

**MINUTES OF THE MEETING OF THE  
INTERIM FINANCE COMMITTEE  
LEGISLATIVE COUNSEL BUREAU**

**Carson City, Nevada**

A regular meeting of the Interim Finance Committee was called to order by Chairman William J. Raggio, on May 6, 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

Assemblyman Joseph E. Dini, Jr.

Assemblywoman Marcia de Braga, sitting as an alternate for

Assemblywoman  
Jan Evans

Assemblywoman Christina R. Giunchigliani

Assemblyman David E. Goldwater

Assemblyman Lynn Hettrick

Assemblyman David E. Humke

Assemblywoman Sandra Krenzer

Assemblyman John Marvel

Assemblyman Bob Price

**COMMITTEE MEMBERS ABSENT:**

Assemblywoman Jan Evans, 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

Yhvona Martin, Secretary

**A. ROLL CALL.**

After Mr. Malkiewich called the roll, Chairman Raggio announced that a quorum of each committee was present.

On a personal note, Chairman Raggio said he wished to take this opportunity to extend his appreciation to all of his colleagues on the legislative Interim Finance Committee, Legislative Counsel Bureau staff, and department heads and their employees for the support he and his family received during their recent bereavement.

Chairman Raggio also welcomed back Assemblyman Bob Price, who fell ill while en route to the last Interim Finance Committee meeting, and he wished Mr. Price full health.

Mr. Dini requested a moment of silence in honor of Mr. Raymond "Ray" L. Knisley (D), Pershing County, who passed away this week.

Chairman Raggio recalled that Ray Knisley had served as a member of the Nevada Assembly from 1959 to 1966. Chairman Raggio said he had referred to Ray Knisley as an unofficial Senator because he served as Senator James I. Gibson's "right arm" for a number of sessions and probably knew more about many of the issues than some of the sitting legislators. Chairman Raggio and Mr. Dini agreed that a Concurrent Resolution be drafted for presentation to the 1999 Legislature memorializing Ray Knisley.

Senator Jacobsen said he wished to recognize Mr. Lew Dodgion, Administrator, Nevada Division of Environmental Protection (NDEP), for his many years of faithful service to the State of Nevada. It was Senator Jacobsen's understanding that Mr. Dodgion plans to retire in the near future and today's Interim Finance Committee meeting may be the last one he will attend.

Chairman Raggio called Mr. Dodgion to the witness table. In responding to several questions from Chairman Raggio, Mr. Dodgion said he started his State of Nevada employment as a Public Health Engineer with the Nevada Division of Health in 1971. He later became Supervisor of Public Health

Engineering and in 1980 became Administrator for NDEP. Mr. Dodgion said it had been a privilege serving under four Governors.

Chairman Raggio said he thought the Committee, acting on behalf of the entire Nevada Legislature, would be remiss if it did not thank Lew Dodgion for over a quarter century of very dedicated service, probably in one of the more difficult positions in which one could serve in state government. When he was Washoe County District Attorney many years ago, Chairman Raggio said he learned one does not receive a great deal of praise when difficult decisions have to be made that may or may not be well received by the general public. Chairman Raggio recalled that Mr. Dodgion had been faced with making a number of very difficult decisions over the years, but had always performed his duties in a very credible manner. Chairman Raggio asked the Committee to join with him in wishing Mr. Dodgion a happy retirement and that he hoped his services would be available should he be called on in the future. Mr. Dodgion thanked Chairman Raggio for the nice accolade and added that it had been a pleasure serving the State of Nevada for 26 years and working with the members of the Nevada Legislature and the Department of Conservation and Natural Resources.

## **B. APPROVAL OF MARCH 25, 1998, MEETING MINUTES.**

**MR. MARVEL MOVED TO APPROVE THE MARCH 25, 1998, MEETING MINUTES. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

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

Chairman Raggio announced that it was his intention to invite testimony on the following work programs included under item C in Volume I: 1 and 6 (items 2 and 3 were withdrawn) on page 1; 8, 9 and 12 on page 2; 17 and 18 on page 3; 19 and 20 on page 4; no items on page 5. In Volume II: 28, 29, 30, 31, 33 and 34 on page 6; 39 and 41 on page 7; 42, 46 and 48 on page 8; 54 and 55 on page 9; 57 and 58 on page 10; 64, 65, 67, 68, 69, 70 and 71 (63 was withdrawn) on page 11; 72, 74 and 77 (73 was withdrawn) on page 12; and no items on page 13.

