

**MINUTES OF THE
GOVERNOR'S STEERING COMMITTEE
TO CONDUCT A
FUNDAMENTAL REVIEW OF STATE GOVERNMENT**
August 21, 2000

The sixth meeting of the Governor's Steering Committee to Conduct a Fundamental Review of State Government commenced at 9:37 a.m. in Room 4401 of the Legislative Building, 555 East Washington Avenue, Las Vegas.

STEERING COMMITTEE MEMBERS PRESENT:

Denice Miller, Co-Chairperson
Don Hataway, Co-Chairperson
Lieutenant Governor Lorraine Hunt
Senator Maggie Carlton
Assemblyman Greg Brower
Assemblyman Lynn Hettrick
Assemblyman David Parks
Charles Archer, Las Vegas Business and Management Consultant
Dale Erquiaga, Private Business Consultant
Fred Gibson, Nevada Taxpayers' Association
Paul Gowins, State Employee
Marvin Leavitt, City of Las Vegas
Luther Mack, Reno Businessman
Terry Murphy, Private Business Consultant

STEERING COMMITTEE MEMBERS ABSENT:

Marcia Bandera, Superintendent, Elko County School District

SPECIAL INVITEES:

Kathy Augustine, State Controller
Roger Bremner, Division of Industrial Relations, Department of Business and Industry
Charlotte Crawford, Director, Department of Human Resources (DHR)
Frankie Sue Del Papa, Attorney General
Michael Hillerby, Director, Department of Museums, Library and Arts (DMLA)
Brian Krolicki, State Treasurer
Becky Moody, Chief, Division of Internal Audits, Department of Administration
Sydney Wickliffe, Director, Department of Business and Industry

COMMITTEE STAFF PRESENT:

Linda Law, Policy Analyst, Office of the Governor
Philene O'Keefe, Committee Secretary

Exhibit A is the meeting notice and agenda. Exhibit B is the attendance roster.

CALL TO ORDER AND APPROVAL OF MINUTES

Chairwoman Miller called the meeting to order and the secretary called roll. The Chairwoman declared that a quorum was present.

The Chairwoman called for a motion to approve the minutes of the committee's June 22, 2000, meeting.

ASSEMBLYMAN HETTRICK MOVED TO APPROVE THE MINUTES OF THE COMMITTEE'S MEETING OF JUNE 22, 2000. MOTION SECONDED BY SENATOR CARLTON AND APPROVED UNANIMOUSLY WITH ALL PRESENT VOTING AYE EXCEPT FOR MR. ARCHER, WHO WAS OUT OF THE ROOM.

Chairwoman Miller noted that the minutes would be available on the Legislative Counsel Bureau's (LCB) web site within the next few days (www.leg.state.nv.us). In addition, Madame Chairwoman explained that although the meeting was not being video conferenced to Carson City, interested persons could listen via the LCB's Internet broadcast.

Following presentations by the Constitutional Officers, the committee would consider and possibly take action on recommendations presented by Michael Hillerby, Director of the Department of Museums, Library and Arts (DMLA), during the March 13th meeting in Las Vegas, Chairwoman Miller said.

Continuing, the Chairwoman noted that at the committee's meeting on June 22nd, Carole Vilardo, President of the Nevada Taxpayers Association (NTA), and Kara Kelley, Senior Vice President of the Las Vegas Chamber of Commerce, discussed proposals regarding possible improvements to State Government (identified as Exhibit C to these minutes). Due to the complexity of some of NTA's recommendations, the Chairpersons decided that additional testimony was required; therefore, certain proposals were included on the agenda for this meeting. Chairwoman Miller assured those present that public participation was encouraged during the committee's consideration of each recommendation.

REPORTS ON FUNDAMENTAL REVIEW FROM ELECTED OFFICIALS

Chairwoman Miller reminded the members that a letter was sent to each Constitutional Officer requesting participation in the fundamental review process. On June 22nd, Secretary of State Dean Heller presented an overview of his office along with the issues that would become part of the Secretary's legislative packet for the 2001 Session. She expressed appreciation to the Officers for their attendance at this meeting.

Madame Lt. Governor Lorraine Hunt

Opening Remarks

Lt. Governor Hunt commended Governor Kenny Guinn for initiating this committee and for his determination in analyzing the effectiveness of State Government. Lt. Governor Hunt commented that the results of the fundamental review should strengthen governmental agencies, eliminate weaknesses, and reinvent "Nevada's State Government to successfully compete in the new world economy."

As a member of the committee, Lt. Governor Hunt noted her appreciation for the efforts of agency representatives. She said, "I believe, if we have the courage to act on many of the suggestions presented to us, we'll be setting Nevada on a positive force of increased government efficiencies and responsible service to the taxpayers of Nevada."

Overview of the Office of Lt. Governor

Upon taking office in 1999, Madame Lt. Governor developed a strategic plan for the Office of Lt. Governor. The plan established the way in which the Office of Lt. Governor would function so that priorities were met. A primary target was to ensure that staff collaborated with Governor Guinn's administration. To further define the office's goals, the following mission statement was developed:

The mission of the Lt. Governor's Office is to foster and nurture global business and tourism opportunities for the

people and the State of Nevada, while protecting the pioneer entrepreneurial spirit that built our great state. The Lt. Governor leads economic development and tourism efforts on a national and international level extending commitment to all people.

The constitutional authority for the Lt. Governor can be found in Article 5, Sections 17 and 18, of *The Constitution of the State of Nevada*, which provide that the Lt. Governor serves as President of the Senate and as Chief Executive when the Governor is absent from the state or is unable to serve.

In addition, the Lt. Governor is statutorily required to serve on many of the state's boards and commissions. For example, *Nevada Revised Statutes* (NRS) 231.040 and 231.170 provide that the Lt. Governor serve as Chairperson for the Commissions on Economic Development and Tourism, and NRS 406.106 requires that the Lt. Governor serve on Nevada's Department of Transportation's (NDOT) Board of Directors, which is chaired by the Governor. And, the Lt. Governor is required to serve on the Executive Branch Audit Committee (EBAC) pursuant to NRS 353A.038.

After taking office in 1999, Governor Guinn delegated certain functions to the Lt. Governor. Although she is an elected officer, Lt. Governor Hunt stated that the Governor appointed her to serve as a member of his cabinet. In addition, Governor Guinn appointed her to serve on this committee.

The Office of Lt. Governor is funded through appropriations from the State General Fund. For the year 2000, the budget totals approximately \$453,000. When she was elected to office, Lt. Governor Hunt had been informed that the budget for her office was "very lean." She agreed with this assessment. However, in support of the Governor's efforts to increase government efficiencies, Lt. Governor Hunt noted that her budget request for the 2001-2003 remained the same.

Chairwoman Miller commented that many of the state's agencies closely adhered to the Governor's request, and she expressed appreciation to the Lt. Governor for supporting Governor Guinn in his endeavors to streamline State Government.

As Chairwoman of the Commission on Tourism, Lt. Governor Hunt said she works to ensure that Nevada maintains its competitive edge in national and international tourism, as well as economic development projects. Promoting tourism sustains and supports Nevada's largest industry and employer—the gaming industry, Lt. Governor Hunt stated. And, as gaming expands throughout the United States, Lt. Governor Hunt opined that the state's tourism efforts would become more important.

In addition, Lt. Governor Hunt noted that she has been working with the state's 13 regional development authorities to create a stable, diversified economy statewide by targeting businesses that are suitable for Nevada's environment. A crucial element of such diversification is the development of a technology strategy for the future, Lt. Governor Hunt explained. Her goal, upon taking office, was to ensure that the entire State of Nevada was marketed. To that end, Lt. Governor Hunt devoted her efforts towards identifying statewide resources and examining the state's strengths and weaknesses. The most important goal was facilitating meetings between representatives of public and private entities to enhance communication, which ultimately would help achieve statewide goals.

Regarding technology, Lt. Governor Hunt noted that representatives from public and private entities who specialize in the fields of Engineering, Science, or Technology met twice during 1999. According to the Lt. Governor, these meetings culminated in the decision to hire the Batel Memorial Institute to study and develop a strategy for the state's future economic development. The study should be finalized and submitted during the fall of 2000. A copy of the report, and its recommendations, will be provided to each legislator during the 2001 Session.

The Commission on Economic Development is focusing on the multimedia industry as well. Madame Lt. Governor explained that "multimedia" is defined as "the integration of audio, video, text, and graphics with an electronic interface," that provides information, communication, and/or entertainment. She stressed that the multimedia industry is expected to dramatically influence other businesses, such as manufacturing, architecture, and construction, through the

use of digital imagery.

The entertainment industry has impacted Nevada's economy significantly. Lt. Governor Hunt noted that there have been numerous productions in the state, including movies, television shows, commercials, music, and so forth. Revenues generated from such productions increased 56 percent during this fiscal year. Lt. Governor Hunt opined that the combination of increasing global demand for entertainment products and Nevada's unique qualities will increase its number of high-tech, multimedia projects during the 21st Century.

The Office of Lt. Governor maintains a Constituent Assistance Program that helps Nevada's residents obtain information from federal, state, or local agencies. Lt. Governor Hunt noted the importance of this program as it allows her and her staff to "positively impact the lives of Nevadans each day." She stressed that "every phone call, every office visit, e-mail, and fax are taken seriously and handled immediately." Her office disseminates information through publications, Internet, media, and attendance at community meetings.

Fundamental Review of the Office of Lt. Governor

In January 1999, Lt. Governor Hunt reorganized the office's structure to better meet the needs of Nevada's growing population. During the 1999 Session, the Legislature appropriated funds to allow the Lt. Governor to hire an additional staff person in the Carson City Capitol Building to ensure that the Lt. Governor could address constituency needs in northern and rural Nevada.

To meet the changing needs of Nevada, Lt. Governor Hunt established a goal of uniting efforts in the state to increase tourism and diversify the economy. The following objectives were developed to assist in meeting the goal:

1. Become an active Chair of the Nevada Commissions on Economic Development and Tourism;
2. Improve communication and interaction among groups working on separate projects to diversify the economy; and
3. Promote the state's tourism motto, "*Discover both sides of Nevada*," by encouraging residents as well as tourists to visit Nevada's rural areas.

Performance measures to ensure the above objectives were met included participation at local government, community, and organizational events; fostering relationships with foreign delegations; and traveling throughout Nevada, the United States, and abroad encouraging tourism and economic development.

Lt. Governor Hunt noted that she conducted meetings with representatives from businesses and constituents to assist with issues related to State Government. By utilizing other forms of media such as newsletters, press releases, correspondence, and public service announcements, the Office of Lt. Governor communicates to a much larger audience in a more effective manner.

Recently her office received a grant from the National Governors' Association for Nevada's participation in a policy academy designed to assist in developing strategies and initiatives to improve the entrepreneurial climate in Nevada. The program is sponsored by the Kaufmann Foundation. Lt. Governor opined the policy academy is "a crucial component" of the state's economic diversification strategy.

Lt. Governor concluded her prepared remarks by reiterating her office's commitment to improving the state's economy as well as her determination to assist Governor Guinn as he leads Nevada into the 21st Century.

Chairman Hataway stated that the Commission on Economic Development entered into an interlocal agreement with the UCCSN's Office of Science, Engineering and Technology. He inquired if a Bill Draft Request (BDR) would be prepared to formally transfer those functions. Lt. Governor responded that the Office of Science, Engineering and Technology currently is located in the Office of the Governor, although its staff reports to the Commission. Governor

Guinn would be the person to decide if those duties should be transferred from the UCCSN. Chairman Hataway suggested that the committee consider a recommendation supporting such a transfer.

Responding to an additional request by Chairman Hataway, Lt. Governor Hunt noted that her office anticipates receiving a draft report from the Batel Institute in September 2000. Prior to this hearing, a meeting in northern Nevada was held during which attendees provided input. Another meeting was scheduled in southern Nevada at the end of August 2000 for additional discussion. The Lt. Governor noted that the Batel Institute was hired to assess the state's strengths and weaknesses relative to technology. She commented that the physical size of the state creates technological difficulties that are compounded by Nevada's overall small population and tax base. Therefore, the study was designed to provide the state with a true assessment of its capabilities.

Addressing a question posed by Senator Carlton, Lt. Governor Hunt stated that if the state had the needed resources, she would ensure that residents in rural communities were provided with better, more advanced technology. Although some industries have built industrial parks in rural Nevada, Lt. Governor Hunt indicated state support in developing needed infrastructure probably would generate additional interest in such projects. Finally, increasing the number of direct flights, international and domestic, into McCarran International Airport and Reno-Tahoe Airport is necessary for tourism and economic development to expand.

Mr. Erquiaga disclosed that the Commission on Economic Development is a client of his employer, R&R Advertising. He noted that both the UCCSN and Department of Business and Industry have offices to address small business development. Given the purview of the Commission on Economic Development, Mr. Erquiaga inquired as to whether the programs could be consolidated and if they should be transferred to the Commission.

In response, Lt. Governor Hunt explained that the role of the Small Business Development Center (SBDC) at the UCCSN differs from that of the Commission. The SBDC's primary role is to assist persons who are interested in starting small businesses develop business plans, financial statements, and so forth. The SBDC administers programs offered through the federal Small Business Administration (SBA) and assists prospective business owners apply for SBA loans. On the other hand, the Commission on Economic Development works with the state's regional development authorities, and it serves as the first contact for businesses interested in relocating to Nevada.

Attorney General Frankie Sue Del Papa

Chairwoman Miller commented that her first few months serving as the Governor's Senior Policy Advisor were very stressful. She noted that one of the Attorney General's deputies, Anne Cathcart, was extremely helpful, which relieved much of the Chairwoman's pressures. Chairwoman Miller expressed her sincere sympathies to Attorney General Del Papa for the loss due to Ms. Cathcart's sudden death. Attorney General Del Papa thanked the Chairwoman for acknowledging Ms. Cathcart's efforts on behalf of the State of Nevada and agreed that her death was a tremendous loss to her agency and to the State.

The Attorney General introduced Richard Lindstrom, Chief Deputy of the Las Vegas Office, and Kimberly Maxson, Legislative Liaison and Deputy Attorney General for the OAG's Gaming Division in Las Vegas.

Attorney General Del Papa indicated that her staff, following directions from the Governor, reviewed the agency's manner of delivering services, prioritized its needs, and determined areas in which cost savings might be realized.

The OAG, established by the *Nevada Constitution*, is responsible for providing legal services to the Executive Branch of State Government. In addition, the Attorney General must protect the state's residents. As Chief Law Enforcement Officer, the OAG represents the people before trial at appellate courts in Nevada and the United States in criminal and civil matters. The OAG also assists the county's district attorneys, who are independently elected.

According to Attorney General Del Papa, the primary functions and goals of the OAG are to provide high quality, cost efficient legal services to the Executive Branch and to aggressively protect the public through prosecution of criminal

offenders. The OAG has the duty of prosecuting inmates incarcerated in the state's prisons, and maintains primary jurisdiction for prosecuting work-related criminal violations by state employees as well as fraudulent acts concerning Medicaid, insurance, workers' compensation, securities, and telemarketing.

Attorney General Del Papa recommended that the 2001 Legislature determine other types of fraud that need specialized attention to better protect Nevada's residents. The increase in the OAG's fraud units over the past 10 years demonstrates the success of the program. These units coordinate efforts and communicate effectively to ensure that the state's resources are used efficiently while serving the state's needs.

A large percentage of the work performed by the OAG concerns civil matters, Ms. Del Papa explained. Topics include preservation of environmental quality, land and water rights, taxation, gaming regulation, commerce, professional licensing, human resources, welfare, mental health, highways, and motor vehicles. Protecting the health and safety of Nevada's citizens is the major consideration in the legal work performed by the OAG, she stated.

Continuing, Attorney General Del Papa noted that the OAG maintains the following 10 divisions:

4. Administration;
5. Civil;
6. Criminal Justice (including the Missing Children Clearinghouse and the "SNAG" program, which is funded by a federal grant for training senior citizens to assist the OAG in health-care fraud issues);
7. Litigation;
8. Transportation and Public Safety;
9. Bureau of Consumer Protection;
10. Investigations;
11. Gaming;
12. Human Resources; and
13. Offices in Las Vegas and Reno.

The Attorney General serves as Chair for the Committee on Domestic Violence (NRS 228.470), which consists of 11 members appointed by her.

Before beginning an overview of some of the OAG's divisions, Ms. Del Papa opined that the key issue for the 2001 Session, internally and externally, concerns budgetary flexibility. She informed the members that she will provide staff resources to assist the Governor in attaining this goal during the upcoming legislative session.

Further, Attorney General Del Papa noted that the state's salary and compensation package is not competitive. As a result, she has been unable to fill certain positions, and employee turnover remains high. She stressed that State Government will continue to suffer if salaries and benefits do not become more competitive with other governmental agencies or private sector companies.

Civil Division

The Civil Division is composed of the Government Affairs, Boards and Commissions, Commerce, Taxation, and Conservation and Natural Resources Sections. Staff in these units represent 163 clients. At the end of the 1999-2000

fiscal year, the Civil Division had 1,226 active litigation cases, of which 100 constituted “high-profile” cases.

