

INTERIM FINANCE COMMITTEE

LEGISLATIVE COUNSEL BUREAU

Carson City, Nevada

A regular meeting of the Interim Finance Committee was called to order by Chairman William J. Raggio, on June 25, 1998, at 8 a.m., in Room 1214 of the Legislative Building, in Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman

Assemblyman Morse Arberry, Jr., Vice Chairman

Senator Bob Coffin

Senator Lawrence E. Jacobsen

Senator Bernice Mathews

Senator William R. O'Donnell

Senator Raymond D. Rawson

Senator Jack B. Regan

Assemblywoman Barbara K. Cegavske

Assemblywoman Vonne Chowning

Assemblyman Jack D. Close

Assemblywoman Marcia de Braga, sitting as an alternate for

Assemblyman Joseph E. Dini, Jr.

Assemblywoman Jan Evans

Assemblywoman Genie Ohrenschall, sitting as an alternate for Assemblywoman
Christina R. Giunchigliani

Assemblyman Lynn Hettrick

Assemblyman David E. Humke

Assemblywoman Sandra Krenzer

Assemblyman John Marvel

Assemblyman Bob Price

Assemblywoman Kathy A. Von Tobel

COMMITTEE MEMBERS ABSENT:

Assemblyman David E. Goldwater, Excused

Assemblyman Richard D. Perkins, Excused

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne J. Malkiewich, Director

Brenda J. Erdoes, Legislative Counsel

Gary Crews, Legislative Auditor

Daniel G. Miles, Fiscal Analyst, Senate

Mark W. Stevens, Fiscal Analyst, Assembly

Gary Ghiggeri, Principal Deputy Fiscal Analyst

Robert Guernsey, Principal Deputy Fiscal Analyst

Judy Jacobs, Secretary

A. ROLL CALL.

Senator Raggio asked Mr. Malkiewich to call roll, after which it was ascertained a quorum of each committee was present.

Chairman Raggio drew attention to the minutes of the Interim Finance Committee meeting held on May 6 and noted the minutes incorrectly stated the meeting was held on May 8. There being no further corrections, a motion was invited for approval of the minutes.

B. APPROVAL OF MAY 6, 1998, MEETING MINUTES.

MS. OHRENSCHALL MOVED TO APPROVE THE CORRECTED MINUTES OF THE MEETING HELD MAY 6, 1998.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR RAWSON, ASSEMBLYMEN ARBERRY, GOLDWATER AND PERKINS AND ASSEMBLYWOMAN VON TOBEL WERE ABSENT FOR THE VOTE.)

C. EXPEDITIOUS ACTION ITEMS IN ACCORDANCE WITH NRS 353.2550(5)(b)

(Past 15-day Limit) FOR INFORMATION ONLY.

Chairman Raggio pointed out the items under tab C were for information only and proceeded to the next item on the agenda.

Chairman Raggio noted several members of the committee were scheduled to leave in order to catch flights. He announced he would not curtail testimony, but due to the lengthy agenda, he asked for cooperation from the committee and those making presentations to please limit input as much as possible.

D. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS AND POSITION CHANGES in accordance with Chapter 353, Nevada Revised Statutes. (List available upon request).

In accordance with customary practice, Chairman Raggio indicated the work programs listed under item D upon

which testimony would be required. Those included items 1, 2 and 8 on page 1; items 9, 12 and 15 on page 2; items 20 and 21 on page 3; items 25 and 26 on page 4; items 37, 38 and 39 on page 5; none on pages 6 or 7; item 55 on page 8; items 64, 65, 66, 70 and 71 on page 9; items 74, 75 and 76 on page 10; none on page 11; items 87, 89 and 91 on page 12; and none on page 13. He pointed out item 86 had been withdrawn from consideration. He asked the committee if there was a desire to hear any other items, and he announced some items would be taken out of order to accommodate those attending the hearing. There were no further items to be added to the list.

MRS. EVANS MOVED TO ACCEPT ALL OTHER ITEMS LISTED UNDER AGENDA ITEM D NOT SPECIFIED FOR HEARING.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR RAWSON, ASSEMBLYMEN ARBERRY, GOLDWATER AND PERKINS, AND ASSEMBLYWOMAN VON TOBEL WERE ABSENT FOR THE VOTE.)

1. Office of the Attorney General - Administration - FY 99 - Addition of \$234,182 in Federal Drug Admin. Grant to enhance the state tobacco enforcement program. Requires Interim Finance approval since the amount of grant exceeds \$100,000 and includes new staff.

John Albrecht, Senior Deputy Attorney General, Office of the Attorney General, said the requested contract in items 1 and 2 will combine currently budgeted state funds with \$234,182 from the United States Food and Drug Administration to conduct tobacco inspections at over-the-counter and vending locations throughout the state. It will necessitate hiring investigators, part of an attorney's time, children and clerical support staff.

Senator Regan commented the program has proven to be excellent over a number of years and indicated he would not support the proposal if it should jeopardize the existing program. However, he said he would willingly accept federal funds, adding his concern federal interference would compromise what he judged a very successful program.

Peter D. Krueger, Nevada Petroleum Marketers and Convenience Store Association, explained since the passage of Assembly Bill 622 of the 1995 Session, the partnership of tobacco retailers and the Office of the Attorney General (AG) has worked very well at the state level. He said the new situation was mandated by the U.S. Congress, but he expressed hope the program can continue to operate. He declared the tobacco retailers have full faith in the ability of the attorney general's office and Mr. Albrecht to continue running the program. Mr. Krueger described the program as fair, tough, and yet one which provides the opportunity to ensure the retailers do a good job in continuing to reduce youth access to tobacco products.

Chairman Raggio suggested the issue before the committee may be that, if federal funds are cut off, positions may be in jeopardy that were put in place through contract with local law enforcement agencies. He wanted to know whether the intention is to institute new positions and operate the program other than through contracts with local law enforcement agencies. Mr. Albrecht responded the positions will be handled through the Office of the Attorney General.

Chairman Raggio asked why that will be done when in the past the matter has been handled through contract with local law enforcement. Mr. Albrecht responded problems with local law enforcement contracts have arisen, and many counties and cities have refused the contracts because they feel there are other, more important priorities. As a result, he said, at the end of the fiscal year he has entered into agreements with private contractors in those counties where no other contracts exist. He said the reports are turned over to local prosecutors, but they are not always entirely satisfied with the reports and often feel the inspections do not reach their standards of quality. He noted in such cases few or no prosecutions occur.

Mr. Albrecht continued, saying sometimes other activities result. As an example, he reported one county district attorney sent out a letter as a follow-up to encourage compliance with the law. Mr. Albrecht noted there is much voluntary activity in some counties where many prosecutions take place for violations, but in

other counties there may be few or no prosecutions. He suggested the new program will result in statewide uniformity.

Chairman Raggio inquired what will happen if the federal funds are cut off in 2 or 4 years, because the state does not intend to continue the funding. He noted the request will allow hiring of two full-time investigators, two half-time legal secretaries, and eight part-time aids. Mr. Albrecht responded if federal funds should be cut off there would be a return to the smaller state program. Chairman Raggio wanted assurance the new hires will be informed their jobs depend on federal funding, to which Mr. Albrecht agreed.

Ms. Cegavske said convenience store owners indicate the problem with the Office of the Attorney General is a matter of fairness. She expressed concern those in the present program are within months or days of turning 18, and there is concern over hiring children. She asked if that problem has been corrected. She asked if the use of temporary aids came about because younger children cannot be found for hire, and she inquired whether parental consent is obtained prior to using the juveniles. Mr. Albrecht said under both state law and federal Food and Drug Administration (FDA) contracts parental consent is required. He indicated younger children are being hired, and he added any time a retailer calls him he tries to deal with the problem immediately.

Mr. Hettrick questioned whether the attorney general will now prosecute all the cases and no longer turn any over to local jurisdictions. Mr. Albrecht responded affirmatively and noted that the violation rate is under 10 percent, which means there will not be a high number of prosecutions. Mr. Hettrick wondered why the program should be expanded from \$66,000 to \$300,000 if the violation rate is down to 10 percent. He agreed there is some problem using minors to buy cigarettes, but he questioned the necessity of tripling the program and hiring people who will ultimately be fired, especially when enhanced enforcement is already in place. Mr. Albrecht responded the U.S. Food and Drug Administration will go forward with inspections in Nevada either with or without state help, and he explained the aim is to combine state and federal activities under one agency for uniformity and to preclude the necessity for two different kinds of inspections. He added part of the reasoning behind the move is to develop uniform prosecution practices across the state.

As an example, Mr. Albrecht explained a county may use his office one year, then drop it the next, and then reuse the AG's office the following year. He asserted it is unfair to retailers and the business people in those communities to utilize local law enforcement one year, a state entity the next, when there may or may not be prosecutions, and then to return to local law enforcement agencies.

Mr. Hettrick asked for assurances there will be no further requests by the AG's office for additional funding to prosecute the cases should the request be approved. Mr. Albrecht responded part of the budget will cover prosecutions. Mr. Hettrick reiterated his request for assurance there will be no additional General Fund requests. Mr. Albrecht declared, "No, there will not be any additional. There is some General Fund in there that's already budgeted. We're just moving it around." Chairman Raggio repeated, "There will be no General Fund request for this purpose. Is that what you said?" Mr. Albrecht responded, "Additional. I don't want to mislead anyone. There is \$66,000 in there already, that's already been budgeted."

When asked whether he supports the request, Mr. Krueger answered in the affirmative and indicated state retailers would prefer inspectors from the AG's office rather than those hired by the FDA. He explained the relationship is based on education and communications with the Office of the Attorney General, and though the AG's inspectors are tough, he said, they are very fair and problems have been dealt with fairly and quickly. He reiterated his full support for the request.

SENATOR REGAN MOVED FOR APPROVAL OF THE REQUESTS IN ITEMS 1 AND 2.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR RAWSON, ASSEMBLYWOMAN deBRAGA AND

ASSEMBLYMEN GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

2. Office of the Attorney General - Administration - FY 99 - Transfer of \$46,845 from Tobacco Enforcement category to Salaries category to provide state share of salaries for the tobacco enforcement program. Requires Interim Finance approval since the amount added to Salaries category includes new staff.

Refer to testimony and motion for approval under item 1.

3. Secretary of State - FY 98 - Transfer of \$14,834 from Operating category to Salaries category to cover projected salary expenses for the fiscal year. Requires Interim Finance approval since the cumulative amount transferred to Salary category exceeds \$50,000.

Refer to motion for approval under item D.

4. Office of Secretary of State - FY 98 - Transfer of \$140,000 from Operating category to Information Technology category to begin the Phase 2 portion of implementing recommendations from the agency's Business Processing Re-engineering project. Requires Interim Finance approval since the amount added to Information Technology category exceeds \$50,000.

Refer to motion for approval under item D.

5. Office of the Treasurer - Treasurer Administration - FY 98 - Addition of \$100,000 in Assessments and \$7,909 in Transfer from Department of Motor Vehicles - FEMA to pay for increased operating expenses including investment advisory and tracking services, and telephone installation and utilization costs. Requires Interim Finance approval since the amount added to Operating category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

6. Department of Personnel - FY 98 - Transfer of \$63,064 from Reserve category to Operating category and \$31,851 from Reserve category to Department of Information Technology category to primarily provide funding for added Hearing Officers contract billings and additional Department of Information Technology billings. Requires Interim Finance approval since the amount transferred to Operating category exceeds \$50,000.

Refer to motion for approval under item D.

7. Department of Administration - State Public Works Board - State Public Works Board - Inspection - FY 99 - Addition of \$122,261 in Inspection Fees to enable receipt of funds from University of Nevada Las Vegas (UNLV) for inspection fees associated with donated projects. Requires Interim Finance approval since the amount added to Salaries category exceeds \$50,000.

Refer to motion for approval under item D.

8. Department of Information Technology - Communication and Computing Division - FY 99 - Transfer of \$711,352 from Reserve category to Information Services category to implement the Department's recommendation to add a 9672-R25 CMOS Processor to the mainframe configuration on July 1, 1998. Requires Interim Finance approval since the amount added to Information Services category exceeds \$50,000.

Chairman Raggio indicated testimony would be taken on item D-8 and item H at the same time.

Marlene Lockard, Director, Department of Information Technology, explained the requests will provide for a transfer forward of \$711,352 to implement the migration plan to a Parallel SysPlex system at the current mainframe facility. She noted the subject has been discussed on previous occasions and the department has kept the IFC apprised of progress in dealing with capacity issues. She explained the

Department of Information Technology (DoIT) is now at the point where it is necessary to balance forward the funds. She recollected during the last legislative session DoIT requested permission to keep the two biennial budget accounts together in order to move to the desired technology in the next fiscal year.

Chairman Raggio agreed the request comports with previous actions of the committee.

SENATOR JACOBSEN MOVED TO APPROVE ITEMS 8 AND H.

MRS. EVANS SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYWOMEN deBRAGA AND CEGAVSKE AND ASSEMBLYMEN PRICE, GOLDWATER, AND PERKINS WERE ABSENT FOR THE VOTE.)

Ms. Lockard noted during her previous appearance the committee had requested the department provide an ongoing list of current projects and the status of each, which she pointed out has been done. She stated the report continues to be improved as the process of soliciting information from each of the agencies goes on. She pointed out once DoIT gets through a couple of cycles and the reporting system is put into place, some of the figures may change. However, she expressed satisfaction with the process and asserted DoIT can now provide a complete and full record of projects of \$50,000 and over.

9. Department of Administration - Division of Risk Management - Benefit Services Fund - FY 98 - Transfer of \$1,040,000 from Self-Insured category to Self-Insured Program costs category, 54,821 from Self-Insured Medical Costs category to Wellness Program category to provide funding to pay UICI Administrator's for run in claims left unpaid by previous Third Party Administrator's (TPA) and for increased costs in Wellness Program due to enhanced marketing efforts and addition of several blood test screenings. Requires Interim Finance approval since the amount transferred to Self-Insured Program Costs and Wellness Program Costs category exceeds \$50,000.

Randy Waterman, Acting Chief, Risk Management Division, Department of Administration, and Karen Rasner, Accountant III, Risk Management Division, Department of Administration, addressed item D-9 and information item O-1. Ms. Rasner explained the work program request will transfer authority into category 10, the self-insured program, to reimburse UICI for claims that were not paid by the previous third-party administrator, requiring an increase in the amount of \$1,040,000. She drew attention to a spreadsheet showing the claims included under information item 1 under tab O and said a request also was being made to transfer \$54,821 into the wellness program category to pay for additional costs of promoting the program.

Since a request was being made to remove \$1 million from the budgetary authority from the medical claims category, Chairman Raggio asked whether projections on the total claim costs for Fiscal Year 1999 had been updated. Ms. Rasner replied UICI processed many claims during the month of June in order to become current, and she said there is approximately \$5 million remaining in the authority for that category, of which \$4 million will probably be needed for the claims, leaving \$1 million to cover costs in the self-insured program.

Chairman Raggio asked how much reserve will result from the transfer. Ms. Rasner responded the reserve contains approximately \$2 million. Chairman Raggio asked whether the recommendation is to retain a reserve of approximately 2 month's worth of claims, which he estimated at between \$9 million and \$12 million. Ms. Rasner answered the division will be left under-reserved. Chairman Raggio commented that will leave the reserve short by a substantial amount. He surmised that will leave a deficit. Ms. Rasner responded, "Possibly."

Chairman Raggio said staff calculations indicate the deficit will be \$1.5 million in August, and by the end of the next fiscal year the deficit will be over \$11 million. He asked how the division plans to deal with such a negative cash position. Mr. Waterman responded up to this point the priority has been to work down

the backlog. He said the division cannot review the claims closely until the backlog is caught up and a determination is made as to where the funds should go. He stated the division has been astounded at the volume of the claims, and he acknowledged he was unsure to what the volume of claims can be attributed at this point in time. He concluded approximately \$4 million can be attributed to lost discounts and waived deductibles in 1997. He said until all the claims were paid the division did not have the data available to analyze the problems and determine how to increase the reserves. He stated the division will look at increased medical trends, medical inflation, overpayments and duplicate payments, increased utilization by participants, and increased severity of claims.

According to Mr. Waterman, UICI, the third-party administrator, is currently on a 10-working-day backlog. He declared the data is clearer now which will enable the division to make an analysis.

Chairman Raggio requested a report on the progress since the last meeting. Mr. Waterman responded UICI has brought the backlog down to approximately 16,000 claims, which he called phenomenal compared to the backlog they took over. He reported UICI had as many as 90,000 claims in a month to process during the high peaks of the first 6 months of this year.

Senator Raggio inquired into the status of the run-in claims, those that became effective prior to the latest contract. Mr. Waterman told him the run-in claims have mostly been paid off. UICI sent the division a letter indicating there will be no more charges for run-in claims, and any additional run-in claims will be paid as part of their regular service fee.

Mr. Marvel asked whether the Committee on Benefits met yesterday and whether any kind of resolution was reached. Mr. Waterman replied the committee met, but no resolution of the negative cash flow had been reached because the problem was not addressed. He said an actuarial report was made with very tentative initial projections for the future. He reiterated the committee has not had enough data until this point to consider the cash-flow problem.

Mr. Marvel inquired what it may take to remediate the problem. Mr. Waterman responded it will take hard work and a lot of analysis of the data that has just been received, and he suggested more funds may have to be raised and costs may have to be cut. He admitted no estimates of any increase in rates has been made.

In response to another question from the assemblyman, Mr. Waterman said any expense that relates to the transition from L and H Administrators to UICI would be considered a one-shot expense as would any duplicate payments of claims, and since 90,000 claims per month are being generated there are bound to be some duplicates. He added all the run-in claims are one-shot costs, as are waived deductibles and loss discounts. He acknowledged there were a fair number of items that were part of 1997 and early 1998 costs that were one-shot items which he asserted should not recur.

Mr. Marvel wanted to know whether the present contributions will rebuild the reserves once those items are paid. Michael Gray, Actuary, William M. Mercer Company, responded that in the current forecast it will not be possible to rebuild the reserves. He stated the division is continuing to update non-recurring costs each time new data is received, and the forecast includes \$5.5 million of costs that are not anticipated to recur, including the total of run-in fees, the discount and the deductible. He opined the \$5.5 million has increased since the first estimate, and that it will continue to increase. Even as non-recurring costs increase, he warned, it does not appear likely that contributions will be level with ongoing claim and expense volumes.

Mr. Marvel inquired whether the contribution rate will be raised or whether benefits will be cut. Mr. Gray responded, "Both. Yes." Mr. Marvel asked how soon that may occur. Mr. Gray replied that at the next committee meeting, which will take place in Yerington at the end of July, the committee will probably "leave no stone unturned" in terms of the various actions that will be taken, including benefits, cuts, rate increases and a variety of scenarios. Mr. Marvel asked if the reserve will be completely used by that time. Mr. Gray replied, "The month-to-month cash flow analysis is real difficult. We're working off a very thin margin. We don't think so, but it's close enough to not be very confident."

Mr. Close reported in a meeting he attended the previous day with the chairman of the Base Budget Review Committee, who was not present today, and the Risk Management Division, a number of the items were discussed, and at that meeting he expressed his concern that by the end of August, according to projections, there will be a deficit. He said the division was asked to develop an action plan within 45 days, and he opined there will be problems if the agency does not take action soon to deal with the deficit.

Mr. Hettrick agreed that based on staff projections there will be a deficit of \$11 million in a year if claims continue at the present rate. He concluded even the one-shot, at an estimated \$5.5 million, will leave a deficit of somewhere between \$6 million and \$11 million, which he called significant. He concurred the situation must be adjusted soon before the problem gets too far out of hand.

Senator Coffin declared the predecessor to Mr. Waterman had held the position far too long and had not been qualified to manage such a problem. The senator asserted he wanted to be sure that the people appearing have sufficient experience in the insurance business to "wind this thing down." Senator Coffin stated he had never seen anything so out of control in his 29 years of experience in the insurance industry. He called it "a scandal beyond belief." Senator Coffin asserted the problem can be changed with proper management. He asked what experience level the state employees have had.

Mr. Waterman answered he has worked in the insurance business for approximately 15 years, having come into the state system through the Nevada Industrial Commission, which is now the State Industrial Insurance System. He said he was one of the original proponents and founders of their insurance and loss-prevention section in loss control and working with different retro programs, the precursor to policy holder services. After that, he said, he went to the university system where he managed the Workers Compensation and Safety and Loss Prevention programs on a system-wide basis until the middle 1980s. Then he joined the Risk Management Division where his initial primary responsibility was to get the Workers Compensation and Safety and Loss Control sections moving, and later he worked with the Property and Casualty program. He asserted his success, saying the Workers Compensation program is first-class and has saved the state "tons of money" over the past 3 or 4 years. He reminded the committee he just moved over as Risk Manager within the last 4 months.

Mr. Waterman acknowledged that his experience in the health care part of insurance is limited, but he asserted he is a good manager. He admitted he relies on others in the office for the health care business, specifically Becky Crawl, Benefits Manager, who has extensive health insurance and benefits delivery experience. He related she came to the state from Harrah's about 5 years ago.

Indicating he still had some concern, Senator Coffin noted he appreciated Mr. Waterman's honesty. The senator cautioned against cutting benefits because it could result in an onslaught of claims, although he agreed it is well to discuss raising premiums. Mr. Waterman interjected he does not believe the Committee on Benefits will seriously entertain cutting core benefits, but some fringe benefits may be closely reviewed.

Glen Meister, Consultant, William M. Mercer Company, identified his company as the consultant to the Committee on Benefits, and said the committee relies on consultants for expert advice. He related he has had over 20 years of experience in health care consulting, and Michael Grey also has 20 years of experience. He asserted Mercer is providing a depth of professional advice to the committee. He related his company was retained effective December 1, 1996, and he agreed with Senator Coffin that he has never seen such a significant problem during his career. He declared his company is committed to delivering professional service to the committee.

Ms. deBraga voiced the understanding that protests are being made that very old claims are not presently being reviewed. She asked whether those are included in unknown costs and whether they may have a significant impact. Mr. Gray replied evaluations of the situation started seriously in January, although the company was aware of boxes of claims that had not been opened that were held by L and H at the time UICI took over. He explained as the boxes are opened and the claims paid, data is created which requires review and evaluation. He said if claims are not reported to UICI, Mercer cannot factor them into financial projections. If those are inventory items listed in UICI, they are counted toward the overall

evaluation, but if they have not been counted they are not included. At this point, he said, the overwhelming data indicates that UICI has reduced the inventory from 134,000 claims in December to 16,000 claims presently. He expressed hope the claims referred to by Ms. deBraga are part of the 16,000 inventory.

Ms. deBraga said she was more concerned about boxes of claims that may have been lost than the boxes of claims that have been opened.

Chairman Raggio requested those present from Risk Management and Mercer make themselves available to the committee for questions. He asked whether there was a motion on the item.

MR. MARVEL MOVED TO APPROVE ITEM 9.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMEN ARBERRY, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

Chairman Raggio indicated Mrs. Evans had some questions for Mr. Waterman.

Stating there is no interest in increasing premiums or reducing benefits, but there is great interest in reducing costs, Mrs. Evans inquired how much it costs for the current payment per transaction. Mr. Waterman answered the division is very paper-oriented, which he acknowledged is expensive, and current costs paid to UICI are approximately \$13.15 per employee per month. He was unable to state how much the payments currently run, although he said he had heard they run in the \$8 to \$10 range, and run-in claims cost about \$10.

Mrs. Evans suggested claims costs could go into the millions very quickly. She noted Utah, which Mr. Waterman recently visited, has an electronic exchange of information in its processing that appears to cost substantially less than Nevada's. She said she was informed Utah's costs amounted to less than \$1 per claim. Mr. Waterman verified her information and said he was very excited about it. He said four people from Nevada, including one from the Office of the Attorney General, two from his office, and the chairman of the Committee on Benefits, studied the Utah system in action. He admitted they thought it was too good to be true, but Utah's electronic system transmitted data at a cost less than that of a postage stamp, 20 cents per transaction.

According to Mr. Waterman, the Utah Health Information Network is run by a non-profit group, and 90 percent of the providers and payers in the state participate in the program. He declared, "The beauty of it is that is a single system ... so all the providers only have to learn one system." He said it is not a proprietary system, and it has benefits for both the payer and the provider side.

Mrs. Evans requested that Mr. Waterman make a full presentation on how the Utah system works at the next IFC meeting. She suggested he might invite those involved in the Utah program to attend to answer questions. Mr. Waterman agreed to do so.

Chairman Raggio asked whether Mr. Waterman had anything to add under the information item. Mr. Waterman recalled interest in the Request for Proposal process and said it had been presented in writing. He said at the meeting the previous day it was reported there were 11 respondents to the RFP, and of those three or four may not be able to handle an account the size of the state, but the remaining respondents had a price range very close to that of UICI, from approximately \$10.50 per person per month to \$16. He said UICI is on the low end, with a cost of \$13.15. He reported a subcommittee met and selected three of the vendors to make formal presentations to the full Committee on Benefits, but at the last minute one of the three withdrew due to difficulty it was experiencing with its claim system. Of the two remaining candidates, ABPA of Las Vegas and UICI, the committee voted unanimously to retain UICI. He pointed out UICI is "sort of two companies" and, he said, one committee member suggested UICI was in transition, and now that the transition is complete, it is like a new company and should do the best job. He stated an analysis of the cost of processing claims indicated that, of all proposals, UICI came in with

the lowest cost when not only monthly costs but also start-up fees and transition fees were taken into consideration.

