our fingers in the dike because we are stopping up holes right and left. Every Interim Finance Committee meeting I see money moved from TANF to other fine, good programs and I just think this is bad policy and I urge you to think about this when you vote on it.

Ms. Leslie asked Ms. Gilbert if she were still a member of the Block Grant Commission and Ms. Gilbert answered affirmatively. Ms. Leslie asked Ms. Gilbert if the Block Grant Commission had reviewed this request. Ms. Gilbert indicated that the Commission had scheduled a meeting for Friday and she hoped this agenda item would be discussed. According to Ms. Gilbert, the Block Grant Commission oversees a small amount of funding, approximately \$760,000, and it makes recommendations to the Department of Human Resources on how the funding should be allocated to local communities. Ms. Gilbert indicated that the Commission was being very cautious with the funding because it was aware that approximately \$1 million in federal funding had recently been cut from State of Nevada programs. Ms. Gilbert maintained that it was somewhat of an insult to local communities who were in dire need of Title XX funding to watch this \$1.2 million flow through without having input.

To respond to a question from Senator Neal, Ms. Gilbert said that since the current grant level in Nevada meets only 43 percent of the standard of need and since TANF funds were being stockpiled at this time, PLAN was proposing to increase the grant level, which would require about \$9 million per year and still leave a good cushion in case there should be an economic downturn. It was Ms. Gilbert's recollection that a number of years ago a legislative interim committee studied the grant level and determined that the standard of need in Nevada should be 70 percent. Ms. Gilbert maintained that the current grant level of \$348 per month for a family of three was not enough to sustain them. Senator Neal suggested that if people do not have enough to eat, they do not need immunization and Ms. Gilbert agreed with Senator Neal.

Chairman Arberry inquired as to whether anyone else wished to testify. After hearing no response, Chairman Arberry closed the hearing and said he would entertain a motion.

MR. MARVEL MOVED TO APPROVE ITEMS 46, 53 AND 54. SECONDED BY MR. DINI.

Although she intended to support the request because she thought the immunization need was overwhelming in Nevada and Nevada could not afford not to have the immunization program in place in case Congress does not appropriate the funding, Ms. Leslie said she wished to state for the record that she was opposed to using TANF funding for any purpose other than the purpose for which it was intended.

Senator Rawson pointed out that the major funding decisions were made during the Legislative Session and that this funding was being transferred only because there was a surplus of TANF funds and the economy was robust. Senator Rawson thought it was prudent for state agencies to make mini-adjustments during the interim and that those adjustments would not undermine the decisions that were made during the Legislative Session.

Mrs. Chowning suggested that the committee be watchful of the TANF funds during the interim and that this issue be revisited during the next Legislative Session in 2001. Mrs. Chowning also said she did not approve of taking funding from needy families because in the long run the state would pay much more.

Chairman Arberry called for a vote on the motion.

MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

47. **Department of Human Resources – Aging Services – FY 00** - Addition of \$251,862 in Federal Medicare Grant to add computer support and two new half time positions plus fund existing personnel, travel and operating in the senior Medicare information system.

Mr. Bruce McAnnany, Deputy Administrator, Division for Aging Services, introduced Ms. Debbie Dimit, Administrative Services Officer. Mr. McAnnany indicated that this work program would augment the Division's authority to accept new federal grant funds to expand the State Health Insurance Assistance Program (SHIAP). This grant award in the amount of \$251,862 covers an 18-month grant period, from September 28, 1999, to March 15, 2001. The Division also requests approval to increase the half-time Program Assistant to a full-time position and to add a new half-time Volunteer Coordinator position at a grade 33 for the northern part of the state.

It was Chairman Arberry's understanding that this work program was going to be revised. Mr. McAnnany provided a copy to the committee of a November 9, 1999, memorandum to Perry Comeaux, Director,

Department of Administration, from Mary Liveratti Administrator, Division for Aging Services, that indicates the work program had been revised as follows:

Category 01, Personnel Services	\$ 13,140
Category 32, SHIAP Program	\$142,000
Category 89, Reserve	<u>\$ 96,722</u>
Total Work Program	\$251,862

A copy of the memorandum is included in the meeting minutes as Exhibit D.

MR. DINI MOVED TO APPROVE THE REVISED REQUEST. SECONDED BY MR. HETTRICK AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

48. **Department of Human Resources - Aging Services - FY 00** - Addition of \$10,869 in Federal Nutrition Block Grant and deletion of \$8,798 Federal Community Food Grant to provide meals to frail and low-income senior citizens.

Ms. Rose explained that this work program was a companion request to item 32 and allows the additional federal revenue to be transferred into the Aging Services Division that actually administers the services to senior citizens under the Community Food Nutrition Grant.

Chairman Arberry opened the meeting to a public hearing. He inquired as to whether anyone in the audience wished to testify. After hearing no response, Chairman Arberry closed the hearing and entertained a motion for approval of this request.

MR. DINI MOVED TO APPROVE THE REQUEST. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

49. **Department of Human Resources – Health Division – Health Facilities – FY 00** – Transfer of \$54,325 from Reserve category to Salary category, \$3,800 from Reserve category to Travel category, \$15,665 from Reserve category to Operating category, \$4,914 from Reserve category to Equipment category, \$3,520 from Reserve category to Data Processing category, and \$4,000 from Reserve category to Training category to fund two new Facility Surveyor positions plus support costs to conduct facility reviews as required per S.B. 163, 1999 Session.

Speaking to items 49 and 55, Mr. Haartz introduced Mr. Richard Panelli, Chief, Bureau of Licensure and Certification. Mr. Haartz explained that the two work programs in items 49 and 55 would provide funding for the implementation of two measures approved by the 1999 Legislature, Senate Bill 163 and Assembly Bill 373, that require the licensing of homes for individual residential care and businesses that provide referrals to residential facilities for groups by January 1, 2000. Prior to the passage of these two measures, the Division was responsible only for maintaining a registry of individual residential care facilities. As part of the legislative process, Mr. Haartz said that the Division had submitted a Fiscal Note that indicated there would be a need for additional staffing and that approval of the two requests would provide funding to hire two Facility Surveyor I positions and support costs to implement the legislation.

MR. DINI MOVED TO APPROVE ITEMS 49 AND 55. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

50. **Department of Human Resources – Health Division – Immunizations – FY 00** – Addition of \$529,576 in Federal Immunizations Grant to continue statewide immunization program.

Refer to motion for approval under item C.

51. **Department of Human Resources – Health Division – Maternal Child Health – FY 00** – Addition of \$53,924 in Federal Injury Prevention Grant to support one new position plus support costs to conduct a statewide injury reporting system.

Refer to motion for approval under item C.

52. **Department of Human Resources – Health Division – Maternal Child Health – FY 01** – Addition of \$21,098 in Federal Injury Prevention Grant to support one new position plus support costs to conduct a statewide injury reporting system.

Refer to motion for approval under item C.

53. **Department of Human Resources – Purchase of Social Services – FY 00** – Addition of \$1,200,000 in Transfer from Welfare to provide funds from the TANF program to meet projected shortfall in the Health Division's Immunization Program. (Note: This is in lieu of an IFC Contingency Account allocation.)

Refer to testimony and motion for approval under item 46.

54. **Department of Human Resources – Health Division – Immunization Program – FY 00** – Addition of \$1,200,000 in TANF Block Grant Federal Funds to receive a transfer from the Director of Human Resources budget to provide existing level of children's immunizations statewide.

Refer to testimony and motion for approval under item 46.

55. **Department of Human Resources – Health Division – Health Facilities – FY 00** – Transfer \$144,434 from Reserve category to Salaries category, \$7,600 from Reserve category to Travel category, \$10,055 from Reserve category to Operating category, \$11,946 from Reserve category to Equipment category, \$8,800 from Reserve category to Data Processing category and \$8,000 from Reserve category to Training category to increase staff by five positions and support costs to provide federal Medicare/Medicaid licensure surveys of medical facilities.

Refer to testimony and motion for approval under item 49.

56. **Department of Human Resources – Health Division – Maternal Child Health – FY 00** – Addition of \$128,204 in Primary Health Care Grant to continue the federal cost of medical students and primary care programs at the local level.

Refer to motion for approval under item C.

57. **Department of Human Resources – Health Division – Alcohol and Drug Abuse – FY 00** – Addition of \$240,000 in Federal Substance Abuse Grant to contract with the University and Community College System to conduct a statewide alcohol and drug use needs assessment.

Mr. Haartz apprised the committee that the work programs in items 57 and 58 represent two requests for FY 2000 and FY 2001 to establish budget revenue and expenditure authority to perform what are commonly called needs assessment activities to be conducted by the Bureau of Alcohol and Drug Abuse (BADA). During the 1999 Legislative Session, Assembly Bill 181 transferred BADA from the Department of Employment, Training and Rehabilitation (DETR) into the Department of Human Resources, where it currently resides under the Health Division. Prior to the transfer, BADA had applied for funding from the federal Substance Abuse and Mental Health Administration (SAMHA) to conduct a needs assessment study and the funding was subsequently awarded. He said, however, this funding was separate from the federal Substance Abuse Prevention Treatment Block Grant. A condition to receiving the SAMHA funding was that BADA use the funding to conduct studies to better determine the service needs in Nevada. In concluding his testimony, Mr. Haartz noted that the funding was research oriented and could not be used either for treatment or prevention services. Mr. Haartz said he would be happy to respond to questions from the committee.

Since she had a number of technical questions pertaining to BADA, Ms. Leslie wanted to know whether there was a representative from BADA in the audience. Mr. Haartz said that there was no one from BADA in attendance; however, if he could not respond to any of her questions, he would refer those questions to staff for a response at a later date.

Ms. Leslie recalled that a fairly comprehensive and expensive needs assessment study had previously been conducted by SAMHA. Mr. Haartz recalled that at least four needs assessment studies had been conducted over the last four or five years. Since conducting needs assessment activities was a requirement for receiving the federal SAMHA block grant award, BADA has historically contracted with an outside vendor to do the studies rather than performing them in-house.

Ms. Leslie thought that \$500,000 for one study was expensive. Mr. Haartz indicated that the two work programs combined would total \$478,014, which would be used to conduct three studies. It was Ms. Leslie's opinion that the three studies would be redundant because some of the topics had already been covered in previous studies. Ms. Leslie wondered how many studies it would take to determine something that the people working in social services programs already know, i.e., additional treatment is needed in Nevada. In addition, Ms. Leslie said she found it difficult to read some of the information that had been highlighted, especially the October 21, 1999, memorandum on page 58.2 in Volume 3 of the meeting packets. Ms. Leslie said it would appear to her that the contract period started September 30, 1998, and that approval by the Interim Finance Committee to spend the money would be after the fact. Mr. Haartz said that the needs assessment activities had not yet begun nor had any payments been made. Mr. Haartz also noted that it was sometimes necessary to do the preparatory work on contracts, given the length of time it takes to complete the process.

Ms. Leslie said she could not understand why all of the previous studies would not qualify BADA to receive the federal block grant funding. It was Mr. Haartz's understanding that the federal statutes for block grants require an annual application to be submitted each year. Part of that application must include information pertaining to the need in the state for alcohol treatment services and drug abuse treatment services, which require needs assessment activities. Mr. Haartz said, however, he could not respond specifically to Ms. Leslie's question as to whether previous studies would be an acceptable substitute.

Ms. Leslie pointed out that the Legislative Subcommittee Studying the System of Juvenile Justice in Nevada (Assembly Concurrent Resolution 57, 1997 Legislature) had framed a number of recommendations, one of which required BADA to convene a work group to look at the needs of juveniles and also to evaluate the existing programs that serve juveniles. Ms. Leslie wanted to know whether this work had been accomplished. Mr. Haartz said he was unable to respond to Ms. Leslie's question.

Since she was serving as an alternate on the committee today, representing Mrs. Evans, Ms. Leslie expressed her frustration at not being able to get appropriate responses to her questions.

Chairman Arberry told Ms. Leslie he would have the legislative Fiscal Analysis Division staff work with BADA staff so that appropriate answers to her questions could be provided in a written report at the next Interim Finance Committee meeting.

Ms. Leslie said she would appreciate having a written report provided at the committee's next meeting because she did not believe BADA had complied with the A.C.R. 57 subcommittee's recommendations. In addition, Ms. Leslie said that she would much prefer BADA spend money addressing the A.C.R. 57 recommendations rather than spending money on a redundant needs assessment. Ms. Leslie also requested that a written report be provided at the next Interim Finance Committee meeting on the status of Assembly Bill 151 and the Maximus funding that was set aside. It was Ms. Leslie's understanding that a Request for Proposal (RFP) had been published and she would like to see a written plan on how the money would be allocated. She also wanted to know whether the division plans to use outcome-based data when making the allocations. Ms. Leslie said she wanted to make sure that additional money was not being spent for programs that were not working. Mr. Haartz said he would be happy to have staff respond to Ms. Leslie's questions if she would provide a list of the specific questions.

Chairman Arberry asked Mr. Haartz if it would adversely impact BADA if the two requests were to be deferred until the next meeting. Since it was his understanding that no activities had been started pursuant to the contract, Mr. Haartz said that deferring the requests would merely delay implementation of the contract.

Chairman Arberry said he would accept a motion to defer items 57 and 58 until the next meeting.

MR. PARKS MOVED TO DEFER ITEMS 57 AND 58 UNTIL THE NEXT INTERIM FINANCE COMMITTEE MEETING. SECONDED BY MS. LESLIE AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

58. **Department of Human Resources – Health Division – Alcohol and Drug Abuse – FY 01** – Addition of \$238,014 in Federal Substance Abuse Grant to contract with the University and Community College System to conduct a statewide alcohol and drug use needs assessment.