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

**1. Office of the Attorney General - Administration- FY 99 - Addition of \$70,200 in Agency Reimbursement to provide a full-time Deputy Attorney General for the Housing Division.**

Speaking to items 1, 48, 84 and 85, Ms. Marietta Grass, Chief Financial Officer, Office of the Attorney General, said the Office of the Attorney General was requesting a new one-half time Deputy Attorney General to provide additional legal services for the Housing Division in relation to the issuance of tax-exempt bonds to provide mortgage loans for low- and middle-income families. The request involves an agency transfer of \$70,200 in FY 1999 and the addition of \$5,850 in FY 1998.

In addressing the Office of the Attorney General's request, Mr. Charles Horsey, Administrator, Housing Division, Department of Business and Industry, indicated that he had appeared before the Committee on a number of previous occasions over the past few years as a result of the tremendous growth the Housing Division had experienced in mortgage bond activity. Although the Housing Division's primary activity for a number of years was providing mortgages for the state's first-time home buyers, Mr. Horsey said in recent years the Housing Division had experienced a significant increase in the demand for financing apartment complexes. Unlike the Housing Division's single-family program, for which a boilerplate is used, Mr. Horsey noted that each financial package for an apartment complex was unique. Since the Housing Division also has the primary responsibility for administering the Federal Home Program, as well as the Tax Credit Program, Mr. Horsey said the activities of the Housing Division had placed a burden on the staff

of the Office of the Attorney General, which had necessitated the Housing Division having to use private legal services. Mr. Horsey said he had asked the Office of the Attorney General to increase its legal representation for the Housing Division from a one-half time position to a full-time position.

Since it was his understanding that adding a new one-half time Deputy Attorney General position would become a part of the base budget for the Office of the Attorney General when the budget for the 1999-2001 biennium is constructed, Chairman Raggio inquired as to whether sufficient funding would be available to cover the cost of the full-time position. Mr. Horsey indicated that a cost factor had been built into each bond issue; thus, he anticipated having more than adequate resources to pay for the additional legal service.

**MR. MARVEL MOVED TO APPROVE ITEMS 1, 48, 84 AND 85. SECONDED BY MR. HETTRICK AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**2. Office of Attorney General - Administration - FY 99** - Addition of \$234,182 in Federal Drug Administration Grant to conduct unannounced investigations in retail establishments that sell tobacco including related personnel, travel, operating and equipment expenses.

This item was withdrawn.

**3. Office of Attorney General - Administration - FY 99** - Transfer of \$42,854 from Tobacco Enforcement to Salaries category to provide the state's 20% share of the additional salaries identified in Work Program B69479.

This item was withdrawn.

**4. Office of the Attorney General - Domestic Violence - FY 98** - Addition of \$1,145,000 in Federal Stop Violence Against Women Grant to continue grants for law enforcement, prosecution and victim services related to domestic violence.

Refer to motion for approval under item C.

**5. Department of Administration - Risk Management - Insurance & Loss Prevention - FY 98** - Addition of \$401,209 in Insurance Recoveries and \$127,242 in Insurance Premiums to provide funds for additional insurance premiums and automobile comprehensive/collision claims anticipated through end of this fiscal year as a result of increase in commercial insurance premiums and unusually high loss year in auto physical damages.

Refer to motion for approval under item C.

**6. Department of Administration - Benefit Services Fund - FY 98** - Transfer of \$10,600,000 from Reserve category to Self-Insured Medical Costs category, and \$9,200,000 from Rate Stabilization Reserve category to Self-Insured Medical Costs category to meet projected medical and dental claims for the fiscal year.

Chairman Raggio announced that item 6 would be considered in conjunction with informational item J4, which relates to the status of the backlog of claims.

