

MINUTES OF THE MEETING OF
NEVADA LEGISLATURE'S SUBCOMMITTEE ON FUNDAMENTAL
REVIEW OF THE BASE BUDGETS OF STATE AGENCIES

(Nevada Revised Statutes 218.5382)

May 21, 1998

Legislative Building, Room 3137

Carson City, Nevada

The second meeting of the Subcommittee on Fundamental Review of the Base Budgets of State Agencies (created through passage of A.B. 194, 1995) was held at 9:30 a.m. Thursday, May 21, 1998, in Carson City, at the Legislative Building, Room 3137.

SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry, Jr., Chair

Senator Jack Regan

Senator Dean A. Rhoads

Assemblyman Jack Close

Assemblyman John W. Marvel

SUBCOMMITTEE MEMBERS EXCUSED:

Senator Lawrence E. Jacobsen

Senator Bernice Mathews

Assemblywoman Chris Giunchigliani

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Mark Stevens, Fiscal Analyst

Dan Miles, Fiscal Analyst

Birgit Baker, Program Analyst

Rick Combs, Program Analyst

Gary Ghiggeri, Principal Deputy Program Analyst

Bob Guernsey, Principal Deputy Program Analyst

Mary Matheus, Local Government Budget Analyst

Larry L. Peri, Senior Program Analyst

Steve Abba, Senior Program Analyst

Dave Pursell, Program Analyst

Jim Rodriguez, Program Analyst

Connie Davis, Secretary to the Subcommittee

OTHERS ATTENDING THE MEETING

Dr. Ted D'Amico, Nevada Department of Prisons

Karen
Baggett,
Commission
on
Economic
Development

Suzanne Boskoff, Nevada Arts Council

Barbara Corner, Department of Information Technology

Gary Crews, Legislative Audit Division

David Dahn, Labor Commission

Debbie Dimit, Aging Services

Nancy Dunn, Commission on Economic Development

Carol Edeling, Nevada Arts Council

Rick Gimlin, Agriculture Division

Mike Gray, Mercer

Robert Gronowski, Agriculture

Don Hataway, Budget Division

Ed Hoganson, Agriculture - Weights and Measures

Dennis Humphrey, Nevada Department of Prisons

Paul Iverson, Division of Agriculture

Mary Johnson, Nevada Department of Prisons

Melissa Stafford Jones, LCB Research

Joan Kerschner, Museums, Library and Arts

Mary Liveratti, Aging Services

Bill Longley, Aging Services

Beth Mammen, Nevada Department of Prisons

Bruce McAnnann, Aging Services

Glenn Meister, Mercer

Cheryl Miglioretto, Nevada Arts Council

Don Molde, Nevada Department of Prisons

Phil Nowak, Nevada Department of Prisons

Joel Pinkerton, Budget Division

Karen Rasner, Risk Management

J. Reed, UICI

Bob
Shriver,
Commission
on
Economic
Development

Scott Sisco, Department of Museums, Library and Arts

Carla Sloan, Aging Services

Ron Swenson, Department of Information Technology

Jon Thiriot, Aging Services

Bill Vance, Budget Division

Charles VanGeel, Commission on Economic Development

Daniel Walsh, Department of Human Resources, Director's Office

Randy Waterman, Risk Management

EXHIBITS

Exhibit A - Meeting Notice and Agenda

Exhibit B - Attendance Roster

Exhibit C - Commission on Economic Development Resource Documents

Exhibit D - Division for Aging Services Supplemental Material on Older Volunteer Programs

Exhibit E - 1997 Nevada Family Resource Directory and

Pamphlets on Community Resources for Seniors

Exhibit F - Nevada Arts Council Documents

BECAUSE OF THEIR SIZE, THE EXHIBITS ARE NOT ATTACHED TO THESE MINUTES. HOWEVER, ON REQUEST THE EXHIBITS MAY BE REVIEWED EITHER IN THE RESEARCH LIBRARY OR IN THE FISCAL ANALYSIS DIVISION OF THE LEGISLATIVE COUNSEL BUREAU, CARSON CITY, NEVADA.

I. ROLL CALL

The Chairman, Assemblyman Morse Arberry, Jr., called the meeting to order at 9:35 a.m. and asked the secretary to call the roll. The Chairman asked that the record show Senator Jacobsen, Senator Mathews and Ms. Giunchigliani excused.

***II. APPROVAL OF THE MARCH 24, 1998, MEETING MINUTES**

MR. CLOSE MOVED TO APPROVE THE MARCH 24, 1998, MEETING MINUTES. THE MOTION WAS SECONDED BY SENATOR REGAN AND CARRIED.

***III. LABOR COMMISSION (continued from previous meeting)**

The Labor Commissioner, David Dahn, identified himself for the record as did Barbara Corner, Chief of the Planning and Programming Division of the Department of Information Technology.

During the previous meeting of the Subcommittee held on March 24, 1998, Mr. Dahn and Ms. Corner were directed to prepare a progress report regarding the development of the five computer systems for the Office of the Labor Commissioner.

Ms. Corner reported that Mr. Dahn, and representatives of the Department of Information Technology and the Budget Office had worked together to produce a report that was included in the Subcommittee's meeting packet.

Ms. Corner said the report provided information on the completion dates and projected completion dates of the computer systems. Information was also included in the report concerning hiring a master services agreement (MSA) contractor who, because of the time lines, would assist in development of the systems.

Agreement was reached among the members of the group to put a hold on the System to Regulate State Approved Apprenticeship Programs. The Labor Commissioner determined the Federal AIMS computer program was being rewritten and because the state system is required to be compatible with the Federal computer program, the Labor Commission decided to put a hold on developing the computer System to Regulate State Approved Apprenticeship Programs.

Ms. Corner reported that concentration would be focused on completing the remaining four systems; however, the Prevailing Wage and Wage Complaints systems could not be completed by June 30, 1998. Ms. Corner advised that the Labor Commissioner intended to submit a request to the Interim Finance Committee for a Contingency Fund allocation to complete the projects.

Addressing Ms. Corner's remarks concerning the request for a Contingency Fund allocation, Mr. Dahn advised the Subcommittee that funds related to the completion of the projects would be reverted to the General Fund at the end of the fiscal year. While Mr. Dahn indicated 100+ hours of work would still be required between the two projects, he explained they would have to determine how far the project had moved along with the assistance of the MSA before they could decide on the amount of the contingency fund request.

Ms. Corner advised the Subcommittee she was uncertain of the number of hours that would be required to complete the two projects. She explained that the contractors had just been hired to do the requirements and once completed, the Department of Information Technology could provide an estimated date for completion and a dollar amount.

Responding to Mr. Arberry's request for a brief update on completion of the System for Monitoring Public Works Projects and the System for Licensing and Regulating Private Employment Agencies, Mr. Dahn reported that the System for Licensing and Regulating Private Employment Agencies was to have been completed by May 22, 1998, but completion had been extended by two weeks. Mr. Dahn advised that the System for Monitoring Public Works Projects was functioning to the point that they would begin to enter data by June 1. While the Public Works Projects system still had some problems to be worked out, Mr. Dahn said the system could be used to generate numbers.

In response to Mr. Marvel's inquiry concerning the update of the federal government's AIMS program, Mr. Dahn advised that he attended a conference last September in Michigan and acquired another state's program that he believed would be compatible with the revised AIMS program. However, the other state system was not functional for Nevada. George Jones, the Regional Director of the Bureau of Apprenticeship and Training for the federal government recommended that the Office of the Labor Commission wait to develop its system.

Responding to Mr. Marvel's question on the dollar amount expended thus far, Mr. Dahn advised they had probably spent about \$2,000.

Mr. Marvel questioned how much was anticipated to be spent after the AIMS program was updated, and Mr. Dahn responded it would be about the same amount that had been originally projected by the Department of Information Technology. Mr. Dahn added that the AIMS system was originally written for a DOS environment and would be rewritten for a Windows environment.

Mr. Close recalled at the previous meeting Mr. Dahn discussed the efficiency of the System for Licensing and Regulating Private Employment Agencies indicating it took longer to use the system than to manually compile the data. In response to Mr. Close's inquiry on whether he felt the system had been corrected, Mr. Dahn explained that the employee using the system and the Programmer worked together to improve the efficiency of the system which was currently working quite well.

In response to a question from Mr. Arberry concerning the Apprenticeship Program, Mr. Dahn said funds would be reverted to the General Fund at the end of the fiscal year, and he was expecting a letter of recommendation from Mr. George Jones, the Regional Director of the Bureau of Apprenticeship and Training. Mr. Dahn advised the Subcommittee he would call Mr. Jones to ask for information on a time frame for completion of the AIMS system update and would either go to IFC to request funding or include the request in the upcoming budget.

Mr. Arberry noted a completion date of August 14, 1998, for the Prevailing Wage System and August 28, 1998, for the Wage Complaint Tracking Systems, and Mr. Dahn confirmed those dates were still on target.

In response to Mr. Close's inquiry on whether weekly progress reports from DoIT to the Labor Commissioner and the Budget Division should be continued or if they could be sent to staff to make certain that completion dates stayed on target, Mr. Arberry requested weekly reports be sent to the Fiscal Program Analyst, Rick Combs and Mr. Dahn agreed.

BENEFIT SERVICES FUND

Representing the Benefit Services Fund budget account, Randy Waterman, Acting State Risk Manager, identified himself for the record and extended his thanks to the Subcommittee for the opportunity to review the report.

Mr. Waterman advised the members of the Subcommittee he had reviewed the Benefit Services base budget draft report put together by LCB staff and was in agreement with the recommended adjustments. Pledging that the Risk Management staff would work closely with the Budget Office to incorporate adjustments into the Fiscal Year 2000-2001 agency request, Mr. Waterman said that any new information that improved the accuracy of the numbers through the end of FY 1998 would also be coordinated with the LCB and Budget Office staff and would be reflected in the agency's 2000-2001 request.

Continuing, Mr. Waterman indicted that the majority of the questions highlighted in the report had been discussed in various meetings with either the Interim Finance Committee, Legislative Audit Commission, Legislative Fiscal staff, or in some other official forum.

Mr. Arberry asked Mr. Waterman to specifically address LCB staff concerns outlined in the report as well as the implementation of ten LCB Audit recommendations that resulted from an audit conducted by the

Legislative Auditor the previous year.

Mr. Waterman responded that the Risk Management Division had filed a report with the Legislative Commission advising that eight of the ten recommendations had been completed and that the two remaining recommendations related to the reconciliation process which they were working on automating with the Department of Information Technology. While it was Mr. Waterman's observation that there was some lag time, he anticipated the two outstanding recommendations would be resolved by the end of the calendar year. He said however, some of the automation processes regarding reconciliation and interfaces could go into the next year.

The Chairman asked Mr. Waterman to discuss the implementation of eight of the ten audit recommendations since it was the Audit Division's understanding that only one of the issues had been addressed.

Mr. Waterman discussed the LCB Audit Division's follow-up and said that a report had been filed when only one or two of the recommendations had been fully implemented which was prior to the Division's response. Subsequently, Mr. Waterman indicated that considerable effort had been put into addressing the remaining recommendations and that the Division had, in fact, addressed eight of the ten items. Mr. Waterman added, however, that while several of the recommendations were complete in function, the flowcharts that correlated to them had not been completed.

In response to Mr. Arberry's request to discuss reconciliation of the billings, Mr. Waterman asked Karen Rasner, the Division's Accountant to address the issue.

Karen Rasner, Accountant for Risk Management, identified herself for the record and said that as of May 21, 1998, the largest pay centers remained unreconciled. While the Nevada Department of Transportation was financially reconciled, Ms. Rasner said there were problems that needed to be researched and resolved by the Eligibility Department. Ms. Rasner reported that UNR and UNLV were very close to being reconciled, but the largest payroll center, Central Payroll, as well as PERS' retirees were not reconciled. Ms. Rasner discussed an in-house electronic spreadsheet used by staff to review discrepancies and make adjustments. Currently, 200 discrepancies remain on the report, and Ms. Rasner was unable to project a completion date indicating the reconciliation process was very time consuming.