Refer to item 57 for testimony and motion to defer items 57 and 58 until the next meeting.

59. **Department of Human Resources - Health - Cancer Control Registry - FY 00** - Addition of \$201,288 in Cancer Registry Federal Grant to fund existing personnel and support costs to conduct the statewide cancer registry.
- Refer to motion for approval under item C.
60. **Department of Human Resources - Welfare - Welfare Administration - FY 00** - Addition of \$59,465 in Transfer from State Claims, \$21,884 in Federal TANF Program, \$10,039 in Federal Food Stamp Program, \$37,902 in Federal Child Support Program and \$8,015 in Federal Title XIX to reimburse the Department of Information Technology for a billing claim for contract services for the NOMADS project provided by Complete Business Solutions Inc. during the month of June 1999.
- Refer to motion for approval under item C.
61. **Department of Human Resources – Mental Health – Southern Nevada Adult Hospital – FY 00** - Addition of \$350,000 in Transfer from Director’s Office to repair the smoke ventilation system at Southern Nevada Adult Mental Health. (Note: Approval is requested to balance forward funds from FY 2000 to FY 2001 to pursue continuity of the repair program.)
- Refer to testimony and motion for approval under item 31.
62. **Department of Employment, Training and Rehabilitation - Community Based Services - FY 00** - Deletion of \$52,657 in Telephone Surcharge, transfer of \$24,555 from Professional Services category to Hearing Devices category and \$121,340 from Reserve category to Hearing Devices category to realign the Hearing Devices operating budget to match the approval granted by the Public Utilities Commission of Nevada pursuant to NRS 707.360.
- Refer to motion for approval under item C.
63. **Department of Employment, Training and Rehabilitation - Employment Security - FY 00** - Addition of \$442,379 in Federal Admin Cost Allowance to update the computer system to meet Y2K needs.
- Refer to motion for approval under item C.
64. **Department of Employment, Training and Rehabilitation - State Job Training - FY 00** - Addition of \$667,000 in Federal JTPA and Displaced Homemaker Grant to provide dislocated mining industry workers with immediate services.
- Refer to motion for approval under item C.
65. **Department of Employment, Training and Rehabilitation - Research and Analysis - FY 00** - Addition of \$334,110 in Federal Admin Cost Allowance to continue providing updated high-quality labor market information by enhancing the Long-Term Projections System and the development of a “help desk.”
- Refer to motion for approval under item C.
66. **Department of Employment, Training and Rehabilitation - Blind Business Enterprise - FY 00** - Transfer of \$1,186,907 from Reserve category to Business Enterprise category to complete the relocation of two vending facilities at Hoover Dam as permits to build were issued by the Federal Bureau of Reclamation.

Mr. Marty Ramirez, Chief Financial Officer, Department of Employment, Training and Rehabilitation (DETR), introduced Mr. Michael Becker, Chief, Bureau of Services to the Blind and Visually Impaired. Mr. Ramirez stated that DETR was requesting approximately \$1,186,907 be transferred from the reserve category to the Business Enterprise category to complete the relocation of the two vending facilities at the Hoover Dam Complex. He noted that the overall cost of the project was approximately \$2.5 million, which consists of a bid from the selected vendor in the amount of \$1,999,000, plus 10 percent of that amount for contingencies, approximately \$144,000 for a security system, architectural fees, several wood cabinets that were added, and an additional 10 percent reserve for any unanticipated needs that might arise during the overall project.

SENATOR RAGGIO MOVED TO APPROVE THE REQUEST. SECONDED BY MR. HETTRICK AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

67. **Department of Motor Vehicles and Public Safety - Parole & Probation - FY 00** - Addition of \$320,000 in Transfer Other Budget Account Same Fund to provide aftercare grant for released felons to include a program of life skills, work skills and assistance in reintegration into society to be contracted by Parole & Probation.

Mr. Carlos Concha, Chief, Division of Parole and Probation, told the committee that he was not only representing the Division of Parole and Probation, but the Governor’s Sentencing Commission as well regarding a request for additional authority for the Division of Parole and Probation to accept \$320,000 in federal funding from the Violent Offender Incarceration/Truth in Sentencing (VOI/TIS) grant. In providing historical information, Mr. Concha noted that testimony had been provided to the Sentencing Commission back in 1997 and 1998, by several service providers and those working in the Criminal Justice System, to the effect that a high percentage of criminal offenders were substance abusers and that, once they were released from incarceration, an offenders success or failure may be directly related to the availability and effectiveness of substance abuse treatment programs. Mr. Concha thought that one of the most compelling aspects of this testimony was the lack of facilities within the State of Nevada to address the substance abuse needs of inmates. Although limited, programs that provide for parolees to be released to some type of structured treatment programs were viewed as essential in reducing the potential for re-offending.

In continuing his testimony, Mr. Concha pointed out that during testimony before the Sentencing Commission, the people who administer grant funding for the Office of Criminal Justice had indicated funding was available for aftercare for parolees with substance abuse. The grant funds would be used for programs in Reno and in Las Vegas to provide beds for about 150 offenders through a span of about one year. The targeted population would be identified prior to the inmates release to the streets and a controlled study would be done on the effectiveness of the aftercare treatment through a transitional inpatient staffing program. According to Mr. Concha, the primary purpose of this study was to provide data which would either support or contradict the belief that aftercare was a structured transitional program that either affects the parolee’s success in a positive manner or reduces the probability of re-offending. Mr. Concha apprised the committee that the results of this study would be prepared for review by the Governor’s Sentencing Commission and the 2001 Legislative Session, with status reports provided to the Budget Division and the legislative Fiscal Analysis Division. Mr. Concha said he would be happy to respond to questions from the committee.

Mrs. Cegavske asked Mr. Concha if he were aware of a program in Clark County where people who have been released after being convicted of Driving Under the Influence (DUI) are monitored. Mr. Concha said he was not familiar with that program.

Mrs. Cegavske thought that the program was unique because it had been very successful in rehabilitating the DUI offenders so that they were not incarcerated again. Mrs. Cegavske suggested that Mr. Concha look into this program as an alternative to the study. Mr. Concha said he had no doubt a structured program benefits the offender or parolee. The success rate of the Division's 305 DUI Program in 1999, for example, was approximately 94 percent. Mr. Concha added that the chance of a parolee re-offending within the first 30 to 60 days was greater without a structured program.

Mrs. Cegavske said she did not understand why a study was needed when a successful program was already in existence. Mr. Concha indicated that the program referenced by Mrs. Cegavske was a county-run program that does not accept parolees. It was Mr. Concha's understanding that Clark County was diverting offenders into this program prior to prosecution in district courts for misdemeanor offenses. Mrs. Cegavske said she would appreciate it if Mr. Concha would look into this program.

SENATOR RAGGIO MOVED TO APPROVE THE REQUEST. SECONDED BY MR. MANENDO AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

68. **Department of Motor Vehicles and Public Safety - Highway Safety - FY 00** - Addition of \$50,000 in Gifts and Donations to accept a donation to be used for driver and vehicle safety programs.
- Refer to motion for approval under item C.
69. **Department of Motor Vehicles and Public Safety - Highway Safety Grants - FY 00** - Addition of \$140,666 in Federal Safety Grant to improve patrol car computer reporting capability.
- Refer to motion for approval under item C.
70. **Department of Motor Vehicles – Public Services – Emergency Management – FY 00** – Addition of \$120,925 in Federal Department of Energy Grant to fund furniture, carpet, and data processing equipment.
- Refer to motion for approval under item C.
71. **Department of Motor Vehicles and Public Safety - Haz Mat Training - FY 00** - Addition of \$55,000 in Federal Anti-Terrorism Grant to develop a program of preparedness to the consequences of possible anti-terrorism.
- Refer to motion for approval under item C.
72. **Department of Motor Vehicles and Public Safety – FEMA – FY 00** – Addition of \$802,418 in Refunds and \$71,867 in Cash Balance Forward to receive refunds from local entities which were funded for 1997 flood damage projects.
- Refer to motion for approval under item C.
73. **Department of Motor Vehicles and Public Safety – FEMA – FY 00** – Transfer of \$400,000 from Management category, \$245,000 from Administration category, \$200,000 from Mitigation category and \$200,000 from Mitigation Administration category to Public Assistance category to transfer costs from management and administration costs to public assistance projects.
- Refer to motion for approval under item C.
74. **Department of Motor Vehicles and Public Safety – Justice Assistance Act – FY 00** – Addition of \$310,000 in Federal Justice Assistance Grant to link various courts to the Criminal History Repository information system.
- Refer to motion for approval under item C.
75. **Department of Motor Vehicles and Public Safety – Information Technology – FY 00** – Addition of \$464,988 in Federal Justice Assistance Grant to develop a sex offender identification system with interface with FBI's Registry.
- Refer to motion for approval under item C.
76. **Department of Motor Vehicles and Public Safety – Training Division – FY 00** – Addition of \$16,617 in Criminal Justice Block Grant to conduct a "train the trainers" course to provide for a management training process for the entire department statewide.

Mr. Tom Goodson, Chief, Training Division, DMV&PS, explained that this work program was requesting the authority to accept a block grant award of \$16,617 from the Office of Criminal Justice Assistance to provide a "Train the Trainers" course so that DMV&PS would be able to train existing staff to become managers and supervisors.

Chairman Arberry opened the meeting to a public hearing. He inquired as to whether anyone in the audience wished to testify. After hearing no response, Chairman Arberry closed the hearing and entertained a motion for approval of the request.

SENATOR RAGGIO MOVED TO APPROVE THE REQUEST. SECONDED BY MR. MARVEL AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

77. **Commission on Peace Officers Standards and Training – FY 00** – Addition of \$778,003 in Federal Police Corps Grant to provide college scholarships to individuals in exchange for four years service as police

officers.

Mr. Richard Clark, Executive Director, Commission on Peace Officers Standards and Training (POST), introduced Deputy Director, Dennis Kollar, and Fiscal Manager, Lona Domenici-Reese. Mr. Clark requested the committee's approval for the Commission to participate in the Police Corps Program, which is an approximate \$800,000 federally funded program that would benefit the law enforcement agencies, college students, and communities in Nevada. The college students would receive \$30,000 in tuition reimbursement from the federal government and the sponsoring law enforcement agencies would receive \$10,000 per year per sponsored officer for 4 years. In return, the sponsoring law enforcement agencies and the communities would get college educated and trained peace officers. According to Mr. Clark, there would be no cost to the State of Nevada for this program. Mr. Clark said that Mr. Kollar would provide specific details about the work program.

Mr. Kollar explained that the original work program request had been submitted for \$778,003. He said, however, several revisions had been made to the work program one of which was an additional \$40,000 for implementation services that was omitted from the original request. Although the Commission had originally requested that the entire amount be placed into an active spending category, Mr. Kollar said the work program had been revised, moving the \$48,000 in category 01 and the \$636,000 in category 40 into a reserve category, for a total of \$684,000 in reserve. Mr. Kollar said he would be happy to respond to questions.

Senator Neal wanted to know whether the Commission intends to create a Police Academy. Mr. Kollar indicated that the federal funding would be used to create an entirely new program for the State of Nevada. This program would target young people who are either currently enrolled in a 4-year college or who have been accepted into a 4-year college. Once the student graduates from college, they must complete a course in the Police Corps Academy, which is different than the existing POST Academy. In return for the scholarship money they have received for their college education, as well as the training, they must agree to serve 4 years with a law enforcement agency in the State of Nevada. Mr. Kollar said some of the existing facilities such as the dormitories and the classrooms would be utilized by the Police Corps Academy for which the Commission would be reimbursed by the federal government.

Chairman Arberry said he was confused as to the original amount of the work program. Mr. Kollar said the original amount of the work program was \$778,003 and \$40,000 had been added to that amount, for a total revised work program of \$818,003.

It was Chairman Arberry's understanding that the \$818,003 would be placed in the reserve category and that the Commission would return to the Interim Finance Committee at a later date with a spending plan. Mr. Kollar indicated that \$684,000 of the \$818,003 would be placed in the reserve category and \$133,000 would be moved immediately into an active spending category to allow the Commission to hire staff to implement the program and other related costs associated with recruiting students and sponsoring agencies.

Mrs. Chowning said although she thought the Commission's goal was laudable, she was concerned about paying for scholarships for college students when their true dedication may or may not be in the law enforcement field. Mrs. Chowning said she was also concerned that after receiving a college degree, some of the officers assigned to areas with great need might not be sensitive to the needs of that community. Mrs. Chowning said she would be interested in learning whether a similar program had been implemented in other states and whether the program had worked effectively. Mr. Clark pointed out that there were 23 states and one territory currently participating in this program, which was started in 1996. Mr. Clark said he was aware that similar programs in the states of Oregon and Utah had been immensely successful. While he thought Mrs. Chowning had raised a valid point about the possibility that some of the college trained officers might be assigned to an area with great need and they would not be sensitive to the needs of that community, Mr. Clark said the program was designed to recruit people who do not intend to spend their entire career in law enforcement. He pointed out that there was no requirement for a student to major in criminal justice or a law enforcement related field. After the officers have performed 4 years of community service as a law enforcement officer, Mr. Clark acknowledged that some of them would pursue other fields of study. He said, however, one of the linchpins in the training was community-oriented policing and serving the community. He indicated that there had been a problem in law enforcement agencies in retaining officers in areas with the most need because many of the officers were leaving their employment for higher paying jobs in urban areas. Even though some officers may not stay longer than 4 years, Mr. Clark said 4 years was longer in many instances than some of the officers stay in areas of great need.