Mr. Randy Waterman, Acting Risk Manager, apprised the Committee that this work program request for a transfer of \$19.8 million from two reserve categories to the self-insured medical and dental claims category represents the Risk Management Division's best estimate of its monetary needs through the end of the current fiscal year. The Committee on Benefits (COB) will be addressing the increased cost of claims and the impact on the state's health benefits plan at its annual planning session at the end of July 1998. At that time, COB will be looking at all of the options, including plan design, dependent premiums, legislative

subsidies, and administration of the program. Although he thought the numbers that are available at this point in time were far too volatile for anyone to make any reliable projections, Mr. Waterman told the Committee that the transfer of \$19.8 million would allow Risk Management to continue to pay claims through the end of FY 1998. Mr. Waterman introduced Ms. Karen Rasner, Risk Management's Accountant, who he said was available to respond to questions from the Committee relating specifically to the work program. According to Mr. Waterman, the numbers upon which this work program was based were developed by Mr. Michael Gray, actuary, William M. Mercer Company. Mr. Waterman said Mr. Gray was available to respond to questions from the Committee regarding claims payment, projections, details on the recent high cost of claims, and the future impact of those claims on the state's plan. In concluding his testimony, Mr. Waterman noted that questions from the Committee regarding the status of the processing of state claims would be addressed by Ms. Jan Marie Reed, UICI Administrators.

Chairman Raggio thought the Committee would be most interested in learning whether Risk Management was comfortable with the \$19.8 million shortfall being projected by the COB's actuary, William Mercer Company, and what the practical effect would be of depleting the reserves at this time. Regarding the accuracy of the projected \$19.8 million shortfall, Mr. Gray indicated that monthly claim tapes received from UICI have revealed that the dates of service that were incurred in 1997 are currently being paid at a rate much higher than normally would be expected. Since the data currently being reviewed is not yet stable, Mr. Gray told the Committee that he was not highly confident of the accuracy of the projected \$19.8 million shortfall, nor would he be until the claim inventories have been paid down and the monthly claims volume has stabilized.

Mr. Marvel asked Mr. Gray if he anticipated having to raise premiums in order to maintain the reserves. Mr. Gray said that a forecast on a specific rate increase had not yet been done because the current claims situation had not stabilized. He said, however, he was certain a rate increase would be necessary based on the fact that the claims numbers are in excess of what was predicted.

Mr. Marvel wanted to know whether the rate increase would affect dependents as well as the primary insured. Although he suggested that such a decision would have to be made by the COB, it was Mr. Gray's belief that if the rate increase were high enough it would impact all payment parties; i.e., the state contributions, the dependent contributions, and the non-state premiums.

Mr. Marvel asked Mr. Gray when he expected a decision would be made. Mr. Gray stated:

We are not only currently estimating claims, we are currently estimating when we are going to know from the next month of claim data how solid this information is going to be. We hope that by July we will have a solid base of claims from which to make that projection.

Mr. Marvel reminded Mr. Gray that the premium rate was a major component for budgetary purposes for all state agencies. In order to increase the state's claims vigilance, Mr. Gray indicated that UICI had been asked to provide two claims tapes each month so that a projection could be made at the earliest possible moment when the situation has stabilized.

To respond to a question from Mr. Close, Mr. Gray reiterated that he was anticipating a probable rate increase because the claims level through the current fiscal year had been higher than originally expected.

Mr. Close wondered how many 1997 claims were clouding the \$19.8 million projection. In responding to Mr. Close's inquiry, Mr. Gray stated:

That is really the wild card. If we knew that accurately, then we would be a lot more confident in our overall projections, but month by month since February the amount of claims that were incurred in 1997 and paid in 1998 is continuing to be higher than we expected. So we have not put a figure to it. Well actually every month I put a figure to it and every month I have been wrong for the last three months. So until I am right once\*\*\*\*

Mr. Close asked Mr. Gray to provide his last wrong guess. Mr. Gray said his last wrong guess was that the state would pay \$31 million in 1998 for claims that were incurred through December 31, 1997. Since the state has already paid approximately \$27 million through the end of March 1998, for claims that were incurred in 1997, Mr. Gray said his last guess, which has yet to be proven wrong, is that the state will pay an additional \$4 million for claims incurred in 1997.