Responding to a question from Mr. Arberry concerning whether the reconciliations would be completed before the next budget cycle, Ms. Rasner expressed uncertainty as to when the process for Central Payroll would be completed. Ms. Rasner projected, however, that when they are able to interface with Central Payroll to update the Benefit Information System of Nevada (BISON) system, problems would be diminished.

Mr. Arberry noted that \$40,940 in costs were identified by the Risk Management Division to implement the audit recommendations and asked Ms. Rasner to comment.

Ms. Rasner responded that the \$40,940 in costs was for office supplies, filing cabinets and hiring of temporary staff to work on the filing addressed in the audit report.

Mr. Marvel asked Risk Management staff to address how much was anticipated in "spending down" their cash reserves.

Mr. Waterman responded that reserves had been spent down to about \$2 million, however, it was his understanding that some refunds from providers as a result of corrections or duplicate payments had been received from UICI. Mr. Waterman projected \$2.5 million at the end of the fiscal year

Responding to a question from Mr. Marvel on whether adequate cash reserves were projected for the 1999 fiscal year, Mr. Waterman indicated that the Benefit Services Fund "probably would not" have adequate cash reserves for the 1999 fiscal year. Adding that a planning meeting was scheduled for the end of July, Mr. Waterman disclosed adjustments to the plan, reduction in benefits and premium increases for dependents would be considered.

Moving on, Mr. Arberry asked Mr. Waterman to discuss the status of the ANSWER QUEST system.

Mr. Waterman explained that the benefits information system titled ANSWER QUEST was six months out of date and not useable by either Risk Management staff or others. Mr. Waterman explained that Risk Management had been working with the company that maintains ANSWER QUEST and the company that puts together the Benefits Direction binder to allow them to electronically update ANSWER QUEST so that it is useable.

Recalling the \$64,000 allocation authorized to implement ANSWER QUEST, Mr. Arberry asked for information as to when the system would be on line and whether it was "just a waste of time."

Responding that the system was not a waste of time, it was Mr. Waterman's opinion that ANSWER QUEST would be on line within the next several months. He explained that the system was currently being worked on so that updating could be completed electronically.

In response to a question from Mr. Arberry on whether fees paid to UICI were comparable to other public agencies, Mr. Waterman explained that Risk Management currently was in the process of receiving responses to a request for proposal (RFP) for third-party administration services. Because of the current status of the RFP, Mr. Waterman advised that while the specific responses were confidential, the rates that UICI currently charges of just over \$13 for medical and dental was "in the ballpark."

Mr. Arberry questioned whether adjustments would be required for the agency's 1999-2001 budget submission.

Mr. Waterman responded that while some adjustments would be necessary, upward or downward adjustments were dependent on the outcome of the responses to the RFP currently under evaluation.

Mr. Close asked the agency representatives to discuss what the agency was doing to ensure that premiums were not being paid for those individuals covered by HMO's who are no longer part of the program.

Ms. Rasner explained that medical claims are paid based upon the eligibility data provided by the BISON system and adjustments are made upon reconciliation by the pay centers. Ms. Rasner added that HMOs also reconcile to the BISON billings each month and, specifically that Hometown Health Plan (HHP) has a ninety-day contract period. Ms. Rasner clarified that it is the state's responsibility to pay for the premiums outside of that ninety-day period.

Mr. Close expressed concern in reference to the state's responsibility for the billings outside of the ninety-day window and asked if there would be further augmentations to the account.

Ms. Rasner responded they would be within the ninety-day time frame.

Responding to Mr. Arberry's request to comment on run-in claims, Mr. Waterman advised that "the total amount for run-in claims should be discounted off future budgets." Specifically, Mr. Waterman said the agency had recently received notice from UICI indicating they were completely finished with run-in claims as far as billing.

Mr. Stevens discussed the issue of estimating the \$10.50 charge on claims that had been processed more than once by UICI and paid more than once by the state and how many times that had happened since the cost wouldn't be incurred into the future.

Mr. Waterman responded that it was no longer an issue since they were not being charged for run-in claims.

Mr. Stevens indicated an adjustment would be required on those claims that had been processed and paid more than once and Mr. Waterman agreed.

At this point Gary Crews, the Legislative Auditor was asked by Mr. Arberry to address concerns related to the Legislative Audit discussed earlier in the meeting.

Mr. Crews identified himself for the record and began with a background presentation concerning the Legislative Audit of the Risk Management Division the previous year. The audit focused on the Division's revenue areas, specifically on the collection and handling of premiums and resulted in ten recommendations. During presentation of the Audit to the Audit Subcommittee, the agency responded that they had implemented eight of the ten recommendations. Mr. Crews indicated there was some concern when the Audit Subcommittee questioned the actual implementation of the recommendations. The Audit Division was requested by the Audit Subcommittee to return to the agency and conduct a follow-up review of implementation of the recommendations.

Mr. Crews reported that only one of the ten recommendations had been implemented to address Legislative Audit recommendations and while some work had been done on all of the recommendations, not enough action had been taken to adequately resolve the situation. In conducting the Audit follow-up process, Mr. Crews said the auditors identified additional action being taken on the recommendations on a daily basis and that the process was currently going through an evolutionary process.

Responding to a question from Mr. Marvel on whether the agency had implemented eight or nine of the recommendations, Mr. Crews indicated that at the time of the follow-up process they had implemented only one of the recommendations. It was Mr. Crews' understanding there had been a change in the administration of the agency since the Audit had taken place, and currently the agency was formalizing processes into written policies and procedures that would take time to fully implement.

Responding to a question from Mr. Marvel, Mr. Waterman advised that eight of the ten recommendations would be fully implemented by the end of the current calendar year and the two recommendations concerning reconciliations would be implemented the following calendar year.

Mr. Marvel indicated the recommendations had been significant and the Audit Subcommittee had assumed implementation would occur before the 1999 Legislative Session. Mr. Marvel invited Don Hataway, Deputy Director for the Budget Division to comment.

Responding to Mr. Marvel's request, Don Hataway, Deputy Director for the State Budget Division identified himself for the record and advised the Subcommittee that the Budget Division would be responsible for providing a six-month status report on implementation of the audit recommendations. Agreeing that the recommendations were complex, Mr. Hataway expressed uncertainty that full implementation would take place by October 1998. He advised, however, that the Budget Division would review the implementation process in October and provide an appraisal and timetable about when full implementation would take place. Mr. Hataway indicated it was hoped a substantial number of the recommendations could be implemented prior to the 1999 Legislative Session and the agency's base budget adequately represented the true base costs.

Responding to a question from Mr. Marvel, Mr. Hataway indicated that while there were serious financial considerations that the Committee on Benefits would need to review, both he and Mr. Comeaux were comfortable with the agency's progress.

Turning to page 77 of the packet, Mr. Stevens discussed the schedule identified as Self-Insured Claims Cost. The schedule illustrated a four-year history of payments out of Category 12 and Mr. Stevens pointed out that the projection for FY 1998 was over \$12.8 million higher than for FY 1997. While it had been difficult to determine the exact figures for some of the items listed on pages 78 and 79, Mr. Stevens indicated that during the 1999 Session, the money committees would want to review in some detail how much of the \$12.8 million was attributable to medical trend or to problems with changing third-party administrators? How much was related to payment of FY 97 claims in FY 98? How much was attributable to waiving the deductible and paying 100 percent of billed charges because the billings, at least FY 97 claims, could not be completed within the contractual time frames.

Pointing out another area of concern on page 79, Mr. Stevens explained that due to delays in claims payment, providers were offered the option of receiving an advance for 80 percent of the claims they had on hand at that time. UICI indicates \$1.5 million remains outstanding from the provider advances made in November 1997. Mr. Stevens questioned why there was a remaining balance on the advance payments and how much longer it would take to liquidate.

Addressing another area of concern, Mr. Stevens turned to page 81 of the packet material and pointed out that the current reserve level projected for the Benefit Services Fund had gone from a budgeted ending reserve of \$26.3 million to \$2.1 million. Mr. Stevens explained that as a result of the current unacceptable reserve level, either benefits would have to be reduced or premiums would need to be increased either on the employee and/or dependent side.

Mr. Close requested information concerning the previous third-party administrator, L&H, and whether any monies had been received in complaints filed against their \$50,000 policy for omissions.

Mr. Waterman responded that litigation was still pending. Adding that the Attorney General was assisting in preparation of a claim against a \$1 million E&O policy, Mr. Waterman explained the policy also included defense and preparation costs which could result in a policy of \$900,000 or less depending on the cost to prepare. Mr. Waterman further explained that the State of Nevada was not the only entity filing a claim against the policy and that any proceeds would be prorated. He explained, for example, that if a \$10 million loss was proved by everyone involved, each entity would receive 10¢ on the dollar prorated on their portion. A formal claim is expected to be filed in August.

In response to a question from Mr. Close concerning the expense incurred by the state because of the northern Nevada PPO having to pay 100 percent of billed charges versus the discounted amount, Mr. Waterman indicated an accurate assessment was not currently available and invited Mike Gray, the Actuary from Mercer to respond.

Mike Gray identified himself for the record and advised the members of the Subcommittee that Mercer expected to have the calculation on the loss of discounts for the northern Nevada PPO by July. He clarified they wanted to be certain that the 1997 claims were paid and that once they were more convinced that the 1997 claims had been fully paid, they would run an accounting for all of those providers that would normally receive discounts and determine the best estimate on the loss attributable to the loss of discounts.

It was Mr. Close's understanding the loss would be in excess of \$1 million, and Mr. Gray concurred. He advised that Mercer had provided a memo to the Committee on Benefits that the loss, which was based on an assumption, should be at least \$1 million.

Responding to a question from Mr. Close, Mr. Waterman confirmed that time frames for the discount plan for the northern Nevada PPO had been expanded and that the discounts were in effect.

In response to a question from Mr. Close concerning whether the discounts would be renegotiated in the next contract, Mr. Waterman explained that the requirement to pay billed charges, if payment to the provider was not made in thirty days, had been negotiated out of the contract as of January 1, 1998.

Responding to Mr. Arberry's request for information on the current claims backlog, Mr. Waterman said that as of May 18, 1998, there was an approximate backlog of 50,000 medical claims or a backlog for UICI of approximately thirty days. Mr. Waterman explained that the numbers that had been reviewed by the Interim Finance Committee and the updates from UICI showed a large collection of problem claims, some of which were old, complicated and expensive. Over the past several weeks, in excess of 30,000 problem claims had been processed and paid by UICI. Currently Mr. Waterman said there were about 2,100 problem claims which is considered normal and probably low.

Responding to Mr. Arberry's request for information on the dental claims backlog, Mr. Waterman advised that there was a backlog of 1,462 claims over ten days old and 3,679 claims ten days old or less than ten days old.

Mr. Arberry requested information on when UICI would process claims within a ten-day period, and Mr. Waterman responded that while UICI was working toward paying claims within a ten-day period, they hadn't yet reached that point as a matter of routine. Mr. Waterman agreed to provide the Subcommittee with a more definitive time of when UICI would pay claims within ten days as a matter of routine.

Responding to Mr. Close's inquiry on UICI's contract expiration, Mr. Waterman advised that the contract would expire on December 31. Providing information on the bidding process timetable, Mr. Waterman said the request for proposal (RFP) was put out in March and 11 responses had been received. Currently a Subcommittee of the Committee on Benefits whose members include Mr. Waterman, Acting Risk Manager; Becky Crowell, State Benefits Manager; and, Perry Comeaux, and Fred Suwe, members of the Committee on Benefits, was in the process of evaluating the responses. The Subcommittee plan to provide their recommendations to the full Committee on Benefits at their June 3 meeting. Mr. Waterman explained that the Committee on Benefits would review the Subcommittee's recommendations and invite the finalists to make a final presentation at the June 24 Committee on Benefits meeting at which time a selection would be made.

Responding to Mr. Close's inquiry concerning the final selection, Mr. Waterman explained that Mercer was being used as an outside consultant and State Purchasing was acting as a facilitator monitoring the evaluation process and actually generated the RFP with technical input from Risk Management.

Mr. Close discussed the lack of actuarial experience concerning members of the Committee on Benefits and emphasized that the Committee should have input from an actuary to make certain that all details concerning the contract for third-party administration services are covered.

Mr. Waterman responded that Mercer's actuary was being used as a resource to assist in evaluating the RFPs; however, Mercer technically was not a part of the evaluation subcommittee.