Mrs. Chowning said she would appreciate reviewing a report on the success rate and the longevity rate of the officers participating in a similar program in other states.

Since a number of her constituents have complained about the lack of Spanish-speaking officers in the area, Ms. Leslie said she hoped a special effort would be made to recruit Spanish-speaking people into this program. Mr. Clark said that a concerted effort would be made to recruit minority students. He also indicated the recruitment would not only be geared to the college campuses within Nevada but to colleges in neighboring states that do not currently participate in the Police Corps Program.

MR. DINI MOVED TO APPROVE THE REVISED REQUEST. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

78. **Department of Prisons – Prison Medical – FY 00** – Addition of \$200,000 in Federal RSAT Grant and Transfer of \$55,951 from First Time Offenders to Substance Abuse Grant to provide residential substance abuse training to all offenders, and transfer funds from First Time Offender Program to Substance Abuse as state match for RSAT Grant.

Ms. Janet Johnson, Administrative Services Officer, Nevada Department of Prisons (NDOP), indicated that there had been two categories in the Prison Medical budget for drug treatment in the past. Ms. Johnson explained that a General Fund appropriation had been made to NDOP by the 1997 Legislature for the Therapeutic Community Program, which was limited to first-time offenders. The Therapeutic Community Program has since been discontinued. The Residential Substance Abuse Treatment (RSAT) Program, which can provide treatment to all offenders, was funded by a federal grant. Ms. Johnson said NDOP was requesting approval to move \$55,951 in matching funds as transferred from the Inmate Welfare Account for the non-existent Therapeutic Community Program (category 21) to the RSAT Program so that treatment could be provided to all of the 106 offenders for which NDOP has space.

To respond to a question from Chairman Arberry as to whether this work program should be revised, Ms. Johnson said she had discussed this work program with the legislative Fiscal Analysis Division staff. She indicated that this work program provides for a \$200,000 augmentation to a federal Drug and Alcohol Grant; a de-augmentation of \$17,644 in transfers from Inmate Store; an augmentation of \$153,227 to the Substance Abuse Grant category; a de-augmentation of \$55,951 to the Therapeutic Community category; and an augmentation of \$85,080 to the reserve category. A copy of the revised work program is included in the meeting minutes as Exhibit E.

MRS. CHOWNING MOVED TO APPROVE THE REVISED REQUEST. SECONDED BY MR. DINI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

79. **Department of Prisons – Prison Industries – FY 00** – Transfer of \$149,100 from Retained Earnings category to NNCC Metal Shop, \$38,900 from SNCC Skidmore Roth to NNCC Metal Shop, and \$100,000 from ESP Drapery to NNCC Metal Shop to provide additional operating expense authority for NNCC Metal in the face of sales and pending orders a large number of which are for High Desert Prison.

Refer to motion for approval under item C.

80. **Department of Prisons – Prison Industry – FY 00** – Transfer of \$90,000 from Retained Earnings to Special Projects for construction of 5,000 square foot Prison Industry warehouse for storage of finished goods at NNCC in the Prison Industry receiving area.

Refer to motion for approval under item C.

81. **Department of Prisons – Lovelock Correctional Center – FY 00** – De-augmentation of \$6,187 in Budgetary Transfer to cover Silver Springs Conservation Camp maintenance shortfalls for fire sprinkler system, water testing and sewer inspections, pumping of septic and sewer systems, replacement of fluorescent exterior/internal lights, boiler repairs, generator maintenance at the camp and replenish operating funds transferred to provide for emergency pumping of septic and sewer system at the camp.

Refer to motion for approval under item C.

82. **Department of Prisons – Silver Springs Conservation Camp – FY 00** – Addition of \$6,187 in Budgetary Transfer to cover maintenance shortfalls for fire sprinkler system, water testing and sewer inspections, pumping of septic and sewer systems, replacement of fluorescent exterior/internal lights, boiler repairs, generator maintenance at the camp and replenish operating funds transferred to provide for emergency pumping of septic and sewer system at the camp.

Refer to motion for approval under item C.

83. **Department of Conservation and Natural Resources - Forest Nursery - FY 00** - Addition of \$140,000 in Seed Bank Sales to provide for increased purchases, collection and acquisition of seed for use in fire rehabilitation efforts from 1999 fire season.

Refer to motion for approval under item C.

84. **Department of Conservation and Natural Resources – Intergovernmental Forestry – FY 00** – Addition of \$16,305 in Elko County, \$2,896 in White Pine County and de-augmentation of \$55,650 in Eureka County to reconcile county approved budgets with legislative approved budget for Intergovernmental Forestry.

Refer to motion for approval under item C.

85. **Department of Conservation and Natural Resources – Wildlife Division – FY 00** – Transfer of \$168,712 from Reserve category to Hunt Applications – SCI category to cover increased hunt application contract costs for new contract and combine all contractor's costs in special hunt contract category.

Refer to motion for approval under item C.

86. **Department of Conservation and Natural Resources – CIP Wildlife (Q5 Bond) – FY 00** – Transfer of \$1,319,786 from Reserve category to Lahontan Water Rights category and \$5,888 from Reserve category to 3C Ranch Purchase category to reestablish remaining authority for Lahontan Valley Water Purchase which was used for purchase of 3C Ranch in Ely and replenish the closing costs on the ranch paid from BA 4452.

Mr. Steve Bremer, Chief, Administrative Services, Nevada Division of Wildlife (NDOW), requested that the original work program that was submitted be revised from the \$1,319,786 to be transferred from the reserve category to \$758,607 for the Lahontan Valley Water Rights category, bringing the total authority in this category to \$1,105,341. Subsequent to the submission of this work program, Mr. Bremer indicated that additional information had been brought forward and he had worked with the legislative Fiscal Analysis Division staff to formulate the revised dollar amount. The revised work program now conforms with the legislative intent of Senate Bill 189 (1989 Legislative Session), which allocated \$5 million for the purchase or lease of water rights and associated interests in land or property for the protection of habitats to fish and game. A copy of the revised work program is included in the meeting minutes as Exhibit F.

MR. DINI MOVED TO APPROVE THE REVISED REQUEST. SECONDED BY MRS. DE BRAGA.

Senator Raggio wanted to know what were the additional costs associated with the 3C Ranch purchase. Mr. Bremer responded that the additional costs were for closing costs the state was required to pay. Mr. Bremer also said he would be happy to provide a list of the costs if the committee so desires.

To respond to several questions from Senator Raggio, Mr. Bremer indicated that approval of this work program would not represent full authority for the Question 5 bond issue and that NDOW intends to return to the Interim Finance Committee at a later date to request permission to transfer the remaining monies in reserve to additional categories. Mr. Bremer said he thought NDOW had been successful in getting the water rights.

Chairman Arberry called for a vote on the motion.

MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

87. **Department of Conservation and Natural Resources – Corrective Actions and Federal Facilities – FY 00** – Addition of \$500,000 in Transfer Petroleum Fund to cover increased costs of contract amendment for leaking underground storage tank at Cave Rock.

Mr. Allen Biaggi, Administrator, Division of Environmental Protection, Department of Conservation and Natural Resources, indicated that this request relates to the cleanup of an underground storage tank site at the Cave Rock Country Store at Lake Tahoe. According to Mr. Biaggi, the vast majority of the approximately 100 to 150 sites located throughout the state that have been identified as a health hazard had been cleaned up by the owners and/or operators of the property and the majority of those owners and/or operators had been reimbursed through the State Petroleum Fund. He said, however, in this particular case, the Robert Hagar Family Trust, the owner of record of the property, had decided not to undertake the cleanup of the site, which is located in a very sensitive environment; therefore, the Division was requesting to transfer \$500,000 from the State Petroleum Fund to amend an existing contract with Harding, Lawson and Associates, which would allow the state to initiate the necessary cleanup activities. In accordance with state law, Mr. Biaggi told the

committee that the Division intends to take action against Mr. Hagar to recover the costs associated with this cleanup and he added that the Division had received an order from the Douglas County District Court to undertake this action.

Senator Raggio asked Mr. Biaggi whether the Cave Rock Country Store was operating as a business at the present time or was it closed. Mr. Biaggi said the Cave Rock Country Store was currently operating as a business.

In responding to several questions from Senator Raggio, Mr. Biaggi explained that the site originally had an underground gas storage tank and gasoline dispensing service. Mr. Biaggi said it was his understanding that both the underground gas storage tank and gasoline dispensing service had been removed from the site. Mr. Biaggi indicated that the gasoline from the underground storage tank had leaked into the groundwater, migrated across Highway 50 to impact a water well at a cabin and a nearby stream. Although Mr. Hagar would have been eligible to apply for reimbursement funding for the cost of removing the underground storage tank, Mr. Biaggi said he waited approximately 2 years before reporting the release of the hazardous material. According to Mr. Biaggi, the State Petroleum Board has not yet made a decision on whether Mr. Hagar was eligible for reimbursement. Mr. Biaggi also indicated that it would not be necessary to disturb the roadbed of Highway 50 because the cleanup operations could be accomplished on either side of Highway 50.

Mr. Marvel wanted to know what the balance was in the State Petroleum Trust Fund. Mr. Biaggi indicated that the State Petroleum Trust Fund was in very good shape at the present time with an approximate \$6-million balance. By way of background, Mr. Biaggi explained that the Trust Fund was funded through a fee of 0.75 of a cent per gallon of gasoline sold in Nevada. Historically, the Fund had generated between \$12.5 million to \$13 million per year. According to the Nevada Revised Statutes (NRS), when the State Petroleum Trust Fund reaches a maximum of \$7 million during a fiscal year, the fee is no longer collected until the balance reaches \$5 million or less at which time the fee is reinstated.

To respond to a question from Mrs. de Braga, Mr. Biaggi stated that since the current owner was a lessee of the Hagar Family Trust, litigation was being pursued with the two parties.

SENATOR JACOBSEN MOVED TO APPROVE THE REQUEST. SECONDED BY MR. HETTRICK AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

88. **Department of Conservation and Natural Resources – Nevada Natural Heritage – FY 00** – Addition of \$65,000 in Federal Biodiversity to add community plant ecologist, to complete vegetation map coverage for State of Nevada, Purchase GPS system to facilitate mapping and a printer capable of mapping.

Mr. Glen Clemmer, Program Manager, Nevada Natural Heritage Program (NNHP), requested approval of a biodiversity grant award in the amount of \$65,000 from the U.S. Department of Fish and Wildlife (USFW). The federal funding would provide for the hiring of a Community Plant Ecologist to develop methods and data for tracking the distribution and status of Nevada's vegetation types. In addition, the request also includes funding for travel, operating, and information services expenses to provide for a Global Positioning System (GPS). The present vegetation classification for Nevada was based on a 1997 Utah State University study, which classified 65 different types of vegetation. Mr. Clemmer suggested that the new study would better define the vast diversity of plant coverage found in the Great Basin and in the Mojave Desert.

Chairman Arberry questioned the appropriateness of hiring a permanent position for this study. Mr. Clemmer indicated there was not a good understanding of the vegetation types in Nevada at the present time and that although sagebrush could be readily detected as one of the vegetation types in Nevada, the amount of invasion of cheat grass, for example, was not discernible. Likewise, vegetation such as willows could be readily detected in the riparian areas, but the amount of invasive species was not known. It was Mr. Clemmer's belief that NNHP's methodology of defining and classifying the vegetation types and ranking them as to their purity as modern-day species was a vital and integral part of the Gap analysis team for Nevada.

Chairman Arberry wondered why this work could not be contracted. While he thought the work could be contracted, Mr. Clemmer said he would prefer having a full-time position because NNHP views the classification of vegetation types as an ongoing project. He also indicated that there were various federal activities such as the Gap Analysis Program (GAP) through the United States Geological Service (USGS) that would benefit from NNHP's classification system.

MR. PARKS MOVED TO APPROVE THE REQUEST. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

89. **Colorado River Commission – FY 00** – Addition of \$32,670 in Receipts from Local Government, \$32,670 in Power Sales, and \$74,833 in Transfer from Other Funds to add two full-time positions and associated in-state, operating and equipment costs needed to direct day-to-day activities related to electric facilities under the Commission's control; add a half-time Deputy Attorney General position and associated costs needed due to increased workload; provide for building modification costs to accommodate the new positions; and reduce power delivery related out-of-state travel in order to charge this cost directly to the Commission's Power Delivery Project budget, BA 502-4501. (Note: Computer equipment needs for the new positions are addressed in a separate work program.)

Speaking to items 89, 90 and 91, Mr. Curt Fritch, Deputy Director, Colorado River Commission (CRC), introduced Mr. Douglas Beatty, Administrative Services Officer, CRC. Mr. Fritch said that either he or Mr. Beatty would be happy to respond to questions from the committee.

Chairman Arberry wanted to know whether CRC was actively recruiting to fill the vacant unclassified Power Delivery Project Facilities Manager's position. Mr. Fritch indicated that CRC wishes to promote a current employee to fill one of the Assistant Manager's positions at this time and provide him with the opportunity to run the department prior to filling the Manager's position.

Mr. Dini thought it would be helpful to the committee if the need for a half-time Deputy Attorney General were to be addressed. Mr. Fritch told the committee that CRC was currently deficient in engineering staff and he intended to return to the Interim Finance Committee at a later date to request an upgrade for that position because of CRC's inability to fill the position and retain employees in that position. Since the Water Chief has increased his negotiation efforts, spending a considerable amount of his time traveling to both the upper and lower basins of the Colorado River, as well as the Arizona Water Bank, he, with the concurrence of the Director, wishes to hire a half-time Deputy Attorney General to assist him with the increased interstate water negotiations.