Mrs. Krenzer expressed her appreciation to the staff at Risk Management and UICI for providing claims status reports to the Committee. Since it was her understanding that UICI currently has approximately 19,000 medical claims that are over 10 days old and approximately 49,000 suspended claims, Mrs. Krenzer wanted to know whether the actual backlog includes all claims over 10 days. Mr. Waterman noted that UICI had prepared a handout for the Committee entitled "Claims Status Update Ending 05/05/98, a copy of which is included in the meeting minutes as Exhibit A, that indicates that the suspended claims have been reduced from 49,000 to 1,947.

Mrs. Krenzer questioned whether the number of suspended claims had been reduced because they had been paid in advance or had been processed. Mr. Waterman said the claims had been processed as a result of UICI focusing its efforts on reducing the number of suspended claims.

Mrs. Krenzer said that since she was still confused by the different categories being used by UICI to depict the backlog; i.e., claims over 10 days, claims equal to or less than 10 days, claims on the shelf, and suspended claims, she wanted to know the total number of claims over 10 days as of this date. Mr. Waterman indicated that the information provided in Exhibit A shows that UICI currently has 41,489 claims over 10 days and 16,229 claims equal to or less than 10 days. Mr. Waterman suggested that Ms. Reed would be able to provide additional information on the question. Ms. Reed said she planned to provide a claims status update today following a meeting of the COB last week. When the Committee last met on March 25, 1998, Ms. Reed pointed out that the number of suspended claims was higher than it should have been because UICI had experienced an issue that same week with the data entry on a number of claims and rather than allow those claims to go through the auto-adjudication process and possibly come out incorrect, those claims were placed in the suspend report and were subsequently processed manually. Ms. Reed said that UICI considers the current number of suspended or "pend" claims to be normal for the size of the state's group. Ms. Reed noted that the industry norm for "pend" claims was about 10 percent; whereas, UICI, on average, places about 6 percent of the claims in "pends."

Chairman Raggio asked for a definition of a suspended claim. Ms. Reed indicated that suspended claims have been processed as much as possible, but need additional information before the claims process can be completed.

Mrs. Krenzer wanted to know the definition of inventory backlog. Ms. Reed noted that the claims backlog was broken down into two categories; i.e., claims over 10 days and claims 10 days or less. According to Ms. Reed, UICI would consider 20,000 claims as a normal backlog for the size of the state's group, which means claims are being processed within 10 days of receipt.

Mrs. Krenzer pointed out that Exhibit A indicates that 41,489 claims were over 10 days, plus 16,229 claims that were newly received in the mail within the last two weeks. Ms. Reed stated that UICI currently has a 35-day backlog on the shelf; however, this backlog contains no suspended claims.

Mrs. Krenzer wanted to know what the impact would be on the reserve when the additional 57,000 claims were processed. As a part of the monthly reserving process, Mr. Gray noted that both an Incurred But Not Reported (IBNR) reserve and an excess backlog are established. Since 13,500 claims, which includes those over 10 days and those less than 10 days, have been considered to be the standard backlog historically, Mr. Gray said that \$160.13 had been reserved for each claim over 13,500. Mr. Gray said, however, after analyzing the process for the last few months, it would appear that 13,500 was going to be too low for the long-term number and that a more accurate number is going to be closer to 20,000 because the claims volume presently being reported is much higher than formerly reported by prior claims payers. Although a

reserve has been set aside to pay any claims over 13,500, Mr. Gray told the Committee that it would depend on the accuracy of the formula used in establishing the reserve as to whether this reserve proves to be adequate.

It was Mrs. Krenzer's belief that the basic formula used to create the reserve was not going to work because of the volume of claims currently being received. Mr. Gray indicated that the Mercer Company had contemplated revisiting the formulas for both the amount per claim and the claim volume so it could more easily predict what the numbers should be once the operating environment has stabilized.