Chairman Raggio wanted to know the term of the new contract, which Mr. Waterman replied runs from January 1, 1999, to December 31, 2001. He acknowledged there are penalties for non-performance and explained under the existing contract they are limited to 9 percent of the administrative fee, but under the new contract they will be raised to 21 percent. He explained UICI has more confidence now and thus is willing to put more at risk.

10. Department of Museums, Library and Arts - Nevada State Railroad Museum - FY 99 - Addition of \$21,692 in Gifts and Donations to increase Gift Shop Manager position from half-time to full-time. Requires Interim Finance approval since the amount added to Salary category includes new staff.

Refer to motion for approval under item D.

11. Department of Museums, Library and Arts - Arts Council - FY 99 - Addition of \$369,850 in NEA Partnership Grant, \$20,000 in Private Grants and Deletion of \$36,000 in NEA Folk Arts Grant, \$34,250 in NEA Local Arts Grant, \$49,600 in NEA Rural Arts Grant, \$250,000 in NEA Basic State Arts Grant and \$20,000 in Gifts and Donations, Transfer of \$14,524 from Community Arts Program category to Grants Program category, \$60,500 from Community Arts Program category to Artist Services Program category and \$45,000 from Community Arts Program category to Public Information and Arts Initiatives category to consolidate revenue ledges and realign selected category authority as recommended in Base Budget Review hearings. Requires Interim Finance approval since the amount transferred to Artist Services Program category exceeds \$50,000.

Refer to motion for approval under item D.

12. Department of Human Resources - Department of Human Resources Administration - FY 98 - Transfer of \$899,827 from Maximus Reserve category to Maximus Expense category to provide quality assurance monitoring services for the Nevada State Welfare Division's NOMADS project. Requires Interim Finance approval since the amount added to the Maximus Expense category exceeds \$50,000.

Mark Roberts, Administrative Service Officer, Office of the Director, Department of Human Resources, explained the request will transfer \$899,827 out of the Maximus reserve account to fund a quality assurance assistance program for the NOMADS project. He distributed a progress report on Maximus (Exhibit A), reminding the committee approval for the project was given a year earlier. He pointed out the first column in Schedule 1 indicates the projections for revenue made at that time. After working on the initiatives for a year, a revision of the projections was made indicating an increase of about 5 percent.

Mr. Roberts said Schedule 2 gives an accounting to date showing receipts of \$4.5 million, expenditures or obligations of \$1.2 million, leaving \$3.3 million in an unencumbered balance. He explained column 1 of the third schedule capsulizes Schedule 2 showing the balance at \$3.3 million. He reminded members at the last IFC meeting an obligation to utilize that balance was approved, and from projections for the FY 1999 biennium, that will leave an unencumbered balance in the account of \$3.9 million. The next biennium will have a balance of \$6.1 million, making the total for the Maximus revenue account an unencumbered balance of \$10.1 million. He stated that represents the approval of the NOMADS quality assurance (QA) request.

Myla C. Florence, Administrator, Welfare Division, Department of Human Resources, recapped the situation, asserting it is important for the committee to remember one of the tasks given the Maximus Corporation in 1997 was to review the status of the NOMADS project as part of the original evaluation of the Nevada State Welfare Division's (NSWD's) readiness for implementation of the welfare reform changes. She recalled there was a great deal of discussion during committee hearings with members of the Senate Committee on Finance and the Assembly Committee on Ways and Means about the state's readiness to assume full control of the NOMADS project. Consequently the budget process moved some funding to the vendor as well as to subcontractors for continuation of the development of NOMADS and

to devise welfare reform modifications.

Ms. Florence reported the contractor indicated its work was complete by September 30, 1997, even though there were problems with the testing process. The department had difficulty negotiating with Maximus, and it was deemed critical and appropriate to have an independent entity review the project and the vendor's proposal. Since that time, she said, a number things have developed warranting attention.

Ms. Florence indicated by tomorrow Congress probably will accept the conference report with regard to Child Support penalties. She noted Congress provided an extension until October 1997 in which statewide systems should be operational. She acknowledge the department has not met that date and it is very likely a penalty of \$714,000 will be imposed this fiscal year. She added it is probable another penalty of \$1.6 million will be imposed if the system is not certified by September 30, 1999. However, she said, the penalty for that year will be reduced to \$196,000 if NOMADS is ready statewide by that date.

Ms. Florence asserted quality assurance is an essential component to any major project, and if any fatal flaw has occurred with NOMADS, she attributed it to abandoning the quality assurance contract back in 1993. She said, "I take full responsibility for that decision." She opined quality assurance components fall between 10 and 20 percent of large system development, and it is critical to have an independent, full-time quality assurance component working with the state to point to appropriate decisions and look for opportunities to accelerate the schedule. She indicated the second pilot program will not be ready until April 1999.

In response to a question by Chairman Raggio, Ms. Florence recalled the system's house quality assurance contract originally was \$914,000, and a decision was made to terminate the contract at a time when the contractor was not performing.

Senator Raggio asked whether Maximus is the successor. Ms. Florence replied the proposal is to have Maximus continue in that role. She explained the intent is to install cases on the system by August 28, an extension from the original target of August 3 delayed due to loss of staff and expanding work items, according to the contractor.

Chairman Raggio wanted to know whether Maximus is a sole source. Ms. Florence replied, "The Maximus arrangement, as I said, began in December 1997 as an amendment to the revenue Maximization contract." Chairman Arberry repeated the query, whereupon Ms. Florence responded:

The quality assurance contract was not bid, that's correct, and primarily because we haven't had the timing nor the opportunity of funding as we did through the Revenue Maximization project. Again, it was a critical time for us back in the fall of 1997...

When Chairman Arberry again asked whether the contract was sole source, Ms. Florence responded, "I said yes."

Chairman Arberry inquired whether or not the federal government will accept the proposal since it did not go out to bid. Ms. Florence answered it is her intention to pursue federal participation, although it is possible it could be denied due to a lack of bidding. However, she said, the federal government has been a strong proponent of quality assurance.

Chairman Arberry expressed concern the project will fall under the General Fund. He noted Ms. Florence indicated there was not sufficient time to go to bid. Ms. Florence acknowledged she did not want to come before the IFC either, but the department saw an opportunity to fill a void in the overall management through Maximus and Maximus Revenue. She admitted she was unprepared to put together an RFP, which takes from 4 to 6 months, and she opined this is the best way to deal with the crisis that she noted was in the making by the fall of 1997 when the vendor was ready to leave the state. She said at that time Maximus helped the state work through a transition to determine whether the department could assume full control of the project.

Noting there are approximately 20 IBM employees on the project, Senator Rawson asked how many state

employees are working on the project. Ms. Florence replied the Nevada State Welfare Division (NSWD) has approximately 29, the Department of Information Technology has 22, and another 18 have been placed on a training team, the Washoe County District Attorney's office has assigned 4 staff to the training team, and the Clark County DA's office has assigned 6 individuals on an as-needed basis to the training team. The vendors have 51 individuals on the project.

Senator Rawson voiced concern the contractor may be falling short. He commented he and others had been against the state taking over the project and sharing responsibility. Ms. Florence recalled the 1997 Legislature opted to continue the vendor in a management capacity and to supplement with state staff. She asserted the state has worked very hard to get up to speed on what she called a "very complex system that has been developed."

Senator Rawson asked whether state staff levels have been maintained. Marlene Lockard, Director, Department of Information Technology (DoIT) responded, "In fact, the state was not put in charge of the project." She said the state renegotiated a contract with IBM for full project management as directed by the Legislature. Although the negotiation was very difficult, she felt a successful team approach was reached and that things were working well. She noted there is an ongoing issue of retainment of personnel in NSWD and there has also been turnover of state staff at the NOMADS project office. She opined part of the problem can be credited to the old technology in which the system was developed because programmers are interested in utilizing new technology, and part of the problem is one of salary.

Ms. Lockard declared the state has requested that more of the state staff be moved into the top tier of the project, but management has been very reluctant to do so. She voiced concern that their reluctance holds the state back from ever assuming the key positions critical for ongoing support and maintenance. However, she said, the state has been trying to resolve those issues internally with the project office, and some progress is being made.

Senator Rawson questioned whether things are going well with this project, or whether the project is in trouble. Ms. Lockard replied, "I think things are going on track, but I absolutely support Myla's [Florence] proposal for a QA oversight role. I think that is critical to the project to make sure we stay on track."

Senator Rawson wanted clarification as to whether the state is having trouble with the contractor. Ms. Lockard responded she was of the opinion things were working well until the past couple of days when some information was brought to her attention that had not been made available to either Ms. Florence or herself.

Ms. Florence interjected she and Ms. Lockard meet with the project manager and the quality assurance manager on a weekly basis. She said it was not until 4:00 yesterday afternoon that she was informed there was a proposal to move some of the quality assurance funding towards the training effort. She noted that was the first time she had heard mention of that proposal since a meeting in March 1998 where the proposal was first made. She reported she had made a decision to assemble an in-house training team, and 18 people began familiarization classes with staff earlier in the week. 40 people went through the evaluations, 22 from the district attorney staff, and 31 of them were rated excellent.

Ms. Florence described most of the issues as being environmental, with concerns about lighting, glare from computer screens, etc., although there was one comment from a staff member indicating lack of belief the system is really coming into being. She declared it is coming and cases will be placed into the system in August. She reiterated:

I think the only way to insure that we stay on track is to have a quality assurance component that is rigid, tight, not only evaluates what the vendor does, but one of their tasks is to evaluate my staff in their training plans, their training materials, and validate that workers will receive the appropriate and excellent level of training that our staff has produced all along.

Ms. Florence asserted any training done by the department has always been rated higher than when people are brought in from the outside. She said, " We have very competent staff that can assume that

task."

Senator Rawson recalled asking for details on the training at the last meeting, and he was assured that training would be okay. He said now he would like to see specifics on the training and who is in charge, what kind of plan is in place and how many hours are being allocated to training. He observed training is the most critical part of the program, now that money and time have been expended on developing a program. He agreed it needs quality assurance. He mused, "We're to the point now where we ought to be working for rollup, and that's where our efforts ought to go." Ms. Florence responded, "I think that's an appropriate task to be monitored by an independent party. We are on the very critical path of rolling this project out, and somebody independent needs to be looking at it."

Senator Rawson clarified he may be using the term differently than Ms. Florence. He opined an industry standard for quality assurance can be handled by one person on the project, and 20 percent seems an exorbitant figure for quality assurance. Ms. Lockard responded the industry standard is 10 to 20 percent of a project. She noted during the last legislative session Assemblywoman Jan Evans convened an informal technology group, and someone in the industry provided information on technology development within the state. A letter was issued from the individual who also reiterated that 10 to 20 percent is standard.

Senator Rawson inquired whether the project is still being developed or whether it is in a testing and rollup phase. Ms. Lockard told him, "The welfare reform modification is development, that's construction." Senator Rawson asked whether she meant the project is still being constructed, to which Ms. Lockard replied, "Yes."

Senator Rawson wanted to know how far along the construction is, whether it has reached 90 percent. Ms. Florence replied the construction will be complete in January 1999, according to the schedule, and after further testing the second parallel pilot will be complete in April 1999.

Senator Rawson asked whether some of the deadlines subject to fines or penalties could be avoided by an infusion of \$1 million to speed construction. Ms. Florence responded, "Right now we are evaluating whether there are other personnel in management or supportive functions that can ultimately be phased out and replaced with programmers." She acknowledged she was unsure whether adding more resources at this point for development is possible or feasible and said she would have to rely on Ms. Lockard and the quality assurance contractor for advice. She warned sometimes it does not make much difference how many people are involved in a computer industry process, it is simply a matter of time.

Ms. Florence distributed some examples of the user-task guides that have already been developed (Exhibit B). She noted the training team has identified 280 task guides that need to be developed for the pilot phase commencing in August. She said 158 of those have been assigned and are being worked on, and 67 have been completed. She explained the approach to training includes development of task guides that people can take away. Classroom training will be specifically targeted to the audience being addressed; for example, training for clerks will be different than training for eligibility workers or training for supervisors, because they all have different levels of functionality. She said the first step is the familiarization process which is going on now in Las Vegas and will begin in Washoe County July 1. The basic classes include keyboarding for people who are not conversant with keyboarding, familiarization with NOMADS screens, what the colors mean, how to move from one screen to another, and how to conduct a search for a person in NOMADS, whether that be in child support, food stamps, TANF, or whatever.

Ms. Florence said NSWDC has 422 eligibility workers, and she explained they do computer work. She expressed dismay at a report that they do not do computer work, saying:

I saw that reference, and that is just a total misrepresentation of our organization. And if I sound upset, I am. Every worker has a unit on their desk, whether that be dumb terminal or a PC. So people do know how to access the system and have a fair amount of familiarity with the system.

She acknowledged keyboarding is not a major part of the job, but said she is aware of only one 83-year

old employee who has such problems with computers that the woman is not required to use them.

Senator O'Donnell asked when the project was supposed to be complete. Ms. Florence answered the first deadline was October 1995, which was first extended to October 1997 and now extended to May 1999. Regarding training, she told him the first pilot will commence in August using a phased approach. Some cases that have not been impacted by welfare reform will be tested in an attempt to get workers to believe the system is really coming, and to show them it is rich in functionality and will supplant many of the manual activities they now must deal with. She expressed her belief in the system, and added her opinion the workers will believe after August, too.

Senator O'Donnell asked whether Ms. Florence has seen the training product and whether it works. Ms. Florence stated she believes it will work, although cases have not yet been tested. She opined the pilot will give the answer, adding two releases have been tested this year and the department is working on the third release. She related one of those working on testing told her yesterday the program is was going very well. She declared that is why she has confidence and belief in the system, but acknowledged the pilot will provide a lot more information in terms of full-case scenarios, overnight batch jobs, and the kinds of things that require further testing.

Senator O'Donnell wanted to know whether the pilot program is just a small part of what was supposed to have been finished in October 1995. Ms. Florence replied in every system there is a pilot with a small subset of cases. She said phase one includes at least a third of the caseload which will be put in the system and go into live production.

Seeking specifics, Senator O'Donnell inquired whether all the components, such as food stamps, child support, the many kinds of different entities involved in the program, will be inputted in August, or whether it will be just a few of them. Ms. Florence replied the cases that are not impacted by welfare reform will be put into the system.

Senator O'Donnell asked whether those entities that are impacted by welfare reform will require that the program be changed and modified to accommodate the welfare reform. Ms. Florence answered, "That's what is currently being worked on now."

Senator O'Donnell inquired whether there is a budget for that and how much it will cost to reprogram "this monster." Ms. Florence replied that was part of the appropriation from the last legislative session, and the department has entered into another amendment with the vendor, approximately \$7.4 million, for continuation through June 30, 1999.

Senator O'Donnell asked, "Did California just walk away from \$224 million worth of welfare NOMADS-type programming with ISSC?" Ms. Florence answered California walked away from a \$354 million child-support program for which she believed the vendor was Lockheed.

Senator O'Donnell expressed doubt the project will be successful. He said, "I think this is the Spruce Goose of data processing. It will get about 10 feet in the air and then land, and then that will be the end of it." Ms. Florence rejoined, "All the more reason that I encourage your support of the quality assurance contract."

Voicing her confusion, Ms. Krenzer asked for an explanation of the material sent around to the committee. Ms. Florence responded:

These are the user task guides that people will receive during the training and when they leave the classroom training, which will have an index. For example, if you're a child support worker, and you're getting ready to load an order and experience difficulty with the task that you're doing, you would go to the index, go to the task guide entitled "Orders" and you can see from those task guides there are actual prints of screens. It identifies help keys for particular problems. The training is being approached on the 80-20 rule, that any time you go to training, particularly on a system that is as complicated as this one is, you're going to retain about 20 percent. The 80 percent, or actually, the 100 percent, but the 80 percent that you can't remember, is going to be

available to the worker in this bound task guide where they can refresh.

Ms. Florence added there are computer-based training programs that have been developed in many of those areas, such as accessing a person search, alerts by priority, alerts by type, defaults, custodian cases, etc., in which the employee can dial into the computer and receive additional training.

Ms. Krenzer asked when the training started, to which Ms. Florence replied, "In Las Vegas this week."

Acknowledging the complexity of the program, Ms. Krenzer wanted to know whether Maximus has indicated everything is on line right now. Ms. Florence responded Maximus has indicated some concerns, particularly relating to project organization as identified by Ms. Lockard.

Ms. Florence related she met last night with Maximus representatives and they outlined some concerns with training, although nothing deemed insurmountable. Maximus believes the staff people assembled by the department are qualified, professional and well-regarded by their peers. She asserted the task guides will make sense to individuals when they go through training. She admitted she was able to navigate through NOMADS employment and training screens, indicating the system is user-friendly. She said it has pop-up windows, alerts, and a number of prompts to workers, and guides to be used when the employee has difficulty. Additionally, there will be on-site experts in every office, called "advanced trainees," to support the staff.

Referring to an earlier comment regarding the amount of work and expectations placed on the staff, Ms. Florence said she agreed. She acknowledged the staff has gone through tremendous change and challenges over the past 2 years, and though extensive training has been provided, the staff is still not comfortable. She admitted, "It's been a very difficult period for our organization as a whole."

Ms. Krenzer asked why NSWDC is hiring seven quality assurance people. She wanted to know whether they have made progress reports. Ms. Florence interjected, "We don't have a quality assurance person without this proposal." Ms. Krenzer said she understood there was a quality assurance person and project manager on staff right now. Ms. Florence responded they were on board through the Maximus contract, but the contract ended in May. She said they are still working "on good faith." Ms. Florence indicated they have provided reports on the project.

Ms. Krenzer voiced the opinion there should be no need for more management, and rather than hire "more chiefs for quality assurance," she observed what is needed is training and integration with IBM.

Ms. Lockard responded the department has had difficulties with voluminous reports received every Monday during lunch discussions with the vendor. She said it is difficult to track the project from plan start to task to what the actual starts are. She complained that is one of the difficulties that the current QA function is having and it is taking them an enormous amount of time to really determine exactly where the project stands. She indicated the project manager reported that the completion to date is 11 percent.

Ms. Krenzer wanted to know what recommendations IBM has made regarding implementation. Ms. Florence replied they provided a plan indicating that they will be ready to start pilots in May 1999. She stated throughout the life of the project, even just 3 weeks ago, IBM has indicated training is a state responsibility. She reported IBM made a reference to the fact the state staff could not ask their staff questions relating to training because it would impede the schedule.

Ms. Krenzer suggested people should be involved in the training process from the very beginning. She

asked whether IBM would object to having people in the process right now. Ms. Lockard voiced agreement on the criticality of the training. She said that is not an issue, but who does the training seems to be the question. She said Ms. Lockard has put together a plan, although it will be an incomplete plan until the training component is integrated into the overall project plan.

Saying the program needs to be implemented, Ms. Krenzer acknowledged the department has had tremendous turnover, there have been changes in the components and delays in Congress. She noted there have been severe impediments to the process, most at "the worker bee level." She attributed much to turnover in personnel, and the ability of the people doing the job to learn. She said, "I just don't see where any of the problems relate." She asserted more people are needed to implement the program, "not more chiefs to tell us about what the problem is."

Ms. Florence responded there are people from the NOMADS project who are on the NOMADS training team, and Ms. Lockard has indicated some the state staff are being underutilized, which was addressed in a document provided in April 1998. Ms. Florence asserted the department is working very hard to get staff, both NSW and DoIT, fully integrated and involved in the project, but that does not dismisses the need for a quality assurance component.

Calling attention to the time, Chairman Raggio asked for final questions. He announced another 15 minutes, and no more, would be devoted to the subject.

Noting the state has a QA position, Mrs. Evans asked what that person does. Ms. Lockard answered she requested one of the senior individuals in state DoIT management team to move over and perform the technical QA function directly for NSW and keep the department informed on the progress of the project and how it will interface and ultimately be integrated into the state system. She also requested the person work with state personnel. She explained that was just a shift in the current position that was already allocated to the NOMADS position, which is different from Ms. Florence's request for a QA. Ms. Lockard said she made the request several months ago because it was a need that was not being met, and the person she is utilizing for technical QA will supplement the QA position being requested by Ms. Florence.

Mrs. Evans wanted to know how many people the state had from Maximus. Ms. Florence replied there was one person full-time and two or three others with less than full-time involvement in the project. Mrs. Evans asked how many system house people were assigned to the project, and Ms. Florence said there was just one person.

When Mrs. Evans asked how many she contemplated hiring, Ms. Florence told her there are two full-time and eight people not on a full-time basis, and additional personnel will be brought in when NSW actually goes through parallel pilot and testing to participate and monitor that process.

Referring to the earlier discussion regarding the industry standard of 10 or 20 percent, Mrs. Evans asked what the difference would be between QA services under a fixed price contract and a time and materials contract. Ms. Lockard replied the department only estimated the total budget for the project through the various amendments and she would have to research what the formula would be for a time and materials contract. She acknowledged there could be a difference.

Ms. Lockard said DoIT provided the Department of Human Resources with comparative information on other QA contracts that currently exist in the state with their costs and budgets for similar functions. She said that enabled Ms. Florence and NSW to negotiate specific QA functions that may have been omitted in draft proposals, and it provided a better outline for obtaining more service for the money in QA contracts.

Mrs. Evans expressed agreement with the need for a quality assurance component, but said she could not support \$1 million for the proposal. Ms. Florence interjected:

I think it's important to understand the latest advance planning document that we submitted to the federal government indicates that the total cost of this project, when you consider our staff, DoIT

staff, the contractor and subcontractor staff, is approaching \$94 million. In my mind this is a small price to pay to ensure that we're not moving into the Year 2000 with penalties which will amount to another \$2 million. I see this, again, as the best advice that I can provide to this committee. It's... always a risk to come before this committee with any proposal that is related to NOMADS. But I felt so strongly about this, I had to bring it forward.

Mrs. Evans asked what responsibility Maximus will have if a penalty is imposed by the federal government, and what guarantees Maximus has made to ensure the goods will be delivered by the expected date. Ms. Florence responded, "The developer is responsible for delivering the product upon which the penalties are assessed. We would be looking to them for any penalty that is assessed because the deadline was October 1997, not at a point where we had QA on the project."

Mr. Close wanted to know how training performance is measured and how much training time is given to each individual. Ms. Florence responded the office area experts will go through 5 full days of training within their respective units, and the normal user will have 2.5 days of classroom training to be supplemented with the computer-based training modules that are available to them on line at their work stations. User task guides will be provided.

Ms. Florence reported the training coordinator met with staff as well as managers and supervisors to develop the training approach. She said staff members get very worried about being pulled away from the front line for extended periods of time, because they know the workload just continues to pile up. She stated the training process will be monitored, and there will be people within district offices reviewing the competencies of the staff using the system.

Mr. Close voiced concern whether every staff member will receive enough training, since some will require more than others. He indicated he was somewhat mollified by the plans to monitor competence and asked that Ms. Florence ensure each employee reaches a certain degree of competence before commencing working with the program.

Michael Willden, Deputy Administrator, Administrative Services, Welfare Division, Department of Human Resources, interjected there is a testing component in all training plans. He explained when an employee fails to meet a certain level of competence, the employee must repeat the course and continue to do so until reaching a satisfactory level.

Chairman Arberry concurred with the comments from Mrs. Evans that IFC has demonstrated confidence in Ms. Florence and NSWDC. He acknowledged the committee had reservations in the beginning, and the very low original cost bids have now reached \$90 million. He admitted to continuing skepticism and chided Ms. Florence for being upset in light of the tenuous position of the project which, after the expenditure of \$90 million, may not function properly. He reminded Ms. Florence the Legislature is ultimately responsible for expenditures on the project.

Ms. Florence answered:

First of all, Mr. Chairman, I'm certainly not upset with you or any member of this committee. I am upset with what I perceive to be an end run that I did not have the courtesy of being advised about prior to this meeting, nor was Marlene. I don't think that promotes good contractor-state relationships, and, frankly, you know I feel, again, a level of trust has been violated. So I'm certainly not mad at you. I think the effort - we all have the common goal and interest to see this system succeed. I try to keep my eye on that front-line eligibility worker who is drowning without the support of an automated system. It has passed 2 years, 4 years, I don't want it to be another 6 years, 8 years to be back here with this kind of problem. That is why I feel the quality assurance component is so critical.

Mr. Arberry responded the NOMADS project has been an issue as long as he has been sitting as a member of the Committee on Ways and Means. He assured her that even though California has spent approximately \$350 million, he does not want her to be reluctant to come before the committee about the issue. He said, "Since we're out there, we might as well take it as far as we can to make sure that this

works," but warned the committee will not simply agree to further steps without complete and supporting information.

Ms. Von Tobel recalled a discussion regarding extra funding coming into the state due to its rapid growth. She wanted to know if her recollection was correct that a vote was taken to utilize the extra funding for training. Ms. Florence responded, "It was for a professional development center that is not only for staff training but for client training, and includes a childcare center for clients who are going through that training."

When asked, Ms. Florence indicated the sum was approximately \$1.2 million. Ms. Von Tobel indicated she had been informed the state had discretion in use of those funds, and she voiced frustration the \$1.2 million had not been retained for use now. She inquired whether other sources of funding are available. Ms. Florence responded there is difficulty in examining other funding sources, especially regarding the need to go to bid, which would delay the process.