It was Senator Raggio's recollection that the committee's blanket approval of item C2 included the authority to increase legal services for CRC and he wondered whether this request was for an additional position. Mr. Fritch said that the Deputy Attorney General position requested in item C2 was the same position.

MR. WILLIAMS MOVED TO APPROVE ITEMS 89, 90, AND 91. SECONDED BY MR. MARVEL AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

90. **Colorado River Commission – FY 00** – Addition of \$2,725 in Receipts from Local Government, \$2,725 in Power Sales, and \$18,452 in Transfer from Other Funds to purchase computer hardware and software needed for new positions requested for the Commission. (Note: The request for new positions are addressed in a separate work program.)

Refer to testimony and motion for approval under item 89.

91. **Colorado River Commission – Power Delivery Project – FY 00** - Addition of \$39,410 in Power Sales to direct charge power delivery related out-of-state travel to the Power Delivery Project budget and to increase in-state travel for new positions requested in the Commission’s administrative budget.

Refer to testimony and motion for approval under item 89.

92. **Reclassification Changes Requiring Interim Finance Committee Approval:**

- (1) Department of Museums, Library and Arts, reclassification of position 0035, from Program Assistant III, grade 27-11, \$28,981, to Exhibit Preparator II, grade 32-15, \$39,129.
- (2) Department of Administration, Purchasing Division, reclassification of position 0019, from Administrative Aid, grade 21-3, \$21,214, to Purchasing Technician I, grade 25-1, \$23,844.
- (3) Department of Human Resources, Division of Health Care Financing and Policy, reclassification of position 0176, from Resource Specialist, grade 31-1, \$27,812, to Program Assistant III, grade 27-1.
- (4) Department of Human Resources, Health Division, reclassification of position 0007, from Administrative Services Officer IV, grade 44-1, \$48,880, to Deputy Administrator, Health, grade 44-1, \$48,880.
- (5) Department of Motor Vehicles and Public Safety, reclassification of position CC7011, from Program Assistant I, grade 23-15, \$29,169, to Driver Warehouse Worker II, grade 26-13, \$31,695.
- (6) DMV&PS, reclassification of position CC4044, from DMV Services Supervisor I, grade 31-15, \$37,458, to Program Officer III, grade 35-11, \$40,903.
- (7) DMV&PS, reclassification of position CC5405, from Driver/Motor Vehicle Technician II, grade 25-1, \$21,798, to DMV Services Technician II, grade 25-1, \$21,798.
- (8) DMV&PS, reclassification of position SA5242, from Driver/Motor Vehicle Technician II, grade 25-1, \$21,798, to DMV Services Technician II, grade 25-1, \$21,798.
- (9) DMV&PS, reclassification of position CC5396, from Driver/Motor Vehicle Technician II, grade 25-1, \$21,798, to DMV Services Technician II, grade 25-1, \$21,798.
- (10) DMV&PS, reclassification of position CC 5417, from Driver/Motor Vehicle Technician II, grade 25-1, \$21,798, to DMV Services Technician II, grade 25-1, \$21,798.
- (11) DMV&PS, reclassification of position RE5328, from Driver/Motor Vehicle Technician II, grade 25-1, \$21,798, to DMV Services Technician II, grade 25-1, \$21,798.
- (12) DMV&PS, reclassification of position EK5389, from Driver/Motor Vehicle Technician II, grade 25-1, \$21,798, to DMV Services Technician II, grade 25-1, \$21,798.
- (13) DMV&PS, reclassification of position CC5404, from Driver/Motor Vehicle Technician II, grade 25-1, \$21,798, to DMV Services Technician II, grade 25-1, \$21,798.
- (14) DMV&PS, reclassification of position EL3062, from Tax Examiner, grade 30-15, \$35,871, to DMV Services Supervisor I, grade 31-15, \$37,458.
- (15) Department of Conservation and Natural Resources, Natural Heritage Program, reclassification of position 0003/0007, from Program Assistant IV, grade 29-3, \$29,169, to Biologist III, grade 35-1, \$35,997.
- (16) DC/NR, Wildlife Division, reclassification of position 0102, from Management Assistant III, grade 27-15, \$34,493, to Publications Writer, grade 31-11, \$37,584.
- (17) DC/NR, Wildlife Division, reclassification of position 0190, from Staff Conservation Educator, grade 36-3, \$35,871, to Public Information Officer II, grade 37-3, \$37,458.
- (18) DC/NR, Wildlife Division, reclassification of position 0130, from Management Assistant II, grade 25-1, \$21,798, to Personnel Analyst I, grade 32-1, \$28,981.
- (19) DC/NR, Wildlife Division, reclassification of position 0174, from Accounting Specialist, grade 27-15, \$34,493, to Personnel Technician III, grade 29-15, \$37,584.
- (20) Department of Transportation, reclassification of position 008015, from Photographic Laboratory Technician, grade 30-15, \$35,871, to Cartographic/Graphics Technician III, grade 31-15, \$37,458.

Refer to blanket approval under item C for all of the above reclassifications.

D. STATEMENT OF CONTINGENCY FUND BALANCE.

There were no comments or questions from the committee on this item.

E. REQUESTS FOR ALLOCATION FROM THE CONTINGENCY FUND:

1. Department of Conservation and Natural Resources - Forestry.....\$126,079

Mr. Freeman Johnson, Assistant Director, Department of Conservation and Natural Resources, said the Department was requesting an allocation in the amount of \$126,079, from the Interim Finance Committee’s Contingency Fund, to cover the cost of retrofitting one of two UH-1B helicopters obtained from the California Division of Forestry (CDF) in time for the next fire season. Since the previous fire season was one of unprecedented activity, Mr. Johnson said it was the Department’s belief that had it been able to replace the helicopter that was lost in an accident at Watson Lake, it might have been possible to minimize the spread of

the fires that approached catastrophic proportions. He also directed the committee's attention to pages 39 and 40 in Volume 4 of the meeting packets which provides an itemized list of the estimated retrofit expenses. Mr. Johnson indicated that most of the work would be done in-house and that he would be happy to respond to questions from the committee.

To respond to a question from Mr. Marvel, Mr. Johnson explained that there had been a philosophical disagreement between the Department and the U.S. Forest Service (USFS) regarding an operating agreement between the state and federal agencies with respect to the costs for which the USFS would be willing to reimburse the Department in the event of the loss or destruction of equipment when responding to a federal fire. The USFS's response to the Department's initial request for reimbursement of the helicopter that was lost in Watson Lake while responding to a wild land fire within the jurisdiction of the USFS was denied based upon the USFS' presumption that this loss was incurred as a result of pilot error. Mr. Johnson suggested that the denial by the USFS was outside and beyond the intent of the agreement and that if its rationale were to be expanded, USFS would not pay for any loss incurred by the Department if, say, one of the Department's trucks were to overturn as a result of bad road conditions because the loss would be considered to be due to driver error. Mr. Johnson added that he did not believe the position being taken by USFS was in keeping with the spirit or intent of the agreement.

Mr. Marvel wanted to know if the Department expects to eventually collect damages from the USFS for the loss of the helicopter. Mr. Johnson apprised the committee that the Department was in the process of negotiations with the USFS and that although Director Pete Morros and Mr. Jack Blackwell, Regional Forester, USFS, were discussing the matter as recently as day before yesterday, no conclusion had been reached at this point. While he would not want to speculate whether the Department would be able to recover its loss from the USFS, Mr. Johnson said that if the USFS continues to refuse to reimburse the Department for those costs, the Department would have no other option but to pursue a course of litigation based on the apparent intent and spirit of the agreement.

If the committee decides to approve the allocation, Mr. Marvel asked Mr. Johnson if the Department would be willing to refund the money to the Contingency Fund should it prevail in collecting damages from the USFS. Mr. Johnson pointed out that the Department was in the process of billing and receiving receipts for costs incurred for responding to federal fires during the past fire season and that the Department would be more than willing to reimburse the Contingency Fund from those receipts for the cost of the helicopter retrofit.

Since he thought there was a large inventory of surplus equipment and parts at various locations, Senator Jacobsen wondered whether any of that equipment or parts could be utilized in retrofitting the helicopter. Although he would agree with Senator Jacobsen about the large inventory of surplus equipment and parts, Mr. Johnson indicated that the parts needed for the retrofit, which are itemized on pages 39 and 40 in Volume 4 of the meeting packets, were not available from the surplus inventory.

MRS. OHRENSCHALL MOVED TO APPROVE THE REQUEST WITH THE UNDERSTANDING THAT THE FUNDING WILL BE RETURNED TO THE CONTINGENCY FUND AS SOON AS PRACTICABLE AFTER THE RECEIPT OF ANY MONEY FROM THE FEDERAL GOVERNMENT AS REIMBURSEMENT FOR THE LOSS OF THE ORIGINAL HELICOPTER. SECONDED BY MR. BEERS AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

A copy of the resolution adopted by the committee is included in the meeting minutes as Exhibit G.

2. Department of Education – State Academic Standards Council.....\$ 93,835

Ms. Debbie Smith, Chairperson of the Council to Establish Academic Standards, introduced Dr. Keith Rheault, Deputy Superintendent, Department of Education. Ms. Smith apprised the committee that the request was directly related to the responsibilities that were assigned to the State Academic Standards Council with the passage of Senate Bill 482 by the 1997 Legislature. Ms. Smith noted that background information had been provided for the committee on pages 47 through 55 in Volume 4 of the meeting packets. Ms. Smith noted that the same information had been provided at the State Board of Examiners' meeting on November 10, 1999, at which time the Council's request was approved. According to Ms. Smith, the Council had been able to meet all of the statutory requirements in S.B. 482 in a time-efficient manner and, most importantly, with the constant concern that the standards be of high quality. At its last meeting, Ms. Smith indicated that the Council had ensured a contract dispute would not occur in the future by passing a protocol for contract amendments.

In providing background information, Senator Raggio explained that S.B. 482 (1997 Legislature) had created a nine-member Academic Standards Council to establish statewide standards in English, math, and science during the interim period between the 1997 and 1999 Legislative Sessions. The Council entered into a contract with the Council on Basic Education (CBE) to coordinate and oversee the work involved in developing the standards in the three subject areas. The Council, within its assumed authority, asked CBE to perform additional work that was outside the purview of the original contract. Since Ms. Smith had testified before the committee that a protocol had since been established for contract amendments, it was Senator Raggio's hope that the Council would not need to request additional funds in the future for a contract that was assumed to be at a fixed price. It was Senator Raggio's understanding that there had been some disagreement over the total cost of the additional work that was performed by CBE and he wanted to be assured that the \$93,835 had been agreed upon as an acceptable amount to settle any overruns. Senator Raggio said it was also his understanding that the Department of Education had identified \$100,000 in federal Title I administrative funds that could be transferred to support the activities for the Academic Standards Council during the current fiscal year; therefore, no additional state funds would be necessary should the Interim Finance Committee approve the Contingency Fund request today.

In responding to Senator Raggio's comments, Dr. Rheault told the committee that the Department of Education had encumbered \$100,000 in federal Title I administrative funds, which could be used for contract purposes for FY 2000 and that the Department of Education had already earmarked \$45,000 for FY 2000 out of Goals 2000 and Title VI School Improvement funding to pay for writing team expenses, for a total of \$145,000 for FY 2000. Although the budget has not yet been finalized for FY 2001, Dr. Rheault indicated that the Department of Education expects to encumber \$68,000 for FY 2001.

Senator Raggio wanted to know whether the contract dispute had delayed implementation of the additional subjects scheduled in Phase II. Ms. Smith indicated that if the Council could remain on its present course, the additional subjects would be adopted in January of 2000, in accordance with the law.

Since his retirement, Senator Neal said he had been visiting the local schools in Clark County and he had discovered that many of those schools do not have the necessary books, tools and materials for students to be able to participate in scholastic endeavors. Senator Neal wanted to know whether this type of problem was under the Councils' purview. Although the Council's work does not encompass concerns about textbooks and school supplies, Ms. Smith said she did not believe the lack of textbooks and supplies in local schools would change whether there were standards or not. It was Ms. Smith's belief that when standards were in place in local schools, especially high expectations for all of the students, each student in each school would be better off because they would be expected to learn to the same standards.

Senator Neal questioned how a student would be able to learn mathematics, for example, without having books to study. Ms. Smith reiterated that textbooks and school supplies were outside the purview of the Council to determine. Ms. Smith said that although the Council had testified about the need for funding standards for such things as calculators, professional development, and state-of-the-art technologies during the 1999 Legislature, it does not have the authority to implement those recommendations.

Senator Neal wanted to know whether setting the standards would eventually culminate in testing of the students and Ms. Smith responded affirmatively.

Senator Neal said he did not know how students could be tested on materials that they may not have seen. Dr. Rheault indicated that at the present time several studies were auditing the amount of textbooks in local schools. While he thought it was important for the standards to be in place, Dr. Rheault noted that the Department of Education had not dictated to the local school districts whether textbooks, software, or other items, are necessary to accomplish the standards. Although he indicated that a number of the standards could be accomplished without textbooks, Dr. Rheault told the committee that the Department of Education would have a better handle on the situation after the audits of the textbooks in local schools have been completed this year. It would then be up to the local school districts to determine whether the lack of textbooks was causing children not to have an opportunity to learn the standards. He also advised that the Department of Education was in the process of contracting for test development to meet the standards at grades 3 and 5 for English and math. Since the CRT's would not be given until the spring of 2001, Dr. Rheault suggested that there was time to address this particular problem.