Mrs. Krenzer wondered how the Mercer Company would be able to project an accurate reserve when the claims were not being processed in a timely fashion and discounts were not being received. Although he acknowledged that there was a serious financial impact to the state's plan for lost discounts on claims incurred during 1997, Mr. Gray noted that the Preferred Provider Organization (PPO) contracts were changed beginning January 1, 1998, and claims for services are no longer required to be paid within 60 days. To clarify Mr. Gray's previous remarks, Ms. Reed advised that only the contract for the northern Nevada PPO network beginning on January 1, 1998, requires UICI to pay the medical providers within 30 days or the state loses its discount and the medical providers are paid 100 percent of the usual and customary rate.

While she had asked for this information previously without success, Mrs. Von Tobel inquired once again as to the total dollar impact on the state due to the loss of the discounts. Mr. Gray stated:

We are still looking into estimating that figure. No data was available to us when L&H was the administrator to report what the discounts were. So we are going back to 1996 in Coresource data to try to get a ballpark estimate of what the loss of discounts really represent. Currently, we have provided an estimate of between \$1 million and \$1.5 million for the period July 1, 1997 to December 31, 1997. That is a highly speculative number.

Mrs. Von Tobel wanted to know if it would be reasonably correct to assume that if an increase in premium rates were to occur, that increase would, to some extent, be based on the loss of those discounts. Mr. Gray stated:

The combination of the loss of discounts and the waiving of the deductible for that same time period, July 1, 1997, through December 31, 1997, definitely has an impact on the financial condition through fiscal year 1998. When we do our forecast, we will specify a figure for both of those costs to the plan and attempt to very explicitly not forecast a recurrence of that expense because those expenses will not happen again in the future. How accurate those numbers will be may not be precise, but at least we will do our best to account for those two sources of expense that will not recur.

Mrs. Von Tobel pointed out that the Committee was not told at the March 25, 1998, meeting that the PPO contracts had changed since January 1, 1998, and that the discounts would no longer apply unless the claims were paid within 30 days. Ms. Reed indicated that COB had chosen a new vendor for the PPO contracts in northern Nevada as of January 1, 1998. She said, however, the loss of discounts for the 1997 claims were discussed at the last meeting on March 25, 1998.

To respond to several questions from Mrs. de Braga, Ms. Reed noted that those claims which were listed as over 10 days were claims received in UICI's office over 10 days ago. Although the dates of service could be a year ago or longer, Ms. Reed said none of those claims were over 35 days from the date UICI received them. She also noted that UICI's practice is to process the oldest in-house claims first.

Since she thought there were a significant number of older claims that have not yet been processed, Mrs. de Braga wanted to know how she should advise her constituents as she receives calls every day from people who have borrowed money or refinanced their homes because they believe it is important to pay their bills. She also noted that a PPO for one of her constituents will no longer provide medical services because UICI

has not paid his bill. It was Mrs. de Braga's contention that the unpaid bills were going to lead to stressful situations which could be more costly in the long term. Ms. Reed explained that UICI had been working with a number of PPO's and she would appreciate receiving the name of the PPO in question. While the oldest claims sitting on the shelf in UICI's office are 35 days old, Ms. Reed noted that many of the PPO's have been waiting to be paid because they assumed UICI was working on the claims it inherited from L&H. She said, however, those PPO's are now aware that UICI is not processing those claims because if the claims have not been sent to UICI within the last 35 days UICI does not have them. Ms. Reed told Mrs. de Braga she would be happy to work with her in resolving the unpaid bills of her constituents.

Although she appreciated the effort UICI has expended in trying to get the old claims paid, Mrs. de Braga suggested that the person who pays premiums should be able to get their bills paid without intervention from UICI. In addition, Mrs. de Braga pointed out that many of her constituents have complained that UICI neither responds to their letters nor returns their telephone calls.

In responding to Mrs. de Braga's concerns, Mr. Waterman noted that a number of the older claims were suspended claims. Since the majority of those suspended claims have been cleared and checks issued, Mr. Waterman suggested that the issue of the older claims should be resolved in the very near future.