Ms. Von Tobel wanted to know whether IBM has informed NSWDC of any problems with the system functioning and whether the state will have the ability to assume control. Ms. Florence replied IBM has indicated the system is of high quality and has all the functionality as designed. She and Ms. Lockard have been attempting to prepare state staff to take over. She denied IBM has actually stated, "You're not ready."

Ms. Von Tobel asked whether the state will continue to receive the extra funds because it is a fast-growing state if it is also being penalized. Ms. Florence replied the population factor is independent of the penalties. She reiterated the state would look to the vendor for payment of the penalties.

Senator Raggio asked whether the committee desired to take action on the matter. Senator Rawson declared he would only authorize the funding for a joint effort with employees from the three entities, Maximus, IBM, and the state, and that it be tied to training and quality assurance. He proposed establishment of a committee of high-level people to ensure an adequate training effort, with some quality assurance. He voiced concern that if the funding goes only into quality assurance there will be insufficient training to roll up the system without problems.

Senator Rawson clarified, "The motion would be to approve this amount of money, but that it be made up of representatives of the three entities, the state, Maximus and IBM, and that the joint function be quality assurance and training."

Chairman Raggio said he would accept the motion if it is workable. Ms. Florence asked for clarification as to what percentage should be allocated for training. She reiterated her position the funds should be fully dedicated to a full quality assurance mechanism.

Senator Rawson noted one quality assurance person was assigned to the project and now that contract expired. He said he would be willing to replace that one person and put the rest of the funding into a training component. He clarified, "My motion would be to authorize this amount of money with one person going to quality assurance and the remaining going to the training effort, and that those individuals be made up of representatives of the three groups, IBM, Maximus and the state. And that really be the core team that sets out the training plan and develops the rollout."

Senator Regan referred to statements the staff made regarding recommendations that the quality assurance people would monitor the performance of IBM and assist in assessing the adequacy of the deliverables provided under terms of the most recent NOMADS contract amendment. The recommendations were to provide guidance during each pilot phase, recommend go/no-go decisions after the results of each pilot review, and assist in developing the planned approach for requesting NOMADS federal certification. He suggested the adequacy of deliveries should be controlled by checkbook, that no payment be made if they do not work properly. He asked whether the contract was paid prior to delivery.

Ms. Florence responded IBM is currently working under a time and materials contract, which she views as another reason to have a strong quality assurance component, because in a time and materials

arrangement there is no real incentive for early completion. She declared, "I think we don't have that kind of control as you would under a normal, fixed-price contract where you pay for specific deliverables." Senator Regan reiterated the vendor should not be paid if quality material is not being delivered. He asserted non-payment would be the "fastest way in the world to get their attention."

Seeking further clarification, Chairman Arberry inquired whether the motion would take Maximus out of the project and whether it would be sole-sourced without Maximus. Senator Rawson opined there was the appearance that Maximus may have looked at a way to access the extra funding. Ms. Florence responded the state went to Maximus, Maximus did not initiate the proposal. Regarding the proposed motion, Ms. Florence stated she would need the assistance of the legislative staff to determine how the recommendation can be implemented.

SENATOR RAWSON MOVED TO AUTHORIZE THE TRANSFER AND EXPENDITURE OF \$899,827 FROM MAXIMUS RESERVE TO MAXIMUS EXPENSE CATEGORY TO PROVIDE ONE PERSON FOR QUALITY ASSURANCE MONITORING FOR THE NOMADS PROJECT AND WITH THE REMAINING AVAILABLE FUNDS TO BE USED FOR TRAINING EFFORTS FOR THE NOMADS PROJECT. SENATOR RAWSON'S MOTION WAS MADE WITH THE PROVISIO THAT THE TRAINING EFFORTS FOR THE NOMADS PROJECT CONSIST OF REPRESENTATIVES FROM IBM, MAXIMUS AND THE STATE.

SENATOR REGAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

13. Department of Human Resources - Child and Family Services - Child and Family Administration - FY 98 - Addition of \$96,952 in Budgetary Transfer to meet salary needs through the end of the fiscal year. Requires Interim Finance approval pursuant to Section 37, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

14. Department of Human Resources - Child and Family Services - Southern Nevada Child and Adolescent Services - FY 98 - Deletion of \$96,952 in Budgetary Transfer to meet salary needs in the Child and Family Administration budget through the end of the fiscal year. Requires Interim Finance approval pursuant to Section 37, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

15. Department of Human Resources - Child and Family Services - Youth Community Services - FY 98 - Addition of \$50,000 in Title IV - E, \$163,239 in Room & Board Charges and \$213,239 in Medicaid Charges to continue medical services payments for medicaid eligible children in custody or care of the state through the remainder of FY 98. Requires Interim Finance approval since the amount added to Title XIX Medical category exceeds \$50,000.

Noting the lack of time remaining, Senator Raggio proposed hearing the Child and Family Services Items 15, 20 and 21 as a unit.

Stephen A. Shaw, Administrator, Child and Family Services Division, Department of Human Resources, introduced Darrel Rexwinkel, Administrative Services Officer IV, Fiscal, Child and Family Services Division, Department of Human Resources.

Mr. Shaw indicated there had been a shortfall in Medicaid of more than \$400,000 which would have been earned had a 56-bed facility in Las Vegas opened in March as scheduled. He reported the facility will open in July. Because, he asserted, Medicaid is a complicated issue and the state only controls about 50 percent of costs, he requested that funds be moved in order to allow the state to collect \$400,000. He noted there

should not be a similar shortfall during the next year of the biennium because the facility will be operational.

Mr. Marvel asked whether Mr. Shaw will be requesting another supplemental appropriation during the next session of the legislature. Mr. Shaw assured him the \$400,000 should be made up once the facility becomes operational.

MR. MARVEL MOVED FOR APPROVAL OF ITEMS 15, 20 AND 21, AND TO ALLOW THE UTILIZATION IN 1998 OF APPROPRIATIONS FOR FISCAL 1999.

MR. HUMKE SECONDED THE MOTION.

Mr. Rexwinkle commented the supplemental appropriation applies to item 15, and there may be sufficient revenues for items 20 and 21 in FY 1999. Mr. Shaw explained A.B. 660 allowed funding for budget account 101-3229 to cover any shortfall, and he believed it provides for overages. He acknowledged the amount available will not be known until July 1, but he requested any extra funds from 1998 be carried over into 1999. He declared, "I won't be back for a supplemental appropriation for that unless I absolutely have to." He reiterated it is too soon to know.

Senator Raggio asked whether the person who made the motion and the seconder would allow for Title IV-E revenue authority to be increased by \$728,070 in FY 1999, which would compensate for the General Fund revenue. He suggested that would keep the budget whole, and it would not result in a decrease in the legislatively approved expenditure levels for FY 1999. If approved, an appropriate adjustment to the work program would be requested of the Budget Division. He asked whether that met the approval of the Budget Division. John P. Comeaux, Director, Department of Administration, nodded approval.

Mr. Shaw indicated his understanding that FY 1999 appropriations from the General Fund will be decreased, General Fund appropriations for FY 1998 will be augmented, and revenues in the amount of \$728,000 under Title IV-E will be added to FY 1999 to make up for the General Fund appropriation. He said another proposal had come from the Department of Human Resources regarding the revenue maximization account. He said, "The additional IV-E revenue that you're talking about is probably the revenue that's going over to the revenue maximization account, and then we would ... have the opportunity to request that money coming back from the revenue maximization account."

Senator Raggio referred to a letter from Mr. Shaw addressed to Mr. Comeaux dated June 11 found on page 192 in Volume I of the meeting packet which reads, "This will create a deficiency of General Fund revenue in fiscal year 99. It should be able to be compensated for with an increase in federal Title IV-E revenues earned by the division."

Mr. Shaw concurred, but added there may be a question regarding IV-E earnings. He wondered whether that money would go over to the director's revenue maximization account or whether the chairman was suggesting that \$728,000 remain within DCFS for FY 1999..

Saying the funding presently goes through the director's office, Mr. Rexwinkle indicated he would like that to continue because there is the option to return to IFC. He noted there has been a downturn of placement numbers for the last 3 months and he would like time to make an evaluation. Mr. Shaw indicated that would be satisfactory.

Mr. Marvel said, "Please include that in the motion." Mr. Humke agreed. Chairman Raggio clarified, "With that understanding, then the motion would accommodate request items 15, 20 and 21."

THE MOTION CARRIED. (ASSEMBLYMEN PRICE, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

16. Department of Human Resources - Child and Family Services - Caliente Youth Center - FY 98 -

Addition of \$21,362 in Title I Funds and Deletion of \$20,768 in Vocational Education Grant to continue the vocational and remedial programs administered by Lincoln County School District at C.O. Bastian High School. Requires Interim Finance approval since the amount added to Chapter One Funds category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

17. Department of Human Resources - Child and Family Services - FY 98 - Addition of \$320,000 in Individuals Support, \$12,100 in Treasurer's Interest and Transfer of \$272,900 from Reserve category to Payments To Other Budgets category to reimburse the state for the cost of care of youths in state custody. Requires Interim Finance approval since the amount added to Payments To Other Budgets category name exceeds \$50,000.

Refer to motion for approval under item D.

18. Department of Human Resources - Child and Family Services - Child Abuse and Neglect - FY 99 - Addition of \$44,178 in Title IV-B Subpart II to fund the salary of a Nurse Case Manager position in order to free-up Child Abuse and Neglect Prevention and Treatment Act funds to develop a plan to address child protective services system improvements. Requires Interim Finance approval since the amount added to Child Abuse category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

19. Department of Human Resources - Child and Family Services - Child and Family Administration - FY 99 - Addition of \$113,919 in Title IV-B Subpart II to continue family preservation and support services program to promote family strength and stability, enhance parental functioning and protect children. Requires Interim Finance approval since the amount added to Title IV-B Subpart II category exceeds \$50,000.

Refer to motion for approval under item D.

20. Department of Human Resources - Child and Family Services - FY 98 - Addition of \$728,070 in General Fund Appropriation, \$198,408 in Title IV-E Funds, and Deletion of \$182,360 in Medicaid Rehabilitation Funds to meet projected shortfalls in foster care, group home, youth parole and voluntary mental health placements through the end of the fiscal year. Requires Interim Finance approval pursuant to Section 30 of A.B. 660, 1997 Legislative Session.

Refer to testimony and motion for approval under item 15.

21. Department of Human Resources - Child and Family Services - FY 99 - Deletion of \$728,070 in General Fund Appropriation to meet projected shortfalls in foster care, group home, youth parole and voluntary mental health placements in FY 98. Requires Interim Finance approval pursuant to Section 30 of A.B. 660, 1997 Legislative Session.

Refer to testimony and motion for approval under item 15.

22. Department of Human Resources - Health Division - Women, Infant and Child Food Program - FY 99 - Addition of \$558,561 in USDA Federal Grant to pass through funds to the Western Governor's Association to implement the "Health Passport" electronic benefits transfer program. Requires Interim Finance approval since the amount of grant to Health Passport category exceeds \$100,000.

Refer to motion for approval under item D.

23. Department of Human Resources - Health Division - Immunizations Program - FY 99 - Addition of \$222,372 in Federal Disease Control and Prevention Grant to support two new positions and the development of

an on line data base for Nevada health statistics. Requires Interim Finance approval since the amount of grant exceeds \$100,000 and includes new staff.

Refer to motion for approval under item D.

24. Department of Human Resources - Health Division - Administration - FY 99 - Addition of \$176,942 in Tobacco Prevention Grant to continue the tobacco prevention and control programs in the community and add one and one-half new positions and support costs. Requires Interim Finance approval since the amount of grant includes new staff.

Refer to motion for approval under item D.

25. Department of Human Resources - Health Division - Community Health - FY 99 - Addition of \$257,157 in Health Services Block Grant to continue the programs of sexual offense and rape prevention education in FY 99. Requires Interim Finance approval since the amount involves the allocation of block grant funds and requires a public hearing.

There was no testimony on item 25.

MR. MARVEL MOVED FOR APPROVAL OF ITEM 25.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMEN PRICE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

26. Department of Human Resources - Health Division - Special Children's Clinic - FY 98 - Addition of \$110,000 in Maternal Child Block Grant and Deletion of \$110,000 in Client Charges to adjust for shortfall in client charges. Requires Interim Finance approval since the amount involves the allocation of block grant funds and requires a public hearing.

There was no testimony on item 26.

MR. HUMKE MOVED TO APPROVE ITEM 26.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMEN PRICE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

27 Department of Human Resources - Division of Health Care Financing & Policy - Nevada Medicaid - FY 98 - Transfer of \$85,102 from Current Year Medical Payments category to Utilization Review category to cover Utilization Review expenditures under the FY 98 Health Insight and Dr. John Miller contracts through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Utilization Review category exceeds \$50,000.

Refer to motion for approval under item D.

28. Department of Human Resources - Division of Health Care Financing & Policy - Nevada Medicaid - FY 99 - Transfer of \$274,460 from Current Year Medical Payments category to Utilization Review category to cover Utilization Review expenditures under the FY 99 Health Insight and Dr. John Miller contracts through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Utilization Review category exceeds \$50,000.

Refer to motion for approval under item D.

29. Department of Human Resources - Division of Health Care Financing Policy - Nevada Medicaid - FY 98 - Addition of \$271,128 in Civil Penalties to provide for payment of costs associated with nursing facility resident protection. Requires Interim Finance approval since the amount added to the Nursing Facilities Resident Protection category exceeds \$50,000.

Refer to motion for approval under item D.

30. Department of Human Resources - Division of Health Care Financing & Policy - Nevada Medicaid - FY 98 - Transfer of \$14,500 from Operating category to In State Travel category to cover projected in-state travel needs through the remainder of FY 98. Requires Interim Finance approval since the amount deducted from the Operating category cumulatively exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under item D.

31. Department of Human Resources - Division of Health Care Financing & Policy - Nevada Medicaid - FY 98 - Addition of \$116,718 in Federal Share, Health Services Cost, and Transfer of \$82,447 from Current Year Medical Payments category to Health Division category to cover survey and certification and nurses aide training costs through the remainder of FY 98. Requires Interim Finance approval since the amount added to the Health Division category exceeds \$50,000.

Refer to motion for approval under item D.

32. Department of Human Resources - Division of Health Care Financing & Policy - Nevada Medicaid - FY 98 - Transfer of \$213,239 from Current Year Medical Payments category to Division of Child and Family Services Medical Payments category to continue medical services payments for Medicaid eligible children in the custody or care of the Division of Child and Family Services through the remainder of FY 98. Requires Interim Finance approval since the amount added to the Division of Child and Family Services Medical Payments category exceeds \$50,000.

Refer to motion for approval under item D.

33. Department of Human Resources - Division of Health Care Financing & Policy - Nevada Medicaid - FY 98 - Transfer of \$759,083 from Current Year Medical Payments category to Cost Allocation category to provide for salary and program administration cost in the Health Care Financing and Policy account. Requires Interim Finance approval since the amount added to the Cost Allocation category exceeds \$50,000.

Refer to motion for approval under item D.

34. Department of Human Resources - Division of Health Care Financing & Policy - Nevada Medicaid - FY 99 - Transfer of \$6,404,337 from Current Year Medical Payments category to Cost Allocation category to provide for salary and program administration costs in the Welfare Administration, Welfare Field Services, and Health Care Financing and Policy accounts. Requires Interim Finance approval since the amount added to the Cost Allocation category exceeds \$50,000.

Refer to motion for approval under item D.

35. Department of Human Resources - Mental Health - Southern Nevada Adult - FY 98 - Transfer of \$150,000 from Salary category to Professional Services category to provide adequate physician contract funds to be filled by contract rather than as state employees. Requires Interim Finance approval since the amount transferred to Professional Services category exceeds \$50,000.

Refer to motion for approval under item D.

36. Department of Human Resources - Mental Health - FY 99 - Transfer of \$316,350 from Salary category to Professional Services category to fund psychiatric salaries by contract with the University Medical School rather

than as state employees. Requires Interim Finance approval since the amount added to Professional Services category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

37. Department of Human Resources - Mental Health - Lakes Crossing - FY 98 - Addition of \$40,000 in Budgetary Transfer to receive funds from Rural Clinics to cover a salary shortfall. Requires Interim Finance approval Section 37, Chapter 244, *Statutes of Nevada 1997*.

Chairman Raggio suggested testimony be given on items 37, 38 and 39 as a unit.

Harry Dudley, Director, Lake's Crossing Center for the Mentally Disordered Offender, introduced Bob Harnish, Business Manager. Mr. Dudley noted the request for a transfer from Rural Clinics to Lake's Crossing will cover a shortfall encountered partly from the overlap of a position that was intended to be left unfilled and partly from high overtime which he said is now under control.

Chairman Raggio inquired whether the position, which was not approved by the 1997 Legislature, will be continued in FY 1999. Mr. Dudley replied the person will be transferred to a budget position which was approved to become available on September 1, 1998.

Chairman Raggio asked whether savings can be generated to do away with the need for a supplemental request. Mr. Dudley replied in the affirmative, reiterating overtime has been brought under control. He clarified the center is now requesting a transfer of just \$25,000 rather than \$40,000 which he attributed to successful monitoring of overtime.

Mr. Marvel inquired whether the transfer will impact the backlog in the rural clinics. Michael Torvinen, Administrative Services Officer, Mental Health and Mental Retardation Division, explained the transfer will have no negative impact on the Rural Clinic's program. He confirmed there is approximately a three month backlog.

MR. HETTRICK MOVED TO AMEND THE REQUEST FOR \$40,000 TO \$25,000 IN ITEMS 37 AND 38 AND TO APPROVE THE REQUEST FOR THE TRANSFER.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR MATHEWS, ASSEMBLYWOMEN CEGAVSKE, KRENZER AND OHRENSCHALL, AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

38. Department of Human Resources - Mental Health - Rural Clinics - FY 98 - Deletion of \$40,000 in Budgetary Transfer to transfer funds to the Lake's Crossing budget to cover salary shortfall. Requires Interim Finance approval Section 37, Chapter 244, *Statutes of Nevada 1997*.

See testimony and motion for approval under item 37.

39. Department of Human Resources - Welfare Division - Employment and Training - FY 98 - Transfer of \$475,000 from Child Care Block Grant category to NEON/TANF Child Care category to pay for child care services for clients who are participating in the New Employees of Nevada (NEON) program through the remainder of FY 98. Requires Interim Finance approval since the amount added to the NEON/TANF Child Care category exceeds \$50,000 and this action involves the allocation of block grant funds and requires a public hearing.

MR. MARVEL MOVED FOR APPROVAL OF ITEM 39.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR MATHEWS, ASSEMBLYWOMEN CEGAVSKE, KRENZER

AND OHRENSCHALL, AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

40. Department of Human Resources - Welfare Division - Child Support Enforcement Program - FY 98 - Addition of \$190,011 in ESD Collections and Deaumentation of \$3,004,439 in Federal Child Support Program to provide for increases in unemployment compensation collections, Internal Revenue Service collections and distributions, and paternity testing through the remainder of FY 98; and to eliminate the Expenditure category that transfers federal revenues to the Temporary Assistance for Needy Families (TANF) account and adjust the federal child support revenue accordingly since these revenues are no longer transferred as a result of Welfare Reform legislation. Requires Interim Finance approval since the amount added to the IRS Intercept category exceeds \$50,000.

Refer to motion for approval under item D.

41. Department of Employment, Training and Rehabilitation - Disability Adjudication - FY 98 - Transfer of \$16,800 from Salaries category to Operating category to provide medical disability determinations via contract physicians due to staff positions being extremely difficult to recruit and fill. Requires Interim Finance approval since the amount transferred to Operating category exceeds \$50,000.

Refer to motion for approval under item D.

42. Department of Employment, Training and Rehabilitation - Vocational Rehabilitation - FY 98 - Transfer of \$18,160 from Reserve category to Operating category to provide non-state building rent and agencies share of DETR co-location costs. Requires Interim Finance approval since the cumulative amount transferred to Operating category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

43. Department of Employment, Training and Rehabilitation - Employment Security Division - FY 99 - Addition of \$563,130 in Federal Administration Cost Allowance to hire 30 intermittent staff for 5 months to perform duties of selected permanent staff while they are temporarily assigned to full time testing of agencies new unemployment insurance system. Requires Interim Finance approval since the amount added to Salaries category exceeds \$50,000.

Refer to motion for approval under item D.

44. Department of Employment, Training and Rehabilitation - Employment Security Division - FY 99 - Addition of \$257,340 in Federal Administrative Cost Allowance to relocate staff from the soon to be sold Taylor Street office in Reno. This program provides funds for rent and moving expenses. The Taylor Street office is being sold per recommendation of Public Works Board.

Refer to motion for approval under item D.

45. Department of Employment, Training and Rehabilitation - Employment Security Special Fund - FY 99 - Transfer of \$116,326 from Reserve category to TMCC Equipment category and \$187,933 from Reserve category to Taylor Street Sale category to relocate staff from the soon to be sold Taylor street office in Reno, purchase office and computer equipment and provide for anticipated buildout costs. The Taylor street office is being sold per recommendation of Public Works Board. Requires Interim Finance approval since the amount transferred to Taylor Street Sale category exceeds \$50,000.

Refer to motion for approval under item D.

46. Department of Employment, Training and Rehabilitation - Blind Business Enterprise Program - FY 99

- Transfer of \$88,000 from Reserve category to Health Insurance Benefits category to continue health insurance benefits for blind vendors. Requires Interim Finance approval since the amount transferred to Health Insurance Benefits category exceeds \$50,000.

Refer to motion for approval under item D.

47. Department of Employment, Training and Rehabilitation - One Stop Career Centers - FY 99 - Addition \$1,631,851 in Federal Administrative Cost Allowance to continue the implementation and operation of a statewide system of One-Stop Career Centers and electronic customer service delivery. Requires Interim Finance approval since the amount of grant from Federal Administrative Cost Allowance exceeds \$100,000, and includes new staff.

Refer to motion for approval under item D.

48. Department of Business and Industry - Director's Office - FY 98 - Addition of \$12,913 in Budgetary Transfers to support salary need projected for the fiscal year. Requires Interim Finance approval pursuant to Section 37, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

49. Nevada Beef Council - Grade & Certification - FY 98 - Addition of \$68,935 in Assessments to cover mandatory payments to National Beef Research Council and payments to Bureau of Livestock Inspection for collection of beef check off dollar with balance deposited in reserve. Requires Interim Finance approval since the amount added to Mandatory Assessment Distribution category exceeds 10% of the legislatively approved amount for the category.

Refer to motion for approval under item D.

50. Department of Business and Industry - Agriculture - Registration & Enforcement - FY 98 - Transfer of \$46,629 from Reserve category to Salaries category, \$9,792 from Reserve category to Operating category and \$77 from Reserve category to Utilities category to cover anticipated salary shortfall, additional operating expenses and utilities. Requires Interim Finance approval since the amount added to Salaries category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

51. Department of Business and Industry - Agriculture - Grade & Certification - FY 98 - Transfer of \$19,058 from Reserve category to Salaries category to cover increased intermittent salary costs resulting from expansion of the various programs, two cola's and an occupational study. Requires Interim Finance approval since the amount transferred to Salaries category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

52. Department of Business and Industry - Insurance Division - FY 98 - Deletion of \$12,913 in Budgetary Transfers to support salary need for the Department of Business and Industry Director's office. Requires Interim Finance approval pursuant to Section 37, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

53. Department of Business and Industry - State Energy Office - Energy Conservation - FY 98 - Addition of \$406,023 in Balance Forward Federal Title III Energy Grant Authority to forward Federal Authority planned for FY 97 to FY 98 to continue funding the State Energy Program. Requires Interim Finance approval since the amount added to State Energy Program category exceeds \$50,000.

Refer to motion for approval under item D.

54. Department of Business and Industry - Division of Industrial Relations - FY 99 - Transfer of \$297,884 from Reserve category to Personnel category, \$10,753 from Reserve category to In-State Travel category, \$62,821 from Reserve to Operating Expense category, \$25,182 from Reserve category to Equipment category, \$65,822 from Reserve category to Information Technology category and \$2,138 from Reserve category to Training category to provide funds for additional personnel, and support expenses, related to the implementation of three-way insurance. Funding is provided from reserve created during 1997 Legislative Session to fund three-way insurance expenses. Requires Interim Finance approval since the amount includes new staff.

Refer to motion for approval under item D.

55. Public Utilities Commission - Regulatory Fund - FY 99 - Addition of \$25,000 in Transfer from Environmental Protection and Deletion of \$645,191 in Regulatory Assessment to reflect a decrease in the mill assessment from 3.5% to 3.25%, provide for additional staff and expert consultant contracts to address the proposed merger between Sierra Pacific Power Company and Nevada Power Company and to address issues related to electric restructuring and market power and to provide for full implementation of the railroad inspection program (A.B. 345). Requires Interim Finance approval since the amount includes new staff.

Judy Sheldrew, Chairman, Public Utilities Commission of Nevada, came forward to give testimony on item 55 and information item 06 under tab O found in Volume IV of the meeting packet.