Mr. Close requested that a report on the bidding process for the contractor including those persons involved in the process be prepared for the Subcommittee. Mr. Waterman agreed to write a description of the process for the Subcommittee and, at Mr. Marvel's suggestion, that a copy also be distributed to the members of the Interim Finance Committee.

NEVADA PRISON MEDICAL DIVISION

Dr. Ted D'Amico, Prison Medical Director, identified himself for the record and at Mr. Arberry's request addressed concerns resulting from the base budget review of the Nevada Department of Prisons' Medical Division.

Reporting on corrective actions put into effect over the last month, Dr. D'Amico said that one of the Medical Division's biggest concerns had been that more reliance should be placed on facilities within the institution rather than on medical assistance from the outside community. For that reason, the use of some outside consulting doctors and many contracts had been discontinued.

The Medical Division, Dr. D'Amico reported, was in the process of developing specific beds at the University Medical Center in Las Vegas in order to better track inmate patients and to save hospital days. Negotiations, he said, were currently in progress with Carson Tahoe Hospital in Carson City to expand services so that transport costs to Reno area hospitals could be eliminated.

Concerning the development of an intermediate medical care unit at the Northern Nevada Correctional site, Dr. D'Amico said the acute-care medicine unit would save some outside beds and free a number of beds used in infirmaries throughout the north and the south. Dr. D'Amico also advised the members of the Subcommittee, that in an effort to reduce orthopedic activity, all orthopedic consultations would go through two orthopedic doctors, one in the south and one in the north, and that, in his role as Medical Director, he would review all procedures and surgeries before they were performed.

Dr. D'Amico explained that freeing beds in the Regional Medical Facility would allow its utilization as

more of an acute-care facility and the use of outside beds would be diminished. The medical intermediate care unit would also provide care for amputees and wheelchair-bound patients so that they can be maintained in one place and save transportation and medical costs in some of the units throughout the state. It was Dr. D'Amico's opinion that these procedures would result in dramatic changes to the Division's cost overrun.

Moving on, Dr. D'Amico discussed the pharmaceutical area and concern that the Division's formulary wasn't strict enough or adhered to properly. The Division, Dr. D'Amico advised, had adhered to the Texas formulary and adjusted it according to what was appropriate for the Nevada system. Along with narrowing the scope of medications, Dr. D'Amico indicated that there would be a firm program to adhere to the formulary the same as in community managed care including psychotropic drugs, anti-virals and protease inhibitors for HIV patients. Dr. D'Amico also advised that medical guidelines were being distributed to the doctors so that all staff would be on one track concerning the type of medicines that would better adhere to formulary.

Dr. D'Amico discussed the institution of a new HIV medication policy that would narrow the use of costly protease inhibitors and anti-virals. Indicating it would take some time to develop the new policy, Dr. D'Amico explained that some medications couldn't be dramatically stopped for the 73 patients currently being treated for HIV. However, the drugs would be limited over a period of time, and all new patients would adhere to a strict three-drug protocol.

Pharmaceuticals used for mental health problems had also been reviewed and while many drugs were eliminated, Dr. D'Amico reported a list would be distributed to doctors of the top twenty drugs used each month so that utilization could be reviewed. The pharmacy had been instructed to use therapeutic equivalents to eliminate arguments concerning whether drugs adhered to formulary and to prevent providing access to drugs that weren't on formulary. Dr. D'Amico also discussed the development of a tracking system that would provide a per patient type of diagnosis and drug-use in a further effort to reduce pharmaceutical costs.

Moving to concerns regarding the use of outside nursing from the Registry, Dr. D'Amico reported a concerted effort was being made to staff according to policy which included the use of relief staff when employees were on sick leave or vacation rather than going to the Registry. Dr. D'Amico also discussed efforts to streamline procedures to fill vacancies and to avoid using the Registry to fill vacancies.

Dr. D'Amico addressed the development of performance indicator guidelines being put in place to track spending and, in particular, indicators for the on-call system used to keep a physician on call for emergencies. Dr. D'Amico discussed cost-related problems with the past practice such as duplication and proper assessment of patients. The new procedure would include maintaining a log book with physicians on call, when a physician is called and the final disposition of calls. While Dr. D'Amico indicated the new system would take time to develop confidence between doctors and nurses, he said it would "take custody" out of decisions being made for helicopter flights or transporting patients without medical review and would track occurrences and disposition of treatment.

Dr. D'Amico reported that medical costs for the fifteen honor camps located in outlying communities had risen because the communities were being called on to provide medical care rather than the Prison. In an effort to save medical and dental costs, Dr. D'Amico explained that classification processes were being reviewed to determine which inmates go to the camps, their medical needs, and re-establishing who the "gatekeeper" is for any type of emergencies that may occur in the camps.

Moving to the area of general managed care within the system, Dr. D'Amico discussed reports produced by Sierra Healthcare Options (SHO), a contractor that provides utilization review services. Dr. D'Amico indicated SHO's reports were being reviewed to determine appropriate care within the Prison System compared to appropriate care in the community. Dr. D'Amico emphasized the importance of accurate and continuing reports from managed care and the need to continue the managed care program.

Concluding his presentation, Dr. D'Amico apologized for being somewhat nebulous and not speaking in

terms of "dollars and cents." He indicated that the Prison Medical Division had probably not managed their resources as well as they should have but would manage better in the future. With the assistance of Dr. Molde, Director of Mental Health and Mr. Philip Nowak, Medical Administrator, Dr. D'Amico offered to answer any specific questions the members of the Subcommittee might have.

Responding to a question from Mr. Marvel, Dr. D'Amico indicated he was very confident that areas of inefficiency were being diminished. He further elaborated that not only had his medical staff reported increased efficiency but recent procedures and medical guidelines in the various facilities were showing results in decreased use of medications as well as decreased trips into the communities.

While there had been some problems in the Prison pharmacy with prescriptions having been filled on outside doctors' requests, Dr. D'Amico advised the Subcommittee such problems would not occur in the future. Dr. D'Amico explained that problems had occurred for example when an inmate transported to an orthopedic doctor would be prescribed a medication not on formulary or not appropriate for use on a yard.

Dr. D'Amico reiterated earlier comments concerning medications such as anti-virals and protease inhibitors that couldn't be totally reduced for HIV patients but were beginning to be limited. Dr. D'Amico further advised that dramatic reduction was being seen for psychotropic medication within the mental health unit. He reported that pain medications on the yard had been eliminated, and consultations were being reviewed by the Medical Director that had resulted in a reduction in transportation costs.

Mr. Marvel asked the Doctor how soon he could provide the Subcommittee and staff a report on reduction in costs that could be implemented.

Dr. D'Amico responded that the formulary on drugs was being implemented during May 1998 while the on-call procedures and transportation records that go through the Chief of Nursing would go into effect on June 1 or shortly thereafter. Dr. D'Amico assumed it would take at least three or four months of reports from the Supervisor of Nursing before indicators would reveal a reduction. Dr. D'Amico indicated he hoped to have a report by August 1 that would show dramatic drops in the areas being discussed.

Responding to a question from Mr. Marvel on whether he would need to return to the Interim Finance Committee for assistance, Dr. D'Amico indicated he would like to return to the Interim Finance Committee to say that he didn't need anything. It was Dr. D'Amico's view that if reduction of Prison medical costs didn't work within six months to a year, he would have to rethink the philosophy currently being put in place.

Responding to a question from Mr. Marvel on whether all medical care in the Prison system should be privatized, Dr. D'Amico recalled feeling it was necessary ten years ago because at that time there was no system or support available. It was the Doctor's view, however, that the Prison had developed an elaborate medical care system, and he didn't believe privatization could add anything.

In response to Mr. Marvel's statement concerning the Legislature's sentiment for incorporating privatization where feasible, Dr. D'Amico discussed his past employment as medical director of a privatized system in California that was still working well because of the philosophy he had put into it. It was Dr. D'Amico's opinion that privatization was not currently necessary and asked for six months to a year to year to prove it.

In response to a question from Mr. Marvel concerning the Ely Prison, Dr. D'Amico was of the opinion that privatization for the Ely Prison was doing well because of the warden and the doctor at the facility. He further indicated that while he didn't believe the company was making much money from their program, he couldn't complain about their system which appeared to be working well.

Addressing Mr. Marvel's question on liability coverage, Dr. D'Amico indicated that while he believed liability coverage was adequate, having a sound fiscal system didn't require reducing the caliber of employees providing inmate care.

Responding to Mr. Marvel's question on whether there had been any problem in filling vacancies, Dr. D'Amico indicated there was currently a good market for doctors and nurses. He said, however, the internal system of approving positions presented "a bit of a lag," but was currently being corrected.

Comparing the Prison Medical Division budget to "a freight train going down hill," Mr. Close recalled the budget as an area fraught with many "headaches" during his two terms in the Legislature. Reiterating Mr. Marvel's comments, Mr. Close said that if the budget couldn't be brought under control, the Legislature would find another way to bring it under control with privatization being one option.

Noting the overruns of \$600,000+ for outside medical care, the underutilization of PPO's and methodologies identified to correct the problems, Mr. Close alerted Dr. D'Amico that the budget was being carefully watched. Mr. Close further advised the Prison Medical Division to keep the Subcommittee's staff informed on the results of corrective methodologies and to make sure Prison Medical staff were using PPO's. Indicating inmates should receive fair care, Mr. Close cautioned they should not receive more care than the average citizen outside the Prison.

Recalling Assemblyman Hettrick's sponsorship of legislation to collect money from prisoners to fund medical costs for self-inflicted injuries, Mr. Close asked Dr. D'Amico to discuss the system and how injuries were being monitored.

Dr. D'Amico responded that while the Medical Division was in their "infancy" on monitoring the new system, some improvements had been made and the program had been of assistance on patient load and care. Dr. D'Amico indicated that while the monitoring system wasn't perfect, it would develop into a much better program by the end of the year.

Responding to Mr. Close's question on the system being a priority, Dr. D'Amico advised it was "a number 2 or 3 priority."

After visiting other prisons and looking at other systems, Mr. Close said that collecting money from inmates for self-inflicted injuries was one way to reduce the utilization of the infirmary as a way to get other types of care. Mr. Close strongly advocated continued monitoring of the system.

Mr. Close discussed past difficulty staff had experienced in obtaining information from the Prison Medical Division. While the communication process had improved in the last several months, Mr. Close emphasized the importance of documentation and communication to legislative staff concerning the results of corrective actions.

Dr. D'Amico responded that he would request monthly reports from the institutions and would demand institutional breakdowns on managed care. Dr. D'Amico advised that he would provide "at least quarterly reports" to legislative staff.

From his perspective, Mr. Close indicated it appeared the Prison Medical Division understood the type of information that was needed by legislative staff and that providing the information would be tremendously helpful to "get a handle" on the train and slow it down.

Affirming that it was a part of his job to provide the reports, Dr. D'Amico advised that if his staff did their work, all he would have to do is transfer the information to legislative staff.

In response to Mr. Arberry's request to discuss implementation and monitoring of the new procedures, Dr. D'Amico explained that the Director of Nurses in each institution would have an expanded role in all areas that had been under discussion. The Nursing Director would in turn report to the Nursing Supervisors in the north and south and the Medical Director would travel to each of the institutions to monitor the on-call log books and reports.

Addressing a question from Mr. Arberry on the availability of a financial report by August, Dr. D'Amico predicted the effects of reducing the use of outside consultants, reduced transportation costs and reduced

hospital days would be seen by August. Dr. D'Amico anticipated the second most dramatic drop would occur in a reduction of pharmacy costs which would be seen a little later than August. Other results expected to be reported by August included the \$100,000 already saved on the on-call system and reduced costs when medical care for honor camp inmates in the outlying communities was no longer being utilized.

In response to Mr. Arberry's request to address the provision of fiscally responsible medical care within budgetary limits, Dr. D'Amico explained that the reports, tracking information and monetary indicators provided by the Medical Administrator on a facility-wide basis would be used to determine problem areas.

Mr. Arberry counseled the Medical Division to live within their goal to "provide medical care within budgetary limits in a fiscally responsible manner" and in the enhanced procedural control and performance reporting framework necessary for operational accountability and sound fiscal management.