Because of time constraints, Chairman Raggio called time on the discussion. Chairman Raggio said he wished to indicate that there had been a very good response whenever complaints had been specifically brought to the attention of Mr. Waterman or Ms. Reed and that he appreciated their efforts in this regard. Chairman Raggio said he would entertain a motion on the request.

**SENATOR O'DONNELL MOVED TO APPROVE THE REQUEST. SECONDED BY MR. HETTRICK.**

Chairman Raggio recognized Mr. Goldwater who said this request should raise a big red flag because the Committee's approval would either lead to an increase in the premium on behalf of the employer, which would impact the state's General Fund, or an increase to the premium on behalf of the employee or dependent, or a reduction of benefits. In addition, Mr. Goldwater urged the COB, as well as the Risk Management Division, to take a very active role in managing the claims and keeping the Interim Finance Committee, as well as the entire Legislature, informed of any potential increase in premium and/or reduction of benefits.

Although he thought the Committee was equally concerned, Chairman Raggio said he did not believe there was an alternative course of action at this point in time because it would be a disservice to the people covered in the state's plan not to approve funds for the projected unpaid claims. Even though he thought that significant progress had been made to date, Chairman Raggio said the number of questions posed by the Committee on the backlog, which continues to change, was evidence of the Committee's concerns. It was Chairman Raggio's belief that the COB has an awesome responsibility to deal with the alternatives, one of which could potentially be a reduction of benefits.

Chairman Raggio called for a vote on the motion.

**MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

In order to reduce the number of questions from the Committee next time, Chairman Raggio requested that the staff from the Risk Management Division and UICI provide a status report as early as possible prior to the Committee's next meeting date.

Chairman Raggio recognized Ms. Linda Rexwinkel from Carson City who asked to testify before the Committee regarding the Committee on Benefits (COB) and her problems in getting her family's medical claims paid by UICI, the state's current third party administrator (TPA), in a timely fashion. After contacting everyone who was supposed to be responsible for the payment of medical claims, without success, Ms. Rexwinkel said she received a letter from the Risk Management Division several months later



stating that her family was one of the accounts involved in the embezzlement of state funds when L&H was the state's TPA. Now, almost a year after UICI took over, Ms. Rexwinkel noted that claim reimbursements are still running two to three months behind, in fact, one of the reimbursements she received recently was for a claim for services provided in November of 1997. In summary, Ms. Rexwinkel said that COB, as well as its financial adviser, William M. Mercer Company, should be held accountable for a good portion of the current mismanagement of the state's health benefits program and that she hoped the 1999 Legislature would take remedial action to correct the situation. A copy of Ms. Rexwinkel's prepared statement is included in the meeting minutes as Exhibit B.

Chairman Raggio thought the issues raised by Ms. Rexwinkel were matters to be considered by the 1999 Legislature. As far as the unpaid claims, Chairman Raggio asked that a copy of Ms. Rexwinkel's prepared statement be provided to Mr. Don Hataway, Deputy Budget Administrator, who he asked to assist Ms. Rexwinkel.

**7. Department of Administration - Printing Office - State Printing Fund - FY 98** - Addition of \$54,687 in Printing Sales and \$86,694 in Quick Print Sales and the Transfer of \$118,813 from Reserve category to Salaries category, \$25,018 from Reserve category to Operating category and \$1,332 from Reserve category to Copy Center Operating category to provide for projected costs through end of fiscal year in salaries due to vacancy savings and legislatively approved pay raises, operating costs and copy center operating costs due primarily to increase in volume of activity and sales.

Refer to motion for approval under item C.

**8. Department of Administration - Purchasing Division - Purchasing - FY 98** - Transfer of \$13,572 from Reserve category to Salaries category, \$300 from Reserve category to In-State Travel category, \$291 from Reserve category to Operating category, \$4,306 from Reserve category to Equipment category, \$9,047 from Reserve category to Information Services category, and \$300 from Reserve category to Training category to provide funding for three new positions and associated salaries, operating, equipment, travel, training and information services equipment to keep up with current and anticipated workload within the newly created Purchasing Services Procurement Unit in this fiscal year.