Ms. Sheldrew explained the change in the work program requested under item 55 will provide for the addition of two positions to address not only the upcoming merger filing between Sierra Pacific Power Company and Nevada Power Company, but also to address what appears to be a growing number of issues the commission will have to deal with in order to resolve market power concerns and allow competition in the electricity market. She reminded the committee of a request made in September 1997 for three positions to be added in Fiscal Year 1998 and another two positions in FY 1999. She explained those positions originally were contemplated for consumer outreach and for a quality assurance analyst, but the commission agreed to defer those positions until about this time. In view of the progress on electric restructuring it is now felt those two positions are not needed.

Ms. Sheldrew pointed out a 6-month progress report made according to an IFC request indicated the positions would be deferred, and at about that time the commission received notice of the proposed merger of the two utility companies. She reported after discussions with legislators who are intimately familiar with the responsibilities of the commission, and discussions with the utilities, the commission felt it would be wise to reinstate the request for two positions with different duties, one for an electrical engineer and one for an additional economist. She stated the belief those positions are more appropriate because they will provide for the issues to come under focus in the restructuring of retail competition in the State of Nevada and to prepare for staff proposals and ultimate presentations to the Federal Energy Regulatory Commission (FERC). She explained much of the work to be required to open new markets will require presentations before FERC on structures such as independent scheduling administrators and some sort of wholesale aggregation tariff. She noted all those are jurisdictional to FERC but not to the state.

Ms. Sheldrew expressed hope the commission will continue as it has in the past to develop a consensus proposal from the state for presentation to FERC. She stated the two requested positions will assist in that preparation. She related the commission is in the process of completing recruitment for two positions authorized in 1997 and the search has been expanded to include persons who might be available to fill the new requested positions fairly quickly should they be approved by IFC today.

According to Ms. Sheldrew, the commission is also requesting an additional \$300,000 for the expert consultants' category. She pointed out the commission relies heavily on consultants, not only for internal work, but also for work before FERC and before the Federal Communications Commission (FCC). She noted legislative staff was provided with a breakdown on the ways the additional funds will be spent, information which was relayed to committee members, but she offered to elaborate.

Finally, Ms. Sheldrew said the commission was requesting an additional \$25,000 be utilized to implement A.B.

345 passed by the 1997 Legislature to expand railroad inspections. She reported two new railroad inspectors have been hired, making a total of four inspectors, and one of the new positions focuses on operations while the other focuses on hazardous material inspections. She said the additional \$25,000 will be received from the Environmental Protection Agency (EPA) and will be used for in-state and out-of-state travel and operating expenses for the two new positions during FY 1999.

Chairman Raggio inquired whether the new assessment on the rail industry has been challenged or whether it has been complied with. Ms. Sheldrew responded so far payment has been received from railroads along with a letter indicating they were making payment under protest, but no formal challenge has been filed to date.

Chairman Raggio asked whether revenue from the transfer from the Beatty Hazardous Waste Facility had been foreseen. Ms. Sheldrew responded revenue is continuing to be received from the Beatty site, and some of the back payments have also been received. Chairman Raggio requested she continue to apprise the IFC of the status of those payments, since that may determine whether the assessment will be continued at the same rate in the future.

Ms. Sheldrew confirmed Chairman Raggio's question as to whether the request for funding for the new positions will be accommodated by the normal regulatory assessment. She explained the assessment was dropped to 3.25 percent from 3.5 percent in anticipation of the two new positions. She expressed doubt the rate will have to be increased in the next biennium, although she acknowledged it is too early to make a firm declaration. However, she said, the commission has noted that by statute the assessment needs to be applied only against public utilities, and alternative sellers, by definition, are not public utilities. She said a request to expand the definition may have to be made as to which entities will fall under the assessment in order to keep a level playing field. She reiterated she does not foresee the need to increase the amount.

Chairman Raggio asked how long the new positions may be necessary. Ms. Sheldrew replied it depends on how quickly it will take to put together the proposal by the commission and how long it will take FERC to review the proposals. She noted FERC review takes considerably longer than reviews by the state, particularly on new issues. She stated Nevada is one of the leaders in breaking new ground on some issues, such as taking the lead in determining the allocation of transmission capacity on the existing transmission systems, which will be subject to FERC review and will be a joint state and federal effort. She acknowledged it is likely those positions will have to be continued through the next biennium budget request.

Chairman Raggio pointed out once the situation that necessitates the request no longer exists the committees will require justification for the PUC to retain the positions.

MR. MARVEL MOVED TO APPROVE THE REQUEST.

MR. PRICE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR RAWSON, ASSEMBLYMEN ARBERRY, GOLDWATER AND PERKINS AND ASSEMBLYWOMAN VON TOBEL WERE ABSENT FOR THE VOTE.)

Commenting on information item 06, under tab O, Ms. Sheldrew reported on April 30 the commission submitted a 6-month progress report as requested by the committee last fall. She said the report attempts to explain the progress on the organizational structure and it includes a copy of the structure as it stood at that time. She added the structure is being reviewed in a management study which should be complete in July, and a strategic plan is being developed which is being critiqued by a management review.

Ms. Sheldrew pointed out the restructuring plans and time line are included in the day's meeting packet under tab O, item 06. She offered to provide an update, saying essentially the proceedings shown as pending in the time line will have an order issued or proposed regulations promulgated by tomorrow, and hearings have been completed on the provider of last resort issues and on the market power issues which she referenced earlier. The commission is proceeding to work on proposed regulations for enforcement. She added the issues of anti-competitive behavior, alternative plans for regulation and the IRP and portfolio standards have not been scheduled yet. Otherwise, she said, the commission is well on its way to completing its portion of the work and regulations

should be in place soon so that alternative sellers can make application.

Chairman Raggio commended the chairman of the commission for a very complete report. He indicated another report will be anticipated in the fall. Mr. Close added his congratulations on the plan.

56. Commission on Tourism & Economic Development - Rural Community Development - FY 98 - Addition of \$1,330 in General Fund Salary Adjustment and Transfer of \$7,637 from Training category to Salaries category to provide for legislatively approved salary adjustment funds approved by 1997 Legislature effective July 1, 1997 and to cover additional salaries costs this fiscal year for positions paid at higher than step 01 to step 15. Requires Interim Finance approval since the cumulative amount deducted from Training category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

57. Commission on Tourism and Economic Development - Rural Community Development - FY 98 - Addition of \$386,714 in Federal Disaster Recovery Grant to enable the state of Nevada to undertake assistance activities to address damage caused by the floods of January 1997. Requires Interim Finance approval since the amount of grant to Federal Disaster Recovery Grant category exceeds \$100,000.

Refer to motion for approval under item D.

58. Department of Motor Vehicles and Public Safety - Drivers License - FY 98 - Addition of \$20,661 in Customer Charges to provide for additional printing, supplies, and postage to continue the program of renewal by mail. Requires Interim Finance approval since the amount added to Mail Renewal category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

59. Department of Motor Vehicles and Public Safety - Highway Patrol - FY 98 - Addition of \$23,530 in Insurance Recovery to replace a wrecked vehicle. Requires Interim Finance approval since the amount added to Crash Fund category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

60. Department of Motor Vehicles and Public Safety - Highway Safety Plan - FY 98 - Addition of \$105,292 in Traffic Safety Grant to allow state, city and county law enforcement to conduct special law enforcement activities and purchase equipment. Requires Interim Finance approval since the amount of grant to Aid to Counties category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

61. Department of Motor Vehicles and Public Safety - Criminal History Repository - FY 99 Addition of \$144,249 in Fingerprint Fees to upgrade the electronic storage and transmission of fingerprint data between Nevada and California. Requires Interim Finance approval since the amount added to Fingerprint ID category exceeds \$50,000.

Refer to motion for approval under item D.

62. Department of Motor Vehicles and Public Safety - Forfeitures - FY 99 - Transfer of \$102,910 from Reserve category to Highway Patrol category to provide travel, training, operating, and equipment funding for the Nevada Highway Patrol Criminal Investigation Program. Requires Interim Finance approval since the amount added to Highway Patrol category exceeds \$50,000.

Refer to motion for approval under item D.

63. Department of **Prisons - Prison Industries - FY 98** - Addition of \$25,000 in Miscellaneous Sales to provide for increased sales in the metal shop. Requires Interim Finance approval since the cumulative amount added to NNCC Metal category exceeds \$50,000.

Refer to motion for approval under item D.

64. Department of Prisons - Prison Industry - FY 99 - Addition \$148,119 in Miscellaneous Sales to continue a telemarketing program for book sales at the Southern Nevada Correctional Center. Requires Interim Finance approval since the amount added to Telemarketing Medical Book Sales category exceeds \$50,000.

Janet Johnson, Administrative Services Officer IV, Department of Prisons, introduced John McCuin, Prison Industries.

MR. MARVEL MOVED TO APPROVE THE REQUEST IN ITEM 64.

THE MOTION WAS SECONDED BY MR. HUMKE.

Chairman Raggio asked whether the department anticipates success in collecting room and board charges. Mr. McCuin responded Inmate Services is paid gross wages due to inmates from their earnings, and from that payment Inmate Services assesses the account for room and board deductions as well as for Victims of Crime and any other deductions. Chairman Raggio asked whether it is reasonable to assume commissions may increase by \$93,000. Mr. McCuin responded the department has reason to believe the increase may be closer to \$50,000 or \$60,000 based on the history of the program that started not quite one year ago. He pointed out it takes a few months to train the inmates and get them up to speed, and other factors enter in such as the slow-down from the United Parcel Service strike. He reported the company which holds the contract, Skidmore Ross, has already made a request for Prison Industries to provide another facility in order to double output.

Chairman Raggio asked whether there will be a loss of \$26,000 in room and board payments at SNCC if the work program is not approved. Mr. McCuin stated that is correct. Chairman Raggio requested a new work program be submitted to augment the existing work program for room and board at SNCC because only \$10,000 has been budgeted for room and board. Seeking clarification, Ms. Johnson asked, "If these sales ... do occur, rather, then we can reduce General Fund as a result of that?" Chairman Raggio responded that was the point. Mr. Marvel said that should be understood in the motion. Ms. Johnson acknowledged she lacked complete familiarity with the work program and said she would have to look at it before making any promises. Chairman Raggio reiterated his understanding if the program is not approved, there will be a loss of \$26,000 in room and board payment.

Senator Regan inquired what information is given to the convict or salesman by a purchaser. Mr. McCuin replied the inmates only call businesses, and if the customer expresses interest in a 30-day free trial, the inmate relays the information to the bookseller company, Skidmore Ross, in Colorado. The company calls the customer to confirm the transaction and billing is handled at that point. The inmate does not receive any credit card information from a potential buyer.

THE MOTION CARRIED. (ASSEMBLYWOMEN CEGAVSKE, KRENZER AND OHRENSCHALL AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

65. Department of Prisons - Offender's Store Fund - FY 99 - Addition of \$66,560 in Balance Forward to New Year to provide projected funding for completion of canteen software and the inmate banking program and to request a change in intent to utilize canteen software funding for an independent consulting contract for year 2000 compliance. Requires Interim Finance approval since the amount added to Data Processing category exceeds \$50,000.

Janet Johnson, Administrative Services Officer IV, Department of Prisons, reminded the committee an appropriation was made during the last legislative session to make the computer programs for the canteens and inmate banking system Year 2000 compliant. The funding was allocated between 2 fiscal years in order to give the department time to prepare the Request for Proposal (RFP). She stated there will be no expenditure of funds

during this fiscal year, and the DOP is requesting the funding be brought forward into 1999 to enable the department to hire a consultant to complete the programs.

Mr. Hettrick inquired whether the project can be completed on time. Debbi Bridge, Data Processing, Department of Prisons, responded the original funding was based upon an assessment that indicated one full time person would be required for 1 year. She acknowledged the department may not be able to obtain a full time person for a full year because consultant fees have increased. She stated DOP will know if the job cannot be completed prior to the end of FY 1999. Mr. Hettrick asked where that will leave the department after expenditure of the funds if the job is not complete. Ms. Bridge replied, "We will make every attempt, including using our current staff and the consultant, to do this. If we were in a problem in that situation, we would go ahead and probably come back with an IFC request for fiscal 2000 to complete the job between July 1, 1999, and December 31, 1999."

Mr. Hettrick asked why the RFP was not released and a consultant hired when the funds were approved by the Legislature. Gary Ghiggeri, Principal Deputy Fiscal Analyst, said he had been informed that there was not a successful bidder on the project.

SENATOR O'DONNELL MOVED TO APPROVE THE REQUEST.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYWOMAN CEGAVSKE AND ASSEMBLYMEN ARBERRY, PRICE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

66. Department of Prisons - Ely State Prison - FY 98 - Deletion of \$74,825 in Budgetary Transfer to provide for salary shortfalls for the Wells Conservation camp, Humboldt Conservation camp and Ely Conservation camp. Requires Interim Finance approval since the amount pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Janet Johnson testified the item transfers savings from the state prison budget to cover salary increases at the Wells, Humboldt and Ely camps. She indicated Robert Bayer, Director, Department of Prisons, would like to comment on the number of vacant positions at Ely State Prison.

Mr. Bayer reported there were 50 vacant positions at Ely State Prison at the end of May and admitted the situation is becoming critical. He said the warden has been authorized to approve new hires for correctional officer trainees. He explained the hiring process has been shortened to ensure viable candidates will not lose interest, and the interview process also has been accelerated by scheduling drug and medical examination on the following days. He said when physical fitness tests are administered to candidates in Carson City, the candidates indicate whether they want to be certified for the Ely list. Ely has been given the authority to call and recruit off the statewide list, because the local pool of recruits has been exhausted. Mr. Bayer said not only are living expenses high in Ely, but also the new physical fitness requirements for officers are very stringent, which hurts recruitment.

Chairman Raggio suggested investigating the possibility of contracting out the operation of the prison. Mr. Arberry asked whether it would be possible to sell the Ely prison facility and build another one elsewhere. Mr. Bayer recalled a similar suggestion was advanced during the last legislative session which prompted him to start researching the idea. He ascertained the prison was built on RP&P property (BLM land). Therefore the property would have to be withdrawn if it were to be exchanged or sold, and the purchaser would have to repurchase it at fair market value, which he considers a stumbling block. Additionally, the problem of sufficient housing would remain. Chairman Raggio pointed out no sale could take place without a willing buyer, yet companies who operate private prison facilities do not appear to have the same kind of problem regarding employee housing.

Ms. deBraga asked whether the vacancies are strictly that, or whether some are attributable to extended leave, because she has heard complaints from her constituents there regarding double shifts. Mr. Bayer responded he thought they were strictly vacancies. He acknowledged there is overtime being used at the Ely facility, but he indicated he does not believe it is jeopardizing safety and security due to the way the prison was designed and built. He asserted Ely has the best-trained staff in the state and training is provided on a regular basis. He said the

double shifts are rotated, thus allowing overtime to be divided among a large group. He indicated the warden would inform him if there were concerns regarding safety.

Mr. Bayer added he knows the warden is concerned about the number of vacant positions and that the matter is becoming severe. A strategy to cope with the situation is being devised, possibly including transporting groups of staff to the site.

Mr. Bayer acknowledged Lovelock is facing a similar situation, although not as bad, with 34 vacancies. He declared housing is still available in the Lovelock area, although there, too, it is becoming more scarce. He reported news that 30 or 40 units are due to come on line soon. He admitted some employees commute from long distances, adding to the problem.

Mr. Hettrick wondered whether the issue at Lovelock is housing or competition for jobs since there appear to be a lot of people moving out there. Mr. Bayer responded the mines have become more active, and when they became more active, they bought up a lot of the existing property to make it available for their employees. He agreed with Senator Raggio that private industry has the advantage of being able to offer housing that employees can afford or than can be offered to supplement salaries. He acknowledged there is not a lot of housing out there, and though it is beautiful country, the remoteness becomes a problem in terms of days off. However, he reiterated the biggest problems are lack of housing and the cost of living.

Chairman Arberry commented the general public appears to want government run like a business so it might be well to investigate privatization. As acting chairman, he invited a motion.

SENATOR REGAN MOVED FOR APPROVAL OF ITEM 66.

MRS. EVANS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

67. Department of Prisons - Ely Conservation Camp - FY 98 - Addition of \$8,825 in Budgetary Transfer to cover increased salary costs due to overtime for sick leave coverage and terminal annual leave payments projected through the end of the fiscal year. Requires Interim Finance approval since the amount pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

68. Department of Prisons - Humboldt Conservation Camp - FY 98 - Addition of \$31,000 in Budgetary Transfer to cover increased salary costs due to overtime for vacant position, annual and sick leave coverage and medical transportation through the end of fiscal year. Requires Interim Finance approval since the amount pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

69. Department of Prisons - Wells Conservation Camp - FY 98 - Addition of \$35,000 in Budgetary Transfer to cover increased salary costs due to overtime for vacant position coverage, annual leave and sick leave coverage, inmate and medical transportation, administrative leave coverage and terminal leave payments. Requires Interim Finance approval since the amount pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

70. Department of Prisons - Lovelock Correctional Center - FY 98 - Deletion of \$102,860 in Budgetary Transfer to provide for salary shortfalls for the Stewart Conservation Camp, Northern Nevada Restitution Center, Indian Springs Conservation Camp and Carlin Conservation Camp. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Chairman Raggio announced items 70, 71, 72, 73 and 74 would be heard together.

Janet Johnson, Administrative Services Officer IV, Department of Prisons, requested the figure in item 71 be changed from \$23,911 to \$36,000. She explained the increase is entirely for salary funding, and the request will cover \$35,000 in salaries from a transfer from Lovelock Correctional Center and \$1,000 from the director's office for utilities to cover shortfalls. She added a change is also being requested for item 70 to increase funding from \$102,860 to \$113,949 to accommodate the change in item 71.

MR. HETTRICK MOVED TO INCREASE THE TRANSFER FROM \$102,860 TO \$113,949 IN ITEM 70, AND TO INCREASE THE TRANSFER FROM \$23,911 TO \$36,000 IN ITEM 71, AND TO APPROVE ITEMS 70 THROUGH 74 AS AMENDED.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMEN ARBERRY, PRICE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

71. Department of Prisons - Stewart Conservation Camp - FY 98 - Addition of \$24,911 in Budgetary Transfer to cover increased salary costs for overtime due to vacant position coverage, annual and sick leave coverage, family leave coverage, training and terminal annual leave payments and to provide for potential shortfalls in utilities due to increased usage for below average temperatures. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to testimony and motion to approve under item 70.

72. Department of Prisons - Northern Nevada Restitution Center - FY 98 - Addition of \$6,600 in Budgetary Transfer to cover increased salary costs for overtime due to emergency transportation of inmates, training, firearms qualification, sick leave coverage, terminal sick leave and terminal annual leave payments. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

73. Department of Prisons - Indian Springs Conservation Camp - FY 98 - Addition of \$47,349 in Budgetary Transfer to cover increased salary costs for overtime due to annual and sick leave coverage, classification/disciplinaries and indoctrination of new trainees for the boot camp program and higher than budgeted steps paid to employees transferred to vacant positions. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

74. Department of Prisons - Carlin Conservation Camp - FY 98 - Addition of \$57,316 in Budgetary Transfer to cover increased salary costs due to overtime for annual and sick leave coverage, transportation, and emergency post coverage, increased maintenance of buildings and grounds for unforeseen circumstances which may arise prior to the end of the fiscal year, increased utility costs for gas and electric and increased operating costs for equipment repairs and food. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to testimony and motion to approve under item 70.

75. Department of Prisons - Director's Office - FY 98 - Deletion of \$174,124 in Budgetary Transfers to provide for operating shortfalls at Southern Nevada Correctional Center and Carlin Conservation Camp, utility shortfalls at Northern Nevada Correctional Center, Nevada State Prison, Stewart Conservation Camp, Silver Springs Conservation Camp and Carlin Conservation Camp, projected shortfalls in maintenance of building and grounds at the Carlin Conservation Camp and revenue shortfalls at the Southern Nevada Restitution Center. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Janet Johnson, Administrative Services Officer IV, Department of Prisons, explained the funds will be moved out of savings in the Director's Office and moved into the various other budgets already discussed to cover shortfalls.

MR. MARVEL MOVED TO APPROVE THE ITEM.

MR. HETTRICK SECONDED THE MOTION.

Ms. Johnson confirmed Senator O'Donnell's query whether \$174,124 is the aggregate of the budgets just approved. Senator O'Donnell wanted to know if this budget should be augmented with the sums just added to previous requests. Ms. Johnson explained the only change occurred at the Stewart Conservation Camp, it was for salary only, and those funds were to be transferred from the Lovelock facility. This appropriation, she said, covers everything except salaries.

THE MOTION CARRIED. (ASSEMBLYMEN ARBERRY, PRICE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

76. Department of Prisons - Southern Nevada Correctional Center - FY 98 - Addition of \$16,660 in Budgetary Transfer to provide for shortfalls in operating due to cost increases and increased inmate population. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Ms. Johnson explained the transfer will cover shortfalls in the operating category. She explained the addition reflects an increase in several operating items such as postage, printing and telephone use which have exceeded the budgeted amount. She said the administration of the center has been contacted and steps are being taken to alleviate the problems causing the shortfalls. She noted that may result in some adjustments to the base budget for fiscal years 2000 and 2001.

Chairman Raggio reported information has been received that inmate-driven cost items should result in a surplus. Ms. Johnson agreed, but said the shortfalls in the other areas cited have caused the need for the additional funds. Chairman Raggio suggested cost items that are inmate driven should be considered more carefully in the future. Ms. Johnson acknowledged the department is aware of the error. Mr. Ghiggeri interjected he, too, has been reviewing the matter with the DOP and there will be adjustments in the base budget.

Ms. Von Tobel wanted to know if the printing was done by the state printer. Ms. Johnson replied the DOP printed several forms itself that normally are stored in the warehouse, but the warehouse no longer had space to accommodate them, so they were purchased by the institution which then provided them to other institutions. She acknowledged that action was not appropriate and it has been corrected.

Ms. Von Tobel related on a recent trip she learned the prison system in Hawaii does the state printing at a fraction of the cost for printing in other states. Ms. Johnson responded DOP does much of its own printing, with documents such as the budget being printed in house, and it is much cheaper.

MR. MARVEL MOVED FOR APPROVAL OF ITEM 76.

MRS. EVANS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS RAWSON, O'DONNELL AND COFFIN, ASSEMBLYWOMAN deBRAGA AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

77. Department of Prisons - Northern Nevada Correctional Center - FY 98 - Addition of \$62,662 in Budgetary Transfer to provide for utility costs due to increased gas usage for below average temperatures and inflationary increases in gas, sewer and water rates. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

78. Department of Prisons - Nevada State Prison - FY 98 - Addition of \$30,000 in Budgetary Transfer to provide for utility costs due to increased gas therm usage for below average temperatures, inmate populations and an inflationary increase. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

79. Department of Prisons - Southern Nevada Restitution Center - FY 98 - Addition of \$28,886 in Budgetary Transfer to provide for revenue shortfalls for client income due to lower than projected inmate population. Requires Interim Finance approval pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

80. Department of Prisons - Silver Springs Conservation Camp - FY 98 - Addition of \$2,600 in Budgetary Transfer to provide for utility costs due to increased gas therm usage and inflationary increases for gas and trash disposal. Requires Interim Finance approval since the amount pursuant to Section 35, Chapter 244, *Statutes of Nevada 1997*.

Refer to motion for approval under item D.

81. Department of Conservation and Natural Resources - Water Resources - FY 98 - Addition of \$35,000 in Reimbursement to continue temporary position beyond original two year period involved in mapping of deeded acreage in upper Carson River Basin. Requires Interim Finance approval since the amount added to Carson River Mapping category includes new staff.

Refer to motion for approval under item D.

82. Department of Conservation and Natural Resources - 1995 Park Improvements - FY 98 - Addition of \$57,800 in Budgetary Transfer for the 1995 Spring Valley Water System upgrade/RV Dump Relocation Project from the 1997 Spring Valley Project and for the 1997 Valley of the Fire Fee Booth and Automated Collection Device Project from the 1995 Valley Project and Fort Churchill Renovation Project. Requires Interim Finance approval pursuant to NRS 536, Section 3.2, 1997 Session; and NRS 201, Section 4.2, *Statutes of Nevada 1995*.

Refer to motion for approval under item D.

83. Department of Conservation and Natural Resources - Parks - FY 98 - Deaugmentation of \$57,800 in Budgetary Transfer to transfer funds to the 1995 Spring Valley Water System Upgrade/RV Dump Relocation Project and transfer to the 1997 Valley Fire Fee Booth & Automated Collection Device Project. Requires Interim Finance approval pursuant to NRS 536, Section 3.2, 1997 Session and NRS 201, Section 4.2, 1995 Session.

Refer to motion for approval under item D.

84. Department of Conservation and Natural Resources - Wildlife - Boating Safety - FY 99 - Transfer of \$140,000 from Reserve category to Operating category to cover contract for comprehensive survey of boating in Nevada. Requires Interim Finance approval since the amount transferred to Operating category exceeds \$50,000.

Refer to motion for approval under item D.