The demands for legal services for this division have steadily increased, Attorney General Del Papa explained. To ensure timely services are provided to clients, procedural changes were implemented. The OAG conducted an in-depth evaluation of employee workloads, and redistribution of certain tasks is ongoing.

The primary focus of the Civil Division is to defend its clients. Future plans include utilizing existing attorney services in a pro-active posture to facilitate the collection of outstanding revenues owed to the State of Nevada.

The OAG has offered debt management training seminars to its clients. As resources permit, additional seminars will be provided.

Criminal Justice Division

The Criminal Justice Division investigates and prosecutes specialized criminal activities. For example, this unit handles fraud cases and inmate prosecutions. Over the past several years, the number of inmate cases has been reduced. Attorney General Del Papa credited federal and state legislation passed over the past few years for helping to reduce the number of inmate cases.

However, the Attorney General expressed concern about House Concurrent Resolution 379, introduced by U.S. Representative Lindsey O. Graham (R-South Carolina), which reaffirms the First Amendment right to freely exercise religious beliefs without the fear of governmental condemnation (referred to the House Committee on Judiciary’s Subcommittee on the Constitution on August 3, 2000). According to Ms. Del Papa, if the resolution is adopted, states might face increased litigation on the basis of “freedom of religion.” The Subcommittee on the Constitution might consider an amendment excluding prisoners from the resolution.

The State of Nevada has approximately 90 inmates sitting on death row awaiting execution. Capital punishment cases are extremely paper intensive, Attorney General Del Papa explained.

The Nevada Missing Children Clearinghouse and Crime Prevention Unit (Children’s Advocate) is staffed by the Criminal Division unit. Ms. Del Papa said the state’s services to recover children who either ran away from home or were abducted have received national recognition. The case loads remain high.

The Attorney General read the following statement prepared by David F. Samowski, Chief Deputy Attorney General:

I believe that it is critical that everyone involved in the budgeting and legislative process must understand that many, if not most, state employees have reached the point of extreme frustration due to relative pay and benefit deficiencies. If fundamental review is merely a shorthand way of saying do more with less, the process will fail. Most state employees recognize that we’ve been doing that for a long time. Most won’t continue and there will be major labor and service problems.

Investigations Division

This unit remains very busy providing services on high-profile investigations. Robert Pike, Chief of the Investigations Division, made the following statement, which was read into the record by Attorney General Del Papa:

The investigators are in need of pay increases to bring them to a commensurate level with other state investigators.

Bureau of Consumer Protection

The bureau provides a unique function within the OAG, Ms. Del Papa stated. Her goal is to aggressively pursue and protect the interests of Nevada’s consumers. She explained that the bureau’s major challenge is the transition to a competitive electric market through electrical restructuring. Attorney General Del Papa stressed that a new competitive

market brings inherent risks as well as benefits to residential customers. The technical resources of the bureau, as well as staff in the OAG's Antitrust Unit, will be increasingly focused on ensuring that Nevada's energy markets are free of abuse and that the benefits of competition are tangible even for the smallest consumer.

Telemarketing and Consumer Fraud Unit

Staff in this area will also assist with electric competition to assure residents that "slamming" issues, which continue to be a concern in the telecommunications industry, are policed in a new arena through civil and criminal enforcement.

The increasing population growth in Nevada, particularly among senior citizens, presents challenges to providing consumer protections given the office's limited resources.

Consolidation of major industries, such as financial institutions, airlines, and resorts, will require increased antitrust scrutiny to secure and protect Nevada's employment opportunities.

Attorney General Del Papa read the following remarks prepared by Timothy Hay, Chief Deputy Attorney General:

The primary challenge for the bureau is to attract and retain the best professional staff to accomplish the mandate of the bureau. The unique legal and technical skills necessary for the bureau to be effective are increasingly prized in the private sector and in public agencies that pose greater flexibility for compensating employees at competitive rates. It is a testament to the dedication of the existing staff that a heavy workload is completed at comparatively low salary levels. One professional staff member, our economist, recently accepted employment with another public agency at a 51 percent higher salary and with better benefits.

Workers' Compensation Fraud Unit

Workers' compensation in the State of Nevada experienced a dramatic change during the 1999 Legislative Session. After nearly seven years of investigating workers' compensation fraud, staff in this unit achieved a record level of arrests and prosecutions.

With the change in the market, staff members in this unit determined that they needed to approach cases in a different manner. When the State Industrial Insurance System handled all workers' compensation claims in Nevada, staff members could access the agency's database and computerized claims. That ability no longer exists. Therefore, a goal was established to develop relationships with new insurers and self-insured employers.

Attorney General Del Papa commended her staff for their efforts and noted that establishing cordial relationships with insurance companies takes time and diligence. She said her employees avoid making threats of administrative or legal action, but if an insurer fails to submit cases when requested, such actions are taken.

The Attorney General reiterated her intent to lobby for greater flexibility in budget resources to ensure her divisions and units have the necessary staff to perform their functions.

Litigation Division

Attorney General read the following statement prepared by Mark Ghan, Solicitor General and Chief of the Litigation Division:

Improvements for all staff commensurate with other public sector employees is [sic] seriously needed to improve the delivery of client services by reducing staff turnover, provide incentives for qualified personnel to seek out these job positions and maintain continuity with all client representations. We face a significant challenge in recruiting staff at all levels and we experience a high rate of turnover in positions as a result of salary and benefits issue. We have achieved many savings in time efficiencies, costs, case management, and

overall office productivity by recently implementing a policy restricting Carson to Las Vegas travel and vice versa to those few matters requiring specialized handling by the legal staff.

Human Resources Division

Attorney General Del Papa indicated that the Department of Human Resources (DHR) is a “very important client” for the OAG. If DHR fails to deliver services, litigation occurs. She assured the members that her office works closely with DHR and maintains a statewide network of Deputy Attorneys General for human resource issues.

Nancy F. Angres, Chief Deputy Attorney General for the Human Resources Division, stated:

Although we work proactively, much of the service we provide is crisis driven because our clients provide direct services to the neediest sector of Nevada’s population.

The division faces continuous legal challenges, Attorney General Del Papa noted.

Gaming Division

The Gaming Division represents the Nevada Gaming Commission and the State Gaming Control Board. In addition, staff represents the Nevada Athletic Commission; one deputy has been assigned the task of Legislative Liaison and another deputy serves as counsel to the Nevada Commission on Sports.

“There is no more critical division in terms of our state’s most important industry,” Attorney General Del Papa said. The OAG provides excellent service to the Gaming Commission, and its regulation of the industry receives national acclaim.

Transportation

Nevada’s growth continues to strain its transportation systems and infrastructures, Ms. Del Papa noted. Her agency handles condemnation cases, which often are so complex that jury members find it difficult to fully understand the issues. In addition, there were many cases in which the opposing party hired an out-of-state appraiser who testified that the value of the land at issue was much higher than the value appraised by the state. Attorney General Del Papa discussed a recent case in Carson City that resulted in a jury award of \$1 million per acre. According to her, the OAG faces continuous challenges in condemnation cases.

Landscape Master Plan

Attorney General Del Papa informed the members that Governor Guinn asked that she work with Secretary Heller in preparing the Landscape Master Plan. She indicated her intent to research available federal grant programs to assist in the preparation of the plan. This project will require coordination with NDOT as well.

Administrative Issues

The OAG maintains its own computer system. The office’s goal is to provide enhanced training and to ensure that every staff person utilizes the same operating system.

Administratively, the OAG faced challenges during the past biennium due to continuous turnover, particularly in fiscal positions. She expressed appreciation to Chairman Hataway for the assistance provided by the Budget Division during the budgetary process.

The LCB’s Audit Division completed an audit of the OAG, and Attorney General Del Papa said she accepted all of the findings. Internal evaluations are ongoing, especially related to the office’s budgeting and billing systems.

Grants Programs

At the request of Governor Guinn, the OAG started to compile information about grants activities in Nevada. A questionnaire was sent to all state agencies, including the Department of Education and UCCSN, boards, commissions, and councils, as well as to the Nevada Association of Counties (NACO) and Nevada League of Cities and Municipalities.

The results of the questionnaire revealed that the state does not have a comprehensive, central source of information available for grant activity. Respondents expressed concerns about legislative mandates for the acceptance of awards. Attorney General Del Papa opined that budget and legislative procedures sometimes discourage state agencies from pursuing federal funding. She explained that a grant application receives a thorough and extensive review by the federal agency appropriating the grant monies. If the proposed program meets the Federal Government's criteria, the state agency receives the award. When the agency representative provides program details to the Nevada Legislature's Interim Finance Committee (IFC), legislators often question the proposed use of the funding. Additionally, delays caused by certain procedures often impact startup dates and contribute to the inability to expend needed funds.

Respondents also commented about the need for employee training, especially as it relates to identifying grant opportunities, applying for grants, and grants administration. Statewide policies and procedures must be developed to assist entities in determining whether to apply for particular grants or to seek additional guidance.

A more thorough analysis of the results will be developed and submitted to the Governor shortly, Attorney General Del Papa commented.

Conclusion

In conclusion, Attorney General Del Papa expressed appreciation to her staff. In her opinion, she has been "privileged" to work with people equally dedicated to delivering cost-efficient, high-quality legal services on behalf of the State of Nevada.

Mr. Mack asked if Attorney General Del Papa had developed specific recommendations that would address staff turnover ratios. She asserted that the state's salary structure for all employees must be evaluated. In southern Nevada, the OAG faces competition from local agencies, such as the Cities of Boulder City, Henderson, and North Las Vegas—all of which offer higher salaries, more competitive benefits, and flexible work schedules that allow employees to work four 10-hour days. Later in the meeting, she noted that her office faces challenges from corporations and other private sector businesses, particularly in southern Nevada.

Attorney General Del Papa noted that the Department of Personnel conducted a review of classified support staff. The results revealed that the State Personnel System employs approximately 98 legal secretaries. Attorney General Del Papa stressed that the salaries offered to the state's legal secretaries are not competitive although results of the Personnel review made a contradictory finding. As a result, the Attorney General appealed the review's findings.

As an example, Attorney General Del Papa noted that the OAG's Gaming Division has been unable to hire a legal secretary for approximately two months. She expressed concerns that when an agency is unable to fill a position over a long period of time, justifying the need for that position to the Budget Division or the Legislature becomes more difficult. In the case of the Gaming Division, Attorney General assured the members that the problem is a direct result of the starting salary offered as a legal secretary.

Attorney General Del Papa stressed, again, her intent to personally appear before the Senate Committee on Finance and Assembly Committee on Ways to Means to discuss budget flexibility.

Returning to the question posed by Mr. Mack, Attorney General Del Papa explained that her budget is allocated between 15 different accounts, and she does not have the authority to shift funds between accounts without permission from the IFC. The process takes a minimum of 6 to 8 weeks, depending on the IFC's meeting schedule.

Attorney General Del Papa indicated that she requested information from the National Association of Attorneys General regarding employee retention.

Chairwoman Miller stated that Governor Guinn has expressed similar concerns and frustrations, particularly on the issue of employee turnover, salaries, and compensation. A few days prior to this meeting, Jeanne Green, Department of Personnel, provided the Office of the Governor with a draft of the salary survey, and Chairwoman Miller indicated she would provide Ms. Maxson with a copy of the document after the meeting.

Further, Chairwoman Miller commented that public service with state agencies appears to be used as a training ground for many employees, who then leave state employment for opportunities within the private sector or in local government agencies.

Chairwoman Miller commended Attorney General Del Papa for the work performed by her fraud units. The Chairwoman inquired as to whether the Attorney General intended to expand to other areas of consumer fraud or if additional legislation were required to maintain the current units.

Attorney General responded that federal, state, and local agencies entered into a cooperative agreement to investigate health care fraud complaints. She indicated that the Insurance Fraud Unit might require additional resources, and a request for new positions and funding would be included in her 2001 Legislative Packet. She opined that representatives of the insurance industry probably would support the request. In addition, Assembly Speaker Joseph E. Dini, Jr. (D-District No. 38) offered to sponsor the bill.

Mr. Gowins discussed the changes in workers' compensation administration. Responding to a question by Mr. Gowins, Attorney General Del Papa explained that private companies cannot prosecute workers' compensation fraud. Kevin Higgins, Chief Deputy Attorney General in the Workers' Compensation Fraud Unit, provided insurers with guidelines that help highlight potential fraud cases. Attorney General Del Papa said the unit has been shifting its focus and goals towards the revised processes.

People with disabilities have been dissatisfied with the Attorney General's decision to "sign on" to certain federal legislation or cases, Mr. Gowins said. He asked Ms. Del Papa to explain the process used to determine whether Nevada should support federal legislation or to join in federal litigation. Attorney General Del Papa referred to the ability for states to "sign on" to amicus cases as a friend of the court. The decision is made within the OAG by upper management staff and the Attorney General. In addition, Attorney General Del Papa said meetings are held with the impacted client—the state agency. The OAG bases its decision on many factors, but the agency's preference to participate in or refrain from an amicus case bears the most weight.

Mr. Gowins reminded the Attorney General that throughout her presentation, she stated that Nevada's citizens are "clients" of the office as well. He noted that at times, agency decisions do not necessarily reflect the views of the citizens, which results in a conflict for the OAG. He asked Attorney General Del Papa to explain how such conflicts are resolved.

Attorney General Del Papa explained that decisions are made after reviewing current laws and determining "what the right thing to do is." The OAG's policy is that actions taken on behalf of an individual or entity must be available to another person or entity in a similar situation. She agreed that individuals and special interest groups have disagreed with some of her office's decisions.

The Attorney General stressed that her staff and the staff of DHR are concerned about issues affecting disabled persons. She discussed a particular bill that her office, on behalf of Nevada, opposed, and the decision received strong opposition within the disabled community. But, the way in which the legislation was written, Attorney General Del Papa explained, did not reflect the state's best interests in terms of federal mandates. Attorney General Del Papa accepted full responsibility for deciding to oppose that measure.

Continuing, Mr. Gowins suggested that if the OAG represents the citizens of Nevada as well as state agencies, meetings with constituents who might be affected by a particular bill or case should be held. By doing so, Mr. Gowins opined the OAG would be fully aware of all sides before making its decision. Attorney General Del Papa said the OAG faces unique challenges as a “public interest law firm.” She assured the members that her staff attempts to evaluate all aspects of a given matter. “In the end, you try to do what’s right for Nevada.” And, the political nature of her office results in opposing views for every decision made, she noted.

Responding to a question by Mr. Erquiaga, Attorney General Del Papa said the Nevada Athletic Commission oversees the athletic events held in Nevada, including boxing matches. Attorney General Del Papa invited Kirk Hendrick, Chief Deputy Attorney General for the OAG’s Gaming Division, to address the committee.

Mr. Hendrick noted he serves as Chief Counsel to the Nevada Athletic Commission and provides periodic assistance to the Commission on Sports. The Commission on Sports, which was unfunded for many years, recently received state appropriations. Its primary function is to sponsor athletic events in an amateur setting to encourage Olympic-type sports. The Nevada Athletic Commission is statutorily mandated to represent professional boxing, wrestling, and martial arts.

Mr. Erquiaga recommended that statutes creating boards and commissions include sunset provisions, possibly 10 years after the initial authorization, to ensure the entities are continuing to serve the state as originally intended.

Chairman Hataway asked the Attorney General to provide the committee with information on the following three topics:

14. The OAG’s Investigations Division versus the Nevada Division of Investigation (NDI) within the Department of Motor Vehicles and Public Safety (DMV&PS)
15. The impacts of outsourcing legal representation by some state agencies and the possibility of contracting with private attorneys to assist with the OAG’s current caseload.
16. Experiences related to Nevada’s receipt of the first payment from the Tobacco Settlement Agreement.

Attorney General Del Papa addressed the Tobacco Settlement Agreement and indicated that her office has been actively involved in the issue for the past several years. The National Association of Attorneys General hired a bankruptcy attorney to represent the 50 states. Attorney General Del Papa stated her concern that if one of the four tobacco companies filed bankruptcy, Nevada’s proceeds could be reduced by approximately 20 percent. As a result, Attorney General Del Papa urged the state to use caution in committing tobacco settlement funds before the state has received the money. Ongoing litigation could affect payment distributions, she stated. Court cases that might affect Nevada’s share of the tobacco settlement are closely monitored. In July 2000, Tom Patton attended a conference in Chicago relative to tobacco litigation.

Responding to an additional question by Chairman Hataway, Attorney General Del Papa opined the legislation enacted during the 1999 Session does not require amendments. But, the Federal Government is monitoring certain trade practices, commonly referred to as the “gray market,” by the tobacco industry that could allow the companies to exceed quotas and evade tax implications. The Attorney General discussed the “gray market” with members of Nevada’s Congressional Delegation.

In 1991, Attorney General Del Papa urged then-Governor Robert J. Miller and the Legislature to direct tobacco settlement funds towards health-related issues. She indicated her support for the final decision; but, again, she expressed concern about the fiscal impacts to the state if a significant portion of the funds does not materialize.