Chairman Arberry wanted to know whether the textbook audit would consider the age of the textbooks. Dr. Rheault indicated that the Legislative Auditors were conducting the audit, and he planned to meet next week with Mr. Douglas Peterson, an auditor with the Legislative Counsel Bureau (LCB) Audit Division, who had already audited several school districts, who wanted to discuss some of their initial findings; i.e., textbooks are not needed quite as badly in the early elementary grades versus higher grades.

After he echoed Senator Neal's concern about the availability of textbooks and supplies, Chairman Arberry said he hoped the audits would determine whether some of those schools that had been rated as performing poorly could have been lacking textbooks and updated materials.

Mrs. Cegavske inquired as to the reason why \$11,399, out of a total of \$105,000 that had been requested by CBE for additional services, was not being recommended for payment by the Department of Education. Dr. Rheault directed the committee's attention to page 55 in Volume 4 of the meeting packets, which provides a detailed explanation of why the four claims submitted by CBE in the amount of \$11,399 were not being recommended for payment by the Department of Education.

In retrospect, Mrs. Cegavske asked Dr. Rheault if he thought all of the charges for additional services provided by CBE should have been included in CBE's original contract. Dr. Rheault indicated that there were several charges within the first two amendments that were not clearly stated in CBE's contract.

Mrs. Cegavske asked Dr. Rheault if he thought the proper procedure had been followed to apply for the additional funds. Speaking on a personal basis only, Dr. Rheault said he did not believe so.

Mrs. Cegavske asked Dr. Rheault if he thought the state was responsible for paying the additional charges. Dr. Rheault said he thought the state should pay the additional charges because the work had been done and the standards adopted.

Although she intends to support the request, Mrs. Cegavske said she wished to go on record as being concerned about the manner in which the contract was evaluated and obtained.

As a member of the Academic Standards Council, Mrs. Chowning recalled that some of the additional work that was provided by CBE, in particular, a glossary of terms, was requested in good faith. For example, Mrs. Chowning noted that the word onomatopoeia was in the standards document. Since most people do not know what that word means, Mrs. Chowning said the Council asked that a glossary be produced so that parents, grandparents, and everyone that was partnering in a child's education, would have a clearer understanding of the standards. Mrs. Chowning thought the glossary was a very important enhancement. Also, rather than having only two levels of achievement such as pass or fail, the Council asked for four levels of achievement. She also indicated that the Council was concerned about the additional work that was performed by CBE and the procedure that was followed in requesting the money to pay CBE for the additional services. Mrs. Chowning said she would be happy to provide a copy of the protocol for amending contracts that was developed by the Council. Mrs. Chowning said she wished to state that the Council was dedicated to the future of all of the children in Nevada.

Ms. Smith said she wished to state for the record that the State Academic Standards Council had unanimously approved the retroactive payment as well as the work plan of CBE. Although the Council recognizes the fact that it did not act in the best manner with regard to the amendments to the contract, Ms. Smith said the Council also recognizes the fact that it was operating in "uncharted waters;" it had some decisions to make in a very short period of time; and that CBE was trying to help the Council meet those deadlines.

SENATOR RAGGIO MOVED TO APPROVE THE REQUEST. SECONDED BY MR. DINI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

A copy of the resolution adopted by the committee is included in the meeting minutes as Exhibit H.

3. State Board of Examiners – Statutory Contingency Fund.....\$460,000

Mr. Perry Comeaux, Director, Department of Administration, requested the committee's approval of an allocation in the amount of \$460,000 from the Contingency Fund to increase the balance in the Statutory Contingency Fund to approximately \$563,000. The Board of Examiners estimates that this amount would support the projected expenses of the account through March 31, 2001. Mr. Comeaux directed the committee's attention to page 58 in Volume 4 of the meeting packets, which provides a copy of "Fiscal Statement of Operation from June 18, 1999, through March 31, 2001," for the Statutory Contingency Fund. The chart provides a list of expenditures and projections through March 31, 2001. Mr. Comeaux noted that the projections indicate that the Statutory Contingency Fund would be in an approximate \$459,954 negative position on March 31, 2001. When the statement was prepared on June 18, 1999, Mr. Comeaux said there was about \$103,477 remaining in the Fund and that the balance had diminished slightly since that date by items approved by the Board of Examiners at its November meeting. Mr. Comeaux indicated that the reason the Statutory Contingency Fund was experiencing difficulty early in the biennium was attributable to the \$618,000 that was allocated to the Nevada Division of Forestry (NDF) in August of 1999 for fire suppression reimbursement.

MR. MARVEL MOVED TO APPROVE THE REQUEST. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

A copy of the resolution adopted by the committee is included in the meeting minutes as Exhibit I.

Chairman Arberry announced a 45-minute lunch break at 12:40 p.m.

Chairman Arberry reconvened the meeting and recognized Mr. Eric Raecke, Manager, State Public Works Board (SPWB), who, he said, would be speaking to item F.

F. STATE PUBLIC WORKS BOARD:

1. Increase spending authority for Project No. 97-C16, Southern Nevada Veterans' Home.

Mr. Raecke introduced Ms. Kathy Dall, Deputy Manager, SPWB. Mr. Raecke indicated that this request was presented to the committee at its meeting on June 29, 1999. Since that meeting, Mr. Ray Alcorn, Executive Director, Commission for Veterans Affairs, had submitted a revised budget to the U.S. Department of Veterans Affairs and a memorandum dated October 12, 1999, approving the revised budget, is provided on page F1.10 in Volume 4 of the meeting packets. Mr. Raecke explained that the U.S. Department of Veterans Affairs had originally intended to provide \$12,595,000 for the project; however, since that time, it had indicated that \$13,604,000 was available for the project. Mr. Raecke said he was confident there would be sufficient matching funds, for example, the Nevada Department of Transportation (NDOT) has provided \$250,000 in state dollars for the design of a roadway and access; Boulder City has waived \$293,000 in fees; MGM Grand, because it is building a golf course adjacent to the site, has participated in the cost of the utilities to the site and is expected to eventually pickup about \$280,000 of the cost. Since he thought the state matching funds based on the 65/35 split arrangement should be more than enough to offset the additional \$1,009,301 in federal funds, Mr. Raecke said he was requesting committee approval to increase the spending authority to receive the additional \$1,009,301, from the U.S. Department of Veterans Affairs.

Chairman Arberry wanted to know whether SPWB had received written confirmation of the funding from the U.S. Department of Veterans Affairs. Mr. Raecke referred to the U.S. Department of Veterans Affairs' memorandum, dated October 12, 1999, signed by Kathleen Greve, Chief, State Home Construction Program, approving the revised budget on page F1.10 in Volume 4 of the meeting packets, as well as supporting data approving a total budget of \$20,929,747, which is provided on pages F1.11 and F1.12 in Volume 4 of the meeting packets.

It was Chairman Arberry's understanding that the revised budget includes \$320,000 for landscaping and he wanted to know if that amount would be sufficient to provide a fully landscaped facility. Mr. Raecke acknowledged that the landscaping had been scaled back in order to complete this project within budget. He said, however, if the committee approves the additional \$1,009,301 in federal funds, he was confident that the facility would be fully landscaped.

Chairman Arberry wanted to know whether any federal funds were included in the matching funds provided by NDOT. Mr. Raecke said he had checked with NDOT and all of the \$250,000 that had been provided for the project was state funding.

MR. MARVEL MOVED TO APPROVE THE REQUEST. SECONDED BY MR. DINI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

2. Increase spending authority and transfer of funds for Project No. 95-G5, Culinary Renovation and Addition.

Mr. Raecke said he was requesting approval to increase the spending authority for this project to \$2,531,100, by transferring \$40,000 in funds available from Project No. 95-M12, Install Generators and Add Lights, Department of Prisons, to Project No. 95-G5.

MR. HETTRICK MOVED TO APPROVE THE REQUEST. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

3. Expand scope of work for 1997 Statewide Roofing Program.

Mr. Raecke apprised the committee that he was requesting to expand the scope of the 1997 Statewide Roofing Program to add a new roof to the cook's cottage at the Governor's Mansion. According to Mr. Raecke, the cook's cottage was an old building with a wood shake roof that needs to be replaced. Mr. Raecke said he had discussed the work with Mr. Mike Meizel, Superintendent, Buildings and Grounds Division, who indicated he did not have funding in his budget to do the project at this time. Mr. Raecke apprised the committee that there was adequate funding in the 1997 Statewide Roofing Program to install a new roof on the cook's cottage.

Senator Raggio wanted to know whether the installation of the new roof on the cook's cottage would be done aesthetically to tie into the rest of the new Governor's Mansion complex. Mr. Raecke said he would make sure that the new roof matches the other roofs in the Governor's Mansion complex.

MR. DINI MOVED TO APPROVE THE REQUEST. SECONDED BY MRS. DE BRAGA AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

4. Project Status Report.

Mr. Raecke said he would highlight several projects which are as follows:

Project No. 95-C03, Addition to Lakes Crossing--This facility should be ready for occupancy in the near future.

Mr. Marvel wanted to know whether SPWB was experiencing any problems with the Lakes Crossing project. As he stated earlier, Mr. Raecke said that the Lakes Crossing project should be completed shortly. Although he was aware of several ongoing discussions about the locks and several electronic items, Mr. Raecke indicated that the contractor was completing what he had been contracted to do. Mr. Raecke also said there was a small amount of money remaining in this project to address several of the items requested by Dr. Brandenburg.

Mr. Marvel asked Mr. Raecke if he thought Dr. Brandenburg was pleased with the new facility. Mr. Raecke said he thought Lakes Crossing was going to be a good facility. To explain the lock problem, Mr. Raecke noted that the locks in the old section were slightly different than the locks that were installed in the new section. Because the lock checks itself about every two or three minutes and the cylinder inside the lock makes a clicking sound when this occurs, Mr. Raecke said that Dr. Brandenburg was concerned the noise might disturb sleeping patients in the middle of the night. Mr. Raecke said he would work with Dr. Brandenburg to find a solution to this problem.

Project No. 95-M06, Security Electronics Upgrade, Northern Nevada Correctional Center (NNCC)--The Legislature extended this project under A.B. 699 and a contract was recently signed.

Project No. 95-G01 and Project No. 97-C01, High Desert Prison--The contractor continues to be on the schedule that was discussed at the previous Interim Finance Committee meeting. The initial 13 buildings in Phase I will be completed and operable on September 1, 2000. In addition, Housing Units No. 5 and 6, the warehouse, and the lethal fencing are expected to be completed by September 1, 2000. The only units that

are expected to lag behind are Housing Units No. 7 and 8, which are anticipated to be completed by November of 2000.

Project No. 97-C15, Lied Library Construction--Mr. Raecke said he was still hopeful when the committee last met that this project would be completed on time. During this past week, Mr. Raecke said he had attended approximately 15 hours of meetings with the President and Director of Libraries at University of Nevada, Las Vegas (UNLV), and other UNLV staff, the contractor, and the architects. He said he had spoken again yesterday with UNLV staff and a decision had been made to delay the opening of the Lied Library to facilitate actual completion of construction, which is estimated to occur on January 20, 2000. It was Mr. Raecke's understanding that final exams would be given about the middle of May, and the library would move between the middle of May and June 1. This would allow SPWB to commence construction on the Law School in June. The opening date of the Law School is scheduled for July of 2001, and the accreditation date that the Law School needs to meet is August of 2001.

It was Chairman Arberry's understanding that if a project was no longer listed on the Project Status Report, SPWB considers that project to be completed. Mr. Raecke explained that SPWB had been dropping projects from the Project Status Report when they were 99 percent complete. He said, however, as a result of discussing this practice with the Legislative Counsel Bureau's legal staff, in the future projects would remain on the Project Status Report until the funding had been reverted and the project had been closed out. Mr. Raecke said he plans to provide a separate section in the Project Status Report for projects that were 99 percent complete.

Chairman Arberry said the reason he had asked the question was because Project No. 95-M14, Repair Utilities at Southern Desert Correctional Center, was not listed on the Project Status Report. He said, however, staff from the Nevada Department of Prisons (NDOP) had indicated that only two of the four emergency generators at SDCC were operational. Based upon the possibility of a power failure associated with Y2K, Chairman Arberry wanted to know how many generators were operational at SDCC at the present time and whether those generators would produce sufficient power to allow SDCC to function during a prolonged power outage. Mr. Raecke apprised the committee that three of the four generators at SDCC were currently operational. Of the three generators operating at this time, Mr. Raecke said that one generator was very strong and the other two generators had head gasket leaks that they have probably had for the last 5 years. Since SDCC has a load-shedding procedure in place and the power that was being generated to the Indian Springs Conservation Camp (ISCC) had been removed from SDCC's generation system, Mr. Raecke maintained that there would be sufficient power at SDCC even if only one generator were operable. Mr. Raecke reminded the committee that \$269,000 in construction funding was included in Project No. 99-M32, Emergency Generator Replacement, SDCC, to replace one generator each biennium. Mr. Raecke also indicated that SPWB plans on running an interconnection between the 1,750 kW generator at High Desert State Prison (HDSP) and SDCC, at which time he would return to the Interim Finance Committee to request a change in scope for Project No. 99-M32.