85. Department of Conservation and Natural Resources - Forestry - FY 98 - Addition of \$5,245 in Federal Rural Fire Prevention and transfer of \$7,621 from Urban Forestry Assistance category to Federal Rural Fire Prevention category, \$5,774 from Resource Management category to Federal Rural Prevention category, \$505 from Forest Pest Management category to Federal Rural Fire Prevention category, \$753 from Forest Pest Management category to Forest Stewardship category, \$7,000 from Rural Community Fire Prevention category to Forest Stewardship category, \$400 from SIP category to Forest Stewardship category, \$5,106 from Salaries category to Forest Stewardship category and \$2,155 from Forest Education category to Forest Stewardship category to

reconcile the Actual Federal Grant Award to Forestry's Legislatively approved FY 98 budget. Requires Interim Finance approval since the cumulative amount transferred to Stewardship category name exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

86. Department of Conservation and Natural Resources - Forestry Intergovernmental Agreements - FY 99 - Addition of \$613,564 in Washoe County Receipts, \$85,912 in Elko County receipts, \$252,095 in Storey County Receipts, \$171,483 in Douglas County Receipts, \$127,501 in Forestry Fire Reimbursement, and \$7,830 in Transfer Other BA, and Deletion of \$546,667 in Balance Forward From Previous Year, \$16,886 in Clark County Receipts, \$124,722 in Eureka County Receipts, \$21,156 in Carson City Receipts, and \$1,655 in White pine Receipts, and Adjust Salary, Operating and Reserve categories to adjust the Legislative approved budget to reflect budgets approved by the individual participating Nevada counties including the addition of 10 new positions -9 for the western region and 1 for Elko. Requires Interim Finance approval since the amount added to Salaries category exceeds \$50,000 and includes new staff.

This item was withdrawn.

87. Department of Transportation - Transportation Administration - FY 98 - Addition of \$11,000 in Highway Fund Authorization to provide sufficient authority to perform out-of-state inspections for fabrication of steel girders for two permit projects, all costs for these inspections will be reimbursed at the fund level by the developer for the Bellagio Pedestrian bridges and by Clark County for the Hacienda bridge over I-15. Requires Interim Finance approval since the cumulative amount added to out-of-state Inspection Travel exceeds 10% of the legislatively approved level for the category.

Thomas E. Stephens, Director, Department of Transportation, introduced Jerry Ross who handles the budget for the department. Mr. Stephens said the Nevada Department of Transportation (NDOT) would like to reduce the \$11,000 to \$6,000. He explained it is a reimbursement item for out-of-state travel for inspectors of the Bellagio Pedestrian bridges for which the department is reimbursed totally.

MR. MARVEL MOVED FOR APPROVAL OF ITEM 87 WITH THE REDUCTION FROM \$11,000 TO \$6,000.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN, ASSEMBLYWOMAN deBRAGA AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

88. Department of Transportation - Transportation Administration - FY 99 - Addition of \$257,000 in Highway Fund Authorization and Transfer of \$785,892 from Capital Outlay category to Operating category to balance forward authority for purchase of \$257,000 in Strategic Highway Research Program Equipment, said equipment was approved for purchase in FY 97, but was delayed due to ongoing modifications of this equipment, and to continue funding of the Freeway Service Patrol program in the Las Vegas area. Requires Interim Finance approval since the amount added to Operating category exceeds \$50,000.

Refer to motion for approval under item D.

89. Department of Transportation - Transportation Administration - FY 99 - Addition of \$552,957 in Highway Fund Authorization to provide funding to hire 5 new Project Managers and 2 Support Staff, increased operating for additional advertising for projects and operating supplies, and equipment for new positions to accelerate new highway projects throughout the State. Requires Interim Finance approval since the amount added to Salaries category exceeds \$50,000, and includes new staff.

Mr. Stephens explained the item will allow NDOT to hire seven additional positions to assist with the administration of federal funds which were increased by \$70 million annually through the federal Transportation Equity Act for the 21st Century (T21). He said the project managers will handle large consultant-dominated projects and assist the state in avoiding delays in the projects. He explained delays can occur due to environmental or endangered species considerations, such as on a high-priority project in Las Vegas that is being delayed after being studied by archeologists from seven different agencies. He added a great deal of high-level coordination must be accomplished on large projects, which will be handled by the new project managers. He said right now that function is carried out as extra duties by people already within the department who often already have full time jobs without the added duties. He opined this will be the most effective way to handle the new funding, and it is similar to the way projects are handled by the State Public Works Board, and it will allow others on projects to concentrate on their functional duties, such as hydraulics or right-of-way. He reiterated this would be the most efficient way to address the increased funding from T21.

SENATOR JACOBSEN MOVED FOR APPROVAL.

SENATOR REGAN SECONDED THE MOTION.

Mr. Marvel asked whether NDOT anticipates appropriations in addition to the \$70 million. Mr. Stephens replied there will be additional funding, as indicated by the Washington consultants who are attempting to package projects for federal discretionary funding. As an example, he noted funding for public lands, which has been received at approximately \$5 million each year, may be raised to \$10 million, but project proposals must be submitted to the U.S. Secretary of Transportation. Funding is available from discretionary funds for scenic byways as well, and of twenty scenic byways in the country, Nevada boasts two, one being U.S. 50, State Route 28 along the east shore of Lake Tahoe, and the other being the Pyramid Lake Highway. Mr. Stephens reported he met with the Secretary of Transportation earlier in the week at the Mayors' Conference. Mr. Stephens described another discretionary fund called I 4 R for which the state has made a proposal for \$10 million for next year. He declared the time is opportune in which to request discretionary funds, and the department intends to take advantage of the timing.

Senator Regan stated many letters have been written regarding the ISTEA (Intermodal Surface Transportation Efficiency Act) by uninformed people. He wondered if Mr. Stephens could put out a press release that the funds actually originate from the citizens of Nevada, because the citizens of the state pay approximately 17 or 18 cents in federal taxes and the funds received are simply a return of those taxes. He pointed out that for the first time Nevada has become a receiver state as opposed to a payee state regarding gasoline taxes. Mr. Stephens responded the reason most people were unaware of the situation is because for many years, when Nevada had a low population, the state actually received more funds back from the program than it paid into the program. He acknowledged Nevada has been a donor state for the past several years by paying more into the program than the funds received. He noted U.S. Senator Harry Reid put out a press release that Nevada would receive \$1.14 for each \$1 under T21, which Mr. Stephens indicated is correct, although he suggested the present statistic from Washington may be due to the fact Nevada has not been credited with enough payments going in. He noted, unlike the previous ISTEA, T21 will recalculate how much is received every year based upon the amounts donated to the trust fund. He stressed the importance of accurate and timely reporting under T21, and he surmised once the reporting system is actually fine-tuned the department may learn it is receiving one dollar in for each dollar out.

THE MOTION CARRIED. (SENATOR COFFIN ASSEMBLYWOMAN deBRAGA AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

90. Chiropractic Physicians Board - FY 98 - Addition of \$9,453 in Funds Balanced Forward and Transfer of \$10,000 from Salaries Category to Operating category, \$500 from out-of-state category to In-State Travel category, and \$15,000 from Reserve category to Operating category to provide operating funds for additional professional service fees for legal defense of two lawsuits and preparation for a disciplinary hearing, and in-state travel related to depositions in the two law suits. Requires Interim Finance approval since the amount added to Operating Expenses category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under item D.

91. Department of Employment, Training and Rehabilitation - Nevada Commission on National and Community Service - FY 99 - Deletion of \$149,732 in Federal Administrative Grant and \$348,845 in Federal Flow-through Grant to deaugment this entire budget as the agency's function is being transferred to a non-profit organization. Requires Interim Finance approval since the amount deducted from Aids/Grants to Non-profit Organizations category exceeds \$50,000.

Elizabeth W. Jones, Acting Administrator, Nevada Commission For National and Community Service, introduced Janice Ayers, Chairman, Nevada Commission for National and Community Service. Ms. Jones explained the department was requesting deaugmentation of the FY 1999 authority for the administration and federal flow-through of the budget for the Nevada Commission for National and Community Service. She said the commission fought for and received a 501(c)(3) IRS status. This removes the necessity for the commission to operate under the umbrella of the Department of Employment, Training and Rehabilitation.

Mrs. Evans noted the impetus for becoming a non-profit agency was the difficulty faced by the commission in getting private support. She asked if the commission now has a fund-raising plan. Ms. Ayers responded in the affirmative, agreeing that was a compelling reason for the commission to transfer to a non-profit status. She said even though there has always been a plan seeking donations, it was extremely difficult to raise funds when donors believed their gifts were going to a state agency. As a result, the Governor approved the transfer, and the commission is now incorporated in the State of Nevada as a non-profit organization. She asserted this will make it much easier for the commission to raise money, and many of the foundations and corporations which had already been approached are now being contacted again. She said to date the commission has received promises of one \$10,000 donation and one \$5,000 donation. The goal is to raise approximately \$100,000.

Mr. Arberry wanted to know if the equipment and records have been transferred to the non-profit organization. Ms. Ayers said those will all be transferred to the non-profit corporation.

MRS. EVANS MOVED FOR APPROVAL OF THE REQUEST.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN MARVEL, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

92. Reclassification Changes Requiring Interim Finance Committee Review:

Refer to motion for approval under item D.

E. STATEMENT OF CONTINGENCY FUND BALANCE.

Dan Miles, Senate Fiscal Analyst, pointed out the statement of Available Spending Authority at June 15, 1998, found under tab E in Volume III of the meeting packet. As of June 15, he noted, there was \$6.1 million remaining in the fund, and prior to today's actions there were requests for approximately \$3.5 million which would have lowered the balance to \$2.6 million for the balance of the interim period. He noted after the temporary reductions for the Office of Nuclear Waste, and if the remainder of the allocations are approved as requested, the balance should be approximately \$3.4 million.

F. REQUESTS FOR ALLOCATION FROM THE CONTINGENCY FUND.

1. Governor's Office - Nuclear Waste Project Office.....\$1,235,048

Chairman Raggio reported a number of people on the committee, including the chair, requested the staff to examine the request in view of many concerns that have been expressed. In summary, he said a request for \$1,853,000 as a projected amount for fiscal year 1999 operations was reduced by the State Board of Examiners to

\$1,235,048 to reflect operations for eight months of FY 99 and to allow the Legislature the ability to review ongoing funding for the agency. He said the agency's projected expenditures of \$1,853,000 can be reduced by funding already authorized for the agency in the amount of \$90,000 from the Western Governor Association funding and \$50,000 from the General Fund for activities that are disallowed by federal funding requirements. He noted that computation brings the agency's need for additional funding from its original request to \$1,713,000.

According to the staff, Chairman Raggio said, based on FY 98 activity to date, the agency has operated at a level equal to approximately 75 percent of authorized funding for this year. He explained if the 75 percent level of operation continues into FY 99, using the agency request of \$1,853,000 as a base, and reduced by funding already authorized, the need from the contingency fund could be reduced to \$1,285,000. If the committee were to fund the agency at 75 percent of their projected amount for 3 months, since receipt of federal funding would occur in October, a contingency fund authorization of approximately \$322,000 would cover one quarter of FY 99 operations. He suggested rounding it up to \$350,000 and asking the agency to return to IFC at the end of the first quarter to request additional funding if federal funding does not materialize.

Chairman Raggio voiced the understanding a bill to restore funding is presently in Congress and has been approved by one house but not the other, in which case the bill will go into a conference situation. He pointed out the contingency fund will be reduced to approximately \$2 million if all the allocation requests presented today are approved, and that will leave one of the lowest amounts in his memory in the contingency fund. He noted other obligations that are currently unknown could arise that may have to be addressed in the next several months, including additional requirements regarding class-size reduction, the 1998 fire season, weather modification, and replenishment of statutory contingency and stale claims, just to mention a few. Because federal funding is unknown, a not unusual situation, he said, and if approved by conference, it probably will become effective October 1, 1998. If federal funds are forthcoming, he surmised there may be no need to allocate the full amount that has been requested or even as adjusted from the contingency fund. He stated the lack of federal funds, according to staff, has caused the agency to reduce its level of expenditures, including leaving positions vacant and limiting contract expenses. He said, with the potential for future federal funding, and since the agency has managed so well, the request for an IFC allocation otherwise would amount to some enhancement of the agency's present service level rather than maintaining the current level.

Chairman Raggio noted under federal law the cost of oversight in Nevada is a federal responsibility. He declared it is only prudent to maintain agency operations at the current levels pending the outcome of the federal budget process, and then examine the agency budget in greater detail and assign some expenditure priorities. He recalled a request was made to prioritize the contracts, which he agreed is necessary.

Documents relating to the Nuclear Waste Project Office are attached as Exhibits C, D, E and F.

Chairman Raggio acknowledged a contentious discussion could ensue with an outcome questioning the viability of any funding. He suggested that it would be best to avoid the contentious situation and approve an allocation of \$350,000 to maintain the office at the current level through September 30, 1998, contingent upon the agency providing a prioritized list of proposed contracts, and if federal funds are received during the period the contingency fund would be reimbursed to the extent of those funds.

Robert R. Loux, Executive Director, Agency for Nuclear Projects, affirmed Chairman Raggio's characterization of the situation and added his agreement of the analysis in general. He commented there are a number of expenditures from FY 98 on which payment has been deferred, including \$25,000 for an attorney-general cost allocation. Chairman Raggio noted there is a cushion included in his proposal. Mr. Loux responded that if outstanding invoices are paid out of the \$350,000, the sum will be reduced to approximately \$200,000 or \$250,000 for use for operating over the three month period.

Chairman Raggio reiterated the funding is a federal responsibility under the law and it would be inappropriate for the state to provide funding. He said the intent is to maintain the situation at the most cost-effective level to keep the agency viable until the determination is made in Congress. Mr. Loux agreed, but cautioned a condition could occur in which the agency will have to return to IFC in August to request additional funding.

Mr. Marvel inquired whether the agency has any carry-over funds. Mr. Loux responded his agency is still in the process of making that calculation, and there may be \$10,000 to \$12,000 in federal funds available July 1 that is unexpended. He said there was \$700,000 but, he said, " As a result of a Department of Energy's audit, they are freezing us at \$691,000, in fact taking away \$691,000 of federal money, leaving us just with the residual that I spoke of." Mr. Marvel wanted to know if a suit is pending on that, but Mr. Loux answered there is not yet a suit. He stated the audit results and the Department of Energy action are not finalized yet, although he anticipates they will be within the next 15 or 20 days. He said, "We are submitting a response to them and seeing if we can make an argument about some of those costs, and we'll have to see how that shakes out."

Mr. Marvel wondered whether funds will be needed if those funds remain available. Mr. Loux answered in the affirmative.

Chairman Raggio pointed out the understanding will be that if those funds become available, any funds from the contingency fund will be reimbursed. Mr. Loux agreed funds from any source will result in a reimbursement.

Senator Coffin stated he respects the chairman's opinion, with most of which he is in agreement, but he suggested the agency should be provided sufficient funds to meet any obligations incurred. He asked how much the obligations total, and he suggested if the obligations are approximately \$47,000 the IFC should add that to the allocation. Mr. Loux responded the figures he cited are for the two largest obligations, but there are others which he has not calculated. He said the agency could follow the suggestion of the chairman to pay those invoices, operate with existing funds, and then when funds appear to be running out, return to IFC. Chairman Raggio interjected the IFC will probably meet in September. Mr. Loux acknowledged the agency may not be able to make it through the end of September after paying current invoices out of this allocation and continuing operation.

Mr. Price suggested rather than full funding the IFC provide funding through the November elections and into the beginning of the new administration in February, at which time there will be an opportunity for the new governor to evaluate the program. He wondered whether the legislative Committee on High-Level Radioactive Waste will continue to be funded. Mr. Loux responded funding for that committee does not fall under this request.

Harold Rogers, Co-Chairman, Nevada Nuclear Waste Study Committee, testified his group strongly favors a well-designed and well-organized scientific oversight activity. He averred so far the oversight committee has not had a strong scientific base. He declared if Nevada public funds are to be expended to assure Nevadans of public safety considerations associated with the transportation and storage of nuclear waste, the maximum return on investment is important and proper. He said two Nevada entities have developed mechanisms to effectively participate in evaluating the science at the Yucca Mountain project, one of those being the University and Community College System of Nevada (UCCSN) and the other being Nye County.

Mr. Rogers commended the extent of the Nye County participation, but admitted he has less knowledge regarding the participation of UCCSN. Mr. Rogers said his committee has advocated scientifically based oversight be conducted under the aegis of UCCSN. He reported currently it appears there is no credibility within the national scientific community regarding scientific oversight of Yucca Mountain Project or with the United States Congress. He asserted significant changes must be made in order to restore the effectiveness of the program and the credibility, the primary issue being development of a scientifically-based oversight which should participate in policy discussions with a scientific, rather than political, orientation. He voiced his understanding the U.S. Senate Energy and Natural Resources Committee has voted to restore \$4.8 million in funding to the State of Nevada, which he agreed is appropriate. However, he said, if the IFC should provide funds, it should do so only on a limited basis until the next governor has an opportunity to evaluate the situation. He encouraged the committee to establish parameters to ensure the funds are spent properly. (His remarks are attached as Exhibit G.)

Chairman Raggio surmised Mr. Rogers and his group are not opposed to the actions that may be taken by IFC as long as the funds are made on a very limited basis. Mr. Rogers agreed and added that scientific credibility can be rebuilt.

John Glavin, Private Citizen, reported he is not paid by anyone on the subject, but he has had extensive experience dealing with nuclear power and the requirements for a safe repository. He cited his experience as a water resources commissioner, deputy director of transportation and other jobs with the State of Michigan, and at the federal level in budgeting for national defense and other such matters. He reported he has been privy to lots of testimony from the nuclear power industry and from people opposed to it in his capacity as a water resources commissioner in Michigan. He praised the committee for action in requiring constant monitoring of priorities of contracts. He noted in the past contracts awarded by the present committee appeared to him and others in the scientific community to be frivolous. He asserted those destroyed the reputation of the state and its effectiveness as a monitoring agency to protect the interests of the people of Nevada.

Mr. Glavin urged the committee to take the action suggested by the chairman. He acknowledged the need for oversight and expressed the hope the new administration will make a close review of the problem, and that a reputable scientist of national stature will head an effort to make certain the state is on-site observing and evaluating the actions at the nuclear site scientifically and professionally rather than politically in order to ensure safety for the people of Nevada and economic benefit to the state.

Mr. Glavin drew attention to a publication entitled The Monitor issued by the Committee for Observance of Nuclear Waste, which he called biased, but which he said includes some excellent comments that should be read by those who are responsible for the expenditure of public funds in what he described as a "heretofore frivolous handling of the matter."

Thanking Mr. Glavin for his comments, Chairman Raggio remarked there was not time to continue such commentary. He asked if anyone was present with serious objections to the proposed action on the part of the committee. Nobody came forward. Chairman Raggio proposed an additional \$25,000 be added to accommodate Mr. Loux's concerns for a total of \$375,000.

MR. MARVEL MOVED TO ALLOCATE \$375,000 TO MAINTAIN THE NUCLEAR WASTE PROJECT OFFICE UNTIL SEPTEMBER 30, 1998, CONTINGENT UPON THE AGENCY PROVIDING TO IFC A PRIORITY LIST OF CONTRACTS AND PERSONNEL NEEDED, AND CONTINGENT UPON REVERSION OF THE \$375,000 IF FUNDING IS RECEIVED FROM THE FEDERAL GOVERNMENT.

SENATOR RAWSON SECONDED THE MOTION.

Senator Coffin thanked the chair for adding to the original proposal to handle unforeseen expenses. Senator Jacobsen indicated he chaired the audit subcommittee in which discussions were held with the director and legal counsel, and the agency director agreed to reporting factors. He asked that those be included in the motion. Chairman Raggio said that was understood. Mr. Loux stated he would report as frequently as desired. Senator O'Donnell declared he has been an opponent of the office for a long time, and while he agreed oversight is necessary, he averred the expenditure of \$1.2 million would not be in the best interest of the state. However, he stated he would support \$375,000. Chairman Raggio agreed the issue is not the need for oversight, but is rather the character and extent of the oversight.

THE MOTION CARRIED. (ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

Chairman Raggio requested that Mr. Loux work with the staff in preparation of a priority list and be prepared to deal with the issue at the next IFC meeting.

2. Department of Education - Class Size Reduction.....\$1,900,000

Chairman Raggio noted the request came about due to a shortfall in estate tax collections. He said he has been advised that the allocation request should be increased to \$2 million.

Douglas Thunder, Deputy Superintendent, Administrative and Fiscal Services, Department of Education, affirmed the statement. He drew attention to a handout (Exhibit H) showing the facts and figures on the status of the class-

size reduction program. He noted even with the infusion, the program is still going to be short. He explained the cause is due to the fact estimates of estate tax revenue were higher than actual collections.

According to Mr. Thunder, during the current year, collections are approximately 28 percent lower than estimates of estate tax revenues, and that is complicated by the fact that last year there was a shortfall of nearly \$5 million. He recalled the projections had estimated a balance forward of nearly \$14 million, which actually was \$9.1 million. The average monthly estimate was \$1.5 million for this year, but actual collections have averaged \$1.1 million, leaving a 27 percent shortfall.

Mr. Thunder said last quarter when he realized the budget account was in difficulty, instead of making payments to school districts quarterly, the department made monthly payments, enabling the department to make the May and June payments. However, he said, the payment due for July, depicted on the second page of the handout which was calculated on an infusion of \$1.9 million from the contingency fund, is now calculated at just 59.7 percent of the amounts due to the schools. He said the balance due will have to be booked as receivables for FY 1999.

Looking ahead to FY 1999 and carrying forward, Mr. Thunder said if revenues continue at the same level, there will be a substantial shortfall. He estimated the shortfall will be approximately \$14 million, which does not include the resulting reduction in interest that would have been earned, nor does it include the amount payable to school districts in FY 1998.

Chairman Raggio acknowledged the source of funding will have many variables.

Mr. Marvel suggested the funds be used for capital improvements rather than for school operating budgets because of the uncertainty of income and the difficulty of making projections.

Mr. Thunder said when receipts for June come into the department in July, the intention is to make one further distribution, including the additional \$100,000 being added to the request.

Senator O'Donnell asked whether some of the funding from FY 1999 is being used in FY 1998. He explained he was not referring specifically to class-size reduction funding, but rather to the overall education budget. Mr. Thunder replied, "In the distributive school account, that is true." He explained the law was written to allow the appropriations to be used in either year of the biennium with approval by the Governor. He estimated \$4 million was advanced from FY 1999 to FY 1998. He admitted he has not run the figures yet, but he surmised the department will not suffer in FY 1999 because enrollment figures for 1998 were between 3,000 and 3,500 less than budgeted, which should roll over into 1999. Mr. Thunder added he originally believed there was a similar provision for the class size reduction fund, but there is no provision to allow the FY 1998-99 appropriation for class size reduction to be expended in FY 1997-98.

Chairman Raggio acknowledged enrollment has been lower than anticipated, but, he pointed out, there have been lower sales tax collections which impacts local school districts and will cause problems.

SENATOR RAWSON MOVED TO APPROVE \$2 MILLION FOR THE CLASS SIZE REDUCTION FUND.

MS. deBRAGA SECONDED THE MOTION.

THE MOTION CARRIED. MS. CEGAVSKE, MR. MARVEL AND MR. HETTRICK VOTED NO. (SENATOR COFFIN AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

3. Department of Museums, Library and Arts - Nevada State Museum

and Historical Society (Las Vegas).....\$12,000

J. Scott Miller, Administrator, Division of Museums and History, explained the request for \$12,000 will cover a shortfall in admissions revenue collections. He acknowledged there have been concerns over the ability of the museum to continue to draw people, and the shortfall came about in spite of having lowered the original estimate. He noted the problem of attracting people to the facility is ongoing and substantial.

Chairman Raggio recalled a similar appropriation being made for the museum in Carson City. Mr. Miller confirmed the recollection, but estimated the Carson City museum will collect \$9,000 to \$10,000 more than projections.

MRS. EVANS MOVED TO APPROVE THE REQUEST.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

4. Department of Human Resources - Child and Family Services.....\$64,089

Darrel Rexwinkel, Administrative Services Officer IV, Fiscal, Child and Family services Division, explained the Nevada Youth Training Center requested a 66-passenger bus for FY 1998, which was requisitioned in September 1997. He said a purchase order was issued in December 1997 for the bus to be delivered in December 1998. Because the item was not a one-shot item, the payments stretched over 2 fiscal years.

Chairman Raggio interjected if any concern arises as to whether the items meet requisites for contingency fund application, the counsel should inform him. Brenda J. Erdoes, Legislative Counsel, responded none of the items on the agenda should be of concern.

Chairman Raggio asked if the request was unforeseen. Mr. Rexwinkel replied the request was made when the need became evident, but at this time the department would have to wait for another 2 years without the funds. Ms. Erdoes said the department thought the bus would be ready sooner than it was, so to that extent it was unforeseen.

MR. CLOSE MOVED TO APPROVE THE REQUEST.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN HETTRICK, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

5. Department of Human Resources - Child and Family Services

Southern Nevada Children's Home.....\$104,684

Mr. Rexwinkel recalled during the closing days of the last legislative session it was decided the home would no longer accept children after June 1997, and by the end of September the home closed. He reported various solutions for the closure were proposed, one being funding for maintenance and operating funds for FY 1998 and FY 1999. He said the Legislature elected to provide funding for 1998 with the understanding there would be some resolution by the end of the fiscal year. He stated so far there has been no resolution, and the request will allow the department to continue maintenance of the property.