Addressing the Chairman’s question regarding the statutory authority to provide legal services, the Attorney General acknowledged that some entities were given the authority to hire outside counsel rather than to use the services offered by the OAG. In her opinion, the OAG is able to provide high-quality services at a significantly lower cost than that of private law firms—particularly in light of the salary disparity between the OAG and private sector firms. Prior Directors

of the Budget Division determined that it was more cost efficient for state agencies to be represented by the OAG; but, the Legislature enabled certain boards and commissions to choose private firms.

Attorney General Del Papa discussed a recent change to the statutes governing the State Board of Pharmacy that authorized the board to hire full-time legal counsel. Prior to the amendment, the board was represented by one of the OAG's deputy district attorneys. Upon receiving authorization for full-time counsel, the position was offered to the deputy district attorney, at a significantly higher salary. She mentioned that the attorneys employed by the UCCSN were former Deputy District Attorneys in her office.

In response to the Chairman's remarks regarding the differences or similarities between the OAG Investigation's Division and NDI, Attorney General explained that the OAG has primary jurisdiction when state employees violate the law.

Attorney General Del Papa serves as Chairperson for the Advisory Council for Prosecuting Attorneys, which is responsible for interfacing with county district attorneys, city attorneys, and sheriffs and chiefs. The council sponsors an aggressive training program.

In addition, the OAG staffs the High-Tech Crime Advisory Board, the members of which include Nevada's Chief of the Federal Bureau of Investigation (FBI) as well as private industry appointees. In her opinion, high-tech crime will be the most challenging aspect of police work in the near future. Whereas the average bank robber in the United States nets \$2,500, criminals involved in high-tech crimes could net a minimum of \$50,000.

Attorney General Del Papa noted that it took 38 years for radio to reach 50 million users; 13 years for television to reach the same number; 10 years for cable; and 5 years for the Internet. The OAG is coordinating efforts to address high-tech crimes.

Returning to the issue of the NDI, Attorney General Del Papa noted the OAG represents the agency. As a fellow law-enforcement entity, the two offices often share information, and the Attorney General assured the members that her office has provided additional resources on specific cases upon request. She mentioned that the OAG has benefitted from similar assistance.

Assemblyman Hettrick expressed his sympathy to Attorney General Del Papa for the loss of Ms. Cathcart. On the issue of salaries and compensation, Assemblyman Hettrick stated that members of the legislative money committees have heard similar testimony during past legislative sessions. Unfortunately, he explained, several of the counties have more revenue per capita that can be used for employees' salaries. The State cannot compete unless taxes are increased—which is an unpopular solution and unlikely to be passed by the Legislature. In addition, increasing salaries for one agency often results in requests for similar increases in other agencies, and the Legislature is faced with limited funds.

Attorney General Del Papa agreed that salary increases can be a problem for the Legislature. She strongly asserted her opinion that during the past three Legislative Sessions, members of the Legislature have balanced the state budget "on the backs of the state employees." She expressed her strong support for Governor Guinn's proposal to address employees' salaries before considering other budget requests. She reiterated that flexibility in agency budgets would help solve the challenge.

The Attorney General reminded the members that many agencies are experiencing similar problems. She discussed the loss of key personnel in NDOT and the DMLA. She encouraged the legislative members who serve on money committees to consider budget flexibility so agencies have the ability to address salaries and benefits.

Assemblyman Hettrick noted that he supported the flexibility given to the Office of the Governor during the 1999 Legislative Session, which included restrictions. To that extent, Assemblyman Hettrick noted his support for allowing flexibility to state agencies—but he stressed his support would be for a measure that provided restrictions.

He reminded the members that the problem lies in funding salary increases. An across-the-board increase to match

county government employees would be extremely costly. Assemblyman Hettrick noted that such an increase would encompass significantly more than the 2 percent raise that was denied during the 1999 Legislative Session and could be funded only through equivalent tax increases.

Attorney General Del Papa explained that her remarks reflect support for Governor Guinn's recommendation that employees' salaries be considered early in the budgeting process. In the past, employees' salaries were taken into consideration after other budgetary matters were decided, and the ability to grant raises was dependent on the amount of remaining revenue, if any. After Governor Guinn discussed his proposal, every constitutional officer expressed their support.

Mr. Mack, as a member of the Nevada Athletic Commission, explained that the agency has an annual budget of \$350,000, but revenues generated by athletic events total nearly \$3 million annually. In addition, recently the commission assessed a fine against one promoter in the amount of \$125,000. Referring to Mr. Erquiaga's remarks about many of the state's boards and commissions, Mr. Mack noted that the Nevada Athletic Commission is an important, revenue-generating agency.

There being no further comments or questions from the members, Chairwoman Miller expressed her appreciation to Attorney General Del Papa for her participation.

State Controller Kathy M. Augustine

Prior to Controller Augustine's testimony, Ms. Murphy disclosed that she has a matter that is under consideration by a board on which the Controller and Treasurer Brian Krolicki serve. As a result, Ms. Murphy excused herself from participating in discussions and noted she would abstain from any action relating to the offices.

Controller Augustine distributed the following documents (Exhibit D):

17. *State of Nevada Fundamental Review State Controller's Office*, which includes the following sections:

1. Controller's Office Fundamental Review;
2. State Controller's Office Input;
3. Responses to Suggested Improvements;
4. State Controller's Strategic Plan;
5. Schedule of State Controller Reports;
6. FY 1999-2000 Management Goals; and
7. Long-Term Goals;

18. "Addendum to Fundamental Review State Controller's Office," containing updated information for certain pages in Item No. A above;

19. State of Nevada Controller's Office newsletter, titled *Citizen's Assets*, dated Spring, 2000; and

20. *A Response to "Recommendations for Consideration by the Governor's Fundamental Review Committee," Consolidation of the Offices of the State Controller and State Treasurer.*

Controller Augustine informed the members that the newsletter (see Item C above) had been funded by private donations. She reviewed the information in Item A, which answers questions provided to each state agency as part of the fundamental review process.

Fundamental Review of the Office of the Controller

The Controller stressed that the state's expenditures increased by approximately 121 percent during the last 10 years, yet the Controller's personnel costs increased less than 38 percent over the same period. There were no vacant positions as of this meeting; although Controller Augustine emphasized that she, too, lost valuable employees to other agencies and at least one position has been vacant for approximately 3 months. The Budget Division authorized three temporary positions to assist with the Integrated Financial System (IFS). These positions will be filled when the Department of Personnel approves the classifications.

Controller Augustine explained that former performance indicators would become obsolete when implementation of the IFS was complete. Until that time, many transactions continue to be processed using the older system. Rather than using caseload indicators, Controller Augustine noted that the office's success is gauged by "the quality of service that we provide to state agencies." A more measurable indicator might be the way in which the office meets its financial reporting and transaction processing deadlines.

Section 2 of Item A describes the way in which tasks are delegated in the Controller's Office. Ms. Augustine briefly reviewed this information (for more details, please see Item A of Exhibit D.)

In Section 3 of Item A, the Controller addressed items from the "Suggested Improvements for State Government" list concerning her office.

1. *Evaluate the possibility of eliminating the many obvious duplications of effort being performed by the State Controller and the State Treasurer Offices.*

A. *Elimination of State Controller positions and transfer controller functions to State Treasurer; or*

B. *Redistribute the duplicated functions to an appropriate department.*

This proposal was developed by the Las Vegas Chamber of Commerce and Nevada Taxpayers' Association (NTA) and was presented by Carole Vilardo, President of NTA, during the committee's June 22nd meeting. Controller Augustine noted her opposition to the recommendation on the grounds that such a consolidation would violate "fundamental internal control principles." The Controller administers the state accounting system while the State Treasurer is responsible for maintaining the state's bank accounts and investing state funds, Ms. Augustine explained. She referred to Senate Joint Resolution No. 9 of the 1999 Session, sponsored by Senator Dean A. Rhoads (R-Northern Nevada Senatorial District), which proposed consolidating the offices. The resolution was adopted, in amended form, by the Senate, but it died in the Assembly Committee on Constitutional Amendments. (Controller Augustine discussed this recommendation in greater detail later in the meeting. Please see page 24 for her remarks.)

2. *Consider evaluating the transfer of the Integrated Financial Systems rollout to all agencies to another agency (such as the Department of Administration) rather than the State Controller's Office, which, as an outside agency, cannot demand the cooperation or impact other agencies in the same manner.*

Controller Augustine expressed her opposition to this recommendation as well. She stated that responsibility for the state's accounting system rests with her office; therefore, it is her duty to oversee the IFS's rollout. Further, she opined that "demands" from the Controller's Office, as an elected official, would receive the same consideration, if not more, than directives from another state agency.

3. *Evaluate the legality and effectiveness of the stale claim NRS with respect to issued checks. There seems to be a difference in handling between the budget process and the accounting process.*

Controller Augustine noted she is reviewing this issue. She agreed that accounting policies should not conflict with

statutory guidelines nor with the budget process. She assured the members that if a conflict exists, the accounting system will be revised accordingly. In addition, she indicated that a BDR will be submitted to the LCB to address the issue.

Directing the members to Section 4 of Item A, Controller Augustine read the office's mission statement. Page 2 contains the duties of the State Controller, and she briefly reviewed the information. The office's strategic plan is:

To fully implement the new IFS and increase functionality to all agencies (approximately 400 sites) within the next biennium. The system is designed to satisfy non-standard requests. Goals specific to the IFS include:

- Providing services to state agencies that must comply with legislative mandates;
- Paying authorized claims in a timely, efficient, and economical manner;
- Producing the Comprehensive Annual Financial Report (CAFR) that earns the distinguished Governmental Financial Officers Association certificate for financial reporting; and
- Avoiding negative outcomes to the state associated with state and federal revenue laws.

Controller Augustine admitted that the IFS might not be fully implemented within the next biennium. She explained that the new system was instituted to address Y2K problems. Assembly Bill 638 of the 1999 Session (Chapter 348, *Statutes of Nevada 1999*) requires that state agencies use the state's central billing system to record revenues and receivables. Ms. Augustine indicated that her office has assumed responsibility for training agencies on the use of the IFS, and such training would include processes for evaluating business procedures to ensure maximum efficiency of the new system.

The Controller briefly reviewed the management goals for FY 1999-2000.

21. Reduced keypunch error rates to single digits.
22. Monthly agency bank reconciliation report - changed from a quarterly reconciliation report to a monthly report.
23. Phase II of the IFS implemented.
24. Increased cost savings - eliminated: (a) the issuance of manual, hand-typed checks (except in special circumstances); (b) special end of the year paychecks for constitutional officers, supreme court justices, and district court judges; and (c) payroll sheets for normal 40-hour work week; canceled unnecessary subscriptions. Using electronic transfers for welfare benefits and child support payments scheduled for October 1, 2000, but may be delayed.
25. Increased revenue - debt collection and revenue receivables through implementation of IFS for state agencies, boards, and commissions.
26. Filled new job openings and completed 10 internal promotions.
27. Improved work environment - increased office space; upgraded equipment and furniture; and painted and installed new carpeting in office annex.
28. Increased office productivity - incentives through upgrades and promotions; training; performance appraisals; and reduced sick leave.
29. Established a Controller's Office in Clark County.
30. Updated and published a procedures manual.

31. Published the State Controller's Newsletter.
32. Sponsored Internal Revenue Service (IRS) and Social Security Administration workshop for state agencies - Form 1099 reporting requirements and employee/independent contractor issues, as well as assessment of interest and penalties for non-compliance with IRS regulations.
33. Jointly sponsored debt collection training seminars.
34. Sponsored Governmental Accounting Standards Board (GASB) Statement 34 training for state and local governmental entities, which requires information about the entity's infrastructure assets and a report on the overall state of the entity's financial health.
35. Restored vault door in Controller's office to original condition.

The office's long-term goals are:

1. Preparation of the 2001 Legislative Packet:
 1. Eliminate duplicate preliminary report to the Governor;
 2. Provide that the Controller's Office be required to comply with Generally Accepted Accounting Principles (GAAP) set by the GASB;
 3. Change date for Distributive School Account payments;
 4. Automate direct payroll deposits for new state employees for additional payroll cost savings;
 5. Declassify eight management positions in the State Controller's Office;
 6. Consolidate payroll functions; and
 7. Consolidate the Department of Motor Vehicles and Public Safety's debt collection section into the State Controller's Office.
2. Roll-out IFS to state agencies:
 1. Staff training;
 2. Examine roll of contract management (AMS);
 3. Maintenance of system; and
 4. Accounts receivable.
3. Develop *Popular Report* - supplements CAFR for general public's review and information at substantial cost savings.

Controller Augustine explained that four of the last five payments from the DSA were divided into three monthly allocations (pursuant to NRS 387.124(2)) due to insufficient cash balances in the State General Fund. She discussed the problems encountered by normal mail delivery and processing delays. In addition, recipients of the DSA receive funds through electronic funds transfers (EFTs), which requires a decision to distribute three business days prior to payment. Controller Augustine admitted that if the State General Fund does not have sufficient cash, including a \$40 million

reserve, approximately four days prior to month end, the full DSA distribution is not transferred. Therefore, her legislative packet includes a request to change the DSA distribution date.

Regarding consolidation of payroll systems, the Controller's legislative proposal includes payroll functions for NDOT, the Public Employees' Retirement System (PERS), LCB, and UCCSN.

Consolidating the Offices of State Controller and State Treasurer

Referring to Item D of Exhibit D, Controller Augustine reiterated her objection to consolidating the Offices of the State Controller and State Treasurer. She stressed that the state's "checks and balances" system could be jeopardized if the offices were consolidated. In her opinion, advanced technology promotes high-tech manipulation and fraud.

Item D of Exhibit D includes testimony given during legislative hearings on SJR 9, with assumed cost savings through elimination of duplicated positions if the offices were combined. Controller Augustine refuted those assumptions. The Controller's booklet includes a description of financial structures in other states. Further, Item D contains job descriptions for employees in the Controller's Office.

The Controller mentioned that the 1999 Legislature and the Legislature's Interim Finance Committee (IFC) approved the addition of 12 full-time employees (7 were approved during session and 5 were approved subsequently by the IFC), primarily due to the increased workload of implementing and training on the IFS, as well as recording revenue receivables and statewide debt collection procedures. Controller Augustine anticipated increased workloads that would result if the Legislature shifts all payroll functions to her office. Given the overtime hours worked to prepare the CAFR during the prior biennium, Controller Augustine reiterated that the assumed cost savings would not be realized as the positions within the two offices are not duplicative.

(For more detail, please see Item D of Exhibit D.)

Assemblyman Hettrick discussed concerns expressed to him by a state employee regarding the inclusion of social security numbers on time sheets and the potential for identity theft. Assemblyman Hettrick inquired if social security numbers were necessary on state forms. Controller Augustine explained that social security numbers become a necessity for wage garnishments. The similarity of names could result in improper withholdings, and if a wage garnishment from the court does not contain appropriate identifying information, it must be returned to the court.

Mr. Erquiaga, disclosing that two members of his family served as State Treasurer, commented that many functions previously performed by the Controller were transferred to the Department of Administration, and he asked if she would support moving other responsibilities to that department rather than consolidating the two constitutional offices. Controller Augustine noted that many states eliminated the Office of the Treasurer and moved job duties into various forms of financial departments. In her opinion, the Controller's Office performs more technical duties.

Chairman Hataway noted that many states created consolidated Departments of Finance. Ms. Augustine responded that State Controllers are elected in 13 states, although State Auditors can be found in 18 states. She opined that the functions of Controller and Auditor are similar; therefore, 32 states utilize the controller function. Other states use consolidated departments.

There being no further questions, Chairwoman Miller thanked Controller Augustine for her fundamental review efforts.

State Treasurer Brian Krolicki

Treasurer Krolicki commended Governor Guinn's determination to increase State Government efficiencies, which resulted in the appointment of this steering committee. Noting the difficulty of such a task, Treasurer Krolicki expressed his appreciation to the members for their participation and efforts during this fundamental review process.

Continuing, Treasurer Krolicki explained that the Treasurer's Office is responsible for a variety of tasks relating to the

state's money. The Office invests state money and is responsible for state debt, including the municipal bond bank and capital improvements. The Treasurer's Office communicates with Wall Street and rating agencies weekly. The Treasurer manages the state's cash, with annual cash flows between \$25 billion and \$30 billion. This responsibility includes processing state checks (not EFTs) and ensuring that monies are deposited into interest-bearing accounts as quickly as possible, which generates significant income for the state.

The Office of the Treasurer is responsible for the Nevada Prepaid Tuition Program. The third enrollment period opens on August 30, 2000. To date, the program has been very successful. The Treasurer explained that Section 529 of the IRS Code provides that persons with a child in the family (parents, grandparents, friends of the family) may save for that child's future education in a tax-exempt manner. The money is compounded tax free.