Speaking to items 8 and 9, Mr. William Moell, Administrator, Purchasing Division, introduced Ms. Kathy Pruitt, Supervisory Purchasing Officer of the new Purchasing Services Procurement Unit. Mr. Moell requested Interim Finance Committee approval to add three new positions, which are: two Purchasing Officers and one Word Processing Technician, and related costs for the newly formed Purchasing Services Procurement Unit. The Governor's recommended budget included funding for six positions for this new Unit. Since the Purchasing Division was unable to predict the workload at that time; i.e., the number of Requests for Proposal (RFP) that would be required to be drafted by this new Unit, the 1997 Legislature approved funding for three positions and directed the Purchasing Division to return to the Interim Finance Committee to request additional positions when the workload materialized.

Mr. Moell said he wished to report that the workload had materialized and the new Unit was unable to keep current. On April 3, 1998, for example, there were 21 RFP's either in process or in the final stages compared to 37 RFP's today. In addition, another 50 to 60 projects have been identified. Since the original positions were authorized last July 1997, the Purchasing Division has established job classifications for the three new positions, which was a rather involved process, recruited and filled the new positions, established an advisory committee of representatives of user agencies, modified the State Administrative Manual (SAM), created an RFP Manual, started more than 36 RFP's of which 7 have been completed, and identified an additional 60 or more projects. The Purchasing Division has learned, over the past several months, that one Purchasing Officer can efficiently manage only about five RFP's at any one time. The Purchasing Division has also learned that the correct staffing ratio is two Purchasing Officers to one Word Processing Technician. According to Mr. Moell, most of the state agencies have found the service to be invaluable.

It was Mr. Moell's belief that the close cooperation of the user agencies, which are: the Purchasing Division, the Office of the Attorney General, and the Risk Management Division, has worked extremely well for Nevada. The Purchasing Division has been able to provide savings to the state by two means: (1) deliverables have been more clearly identified; and (2) contracts have been better written to ensure user agencies of a useable product while at the same time protecting the state. Conservative estimates indicate that there is a difference of more than \$500,000 between the accepted bids and other comparable bids. Although the user agencies have had to invest additional time in describing the environment of the service and detailing the expectations of the deliverables, Mr. Moell suggested that the involvement of the Office of the Attorney General and the Risk Management Division during contract negotiations and prior to the release of the RFP has reduced misunderstanding between the vendor and the user agency.

Chairman Raggio asked Mr. Moell to describe the potential funding source for this new Unit. Mr. Moell noted that the Purchasing Division anticipates that a user agency assessment of a 2 percent administrative charge, with a minimum charge of \$4,000, would be adequate to fund the new Unit. Mr. Moell said, however, that since the 2 percent administrative charge is currently being assessed after the project has been completed, a lag in revenue had occurred, requiring the Purchasing Division to finance the Unit out of the Purchasing Fund balance. Mr. Moell added that he expects this situation to change very quickly.

To respond to several questions from Ms. Giunchigliani, Mr. Moell indicated that the combined task force, chaired by the Director of the Department of Administration and the Attorney General, had recommended that the new Unit be responsible for writing the entire RFP and that the deliverables as well as the penalties be included in the contracts. The RFP is reviewed by the Office of the Attorney General and the Risk Management Division before it goes out to bid.

Ms. Giunchigliani wanted to know whether the Unit's current backlog was adversely affecting agencies that are bound by statute to have a completed RFP by a certain time line. Ms. Pruitt indicated that several agencies have waited until the month of May to request an RFP for a contract that will be expiring on June 30, 1998. Since each Purchasing Officer is working on about 15 RFP's in various stages, Ms. Pruitt said the work environment had become very hectic.

Ms. Giunchigliani wondered if it would be possible for the Unit to implement a policy requiring agencies to give six months lead time. She also suggested assessing an additional administrative charge if the agencies wait until 30 days prior to the contract's expiration to request an RFP. Ms. Giunchigliani thought this might be an additional funding source for the Unit. Mr. Moell thanked Ms. Giunchigliani for the suggestion. Mr. Moell apprised the Committee that the Unit had been forced to return some of the contracts to agencies because of both time and staff limitations. These agencies were provided with a copy of the RFP Manual and instructed to have the Office of the Attorney General and the Risk Management Division review the contracts.