Since he thought the committee needs to be reassured that SDCC would have sufficient power to operate the facility in the event of a power failure when Y2K occurs, Chairman Arberry asked Mr. Robert Bayer, Director, NDOP, if he agreed with Mr. Raecke's previous testimony. Director Bayer said he did not believe it was possible to operate SDCC with only one generator. He also pointed out that NDOP had recently submitted an emergency request to transfer approximately \$8,000 to repair one of the generators.

Chairman Arberry asked Director Bayer to work with Mr. Raecke on this issue and report back to the legislative Fiscal Analysis Division staff as soon as possible.

Chairman Arberry asked Mr. Raecke to provide a status report on Project No. 99-M28, Replace Fire Hydrants at Southern Nevada Correctional Center. Mr. Raecke explained that when the fire hydrants were originally installed at SNCC, they had a "weep hole" that allows all of the water in the stand pipe to drain when the fire hydrants were shut off. SPWB has discovered that concrete was poured over the "weep hole." Rather than replacing all of the fire hydrants, SPWB intends to hire a small contractor to dig out each fire hydrant and clean out the concrete from the "weep hole." Although he realizes that SNCC would be closed when HDSP opens, Mr. Raecke maintained that some type of fire protection would be necessary to protect the buildings.

G. DEPARTMENT OF HUMAN RESOURCES – WELFARE DIVISION.

Recommendation concerning Social Security January 2000 Cost-Of-Living Adjustment (COLA).

Mr. Michael Willden, Deputy Administrator, Nevada State Welfare Division (NSWD), explained that this request relates to a Letter of Intent received by NSWD at the close of the 1999 Legislative Session that deals with the Aged and Blind budget. The Letter of Intent requested NSWD to provide a proposal to the Interim Finance Committee on how NSWD intends to implement the next two federal Supplemental Security Income (SSI) cost-of-living increases for clients in an Adult Group Care Facility (AGCF) scheduled for January 2000 and January 2001. Mr. Willden indicated that on January 1, 2000, NSWD recommends an increase from \$500 on the federal payment side to \$512 and that the state portion of the supplement remain the same at \$350. The \$12 increase would be split in two parts; half to patient needs and half to net to the operator. In explaining how the program works, Mr. Willden indicated that the federal government issues a monthly SSI check to the client. The check includes the federal and state amounts. Per instruction from NSWD to the AGCF operators, the client is allowed to keep a certain amount of money for their personal needs and the remainder of the client's check was turned over to the AGCF operator. Mr. Willden apprised the committee that the total payment to the client would be \$862, effective January 1, 2000, with \$81 going towards personal needs, which represents an increase of \$6 from \$75, and the net to operator would be \$781, which represents an increase of \$6 from \$775.

Senator Raggio spoke in support of NSWD's proposal.

Chairman Arberry said he wished to ask Mr. Willden about a matter unrelated to Item G. Chairman Arberry wondered why it had taken almost 3 years for the Professional Development Center (PDC) in southern Nevada to become operational. Mr. Willden noted that the PDC in southern Nevada had been operational for about 2 years; however, the original concept of the PDC called for the provision of on-site child care. With the assistance of SPWB and an architect hired by NSWD, a project to remodel the eastern portion of the PDC to facilitate on-site child care was put out to bid. Although the architect estimated that the bid would come in at about \$130,000, Mr. Willden said the bid had come in at \$240,000; thus, NSWD had not been able to proceed with the construction based on the dollar amount. Mr. Willden told the committee that NSWD was currently working with the architect to try to decrease the cost of the remodel. Since most of the work would involve the outside play area for the children, NSWD has entered into a partnership arrangement with the City of Las Vegas so that the City of Las Vegas would pay for the outside portion of the remodel and NSWD would pay for the inside portion of the remodel. Mr. Willden indicated that NSWD was anticipating a construction start date of spring 2000.

H. DIVISION OF STATE LANDS – SALE OF STATE LAND (NRS 321.335).

Sale of 320 acres of State Trust Land located in the northwest portion of Carson City.

Pursuant to NRS 321.335, which allows the Division of State Lands to sell land through a competitive process with a minimum bid based upon appraised value of the land with approval of the State Board of Examiners and the Interim Finance Committee, Ms. Pamela Wilcox, Administrator, Division of State Lands, Department of Conservation and Natural Resources, requested the committee's approval of a sale of 320 acres of state school trust land located in Carson City. Specifically, this parcel of school trust land constitutes the brush-covered slope west and north of the Western Nevada Community College (WNCC) situated next to the tree line. Ms. Wilcox pointed out that Nevada had received about 2 million acres of school trust land at statehood, the majority of which was sold during the last century for \$1.25 per acre. The state has about

3,000 acres remaining of which this parcel is one of the more valuable pieces. The state has been holding this parcel of land for many years to allow the market to appreciate, preparing to sell it to generate as much money for the state's school children as possible. Upon sale of this parcel of land, the money would be deposited in the State Permanent School Fund, from which it would be made available for the State's Distributive School Account. Ms. Wilcox noted that the State Board of Examiners had approved the request at its last meeting.

Ms. Wilcox suggested that this request was somewhat unusual in that the Division of State Lands was asking for the committee's approval earlier than it would normally because it was embarking on an unusual private/public partnership with the Masonic Lodge in Carson City, which owns the piece of land contiguous to the state's land. The Division of State Lands has been encouraged by Carson City to pursue a Master Plan amendment that would involve development of a specific plan for that part of Carson City, including the state's land and the Masons' land. Since the Division would be asking the Masons to commit funds to this process, the Division thought it would be appropriate to protect the Masons' interests by seeking the Interim Finance Committee's approval early in the process. Ms. Wilcox directed the committee's attention to pages 99 through 104, Volume 4 of the meeting packets, which provides a copy of an agreement between Nevada Division of State Lands and Carson Lodge No. 1 F&AM of Carson City. Although no state funding is involved in this project, Ms. Wilcox acknowledged that the Division of State Lands would be devoting some professional staff time in working with Carson City's Department of Planning and Development to assist in developing future plans and development that would be beneficial to Carson City, as well as to the school children of the State of Nevada. Ms. Wilcox noted that a representative of the Masons was present to respond to questions from the committee.

To respond to a question from Mr. Marvel, Ms. Wilcox indicated that the parcel of land had not yet been appraised because she was reluctant to spend the money when the land would be rezoned, which would affect the land value. While she was reluctant to discuss land value for the record without an appraisal, Ms. Wilcox estimated that the land was worth more than \$1 million and she was confident the land value could be tripled by combining the two parcels of land, which would provide a significant amount of funding for the Permanent School Fund that currently has a balance of about \$70 million.

After directing attention to the map on page 104 of Volume 4 of the meeting packets, Senator Raggio said it was not clear to him why the Division of State Lands wants to sell the parcel of land at this time. Ms. Wilcox explained that this particular piece of school trust land was acquired by exchange from another piece of school trust land that was swapped back with the federal government some time after 1926, when Congress approved an exchange.

Senator Raggio inquired about the topography of the two parcels of land. Ms. Wilcox indicated that the larger piece of land that lies to the west of the WNCC lays about the same as the WNCC, which has a very gradual slope. The piece of land to the north of the WNCC contains some flat land that is developable; however, the hillside area does not have much potential for development.

Senator Raggio said he did not understand why the state was getting involved with the Masonic Lodge. In providing background information, Ms. Wilcox apprised the committee that the Division of State Lands had for several years been discussing with Carson City the possibility of selling this parcel of land and depositing the funds into the Permanent School Fund. Since it was the Division of State Lands' intent to seek a Master Plan amendment, Carson City encouraged the Division of State Lands to work with the other property owner (the Masonic Lodge) so there would be a single special area plan that would include both properties. According to Ms. Wilcox, the Masons are in a similar situation as the Division of State Lands in that the Masons' land was being held as an investment and the Masons wish to position themselves to sell that land so they can have the money for their programs; thus, this private/public partnership had evolved in cooperation with Carson City.

Senator Raggio wanted to know about the parcel of land located to the east of the parcel of land owned by the Masons. Ms. Wilcox noted the Marlette Lake Water System was currently using that particular piece of land for its water tank. She also advised that the parcel of land was not school trust land nor was the land for sale.

Senator Raggio asked Ms. Wilcox if she thought it was necessary to sell the parcel of land at this time. Ms. Wilcox said the Constitution does not require the Division of State Lands to sell the land at any particular time; however, the Division of State Lands' Constitutional obligation, as trustee of the land, was to sell the land when maximum revenue could be generated for the trust. The Division of State Lands has been holding on to the land until development reached the point where a maximum amount of revenue could be generated for the trust. It was Ms. Wilcox's belief that working with Carson City would result in a win-win scenario for all parties concerned.

Since he thought the area around the WNCC was continuing to develop, Senator Raggio thought it would be prudent for the state to hold on to the land for a while longer. As a manager of state lands, Ms. Wilcox said there was always a balance between holding land while the market appreciates without holding the land so long that the development goes elsewhere. Ms. Wilcox thought it was important for the state to develop its property before the water systems and other utilities were sized for the area. While she acknowledged that it was a judgment call on her part, Ms. Wilcox indicated that Carson City needs residential land at the present time.

Senator Raggio said he would suggest holding on to the property for another 5 years because the State Permanent School Fund, with a current balance of \$70 million, was not in need of additional money at this time. Ms. Wilcox said it was her professional judgment that now was the best time to sell the parcel of land and that if the state were to wait 5 years, it would have waited too long.

Since he thought the west side of Carson City was the natural area for development, Senator Raggio suggested that the property would be worth more if it were to be held, say, for another 3 years. Ms. Wilcox indicated that it would take about 3 years to amend the Master Plan and sell the property. She also noted that expectations of the public change over time and neighbors could decide that they do not want the land to be developed.

It was Senator Raggio's understanding that the Masonic Lodge could sell its property without involving the state. Although she acknowledged that the Masonic Lodge could sell its property without involving the state, Ms. Wilcox told the committee that the Division of State Lands, the Masonic Lodge, and Carson City believe that Carson City would be enhanced by a plan that would join the two properties together. Ms. Wilcox said that it was the Division of State Lands' intent to market the properties jointly and to have a transfer of development rights from the Masonic parcel, which is above the tree line, down to the state parcel. Ms. Wilcox thought this was creative planning so that the Masonic Lodge's parcel, which is much more pristine than the state's, would have its development units relocated on to the state's property, to the mutual advantage of both property owners, as well as Carson City.

Mr. Beers said he was confused about the potential downside to waiting longer to sell the property. Mr. Beers wanted to know whether Carson City has indicated it would pay for the infrastructure on the land if it were to be sold now, but it would not pay for the infrastructure on the land if it were sold later. Ms. Wilcox said it was the Division of State Lands' intent to sell the land with the planning for the infrastructure in place. The key link to Carson City is that Carson City would be able to provide the infrastructure that would be requested by a future land developer. Ms. Wilcox stated:

I cannot give you a firm answer to when the perfect moment is to sell. We have been looking at this parcel for decades, knowing that we would eventually decide that it was time to sell it. And a couple of years ago, we decided that now is the time to move ahead. It has taken us that long to get to this point, working with the City and with the Masons and it will probably take another couple of years from this point before it would actually go for sale. We have to go through the planning process, and then we have to have an appraisal process done, and then we have to go

through the state's legal requirements for a competitive sale. So this has been a very lengthy process and if you do not give us your blessing, it is really going to throw a monkey wrench into a lot of years of work from a lot of people. I cannot promise you that we would get more if we go now as opposed to going later. I can just tell you that it is my best professional judgment that now is the time to do it.

Although he said he had never owned investment land, Mr. Beers pointed out that the conventional wisdom in Las Vegas was the best time to sell your land is later because land values increase with each passing day. Mr. Beers wondered whether this scenario was an anomaly of Las Vegas, but not necessarily the case in Carson City. According to Ms. Wilcox, people who own land must realize the fact that their land may become marginalized out of the development picture over time; thus, landowners should develop their property at the time other people are developing, or very shortly thereafter, in order to take advantage of those economies when land is being developed in a particular area.

Mr. Dini wanted to know whether the school trust land could be used by the WNCC. As a trust asset, Ms. Wilcox said that the WNCC would have to buy the land. Ms. Wilcox said, however, that the WNCC had expressed no interest in buying the land because it has ample land for the Master Plan. Mr. Dini wanted to know whether the WNCC could bid on the land when it was placed on the market for sale and Ms. Wilcox responded that the WNCC, Carson City, or anyone else could bid on the land.

Mr. Dini wanted to know whether Carson City's Master Plan would provide for home or commercial development. Ms. Wilcox explained that Carson City's Master Plan was currently zoned for low-density residential development, or one unit per 10 acres. Since all of the residential land that is in private ownership that has similar topography as the state's land has 1 acre or greater density, the Division of State Lands intends to work with Carson City to increase the density of the state's land to something reasonable and agreeable with Carson City's Master Plan.

It was Senator Raggio's understanding that the current zoning was low density for residential purposes and that the Division of State Lands wishes to increase the density; however, there was no assurance that Carson City would approve an increase in density if the committee authorizes the sale of the land. Ms. Wilcox said Senator Raggio's understanding was correct. Ms. Wilcox emphasized that the Division of State Lands had embarked on a planning process with Carson City several years ago which would enable the Division of State Lands to increase the density of the state's land to the extent Carson City would be comfortable and which would fit into Carson City's Master Plan and to the community development needs.