The Millennium Scholarship Program is managed by the Treasurer's Office as well. Students graduating from Nevada high schools with a "B" average or better and who attend colleges in Nevada are eligible for scholarships of up to \$2,500 per year, for total scholarships of \$10,000. Approximately 6,800 students were listed as potential scholarship recipients during a preliminary test of the system.

Treasurer Krolicki explained that his office evaluated current processes to determine how to improve efficiencies. The Treasurer is responsible for managing the state's balance sheet. During the 1999 Session, the Office of the Treasurer, at the request of the Governor, entered into a \$100 million swap of the state's fixed debt, which allowed the state to achieve a payment of about \$5 million. In addition, the Treasurer's Office refunded certain state bonds, resulting in savings of approximately \$5 million. These transactions provided funds that were ultimately used to assist Lincoln and White Pine Counties with school construction.

The Office of the Treasurer examines new revenue sources for government projects. Treasurer Krolicki said he is authorized to submit five BDRs for consideration by the 2001 Legislature. He discussed three measures, which he determined to be of the most importance:

36. Permanent School Fund - monies are "permanently placed" into this fund, as required by the *Nevada Constitution*. However, interest on the fund can be, and is, used to assist K-12 education as part of the Nevada Plan. Currently, the fund is invested exclusively in fixed income. Because the monies are permanently placed in the fund, the Treasurer considered it long-term. As the state's investor, Treasurer Krolicki stressed that the state should maximize the fund's value by diversifying the investment portfolio. Therefore, Treasurer Krolicki developed a BDR to authorize the Treasurer to invest a portion of the fund in other types of safe investments, such as stocks and equity markets.

Tobacco Settlement Agreement Fund - the Legislature allocated 10 percent of the tobacco monies to a permanent fund, the interest of which may be used to support health-related programs. Treasurer Krolicki recommended that the investment portfolio for this fund include stocks and equities.

37. Unclaimed Property - The Office of the State Treasurer administers the Unclaimed Property Division within the Department of Business and Industry through an interlocal agreement. Senate Bill 125 of the 1999 Session would have transferred the Unclaimed Property Division to the Office of the State Treasurer. Although the Senate passed the measure, it died in the Assembly Committee on Ways and Means. Treasurer Krolicki explained that a review of unclaimed property processes is ongoing.

The BDR submitted for the 2001 Session addresses the 1995 Uniform Unclaimed Property Act and requests an amendment of the time line established for holding of certain abandoned properties. He explained if the Act were amended to change unclaimed properties held by insurance companies, banks, and other businesses, from five to three years, the state would receive a one-time appropriation in the State General Fund of approximately \$10 to \$12 million for the 2001-2003 biennium.

38. Tobacco Settlement Agreement - Nevada is scheduled to receive approximately \$1.2 billion over the next 25 years. Treasurer Krolicki expressed concern that ongoing legislation, both federally and civilly, could detrimentally impact

Nevada's distribution. The first payment received was 13 percent less than anticipated. Therefore, programs that rely wholly on settlement funds are at risk. Treasurer Krolicki proposed that the state "securitize" expected payments. He explained that the proposal includes establishing a not-for-profit corporation in Nevada (with the proposed name of "Comstock Tobacco Settlement Company"), which would sell bonds based on the future 25 years of tobacco revenues and would maintain exclusive risk. The State would receive a lump sum of about \$350 to \$450 million. These funds could be deposited into a state interest-bearing account. According to Treasurer Krolicki, this process provides for sound fiduciary management and eliminates the state's risk. He admitted that the state would compensate others for assuming the risk, but he reiterated his opinion that the proposal serves Nevada's best interests.

According to Treasurer Krolicki, the 1999 Legislature considered a similar measure. It passed the Senate, but due to the 120-day limit, the bill died in the Assembly.

Responding to questions by Mr. Mack, Treasurer Krolicki explained that Nevada received about \$37 million for its first annual payment. In addition, monies that had been placed in an escrow account were released after ratification of the master settlement agreement. Nevada's share of the escrow funds was approximately \$12 million. Statutes provide that when received, the money is to be divided into three funds: 50 percent of the distribution is placed into a health-related trust fund controlled by an advisory board; 10 percent is placed in a permanent fund; and the balance supports the Millennium Scholarship Program.

Chairman Hataway inquired as to whether other states had attempted to "securitize" their distributions. Treasurer Krolicki said the City of New York, the County of New York, and a county in California developed a similar security program. Mr. Krolicki informed the members that he is the Vice President for the National Association of State Treasurers (NAST), and he serves as the NAST's liaison for state debt issues. In addition, he is the President for the Western States Treasurer Association. As such, Treasurer Krolicki said he has been able to observe the operations and processes used by other states.

Regarding securitizing settlement monies, Treasurer Krolicki said two symposiums were conducted to address tobacco settlement distributions. He assured the members that brokers on Wall Street expressed an interest, which indicates that the business community considers the proposal to be lucrative. Treasurer Krolicki anticipated that other western states will pass similar legislation. Further, the Treasurer stated that Nevada would only proceed with the proposal after a complete and thorough analysis was performed. The risk assigned to the tobacco settlement would need to be evaluated to ensure that the bond market was not attaching a risk factor that made the transaction ineffective.

Mr. Erquiaga addressed the Treasurer's anticipated revenues should the Legislature amend the Uniform Unclaimed Property Act. He inquired as to whether additional staff would be required to administer the program if time periods were shortened. Treasurer Krolicki commended the current staff and opined that the processes and procedures in place would allow for the proposed acceleration. Responding to an additional question, Treasurer Krolicki indicated that members of the banking industry or utility companies might object to an accelerated schedule. Many companies are able to earn interest on the holdings of unclaimed property, but Treasurer Krolicki reminded the members that the purpose of the Unclaimed Property Act is to return property to its rightful owner—which is not the holding company. Further, the Treasurer opined that the State should receive the benefits rather than private corporations.

REPORT FROM THE WORKING GROUP ON THE ORGANIZATION OF THE DEPARTMENT OF PUBLIC SAFETY

Senator Carlton provided a brief review of an issue that was discussed during the committee's June 22nd meeting concerning UCCSN police officers. During the Working Group's meeting on May 31st, several officers and students testified. Following the testimony, members of the Working Group determined that a communication problem exists between University administrators and police officers.

Senator Carlton indicated she has been waiting for the release of a report concerning an investigation at the University

of Nevada, Las Vegas (UNLV), conducted by NDI. The report was finalized, but Senator Carlton's verbal request for a copy was denied. She submitted a formal, written request for the report to the UCCSN, but as of this meeting, she had not received a response.

Senator Carlton explained that the person who denied her original request claimed that the report is considered a personnel matter, which makes its contents confidential. Senator Carlton opined that the confidentiality and privacy requirements on personnel issues were designed to protect the individual and not the entity. Senator Carlton contacted the LCB's Legal Division for guidance and assistance. Senator Carlton stated that invoking personnel confidentiality protections further exacerbates a significant problem with the UCCSN. She opined such treatment is unfair to members of the general public and university officers. More importantly, the administration's policy is unfair to university students.

Senator Carlton expressed frustration with her inability to fulfill a promise she made to the students who testified at the May 31st meeting due to the university's refusal to provide her with a copy of the NDI report.

Continuing, Senator Carlton said, on behalf of the members of the Working Group, that the Working Group has completed its assignment. The group provided university officers with an opportunity to express their views, and consideration of their request to be relocated under the purview of the Department of Public Safety will continue.

UPDATE ON INTERNAL AUDIT DIVISION

Chairwoman Miller commented that the term "fundamental review" as used within the Office of the Governor encompasses many functions, one of which is the work of the steering committee. However, Chairwoman Miller said that the review includes the work performed by Becky Moody, Chief of the Division on Internal Audits (DIA), and her staff. Chairwoman Miller invited Ms. Moody to discuss recommendations from the division's audit reports.

Ms. Moody explained that she presented the following four audit reports to the EBAC on May 8th:

- 39. Division of Child and Family Services;
- 40. Division of Parole and Probation;
- 41. Combined audit of the Division of Environmental Protection and the Health Division; and
- 42. Department of Prisons, institutions and facilities.

The reports addressed challenges identified by the agencies during fundamental review presentations to the Governor's Office or to the DIA during auditing processes. The reports include findings and positive solutions specific to each agency. Overall, the DIA developed 35 recommendations, many of which should improve the efficiency and effectiveness of government operations. The audit report for the Division of Parole and Probation included a recommendation that contractors be hired to perform the investigation and preparation of pre-sentencing reports, which potentially could save the state more than \$1 million when fully implemented.

Ms. Moody anticipated presenting audit reports for the Department of Education; Department of Prisons' Medical Services; and the Division of Forestry during the EBAC's meeting at the end of August. Another meeting of the EBAC is scheduled for the first part of October. At that time, Ms. Moody expects to present audit reports on divisions within the DMV&PS and the Board to Regulate Liquified Petroleum Gas.

Regarding agency positions, Ms. Moody said three of the four positions are filled. A candidate was selected for the final position, but the person chose to accept employment with the LCB's Fiscal Analysis Division at a greater salary.

In conclusion, Ms. Moody noted that the DIA filed four reports with the LCB's Audit Division in July, as required.

Senator Carlton disclosed that her husband is an employee of the Division of Parole and Probation, but because any actions taken by this committee will affect him in the same way as it will affect other employees within that division,

Senator Carlton indicated her intent to participate in discussions and to vote, when necessary.

With that disclosure, Senator Carlton expressed reservations about the DIA's recommendations to privatize the investigation and preparation of pre-sentencing reports. Primarily, Senator Carlton's concerns revolved around liability issues since reports are provided to judges for consideration during sentencing for criminal convictions. Outside contractors might not consider public safety issues. She suggested that other options, such as the use of different types of state personnel to accomplish the task, could address the problems with officers' caseloads. Using state employees, she opined, allows citizens to remain confident that material presented to judges is accurate.

FUNDAMENTAL REVIEW REPORT **UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA**

Chairwoman Miller explained that Dr. Jane Nichols, Chancellor of UCCSN, who was scheduled to present the UCCSN's fundamental review report, was in attendance during the earlier part of this meeting. Unfortunately, she was unable to remain due to an emergency. Mark Alden, Regent with the UCCSN Board of Regents, assured the members that Dr. Nichols would provide them with a full report at the next meeting.

The UCCSN's fundamental review efforts included a review of systems computing services, purchasing, electronic registration, and libraries. In addition, the review will include an analysis of out-of-state fees and tuition, efficiencies of transfers and matriculation, among other things.

FUNDAMENTAL REVIEW REPORT **DEPARTMENT OF HUMAN RESOURCES**

Charlotte Crawford, Director of the Department of Human Resources (DHR), distributed a document containing an organizational chart for a newly-proposed Grants Unit within the department's Community Connections (Exhibit E).

During a previous committee meeting, Ms. Crawford discussed the way in which her department handles funds primarily targeted for local agencies for a variety of programs. The department's evaluation addressed:

- How the department should best manage the funds;
- What role the State Government should play in the process;
- Whether DHR was the right locus of decision making;
- Why DHR manages the funds; and
- How DHR evaluates the expenditures.

The department's evaluation resulted in significant discussion and participation. Exhibit E, Ms. Crawford explained, contains a newly-proposed organization that shifts the department's focus to that of grants administrators.

Ms. Crawford acknowledged that the current process does not provide the ability for state agencies to determine:

- How much money is sent, in aggregate, to various entities at the local level;
- How much money is spent, in aggregate, to achieve the same purpose; or
- The outcomes of those expenditures.

To provide better accountability and to ensure expected outcomes are achieved, Ms. Crawford proposed creating a Grants Unit within DHR's Community Connections. The unit would include sections for Grants Management and

Grants Tracking and Reporting. Pages 2 through 4 of Exhibit E describe the proposed functions for each section.

Responding to a question by Ms. Murphy, Ms. Crawford clarified that the grants review being performed by the OAG concerns grants specifically administered by that office.

(For more details on Ms. Crawford's proposal, please see Exhibit E.)

Assemblyman Hettrick stressed that the number of people served by a given program not be the performance measure used to determine whether an entity is awarded a grant. Local entities with less dense populations might not be able to meet the criteria necessary if incorrect performance measures are used. Further, Assemblyman Hettrick requested that the state maintain a registry of grant recipients, amounts awarded, and intended purposes. He explained that many organizations employ people with expertise in writing grant applications, and those organizations often apply for grants from a variety of sources for the same project. Assemblyman Hettrick expressed concern that the funds might not be used for the purposes intended if an organization receives grants from more than one agency.

Responding to a question by Mr. Leavitt, Ms. Crawford opined the Grants Unit and needed database could be ready by the beginning of the 2001 fiscal year. Mr. Leavitt noted his concerns that review agencies increase bureaucracy and substantial funds are used to support review efforts rather than for needed programs. Mr. Archer suggested that mission statements and program directives be prepared to ensure goals and objectives are achieved. Ms. Crawford said processes and procedures would be developed and grant recipients would be required to submit progress reports. She noted a balance needs to be achieved to ensure that grantees are not overly burdened by reporting requirements while meeting the state's need for accurate, up-to-date information on the use of state funds.

Mr. Gowins concurred with Assemblyman Hettrick's remarks regarding performance measures, and he encouraged Ms. Crawford to develop significant measurement criteria. Directing Ms. Crawford to the proposed organizational chart (page 1 of Exhibit E), Mr. Gowins commented that the current Block Grant Commission is comprised of volunteers, and he opined increasing the responsibilities might cause difficulties in finding willing appointees. Mr. Gowins suggested the issue be given more in-depth consideration. Ms. Crawford acknowledged his concerns and explained that Exhibit E was developed for discussion purposes only.

Chairman Hataway informed the members that within the next few weeks, the Department of Administration will issue an all-agency memorandum directing agencies to begin tracking contracts, grants, subgrants of federal funds, interlocal agreements, and so forth. The department plans to match these items by vendor number to evaluate the relationship between the state and its vendors.

Public Testimony

There was no public testimony offered regarding Ms. Crawford's proposal.

DISCUSSION OF PREVIOUSLY SUBMITTED PROPOSALS AND SUGGESTIONS

Prior to this portion of the meeting, Mr. Gibson was excused due to a conflicting meeting; therefore, he did not participate in actions taken by the committee.

Department of Museums, Library and Arts

Chairwoman Miller introduced Mr. Hillerby and asked him to provide a brief review of the proposals developed by his staff as part of the fundamental review process. He distributed a document titled "Department of Museums, Library and Arts Fundamental Review Action Items," dated August 21, 2000. Pages 1 through 3 of the document contain the proposals and provide various options for the committee to consider. Page 4 is the list of suggestions provided to the members during the March 23rd meeting, and pages 5 through 7 include detailed narrative and justification for each proposal. (Identified as Exhibit F to these minutes.)

- **Change the name of the department to more accurately reflect the department's mission, such as the Department of Cultural Affairs or the Department of Cultural Resources.**

The DMLA is best known for its association to activities of a cultural and historical nature, and the name should emphasize its position as the cornerstone for the Governor's provision of those types of services. The name should place emphasis on services for the public, rather than the organizational structure.

CHAIRMAN HATAWAY MOVED TO RECOMMEND THAT THE NAME OF THE DEPARTMENT OF MUSEUMS, LIBRARY AND ARTS BE CHANGED TO A MORE GENERIC TITLE THAT EMPHASIZES THE SERVICES PROVIDED FOR THE PUBLIC, SUCH AS THE DEPARTMENT OF CULTURAL AFFAIRS OR THE DEPARTMENT OF CULTURAL RESOURCES.

MOTION SECONDED BY ASSEMBLYMAN HETTRICK AND CARRIED UNANIMOUSLY WITH ALL PRESENT VOTING AYE EXCEPT FOR MR. GIBSON, WHO WAS EXCUSED.

- **Expand the current Cultural Commission to create a "Super Board" as the department's advisory board.**

Combine the various boards and increase the emphasis on coordination of services and cultural activities through the use of a single "Super Board," which would oversee all remaining boards serving in an advisory or oversight capacity for activities of the department. The board itself would be an expanded version of the Commission for Cultural Affairs, with each of its members appointed directly by the Governor. The members would be appointed with reference to their expertise in the various areas of the department, and one or two of the commission's Governor-appointed members would sit on each of the subject-area boards. One of the commission members would then sit as the Chairman of each board. The remaining members of these boards would be appointed through a vote of the Commission for Cultural Affairs.

The Commission for Cultural Affairs could be increased from 11 to 13 members to provide adequate representation. This would result in approximately 50 fewer appointments made by the Governor, while providing a clear reporting mechanism to the appointing authority for the various boards and commissions.

Responding to a question by Mr. Gowins, Mr. Hillerby clarified that the number of appointees to the various boards and commissions would not be affected. However, the Governor is currently responsible for appointing members to more than 200 boards and commissions statewide. Despite efforts of his staff, many of these boards and commissions have vacancies thereby making it difficult for the members to accomplish the mandates. By delegating the appointments of the lower advisory boards to the "Super Board," the department can be assured that vacancies will be filled in a timely manner and the number of Governor appointees will be reduced by approximately 50 persons. The recommendation, Mr. Hillerby explained, requires that at least one member of the "Super Board" serve on each advisory board or commission within the department to ensure that accountability to the Governor is maintained.