Mr. Rexwinkel said the request covers FY 1999. He recalled there was some discussion as to how long it may be needed, and earlier there was discussion regarding the Southern Nevada Veteran's Home, but he admitted he has no idea when that might take place. He said this request should cover the full year.

Chairman Raggio interjected the request would be the authority, and if the property were transferred or closed the

authority would terminate. Mr. Rexwinkel suggested it could be handled in the same manner as an earlier request in which any sum left could be reverted back to the contingency fund.

SENATOR O'DONNELL MOVED TO APPROVE THE REQUEST.

MR. CLOSE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN HETTRICK, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

Chairman Raggio noted the action provided \$79,484 for maintenance and utility costs. He inquired whether that was the action taken by the State Board of Examiners, which John P. Comeaux, Budget Director and ex-officio Clerk of the State Board of Examiners affirmed. Senator Regan noticed the Clerk's Recommendation, cited on page 51, Volume III of the meeting packet, gave the date as March 30, 1998, which all agreed should read 1999. Chairman Raggio clarified the action would be to approve the recommendation of the State Board of Examiners to provide \$79,484 for maintenance and utility costs through March 30, 1999.

6. Tahoe Regional Planning Agency.....\$83,333

Jerry Wells, Deputy Director, Tahoe Regional Planning Agency (TRPA), said the studies will be managed by the chief of the long-range planning division of TRPA. He noted the request will allow for six environmental studies to be carried out as required in the Environmental Impact Program (EIP). He said the request was made to the Nevada Legislature in the last biennium budget cycle, but it was deferred and referred back to IFC until the EIP was finalized and until it was determined whether there would be support from California. He reported the EIP was adopted officially, and the Governor and Senate and Assembly fiscal committees of California have recommended approval of the program. He acknowledged the program awaits final action by the California Legislature, but it appears it will be approved.

Chairman Raggio noted any action taken by IFC would be contingent upon final approval by California for their two-thirds funding.

SENATOR JACOBSEN MOVED TO APPROVE THE REQUEST CONTINGENT UPON RECEIPT OF WRITTEN DOCUMENTATION THAT CALIFORNIA HAS APPROVED ITS PORTION OF THE PAYMENT.

CHAIRMAN ARBERRY SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

7. Office of the Military.....\$65,000

Drennan A. (Tony) Clark, Major General, The Adjutant General of Nevada, introduced Lt. Justin G. Rianda, Coordinator, Project Challenge. Gen. Clark explained the funding is requested for Project Challenge which is a youth program designed to assist high school drop-outs. He explained it is a resident boot-camp style program for 5 months in which youngsters can obtain their general education degrees (GEDs) and where they are taught life skills, how to deal with each other without resorting to violence, and things similar to community service.

Gen. Clark said Nevada has worked in partnership with the Arizona because Arizona has barracks, classrooms, dining hall and other facilities on the former Williams Air Force Base just south of Phoenix. The Nevada partnership commenced with Arizona's third class, and the ninth class just graduated in which Nevada had eight graduates. He said class 10 will start in early July, and Nevada would like to continue to participate. He noted the program was a test program with full federal funding until the last federal legislative session during which the U.S. House of Representatives voted to discontinue the program entirely. The U.S. Senate voted to make the program permanent and fund it at 75 percent federal, 25 percent state, and reduce federal funding by 5 percent

every federal fiscal year thereafter for 3 more years until the funding ratio becomes 60 percent federal and 40 percent state. At this time, he noted, it will require state funding at the rate of 25 percent.

Mr. Marvel asked whether the youngsters are tracked after they graduate from the program. Lt. Rianda replied they are tracked for 1 year through a mentoring program during which time they contact their mentors a minimum of twice per month. So far the results have been positive, he said.

MRS. EVANS MOVED TO APPROVE THE REQUEST.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

8. Ethics Commission.....\$12,500

Lee-Ann Keever, Executive Secretary, Commission on Ethics, explained the request for supplemental funding was actually necessitated by an ongoing investigation into a situation involving concessions at Terminal D at McCarran International Airport. Because of the high profile and complexity of the issue and extra costs incurred, the original request for supplemental funding in April for \$12,500 has been found to be inadequate and the commission now needs \$19,500. She said most of the costs are associated with the costs for the private investigator and the court reporter as well as unforeseen extra days of meetings in May and June.

Ms. Keever supplied the committee with a memorandum (Exhibit I) detailing the request.

Noting recently three individuals in Las Vegas had each been fined \$5,000, Ms. Von Tobel asked where the fines go. Tracy Raxter, Administrator, Administrative Services Division, Department of Administration, responded the fines go into the General Fund and not into the budget account.

MR. CLOSE MOVED TO APPROVE THE REQUESTED \$19,500.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

G. PUBLIC WORKS BOARD

1. Southern Nevada Veterans Home - Project 97-C16 - Subcommittee Report and Site Approval

Prior to commencing the discussion, Mr. Price commented Richard K. McNeel of Clark County, a former colleague, passed away over the weekend. He noted the funeral was being conducted at the moment at the Veterans' Cemetery in Boulder City and he asked to take a moment of silence in memory of Mr. McNeel. Chairman Raggio asked the committee and audience to observe a moment of silence in memory of former Assemblyman Richard McNeel.

Senator Coffin commented a funeral was being held for Sheriff Moran at the same time. Chairman Raggio added the record should reflect the many years of exemplary public service on the part of John Moran, and he extended condolences to the families of both Mr. McNeel and Sheriff Moran.

Chairman Raggio noted the committee was provided with a report on the Southern Nevada Veterans Home, attached as Exhibit J. Eric Raecke, Manager, State Public Works Board, reminded the committee Senate Bill 327 required that the IFC approve a site for the home, and in 1997 the subcommittee approved a site located on 5th and Craig Streets in Las Vegas. After commencing the project and conducting exploration, some major soil problems were encountered which could raise the costs by \$2 million, so the IFC redirected the subcommittee to

study other sites.

Mr. Raecke reported the State Public Works Board investigated three additional sites, one directly across the street from the original site where the same soil problems were present. A 35-acre site on Range Road next to the Clark County National Guard Armory was investigated in North Las Vegas, as was another site in Boulder City just north of Highway 93.

Chairman Raggio noted the subcommittee recommended the Boulder City site, consisting of 40 acres, and it was indicated the site could be obtained at no cost except for the potential exchange of the Southern Nevada Children's Home property subject to appraisals. He said it was represented that the acquisition would involve a vote of the people of Boulder City. Based upon those representations, the subcommittee unanimously approved the site. He noted Mr. Close and Senator Regan were unable to attend the meeting due to other legislative duties, but both indicated their concurrence with the subcommittee's approval. A letter of support was received from Assemblywoman Gene Wines Segerblom, and a letter from Anita Clark of the Charleston Neighborhood Preservation which objects to the Boulder site and asks for a Las Vegas site is included as Exhibit K. Chairman Raggio noted no site in Las Vegas came to the attention of the committee that met the criteria required both for federal standards or by the State Public Works Board.

Speaking on behalf of Boulder City, Senator Jon C. Porter agreed with the necessity of a veteran's home, and he noted there have been numerous financial considerations, but he asserted of most importance are the advantages to the community of Boulder City in that it is a community, it is not isolated, and that it offers a number of advantages to veterans. He noted a hospital is within 5 minutes of the site, shopping and community and senior centers are also just 5 minutes away, and most importantly, the community has "opened its arms to seniors and to veterans" for many years. He added the community is very excited at the prospect of having the ability to serve the country by taking care of veterans.

Chairman Raggio noted there are time lines which must be met. Mr. Raecke said the final package needs to be delivered to the U.S. Department of Veterans' Affairs by September 30, and in anticipation the proposal will be approved, public works has put together a proposal for an environmental impact statement to expedite meeting the deadline. He said preliminary conversations with Western Technology of Las Vegas indicate the deadline can be met.

Charles G. Abbott, Executive Director, Officer of Nevada Commissioner for Veteran Affairs, stated any request for an extension must be accomplished by the 15th of next month. He expressed hope it will not be necessary, but wondered whether it would be an advantage to have a cushion.

Ms. Cegavske said Ms. Clark left a message on her answering machine which indicated Ms. Clark may have had misinformation about the site. She requested a memo be sent to Ms. Clark indicating the reasons for the selection of the Boulder site. Ms. Cegavske suggested one of the major problems may have been erroneous information that the site would have a view of the cemetery. Chairman Raggio responded staff would be happy to accommodate the request.

Mr. Price recalled indicating at the time the vote was taken that he was not completely satisfied with the Boulder site, but he agreed progress needs to go forward. He recalled a requirement the home be sited near a hospital with second level emergency care, which is only provided at the University Medical Center (UMC), and there was discussion regarding a new helicopter company to transport patients. He said he was informed helicopter rates would range between \$3,000 and \$5,000 to transport from Boulder City to UMC. He voiced hope Boulder City will give serious consideration to various church groups that might want to continue the Children's Home under different management, and that it can be kept in operation.

MR. ARBERRY MOVED TO ACCEPT THE REPORT APPROVING THE BOULDER CITY SITE CONSISTING OF 40 ACRES NORTH OF HIGHWAY 93 AS THE SITE FOR THE SOUTHERN NEVADA VETERANS HOME, SUBJECT TO THE CONDITION THE SITE CAN BE OBTAINED AT NO COST TO THE STATE OTHER THAN THE POTENTIAL EXCHANGE FOR THE SOUTHERN

NEVADA CHILDREN'S HOME PROPERTY, AND THAT TRANSFER OF TITLE TO THE PROPERTY DOES NOT REQUIRE THE APPROVAL OF THE VOTERS OF BOULDER CITY.

SENATOR JACOBSEN SECONDED THE MOTION.

When asked by the chair, Legal Counsel Brenda Erdoes agreed the motion was appropriate.

THE MOTION CARRIED. SENATOR COFFIN VOTED NO. (ASSEMBLYMEN MARVEL, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

Ms. Von Tobel wanted to know if the home will be considered the Southern Nevada Veterans Home or the Boulder City Veterans Home. Chairman Raggio responded it will be the Southern Nevada Veterans Home or as stated in the law requiring it be located in Clark County. He noted the intent is that it will serve veterans from the entire state, even though located in southern Nevada.

2. Project 97-S4A - Military, Nevada National Guard - Approval requested to accept \$440,720 in Federal Funds to complete project design.

Mr. Raecke indicated approval of IFC is necessary to accept federal funds to complete advance planning for the state area command complex in Carson City. He asked that the original request for federal funds of \$476,640 be increased by \$440,720 to \$917,360. He explained during the 1997 Session funding was approved in the amount of \$476,000 for 35 percent advance planning for a new Office of the Adjutant General (OTAG), United States Property and Fiscal Office (USPFO) and an armory. The additional federal funding will allow for completion of the OTAG portion.

SENATOR JACOBSEN MOVED TO APPROVE THE REQUEST.

MS. VON TOBEL SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN HUMKE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

3. Request to transfer funds from Project 95-C1, Lovelock Correctional Center to Project 95-G5, NSP Culinary and Project 95-M34, Sewage Grinder Building at Ely State Prison.

Mr. Raecke stated an increase in spending authority for two capital improvement projects requires IFC approval. The first request will increase funding for the culinary unit at the Lovelock facility by \$394,000, and the second request will increase funding for a sewage grinding building at the Ely facility by \$152,000. He explained the funding will be derived from an existing project 95-C1 which has an unencumbered balance of approximately \$1 million and from which the total funding request of \$552,000 can be transferred.

Chairman Raggio inquired why the cost of the grinder building increased so dramatically to \$447.50 per square foot. Mr. Raecke replied the original budget in 1995 was ill-conceived, and the original project request was 400 square feet. After review by an engineer and an architect, it was determined the project should be at least 880 square feet, which calculates to approximately \$203 per square foot. He explained when sewage is ground, it emits a methane gas which is explosive, so the entire building must be explosion-proof. He added sulfuric acid, a high corrosive residue, results which requires that all sands and interiors must be corrosive-proof in order to extend the life of the building. He opined a cost of \$203 per square foot is reasonable for the extra protection.

SENATOR JACOBSEN MOVED TO APPROVE THE REQUEST.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN AND ASSEMBLYMEN HUMKE, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

4. Project Status Report.

Mr. Raecke indicated the status report is included in Volume III, pages 75 through 82, of the meeting packet. He pointed out Prison Number 7 is nearly 4 months behind schedule. He said it will go to bid on July 17 and the notice to proceed should be ready early in August, pushing the completion to approximately January 31, 2000. He noted the original projection was for the project to be complete and ready for occupation in October 1999.

Mr. Raecke reported the \$25 million project for the West Charleston campus came in well under budget, a \$17 million project for the Community College of Southern Nevada (CCSN) also came in well under budget, and the library at University of Nevada, Las Vegas, also came in under budget. He said the 3 to 5 months were picked up in the design schedule for the two projects at CCSN, which will provide for occupancy a full semester before the original projection of occupancy.

Ms. Krenzer thanked Mr. Raecke for agreeing to an in-house ADA audit without the necessity of legislation.

Chairman Raggio noted the report on the renovation of the old bank building in Carson City indicates Carson City is providing \$200,000. He requested additional clarification. Mr. Raecke responded Carson City entered a partnership and agreed to build and maintain the parking lot behind the building at no cost to the state. Chairman Raggio suggested Mr. Raecke ascertain whether some approval authority is necessary for that project.

H. DEPARTMENT OF INFORMATION TECHNOLOGY - Addition of a 9672-R25 CMOS Processor to the mainframe configuration on July 1, 1998.

See testimony and motion for approval under item D 8.

I. DEPARTMENT OF EDUCATION - Education Reform Act - Allocation of remediation funds.

Jeanne L. Botts, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said Senate Bill 482 appropriated \$3 million to be allocated to schools that have been designated as demonstrating inadequate achievement based upon pupils' performance in the statewide mandated examinations administered in grades 4, 8 and 10. She explained the funds must be used by the schools to pay costs incurred in providing approved programs of remedial instruction. In order for a remedial program to be approved for the funding, she said, it must have been found to be effective in improving pupils' academic performance and be included on a list of effective programs adopted by the department.

Melinda Braun, Education Analyst, Fiscal Analysis Division, explained S.B. 482 requires the Legislative Committee on Education to approve the list of programs in reading, writing, mathematics and science and then recommend the list to the State Department of Education. She related on March 26 the committee approved a list including 21 programs which were subsequently approved and adopted by the State Department of Education. She said the programs cover the four areas cited and have all been found to be effective, and those schools found to have inadequate achievement make their selections for remediation programs from the list.

Bill Arensdorf, Accountability Team Leader, State Department of Education, reported the department identified schools according to the criteria in section 7 of the bill under three categories, those with high achievement, those with adequate achievement, and those found inadequate. He said 23 schools with children scoring in the bottom quartile in the four basic subject areas cited were identified as inadequate. The districts were notified on April 1, and applications for remediation funds were due May 1. All 23 applied, but more requests were received for funding, \$4,048,000, than the amount available, \$3 million. From the applications that matched the intent of the bill, the department recommended to the State Board of Examiners that \$2,713,614 be awarded to the 23 schools.

Chairman Arberry wanted to know whether the funding will be distributed appropriately since many of those children who brought the test scores down will be entering other schools by the time the programs are started. Ms. Botts responded there is little change from year to year in the schools that qualify under the criteria since those

tend to be schools with high concentrations of students from low socio-economic situations or with high numbers of students learning English. She stated the schools with low scores tend to persist over time, indicating little change will occur to impact the distribution of funds. She noted school districts have always had an obligation to provide remedial programs for students who do not score above the 25th percentile. She explained the funds in question will target those schools that have large numbers of students performing poorly. She acknowledged some students will continue to need help in subsequent grades and the districts are expected to help them.

Ms. Cegavske noted a variety of programs in the list and voiced concern that there appears to be a lack of consistency. She asked whether the programs are interactive or whether a student transferring from school to school will find consistency. She also wondered whether those schools that estimate an exact amount needed will compete successfully against those schools that estimated their needs higher. Mr. Arensdorf acknowledged there has been a problem over the years with a proliferation of programs rather than concentrating on a few that really work, but he opined the list will allow the schools to concentrate on a few uniform programs. He explained Clark County has pulled all the schools together and will offer base programs, so most of the elementary schools will be using one model, thus getting away from the tendency to adopt a myriad of programs with resultant lower effectiveness. He admitted the programs will not be consistent throughout the state, because the option was left to the schools to select the programs that best meet their individual needs.

Ms. Braun interjected the majority of the schools across the state are focusing on reading programs. Clark County focused on "Success for All," and Washoe County focused on "Reading Renaissance," she said, indicating the districts appear to be sticking together, with the primary focus on reading in the lower grades. Approximately 70 percent of the requested funds will be allocated to the lower grade reading programs. Ms. Botts stated the committee attempted to focus on one or two major programs for each school, rather than the five or six requested by some. She pointed out a chart is included in Volume III, tab I showing the amounts requested and recommended, with an explanation of cuts. She said some reductions were made for schools requesting computers since many of those requests were funded through the one-shot appropriation for educational technology. This saved approximately half of the \$1 million that was cut from the requests. She noted there was no attempt to cut each school proportionately, and there were some items that were eligible for funding and some that were not. In some cases funding for additional staff was cut.

Chairman Raggio indicated the Legislative Commission on Education has been following the process very carefully and has reviewed detailed information on the requests and the methods whereby adjustments were made. He added the chart referred to by Ms. Botts also shows what was approved or disapproved, and it appears to be consistent. He requested comment on the two schools that needed adjustments and why those were not granted initially. Ms. Botts said the review committee recommended two Washoe County elementary schools, Loder and Palmer, be given the opportunity in the near future to reapply for funds to augment their instructional programs since technical portions of their requests were not on the approved remedial program list although they were very similar.

Chairman Raggio reported the previous day the Legislative Commission on Education agreed to recommend an adjustment to IFC. Ms. Botts continued, saying the since the IFC is not bound to follow the recommendations of the State Board of Examiners but may act independently, there has been a suggestion that the revised applications from Washoe County for the two schools be considered now, rather than in September, to allow the district time to get the programs up and running for the next school year. She said the revised requests were reviewed using the same criteria as the original application and the same review process, with recommended additions in the amount of \$50,200 for Loder and \$55,440 for Palmer. She said that will increase the total to \$2,819,254, leaving \$180,746 of the \$3 million appropriation unallocated.

Senator Mathews asked when fall testing is undertaken. Ms. Botts answered tests are given in October. Senator Mathews wanted to know if students have an opportunity to be exposed to the test material by that time. Ms. Botts replied the Legislature requires that the tests be given statewide at the same time of the year, and the State Board of Education determined the tests be given in October. She noted the test is a nationally normed test based on a sample of students taking the test across the country in October, the test is designed to measure what is learned throughout the year, and scores are adjusted in comparison to other youngsters taking the test in October. She

acknowledged there may be questions to which the students have not been exposed. She said a norm-referenced test includes questions to which the students have not been exposed. The test measures what is learned in fourth grade, but according to Ms. Botts one of the main reasons the board decided to test in October was to provide uniformity across the state.

Senator Mathews asked how many brand new elementary schools are on the list. She noted entering students often must first be taught general comportment, to sit down and be quiet, before they can be tested. Ms. Botts pointed out the tests are given to students in grades 4, 8 and 10. Senator Mathews said she is aware of one new school in Washoe County, and Mr. Arensdorf identified one in Clark County that has only been open for 1 year. Senator Mathews noted the one in Washoe County has only been open for 1 month, and she wanted it on the record that "kids ought to have an opportunity, and a school that has only been open a month, and they are calling them inadequate, you've got the most powerful principal..."

Chairman Raggio interjected much of the discussion was covered by the Legislative Commission on Education, and yesterday the commission reviewed a list of recommendations, one of which is to change the designation from "inadequate" to "schools needing improvement." He added a recommendation was made to do the testing in the spring. He said the recommendations will be considered by the next legislative session.

Reiterating her concerns, Senator Mathews expressed her appreciation for the recommendations by the commission.

Senator Regan said he had concern regarding adding more funding for the two schools in Washoe County. He questioned whether Washoe County had requested funding for allowable purposes and whether the district would use funding as stated in its revised applications or try to spend it on items that had been disallowed.

Senator Regan declared the funds are only to be used for remediation of ineffective schools. He stated he has qualms about even funding Palmer and Loder. Chairman Raggio asked for assurances that the funds will be used appropriately. Mr. Arensdorf said, "Part of our oversight and monitoring will include close fiscal oversight of the projects, and each one will be accountable to an individual school ... a school budget."

Ms. Von Tobel requested an analysis be provided to the committee on which schools feed into the middle schools that are designated as having inadequate achievement. She suggested that might answer Mr. Arberry's concerns. She noted there are three in Las Vegas and it is possible the elementary schools listed are all feeders into the middle schools and the students in question will be entering schools that are on the list. She proposed the analysis also include the high schools designated as inadequate and which middle schools feed into them. Ms. Botts said she would request that from both Clark and Washoe Counties. She noted testing is applied in grade 8, so students in the middle schools have already been attending the middle school for a while. Chairman Raggio asked Ms. Botts to send members of IFC a compilation of recommendations adopted by the Legislative Commission on Education which may address many of the concerns being expressed.

SENATOR RAWSON MOVED TO APPROVE THE RECOMMENDATION OF THE STATE BOARD OF EXAMINERS AND WITH THE ADJUSTMENT FOR ECHO LODER ELEMENTARY AND VIRGINIA PALMER ELEMENTARY SCHOOLS IN THE AMOUNTS OF \$50,200 AND \$55,440, RESPECTIVELY, AND WITH THE UNDERSTANDING THESE WILL BE MONITORED AS REQUESTED.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN, ASSEMBLYWOMAN EVANS AND ASSEMBLYMEN CLOSE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

J. UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA - University of Nevada, Reno, use of Sage Building - release of funds per June 30, 1997, Letter of intent.

Bruce Shively, Director of Budgets, University of Nevada, Reno, offered to provide a detailed plan of the

proposed usage of the Sage Building, in compliance with a Letter of Intent submitted to the university at the close of the last legislative session. Noting the building is located at the Stead Campus north of the main campus, Mr. Shively described it as 104,000 square feet, 85 percent of which is presently occupied by the Desert Research Institute (DRI). He noted DRI will vacate the facility to move into its Northern Science Research Center in September or October.

Mr. Shively reported the plan for the space is included in the meeting packet, Volume III, under tab J. He said the plan consists of three components, the largest associated with the Nevada Terawatt Facility, a facility designed for the study of high energy and high density physics, which he called the "z-pinch" project. He noted it will be the largest facility of that sort in any American university, and it is attracting considerable attention from federal funding sources. It will occupy approximately 50,000 square feet of the Sage Building.

According to Mr. Shively, the second component of the plan for the building will be used for shop, archival and storage space for units such as the university press, the book store, academic programs, the library, and shop space for the buildings and grounds. He said the space is already occupied for those uses. The third use of the building, he said, will consist of approximately 30,000 square feet which the university intends to use for research and development (R&D) partnerships with private corporations. He noted the university has a successful model in existence in the Bureau of Mines Building in which businesses and the university have gone into partnership to develop new technologies and bring them to commercial application. He asserted the program has been very successful, resulting in excellent working experience for students, new jobs in the community, and an expanded and diversified economy for the state. He said that type of model is what the university hopes will be built into the space at the Stead building. He added there has been considerable interest in that activity over the past several months.

Mr. Shively recalled the Letter of Intent spoke of \$500,000 for maintenance and support upon completion and approval of a detailed plan. Since DRI will not vacate the facility on July 1, but will stay in the building through at least September 30, the university will receive payments of approximately \$90,000. He said that will reduce the request for the release of funds to approximately \$410,000. He noted materials issued by the Office of the Governor suggest that \$362,000 should be released. He explained that calculation was made at a time when there was some ambiguity as to how much space would be occupied by the Nevada Terawatt Facility. At that time it appeared their occupancy would be approximately 35,000 square feet, but it will actually be closer to 50,000 square feet. Also, he said, there was some concern regarding the space to be used for the business and industry partnerships.

In view of those factors, Mr. Shively requested the release of \$410,000, if the IFC approves of the plan.

Chairman Arberry commented the information provided to the committee by the Budget Division approved \$362,888 and he recommended the university return to the Budget Division to increase the appropriation and then return to IFC for the additional funding.

Mr. Price indicated his wife is a university regent, but he expressed doubt that should have any effect on the deliberations and he voiced his intention to vote. He asked whether a project such as that cited by Mr. Shively goes through a process in which the university regents make the decisions as to approval or disapproval. Mr. Shively replied, "Yes, it does." He said the proposal for the use of the Sage Building was submitted to the Board of Regents for their consideration where it was approved at a recent meeting.

SENATOR O'DONNELL MOVED TO APPROVE AN APPROPRIATION IN THE AMOUNT OF \$362,888.59.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS RAGGIO AND COFFIN, ASSEMBLYWOMAN EVANS, AND ASSEMBLYMEN CLOSE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

Senator Mathews commented she would like to see a more detailed plan on use of the space by the next IFC

meeting, since some areas failed to depict the proposed usage. She also requested more information on the usage for the physics project.

K. DEPARTMENT OF MOTOR VEHICLES AND PUBLIC SAFETY - The Department of Motor Vehicles and Public Safety is requesting approval to distribute grant awards to local government entities from excess balance in the Emission Control account in accordance with NRS 445.700.