Providing an example of what had occurred thus far, Dr. D'Amico advised that 35 orthopedic consultations in the south last month and six MRIs unnecessarily ordered were all denied. Dr. D'Amico discussed the payment and approval by SHO for hospitalization of patients who couldn't be dismissed for more than two weeks because the attending physician was on vacation, or for consultations that were within the standards that SHO uses for approval. Dr. D'Amico explained that the number of days these patients are in hospital must be counted and consultations must be reviewed which is currently being done and would show up in the figures. While he didn't have the figures with him, Dr. D'Amico indicated a number of procedures had been limited from which savings would occur.

After once again being admonished by the Chair to live within the goal of fiscal responsibility, Dr. D'Amico assured the Subcommittee that this year the Medical Division would live within their budgetary constraints.

Senator Rhoads questioned the need for a full-time medical employee at the small honor camps in the outlying areas.

Dr. D'Amico clarified that Medical Division rules do not permit inmates with medical and dental problems or who need medical care more than four times a year to be placed in the honor camps. Currently, inmates with dental problems are being identified as a type 2 dental and placed on priority for dental care before being sent to the honor camp.

In a further attempt to narrow availability of the honor camps to inmates requiring little medical care and limited supervision, Dr. D'Amico explained inmates being sent to the camps could not be using more than two prescription medications. Dr. D'Amico also advised that when a medical problem occurs, the honor camp staff will be instructed to call the gatekeeper medical facility that has a nurse on staff at all times and a doctor during regular hours and one on call. Dr. D'Amico explained that if an emergency occurred, the inmate would be transported to the closest medical care. However, if the medical request was questionable, the nurse would make an appraisal on the telephone and directions would be given on whether the inmate should be seen at a local facility or transported to the institution. While the policy would not only better define inmates who belong in the camps, their transfer, and medical care provided in the community, Dr. D'Amico said it would also save an immense amount of money and at the same time would not jeopardize anybody's medical care.

Responding to Mr. Close's inquiry, Dr. D'Amico discussed his review of the indicators and said that while the indicators were admittedly vague, they would be expanded.

Mr. Close discussed the concept of having realistic performance indicators and expressed concern in reference to the Department of Prisons' suggested indicators included in the meeting packet. Mr. Close suggested that the Medical Division merge their indicators with specifics such as the number of days of stay, cost per patient, etc. and provide the information on a monthly basis.

Dr. D'Amico, in agreement with Mr. Close's suggestion, indicated that after reviewing the statistics, their indicators would include a monthly report on the number of hospital days attributed to each inmate, the cost per day, what was approved by SHO and what was paid.

Mr. Close pointed out that merging the suggested indicators with specifics would satisfy both the legislators' need for documentation and the requirement for the Medical Division to provide the report. Mr. Close advised that as the Division developed their budget for the next legislative session, real dollar amounts would be required rather than generalities and "grandiose ideas." He explained that the Subcommittee wanted to make certain that as the Division developed their budget, the performance indicators were translated into real dollar amounts in order to have a basis on which to decide which programs would be supported. Mr. Close indicated that providing the information was critical for the Division since a worst case scenario would be for the Subcommittee to make decisions about the Prison's medical program based on a lack of information.

Dr. D'Amico discussed the Division's current process of collecting and comparing data on various processes for patients in different hospitals and seeing the differences in costs being approved by managed care. The Doctor reported that standardization of various cares was under consideration and would be included in their reports.

In response to a question from Mr. Close concerning whether it was reasonable to expect that the mechanisms being put into place would provide documentation to substantiate costs savings by August, Dr. D'Amico replied the system beginning July 1 would provide tracking and would improve as time went on to become more reliable.

In response to an additional question from Mr. Close, Dr. D'Amico indicated there was no question that the information provided by the Medical Division could be used by staff to project the budget for the next legislative session.

Mr. Marvel expressed appreciation to the Doctor for his spirit of cooperation. He added that providing the requested information to staff would be helpful in structuring the Division's budget.

Indicating he was uncertain of the latitude he had for improving the system, Dr. D'Amico discussed standardizing treatment care and prices throughout the state advising that the Prison Medical Division represented an economic benefit to the medical community. Dr. D'Amico discussed going to the hospitals and making certain that even in conjunction with SHO, standardized prices were obtained for a hospital bed.

Responding to Mr. Arberry's request that the Medical Division work with Legislative staff to provide responses to all concerns outlined in the document contained in the meeting packet, Dr. D'Amico indicated he definitely would.

Noting that at one point in the meeting the Medical Division indicated reports would be provided on a quarterly basis, Mr. Arberry clarified that the Subcommittee wanted the reports provided on a monthly basis.

In response to Mr. Arberry's request, Dr. D'Amico agreed to provide reports on a monthly basis.

COMMISSION ON ECONOMIC DEVELOPMENT

Bob Shriver, Executive Director of the Commission on Economic Development identified himself for the record and introduced Karen Baggett, Deputy Director of the Commission. Indicating he would be happy to respond to questions generated by the base budget review, Mr. Shriver advised he also had comments and explanations concerning the review.

Mr. Arberry requested that Mr. Shriver highlight the critical issues identified in the report and advise the Subcommittee of the corrective actions being implemented.

Mr. Shriver discussed the compilation of statistical data that measured the Commission's work, its efficiency, and how they used state resources to fulfill the Commission's responsibility to create a more diversified and prosperous Nevada economy. In going through the review, Mr. Shriver said much of the mission statement was based on the previous budget analysis for each department and had been developed in 1995 when there was a move to combine tourism and economic development. The current mission he said was concise and more directed toward what the Commission does.

Mr. Shriver discussed the Commission's incentive program designed to attract companies to Nevada, how companies qualify for incentives and the number of companies turned down. A package of resource documents concerning the tax incentive programs was distributed to the Subcommittee at this point in the meeting (Exhibit C). Mr. Shriver explained the pre-screening process for companies prior to appearing before the Commission. Using the Sales and Use Tax Abatement Program, as an example of their most active program, Mr. Shriver explained that since creation of the act in 1995, 269 inquiries had been received. Explaining that qualification depended on meeting standards that include wages, job creation and time commitment to the State of Nevada, Mr. Shriver reported that out of 269 inquiries, seven companies withdrew their application, staff disqualified 211 and four were denied after appearing before the Commission. Out of 269 inquiries, Mr. Shriver reported that the Commission approved only 47 companies for the Sales and Use Tax Abatement Program. Adding that the Commission uses the incentive programs as a marketing tool, Mr. Shriver pointed out that information contained in the resource documents (Exhibit C) lists the various states' incentive programs.

After attending a state legislators' conference in Seattle and sitting in on a task force meeting on incentives, Mr. Shriver indicated Nevada was doing a good job of "policing" their incentive programs compared with other states. He explained that the Commission on Economic Development works with the Department of Taxation on administering incentives. Before appearing in front of the Commission, representatives of companies interested in the tax incentive programs meet with staff from the Commission and the Department of Taxation to learn whether they can comply with the qualifications of the various programs. It was pointed out by Mr. Shriver that meetings held prior to meeting with the Commission had proven helpful to all involved. Mr. Shriver commended the Department of Taxation's audits to make certain that business were in compliance with provisions of the Sales and Use Tax Abatement Program and discussed enhancing the responsibilities of the incentive programs through Nevada Revised Statutes.

Noting Mr. Shriver's comments on enhancement, Mr. Marvel also indicated his awareness of the fact that incentive and abatement programs were scattered throughout the Nevada Revised Statutes and addressed codifying the various programs into one statute.

Expressing agreement with Mr. Marvel's suggestion, Mr. Shriver spoke about working with Carole Vilardo from the Nevada Taxpayers Association concerning the incentive programs. Mr. Shriver indicated he would be reporting to the legislative committee studying the distribution of state and local taxes at the end of May about NRS enhancement of incentive programs including how they could be accessed, how they are administered and on making the programs easier to track.

Addressing the issue of qualifications and percentages, Mr. Shriver advised the Subcommittee that not wanting to penalize a rural community with a higher wage rate more easily achieved in an urban environment, they wanted to retain the differential. He also discussed percentages that affect the Sales & Use Tax Deferral Program which he said in statute is at 80 percent of the statewide average hourly wage. All the other programs with the exception of the Job Training - Train Employees Now were at 100 percent of the wage requirement or more. Mr. Shriver advised that the newest incentive program, Ongoing Personal Property Tax Abatement was at 125 percent of the statewide wage which only one company, Michelin, had requested and received.

Responding to a question from Mr. Marvel on whether the Commission was working on legislation to enhance the incentive programs, Mr. Shriver indicated he believed recommendations for legislation would result through their efforts with the Nevada Taxpayers' Association and the Legislative Committee

on Distribution of Revenue to Local Governments (SB 253).

Moving to the issue of measurement indicators, Mr. Shriver discussed the shortcomings associated with the review and qualification of applicants for the Train Employees Now Program (TEN) that had been earlier pointed out by the Legislature. He recalled in a presentation before the Joint Tax Committees, discussing a tracking system for the TEN Program whereby the community colleges, as administrators of the program, provide information to the Commission on the numbers of employees being trained and the type of programs being funded.

The TEN program guidelines require that the qualifying companies contribute at least 25 percent of eligible costs either in kind or in a direct cash match at a capped expenditure of \$1,000 per trainee. While most states write a check directly to the company for training, Mr. Shriver advised that Nevada requires that the community colleges be used for training whenever possible. With the skills training issue being paramount, Mr. Shriver explained that if training is not available through the community colleges, outside sourcing may be used. Mr. Shriver pointed out that the Commission's goal is to diversify and to bring in more industrial, more high-income jobs and because of the types of companies coming to Nevada, some training outside of the community college system was being seen. Mr. Shriver advised that the community colleges are working with companies coming into the state, and he pointed out that Michelin established an electrical/mechanical program for Truckee Meadows Community College, funded it and is helping to train instructors. Mr. Shriver pointed out that while this program was initially initiated to train Michelin employees, Truckee Meadows Community College now employs four instructors who are qualified in electrical/mechanical training and their expertise can be applied to any company.

Mr. Shriver also discussed having the community colleges trade off their expertise indicating that if a skill set existed at one community college, perhaps it wouldn't need to be recreated at another or the expertise could be borrowed until another program could be established.

Responding to a question from Mr. Marvel on using distance education, Mr. Shriver said running a fiber optic network through Highway 95 was an issue being discussed as a means to employ distance education. Indicating there were certain applications where distance education wouldn't work, such as training on a particular machine, Mr. Shriver said the concept would lend itself to general classroom situations.

Addressing layoffs from the mining industry as one of his concerns, Mr. Marvel discussed the cadre of competent people who had been laid off and who could provide a workforce for an industry moving in.

Mr. Shriver discussed plans to be in Battle Mountain in two weeks to talk with residents about the mine closures and issues concerning how infrastructure affects economic development. Having just returned from a trip to Ely, Eureka and Beatty, Mr. Shriver said his goal was to see each community and address issues concerning insights into what industry looks for in moving to the rural areas.

Acknowledging Mr. Marvel's comments concerning the talent of the workers in the rural communities, Mr. Shriver indicated he was pleased to see over 400 students attending the campus at Great Basin Community College in Ely. Mr. Shriver said at the time they were visiting the Great Basin Community College, distance education was being used to teach from a campus in Winnemucca.

Having seen a commitment by the residents to the rural communities in which they live, Mr. Shriver discussed the Commission's success in making matches and bringing some companies into the rural areas. Pointing out that the community of Hawthorne had been losing people and industry for years, Mr. Shriver said they were on the threshold of acquiring a significant company called Delta Star, a manufacturer of electric transformers. Providing a brief history on how the company acquired an interest in Hawthorne, Mr. Shriver told the Subcommittee how when the Delta Star corporate jet was low on fuel and looking for a field in which to land, Hawthorne appeared to be ideal. After Delta Star investigated the possibility of relocating to Hawthorne and using resources provided through the Development Authority, Mr. Shriver was confident the relocation would transpire.

Recalling earlier testimony in connection with the Department of Taxation's audits, Mr. Marvel asked Mr. Shriver to comment on the resources the Commission would need to evaluate companies under the incentive programs.