Mr. Erquiaga referred to his earlier recommendation that legislation creating boards and commissions include sunset dates to ensure that the entities do not continue in perpetuity after their original mandates have been achieved. He noted his support for the "Super Board" concept, but he requested that the department conduct a review to determine if any of the boards and commissions can be consolidated or possibly repealed.

CHAIRMAN HATAWAY MOVED THAT THE COMMITTEE RECOMMEND TO THE GOVERNOR THAT THE ADVISORY BOARDS AND COMMISSIONS OF THE DEPARTMENT OF MUSEUMS, LIBRARY AND ARTS BE REORGANIZED UNDER THE COMMISSION FOR CULTURAL AFFAIRS. CHAIRMAN HATAWAY FURTHER

MOVED THAT THE MEMBERSHIP OF THE COMMISSION FOR CULTURAL AFFAIRS BE INCREASED FROM 11 TO 13, WITH ALL MEMBERS APPOINTED BY THE GOVERNOR. MEMBERS OF THE REMAINING BOARDS AND COMMISSIONS WOULD BE APPOINTED BY THE COMMISSION MEMBERS, WITH AT LEAST ONE MEMBER OF THE COMMISSION SERVING ON EACH BOARD OR COMMISSION.

ASSEMBLYMAN HETTRICK MOVED TO AMEND THE MOTION TO PROVIDE THAT THE COMMISSION MEMBERS PREPARE A LIST OF CANDIDATES FOR APPOINTMENT TO VARIOUS BOARDS AND COMMISSIONS TO BE SUBMITTED TO THE GOVERNOR, WHO WOULD THEN MAKE THE OFFICIAL APPOINTMENT.

MOTION TO AMEND SECONDED BY CHAIRMAN HATAWAY.

MOTION, AS AMENDED, SECONDED BY MR. MACK AND APPROVED UNANIMOUSLY WITH ALL THOSE PRESENT VOTING AYE, EXCEPT FOR MR. GIBSON, WHO WAS EXCUSED.

Reorganize the department to include a fifth division—"The Division of Historical Records and Archives."

The division would be created using existing and possibly new programs to the department. The division would include State Archives, the two existing Historical Societies, the State Records Center, and Micrographics and Imaging program.

In reviewing one of the suggestions on the web site regarding moving the State Records and Archives programs to the Department of Administration, staff at DMLA realized that these agencies provide services to far more than just other state agencies. In addition, services are often interlinked as the public must go from one place to another to get answers or find documents. The division would have the structure in place to assist other federal, state, and local entities and members of the public in locating records or historical facts.

Referring to Vital Statistics, Chairman Hataway recommended that Mr. Hillerby meet with staff in the State Health Division to determine if the agency should be relocated to DMLA.

CHAIRMAN HATAWAY MOVED THAT THE COMMITTEE RECOMMEND THAT A NEW DIVISION TITLED "DIVISION OF HISTORICAL RECORDS AND ARCHIVES" BE CREATED WITHIN THE DEPARTMENT OF MUSEUMS, LIBRARY AND ARTS.

MOTION SECONDED BY MR. MACK.

Prior to voting, Mr. Erquiaga reiterated his opinion that records management should not be housed in the DMLA but should, instead, be placed under the auspices of the Department of Information Technology.

MOTION APPROVED WITH ALL PRESENT VOTING AYE EXCEPT FOR MR. ERQUIAGA, WHO VOTED NAY AND EXCEPT FOR MR. GIBSON, WHO WAS EXCUSED.

Pursue relocating the Nevada State Museum and Historical Society in Las Vegas to the Las Vegas Springs Preserve Cultural Facility (LVSPCF).

Update on progress: The Governor has given support to this project and the department is pursuing funding for a feasibility study and design preparation in the current budget submittal. The construction funding package would be taken before the 2003 Legislature.

While close to the present location in Lorenzi Park, it is in an area with much higher traffic counts and an established visitor base. The Museum would still be in close proximity to most areas of the community and able to meet the educational needs of school children. The preserve facility would bring together one of the greatest concentrations of cultural resources in one place in southern Nevada.

Mr. Hillerby explained that costs for the feasibility study are estimated at \$300,000 and include design and schematic work for the project. The Las Vegas Springs Preserve Board and other participating organizations are proceeding with their design plans. He noted that a consultant hired by the LVSPCF anticipated that the number of visitors to the Museum could increase dramatically.

Because Governor Guinn has publicly expressed support for this project, Chairwoman Miller indicated she would abstain from voting on the issue.

CHAIRMAN HATAWAY MOVED THAT THE COMMITTEE EXPRESS ITS SUPPORT FOR THE RELOCATION OF THE NEVADA STATE MUSEUM AND HISTORICAL SOCIETY IN LAS VEGAS TO THE LAS VEGAS SPRING PRESERVE CULTURAL FACILITY WITH THE CAVEAT THAT THE SUPPORT IS SUBJECT TO AVAILABLE FUNDING. MOTION SECONDED BY MR. MACK.

Assemblyman Hettrick expressed support for the concept but he noted concerns about the wording of the recommendation. He explained that during his tenure as a member of the Legislature, once the funds for the feasibility study are expended, most projects proceed. Therefore, Assemblyman Hettrick opined the recommendation, essentially, expressed support for the expenditures necessary to construct the new facility. Chairman Hataway clarified that the motion should express the committee's support for further consideration of the LVSPCF as the new location of the Nevada State Museum and Historical Society in Las Vegas. He noted that the department might be able to utilize funding sources, other than the State General Fund, for the feasibility study.

CHAIRMAN HATAWAY MOVED TO AMEND HIS ORIGINAL MOTION TO CLARIFY THAT THE COMMITTEE EXPRESS ITS SUPPORT FOR THE CONCEPT OF MOVING THE NEVADA STATE MUSEUM AND HISTORICAL SOCIETY IN LAS VEGAS TO THE LAS VEGAS SPRING PRESERVE CULTURAL FACILITY.

MOTION TO AMEND SECONDED BY MR. ARCHER.

MOTION, AS AMENDED, APPROVED WITH ALL PRESENT VOTING AYE EXCEPT FOR MR. GOWINS, WHO VOTED NAY; EXCEPT FOR MR. GIBSON, WHO WAS EXCUSED; AND EXCEPT FOR CHAIRWOMAN MILLER, WHO ABSTAINED.

Move the State Demographer from the University and Community College System of Nevada (UCCSN) to DMLA.

The demographer relies on the data at the NSLA Research Center and operates much like the reference and research staff of the Library. Public, media, and government members looking for information could have one central source for their requests.

CHAIRMAN HATAWAY MOVED THAT THE COMMITTEE RECOMMEND THAT THE STATE DEMOGRAPHER BE REORGANIZED INTO THE DEPARTMENT OF MUSEUMS, LIBRARY AND ARTS. MOTION SECONDED BY MR. MACK.

Mr. Erquiaga requested that the motion include Recommendation No. 11 (below) regarding the Statistical Abstract, and inclusion of the Bureau of Vital Statistics. Chairwoman Miller invited Yvonne Sylva, Administrator of the State Health Division, to discuss Mr. Erquiaga's recommendation as it pertains to Vital Statistics.

Ms. Sylva explained that because of the requirements of the health registrar, every state's office of vital records is housed in the public health agency. She opined relocating the bureau to the DMLA was inappropriate.

CHAIRMAN HATAWAY MOVED TO AMEND HIS MOTION TO INCLUDE REORGANIZING THE STATISTICAL ABSTRACT INTO THE DEPARTMENT OF MUSEUMS, LIBRARY AND ARTS.

MOTION TO AMEND SECONDED BY MR. MACK.

MOTION, AS AMENDED, APPROVED UNANIMOUSLY WITH ALL PRESENT VOTING AYE EXCEPT FOR MR. GIBSON, WHO WAS EXCUSED.

Create an education and traveling exhibitions program for the department.

This would include outreach and teacher training activities, exhibits designed to serve rural and other satellite areas, and coordinated educational programs, like the current History CD-ROM, and an Internet site for students to access the collections of the department.

Creating an education and traveling exhibitions program provides the most cost-effective coordination of departmental outreach and education efforts, enabling DMLA to reach more Nevadans and visitors. This would also increase the visibility of the department, as well as visitor counts to its facilities. This is a function that is not met by local governments or private entities in Nevada.

This recommendation would allow the department to provide more exhibits to rural areas, particularly those in which the department does not maintain a cultural facility, Mr. Hillerby explained.

CHAIRMAN HATAWAY MOVED TO RECOMMEND THE CREATION OF AN EDUCATION AND TRAVELING EXHIBITION PROGRAM, SUBJECT TO AVAILABLE FUNDING.

Chairman Hataway expressed his support for such a program as many of the students in rural communities do not have access to the historical information offered by the DMLA.

MOTION SECONDED BY MR. MACK.

Mr. Gowins, noting his support for such an educational program, stated his opposition to the recommendation. In his opinion, the committee's purview is to review existing services and programs to ensure that the state's resources are being used effectively and efficiently. In addition, Mr. Gowins explained that state agencies have been instructed to submit 2001-2003 biennium budgets at the same levels as those approved for the 1999-2001 biennium.

Mr. Hillerby explained that the department's budget submitted to Governor Guinn includes a list of priorities (which he referred to as the department's "Super Priority"). Although the Governor instructed agencies to submit "flat" budgets, consideration of new programs was not prohibited provided the program could be funded within available department resources. Mr. Hillerby informed the members that the DMLA's budget packet was approximately 2 percent less than the 1999-2001 approved budget, and the packet included the education and exhibitions program.

Ms. Murphy concurred with Mr. Gowins' remarks. Responding to a question by Ms. Murphy, Mr. Hillerby assured the members that the department could provide information about grants requests received for various programs offered by the department, which would include those that cannot be filled due to funding shortages. Currently, the department has a one-year waiting list for traveling exhibits, and the proposed program would enable the agency to reduce this waiting period. In his opinion, education encompasses more than reading, writing, and arithmetic—and the DMLA has been able to enhance educational programs through traveling exhibitions or other cultural programs that are offered.

Chairman Hataway clarified that the words "subject to available funding" within his motion are not specifically

referencing appropriations from the State General Fund. He reminded the members that the DMLA receives funding from a variety of sources. In particular, the Chairman mentioned that the Smithsonian Institute offers grants to state agencies for programs similar to the one proposed in the recommendation.

Chairwoman Miller agreed with the comments made earlier by Mr. Gowins and Ms. Murphy. She stressed that she was not opposed to the program, but she reiterated that the committee was asked to “separate out the niceties from the necessities.” The Chairwoman acknowledged that new program requests were being considered during the budget review process; however, a recommendation from the Steering Committee might influence the Governor during his consideration of such requests.

Referring to the Chairman’s comments, Chairwoman Miller inquired if the department had proposed the way in which the program would be funded. To that end, Chairwoman Miller asked if the DMLA had considered charging the requesting facility for the use of the exhibits. Mr. Hillerby explained that the DMLA reviewed alternative funding sources, such as the National Endowment for the Humanities, National Endowment for the Arts, and Smithsonian Institute. However, these organizations require an investment by the state or local agencies. Mr. Hillerby reminded the members that budget instructions specifically prohibited agencies from increasing fees on existing services. This instruction may not apply to newly-proposed programs, and the recommendation could incorporate “partnership fee” language.

Chairwoman Miller clarified that the Governor’s instructions regarding fees distinguished between those paid voluntarily (such as a person who pays an entrance fee when visiting a state museum or historical society exhibit) versus those that are statutorily required (such as vehicle registrations, license renewals, and so forth). Voluntary fees, she stressed, could be increased in a department’s budget packet.

Noting that she would oppose the motion, Ms. Murphy stressed her support for the program. In her opinion, the committee’s purview did not include recommending new programs.

Assemblyman Brower concurred with Mr. Gowins and Ms. Murphy. He said that if a new program was designed to improve an agency’s efficiency level, it would be appropriate for the committee to recommend it to the Governor. However, this recommendation does not fall into that category, Assemblyman Brower explained, and he noted his opposition to the motion.

Assemblyman Hettrick noted that the statutes do not prohibit DMLA from establishing this program currently; however, the department does not have the funding for such a program. He agreed with the remarks of others that the committee should not recommend the program.

Responding to a question by Senator Carlton regarding the agency’s current traveling exhibition program, Mr. Hillerby acknowledged that the agency lacks available funding to expand the program and reduce the one-year waiting period. He informed the members that the department received alternate funding from various donations and fundraising efforts. The department spends “a few thousand dollars” for each exhibit packaged and sent to requesting organizations. But, the proposal includes additional training packets for teachers to incorporate into their curricula.

Chairman Hataway, expounding on Senator Carlton’s remarks, opined the program should not be considered “new” because the state’s museums are “warehouses” of information and natural relics for public display. Additionally, the department maintains a “private warehouse,” Chairman Hataway noted, that contains other artifacts that cannot be displayed in current facilities due to space constraints. He suggested that through a cooperative effort between DMLA and county museums (such as the Churchill County Museum or the Humboldt County Museum), the agency may be able to distribute those items thereby exposing more of the state’s artifacts to a larger population.

There being no further discussion on the motion, Chairwoman Miller called for a vote.

THE MOTION FAILED WITH CHAIRMAN HATAWAY, SENATOR CARLTON, ASSEMBLYMAN PARKS, AND MR. MACK VOTING AYE; AND CHAIRWOMAN MILLER, LT. GOVERNOR HUNT, ASSEMBLYMEN BROWER AND HETTRICK,

**MESSRS. ARCHER, ERQUIAGA, GOWINS, AND LEAVITT, AND MS. MURPHY
VOTING NAY. MR. GIBSON WAS EXCUSED.**

Mr. Hillerby explained that the following recommendations were taken from suggestions made on the web site.

· **Transfer the Indian Commission to the DMLA.**

While the statutes relating to the Indian Commission include provisions dealing with cultural affairs, other sections are specific to health care for children.

Mr. Archer expressed concern that shifting the organizational placement of the Indian Commission might disrupt services provided to the state's Native American tribes. Chairwoman Miller explained that the Indian Commission is currently housed in DHR, although tribal council members have requested a meeting with Governor Guinn to discuss possible changes to the placement of the commission within the state's organizational structure. Chairwoman Miller further noted that Governor Guinn intends on meeting with the various tribal councils several times per year to discuss tribal concerns.

A brief discussion ensued regarding the proper terminology. Mr. Erquiaga recommended that the name of the commission be changed as many Native Americans no longer use the descriptive word, "Indian." However, Mr. Hillerby noted that many Native Americans prefer the term "Indian" out of respect for its historical and cultural significance.

The Chairwoman stated that action for Recommendation No. 7 would be deferred until after the Governor met with members of the tribal councils.

NO ACTION WAS TAKEN ON THIS RECOMMENDATION.

· **Transfer the funding and administration of the Local Cultural Activities Program (SONG) to the DMLA.**

Mr. Hillerby explained that the Legislature has funded this program, and the money is forwarded to the Musicians' Performance Trust Fund (MPTF) in New York City. In the past few sessions, the Legislature has appropriated \$150,000 per biennium. The money must be used for cultural performances, primarily musical in nature, which are free to the public. According to Mr. Hillerby, the MPTF matches the state's funds although, as the administrator, the MPTF is allowed to charge an administrative fee of not more than 10 percent, plus travel costs.

**CHAIRMAN HATAWAY MOVED TO RECOMMEND THAT THE FUNDING AND
ADMINISTRATION OF THE LOCAL CULTURAL ACTIVITIES PROGRAM (SONG)
BE TRANSFERRED TO THE DMLA.**

MOTION SECONDED BY MR. MACK.

Mr. Erquiaga requested that an evaluation be conducted to determine the necessity of continuing the program. When the program was created in the 1940s, following World War II, the National Endowment for the Arts and the State Arts Council did not exist. Mr. Erquiaga suggested those two organizations might be able to fund the program, which would result in cost savings to the State General Fund.

In response, Chairman Hataway explained that the program has not been included in budget appropriation measures. For the past several sessions, the program has received appropriations through the introduction and passage of independent legislation. He stated that the Local Cultural Activities Program is not included in the current budget proposal for the 2001-2003 biennium. However, should independent legislation be introduced during the 2001 Session, Chairman Hataway recommended that oversight of the program probably should be in the department responsible for the state's cultural resources.

Assemblyman Hettrick concurred with remarks by Mr. Erquiaga and stated that the legislative money committees review appropriation measures carefully to determine their necessity. He noted his support for the Chairman's motion as it was not expressing support or recommending that the program be continued; rather, the motion concerned administrative oversight, and Assemblyman Hettrick agreed that as a cultural program, it should be relocated to DMLA.

MOTION APPROVED UNANIMOUSLY WITH ALL PRESENT VOTING AYE EXCEPT FOR MR. GIBSON, WHO WAS EXCUSED.

Continue into the 2003 Session the study of transferring all literacy programs to the DMLA.