Emission Control Grants:

Washoe county District Health Department.....\$253,094

Clark County Comprehensive Planning.....\$303,714

Clark county Health District.....\$455,569

Excess Reserve Grants:

Washoe County District Health Department.....\$201,387

Washoe County District Health Department.....\$200,000

Clark County Health District.....\$200,000

Clay E. Thomas, Chief, Registration Division, Department of Motor Vehicles and Public Safety, explained agencies promoting improvement of air quality may request grants from the State of Nevada for funding to be distributed from the Emission Control budget. To date his agency has received a total of six grant requests, three from the dedicated reserve, and three from the excess reserve. He said the requests made pertaining to the dedicated reserve include \$253,094 for the Washoe County District Health Department, \$303,714 for Clark County Comprehensive Planning, and \$455,569 for the Clark County Health District. The requests from the excess reserve include two requests for the Washoe County Health Department, \$201,387 and \$200,000, and \$200,000 for the Clark County Health District. The six requests amount to \$1,613,764. He noted if the committee approves the requests there will be sufficient funds remaining to meet the minimum requirement for the balance in that fund required by statute.

SENATOR O'DONNELL MOVED TO APPROVE THE REQUEST FOR GRANT AWARDS IN THE AMOUNT OF \$1,613,764.

SENATOR REGAN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN, ASSEMBLYWOMAN EVANS AND ASSEMBLYMEN PRICE, CLOSE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

Mrs. Chowning wanted to know how many refunds have been made under the verification insurance program. Mr. Thomas reported the program will end on July 1, and to date the department has had contact with approximately 3,200 people, and approximately \$40,000 has been refunded to about 800 individuals. He said the department estimated nearly \$200,000 could be refunded.

Senator Mathews wondered why emission tests are still being required for vehicles less than 5 years old, and whether that is a legislative problem. Jim Parsons, Environmental Management Specialist, Registration Division, Department of Motor Vehicles and Public Safety, responded it is a problem that will have to be dealt with in statute. He indicated Clark County may address the issue at the coming legislative session.

L. DIVISION OF STATE LANDS - NRS 323.100

Pamela B. Wilcox, Administrator and State Land Registrar, Division of State Lands, Department of Conservation and Natural Resource, said while the state is not involved in many land exchanges, she had four to present for

approval. She noted state law provides land exchanges may be made when values are equal and with the approval of the State Board of Examiners and the Interim Finance Committee. She reported the exchanges are being initiated by the state agency that manages the land, and in each case the agency feels the lands to be acquired have greater value for the purposes of their programs than the lands that are being given up. The agencies involved are the Department of Prisons, the Division of Wildlife and the Division of State Parks. Ms. Wilcox indicated values have been established as equal on both sides by independent appraisals in all four exchanges, except there may be a slight advantage to the state in two cases.

28. Nevada State Prison Land Exchange (CIP 95-G3) - Approval is requested for a land exchange between the State (NDOP) and Mrs. Eva Lompa.

Ms. Wilcox described the first exchange to be managed by the Department of Prisons. In the case where the women's prison is being transformed to a men's facility on Edmonds Drive, the new facility will be almost on the property line, so it was considered advantageous to acquire some extra land to provide a buffer along the property line. The adjoining property owner, Eva Lompa, will be given a parcel of land that will provide access to Edmonds Drive. The land presently owned by Mrs. Lompa consists of 41,176 square feet valued at \$2.45 per square foot for a total value of \$101,000, while the parcel owned by the Department of Prisons to be exchanged consists of 38,800 valued at \$2.60 per square foot with the same total value, making an even exchange.

MR. MARVEL MOVED TO APPROVE THE REQUEST.

MS. OHRENSCHALL SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYWOMAN EVANS AND ASSEMBLYMEN CLOSE, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

29. Proposed land exchange - Scripps Wildlife Management Area.

Ms. Wilcox explained both sides of the second exchange on the agenda involves land managed by the Division of Wildlife. She said the land being given up is in the Scripps Wildlife Management Area in Washoe Valley, a small parcel on the other side of Eastlake Boulevard from the rest of the Scripps property and which has been excess to the state's needs for several years. She reminded the committee the Legislature approved its sale in 1987, but no buyers were found during two offerings for auction. She said the property on the other side of the exchange is located in the Humboldt Sink where the Division of Wildlife manages leased land in the Humboldt Wildlife Management Area.

Ms. Wilcox explained in this case the Division of Wildlife is concerned the land in the Humboldt Wildlife Management Area may be offered for sale. She said the exchange will involve seven parcels in the Humboldt Wildlife Management Area which will be brought under state ownership in exchange for giving up the excess land and water rights in the Scripps Wildlife Management Area. She said the land at Scripps is valued at \$125,000 and the water is valued at \$300,000 for a total of \$425,000. The land values in the Humboldt area have been appraised at \$425,500, giving the state a \$500 advantage which the private parties will donate to the state.

Chairman Raggio wanted to know if the release of the water rights will jeopardize future development of Washoe Park. Ms. Wilcox responded it will not, because the state will retain 1,600 acre feet of water, and the water to be exchanged is excess to the needs of the state. There will be no cash changing hands.

MR. MARVEL MOVED TO APPROVE THE REQUEST.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYWOMAN EVANS AND ASSEMBLYMEN CLOSE, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

30. Request for approval of land exchange - Floyd Lamb State Park.

Ms. Wilcox said the third request involves two potential exchanges, although only one will happen in the near future which definitely needs approval immediately. She said the second may be considered a judgement call for IFC members. She explained there are two private holdings at Floyd Lamb State Park, one being 77 acres surrounded by the park on three sides, and one of 40 acres. She acknowledged the division has been attempting to resolve the problems posed to the park by the holdings for a long time, and a solution is being brokered by the City of Las Vegas. She said the city became involved in the exchange by acquiring and then terminating a lease for a zoo at the south end of the park. The removal of the lease will make the land available for exchange. She said the appraisals on the 77 acre inholdings have been completed since the time she sent the letter requesting approval, with the state land appraised at \$46,000 per acre, and the private land appraised at \$47,000 per acre. She anticipates the land exchange will be even in acres in which case the private party will donate the difference to the state. She promised the exchange will either be even or will be to the state's advantage.

Senator Rawson asked whether either parcel is developed. Ms. Wilcox replied neither has been developed in any way, although there is pressure to develop, which is one of the reasons the state is anxious to conclude the exchange. Referring to the map included in the meeting packet in Volume III, Senator Rawson indicated he was unsure where the land being exchanged was located. Ms. Wilcox said the land is located at the south end, abutting the street that runs along the south end of the park.

Ms. Von Tobel interjected the 77 acres goes directly into the park and she called it outrageous that the parcel ever fell into private hands because it is surrounded by the park. She asserted it is critical for the state to acquire the land. She cautioned a developer has gone before the Las Vegas city council with a plan for high density housing on the parcel, which would have a very negative affect on the park. She encouraged support of the proposal.

Mr. Price wanted clarification as to whether the 40 acre parcel is included. Ms. Wilcox said the present proposal involves just the 77 acre parcel, and the exchange is ready to be completed. She explained the City of Las Vegas is hopeful to broker another exchange for the 40 acre parcel, but the State Division of Lands does not have that one ready to complete.

SENATOR RAWSON MOVED FOR APPROVAL OF THE REQUEST.

MS. VON TOBEL SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYWOMAN EVANS AND ASSEMBLYMEN CLOSE, PERKINS AND GOLDWATER WERE ABSENT FOR THE VOTE.)

31. Request for approval of land exchange - Spring Valley State Park.

Ms. Wilcox reported the final exchange request involves land at Spring Valley State Park in Lincoln County. She related there has been a long-term problem there with the configuration of the land, with private parcels in the middle of the park. She said an agreement has been reached with one of the private property owners to exchange an 80 acre parcel valued at approximately \$178,000. She explained the parcel to be obtained will help resolve a water quality problem due to its present use for livestock grazing, because it is adjacent to a stream which flows into a reservoir. In addition, there is an historic stone house built in 1870 on the private property that is still in very good condition. She said in exchange the state will give the private party acreage of equal value that is north of the inholdings. She stated the exchange is part of an attempt by the state to secure the lands around the park headquarters and the Eagle Valley Reservoir.

Mr. Marvel wanted to know who was grazing cattle on the property. Ms. Wilcox said it is owned by the Hammond family, and they will be able to use to other parcel farther upstream for grazing.

Steve Weaver, Chief of Planning and Development, Division of State Parks, responded to a question from Chairman Raggio by saying that the fish-cleaning station was being utilized to its maximum capacity when he visited the park a week ago.

MR. MARVEL MOVED TO APPROVE THE REQUEST.

MS. CEGAUSKE SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMEN CLOSE, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

M. DIVISION OF STATE PARKS - Sand Harbor Lake Tahoe Shakespeare Festival Lease Agreement

Mr. Weaver explained the request involves approval of a long-term lease, a 20-year agreement with the Lake Tahoe Shakespearean Festival group. He noted the group has had a special use permit for the past 3 years, and he opined they have done an outstanding job. He reported the group has already hired consultants, to whom they have already paid \$170,000, to design a substantial improvement to the state's facility. He said the group expects to raise approximately \$1 million to invest in the upgraded facility, and with such a large investment the group wants to be guaranteed that they will have use of the facility for an extended period. He said his division has agreed on a lease for 20 years with a provision for a 20-year extension.

Chairman Raggio asked whether there is concern the state might find another need for the property in that period of time. Mr. Weaver responded the lease contains provisions to allow other types of activities in addition to the Shakespeare plays, and the group does not anticipate having exclusive use of the facility. Chairman Raggio wanted to know whether the lease contains a 1-year termination clause. Mr. Weaver and Ms. Wilcox both indicated it does.

Chairman Raggio expressed concern regarding the adequacy of the liability insurance, considering the number of people who attend functions at the facility. Mr. Weaver responded it is his understanding the coverage is \$1 million Combined Single Limit which was recommended by Risk Management. Chairman Raggio wanted to know whether the lease contains an indemnification clause. Ms. Wilcox answered there is an indemnification clause found in Section 10 of the lease. Chairman Raggio commented the indemnification clause is only as good as the assets of the group. Ms. Wilcox repeated the division works with both Risk Management and the Office of the Attorney General on lease provisions. She said, "While we try to protect the state, we try not to have public purposes held hostage to those kinds of concerns." She noted the provisions of the lease were acceptable to Risk Management and the attorney general. Chairman Raggio agreed the event is very good, well received and well attended and worth support.

SENATOR JACOBSEN MOVED TO APPROVE THE REQUEST.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMEN CLOSE, GOLDWATER AND PERKINS WERE ABSENT FOR THE VOTE.)

N. DEPARTMENT OF MOTOR VEHICLES AND PUBLIC SAFETY - Records and Identification Services - Request to fill vacant positions.

Dennis Debacco, Program Manager, Criminal History Repository, Department of Motor Vehicles and Public Safety, recalled he had appeared before the IFC meeting in May with a work program request to augment staff and request three new positions which were approved. At that time there were another three positions to support the civil name check program to provide criminal history record information in support of the gaming industry and hotels which IFC recommended be left frozen until the next scheduled IFC meeting. He said he had returned to request that those positions remain frozen for a period of time, at least until the next IFC meeting scheduled for September.

Mr. Debacco explained that will enable the department to reestablish credibility with the fiscal division staff in projections and the need for new positions, and it will allow the department an opportunity to "work with real numbers in making our projections." He remembered indicating in May that all the new positions had not been

filled nor were all programs operational.

Chairman Raggio proposed rescheduling the item until September and said no action would be required. Mr. Debacco interjected the department would prefer that the positions remain approved but frozen. Chairman Raggio reiterated no action was necessary and the item will be rescheduled.

O. INFORMATIONAL ITEMS.

1. Department of Administration, Risk Management Division, Committee on Benefits

1. Overview of the Request for Proposal Process for Third Party Administration for the State Self-Funded Medical and Dental Plans.
2. Status Report on Claims Payment.

Refer to testimony under item D 9.

1. Department of Museums, Library and Arts - Nevada Historical Society - Increase in FTE.

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

2. Legislative Committee on Health Care - Quarterly Report.

Senator Rawson commented a number of issues have arisen lately, especially with the Nevada Check-up Program and Medicaid in developing a mandatory Medicaid program. He noted difficulties have arisen with the federal health care financing administration, and there will be some delays.

Offering to combine comments on item O 4. a. with item O 3., Chris Thompson, Administrator, Division of Health Care Financing and Policy (DHCFP), Department of Human Resources, distributed a report regarding the status of the Nevada Check-up Program (Exhibit L) and two letters addressing the problem (Exhibits M and N). He reported the division has been working diligently over the past 9 months on the program, and in early June the division was informed by the U. S. Health Care Financing Administration (HCFA) that there were several concerns with one aspect of the Nevada program. He said HCFA does not want to allow individuals to choose to go into the Nevada Check-Up Program if they have a potential of being eligible for Medicaid. He explained the ramifications of that are significant from an administrative standpoint because it will undermine the ability of DHCFP to make the program as administratively simple as possible. He said it puts DHCFP in the position of being prevented from enrolling some poorer children while being able to enroll less poor children who fall under the criteria. It also may require, in some circumstances, that younger children in the family be made ineligible for the Check-Up Program while older children will be eligible because Nevada has a lower Medicaid threshold for the income level. He called the situation very unfortunate and expressed the belief it is contrary to federal law and does not allow the state the flexibility that was provided in the balanced budget act.

Mr. Thompson acknowledged the federal government has control of funding, and any attempt to clarify the law would result in a long delay, so in order to move forward with the program the division has considered what steps can be taken to advance the program. Consequently, the division proposes using a different benefits package in the program in order to make the Nevada Check-Up Program more closely resemble the Medicaid program and to allow it to be administered in the same manner as the Medicaid program. He explained because of the HCFA ruling, the division is in the position wherein it would not have an enrollment sufficient for managed care plans to provide services because the administrative costs would be too great, as would the potential for adverse selection.

Mr. Thompson explained the proposal will require individuals to apply for the Nevada Check-Up Program in the same way as in the past, but the division will add questions regarding assets in conformance with the dictates of the federal government. That will allow the state a process to refer those individuals to Medicaid and the continue to maintain coverage. Because the division will administer the program in the same manner as Medicaid, it will require that the benefits package be amended, co-payments that have been part of the plan will have to be

discontinued, but the premium will be maintained to continue a buy-in on the part of families. He said the premium will continue to be based upon a sliding scale dependent upon the family's income.

Mr. Thompson said the division will require the children to sign up with a managed care company that has contracted with the state for Medicaid care as long as there is at least one managed care company providing services in that geographical area. Those children in areas that are not currently included will be covered on a fee-for-service basis. He acknowledged this will result in higher administrative costs per member, but due to the federal government rulings there will be fewer members in the program than originally anticipated. He said now there are applications from more than 5,000 children, and based upon the rules he estimates only 2,000 or 2,500 will enter the Check-Up Program, and probably fewer than that will become Medicaid-eligible and there may be approximately 20 percent who will not receive coverage. He surmised the numbers will go up about 3 times within a year, so by a year from now he estimates there may be 7,500 to 10,000 in the program.

Senator Raggio mused the program will have less effect than what was envisioned under the original Check-Up Program when it was estimated nearly 60,000 could be involved. Mr. Thompson agreed and pointed out that subsequent to the establishment of the program other national studies have indicated that the total uninsured children's population under 200 percent of poverty in Nevada may be as low as 27,000. Of that number, 10,000 might be eligible for Medicaid. He agreed that is a significant departure from the 60,000 estimate, and he asserted it makes him "even more eager" to obtain the report from the university being prepared at Senator Rawson's behest on the survey of uninsured. He acknowledged the funds appropriated will be higher than what will be spent because there will be significantly fewer children in the program.

Mr. Thompson expressed regret that there will not be a similar percentage of savings. He said he could not give a figure on the administrative costs because the report was just assembled within the past 24 hours. He assured the committee they will be well within what was previously budgeted, and the only areas in which there may be a need for new designations will relate to computer-program costs to tie in with the Medicaid payment system. He stated there will be savings in other areas which should make up for some of those costs. He added the division will ensure that on an ongoing basis the administrative costs will be no more than 10 percent of the program costs, because that is the limit for funding that is eligible for federal matching funds.

Mr. Thompson said his report (Exhibit L) includes a list of basic program changes. The application form will have to be revised, and the division will have to institute a process for provisionally enrolling children into the Check-Up Program and for dismissing them if they are not eligible for Medicaid. He indicated the same contracting will be used as for Nevada Medicaid managed care, and the division will have to delay the implementation of the Check-Up Program. With assurances that the computer-programming needs can be met by then, he opined all other aspects will be met by October 1.

Mr. Thompson stated the last part of the report relates to an assets test for Medicaid. As the Medicaid program currently operates, he explained, there is an assets test imposed for all pregnant women and children under the Child Health Assurance Program (CHAP). He indicated that ranges from approximately \$3,000 for a family of two to a maximum of \$4,200. Originally it was felt the assets test, originally imposed in 1992 by executive order, was one of prime concern to Medicaid. However, through further discussions with HCFA it became clear the assets test was not the central reason for disapproval. He said the division did not include an assets test in the Check-Up Program in order to allow for simpler administration without it. The Legislative Committee on Health Care directed the division to drop the assets test for Medicaid in order to facilitate the approval of the Nevada Check-Up Program. He estimates the costs of expanding the Medicaid program as a result of removal of the assets test will cost the state and federal government approximately \$3 million each.

Mr. Thompson reviewed the seven other items to be considered as Medicaid expansion. The first will allow children to stay eligible for 12 months once they are determined eligible at a cost close to the \$3 million cost for the state. If the age limit is increased to age 18 for children in the CHAP, the impact in 1999 will be approximately the same. A third item will increase the income level to 133 percent of federal poverty for all children; currently the limit applies to children up to age 5. He admitted it will be more expensive, but it will ensure that all children in families are treated the same, instead of having one child in one program and another in

a different program. The next item will add optional benefits such as non-emergency dental services for adults. Another will provide presumptive eligibility for children and pregnant women, which he called a medically-needy option, and which he acknowledged will be the most expensive addition to the Medicaid program. The final items under consideration for Medicaid expansion involve administrative simplification.

Mr. Thompson concluded no matter what actions are taken by IFC, the state will provide cost information on substantially all the items cited above for consideration by the 1999 Legislature.

Senator Rawson agreed there is insufficient information on a number of the issues cited in order to come to proper decisions. He expressed disappointment on the part of the committee that the plan was rejected. He said 24 people, representing the community and various interests, came together and managed to achieve consensus, and then had their hopes dashed when they found out there was not the flexibility in the federal plan that had been anticipated. He opined the only option left is to mimic the federal Medicaid benefit schedule as much as possible, and to enroll as many children as possible this year, leaving resolution of the issue for the next legislative session.

Acknowledging no action was required, Chairman Raggio requested a recommendation. Senator Rawson responded it would be best to go ahead and direct Mr. Thompson and the agency to pursue a children's health program, calling it a potential major letdown if nothing is done regarding the children's program. Senator Rawson reported funds have been budgeted and are available to go forward with the program, and the division should be directed to proceed in the most cost-effective manner to mimic the Medicaid program in order to find an acceptable approach.

In response to another query from the chairman, Senator Rawson said the Health Care Committee will continue to work with the division, and it will accept any direction from IFC.

Mrs. Evans requested clarification regarding the proposal that "they may provisionally enroll in the Nevada Check-Up Program, and disenroll if they do not apply for Medicaid within 30 days," and asked how that will work as a practical matter. She wondered if, at that time, it would be like presumptive eligibility. She inquired whether information provided by applicants is investigated immediately or later. Mr. Thompson replied the division will be working on that process, and it will be similar to a presumptive eligibility for Medicaid, except that it will not be a Medicaid expansion, so a match will be received by the state at the enhanced ratio of 65 to 35 rather than at 50-50. He explained during the period clients will be in a managed-care program and will be able to access services at that point.

Mr. Thompson said there are some procedural issues relating to the payment of premiums from the individuals and whether they will be refunded if they do not remain in the program which the division has not had time to address. He added it will be important to initiate some type of appeals process and some type of assurance through an appeals process that it is appropriate if they are disenrolled if the division enters someone into the program on a provisional basis. He committed to making the program administratively feasible, but declared people will not be thrown off the program on the basis of federal rules regarding paperwork if those people are entitled to the program. He promised low income children will receive the coverage they deserve.

Mrs. Evans stated it is of concern that the program be viewed as a health program, not as a welfare program, and to the degree the state may have to comply with extra rules, there may be a chilling effect. She inquired whether health care will be extended through the current network of providers, or whether the program will go out to bid. Mr. Thompson replied there are four Health Maintenance Organizations (HMOs) signed up for the program, and the state is in the process of soliciting more bids to allow any other interested HMOs to come in for mandatory managed care programs. He said once an HMO is approved for Medicaid, it will be a further base for the Check-Up Program. He declared there will not be a different set of HMOs for the two programs, but any other organization that wants to bid will be given the opportunity to serve both programs.

Charlotte Crawford, Director, Department of Human Resources, clarified that under the new requirements as interpreted by HCFA, if a child comes in and is enrolled initially in the Check-Up Program but appears possibly Medicaid-eligible, the child must be put through the complete Medicaid-eligibility process. She said if the child should decline to participate in that process, the department would have to drop him from insurance and the child

could not be enrolled in the Check-Up Program. She noted the original plan envisioned that families who understood they might be eligible for Medicaid could acknowledge an understanding of the Medicaid program and benefits but could choose to be in the Check-Up Program. She reported the federal government did not find that acceptable. She said if a family appears to be Medicaid-eligible, goes through the assets test and is found not to be eligible for Medicaid, the department will be able to confirm the non-eligibility and will not have to drop the family from insurance.

Mr. Hettrick voiced concern that what appeared to be an administratively cost-effective program and was approved seems to be facing the same administrative cost, but only 20 percent as many people may be able to participate. He wondered how administrative costs can be retained at under 10 percent if there is going to be an appeals process. He opined it will be impossible to operate the program as originally intended, which he called "totally unfortunate" since it appeared to be a good program that could have moved forward to serve a lot of children. Now, he said, it appears a large sum will be required to serve a very small number of people, with a "huge amount of administrative costs" to accomplish even that. He agreed the program must be reviewed very closely to prevent it from becoming a very expensive program that could be administered in other ways just as effectively or cheaper. He suggested, "Forget the feds, take our 50 percent and go do our program." He indicated the state might be better off than it would be participating in a plethora of administrative groups. He opined it would be a mistake to move forward just because the program has been started and it would be a disservice to the people involved.

Mr. Thompson voiced his agreement. He reiterated his belief the IFC should review a revised budget at the next meeting, which he said will show the costs and ensure the agency can remain within the 10 percent in an ongoing basis. He acknowledged it will mean some of the staffing already approved will be held vacant. He added the division will be reviewing the application process from every angle, because it has become a Medicaid application process to a certain extent, and the agency will want at least a 50 percent match on the administrative expenses to ensure they are outside of the 10 percent cap. He acknowledged the program has changed significantly since it started, and he admitted it does not appear to be as good, but he voiced the opinion it is a better program than one that would be funded by the state alone. He declared he will ensure the costs are as low as possible to meet the needs of the children being served.

Mr. Hettrick recalled the aim was to serve approximately 40,000 youngsters. He calculated 35 percent of that number would be around 14,000, yet the discussion indicates only 7,500 will be served with a 65 percent match "after we go through all the hoops." He said, "with 35 percent we could serve 14,000, forget the hoops." He asked, "Why do we want to do their hoops?" He reiterated the program should be scrutinized very carefully and not just go forward in anticipation of receiving 65 percent. He suggested the state could accomplish a lot more with 35 percent and no federal restrictions.

Dr. John Yacenda, Director, Great Basin Primary Care Association, testified he has served as an advisor to the Legislative Committee on Health Care, and he wished to address matters in the report to the committee regarding barriers to implementing the Medicaid managed care program. He said the committee wished to ensure that traditional providers serving the Medicaid on a sliding fee remain in the program. Secondly, he said, in reference to the primary case managers program in southern Nevada, it will help to maintain a clinic that serves thousands of Medicaid recipients, mothers and children who rely on the community health center. He stressed the importance of IFC continuing support of those providers.

Regarding the number of children who could be enrolled in the Nevada Check-Up Program, Dr. Yacenda said there are over 60 agencies united with the Great Basin Primary Care Association and the state who work with more than 20,000 children from low-income families. He said the children involved often get more to eat on Monday morning at Head Start than any other day of the week because they do not eat over the weekend. He declared, "These children can be covered." He asserted the problem appears to be that there has not been proper outreach which is designed appropriately and put together aggressively to reach into the community to inform them about the program and how they can participate. He stressed that any program must include an outreach program.

Dr. Yacenda attacked any discussion about lowering numbers, saying he worries due to the numbers of people in need.

Senator Rawson rejoined the committee has spent hundreds of hours discussing similar issues, and he said one option may be like Arizona, which has decided not to utilize Medicaid. He said Arizona has dealt with the problem in a different way. He suggested a medically-needy program may need to be reviewed and the whole approach may need reorganization. He warned the decisions must not be made in haste and they may need full legislative approval. He agreed it will be a difficult issue.

There were no questions or further comments on these items from the committee.