Senator Raggio suggested waiting until Carson City decides whether it would be willing to increase the density on the state's parcel of land and, in the meantime, the land would have an enhanced value. Although she could come back to the Interim Finance Committee to request approval to sell the property in one or two years, or whenever the Master Plan was completed, Ms. Wilcox thought it was in the best interest of all parties involved in the process to request the committee's approval, or least conceptual approval, early in the process since the Masons were putting money into this effort and need to be assured that it would lead to the joint sale of the properties.

Senator Raggio wanted to know why the Masons need the state's participation. Ms. Wilcox indicated that the Division of State Lands had been encouraged by Carson City to combine the two parcels so that all of the planning could be done for this large area at one time in order to enhance the quality of development.

Senator Raggio wanted to know why the property had to be sold before Carson City does the planning. Ms. Wilcox acknowledged that the planning could be done without selling the state's property, but the Masons could not afford to invest in the property without being assured that the two properties would be combined and sold as one parcel. Ms. Wilcox thought it would be appropriate to call upon Ms. Shelley Aldean, who represents the Masons, to respond to Senator Raggio's questions.

Chairman Arberry recognized Ms. Aldean, who told the committee that this cooperative venture, to some extent, was her brainchild. To provide brief historical information, Ms. Aldean noted that the Masons had owned approximately 81 acres in the Ash Canyon area since 1872. The property had become a favorite spot for local recreationists; it is a lightly wooded piece of property; and it does have separate development potential. According to Ms. Aldean, a limited summary appraisal report that was prepared 4 years ago in connection with the Masons' efforts to sell the property valued the property at \$7,500 per acre. Ms. Aldean said she would expect that the land value over the intervening 4 years had increased fairly substantially. During the recent update of Carson City's Master Plan, the 320 acres owned by the state was excluded from the urban service boundary area. As a consequence, the Division of State Lands thought it might be prudent to embark on a cooperative venture, which would not only encompass the Masonic Lodge property and the property owned by the state, but any other property owners in the surrounding area who wanted to participate in this cooperative venture, including the WNCC. Representatives of the Masonic Lodge met with former President of the WNCC, Dr. James Randolph, who was very supportive of this effort because the WNCC wants to place a road on the southern perimeter of its property that corresponds to approximately where the primary entry road to service the state's property would be developed.

Continuing her testimony, Ms. Aldean indicated that a number of issues would be addressed by this special planning effort, including the needs and desires of the people who live in the Wellington Crescent subdivision. Since the access road to Ash Canyon currently runs across their property, Carson City has committed to the people of Wellington Crescent to find an alternate route because the access road is heavily traveled by people recreating in the Ash Canyon area. Ms. Aldean said all of these pieces would eventually fit together in what she thought was an ideal example of a public/private partnership. Ms. Aldean said that the Masonic Lodge of Carson City would benefit from the partnership. The Masons own the old Virginia & Truckee (V&T) Railroad Depot located on Washington and Carson Streets, which is in need of repairs. Since the Masons are not allowed to incur debt, Ms. Aldean said that the only way the Masons could generate revenue for those repairs was by liquidating assets.

After working with Ms. Wilcox and her staff, Ms. Aldean said the Masons have determined that, from a planning standpoint, combining the two properties makes a great deal of sense. Carson City is reluctant to redo the Master Plan for the Ash Canyon area to accommodate only the state. Carson City would like to do the planning properly by developing a specific planning area that would address a myriad of concerns and problems involved with the development in the Ash Canyon area. Ms. Aldean apprised the committee that the planning process would not be done overnight and that the properties would not be put up for auction for at least 2 years from the date this agreement was approved. Ms. Aldean also indicated that since the Masons would be providing most of the funding for this planning effort, it could not afford to commit those resources without certain necessary approvals and approval by this committee was one of those necessary approvals. In concluding her testimony, Ms. Aldean said the Masons would greatly appreciate the committee's cooperation.

While he found Ms. Aldean's testimony most interesting and compelling, Senator Raggio said he was not prepared to support the request today. Senator Raggio said he could not understand why Carson City could not develop the Master Plan for the Ash Canyon area in the manner previously described by Ms. Aldean without first having the committee's approval to put the state's property up for auction. Ms. Aldean explained that the agreement between the Division of State Lands and the Masonic Lodge calls for the Masonic Lodge to pay for most of the expenses, not only for the planning of its property, but the Master Planning for the state's property as well, without any reimbursement or any expectation of reimbursement.

Senator Raggio expressed concern about the committee being forced into a decision today when the Legislature represents the people of the state, not the Masonic Lodge. While she could appreciate Senator Raggio's concern, Ms. Aldean said she thought this cooperative agreement was a win-win situation for both the state and the Masonic Lodge.

Senator Raggio suggested that if it were a win-win situation today, it would be a win-win situation later on as well. Ms. Aldean countered that she would probably advise the Masons to market its property independently. Senator Raggio said this was the risk the state would have to take; however, there was no indication that the state's property was going to diminish in value if the committee does not agree today to sell it. Ms. Aldean said she wished to respectfully disagree with Senator Raggio's analogy of the situation.

Senator Raggio wondered if Ms. Aldean were inferring that Carson City would not want to cooperate with the state at a later date in a planning effort because he thought that would be foolish on Carson City's part. Ms. Aldean said she was attempting to tell the committee that there was an anti-growth sentiment in the Ash Canyon area that may not be prevalent in Las Vegas.

Chairman Arberry called time on the debate and announced that action would be deferred on this request until a later date.

Ms. Wilcox said she would appreciate clarification from Senator Raggio as to whether additional information was needed or whether he would not support the request until the Master Plan was completed. Since he had not had sufficient time to review the material in the meeting packets, Senator Raggio said that he was not convinced of the need for the committee to make the decision today.

While she would agree with Senator Raggio that the timeliness of this request was not like many other items that come before the committee, Ms. Wilcox expressed concern that Ms. Aldean was going to recommend that the Masons not invest in the planning effort if, in fact, the committee denies the proposal. Ms. Wilcox said she would suggest that if the committee needs additional time to review the proposal, and if more information was needed, the committee might be willing to table the request, if other members of the committee share Senator Raggio's concerns, and she would provide that information and come back to the committee at a future meeting.

Senator Raggio suggested that Ms. Wilcox was trying the patience of the committee at this moment because Chairman Arberry had already announced that the request was deferred.

I. INTERIM FINANCE COMMITTEE:

1. Appointment of Representative to Prison Industries' Advisory Board.

Chairman Arberry asked for a committee vote on the recommendation by Mr. Howard Skolnik, Assistant Director, NDOP, to appoint Mr. Michael Mackenzie, President, Trimm Technologies, Las Vegas, a 500-employee company specializing in manufacturing storage and file server enclosures for the computer industry, who would be representing manufacturing on the Prison Industries' Advisory Board.

MR. MARVEL MOVED TO APPROVE THE APPOINTMENT OF MR. MICHAEL MACKENZIE TO THE PRISON INDUSTRIES' ADVISORY BOARD. SECONDED BY MR. PARKS AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

2. Fundamental Review of Base Budgets (NRS 218.5382).

Mr. Stevens explained that the Legislative Commission had created a committee to conduct a fundamental review of base budgets for the last several interims. Mr. Stevens said he had not placed this item on the agenda earlier because of the efforts of the Governor's Steering Committee to Conduct a Fundamental Review of State Government. Mr. Stevens said he wanted to make sure that the Governor had a chance to setup his program prior to asking the Interim Finance Committee whether it wishes to include a number of budgets for a fundamental review as has been done in past interims. If the answer is no, no further action is required. If the answer is yes, Mr. Stevens said there were a number of budgets that the legislative Fiscal Analysis Division staff had identified that could be potentially reviewed by a committee during the interim period. Although the Legislative Commission would appoint the committee, Mr. Stevens said it was his understanding that a majority of the members of the fundamental review of base budgets committee were required to be members of the Interim Finance Committee.

Since he thought it required a tremendous effort to review all of the budgets, Mr. Marvel suggested that the fundamental review of base budgets be coordinated between the legislative branch and the executive branch. Mr. Marvel said it would be his recommendation to create a committee to continue the efforts in this area.

Chairman Arberry recognized Mr. Perry Comeaux, Administrator, Department of Administration, who explained that the Governor's Steering Committee to Conduct a Fundamental Review of State Government plans to have different levels of budget review. According to Mr. Comeaux, the budget accounts within all of the state agencies would be subject to a minimum level of review in that there would be some basic questions to be answered by everyone. Mr. Comeaux indicated that the Governor's Steering Committee intends to limit the type of budget review that the legislative branch has done over the last several interims and that he had provided a list of those budget accounts to Mr. Stevens and Mr. Miles.

If the committee chooses to continue the fundamental review of base budgets during the interim, Mr. Stevens indicated that the legislative Fiscal Analysis Division staff would not choose the same budgets that were included in the Governor's efforts.

MR. MARVEL MOVED TO CONTINUE THE EFFORTS OF THE COMMITTEE FOR THE FUNDAMENTAL REVIEW OF BASE BUDGETS DURING THE INTERIM. SECONDED BY MRS. CHOWNING.

Under the provisions of NRS 218.5382, Senator Raggio pointed out that the committee would need to pass a resolution to confirm that the fundamental review of base budgets was necessary. Senator Raggio said that although he was not a member of the Governor's Steering Committee to Conduct a Fundamental Review of State Government, he was aware of its existence and its broad representation. It was Senator Raggio's understanding that an initial review had been done on several of the main General Fund departments, such as the Department of Human Resources and the Department of Information Technology (DoIT). Mr. Comeaux explained that the state agencies have presented to the Governor's Steering Committee an overview of their programs; however, the actual budget review had not yet been completed and was currently in process.

Senator Raggio said he was concerned about a duplication of effort between the executive branch and the legislative branch of government. It was Senator Raggio's understanding that several legislators were members of the Governor's Steering Committee and Mr. Comeaux said Senator Raggio's understanding was correct. Senator Raggio thought it might be premature for the committee to take action at this time and he suggested waiting until after the first of the year when a report was due from the Governor's Steering Committee. Mr. Comeaux said he thought the majority of the work was scheduled to be completed some time between May and June of 2000.

Senator Raggio wanted to know whether the legislative Fiscal Analysis Division staff had been working with the Governor's Steering Committee. Mr. Stevens said the legislative staff was not directly involved in the Governor's Steering Committee, but staff had been attending meetings to monitor the progress. He said, however, if the legislative Fiscal Analysis Division staff were to be involved in a fundamental review of base budgets, the best time frame would be at the beginning of the year because it would take a significant amount of time to complete the review.

Senator Raggio said it would be his suggestion for the committee to wait until after the first of the year and revisit the issue and determine whether it would be productive to have some kind of duplication of this effort.

Mr. Marvel asked Mr. Stevens if the legislative Fiscal Analysis Division staff would have enough time to complete the review if the committee were to defer action until after the first of the year. Mr. Stevens indicated that a resolution would first have to be done by the Interim Finance Committee; the Legislative Commission would designate the agency budgets to be reviewed and the chairman of the committee; then the majority leader and the speaker would appoint the members of the committee. Although he was not familiar with the Legislative Commission's schedule after the first of the year, Mr. Stevens noted that it would take time to get this process in motion. He added that the best time frame for the legislative Fiscal Analysis Division would be between January 1, 2000, and early- to mid-summer of 2000.

In order to expedite the process, Mr. Hettrick suggested that the committee approve the continuation of the fundamental review of base budgets committee today and then the Legislative Commission could approve it when it next meets, with the understanding that the Interim Finance Committee would be meeting in January of 2000, to decide whether or not to proceed with the actual budgets.

It was Senator Raggio's belief that if the committee approves the continuation of the fundamental review of base budgets today, it would be committed to doing the review. Senator Raggio said it would be his recommendation that if it looks like the efforts of the Governor's Steering Committee have stalled, both the Legislative Commission and the Interim Finance Committee would schedule meetings in January of 2000, and a decision could be made at that time whether to proceed.

After listening to Mr. Comeaux's previous testimony, Mr. Marvel said he was concerned that the executive branch would not be able to do a thorough job on all of the budgets. If the executive branch and the legislative branch were to coordinate their efforts, Mr. Marvel thought the legislative Fiscal Analysis Division staff could be more selective in choosing which budgets to review.

As a member of the Governor's Steering Committee to Conduct a Fundamental Review of State Government, it was Mr. Hettrick's understanding that the Governor was taking a broad-brush view of the various departments to determine how to make government more efficient and four or five of the large departments had been selected for a base budget review. By contrast, Mr. Hettrick noted that the legislative Fiscal Analysis Division was proposing to select several agencies that need oversight so that taxpayers' money could be saved.

Mr. Stevens apprised the committee that the Legislative Counsel had advised him that the resolution to be sent to the Legislative Commission would need to include the names of the budgets to be reviewed. With the committee's approval, Mr. Stevens said it would be the recommendation of the Fiscal Analysis Division to do a fundamental review of the following agencies: Purchasing Division, Special Children's Clinic, Division of State Parks, Financial Institutions Division, Residential Programs at the Nevada Mental Health Institute (NMHI), Vocational Rehabilitation, Education Support Services, and Public Works Board Inspection. Mr. Stevens noted that the executive branch was not doing a thorough review of any of the aforementioned accounts.

Chairman Arberry called for a vote on the motion.

MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

A copy of the resolution adopted by the committee is included in the meeting minutes as Exhibit J.

3. Report from Project Genesis Subcommittee.

Mr. Beers reported that the Subcommittee on Project Genesis/Dolt had met yesterday and generally heard more good news than bad news. Since the transaction processing times on average are slightly above what they were before Genesis was implemented, Mr. Beers thought the system had "gone live" too soon and that the Governor would probably need to address this issue at some future time. While some of the problems that were found would have only been found after the system "went live," it was the subcommittee's opinion that a significant number of problems should have been found before the system "went live." Mr. Beers directed the committee's attention to a copy of the subcommittee's report, which he thought was self-explanatory, and a copy of which is included in the meeting minutes as Exhibit K.