The DMLA provides training and equipment for literacy trainers. Mr. Hillerby stressed that the department does not teach people to read. He recommended that the Division of Internal Audits conduct a study of the various literacy programs and make a recommendation to be forwarded by the Steering Committee to the Governor for the 2003 Legislative Session.

CHAIRMAN HATAWAY MOVED TO RECOMMEND THAT THE DIVISION OF INTERNAL AUDITS CONDUCT A STUDY OF THE VARIOUS LITERACY PROGRAMS IN THE STATE AND THAT THE DIVISION SUBMIT ITS FINDINGS AND RECOMMENDATIONS TO THE STEERING COMMITTEE FOR ADOPTION AS A FORMAL RECOMMENDATION.

CHAIRMAN HATAWAY FURTHER MOVED THAT THE STEERING COMMITTEE SHALL FORWARD THE RECOMMENDATION, IF ADOPTED, TO THE GOVERNOR FOR INCLUSION IN THE 2003 LEGISLATIVE PACKAGE.

MOTION SECONDED BY MR. ERQUIAGA.

Assemblyman Hettrick clarified that the motion recommended a study of the various programs without suggesting reorganizations of those programs.

MOTION APPROVED UNANIMOUSLY WITH ALL PRESENT VOTING AYE EXCEPT FOR MR. GIBSON, WHO WAS EXCUSED.

Recommend that the DMLA join with the State Department of Conservation and Natural Resources (SDCNR) in development of a master resources plan that would include cultural resources.

Mr. Hillerby explained that the department prepares a resources plan for the state's cultural resources. Mr. Erquiaga informed the members that currently the Commission on Tourism is issuing grants for the enhancement of cultural resources. He opined that the grant-award process is not coordinated with SDCNR's master resources plan. Mr. Erquiaga noted that three separate agencies were preparing similar documents but not coordinating their efforts. He requested that the recommendation include the Commission on Tourism.

CHAIRMAN HATAWAY MOVED TO RECOMMEND THAT THE DEPARTMENT OF MUSEUMS, LIBRARY AND ARTS PREPARE AN ANNUAL CULTURAL RESOURCES MASTER PLAN, WHICH WOULD REQUIRE INTERFACING WITH OTHER AGENCIES SUCH AS THE STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES.

MOTION SECONDED BY MR. MACK.

Mr. Erquiaga noted that the Commission for Cultural Affairs is required by statute to prepare the state's cultural resources plan every 10 years. However, the SDCNR and the Commission on Tourism are preparing separate plans for the state's natural and cultural resources. In Mr. Erquiaga's opinion, "encouraging" agencies to work together does not

necessarily accomplish legislative intent. He strongly suggested that the agencies be statutorily required to collaborate.

MOTION FAILED WITH CHAIRWOMAN MILLER, CHAIRMAN HATAWAY, AND ASSEMBLYMAN PARKS VOTING AYE; AND LT. GOVERNOR HUNT, SENATOR CARLTON, ASSEMBLYMEN BROWER AND HETTRICK, MESSRS. ARCHER, ERQUIAGA, GOWINS, LEAVITT, AND MACK, AND MS. MURPHY VOTING NAY. MR. GIBSON WAS EXCUSED.

MS. MURPHY MOVED TO RECOMMEND THAT THE STATE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES UPDATE AND REVISE ITS SURVEY AND STUDY TO INCLUDE CULTURAL RESOURCES IN ITS MASTER PLAN.

MOTION SECONDED BY MR. ERQUIAGA.

Mr. Hillerby explained that the Commission for Cultural Affairs is performing a long-range analysis to determine if the state's cultural resources plan can be more cohesive. He noted that his agency and the SDCNR's plans will overlap because certain programs affect both departments. In his opinion, the plan prepared by DMLA has no connection with that developed by SDCNR.

Chairwoman Miller suggested that the committee defer action on the recommendation until more information could be obtained from SDCNR.

MS. MURPHY RESCINDED HER MOTION, AND MR. ERQUIAGA RESCINDED HIS SECOND.

NO FURTHER ACTION WAS TAKEN ON THIS RECOMMENDATION.

Transfer the Statistical Abstract Reporting responsibilities from the Department of Administration to the DMLA.

Mr. Hillerby explained that this recommendation supports the department's request for a Librarian position to oversee the Nevada Government Information Locator Service (GILS) position, which directly ties into this overall goal of making state-owned information more accessible to the public. This recommendation has the support of John P. (Perry) Comeaux, Director of the Department of Administration, Mr. Hillerby said.

THIS RECOMMENDATION WAS INCLUDED IN THE ACTION TAKEN FOR RECOMMENDATION NO. 5 ABOVE.

On a separate issue, Mr. Erquiaga asked Mr. Hillerby to discuss the salary structure within DMLA. Mr. Erquiaga informed the members that librarians, although considered "professional staff" are in classified service with the state. Because DMLA facilities are open on weekends, staff often works overtime, which converts to compensated time off at a later time. Many times, the department becomes short-staffed because employees are "forced" to use the time accrued plus any accrued vacation time that might be lost at the end of a calendar year. During Mr. Erquiaga's tenure as Director of DMLA, he often received complaints that the employees were placed in the same class of service as clerical employees, despite their educations and professional experiences.

Mr. Hillerby concurred with statements made earlier by Attorney General Del Papa regarding the state's compensation packages. He informed the members that his department experienced difficulty recruiting a director for the Nevada State Museum in Carson City due to the salary. Many of the applicants were working as curators in other museums and had salaries higher than that offered by the State of Nevada for its Museum Director position.

Addressing Mr. Erquiaga's comments, Mr. Hillerby said that DMLA has two unclassified positions—the Department Director and the Administrator of the Division of Museums and History. State statutes governing the Administrator of

the Division of State Library and Archives (more commonly referred to as the “State Librarian”) provide that except for the purposes of removal, the Administrator is in classified service (see NRS 378.010). Mr. Hillerby admitted that the pay structure can be “problematic,” and he combats the detrimental impacts on employee morale through positive motivation and feedback.

Continuing, Mr. Hillerby explained that curators working at an archaeological site or restoration project became frustrated when they were unable to complete projects due to the restricted work schedule. He noted that these projects required the use of certain chemicals, and many times, his employees offered to finish projects through volunteer time. But, Mr. Hillerby said the law prohibits an employee from volunteering personal time for an effort for which he or she is employed.

Mr. Hillerby agreed that the state’s salary structure should be reviewed. He explained that NRS specifies that curators serve in the unclassified service. During the 1999 Legislature, the appropriations measure for employee salaries listed them in the classified service of government. Therefore, there is a conflict that must be addressed in statute.

Chairwoman Miller expressed her appreciation to Mr. Hillerby for his efforts in the fundamental review process.

Nevada Taxpayers Association’s “Taxpayers’ Perspective on Government Expenditures and Proposals to Improve Efficiency”

The committee moved to the portion of the agenda concerning the Nevada Taxpayers’ Association’s recommendations discussed during the committee’s June 22nd meeting. Chairwoman Miller explained that Carole Vilardo, Executive Director of the NTA, was unable to attend due to a conflicting meeting. The Chairwoman noted that many of the issues addressed in the NTA’s recommendations were complex. In her opinion, the committee needed additional time to discuss them in more detail, have questions or concerns addressed, and hear additional public testimony. She invited Kara Kelley, Senior Vice President of the Las Vegas Chamber of Commerce, to the witness table to respond to questions that might arise.

For clarity of reading, the recommendations are listed in the same order as they appeared on the agenda. Committee discussion and public testimony will follow the specific recommendation to which they refer and are not necessarily reflective of the chronological sequence of the meeting. (The committee did not take action on these recommendations at this meeting. The NTA’s proposal was identified earlier in these minutes as Exhibit C, and details regarding these recommendations may be reviewed in the exhibit. Please see the minutes of June 22, 2000, for further discussion on these items.)

1. *Apply the revenue in excess of projections to fund state agency technology improvements and provide additional employee training.*

There was no testimony or public comment given on Recommendation No. 1.

2. *Consolidate the Offices of the State Controller and State Treasurer.*

Chairwoman Miller recognized Robert Seale, former State Treasurer, and invited his comments on this issue.

Mr. Seale acknowledged that his comments might cause debate, but he assured the members that his remarks were based on his experience as State Treasurer. According to Mr. Seale, he introduced legislation during the 1995 Session to consolidate the Offices of Controller and Treasurer. The measure was adopted by the 1995 Session, but it died during the 1997 Session. (Consolidate the offices requires an amendment to the *Nevada Constitution*. Amending the *Constitution* requires adoption of the same legislation—in identical form—by two consecutive legislatures and a majority vote by the citizens in the following General Election. As a result, it takes five years before a constitutional amendment becomes effective.)

Mr. Seale noted that persons opposing the consolidation of these offices argue that the state would lose its internal control (more commonly referred to as “checks and balances”) processes. Mr. Seale disagreed with this argument. Private businesses employ Chief Financial Officers who are responsible for protecting internal controls. The functions performed by the State Treasurer and State Controller fall within a private entity’s finance or accounting department. The key, Mr. Seale stressed, is that the various functions are kept separate by an employee’s job description and the “checks and balances” are maintained.

Continuing, Mr. Seale informed the members that Nevada’s first Treasurer embezzled the entire Permanent School Fund—despite the separate functions of the Treasurer and Controller. In the mid-1920s, former State Treasurer Ed Cole and former State Controller George O’Malley conspired together and embezzled approximately \$500,000—which amounted to State General Fund appropriations for one year.

As evidenced by Nevada’s history, embezzlement of state funds occurred regardless of the separate functions of the offices. Mr. Seale opined that the members should recognize that combining these offices does not diminish the state’s checks and balances processes and should not be seen as an invitation for embezzlement.

According to Mr. Seale, the state would realize cost savings if the Offices of State Controller and State Treasurer were merged. At a minimum, those costs would include the salaries of the constitutional officer whose responsibility is eliminated, as well as that officer’s chief deputy and secretary.

When Mr. Seale assumed office as State Treasurer in 1991, he evaluated the way in which job duties were performed and made changes to increase employee productivity and efficiency. By updating accounting procedures and methodologies, he was able to eliminate duplicative positions within the Office of the State Treasurer. In his opinion, if a review of the functions of the employees of both offices were conducted, it would become apparent that many job functions can be merged. By doing so, Mr. Seale suggested that personnel savings would be approximately \$500,000 per year.

Addressing Mr. Seale’s comments regarding the minimum personnel savings, Mr. Archer noted that increased employee workloads that result when departments are merged often do not improve efficiencies or cost savings. Mr. Archer requested that an in-depth analysis be conducted to determine if increased workloads would result in increased overtime or other types of deficiencies should the two offices be consolidated.

Chairman Hataway noted that other states have placed the Controllers’ functions within their respective administrative agencies (such as the Department of Administration, and so forth), while maintaining the constitutional office of Treasurer. According to the Chairman, reorganizing the Controller’s responsibilities under the purview of the Department of Administration would address the checks and balances concerns expressed earlier by Controller Augustine. In response, Mr. Seale reiterated his opinion that appropriate checks and balances could be maintained if the Controller’s Office were merged into the Office of the Treasurer.

Deciding whether to consolidate two constitutional offices could result in a personality debate between the individuals holding the offices, which probably would defeat the proposal should it be presented to the voters during the 2004 General Election, Mr. Erquiaga opined. Therefore, reorganizing certain functions to the Department of Administration—an agency that has already assumed many of the state’s financial duties—might alleviate the political debate, he suggested.

Mr. Seale mentioned that the States of Georgia and New Jersey do not have constitutional organizations like those in the western United States. Many of the duties are assigned to cabinet-level departments. In the State of Texas, the voters approved consolidating the Office of the Treasurer into the Office of the Controller. Mr. Seale stated that a recent voter poll revealed that the proposal would be passed by the electorate if two consecutive Legislatures adopted the recommendation.

Madame Lt. Governor Hunt referred to page 2 of Controller Augustine’s response to this suggestion (see Exhibit D), a

portion of which reads that “no one individual should control all key aspects of a transaction or event . . . the Controller cannot write a check or draw cash from the state bank account without the signature of the Treasurer.” Lt. Governor Hunt questioned how checks and balances could be maintained if one person became responsible for the accounts.

In response, Mr. Seale explained that certain duties would be separated by employee. He stressed that internal controls concern employee functions, not necessarily the functions of an organization. He briefly described how private sector businesses organize their financial departments and reassured the members that checks and balances are maintained. Referring to the historical data mentioned earlier, Mr. Seale noted that there must be collusion before an act of embezzlement occurs.

Presently, “warrants” (state checks) are printed by the Controller’s Office. The warrants are then forwarded to the Treasurer’s Office, where an employee applies signatures through the use of a mechanical plate—which contains copies of the signatures of both the Treasurer and the Controller. Mr. Seale indicated that the state has implemented a checks and balances system that would continue if the offices were consolidated.

Addressing a question by Mr. Mack, Treasurer Krolicki, who served as Chief Deputy State Treasurer for Mr. Seale, noted that preliminary cost savings had been developed during Mr. Seale’s tenure. He mentioned that the figures did not include savings related to association dues, travel, and other office expenses. Treasurer Krolicki said that both offices employ Network Technicians, one of whom could be eliminated by consolidating offices.

Further, Treasurer Krolicki addressed Lt. Governor Hunt’s concerns about internal control processes. He explained that the state has external control mechanisms that would prevent collusion. For instance, checks must match the state’s accounts payables before payment is made, thereby eliminating the ability for a person to cash improper warrants.

Treasurer Krolicki stressed that the purpose for the recommendation is to improve state efficiencies. He assured those present that he views Controller Augustine as a friend and colleague. Treasurer Krolicki noted that he was not attempting to disrupt the working relationship between the two offices, but he indicated his support for combining the offices. “I think it absolutely makes sense, it’s very safe, it’s efficient, and it’s good government,” the Treasurer said. He assured Mr. Mack that the estimated cost savings of \$500,000 per year were accurate.

Mr. Leavitt opined that there “are certain things that the voters do very well. Maybe there are certain things they do not do so well all the time.” He explained that voters “do very well” when electing persons to offices that do not require specific, technical expertise (e.g., Legislators, Governor). Conversely, voters often elect persons to offices without the expertise necessary to perform the job function. Referring to previous Treasurers, Mr. Leavitt indicated that the state has suffered as a result of the voters’ choice. He suggested that if the state’s fiscal officer were appointed by the Governor, thereby ensuring that the person holding the office was qualified, it would better protect the state’s resources.

Treasurer Krolicki said the State Board of Finance—chaired by the Governor and on which the Treasurer, Controller, and two members of the public serve—provides added protection. He noted that many prior candidates had expertise in both finance and politics, and the combination of those qualifications benefits the state. Referring to comments made by Chairman Hataway and Mr. Erquiaga regarding transferring responsibilities to the Department of Administration, the Treasurer admitted that certain functions performed in the offices probably could be consolidated with similar functions in Administration (for example, personnel, payroll, and so forth).

Continuing, Treasurer Krolicki discussed Controller Augustine’s comments about payments to the Permanent School Fund that were late because her “books” indicated that the state did not have funds available. According to Mr. Krolicki, his office receives the payments and is better able to determine if a particular payment can be made. The Treasurer assured the members that payments have been received on time; however, the paperwork resulting from such payments often takes two or three days to complete. If the offices were consolidated, communication would improve as would the decision making processes.

Chairwoman Miller noted her intent to defer action on the NTA’s recommendations until a later meeting. The proposals were placed on the agenda to allow for additional testimony and public participation, she explained.

3. Consolidate all hearing officers into a Hearings Division within the Department of Administration.

Robert Gagnier, Executive Director of the State of Nevada Employees Association (SNEA), noted that SNEA members oppose the recommendation. A few years ago, Mr. Gagnier reported, the Executive Branch was successful in changing hearings officers in the Department of Administration from classified to unclassified service of State Government, at which time many of the hearings officers were terminated and the positions were filled by political appointments. Mr. Gagnier noted that many of the appointees did not have the qualifications or experience to serve in the position.

The DETR and DMV&PS employ hearings officers to address cases specific to those agencies and the employees are in the classified service. Mr. Gagnier stressed that as classified employees, the hearings officers “are not subject to political whims.”

Chairwoman Miller disclosed that her uncle is a hearings officer in the Department of Personnel.

Mr. Gagnier explained that the hearings officers serving the Department of Personnel are under a contract with the State of Nevada and are not actual state employees. In his review of NTA’s proposal, those officers would be excluded.

4. Change the Public Employees’ Retirement System (PERS) to a defined contribution plan for future hires.

Chairwoman Miller invited George Pyne, Executive Officer, and Dana Bilyeu, Systems Operations Officer, with PERS to present testimony on this recommendation.

Mr. Pyne noted that the PERS board adopted a resolution opposing the recommendation. He distributed a document titled, “Public Employees’ Retirement System of Nevada,” which contains facts about the system’s funded ratios and actuarially determined rates for the past six years. In addition, the presentation contains a copy of the board’s resolution. (Identified as Exhibit F to these minutes.)