3. Department of Human Resources

1. Division of Health Care Financing and Policy - Update on the Nevada Check-up Program.
2. Division for Aging Services and division of Health Care Financing and Policy - Status of Transfer of Elder Protective Services and Homemaker Title XX Programs.
3. Division of Child and Family Services - Youth Community Services (Child Welfare) budget - Sibling Groups update

1. Commission on Economic Development - Relocation of Offices - Status Report

Robert E. Shriver, Executive Director, Commission of Economic Development, said the commission has an opportunity to move the office from the Landmark Building in south Carson City to the Fireside Inn, close to the capitol complex area and one block south of the Commission on Tourism. He determined the site will be in a more appropriate area for the commission whose clientele is the business community. He declared the neighborhood is somewhat more prestigious and will be more accessible to clients. He clarified the commission will be able to fund the space internally and will not have to request any additional funding, although he noted the move will have a minimal impact on next year's biennium budget, so the commission wished to keep the IFC informed.

Mr. Shriver said the commission will utilize approximately 8,000 square feet, including conference rooms and a training area and will be allocated approximately 20 parking spaces as part of the lease agreement.

Chairman Raggio asked if the commission will continue to pay rent on the present building. Mr. Shriver said it will not, and during discussions with the landlord he has learned Mr. Stephens of NDOT will take over part of the space being vacated. He noted the Department of Prisons also may use some of the space.

2. Public Utilities Commission of Nevada - Six Month Progress Report.

Refer to agenda item D55 for discussion.

3. Department of Prisons

1. Assembly Bill 389 prior year reimbursements report.

Chairman Raggio noted a report was lacking on A.B. 389. Robert Bayer, Director, Department of Prisons, stated the department is in the processes of collecting the figures and will be making recommendations for transfer of funds. He explained a report was sent to the staff on Monday via mail.

2. Temporary advance of \$1,000,000 from the General Fund.

Mr. Bayer voiced the understanding the grant funds have been received by the Office of the Attorney General and will be transferred to the Department of Prisons. Janet Johnson, Administrative Services Officer IV, Department of Prisons, confirmed the cash has been received and the transfer should take place

and be journal-vouchered very soon.

3. Female Inmate Projections - Status Report

Chairman Raggio asked if the slowdown in prison construction will require transportation of inmates out of state. In response, Mr. Bayer admitted he disagrees with the National Commission on Crime and Delinquency (NCCD) projections for inmate population. He said the November 1996 projection by NCCD was updated in April 1997, April 1998 and June 1998.

Mr. Bayer reported there were 755 female inmates overall, with 694 in-house, but according to the original NCCD projection that number should not have come about until October 2003. The June projection moved the date at which time the system will run out of beds to March 1999. Mr. Bayer opined that is optimistic. He said projections for the next 24 months indicate the women's population will grow by 3.3 inmates per month, but the actual growth rate over the past 12 months has been 8.3 to 10 female inmates per month.

Dr. Rex Reed, Research Analyst, Department of Prisons, held up a graph showing the incarceration rates for females. Mr. Bayer noted the growth from 1992 to 1994 has been steady, and he added the national rate indicates even stronger growth. Dr. Reed displayed charts comparing compound growth rates for female population from projections received from NCCD and the actual growth rates. He described the projections as being much lower than actual growth, and he opined that may be the case with projections for the future. He explained planning documents are being prepared based upon the NCCD projections, but the department has concern over the underestimations of female growth made in the past by NCCD.

Displaying a graph indicating the trend in prison populations, Mr. Bayer noted there has been a dramatic upturn in recent years. He said NCCD felt there was a spike, not a trend, when they developed their projections, but Mr. Bayer declared he is convinced the elevated growth is a national trend. He said he met last week with members of the U.S. Department of Justice and he encouraged them to study the reasons for the rapid growth in female populations, which is growing at a greater rate than that of the male population. He reiterated female admissions are far surpassing projections by NCCD, but he admitted he does not know why. Mr. Bayer said he would consider 7 to 8 new admissions per month as a reasonable figure. If that occurs, he said, in the short term he will propose converting Unit 6 at the Northern Nevada Correctional Center for female use, which should afford space for another 6 or 7 months. Other possibilities would include out-of-state housing in other states which he has ascertained will range in price from \$40 per day to \$60 plus per day.

Mr. Bayer acknowledged the biggest problem dealing with the female population is the fact there is a dramatic rise in all states and the federal government, so beds appear and disappear very rapidly. He is exploring contract opportunities. If 60 male beds at NNCC are converted, then those 60 male beds must be found in other facilities, which impacts maintenance and operation at the other facilities. He warned it is possible the population growth may necessitate his return to IFC for funding to send inmates out of state.

Mr. Marvel wanted to know recent parole rates. Glen Whorton, Chief of Classification and Planning, Department of Prisons, responded the parole rate has been approximately as anticipated at 40 to 45 percent. He said the gains are net gains, and the primary difference from the projections has been on intake. He noted the two types of releases, parole and discharge, tend to balance each other in terms of highs and lows, with a normal difference between projections and actuality of 10 inmates, but the major component of the difference is due to increased intake.

Mr. Marvel asked if most are incarcerated on their first conviction. Barring an in-depth analysis, Mr. Whorton answered his perception is that the female intake is not made up of first offenders. He noted offenses of the female population are much different than the male populations, with a higher percentage of drug and property offenses than those of the males who tend to have a higher percentage of violence and sex offenses.

Noting the male population is sent to a range of facilities such as camps, medium and maximum facilities, Mrs. Evans asked if there are females incarcerated who are over-classified who could be sent to a less secure facility. Mr. Bayer acknowledged that is part of the problem with a small population. He said the women's facility in Las

Vegas is a multi-custody facility, housing all levels, and the over-classification will not affect the population there except that the Silver Springs facility, designed to hold 112 inmates, houses 157 inmates today. He said the department is considering using the minimum custody beds at the other facility in Las Vegas for medium custody inmates, but then a place must be found for the minimum custody inmates.

Mrs. Evans suggested the cost of incarceration for minimum custody inmates should be less than for others. Mr. Whorton interjected the department anticipates the Southern Nevada Restitution Center will be entirely male. He said, "We have switched out some of those males to take those community-trustee women out of the women's prison and put them into that facility, so they don't represent that dichotomy of costs that you're concerned about."

Mr. Bayer said in 1995 when he was directed to contract for a 400 bed facility he negotiated 500 beds at the same cost in anticipation of the growth. He admitted he did not anticipate growth to be as dramatic as it has become, and the department accepted the NCCD projection which is the basis of the budget and had no plan for another facility. He suggested a long-term solution will be to develop a minimum security facility and remove the low level inmates from the beds at the Las Vegas facility that could handle medium and maximum inmates.

Senator O'Donnell asked what the release rate is at present. Mr. Whorton said the projection starting in 1996 was to parole 243 females, but in fact 337 have been paroled. The prediction for discharges was 385, and he indicated 281 have actually been discharged. He said 10 fewer releases were projected than what actually occurred.

Senator O'Donnell wondered whether any court actions have effected releases or whether the state will have to release inmates if there is overcrowding. Mr. Whorton responded the Stickney decision provides that supervision staffing at NNCC must be increased when the population exceeds 171 inmates in units 1, 2 or 3, but it does not indicate there must be a release, only that the density of supervision must be increased.

Senator O'Donnell asked Mr. Bayer whether a new facility should be considered immediately. Mr. Bayer answered he is already exploring those options. He anticipates weighing a series of options while formulating the budget. He said his immediate concern is the growth of the female population in the last year of this biennium, and dramatic growth may necessitate sending some inmates out of state. He stated he is aggressively pursuing other long term solutions that run the gambit from another facility, to a medium facility, to a minimum facility, to converting existing facilities.

Chairman Arberry requested the data described by Mr. Bayer be provided to the committee staff. Mr. Bayer indicated the department already provided projections as of June, but he reiterated his disagreement with those figures. He offered to provide Mr. Ghiggeri with an in-house estimate to be passed along to IFC members.

1. Offenders Store Fund - Increase FTE.
1. Department of Conservation and Natural Resources, Division of Wildlife - Audit letter.

Peter G. Morros, Director, State Department of Conservation and Natural Resources, came forward to testify. Chairman Raggio noted each member of the Legislature received a copy of the audit letter dated May 14 which can be found in Volume IV of the meeting packet. Acknowledging the presence on his left of William A. Molini, Administrator, Division of Wildlife, State Department of Conservation and Natural Resources, Mr. Morros stated the purpose of their appearance came about as the result of a request made to respond to a legislative auditor's letter of May 1, 1998, which he believed was distributed to all members of the Legislator as well as to the Governor and other parties.

Mr. Morros declared the letter contained serious allegations regarding the Division of Wildlife related to statements of improper financial administration, inadequate fiscal records, reliability of the final reconciliation, and the integrity of the fiscal records. Mr. Morros said a response was distributed on May 12 to the same parties who received the audit letter.

According to Mr. Morros, the issues revolve around the big game tag draw system, which he reminded the

committee was privatized some years back and which presently is under contract to Services Consultants, Inc. (SCI) of Fallon, Nevada. Donald H. Sefton, owner of SCI, accompanied Mr. Morros to the meeting to present information to the committee.

Mr. Morros acknowledged the Division of Wildlife has had problems in the past which have been addressed in various ways. He reported an oversight group was established which consists of financial management people from within the division and the conservation department, representation from the Legislative Council Bureau (LCB) fiscal staff, and members of the Budget Division from the Department of Administration. David Pursell, Program Analyst from LCB has attended meetings of the oversight group as has Mike Nolan, Principal Budget Analyst, Budget Division. Mr. Morros said monthly reports have been made to the IFC as requested, and he represented that financial matters in the division are in "good shape" at this time.

Because he did not feel totally familiar with the procedure, Mr. Morros recalled specifically requesting a review of the big game tag draw system when the LCB auditors initiated their audit. A private audit was conducted in 1995 which resulted in what Mr. Morros characterized as a "pretty clean bill of health." Mr. Morros stated he still wanted another audit conducted by LCB. He declared the interim letter came as a surprise to him, and since that time he has investigated some of the problems identified in the letter. He stated, "At this point, I just have to indicate to you, that I, my opinion, for whatever it's worth, that letter was inappropriate. It was inaccurate, and it's misleading."

Mr. Morros recalled at the last presentation Senator Coffin made a request to hear an explanation of the relationship of the agency to the contractor, not necessarily from the contractor, but from the agency responsible. Mr. Morros opined the relationship with SCI has been good, although he admitted there have been some things which will be addressed by the auditors. He indicated the division has already attempted to address issues such as a more timely reconciliation and a more timely reporting procedure as required under the contract. However, he said, "the language set out in that interim letter was pretty harsh. I object to it, and we're here to respond to that and assure this committee that those things do not exist."

Chairman Raggio requested the matter be expedited, due to the long agenda.

Mr. Molini interjected he had prepared to give some background, and he stated;

In my 30 years with the agency and 16 years as its administrator, that this application - hunt process is the least fun thing I do in my job, because people are always unhappy about it. You, back in 1991, through Senate Bill 506, asked us to privatize it. We moved ahead expeditiously, got it privatized, and, frankly, as many of you recall, I opposed that. I didn't think a private company could do it as cost-effectively as we could.

Mr. Molini opined SCI is doing a "great job" although some financial oversight is needed. He suggested Mr. Sefton detail the items included in the letter. Mr. Molini noted out of 300 tags in doubt, so far only 2 remain unidentified, but both employees of SCI and of the Division of Wildlife recall they were voided because they had been bleached by the sun and could not be run. He pointed out those were out of more than 200,000 tags issued in the past five years.

Chairman Raggio pointed out the audit still has to be concluded, thus the IFC cannot take any action. Mr. Molini acknowledged the statement.

Mr. Sefton said when the letter came out some people misinterpreted it, and he expressed appreciation for the opportunity to clarify some issues. He identified one issue as the revenue overstatement of approximately \$95,000 over the five years covered by the audit, another as the issue of tags that were inventoried, and a third question about a refund reconciliation. He noted SCI has processed in excess of \$28 million over the past five years and has returned a majority of the funds to hunters.

Regarding the revenue overstatement, Mr. Sefton said the dollar amount was strung over several years. He testified a total of 1,003 refunds were given by SCI to hunters that were not formally reported to the accounting process for a total of \$97,000, which came to approximately \$20,000 to \$25,000 per year, with license refunds of

\$23,400 in 1994. He explained there was a major policy change when SCI first took on the contract, and the contract was even amended to allow SCI to collect funds for non-resident licenses and to issue the licenses whether or not the persons obtained a tag. He pointed out that generated nearly \$200,000 of revenue to the department, but of that, \$20,000 is returned each year because people decide they do not want to keep the licenses. He noted it still resulted in a net gain to the department of over \$1 million over the past 5 or 6 years.

Mr. Sefton stated there also had been tag refunds, some returns of donations to people who occasionally regret their largesse, and at times applications have to be reevaluated due to errors that occur during processing. In 1994 the net result was \$26,000. He noted there is a formal process to the State Treasurer used to identify any refunds based upon funds received. He explained the company had no formal process by which to make the refunds, and they come along one or two at a time. He asserted the refunds were not unauthorized and they were justified, but lacking the formal accounting process the information was not properly passed along to the department. As a result, the department overstated revenues by the refund amount.

According to Mr. Sefton, the amount in 1995 was less, most of which went to license refunds for non-residents, in 1996 most of \$22,000 was due to license refunds, and again in 1997 most of \$34,000 was license refunds. He pointed out 1,000 refunds over 5 years compared to 190,000 tags that were transferred correctly through the accounting process.

Regarding a report that 300 tags were missing, Mr. Sefton agreed on the importance of preventing them from being used fraudulently and declared SCI keeps careful control of them. He explained when the process starts, a computer is used to record the tags to be created, making an immediate record, after which the tags are printed. He said the records have always been accurate and complete. The next step is to transfer those into a document file, which is put into a format that can be passed along to a state accounting system called LISA. He admitted encountering a problem so the transfer did not occur and the so-called missing 300 tags were those that did not make it into the LISA system. He noted the SCI system retained an accounting of the 300 tags, and only the transfer to LISA failed. He declared SCI could identify the location of every one of the 300 tags and who received each, except for two unusable oxidized tags that had been at the top of a box which neither his employees nor those in the wildlife division can locate, although both entities remember them. He noted when tags are unusable, SCI writes "void" on them to ensure they cannot be used. He suggested they may be in a warehouse belonging either to the state or SCI.

Mr. Sefton asserted the issue of greatest concern is the refund account reconciliation. He noted the audit letter mentioned a discrepancy of \$44,000. He pointed out the letter neglected to mention \$44,000 was in favor of the Nevada Division of Wildlife (NDOW). He said the analysis done during the audit was incorrect in that it did not include all deposits on record with SCI and with the State Treasurer by \$68,000. Secondly, he explained, when SCI issues refunds, the banks occasionally cash them for a lesser amount, but if they cash them for a greater amount the reconciliation process catches the error and the bank gives SCI a refund. If the amounts are less, the bank typically does not request a refund, since it usually amounts to just \$.50 or \$1, and the bank says the paperwork to make the correction is greater than the gain. As a result, there was a net \$319 gain over the 5-year period to the benefit of NDOW.

Mr. Sefton acknowledged he made a mistake regarding the refunds initially identified to the auditors. He said SCI was asked to identify everything written outside the normal draw process, such as license refunds, and the amount was low by \$1,716, and when all checks issued outside the draw process were included, instead of \$95,000, the amount was \$97,000. He indicated some were refunds issued for NDOW where they enacted draws rather than having SCI process the draws. He explained the reason the checks are written by SCI is that the charge per check to SCI is \$.96, whereas the charge to the state is almost \$25. Additionally, he said, there were cases in which people reported checks missing, signed an affidavit, SCI stopped payment on the check, and then the people cashed the check. He noted a stop-payment only lasts for 6 months, so unless the stop is renewed it is possible for the check to be cashed later. He said in some cases the people repaid the money, but it was not paid into the same account, so there was no accounting in the draw process.

The analysis indicated the account was short by \$96,000, according to Mr. Sefton, and it was assumed SCI did not

make a monthly reconciliation which would show the shortage. Mr. Sefton said a reconciliation is made by SCI monthly and it has always shown the same shortage, which he understood to be a cash management practice. As an example, he said:

I issue \$6 million in refunds, the State Treasurer funds the account with \$2 million, and then a few days later, with \$1 million, so that in any point in time, when we look at this, the account is usually upside down. And that, I assumed, was just prudent fiscal management.

According to Mr. Sefton, if the audit analysis was correct, the actual balance would be a negative \$32,000. He said he reported a balance of \$647,000 in outstanding checks as of June 30, which he admitted was a mistake. He stated in September when SCI reported outstanding checks as of June, the system was incapable of accurately reporting the number, although it was capable of reporting the number at the end of June. He said at the end of July it was capable of reporting July's figures, but at the end of August it was incapable of reporting backwards. He stated since that time the system has been corrected. He explained when the adjustments are entered, the net balance is a negative \$31,150, so the difference between the two accounts, rather than \$44,000 to the benefit of NDOW, is \$122 to the benefit of NDOW. He reminded the committee that is against over \$28 million in activity over a 5-year period. He acknowledged SCI has searched to attempt to find the \$122, but failing to do so, SCI would prefer the division just keep it.

Mr. Sefton asserted there were many good points in the report, he said SCI learns from every audit, whether accounting audits, security audits or performance audits, and from them it improves the process. He acknowledged there were a number of significant issues that have either already been or will be corrected by SCI.

Mr. Sefton reiterated there was no good, formal process to turn the information over to the State Treasurer or wildlife division for the little checks occasionally written out of the system year round, not the \$6 million or \$7 million for refunds written at once in June. Now a bi-weekly reporting process has been defined which will commence this summer. He stated another problem identified by the auditors is the lack of a bank reconciliation because a month-to-month balance was not being kept. He acknowledged that is a justifiable objection, which he attributed to confusion because SCI does keep a month-to-month balance but SCI was accepting the bank's word that deposits reflected on the statement were correct. He acknowledged in the past SCI did not have independent confirmation from the State Treasurer's office of deposits, and although the bank did not make any mistakes regarding deposits during the 5-year period, now the State Treasurer notifies SCI whenever a deposit is made so that SCI can enter the amount in the system and then check it against the bank statement.

Mr. Sefton declared there have been problems with the LISA interface, some due to SCI, some due to the complexities of the mountain lion license process, and some at the state processing center where there has been a turnover in personnel. He acknowledged SCI was remiss in getting timely information to LISA, which has now been corrected.

According to Mr. Sefton, there are over 160 license agents throughout the state, and for accounting and control purposes the process is well-defined by the auditors, which would like to see SCI subjected to the same controls. He reported those have been put into place and SCI will have the same treatment as a license agent. A person cannot buy a license from SCI, but there will be the same monthly reporting and controls as for those who sell licenses.

Mr. Sefton reported SCI is adding financial controls to its system, and there will be more fiscal oversight from NDOW. He noted in the past there was concern regarding oversight from NDOW in the actual draw process, which he surmised may have provoked the privatization bill. Though NDOW will not participate to any great extent in the draw, it will provide financial oversight to ensure the funds are tracked carefully.

Mr. Sefton summarized, saying the bottom line is that no money is missing, those refunds that were issued were correct, the only two missing tags were voided and are unusable, and SCI has implemented a number of new processes to streamline the system.

Chairman Raggio voiced the understanding the audit division was deferring any comment until the audit is

complete. Gary Crews, CPA, Legislative Auditor, LCB, indicated statutory restrictions prevented comment on the contents of the audit until it is released to the audit subcommittee and passed on to the Legislative Commission, but he assured the committee there will be more facts to assist members of IFC in understanding the situation once the audit is released. Chairman Raggio reiterated the committee heard the comments to accommodate a request and would not judge any statements on the matter. Mr. Crews interjected there is a formal process with the Legislative Commission when there are disputes, and the audit subcommittee has a process in which the agency is invited in to comment on the audit report and the statutes give an opportunity to respond to the audit report which is presented to the audit subcommittee. He said the process has been in existence for a number of years to allow for the proper disposition of such situations.

Mr. Humke said, "I take the unusual position of coming down four-square on the side of the department of wildlife without commenting directly on the audit." He reminded Mr. Sefton the privatization bill was passed at the behest of the wildlife division. He asked in what other states SCI has contracts for similar services. Mr. Sefton replied SCI has a contract with the State of Utah, which brought in \$75,000 of revenue "to defray part of the development costs. That came directly to the department, and then we administer the process in Utah." He said he is also in negotiation with Alaska, New Mexico and Arizona. He declared most other states within the 18 western states and provinces are envious of Nevada's system and ability to process at the present cost and to have the information readily available.

Ms. Cegavske asked Mr. Crews whether the wildlife agency contacted him after learning of the concerns, and whether correct procedures have been followed. Mr. Crews replied the process is unusual, and the avenues used are not discussed. He explained at the beginning of an audit the LCB explains the process as established in statute and the fact that everything is to remain confidential until the audit goes to the audit subcommittee. He voiced the opinion NDOW understands the process as the division has been through the process a number of times in the past. He acknowledged there has not been a similar situation. Ms. Cegavske announced she takes exception to some of the comments made by some of the gentlemen in reference to the audit and the auditor.

2. Department of Transportation - Update on multiple budgets.

Tom Stephens, Director, Department of Transportation, reported the item was based upon a department request to divide the budget into construction and maintenance and administration categories. He acknowledged the NDOT computer system does not have the capacity to accomplish the change at this time. He noted the computer system is being redone as part of the integrated financial system and the Year 2000 problem, but after that is complete NDOT will be able to comply with the request.

Chairman Raggio asked if the department has some capacity to break down administrative costs separately from construction and maintenance costs. Mr. Stephens responded negatively, explaining that every person who works for the department has some time which is attributable to administration and some considered construction.

Chairman Raggio commented according to the Performance Indicators the department was able to identify administrative costs. Mr. Stephens said although a report can be prepared, the information cannot be separated as budget items in each budget category. He clarified the report is primarily an estimate. He agreed to provide a report for the next legislative session, which he warned will include some assumptions, but which will give an idea of the costs of administrative overhead.

3. Transportation Services Authority - Six Month Progress Report

Judge John F. Mendoza, Chairman, Transportation Services Authority (TSA), drew attention to the report included in the meeting packet, Volume IV. He reported the commission has impounded 50 limousines since the authority was granted in Assembly Bill 366 in an attempt to control unauthorized limousines. He suggested that at this time the operations of those people have been decimated, especially the large illegal operators who have curtailed their activities, although, he noted, it is becoming more and more difficult to apprehend them.

Judge Mendoza reported the authority was given direction from the Office of the Governor to prepare legislation for presentation at the next session of the Legislature on a merger of the Taxicab Authority (TA) and TSA. He

recalled there was an attempt in A.B. 366 to achieve the merger, but time constraints, the inability to make a thorough study, and some objections prevented the merger. He stated the TSA has been working very closely with the TA, the chair of the TA, and the executive director. He noted all agree with the concept of one agency handling transportation problems in the state. He said the authority has talked with a substantial number of the certificate holders who have indicated support, but, he pointed out, although support is given today, the certificate holders can be very litigious regarding their interest and their certificates.

Judge Mendoza noted there remains a very vocal group that would like to operate without a certificate, and a number of law suits have taken place. He said their complaint is that the state deprives them "of making an honest living," which he called an anomaly because they frequently request, in effect, being allowed to violate the law to make a living. He said the authority has taken the position those people cannot continue and the courts can decide whether the impound statute or other processes are legal.

Chairman Raggio inquired on the status of the transfer of trip charge revenue. Clayton L. Holstine, Deputy Commissioner, Transportation Services Authority, responded that as of yesterday the information still had not been recorded in the Controller's Budget Status report although the paperwork was filed at the beginning of the previous week.

4. Juvenile Detention Facility - Progress Report on RFP.

John P. Comeaux, Director, Department of Administration, offered the opinion the information in the meeting packet is self-explanatory. He noted the important information contained in the report is that phase 1 of the RFP process produced four successful bidders, two of whom submitted proposals for design, construction and operation of the facility, and two others who submitted proposals for just the design and construction. He said the vendors who submitted proposals for the entire project, including operation, were Rite of Passage and Correctional Services Corporation, and that Prison Realty Trust and NBBJ/Hensel Phelps submitted bids on the design and construction only.

According to Mr. Comeaux, there is a time line included which indicates the second round proposals are due June 30, the evaluation and negotiation process should last through July, and the announcement of the notification of award should be made on August 3. He said the projected completion date for the facility is August 1999.

Mrs. Evans referred to a memorandum dated June 12, 1998, and asked for comment on the three items bulleted on the second page. Saying he did not attend the meeting and does not have knowledge of the decisions made, Mr. Comeaux offered to obtain the information and pass it along.

P. PUBLIC TESTIMONY.

There was no public testimony.

Chairman Raggio announced the next meeting will be held during the third or fourth week of September. There being no further business to come before the committee, Chairman Raggio adjourned the meeting at 3:45 p.m.

Senator William J. Raggio, Chairman

Interim Finance Committee

Lorne Malkiewich, Director

Legislative Counsel Bureau, and

Secretary, Interim Finance Committee

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT A

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EXHIBIT B

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JUNE 25, 1998

EXHIBIT C

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT D

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT E

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT F

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT G

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT H

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT I

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT J

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT K

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT L

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT M

INTERIM FINANCE COMMITTEE MEETING

JUNE 25, 1998

EXHIBIT N