Mr. Shriver introduced Charles Van Geel, Research Director for the Nevada Commission on Economic Development. Mr. Van Geel was available to discuss the Commission's econometric impact model which Mr. Shriver said effectively explained the payback period. It was Mr. Shriver's view that more clearly defining the audit responsibility for the incentive programs in statute would be appropriate.

In response to Mr. Marvel's inquiry concerning a post-audit, Mr. Shriver advised that for lack of a better term, the audits were conducted by an "all hands committee" made up of staff from the Department of Taxation's Audit Division. Mr. Shriver added that most companies understand that if they want the incentive, they must cooperate with the audit process.

Responding to a statement from Mr. Marvel on the state's contracts with businesses under the incentive programs, Mr. Shriver indicated for example, the Sales and Use Abatement and the Ongoing Personal Property Tax Abatement programs include five-year commitments to do business in the State of Nevada. Companies not meeting the qualifications outlined in the programs would have to repay the tax abatement at the interest rate defined in statute.

In response to Mr. Marvel's inquiry on whether the Department of Taxation conducted audits on a random or scheduled basis, Mr. Shriver deferred to Karen Baggett.

Karen Baggett, Deputy Director for the Commission identified herself for the record and explained the process involved in screening companies prior to appearing in front of the Commission. Once on the Commission's agenda, Ms. Baggett said that staff from the Commission and Department of Taxation meet with the applicants to explain the requirements of the incentive programs. The companies are informed that all of their information is available to the Commission on Economic Development; that the Department of Taxation, if a company is approved, will review qualifying purchases (equipment that may be tax deferred), and that by being approved for an incentive program, they will be audited. While specific dates for audits are not currently provided, the Department of Taxation has indicated that they are in the process of trying to implement a schedule. Ms. Baggett added that the companies after being approved by the Commission, work directly with the Department of Taxation on determining the tax abatement on equipment.

With businesses being told up front they will be audited, Mr. Shriver pointed out there are no surprises in the process. He explained that the Department of Taxation, as the experts, are involved to determine, based on the IRS Tax code, what equipment is qualified under the personal property abatement and sales and use tax abatement, and the Commission approves an anticipated amount for a qualifying equipment purchase. Oftentimes the amount requested and what is finally approved is not the same since not all of the equipment may be qualified by the Department of Taxation.

Responding to Mr. Close's statement that the Commission's mission statement appeared impossible to achieve, Mr. Shriver agreed and advised that the statement in connection with "a more diversified and prosperous economy" should be better defined. Concerning the enrichment of "the Quality of Life for citizens of Nevada," Mr. Shriver stated that while the quality of life could be affected by government, enhancement also had to be driven by private enterprise. Indicating the portion of the statement dealing with the economic base could also be defined more clearly, Mr. Shriver pointed out the Commission's mission had always been to diversify and expand the base to increase the economic well being of the citizens of Nevada and to provide economic opportunities to make more money. Mr. Shriver pointed out that the Commission was being more selective of the companies being targeted and how marketing programs were being directed going "from throwing out the welcome mat to this is who we want in this state."

In response to a question from Mr. Close on revising the mission statement which would in turn affect the Commission's goals and performance indicators, Mr. Shriver said the mission statement would be revised

and welcomed any advise or assistance that Mr. Close was willing to provide.

Mr. Close offered to go to the Office of the Commission on Economic Development and assist staff with revision of their mission statement as he had with other agencies seeking his help. Mr. Close said the revised mission statement would be a better management tool which would, in turn, also affect the Commission's performance indicators and goals.

In reference to the Nevada *Train Employees Now* (TEN) Program, Mr. Close said that while he supported the program, he had some questions and wanted to make sure that Nevada was getting the "best bang for the buck." With the state required to maintain wages that exceed 75 percent of the statewide or county average hourly wage, Mr. Close asked if stratifying the process and attracting higher salary companies was being considered by the Commission.

In response, Mr. Shriver explained that the program requires a company to contribute at least 25 percent of eligible costs and maintain wages that exceed 75 percent of the statewide or county average annual wage, whichever is less, as minimum qualifications. Historically, the program operated on a first come, first served basis, and the qualified companies that applied first were awarded the limited funding available. When additional funds were requested through IFC, concern was expressed and it was requested that performance indicators be developed for the program. Mr. Shriver indicated the agency had no way of measuring when the companies would come in and the amounts of funding that would be used. Mr. Shriver further advised that when there were limited resources, the company with the highest wage appearing in front of the Commission would be the one to receive funding. The Commissioners, Mr. Shriver, said understand they are working with limited resources and require that a company awarded the funding must have the program in place within ninety days of the allocation. If the program is not in place in ninety days, the allocation will be reviewed by the Commission and the 120-day mark is revoked.

Responding to a question from Mr. Close on the relationship between the program and the community colleges insofar as curriculum, Mr. Shriver advised that skills transferable training was required. He clarified that training that included classes such as corporate philosophy or OSHA requirements would not be approved. Mr. Shriver advised that state tax dollars could not be used to reinforce OSHA requirements that the company should already know. Mr. Shriver emphasized that their goal was to use the training money to develop skill sets for Nevada citizens that weren't there previously.

In response to a question from Mr. Close concerning tracking training beyond a year, Mr. Shriver pointed out that after conversations before the Joint Tax Committees, a tracking system with the community colleges was developed.

Mr. Close requested that information on the tracking system be provided for the Subcommittee.

At this point, the Chairman, Mr. Arberry, had to leave the meeting and Senator Rhoads conducted the meeting as Vice Chairman.

In response to Senator Rhoads' request, Charles Van Geel presented a slide presentation on the Commission's econometric impact model. Mr. Van Geel began his presentation by saying that economic diversification was critical to the State of Nevada and read the following into the record. "Both the public and private sectors are demanding ever increasing accountability of economic development programs. Not only are we concerned about the quantity and quality of economic development efforts and the cost effectiveness of incentives, we're also concerned about the impact new industry may have on our communities' infrastructure, schools, social services and other publically financed facilities or services. This model was created to address or at least alleviate some of those concerns."

Mr. Van Geel explained that the Commission on Economic Development's model measures the net economic impact associated with a location or an expansion of a project within a certain region. The example project he presented was Michelin, the economic region was Washoe County, and the information acquired was through either surveys or interviews with, for example, a plant manager.

Pointing out that Michelin was a new company in Reno, Mr. Van Geel said the employment, total payroll and taxable sales numbers were all estimated by the employer and added that Michelin exports most of their products outside of the State of Nevada. Mr. Van Geel discussed construction costs and equipment purchases concerning the project and pointed out that Michelin invested a substantial capital investment of roughly \$68 million in Nevada.

Mr. Van Geel explained that economic impact models measure economic impact to various types of multipliers. The Commission's model has roughly a thousand multipliers, and multipliers calculate how \$1.00 or one job ripples through the economy creating additional jobs or expenditures. Reports generated by the model and used by the Commission on Economic Development and more recently by the City of Reno when Michelin applied for the personal property tax abatement were viewed by the Subcommittee.

Mr. Van Geel explained that a letter of approval is required from the local municipalities which with the Michelin project, was the City of Reno. Since estimates were provided by the employer, the model projected the estimates over a period of time and the City of Reno plugged the projections into their cost benefits to determine whether their infrastructure would be positively or negatively impacted. Ultimately the reports for Reno looked very positive.

Mr. Van Geel displayed employment reports illustrating the fifty jobs created by Michelin which were viewed as a direct effect and an additional 64 jobs that were created by induced effects. Also discussed was personal income and the output or the value of goods and services provided by the indirect and induced effects of the employer which Mr. Van Geel explained as the value of the employer's products and services sold to retailers, consumers or wholesalers.

Moving on to the effects of an increase in population and how enrollment may impact the schools, Mr. Van Geel displayed reports for elementary and secondary education. Also displayed were reports providing, on a yearly basis, the fiscal impact of households resulting in increased revenues that are added to community or state coffers. An additional report Mr. Van Geel discussed was broken down by tax both for the local municipality and the state and also broken down by the direct effect of Michelin, the indirect effect which is the supplier and the induced effect associated with the spending from employees and family members. Mr. Van Geel further explained that individuals who have taken new jobs as a result of the direct and induced effects tend to spend more money in the economy resulting in the collection of additional tax revenues from the sales of goods and products. Projections for a ten-year period were viewed showing the additional revenue that would be collected from property and sales tax, again as a result of the direct impact from Michelin and then the total impact that includes Michelin, their suppliers and any induced effects. Reports generated by the model displayed a large impact not only for Washoe County but also for the State of Nevada.

Mr. Van Geel discussed the aggregated reports generated by the model and targeted the total impact for the sixth through tenth years of the Michelin project. Explaining that the impact report could be broken down by industry, Mr. Van Geel pointed out the model has 53 industries built into it and what could be seen in the report was the value of services or products provided and where jobs are created. Mr. Van Geel pointed out Michelin's 145 rubber and plastic products jobs and additional suppliers of resins and related additional jobs including food processing, wood products and so on. He explained that most of the effects were considered induced as Michelin hired 95 percent of their employees from the immediate region. In a discussion on the impact as a result of induced effects created by the Michelin Project, Mr. Van Geel explained that transportation services would be affected since for instance tires would have to be picked up and transported, in some cases, to areas outside of the state; eating and drinking places would be affected because additional jobs would be created as a direct result of increased employment and population growth and additional demands on business services, such as accounting, law, retail and wholesale trade. Mr. Van Geel pointed out that 99 percent of the tires produced by Michelin are shipped outside the state to wholesalers who then ship the tires back to Nevada through retail stores such as Sears or Impruv-All Tires.

Scrolling to the bottom of the report, Mr. Van Geel pointed out the total output for the Michelin project which is the value of the goods and services provided by all of the individuals and entities impacted. Mr.

Van Geel advised that the impact of increased economic activity for year six projected at roughly \$57.3 million, year seven \$59 million, year eight \$60 million and year nine \$62 million.

Mr. Van Geel also discussed the model's ability to generate reports on the non-local impact which provides assistance to the Development Authority. Again, targeting the years six through ten, Mr. Van Geel discussed jobs being created outside the region. He explained that the Development Authority would look at the report and at the jobs and industry being used outside of the Reno area because of Michelin and perhaps target and bring those industries to the area to assist Michelin and at the same time bring in high wages. Using an example of the many employers who contract with large accounting firms such as Arthur Andersen or Deloitte and Touche, Arthur Anderson who may not have an office in Reno and so they contract outside of the State of Nevada. So this report shows where we might target those types of industries and bring them to Nevada.

Concluding his presentation, Mr. Van Geel discussed the benefits of the model being used as a tool or a general guide of how a project may impact a particular community. He said the model had been used for a project recently committed to the Fernley area. That project hired a national consulting firm to address the impacts on the community and their figures for a fiscal impact over a ten-year period were between \$9 million and \$10 million. The Commission's model generated a fiscal impact of \$9.1 million.

Mr. Van Geel indicated that if there were any limitations to the model it was that it was static compared with the highly dynamic economy. Indicating a lag effect because of some of the information built into the model, Mr. Van Geel said the model was only as good as the information plugged into it. Being personally involved with making certain the most current available information was plugged into the model, Mr. Van Geel said they planned on enhancing the model each year.

Responding to a question from Senator Rhoads on the J. R. Simplot Plant in Wells, Mr. Van Geel advised that information provided to the Commission projected between 150 employees for the actual operation itself and 1,500 construction workers. Mr. Van Geel advised they were trying to determine what the impact on the immediate area would be.

Responding to Senator Rhoads' request for information concerning the Simplot project,

Mr. Van Geel advised he had provided information on the Simplot project to Mike Winmpress who is with the Northeast Nevada Development Authority. Mr. Van Geel agreed to also provide the information to Senator Rhoads and members of the Subcommittee.

Responding to a question from Senator Rhoads on the Fire Academy at Carlin, Mr. Van Geel advised that he had not been provided with information on the Fire Academy.

BUREAU OF PLANT INDUSTRY

Paul Iverson, Administrator of the Division of Agriculture identified himself for the record and introduced Rick Gimlin, Administrative Services Officer and Bob Gronowski, Bureau Chief for Plant Industry.