Mr. Pyne explained that NRS 286.015 defines the mission of the system. Primarily, the system’s purpose is to provide all public employees in the State of Nevada (state, county, city, or other political subdivision, including school districts) with a reasonable-based income at retirement.

Mr. Pyne reminded the members that public employees do not participate in the federal Social Security program; therefore, PERS is their only pension fund. Presently, there are approximately 80,000 active employees contributing to the program and about 23,000 active retirees drawing funds from it.

Mr. Pyne indicated that during Ms. Vilardo’s testimony on June 22, 2000, she reasoned that changing PERS to a defined contribution plan for new hires was necessary due to the unpredictability of costs associated with the defined benefit program. Further, the proposal suggests that changes made to the defined benefit program will lengthen the amortization period to pay off the unfunded liability or will require an increase in the contribution rate. Mr. Pyne, on behalf of the PERS board, disagreed with the NTA’s analysis based on history, the way in the program is managed, and the legislative oversight that ensures continued success of PERS.

A defined benefit plan, such as PERS, has a guaranteed formula for determining the amount of retirement benefits regardless of investment or life expectancy risk. The formula is based on factors such as age, salary, and years of service of the participant at retirement. The PERS plan includes not only regular service retirement benefits but also disability and survivor benefits as well.

Defined contribution plans have no set benefit and only the contribution to the account is stipulated. There are no disability or survivor benefits except those offered through an insurance purchase. No post-retirement increases are granted. Under certain inflationary scenarios, the retiree could see reductions in retirement funds. Mr. Pyne stressed that defined contribution plans are “nothing more or less than accumulated contributions plus investment yield minus costs.” The lifetime benefit received by the employee is dependent upon the balance in that account at the time of

retirement.

Mr. Pyne directed the members to page 2 of Exhibit F, which demonstrated the continuous progress made to pay off PERS's unfunded liability that developed during the beginning years of the system. When the system was created in 1984, the state had 56 cents of assets on hand for every dollar of liability. As of this meeting, the state had 82.5 cents of assets on hand for every dollar of liability. Mr. Pyne anticipated that if the current contribution rate continued and all other things being equal, the plan would be fully funded in the year 2024. Further, Mr. Pyne assured the members that the PERS board does not consider extending the amortization period as a method of funding benefit enhancements.

Page 3 of Exhibit F provided the members with a 6-year "snapshot" of the system's rate stability. He explained that benefit changes could be made only after approval by the Legislature, and proposed changes must include fiscal notes detailing associated costs. The PERS board would introduce benefit change legislation only after careful consideration of the impact on contribution rates, Mr. Pyne asserted.

Mr. Pyne suggested that closing the defined benefit plan would introduce more volatility and unpredictability to the plan and could be more costly than anticipated. Defined contribution plans shift investment risk to the individual, Mr. Pyne explained, and the benefit is dependent on the market on the day the employee retires.

The defined benefit plan administered by PERS is healthier and more stable than the Social Security system. Mr. Pyne commended the planning efforts by the Legislature and the management skills of the PERS board for assuring that stability.

In response to a question by Mr. Gowins, Mr. Pyne explained that the Social Security system, which was not funded on a reserve basis, is experiencing problems as the generation of "Baby Boomers" reaches retirement age. The state's system, when implemented, had a contributors-to-retiree ratio of 8 to 1. Presently, that ratio is about 3 to 1. Mr. Pyne said PERS uses the system of compounding to fund itself, with the system becoming fully funded in 2024.

Mr. Leavitt disclosed that he serves as a member of the Board of Trustees for PERS and that he would abstain from taking action on the recommendation.

Mr. Leavitt informed the members that the Clark County School District, not the State of Nevada, is the largest employer participating in the plan. Therefore, changes to the plan would affect retirement of every local government employee. In addition, Mr. Leavitt referred to the testimony received during this hearing, and in previous meetings, regarding the state's inability to offer competitive salaries and compensation packages to hire or retain qualified employees. In his opinion, many public service employees remain in public employment because of the guaranteed retirement benefit offered by PERS. If this benefit were changed, many of those employees might choose to obtain employment in the private sector where salaries are higher and benefits more comprehensive.

Mr. Archer inquired about the state's liability to existing employees should the benefit plan be changed. Mr. Pyne noted he was not an attorney but assumed that the recommendation targeted new employees in an effort to mitigate that liability.

Chairwoman Miller indicated that several members of the committee are government employees participating in or retired employees receiving benefits from PERS. Chairman Hataway disclosed that he serves as a member of the Committee on Deferred Compensation, and analyses for the past several years revealed significant increases in the number of participants in the state's 457 Plan. A proposal has been submitted to the Governor to expand the plan to a 401K, which would give state employees additional flexibility.

Continuing, Chairman Hataway noted that upon implementation, the PERS board was fragmented. A similar situation is occurring with the Deferred Compensation Committee; therefore, Chairman Hataway suggested that the state investigate the feasibility of consolidating deferred compensation bodies from state and local entities, which might provide more choices to government employees.

Assemblyman Hettrick commented that if the investments made by PERS are unsuccessful or if the rates of return diminish, the state would ultimately be responsible for providing retirees with the guaranteed retirement benefit as established in the current plan. In Assemblyman Hettrick's opinion, such a situation probably would result in increased contribution rates. He reiterated that the state is liable for providing a guaranteed monthly amount under a defined benefit plan and the intent of the proposal was to alleviate the state's liability.

Responding, Mr. Leavitt commented that the risk to individuals versus the risk to the system is significantly different. An individual's retirement could be substantially affected if the stock market fell on retirement day. The system's risk is long-term and the risk is significantly less. Eighty percent of retirement benefits are funded by investment income earned by the system. Therefore, Mr. Leavitt stressed that the state assumes the risk for approximately 20 percent of the benefit.

Mr. Archer expressed concern that if people were held responsible for investing retirement funds, there might be a significantly large number who were unable to retire because of poor investment choices. He stressed that Social Security and PERS should not be considered "retirement plans," as these systems are designed to provide guaranteed income to persons eligible for retirement.

Robert Hadfield, Executive Director of Nevada Association of Counties (NACO), informed the members that when county governments implemented the employer-paid plan under PERS, county employees were denied salary increases. Mr. Hadfield noted that NACO members were concerned that changes to the system might result in decreased employee benefits or increased contribution rates. According to Mr. Hadfield, NACO members oppose the recommendation.

Mr. Gagnier (identified earlier) noted that this recommendation was made as a possible cost savings. According to him, historical data revealed that PERS contributions have decreased during certain times. Further, a few years ago, the constitution was amended to provide that contribution rates would be established according to the PERS actuary, and biennium budgets reflect that rate. Mr. Gagnier said the movement in the contribution rate has been minor over the past few years.

Continuing, Mr. Gagnier explained that when benefits are added, any costs associated with those benefits must be shared equally between the government and employee.

When companies experienced financial difficulties, they shifted their defined benefit plans to defined contribution plans. However, Mr. Gagnier noted that PERS is not experiencing financial problems, and he noted his organization's opposition to the recommendation.

Debbie Cahill, Government Relations Director for the Nevada State Education Association (NSEA), agreed with comments expressed by the previous witnesses. The teacher shortage in Nevada is at a crisis level, Ms. Cahill stated. In her opinion, changing the retirement plan could hinder school districts' attempts to hire and retain qualified teachers. Addressing remarks made earlier by Assemblyman Hettrick, Ms. Cahill opined that increased salaries would allow NSEA members to invest funds to supplement their retirement benefits, but the members would prefer to keep the retirement plan in its present form.

Alan Chandler, Executive Director with the Clark County Association of School Administrators, opposed the recommendation. He commended Mr. Pyne and the PERS Board of Directors for the way in which the program has been administered.

Martha Pittle, Legislative Representative for the Clark County School District, noted that the Clark County School Board of Trustees opposed the recommendation. She concurred with remarks made by Ms. Cahill and Mr. Chandler.

Assemblyman Hettrick disclosed that his son is employed by the Douglas County Sheriff's Office and is an active participant in the PERS plan. He clarified that his remarks were based on the issue of "who pays the bills here," and not on whether the plan serves as a method of recruiting employees or if the benefits are viable for retirees. He stressed that

the committee's purview is to consider all aspects of state programs rather than focusing on who might benefit from those programs.

Julius Conigliaro, representative of the Retired Public Employees of Nevada, noted that his organization opposes changes to the plan. As a former member of the PERS board, Mr. Conigliaro urged the committee to continue the PERS plan in its present form.

5. *Change procedure for selecting the Superintendent of Public Instruction or the State School Board members to enhance the department's Executive Branch agency posture.*

Chairwoman Miller noted that David Sheffield, President of the Nevada State Board of Education, had been in attendance but left due to a conflicting meeting. He distributed a copy of his testimony, titled "Governor's Steering Committee to Conduct A Fundamental Review of State Governance," which has been identified as Exhibit G to these minutes.

Mr. Sheffield's written testimony expresses opposition to the above recommendation, and he cites statistics indicating that appropriations to Nevada's schools have decreased over the past several sessions, despite increasing student populations. Mr. Sheffield states that the "efficiencies we seek can only be found by eliminating the fragmentation of Nevada's educational governance, and restoring both the responsibilities and accountability of education to one entity - the elected body of the state board."

Further, Mr. Sheffield's remarks reflect that politics might detrimentally impact decisions made by the school board. He notes that "disadvantages of appointees include the appearance as cronies or political allies of the governor, not as independent leaders of education, or if disagreements do arise between the appointees and the governor, the appointees are not likely to serve long enough to sustain reforms." According to Mr. Sheffield, "the governor's control to forbid an appointed state superintendent or state board to bring issues to the forefront and/or the flexibility to bring unbiased information to the legislature" would be damaging to the state.

Finally, Mr. Sheffield opines that the Superintendent is accountable to an elected body—the State Board of Education, and board members are accountable to their constituencies.

Bill Hanlon, a former member of the State Board of Education, expressed his opposition to the recommendation. The Legislature and school districts prefer that parents become involved in their local schools. Mr. Hanlon commented that one aspect of public participation is demonstrated through the election of board members, and eliminating a duly-elected board might prevent parents from being actively involved.

Addressing the issue of changing the appointment of the Superintendent from the State Board to the Governor, Mr. Hanlon again noted his opposition. In his opinion, the Superintendent's primary purpose is to serve as an advocate for children and education.

"I would personally, and I would hope the rest of the community would, look very harshly on any party or organization or individual that would take the elective authority from them for an appointed authority," Mr. Hanlon said.

Mr. Hanlon opined the various boards, commissions, and councils created by the Legislature during the past few sessions have fragmented the State Department of Education. He recommended that they be placed under a central umbrella for better cohesion and accountability.

Assemblyman Hettrick suggested that members of the State Board of Education be comprised of one member from each school district, who are elected by county voters. Mr. Hettrick noted that the members of district boards of trustees have a better understanding of the issues facing their counties. Further, he opined it would be unlikely that unfunded mandates would be approved and passed along to county school districts, many of which do not have available funds to comply.

Mr. Hanlon responded that members of the State Board of Education have been able to focus on statewide issues without getting encumbered by problems within specific districts. He opined if the board were comprised of one person from each district, the focus might shift and members might not be able to discard areas of concern within their respective school districts.

Chairwoman Miller explained that during the 1999 Session, Governor Guinn was criticized by the media and voters on issues regarding the budget. Education receives the majority of state funds, the department is organized within the Executive Branch of State Government, yet the Governor does not have the authority to discuss concerns with the Superintendent. Therefore, much of the criticism during the 1999 Session should have been directed at the State Board.

Further, Chairwoman Miller mentioned that the State Board approved a change to class-size parameters for special education but did not identify a funding source. As a result, the 2001 Legislature must fund the mandate. Chairwoman Miller stressed that there must be “some accountability on the part of the Board not to pass these kinds of recommendations without a consideration of the effect on the rest of the state budget.”

The State Board of Education is accountable to the Governor because the Governor develops the budget, Mr. Hanlon responded. Regarding the special education mandate discussed by the Chairwoman, Mr. Hanlon explained that the regulation specifies that it would be funded by new, unencumbered funds. As a member of the board when the regulation was adopted, Mr. Hanlon said the board’s intent was to allow district representatives to lobby the Legislature to fund the program.

6. Change the current class-size reduction parameters in first through third grades to allow a teacher-pupil ratio of 1 to 20, particularly in English, math, reading, and science.

Mr. Sheffield (identified earlier) distributed a document responding to this recommendation (identified as Exhibit H to these minutes). As noted for NTA Recommendation No. 5 above, Mr. Sheffield had a conflicting schedule that did not allow him to remain for the entire meeting. Therefore, Chairwoman Miller instructed the secretary to include comments in Exhibit H as part of the formal record.

Exhibit H contains sections titled “Issues/Barriers to Implementation,” “Research,” and “Recommendations.” Primarily, the document opposes NTA’s recommendation as its implementation would require dramatic changes to the way in which elementary classes are taught (including the possibility of moving young children to various classrooms through the day) and school facilities might not accommodate the new guidelines.

Instead, Exhibit H recommends that:

43. A comprehensive study of the Nevada Class Size Reduction Program be conducted before major changes in the program are implemented. The evaluation should include the variables that might impact the results of class-size reduction, such as teacher characteristics, classroom practices, parental involvement, student behaviors, financial practices, and evidence of integration of other reform efforts. The final report should include the positive and negative experiences with class-size reduction and the potential for maximizing its benefits; and

44. Any major changes in class-size reduction should be piloted before they are mandated statewide.

(For more details, please see Exhibit H.)

Ms. Cahill (identified previously) acknowledged that class-size reduction and ratios have been debated since the legislation was first passed during the 1989 Session. During that session, legislators based their decisions on the Tennessee STAR study. The follow-up report, according to Ms. Cahill, determined that the optimum student-teacher ratio was 15 to 1. Any increases in student population dramatically decreased the results.

Based on the STAR report, the Legislature set the ratio at 15 to 1; however, the program has been funded at 16 to 1.

Ms. Cahill commented that as the school year progresses and new students enroll, class sizes increase. In some schools, the ratio can increase to 20 to 1 over the school year.

Ms. Cahill noted that the recommendation proposed by NTA does not take into consideration new enrollments and the impacts to classes. She explained that NSEA representatives have met with legislators to discuss the possibility of allowing individual school districts more flexibility with the class-size reduction program. Additionally, the Elko County School District is involved in a pilot program that establishes class sizes at 22 to 1 in Kindergarten through 5th Grade.

The lack of available facilities has resulted in many team-teaching scenarios in Nevada, Ms. Cahill admitted. There are pros and cons, Ms. Cahill said, and she encouraged the members to evaluate all aspects of the program before recommending changes.

Mr. Gowins noted his support for the 15 to 1 ratio and commented that when new schools are constructed, the facilities are designed to accommodate 15 students and 1 teacher per classroom. However, many older facilities must resort to team teaching, which results in 30 students and 2 teachers per class. With new enrollments, team classes could increase to close to 40 students, and Mr. Gowins expressed concerns about the benefits of class-size reduction in such situations. He asked that the program be evaluated to determine the intent of the mandate, and how the mandate can be implemented given problems with facilities and teacher shortages.

Ms. Cahill noted that Clark County has not experienced some of the problems found in the rural areas, such as Douglas and Elko Counties. In addition, she noted that overcrowding at middle and high schools has not been addressed.

Responding to an additional question by Mr. Gowins, Ms. Cahill explained that current statute specifies class size reduction shall be in the core subject areas: English, math, reading, and science. Some districts have combined classes for non-core subjects, such as physical education. She clarified that she was unfamiliar with the recommendation's intended purpose.

Assemblyman Hettrick, responding to comments by Mr. Gowins, explained that counties build school structures and the Legislature appropriates funds for operating costs. While larger counties are experiencing difficulties constructing facilities to meet growth demands, other counties are faced with the inability to raise funds due to the statutory caps on property taxes. Therefore, mandates passed by the Legislature are unfunded and can cause considerable problems to smaller districts.

Continuing, Assemblyman Hettrick informed the members that 16 of 17 school districts have been granted waivers from the class size reduction program. He supported providing more flexibility to school districts.

Referring to the Tennessee STAR report, Mr. Erquiaga inquired if the classes were set at 15 students to 1 teacher or if the report reviewed team teaching scenarios. Mr. Erquiaga commented that his children were in team teaching classes until they reached 4th Grade, and he expressed his dissatisfaction with the program.

Ms. Cahill said the STAR report was specific to students in class sizes of 15 with 1 teacher.

Mr. Archer, referring to his experiences in public schools in New York, commented that many counties and cities have space restrictions. To accommodate the increasing number of students, many schools were constructed with more than one story. He suggested that Nevada evaluate whether schools can be remodeled to add one or more stories.

In response, Ms. Cahill said "the common wisdom" is that an elementary school principal should be able to call each child by his or her first name. If the principal cannot perform that task, the elementary school is too large. Children entering schools must feel comfortable and safe, Ms. Cahill noted. In addition, she opined many parents would not be comfortable sending elementary-grade students to a multi-story school that might have accessible windows.