In concluding his testimony, Mr. Beers pointed out that a key component to the success of Project Genesis was the committee's approval of request item J.1 to expend funds to accelerate the deployment of the alternative technologies, which is number 5 of the Governor's 5-point plan to improve customer service at the DMV&PS. Mr. Beers said he thought the deployment of the alternative technologies was a key component because DMV&PS had told the subcommittee that it was quite likely the transaction times would never reach what they were prior to Project Genesis. Mr. Beers also indicated that a faster transaction time at the counters was not the reason for implementation of Project Genesis, but rather the new computer system was implemented to allow many citizens to conduct their business with DMV&PS through alternative technologies without having to go to a DMV&PS office.

J. INFORMATIONAL ITEMS:

1. Department of Motor Vehicles – Proposal to expend funds in the Genesis budget previously designated for FY 01.

Mr. John Drew, Acting Director, DMV&PS, introduced Mr. Thomas Tatro, Fiscal Officer. As the subcommittee's report indicated, Mr. Drew said the renewal part of the application was extremely stable. Because the renewals are stable and because of DMV&PS' lengthy discussions with the Governor's Office regarding his 5-point plan, Mr. Drew said it was DMV&PS' desire to accelerate the enabling technologies at a much faster pace than was originally anticipated during the 1999 Legislative Session. It was also Mr. Drew's belief that if DMV&PS were allowed to begin the process now, it should be possible to have the enabling technologies in place by the end of April of 2000. The enabling technologies would provide DMV&PS with the ability to renew drivers' or vehicle licenses over the Internet or telephone and the ability to renew registrations at an emission station in Clark and Washoe Counties. Mr. Drew indicated that every person DMV&PS can keep out of its offices that does not need to be there, would reduce the wait time for the public that does need to be there and it would also relieve the pressure on DMV&PS staff at the windows in terms of the number of customers they have to deal with on any given day. The funding for implementation of the enabling technologies was provided in a one-shot appropriation during the 1999 Legislative Session. Since a portion of the one-shot appropriation, or \$500,000, was designated to be expended during the second year of the biennium, Mr. Drew said that DMV&PS was requesting to accelerate the deployment of the enabling technologies so that the process could be completed by June 30, 2000.

Since she was not aware of any incentive that would be offered to the emission control stations to participate in this process, Mrs. Chowning wondered whether the emission control stations were anxious to be part of a public/private partnership when it would increase their workload, as well as require them to complete various forms for submittal to DMV&PS. Mr. Drew suggested that the incentive would be the increased amount of sales at each emission control station. Although he acknowledged that DMV&PS had not discussed this particular process with any of the dealers at this point in time, Mr. Drew indicated that the emission control stations were already on line with DMV&PS; thus, they have the ability to do direct submissions to DMV&PS' database. DMV&PS anticipates proposing that the emission control stations be provided with an additional screen. Since this alternative technology was being offered as an option, Mr. Drew stated that neither the emission control stations nor the customers would be required to renew in this fashion.

Mr. Beers apologized for neglecting to tell the Interim Finance Committee that the subcommittee had received an updated report from the legislative Fiscal Analysis Division staff about the total dollar amount that had been expended to date on Project Genesis. Since the dollar amount of \$35 million had been referred to on a regular basis, Mr. Beers said he wished for the record to reflect that \$33.5 million had been budgeted for Project Genesis through the next biennium. The Legislature has appropriated \$26 million of which amount DMV&PS has expended \$14 million. Since there was a significant amount of money remaining for Project Genesis, Mr. Beers said he was looking for some assurance from DMV&PS that it would manage the second phase of the contract better than it had managed the contract up to this point. Mr. Drew said that Mr. Beers' point was well taken. Mr. Drew apprised the committee that DMV&PS had not taken the time to do a complete analysis of the expenditures up to this point because of the busy schedule to implement Project Genesis and get it to the present level. According to Mr. Drew, DMV&PS had discussed with the Governor's Office a proposed amendment to the contract with the existing vendor for the enabling technologies. It was DMV&PS' belief that it would be more productive to remain with the existing vendor so that none of the momentum would be lost. He also suggested that the faster the enabling technologies were implemented, the better off DMV&PS customers would be overall.

Vice Chairman Raggio said no action was required on this request because the funding was already available through legislative appropriation and earmarked for this purpose. Since it was his understanding that DMV&PS wants to expedite the alternative technologies, Vice Chairman Raggio said the committee would accept the report.

2. Attorney General's Office – Fraud Unit quarterly reports, quarter ending September 30, 1999.

There were no comments or questions from the committee on this item.

3. Department of Education – Semiannual report on expenditure of SMART funds.

This item was withdrawn.

4. Department of Personnel – Personnel systems progress report.

There were no comments or questions from the committee on this item.

5. Department of Business and Industry – Division of Insurance – Report on use of Education and Research funds.

There were no comments or questions from the committee on this item.

6. Department of Human Resources:

A. Chapter I – Special Education Project – combining positions.

There were no comments or questions from the committee on this item.

B. Family Resource Centers of Nevada – annual report to the Legislature SFY 1999 (report on file with the legislative Fiscal Division).

There were no comments or questions from the committee on this item .

C. Child and Family Services – Community Corrections Partnership Block Grant.

There were no comments or questions from the committee on this item.

D. Health Division – Increase from half-time to full-time position funded by Federal grant.

There were no comments or questions from the committee on this item.

E. Health Division report on establishment of Statewide Dental Health Initiative.

There were no comments or questions from the committee on this item.

7. Department of Prisons:

A. Vending machine report.

There were no comments or questions from the committee on this item..

B. Silver State Industries first quarter FY 00 sales.

There were no comments or questions from the committee on this item.

C. Status report on inmate medical expenses related to A.B. 389.

Since she had heard that Hepatitis C was a widespread occurrence in the prison population, Mrs. Cegavske said she would appreciate receiving a report on the cost of treatment for those prisoners with Hepatitis C. Mrs. Cegavske also wanted to know whether NDOP was taking proactive measures to prevent the spread of Hepatitis C when prisoners were released into the communities. To respond to Mrs. Cegavske's request, Dr. Ted D'Amico, Medical Director, NDOP, said that since Hepatitis C was a topic being discussed by medical professionals across the country, he thought it was timely to talk about it today. Hepatitis C, Dr. D'Amico explained, was part of a group of hepatitis infections that has recently been identified as coming from an unknown strain called non-A/non-B. He said, however, a good percentage of the people that were diagnosed as having Hepatitis C were actually not infected, but were instead carriers. In some cases, the disease eventually disappears.

Mrs. Cegavske asked Dr. D'Amico if some of the prisoners had contracted Hepatitis C through tattoo needles. Dr. D'Amico indicated that Hepatitis C, as well as Hepatitis B, was transmitted by blood transfer. He said the prison was a reservoir for Hepatitis C because a number of the inmates have participated in tattoos, body piercing, and other similar activities. Prior to incarceration, many of the inmates had been involved with illegal drug usage. Unlike HIV, Dr. D'Amico pointed out that NDOP does not screen inmates for Hepatitis C, but the disease was usually discovered through other laboratory work, as a result of a doctor's suspicion, or if the inmate had been participating in tattooing or other similar activities. At the present time, NDOP provides treatment for Hepatitis C with two modern drugs: Interferon and Rebetrone. He said, however, the treatment of Hepatitis C was being questioned by health professionals throughout the country and other states were wrestling with the problem as well.

According to Dr. D'Amico, NDOP was in the process of developing a protocol in conjunction with Public Health, other states, and also with the Roche Laboratories, the manufacturer of the drug Interferon, which should be available within the next month or two. There are approximately 150 people in the prison system that have tested positive for Hepatitis C. Dr. D'Amico said that it requires a considerable amount of laboratory workup to determine whether the inmates need to be treated or not and one of the "roadblocks" had been doing a liver biopsy. Since a liver biopsy cannot be done on site at the present time, the inmate must be transported by NDOP into the community. For security reasons, NDOP has identified only a certain number of people that require liver biopsies. He also noted that about four or five of the inmates who were treated with Interferon have not been able to tolerate the drug. Dr. D'Amico estimated that the cost of treatment at the present time was running about \$6,000 per inmate for a 3- to 6-month period. One of the criteria for receiving treatment is that the inmate has been drug-free and alcohol-free for a period of between 6 months to 2 years. A recent study done by the State of Texas indicated that a new drug had reduced the cost of treatment for inmates with Hepatitis C.

Mr. Hettrick suggested that the new protocol include a policy that indicates that body piercing and tattoos were self-inflicted and as such the cost of treatment would be paid for out of the Offenders' Store in accordance with the provisions in Assembly Bill 389. It was Mr. Hettrick's belief that a number of offenders might be happy to pay for a liver biopsy out of their own account. Dr. D'Amico indicated that at the present time, NDOP was keeping track of the cost for testing for HIV, Hepatitis C, and Syphilis, and the cost was being charged to the inmate. Dr. D'Amico also said he had directed the Medical Department to report to custody any inmate who participates in tattoos and body piercing. According to Dr. D'Amico, tests were performed immediately and the injury was reported as self-inflicted.

To respond to a question from Vice Chairman Raggio, Mr. John Slansky, Assistant Director, NDOP, told the committee that NDOP had requested an Attorney General Opinion (AGO). Mr. Slansky said he had recently spoken with Senior Attorney General Anne Cathcart and Deputy Attorney General Keith Munro, Litigation Division, and he was advised that the AGO would be ready before the end of the year. Although several preliminary discussions have been held about administrative assessments and other matters, Mr. Slansky said the Office of the Attorney General had not yet reached a conclusion.

Vice Chairman Raggio asked Mr. Gary Ghiggeri, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, if he were satisfied that NDOP had responded to all of the questions posed by the committee at the last meeting relative to A.B. 389. Mr. Ghiggeri indicated that a number of the questions had not been answered and that, depending upon the conclusions reached in the AGO, the state could lose \$1.2 million in reimbursements.

Vice Chairman Raggio said he was anxious to resolve this issue and he would ask Chairman Arberry to continue this item at the next meeting.

Mr. Hettrick said that although he appreciated the fact NDOP had requested an AGO, he wished the request had been made sooner. In the request, NDOP cited NRS 209.246, which states in part: "...The director shall, with the approval of the board, establish criteria for the reasonable deduction of money credited to the account of an offender.... Mr. Hettrick said, however, he could see no due process issue here since A.B. 389 indicates that if the offender cannot pay, the medical costs are to come out of the Offenders' Store. Regarding NDOP's second question, which was: "Is the department required to assess charges only through the disciplinary process?" Mr. Hettrick said the answer to this question was clearly "no" because the list used by NDOP to assess charges includes such items as funerals, voluntary recreational injuries, clothing, transportation, and money when the inmate is released from prison, for which there are obviously no disciplinary hearings involved. Mr. Hettrick said he was very anxious to review the AGO because he was confident the Offenders' Store was not a due process issue; thus, the state would be reimbursed \$1.2 million.

D. Updated medical expense information through September 30, 1999.

There were no comments or questions from the committee on this item.

E. Request for information concerning High Desert State Prison (HDSP) construction/inmate housing.

Mr. Marvel wanted to know whether HDSP would be opened on schedule. As Mr. Raecke indicated earlier, Mr. Slansky said that Phase I would be done on September 1, 2000, and that NDOP's operational plans for moving SNCC into HDSP would meet that timetable. It was Mr. Slansky's belief that Mr. Raecke was comfortable with the schedules.

It was Chairman Arberry's understanding that the legislative Fiscal Analysis Division staff had requested information on the time schedules and additional costs that are anticipated to be incurred as the result of the current occupancy dates for HDSP, but NDOP submitted the information to the Budget Division rather than the Fiscal Analysis Division. To respond to Chairman Arberry's comments, Mr. Comeaux apologized for the mix up. When the Fiscal Analysis Division staff requested the information from NDOP, it was brought to his attention and a meeting was held in his office to talk about how to approach calculating any additional cost that might be involved in a delay. Mr. Comeaux said he had asked NDOP to provide the information to him and the information was received before the deadline. Subsequent to receiving the information, Mr. Comeaux said he had become ill with the flu and a copy of the information was not forwarded to the Fiscal Analysis Division. Although he had discussed the report with Mr. Ghiggeri, Mr. Comeaux said he had not yet provided him with a copy, but he promised to do so by 5 p.m. today.

Chairman Arberry said he did not understand why NDOP had not provided the report to the Fiscal Analysis Division by the deadline and forwarded a copy to the Budget Division. Mr. Comeaux said that it was not his intention to withhold information from the committee. Chairman Arberry said he did not think the Fiscal Analysis Division staff would have placed a deadline for receiving the information if the information had not been important. Chairman Arberry told Mr. Comeaux that it would be very helpful to the committee if the report could be provided to the Fiscal Analysis Division staff as soon as possible. Mr. Comeaux apologized again for the delay, adding that he thought there had been a breakdown in communications on this particular request for information.

F. Report on Inmate Store profits/telephone commissions – first quarter FY 00.

There were no comments or questions from the committee on this item.

K. PUBLIC TESTIMONY.

There was no public testimony.

There being no further business to come before the committee, Chairman Arberry adjourned the meeting.

Assembly Morse Arberry, Jr., Chairman
Interim Finance Committee

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