Mr. Iverson began his presentation by thanking Rick Combs, Legislative Program Analyst and the staff of the Legislative Counsel Bureau for preparing the base budget review. It was Mr. Iverson's opinion that the base budget review along with a recent legislative audit gave the Division direction and the data needed to prepare the Bureau's budget for the upcoming biennium.

Turning to the summary of major findings, Mr. Iverson said he would review the issues in detail and answer any questions the Subcommittee members wished to have him address. Mr. Iverson also advised the members of the Subcommittee that staff of the Division of Agriculture had "continually" worked with the Executive Budget Division and the Fiscal Analysis Division of the Legislative Counsel Bureau in preparing their budgets and the base budget review. Suggesting that budget preparation was an evolutionary process, Mr. Iverson said the major findings, resulting from the base budget review, were important, and he welcomed the Subcommittee and the Fiscal Analysis Division's assistance. Pledging

that the Division of Agriculture staff would work in partnership with the staff of Legislative Counsel Bureau and the Executive Budget office, Mr. Iverson said they had scheduled a meeting for June 3 to discuss issues addressed in the base budget review.

Tying the first major finding concerning the lack of a mission statement and goals for the Bureau of Plant Industry to the LCB Audit finding that the Division lacks a strategic plan, Mr. Iverson said that a strategic plan built on good policy would break down into the things that the base budget review pointed out needed to be done.

Mr. Iverson discussed a recent meeting with the Committee of the State Board of Agriculture and the administrative staff of the Division. The meeting addressed the process of developing a strategic plan, reviewing existing goals and objectives and developing a mission statement, values and principles. Mr. Iverson anticipated that a good flow of elements from a Plant Industry program to the Bureau to the Division of Agriculture to the Department of Business and Industry's Strategic Plan back to the State's Strategic Plan could be developed.

Discussing the focus of the strategic plan, Mr. Iverson said additional work and evaluation was needed to better establish policies dealing with funding, cost allocations, and measurement and performance indicators. He advised the members of the Subcommittee that the strategic planning process would be developed so that the Plant Industry budget presentation would include funding, expenditure and cost allocation policies which would assist in development of the Bureau's performance indicators. Indicating agreement with the first finding in the base budget report, Mr. Iverson said the mission statement, goals and objectives would be developed in steps and in a partnership approach so that the result would be a document everyone could agree on.

Addressing the second major finding that the Bureau of Plant Industry had not developed performance measures that measured the efficiency or effectiveness of any of its programs, Mr. Iverson said developing performance measures was a problem that many state agencies had struggled with. Readily agreeing to any assistance Assemblyman Close could provide in the development of performance measures, Mr. Iverson said that while outcome-based objectives and outcome-based performance indicators were easy to discuss, understanding the process of developing performance measures was more difficult.

Mr. Iverson discussed chairing the Natural Resources Service Team for the Department of Business and Industry and indicated that performance measures had been a topic of discussion with other Division of Agriculture agencies including the High School Rodeo Association, the Nevada Beef Council, the Dairy Commission and the Division of Minerals. The Division of Agriculture has arranged individual training on performance indicators which will be sponsored by the Department of Business and Industry. Mr. Iverson said some members of his staff would be attending training that afternoon and the following week.

Acknowledging that there were problems and that their measurement indicators needed to be changed, Mr. Iverson agreed with the finding of the base budget review that while their indicators provided the opportunity to measure workload, the measures were not outcome based. Mr. Iverson reaffirmed that the Division of Agriculture wanted to begin the process to develop accurate measures by initially developing a strategic plan, and he anticipated having both a plan and program that would work. Mr. Iverson said the Division of Agriculture's staff understood the need for a strategic plan and good performance indicators, and with the support of the Board of Agriculture, a plan would be developed.

The third finding which stated that the Bureau should establish a reliable funding policy for each of their programs and should base their 1999-2001 budget request on that funding policy, was addressed by Rick Gimlin.

Rick Gimlin, Administrative Services Officer for the Division of Agriculture identified himself for the record and expressed strong agreement on the importance of working in partnership with the Legislative Counsel Bureau Fiscal and the Executive Budget Office staff. Mr. Gimlin also agreed that the Division of

Agriculture must develop a reliable funding policy that would drive the accounts. He said that as a result of a strategic planning meeting, the Division had decided to develop a funding philosophy which would in turn drive the funding policies for each bureau and those policies would be incorporated in the 1999-2001 budget request. Wanting to avoid a major overhaul and risk having to request a supplemental appropriation, Mr. Gimlin advised they would begin with an incremental approach working with the bureaus in this particular budget request and then identify specific programs and work on the funding objectives and requests after that. Indicating the Division would use both the LCB Audit and the base budget review as a method to improve their budget request, Mr. Gimlin indicated that he would provide information to Legislative Counsel Bureau staff to keep the Subcommittee informed on funding policies developed by the Division of Agriculture.

Addressing the next major finding that the Bureau's main office in Reno was not large enough to adequately provide office space for its staff and laboratories, Mr. Iverson discussed the results of an evaluation and analysis of the Bureau's space and needs. One option Mr. Iverson discussed was the possibility of moving the Bureau's administrative service team into a facility outside their current office space.

Mr. Iverson also discussed a proposal to build a laboratory at the Weights and Measures facility in Sparks. Building a laboratory at the Sparks facility would enable the Division to transfer the fuel laboratory from its current location in downtown Reno to the Weights and Measures office in Sparks. Currently, Weights and Measures' staff collect samples for testing and transport the samples to the facility in downtown Reno. The canisters are then returned to Sparks. Mr. Iverson advised the Subcommittee that the Division intends to request an augmentation to their budget for funds available to them through a Department of Motor Vehicles and Public Safety program to start the process of building a laboratory at the Sparks facility.

Responding to a question from Mr. Marvel on the number of fraud cases detected by the Weights and Measures' program each year, Mr. Iverson said the number of fraud cases had been significantly diminished because the Bureau has begun testing the pumps at every gas station. Samples at each gas station are randomly selected by computer and preliminary testing is conducted on each sample. Mr. Iverson said the program had heightened awareness that testing was being conducted.

Bob Gronowski, Bureau Chief of Plant Industry identified himself for the record and advised the Subcommittee that a program had been put together many years ago to solve the fraud problem in the fuel business. He advised that the program had been extremely successful and the perpetrators of those crimes had appeared to have determined that it was more "fruitful" to do business in other states that were not being watched as closely as Nevada.

In response to a question from Mr. Marvel concerning the creation of a new budget account for the Bureau of Weights and Measures, Mr. Iverson responded that a new budget account for the Bureau was being contemplated, and he explained what they had done to put it into motion. Mr. Iverson advised that the Division had created a "paper budget" for Weights and Measures with their Administrative Services Officer serving as the budget director. This was done to gather data to include in a major reorganization proposal that would be presented to the Budget Division, Fiscal Division and to the Legislature. Mr. Iverson advised the Subcommittee that while the budget is only seen in-house, it is being monitored and operated as a Bureau by Ed Hoganson who is in charge of the Weights and Measures program.

Addressing a question from Mr. Marvel on the fees collected through the Weights and Measures Program, Mr. Iverson said there wasn't much money earned when all of the costs associated with the program were reviewed. Mr. Iverson explained they would be working with staff from the Legislative Counsel Bureau and the Executive Budget Office to determine if it would be possible to effect a major reorganization and move Weights and Measures, a program associated with standards and fuel testing out of the Bureau of Plant Industry, a program associated with plants and bugs.

Mr. Iverson also addressed the issue of a new facility being built for the Division of Agriculture. He advised the Subcommittee that the Public Works Board was looking at a capital improvement project and

had hired Casazza Peetz and Associates to do an in-depth analysis of the Division's current facility to determine space requirements.

Outlining their space requirements, Mr. Iverson said the Division's two laboratories were currently packed full of equipment, and with issues concerning fuel, pesticides and water all facing the state, the workload was increasing. A meeting had taken place with the Budget Director, Mr. Comeaux and the Administrator of Buildings and Grounds, Mr. Meizel and as a result of that meeting a Capital Improvement Project for a new building was being developed and would be proposed.

In response to a question from Mr. Marvel on whether the Division would move to Carson City or stay in Reno, Mr. Iverson said that the location of the building should be based on the needs of the population and would be determined by the Public Works Board and the Legislature. It was Mr. Iverson's opinion the building had originally been built in Reno so it would be in close proximity to the University.

In response to a question from Mr. Marvel concerning how often the Division was in communication with the University, Mr. Iverson indicated not as often as it had been many years ago. He explained that the Division worked closely with the College of Agriculture conducting training and educational programs for the Extension Service.

Addressing the Division's proposed reorganization to remove administrative personnel and the Weights and Measures Program from the Bureau of Plant Industry, Mr. Iverson said the Division would again work in partnership with the Legislative Counsel Bureau and the Executive Budget Office before making any decision to reorganize.

Currently, Mr. Iverson said the Division has 11 budgets, 41 programs and five bureaus that include the Bureau of Administration, Bureau of Animal Health, Livestock Identification, Weights and Measures and Plant Industry. While it was Mr. Iverson's opinion that the reorganization would enable the agency to operate more efficiently and would provide an opportunity to manage and allocate their funds and costs for better tracking, he said it was a decision that would only be made with the full cooperation of the Budget Office and LCB Fiscal.

Senator Rhoads noted that expenditures from the SB 293 "one-shot" would be deleted from the Bureau of Plant Industry's Training Category for the 2000-2001 base budget. Indicating the position being deleted was created to monitor and assist land owners in disputes with the federal government, Senator Rhoads asked Mr. Iverson to work with the Fiscal Division to put the position back in the budget.

Mr. Stevens advised Senator Rhoads that Fiscal Division staff would work with the Bureau of Plant Industry and the Budget Division to discuss the deletion of the expenditures and would report to the Subcommittee at the next meeting.

Mr. Iverson recalled that the legislation to create the position was approved at the conclusion of the 1997 Legislative Session when the Division's budgets were closed, and he thought the understanding then was that the position was long term.

Mr. Stevens explained that placing the position back into the budget was a budgetary exercise. Indicating it was his opinion the original intent was to retain the position on an ongoing basis although it appeared as a one-shot item in Senate Bill 293 at the end of the session, Mr. Stevens did not believe there was any move in the report to eliminate the position. He further advised that staff would discuss the issue and bring an opinion back to the Subcommittee for a decision.

Mr. Marvel asked Mr. Iverson if he had considered the feasibility of separating the Division's general fund budgets from those that collected fees and could be self-supportive.

In response, Mr. Iverson indicated that a meeting had been scheduled to take place in about two weeks with a subcommittee of Board Members and Legislative Counsel Bureau and Executive Budget Office staff to address those issues. Mr. Iverson explained that they had discussed consolidating some budgets and would definitely review budgets supported by fees versus those budgets supported through the

general fund. He added, however, that he believed the Legislature needed a written policy outlining which budgets should be general fund and which should be fee based.

Based on staff's recommendation Senator Rhoads commended the Division on their outstanding work in assisting staff during the base budget review process for the Division of Agriculture's Plant Industry budget. Senator Rhoads added his personal appreciation to Mr. Iverson and Division staff for their hard work.

Senator Regan also commended Mr. Iverson and the Division of Agriculture staff for their work on the base budget review.

Responding to Senator Regan's inquiry concerning "killer bees," Mr. Iverson reported that two swarms of bees had been identified as positive Africanized Bees, one at Big Bend and one in Laughlin in southern Nevada. After the sighting, the Bureau of Plant Industry staff immediately went into the protocol established about four years ago that included meeting with the Clark County School District, Fire Departments and conducting town hall meetings in Laughlin and expanding their networks of traps from ten to almost thirty traps. Traps are being monitored weekly, and Mr. Iverson advised the Subcommittee that if other swarms of bees were found, the traps would be moved.

Indicating that the habitat this year in southern Nevada was wonderful for the bees to move, Mr. Iverson reported that the bees would continue to move and staff were trying to determine if they would go straight up the river to Hoover Dam or begin to cut over the passes toward Boulder City and Las Vegas. He said that traps had been placed all the way along the river and the traps were being monitored by an extra part-time staff person.