Ms. Tittle (previously identified) commented that the proposal has not been clearly explained, and she requested that the

committee provide for additional testimony at a later meeting.

Gary Peck, Executive Director of the American Civil Liberties Union (ACLU) of Nevada, noted that he is actively involved in issues relating to the Clark County School District. Primarily, his organization has been concerned with equity in education and the opportunity to learn. In Mr. Peck's opinion, the recommendation deals with economic factors to the detriment of education. Mr. Peck noted that his research into class-size reduction programs supports comments made by Ms. Cahill regarding the optimum ratio of students to teacher. He strongly opposed the recommendation.

Later in the meeting, Lt. Governor Hunt referred to Exhibit C. Specifically, Lt. Governor Hunt discussed Item No. 4 on page 4 of Exhibit C concerning class-size reduction, which proposes to "change the current class size ratio in 1-3rd grades to 20 to 1, or keep the current ratios, but only in the core subjects of reading, English, math and science." Madame Lt. Governor indicated that the actual wording of the recommendation is different from that presented on the agenda for this meeting, which might have caused some confusion amongst persons testifying.

Chairwoman Miller thanked Lt. Governor Hunt for her observation and apologized for any confusion. She explained that the length of the agenda required that some recommendations be re-worded, but she noted she had not intended that the recommendation's original purpose be changed.

7. Increase classroom contact time for University and Community College System teachers.

During fundamental review reports presented earlier in the meeting, Chairwoman Miller introduced a letter she received from Ms. Vilardo, dated August 18, 2000, regarding this recommendation (Exhibit I). Ms. Vilardo indicates that the UCCSN is performing a fundamental review of its practices and will consider classroom contact time during the evaluation. Therefore, Ms. Vilardo requested that the committee defer action on this recommendation.

8. Move the senior property tax rebate program from the Department of Taxation to the Division of Aging Services and eliminate the rebate for seniors who live in public housing.

Chairman Hataway noted that Ms. Crawford provided the members with a memorandum from Mary Liveratti, Administrator of the Division of Aging Services, dated August 17, 2000, regarding "Senior Citizens Tax Assistance Program" (Exhibit J). Ms. Liveratti opposed the recommendation, and her analyses of the proposal determined that such a transfer would not be budget neutral. There was no testimony provided by Ms. Crawford or other members of the Division of Aging Services, but Chairman Hataway encouraged the members to review Ms. Liveratti's report at a later time.

9. Absorb the Division of Industrial Relations into various agencies that provide similar functions and services.

Chairman Hataway welcomed Sydney Wickliffe, Director of the Department of Business and Industry, and Roger Bremner, Administrator for the Division of Industrial Relations (DIR). Ms. Wickliffe referred to a memorandum that had been distributed to the members at the June 22, 2000, meeting. The document was not presented at this meeting and is not included as an exhibit to these minutes. Please see Exhibit I of the June 22, 2000, meeting minutes.

Ms. Wickliffe stated that the recommendation proposes to shift workers' compensation duties from DIR to the Division of Insurance (DOI). The DOI performs financial audits to determine an insurer's financial viability, Ms. Wickliffe explained. The DIR conducts audits of workers' compensation claims to ensure they are paid promptly and accurately.

In addition, the NTA proposes to move responsibilities of the DIR to other agencies providing similar functions and services. Ms. Wickliffe responded that transferring employees to different agencies will not provide an economic benefit to the state. In Ms. Wickliffe's opinion, the important functions of workplace safety are best addressed by a focused group of managers who communicate regularly and are responsible to one administrator.

Continuing, Ms. Wickliffe noted that she has served as Director for approximately 10 months; and Mr. Bremner has been in his current position for less than 2 years. During his tenure, Mr. Bremner established a cohesive group of Chief

Administrative Officers—the management unit—who meet monthly to discuss division objectives for workplace safety. The division maintains strong internal communication that helps to avoid duplicated work efforts and, more importantly, to avoid omissions, Ms. Wickliffe explained.

Mr. Bremner said that he would be meeting with Ms. Vilardo in the middle of September to clarify the intent of this recommendation.

Chairwoman Miller assured Ms. Wickliffe and Mr. Bremner that the committee would not take action on this recommendation at this time.

The DIR's mission statement is to promote the health and safety of Nevada employees to ensure that injured employees receive the workers' compensation benefits to which they are entitled. Mr. Bremner said the division enforces safety and health standards promulgated under Nevada's Occupational Safety and Health Act, assists employers to identify and correct unsafe working conditions, inspects and provides safety training for all operating mine companies, and regulates Nevada's workers' compensation programs to assure compliance with the mandatory coverage provisions set forth in Nevada's Industrial Insurance Act.

There are four operating sections within DIR, and each section developed a separate mission statement. However, the statements complement one another and are designed to assist the division achieve its overall mission of promoting health and safety in the workplace. Mr. Bremner opined that separating and transferring the division's functions to a variety of state agencies would lessen the emphasis of worker safety programs in Nevada.

Mr. Bremner referred to an article in the *Las Vegas Sun* of this date (August 21, 2000), titled "Worker deaths fall for state, nation," written by Launce Rake. According to the article, Nevada's rate of worker injuries has declined over the past 10 years despite the increased number of employees. The DIR recognized that many accidents result when employees receive inadequate training for the complexity of the project. Primarily, Mr. Bremner quoted statistics regarding the growing construction industry, particularly in southern Nevada, and underground mining—both of which require extensive employee training.

Chairwoman Miller requested that Mr. Bremner provide the committee with an update after his meeting with Ms. Vilardo.

Sandra Simons, President of Nevada Self-Insurers Association, explained that the organization is comprised of businesses that self-insure their workers' compensation programs. On behalf of the association, Ms. Simons opposed the recommendation. The members have been able to work with DIR on both sides of the issue—as companies that might require assistance implementing workplace safety programs and as the insurer with the administration of claims. She expressed appreciation for the assistance provided by Mr. Bremner and his staff.

Pat Wahlquist, Workers' Compensation Manager for the Mandalay Resort Group and member of the Advisory Council to the Division of Industrial Relations, noted that DIR is funded by assessments and she expressed concern about the way in which the program would be funded if the functions were divided among various agencies. In her opinion, the best interest of the injured worker is the prime focus of DIR employees. The workers' compensation field is complicated, Ms. Wahlquist noted, and the state might lose valuable expertise if the division is eliminated. She expressed her opposition to the recommendation and urged the committee to leave the division intact.

Chairwoman Miller recognized Mr. Gagnier for testimony on NTA Recommendation Nos. 10 and 11, below.

10. Eliminate the State Motor Pool in urban areas in favor of using contracts with car rental agencies.

11. Eliminate State Printing to allow state agencies to obtain outside bids for printing services, upon which State Printing could also bid.

Mr. Gagnier stated his opposition to both Recommendation Nos. 10 and 11 on behalf of SNEA. Recommendation No.

10, Mr. Gagnier said, assumed that the State Motor Pool (SMP) operates on State General Fund appropriation. However, the SMP is funded by fees assessed to other agencies using its services. Further, contracts with car rental agencies might not be less expensive. Mr. Gagnier explained that SMP facilities in urban areas provide maintenance services to vehicles assigned to other state agencies. In Mr. Gagnier's opinion, the state would not realize significant cost savings and might cause inefficiencies in current services.

Turning to Recommendation No. 11, Mr. Gagnier, speaking on behalf of SNEA members from the State Printing Office (SPO), explained that opening printing services to the bidding process would place the SPO at a disadvantage. He noted that the office might not be able to purchase and maintain some of the heavy printing equipment more easily accessible at commercial printing companies. Further, the SPO is prohibited from accepting jobs from non-state entities or private sector companies. Therefore, the SPO would not be able to offset the purchase of new equipment and could not effectively compete with commercial firms.

Continuing, Mr. Gagnier indicated that SPO becomes extremely overburdened during legislative sessions. Special, heavy-duty equipment that must be available for sessions often sits unused during interim periods.

Mr. Gagnier requested that the committee invite testimony from SPO employees, and he stressed the invitation should not be directed at management but to those who operate the equipment.

Returning to Recommendation No. 10, Chairwoman Miller indicated her preference that action be deferred until a determination could be made that the state would realize cost savings. In addition, Chairwoman Miller asked the members to consider the possibility of recommending that a Request for Proposal be developed and bids solicited so costs could be analyzed.

Chairwoman Miller turned to Recommendation No. 11 and referred to Legislative Counsel Bureau Bulletin No. 93-17, *Legislative Commission's Subcommittee to Study the Feasibility of Privatizing Provision of Governmental Services*, which determined that costs of printing jobs at the SPO were significantly higher than private sector companies. She acknowledged Mr. Gagnier's responsibility towards SNEA's members, but she stressed that the committee's responsibility is to the state's taxpayers, whose primary interest is ensuring that tax dollars are used in the most efficient and cost-effective manner. She reiterated that the committee would not take action on the recommendation until a comparison with private sector companies could be developed and analyzed.

Mr. Gagnier reminded the members that the SPO's employees are unionized. In northern Nevada, there are "very few, and very small printing operations," Mr. Gagnier said. If the state compares the costs of a union plant against a non-union company, the results will be skewed.

Assemblyman Hettrick agreed that the Legislature placed extreme demands on the SPO for large printing jobs that were required to be completed and delivered overnight. He commended the SPO employees for their efforts thus far. The Legislature is investigating other printing capabilities through the use of computerized links that would allow for printing of bills upon demand, rather than storing thousands of printed bills that are never used. Again, Assemblyman Hettrick commended the SPO for the "excellent" service provided during prior legislative session. But, in his opinion, constant improvements in technology might make the agency obsolete. He suggested that the employees at the SPO consider the recommendation as an opportunity to continue rather than as the possibility of elimination.

During his tenure with the Federal Government, Mr. Archer noted that governmental agency costs must include personnel and compensation benefits, including retirement. Many times, contracts with vendors include unseen or hidden costs, such as annual salary increases and so forth. He recommended that a feasibility study be performed to ensure that contracts with outside vendors do not include hidden costs that ultimately might cost the state more money over time.

Frank Revell, Chief of the SMP, commented on NTA Recommendation No. 10. According to him, the issue has been discussed before. The primary source of contention, Mr. Revell opined, concerns the rental facilities in Las Vegas and Reno. He expressed support for Chairwoman Miller's recommendation for an RFP that would allow a more thorough analysis and cost comparison. Mr. Revell said that approximately 60 percent of the agency's daily resources are

devoted to 18 percent of its daily business.

Continuing, Mr. Revell said other states have privatized their motor pools, and some have encountered problems. After privatizing its motor services, the City of Greeley (Colorado) reinstated the agency at a cost of approximately \$13 million. According to Mr. Revell, research regarding Greeley's privatization efforts cited declined service, increased rental costs, and high employee turn-over ratios, among other things, as the major problems with outsourcing.

He agreed with comments made by Mr. Gagnier regarding other services offered by the SMP that result in significant cost savings to the state annually. The bulk of SMP's vehicles are leased to other state agencies. If the RFP proposed by Chairwoman Miller determines that using an outside rental agency will result in cost savings, Mr. Revell noted his support for ceasing that phase of the SMP. He reminded the members that when the SMP facilities have loaned all available vehicles, the state authorizes rentals from other companies, and employee wait times have been significantly longer than those experienced at the SMPs.

"We welcome the opportunity to prove to the state and the taxpayers that we do it better for less money," Mr. Revell said. He offered his assistance in preparing the RFP to ensure that the state's rental needs are addressed during the bidding process.

12. Consider having Nevada's Department of Transportation enter into rental or lease contracts for certain heavy equipment, in lieu of purchase, based on an evaluation of equipment use.

Ruedy Edgington, Assistant Director for Operations for NDOT, noted that department managers enter into short-term equipment rental contracts for specific projects. He explained that the agency is not authorized to enter into long-term lease agreements, and if the committee voted to recommend lease contracts versus purchases, legislation would be required.

Mr. Edgington recommended that the committee not focus on time usage for various types of equipment. He explained that availability and the costs of renting equipment should be more important. Mr. Edgington said he could not equate a "dollar value" to equipment readiness. For example, if northern Nevada experienced a sudden, heavy snow storm, snow blowers or other removal equipment might not be available. The cost of not having such equipment available when needed would be "tremendous," Mr. Edgington stressed.

On the other hand, equipment used frequently in southern Nevada, such as motor graders, are readily available, and NDOT often rents such equipment.

Mr. Edgington offered his assistance in reviewing equipment usage, but he urged the members to consider those items that are required for emergency situations.

Assemblyman Hettrick asked that an analysis be performed that would provide the members with data regarding the disposal value of equipment. The analysis should include the original purchase cost, the amount of usage time, and the selling cost. In this way, the members can accurately weigh the "time readiness" factor and determine if leasing the equipment would provide cost savings to the state.

Mr. Edgington noted that the department maintains an inventory of approximately 1,000 pieces of equipment. He explained that such an analysis for every item would be extremely time consuming. Without objection from other committee members, Assemblyman Hettrick recommended that Mr. Edgington choose two of the most expensive items and the piece of equipment for which the department maintains the largest inventory.

Chairman Hataway asked that the analysis include the factors currently used by the department in deciding which items are rented versus those that are purchased.

PUBLIC TESTIMONY

Chairwoman Miller invited public testimony on issues discussed during this meeting.

Mr. Peck (identified earlier) addressed his concerns about Senator Carlton's report regarding UCCSN police officers and the university's denial of Senator Carlton's request for a copy of the report prepared by NDI. Mr. Peck indicated that during a meeting of the Working Group on the Organization of Public Safety, he opposed placing the university police within the proposed Department of Public Safety. At the various colleges to which Mr. Peck attended, the campus police forces reported directly to the university administration.

Continuing, Mr. Peck opined that the more serious issue concerns public accountability. The ACLU, according to Mr. Peck, routinely defends individuals' rights to privacy. However, Mr. Peck noted that the university's refusal to release the NDI report does not concern an individual's right to privacy; rather, it is an institutional and organizational issue.

Further, Mr. Peck expressed his surprise at what he perceived as the UCCSN's "ease with which it invokes a blanket confidentiality privilege" based on the grounds that the issue is a personnel matter. Mr. Peck expressed his amazement that the UCCSN failed to recognize that the public had an interest in matters investigated by NDI and that the UCCSN refused to provide the report to a duly-elected state official—namely, Senator Carlton. In Mr. Peck's opinion, the administration's response probably was designed to protect the university's reputation as well as to avoid any possible legal liability that might result.

Mr. Peck requested that the committee, and possibly the 2001 Legislature, address the issue of university confidentiality. Reports containing individual names could be redacted by blacking out said names or taking other measures to protect individuals' rights to privacy. By taking these measures, Mr. Peck opined the public's right to know would be preserved as well.

SELECTION OF NEXT MEETING DATE AND DEVELOPMENT OF FUTURE AGENDA TOPICS

Chairwoman Miller informed the members that the committee's next meeting will be its final work session. Therefore, she asked that the members provide her with items to be included on the agenda to ensure that questions are answered prior to voting on specific recommendations. She assured them that a work session document would be forwarded approximately one week prior to the next meeting.

Mr. Gowins noted that members of the public were displeased with the decision not to broadcast this meeting via video conferencing. He asked if the final meeting would be video conferenced. Chairwoman Miller noted that the recommendations discussed during this hearing had been discussed during the June 22nd meeting, and people in northern Nevada were able to provide testimony. The proposals were included on the agenda for this hearing to provide interested persons in southern Nevada with a similar opportunity. In addition, Chairwoman Miller stressed that the meeting was broadcast on the Internet via the Legislative Counsel Bureau's (LCB) web site.

Further, Madame Chairwoman noted that the LCB provided video conferencing for two prior meetings at no cost to the Office of the Governor. However, on those occasions, due to conflicting schedules, some committee members did not attend the meeting at the primary location. As a result, the committee lost its quorum as the meeting progressed and could not take action.

Chairwoman Miller indicated that the final meeting could be video conferenced provided the members committed to attending at the primary location, which would be Carson City. Following a brief discussion, the members expressed their commitment to attend at the primary location and to remain for the entire meeting. With those expressions, Chairwoman Miller committed to video conferencing the meeting.

The Chairwoman stated that Ms. Law would contact the members individually to determine the date or dates for the final meeting of the committee.

ADJOURNMENT

There being no further business before the committee, Chairwoman Miller adjourned the meeting at 5:16 p.m.

Respectfully submitted,

Philene E. O’Keefe, Committee Secretary

Approved:

Don Hataway, Co-Chairperson

Denice Miller, Co-Chairperson

Date

Date

EXHIBITS

The exhibits described in these minutes are not attached to these minutes but may be reviewed in the Research Library of the Legislative Counsel Bureau, Sedway Office Building, Fifth and Stewart Streets, First Floor, Carson City, Nevada.

Tapes of the meeting shall be maintained at the Office of the Governor until the Steering Committee completes its work and presents its final recommendations to the Governor. Copies of the tapes are available at a cost of \$5 per tape. For more information, please contact Linda Fitzgerald, Office of the Governor, at (775) 684-5670.