Mr. Iverson relayed information received the day before from a resident in Searchlight whose father had been a beekeeper. The individual reported that while sitting on her porch, she viewed an actual swarm of bees go by. Mr. Iverson indicated the best they could do was to monitor and keep the public aware. He said there was no reason to panic as long as the protocol on education and public awareness continued.

Mr. Close added his thanks to the Division of Agriculture staff for their work on the base budget review process, and he indicated the agency had always been receptive to legislative requests for information. Recalling that Mr. Iverson's opening statement clearly identified that the Division was moving in the right direction, Mr. Close pledged his support and assistance in the development of performance measures. Based on that previous testimony, Mr. Close presumed the Division would be ready for the next legislative session, and Mr. Iverson gave his assurance that the Division's performance indicators would be ready for the 1999 Legislative Session.

DIVISION FOR
AGING SERVICES

Carla Sloan, Administrator of the Division for Aging Services identified herself for the record and introduced Mary Liveratti, Deputy Administrator; Jon Thiriot, Deputy Administrator; Bruce McAnnany, Elder Rights Unit Manager; Bill Langley, Community Resource Development Manager and Deborah Dimit, Administrative Services Officer.

Ms. Sloan reported that the Division of Aging Services has seventy employees located in four regional offices in Elko, Reno, Carson City and Las Vegas and is organized in four units, Fiscal Services, Community Based Care, Elder Rights and Community Resource Development (formerly known as the Grants Unit).

Ms. Sloan extended her appreciation to the Legislative Counsel Bureau staff for their review of the Division's responsibilities and for providing insight into ways to improve delivery of services to elder Nevadans. Ms. Sloan also indicated that she enjoyed a productive working relationship with Birgit Baker, LCB Program Analyst and Joel Pinkerton of the Department of Administration's Budget Office.

Addressing the base budget review findings, Ms. Sloan said revision of the Division's mission statement,

goals and related performance indicators had been in process for several months, and a draft one-sentence mission statement, five goals and related performance indicators would be presented to the Commission on Aging on June 10, 1998. Ms. Sloan further advised that outcome-based performance indicators would be included in the Division's 1999-2001 biennium budget request. Local programs, funded by the Division, would be required to submit and report on outcome-based indicators beginning with the 1999 grants awards.

Ms. Sloan addressed difficulties experienced by Division staff and the volunteer programs receiving new state funding and moving from measurement of services delivered to measurement of the impact of services delivered. Ms. Sloan pointed out that reporting by the Older Volunteer Programs receiving the new state funding was consistent with the requirements for federally funded grant programs administered by the Division for Aging Services. Adding that the majority of funds received by the Older Volunteer Programs was from the Corporation for National Service, Ms. Sloan said that both the Administration on Aging and the Corporation for National Service were developing new requirements for outcome-based reporting. While federal agencies had not yet imposed the new requirements on the states, Ms. Sloan reported that Aging Services Division staff were working with the Corporation's Nevada State Director to implement local requirements that would be consistent with the new federal requirements. While not wanting to burden the Volunteer Programs with unnecessary data collections, Ms. Sloan said the Division did want to involve the programs in the development of meaningful performance measurements. Ms. Sloan further advised that to "the greatest extent possible," the Division wanted to treat all grantees alike since many programs receive both state and federal funds.

For those reasons, Ms. Sloan said the Division agreed to the collection of service data consistent with the requirements imposed by the Legislature's letter of intent for state-funded Older Volunteer Programs. A packet containing supplemental material concerning state-funded Older Volunteer Programs, increased service delivery and the addition of geographic service areas was distributed to the members of the Subcommittee (Exhibit D).

Ms. Sloan reported that the Volunteer Programs were providing quarterly reports of the service data and working toward the development of meaningful outcome-based performance measurements. As previously stated, Ms. Sloan said the Administration on Aging had not imposed national reporting requirements beyond the National Aging Program Information System (NAPIS) which counts unduplicated recipients of services, client demographics and the number of units of services provided with the Older American Act funds. Ms. Sloan reported that Nevada was in compliance with NAPIS. While the Division was revising their competitive grant application process to require performance outcomes and quality assurance standards of all Division for Aging Services funded programs, Ms. Sloan said the Division wanted to apply the same criteria including competitive review to the Older Volunteer Programs, if awarded again by the 1999 Nevada Legislature. Ms. Sloan understood the funding would not be included in the Division's base budget.

In reference to issues raised in the base budget review concerning publication of the Statewide Directory of Resources and Services, Ms. Sloan said the Division was considering creating a web site for computer access to the information as an alternative to annual publication. While many of those who would be accessing the document were providers and others were seniors or the adult children of seniors, Ms. Sloan said it was believed users would have the capability and interest in accessing the document through the computer. Ms. Sloan also reported that the Division was looking at designing a format that would accommodate periodic updates rather than the annual reprinting of the entire book. Also being considered is a reduction of the number of copies that are mailed which Ms. Sloan said was an expensive aspect of the publication.

While normally only one directory is produced per calendar year, Ms. Sloan explained that the Division encountered some confusion between the fiscal years and related expenditure of state and federal funds and printed a directory that was distributed in September 1997 and a second directory for distribution in May 1998. Accepting responsibility for the occurrence, Ms. Sloan said the Division would be agreeable to reverting the state's fiscal year 1999 funding for the directory in which case they would not print one in FY 1999. Copies of the latest directory in a spiral-bound format were made available for the members

of the Subcommittee. Ms. Sloan explained that the directories were spiral bound to reduce the costs of mailing from first class to book rate.

Ms. Sloan also explained that regional handouts and pamphlets titled *Community Resources for Seniors* are created from the Statewide Directory of Resources and Services for Carson City, Washoe County, the rural counties and Clark County. The pamphlets are distributed at health fairs, service fairs and public speaking engagements. Citing the value of the document for seniors and their family members, Ms. Sloan said the information included agencies and telephone numbers, eligibility, hours of operation, addresses, and most importantly a quick summary of names and telephone numbers of organizations that help seniors.

Ms. Sloan explained that a four-page document of community resources for children and youth is also created from the directory, and the original funding for development was a federal grant to The Division of Child and Family Services passed through to the Division for Aging Services. Explaining that the document is segmented into sections for youth as well as adults, Ms. Sloan discussed the value of the directory and the fact that it is circulated at all Family Resource Centers where there are families and issues regarding children. Having concluded her presentation on the issues of the review, Ms. Sloan extended her thanks to the Subcommittee and indicated she was available to answer questions.

Senator Rhoads recalled that approximately \$250,000 for each year of the biennium was provided by the 1997 Legislature to the Division's Retired Senior Volunteer Program, the Foster Grandparent Program and the Senior Companion Program and asked when an accounting of expenditures would be received.

In response to Senator Rhoads' question, Ms. Sloan referred to a report titled Volunteer Program Expenses on page 112 of the Subcommittee's packet of material (Exhibit C). The spreadsheet identifies the state funds, expenditures and defines how state revenues have been utilized by the programs. Ms. Sloan noted that the programs still receive the majority of their funding from the Federal Corporation for National Service. Moving to page 107, Ms. Sloan discussed a year-to-date report that summarized the units of service, unduplicated numbers of volunteers, and number of seniors that have been served. The report on page 111 illustrates the number of volunteers who are serving in each of the counties.

Responding to an additional question from Senator Rhoads, Ms. Sloan explained that the spreadsheet illustrated how state dollars have been spent, but that the client and service information was cumulative from all funding sources

In response to a question from Senator Rhoads on how the funding provided by the Legislature was broken down, Ms. Sloan explained the Division had been trying to isolate the data and should have the cumulative information by the fourth quarter.

Responding to a question from Mr. Close on measuring the effectiveness of the senior volunteer grant-funded programs, Ms. Sloan advised that the Division had not yet come to an agreement with any of the grantee programs concerning outcome-based performance indicators.

Recalling earlier testimony concerning the struggle state agencies were having with outcome-based performance indicators, Ms. Sloan indicated that the Division's programs were also struggling. While Ms. Sloan felt the programs needed assistance with developing measures, she didn't believe the Division should specifically impose what the programs should measure. With the majority of funding for volunteer programs received from the Corporation for National Service, Ms. Sloan said she was working with the Corporation to ensure that the performance indicators applied by the state were in keeping with and as meaningful as the measures reported to the federal government. Ms. Sloan discussed the Corporation's Programing for Impact process which will result in performance indicators that she reported should be completed in time for the next year's funding. Since the performance indicators had not yet been completed, Ms. Sloan said they had prepared the summary document which, while anecdotal, illustrated that the programs have been able to extend service into counties where service had not previously been available and that new initiatives had been started.

Pointing out that the process was not just for the Legislature but for the agency as well, Mr. Close asked the Division to keep in mind going into the next session that the grantees should "know up front" that they will be required to establish performance indicators that measure how well their job is accomplished through their program. Mr. Close added that as long as the programs were moving towards the establishment of out-come based performance measures, he was satisfied and would look forward to seeing the performance measures included in the Division's budget process in the future.

Responding to a question from Mr. Marvel concerning the Silver-haired Legislative Forum,

Ms. Sloan advised the members of the Subcommittee that the Forum had organized and was "off the ground." It was Ms. Sloan's opinion the Silver-haired Forum, established through Senate Bill 489, would provide "a wonderful voice for seniors in the future."

Explaining that the application process was done in partnership with the Governor's office, Ms. Sloan said that 21 people were appointed out of 150 applications received. The inaugural session was held in Las Vegas in January 1998, at which time officers were elected. A subsequent organizational meeting was held that will be followed by public hearings to gather information from the local communities on needs that should be addressed for elders. Ms. Sloan explained that the Division's role was to assist as their fiscal agent with the one-shot funds and to provide technical assistance and locations that they might look at for meetings in local communities. The Division also provided clerical and staff support for the first meeting.

In response to a question from Mr. Marvel, Ms. Sloan testified that the one-time funding for the Forum was being used to support per diem allowance and travel expenses for one meeting for each of the delegates. Funds required to operate must be raised on the initiative of the Forum.

In response to a question from Mr. Marvel on whether performance indicators had been established for the Forum, Ms. Sloan indicated there had not been a requirement for performance indicators.

Responding to a question from Mr. Close concerning why the Resource Directory had been printed twice, Ms. Sloan reported that the Division was under the impression that federal funding would not be available during the 1997-99 biennium to print the directory. When federal funds did become available, the Division adjusted the distribution cycle to a calendar year basis rather than reverting the state money. On behalf of the Division, Ms. Sloan accepted responsibility for the oversight.

Mary Liveratti, Deputy Administrator for the Division clarified that only one directory was produced for each calendar year. She explained, however, that the federal fiscal year that ended in October overlapped with the state fiscal year, and one directory was produced for calendar year 1997 and only one for calendar 1998.

Mr. Close agreed with Ms. Sloan that publishing the two directories appeared to be an oversight and also indicated the quantity of printed reports should be reduced.

Indicating that the Resource Directory was a valuable document, Ms. Sloan explained the Division received good feedback and wanted the opportunity to continue to improve the document.

While agreeing that the Directory was valuable, Mr. Close indicated the Division should move toward taking the report into the 21st century so that it could be accessed on the computer. While Mr. Close indicated the report would be easily accessible and easier to update on the computer, he agreed that some reports should continue to be printed for those individuals not having access to a computer terminal. Mr. Close anticipated that an adjustment would be made to the Division's budget.

Senator Rhoads extended his appreciation to the Division representatives appearing before the Subcommittee.

NEVADA ARTS COUNCIL

Susan Boskoff, Executive Director of the Nevada Arts Council identified herself for the record and distributed a number of documents (Exhibit F) for the Subcommittee's perusal. A Performance Measurement Tool Kit designed to be used as a handbook for agency planning activities and produced by the National Assembly of State Arts Agencies was among the documents distributed and discussed by Ms. Boskoff. Addressing performance indicators as an area of concern and confusion among state agencies, Ms. Boskoff discussed having met with other state executive directors on how best to address performance indicators so that while beneficial to legislators they could also be used to assess and evaluate program activity levels and to assist grantees and constituents.

Also distributed was the 1997 Annual Report, which lists grantees, reports from each of the program areas and a breakout of services including a variety of grants, programs, activities, conferences and a statistical summary of the Nevada Arts Council Programs and budget.

The *Nevada Arts News*, the Arts Council quarterly newsletter, was distributed and Ms. Boskoff discussed articles contained in the newsletter concerning issues raised during the fundamental review of the base budget. Also distributed was the publication, *Songs for Asking, Perspectives on Traditional Culture Among Nevada Indians*, a copy of the *Nevada Arts News* and a copy of a Special and Final Descriptive Report Form submitted each year to the National Endowment for the Arts. Ms. Boskoff stated that the report was designed to monitor the activity levels of grantees, funding to organizations and individuals throughout the state and provides statistical information used in the Council's performance indicators. Ms. Boskoff explained that each grantee is required to complete evaluation forms that are included in the Final Descriptive Report Form.

Mr. Marvel questioned whether anyone had taken advantage of the \$25,000 exemption to enable the public display of private art collections.

Ms. Boskoff knew that Steve Wynn of Mirage Resorts had taken advantage of the exemption and that an art collection would be displayed in Las Vegas. While she was uncertain of the status of the program, Ms. Boskoff said she would conduct some research and provide the information to the Subcommittee.

Responding to an additional question from Mr. Marvel concerning the art collection donated by Wells Fargo, Ms. Boskoff indicated that while she wasn't aware to whom the collection had been donated, she would find out and also provide that information to the Subcommittee.

It was Ms. Boskoff's personal wish that more collectors would take advantage of the opportunity to display their art so that many Nevada residents, especially those in rural communities, would have an opportunity to see art displays without having to travel to a major urban area.

Ms. Boskoff introduced Scott Sisco, Administrative Services Officer for the Department of Museums, Library and Arts, Joan Kerschner, Director of the Department of Museums, Library and Arts, Cheryl Miglioretto, Grants Program Coordinator and Carol Edeling, Fiscal Services Coordinator.

Before commenting on the base budget review, Ms. Boskoff requested that Mr. Sisco be permitted to read a statement into the record.

Scott Sisco, Administrative Services Officer for the Department of Museums, Library and Arts identified himself and on behalf of the Department and the Arts Council expressed his appreciation to the Subcommittee and to the Legislative Fiscal staff for their patience and assistance during the review process.

Mr. Sisco told the members of the Subcommittee that the Administrative Services Officer position, approved by the 1997 Legislature, was filled in mid-March 1998, and a week prior to that appointment, the first dedicated financial management position ever approved for the Arts Council was filled.

Mr. Sisco stated that as he came on board, the Arts Council had already been requested to compile the necessary information for the fundamental budget review. "After so many years of not having adequate, dedicated financial management support within the agency, the agency had two choices, one was to

compile the requested information as best they could or two, to take advantage of the new staffing and expertise and rebuild the agency's accounting system from ground up. Again, with the patience, the guidance, support, and, not to mention, more than one time extension from your staff, we have taken the opportunity to automate the agency's expenditure tracking system, to develop internal controls and grant management procedures, and we have revamped the agency's entire financial management system.

As a result, instead of this audit just reporting numbers to you today, we are pleased that the overall result of this process is a current up-to-date financial management system in an agency that has never had sufficient staff to make such a claim. Again, this was a team effort, and we appreciate the assistance and tools you've provided the agency to make this possible.

The Department has analyzed the major findings of the audit, and we would provide the following brief summary:

1. The Department agrees with the summary of major findings of this audit process. The agency will continue to refine their performance indicators to assess our ability to meet the mission, goals and objectives of the agency.
2. The agency has written and submitted to the Department of Administration's Financial Management, Training and Control section new internal controls procedures and grants management documents for review and approval. Just yesterday, we received a preliminary verbal report that they were very pleased with what they received.
3. The agency is committed to the expanded services in the Las Vegas area. The agency will report, as requested, to the FY 1997 Legislature accomplishments and future plans for the Las Vegas office.
4. The Department and the agency management have worked with your staff to develop a plan for reorganization of expenditure categories within the Arts Council to better identify and isolate grants and programs for expenditure tracking purposes. Further, this plan includes renaming certain expenditure tracking purposes. Further, this plan includes renaming of certain expenditure categories and revamping of some revenue G.L.'s to better match overall agency and program operations. If this committee agrees with those changes, we will work with the Department of Administration to make those changes through work programs in state Fiscal Year 1999 and as part of the budget presentation in the next biennium.
5. The Department agrees with your staff's recommendation to move the Humanities Committee flow-through funding to the Director's Office budget in the next biennium and will submit a budget decision to do so."

Having concluded his presentation, Mr. Sisco indicated he was prepared to respond to questions.

Mr. Marvel questioned whether the Arts Council had a type of interface program with the Commission on Economic Development's efforts to bring new industry and companies into Nevada.

In response to Mr. Marvel's question, Ms. Boskoff informed the Subcommittee that the Arts Council, as an agency and the Department as a whole, were just beginning to work collaboratively with staff from other state agencies. Ms. Boskoff added that Economic Development and Tourism staff members were conducting workshops in the various communities about grant opportunities.

Senator Rhoads asked Council representatives to comment on the location of the new position that had been established for the Las Vegas office.

Responding to Senator Rhoads' question, Ms. Boskoff stated that the Las Vegas office currently occupies free space for two years in a module located on the West Charleston campus of the Community College of Southern Nevada. Ms. Boskoff expressed her appreciation for the Community College's generous offer, and advised that the Arts Council was currently working with the Provost to investigate a continued

alliance. Ms. Boskoff added that the Las Vegas office location provided a natural partnership between higher education and the Arts Council and with activity generated by the college environment, it was a location that was easy to find.

In response to Senator Rhoads' request for an explanation of the daily duties and responsibilities associated with the Cultural Resource Specialist position in Las Vegas, Ms. Boskoff advised the members of the Subcommittee that the Las Vegas office was opened in mid-March. Since that time, Ms. Boskoff explained that Mr. Richard Hooker, a working artist who had once exhibited in Las Vegas, and who was formerly with the New Mexico Arts Council's Rural and Community Programs had been appointed to the Las Vegas Office. Mr. Hooker had been traveling, conducted arts town meetings and was becoming accustomed to Nevada.

Ms. Boskoff discussed the Arts Council development of specific performance indicators for the Las Vegas office in conjunction with the Community Arts Development Program. Beginning with the mission and assignments, Ms. Boskoff read the following assignments into the record. *"To design, organize and implement Las Vegas office operations, provide Arts Council program information, technical assistance services, referrals and arts information; to co-administer and implement the Community Arts Development Program components for southern Nevada constituents; to research, plan, develop and initiate strategies to enhance and strengthen the network of communications among arts and cultural organizations, governmental agencies, private-sector groups, artists and other citizens living in southern Nevada; to assess and evaluate the cultural needs of the organizations, artists and communities of southern Nevada; to plan, develop and initiate activities and partnerships that bring awareness to the arts and cultural communities of southern Nevada and to plan, develop and implement other administrative and programmatic activities as needed."*

Ms. Boskoff said that out of 23 arts town meetings that had been planned, 14 had been conducted in Fiscal Year 1998 and nine additional meetings are planned to take place during the summer along the I-80 corridor. Mr. Hooker attended and worked during five meetings conducted in the communities of Boulder City, Overton, Mesquite, Pahrump and Las Vegas proper. Ms. Boskoff added that Las Vegas would be divided into communities by zip code indicating that each community had its own needs.

Ms. Boskoff further explained that since the time of Mr. Hooker's appointment, he had worked with thirty organizations, attended forty meetings and had been receiving a minimum of fifty calls per week. Ms. Boskoff pointed out that the Las Vegas office is also used by other staff members who may be in Las Vegas for the Folk Arts Program or the Arts and Education Program whose Coordinator is working with the Clark County School District's arts curriculum development.

Commenting on the new fiscal positions authorized by the 1997 Legislative, Ms. Boskoff advised the Subcommittee that with the Arts Council involvement with communities and special events that occur during evenings and weekends, she would closely monitor overtime for the Cultural Resource Specialist position in the Las Vegas office. Ms. Boskoff also pointed out that filling the Fiscal Services Coordinator position in the Carson City office, had enabled another member of the staff to work full time on the grants program. Indicating the addition of the Fiscal Services Coordinator and the Department's Administrative Services Officer had helped staff to "understand what accounting means and understand how the budget works," Ms. Boskoff said the thirty-year old agency had in the past lacked staff with any accounting background. Expressing her appreciation for the additional positions, Ms. Boskoff said that Arts Council staff would now be better able to track their funds and understand required accountability.

Outlining the distribution of the \$62,000 a year received from tourism monies, Ms. Boskoff advised the Subcommittee that the funding is divided among grantees and includes working in conjunction with the Division of Tourism to attract overnight audiences. As mentioned earlier, Ms. Boskoff said that one member of the Arts Council's Community Development Program had been traveling with Nevada Department of Transportation representatives to address ICETEA monies and economic development. Workshops have been conducted in Elko, Gardnerville and Pahrump to assist communities in bringing together opportunities to create more cohesive programming. Additionally, Ms. Boskoff said that three members of the staff facilitated sessions at the Far West Cultural Tourism Conference in Los Angeles last

spring. Ms. Boskoff explained that Nevada's Division of Tourism contributed funds to support the regional Far West Cultural Tourism Conference that investigated the relationship between Economic Development, Tourism and the Arts, and a "fledgling" Nevada Cultural Tourism Coalition is being developed. Ms. Boskoff also discussed the Great Basin Indian Gathering that will meet for the first time in South Fork this summer. The development of a native American cultural tourism coalition is being discussed.

In response to a question from Senator Rhoads on how large an event would take place in South Fork, Ms. Boskoff indicated it would be fairly extensive with all of the colonies and reservations in attendance. The Subcommittee was informed that the Arts Council had helped to facilitate three meetings that had strong attendance. While the gathering is not yet targeted for tourists, the Great Basin group is a model program and are determining what is required to strengthen their activities.

Addressing the receipt of tourism money that is passed on to grantees, Ms. Boskoff explained that the funding is used to help organizations better market their artistic products and to keep the price of tickets affordable for tourists and citizens alike. Ms. Boskoff indicated the Council's awareness that visitors are attracted to Nevada for the cultural amenities that include historic, occupational and other activities as well as the arts and that the Nevada Arts Council would enjoy seeing more tourism money passed through to them.

Recalling the furor at the national level, Mr. Marvel asked if the Arts Council had developed standards to distinguish art from pornography.

Responding to Mr. Marvel's question, Ms. Boskoff indicated that Nevada's organizations, artists and communities monitor themselves and understand what is appropriate because they know they cannot succeed if they don't reflect a community standard.

Mr. Close addressed the decrease in funding from the National Endowment for the Arts (NEA) and asked Ms. Boskoff if she could foresee anything changing with National's position.

Ms. Boskoff responded that she believed the National Endowment for the Arts was currently stable and while it appeared that Nevada would not be receiving \$399,500, they had been advised additional funds would be distributed to states that have exemplary programming in arts and education and who are underserved. It was Ms. Boskoff's opinion that Congress would respond well to the new Chairman of the National Endowment for the Arts, William Ivy, who was the past director of the County Music Hall of Fame and also a folklorist.

Ms. Boskoff explained that Nevada is considered an underserved state by the National Endowment for the Arts which means Nevada receives less than five grants in the total state. Currently, Arts Council constituents, organizations and communities can apply for a whole new funding category called Arts Reach. An NEA staff member conducted workshops in Las Vegas and Reno, and a large number of applications to the NEA by Nevada's arts organizations and communities is expected this year. It was also Ms. Boskoff's opinion that additional federal funds would be seen flowing into the communities.

Mr. Marvel commended the Arts Council staff for their spirit of cooperation extended to staff during the fundamental review of the base budget.

Ms. Boskoff commented on the experience as being "remarkably exhilarating" and indicated that the staff had learned much through the review process that would benefit the agency.

IV. FUTURE MEETINGS

After a brief discussion, the next and final meeting was scheduled for Monday, June 22, 1998 at 8:00 a.m.

22. PUBLIC TESTIMONY

There was no public testimony.

VI. ADJOURNMENT

There being no further business to come before the Subcommittee, the meeting was adjourned at 1:10 p.m.

Respectfully submitted,

Connie Davis, Secretary

APPROVED

Assemblyman Morse Arberry, Jr.

Date _____