Ms. Giunchigliani wanted to know whether RFP training was being provided to the user agencies. Although no RFP training has been provided at this time due to staff limitations, Mr. Moell indicated that consideration was currently being given to providing an RFP training class or providing training to individual agencies, as well as several other options.

Chairman Raggio called time on the discussion and said he would entertain a motion.

**MR. MARVEL MOVED TO APPROVE ITEMS 8 AND 9. SECONDED BY SENATOR JACOBSEN. MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**9. Department of Administration - Purchasing Division - Purchasing - FY 99 -** Transfer of \$147,798 from Reserve category to Salaries category, \$1,000 from Reserve category to Out-of-State Travel category, \$3,000 from Reserve category to In-State Travel category, \$3,878 from Reserve category to Operating category, \$1,134 from Reserve category to Information Services category and \$1,500 from Reserve category to Training category to provide funding for three new positions and associated salaries, operating, travel, training and information services costs in order to keep up with current and anticipated workload

within the Purchasing Services Procurement Unit during this fiscal year.

Refer to testimony and motion for approval under item C8.

**10. Department of Administration - Motor Pool Division - Motor Pool - FY 98** - Addition of \$102,000 in Vehicle Rents and Transfer of \$3,500 from Reserve category to Vehicle Depreciation category to enable the transfer of actual depreciation expense to budget account 1356, Motor Pool Vehicle Purchase during this fiscal year which will accommodate future vehicle replacement purchases.

Refer to motion for approval under item C.

**11. Department of Administration - Buildings and Grounds Division - Mail Room - FY 99** - Addition of \$103,901 in Mail Service Charge to allow for this fiscal year liability amounts on interest and principal payments for the 5-year lease purchase of a mail inserter machine and other maintenance and operating costs associated with the operation and rental of three postage meters.

Refer to motion for approval under item C.

**12. Department of Information Technology, Communication and Computing Division - FY 98** - Addition of \$187,329 in Extra Services and \$300,000 in Repair Service Charge to allow for increasing demands for data and telephone wiring services and telephone equipment purchases for customer agencies.

Mr. Close said he had requested testimony because of his continuing concern about the Department of Information and Technology (DoIT) having to request reimbursements throughout the fiscal year for additional communication equipment and services for state agencies and he asked Ms. Lockard what had been done to curb such requests. Ms. Marlene Lockard, Director, DoIT, noted that a letter had been sent to all state agencies asking them to let DoIT know about mid-year regarding anticipated telephone moves or changes. Since she did not believe this letter had worked very well, Ms. Lockard said a form had been developed this year which would be included in the Department of Administration's budget instructions to all state agencies so that state agencies will know they need to advise DoIT as soon as possible regarding telephone moves and other communication requests. It was Ms. Lockard's belief, however, that an increase in authority was needed because it had been necessary over the last three years for DoIT to request the Interim Finance Committee's approval for additional authority on a number of occasions.

While he could understand DoIT having to request additional authority once a year for unexpected agency requests, Mr. Close suggested that it would create a major problem for the legislative money committees during the next budgetary process if DoIT continues requesting reimbursement on a quarterly basis. Ms. Lockard told the Committee that part of DoIT's request before the Committee today deals with two major telephone changes by the Gaming Control Board and the Public Utilities Commission (PUC), which were not originally anticipated.

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

**13. Department of Education - Proficiency Testing - FY 98** - Transfer of \$54,080 from 4<sup>th</sup> to 8<sup>th</sup> Grade Tests category to 10<sup>th</sup> Grade NRT category to provide for costs of testing materials for the 10<sup>th</sup> Grade Norm - Reference Test.

Refer to motion for approval under item C.

**14. Department of Education - Occupational Education - FY 98** - Addition of \$46,363 in Carl Perkins Technical Preparation Grant and \$141,879 in Carl Perkins Vocational Education Grant to continue the program to develop and improve occupational and technical education and to provide workforce education programs.

Refer to motion for approval under item C.

**15. Department of Museums, Library and Arts - Cooperative Libraries Automated Network (CLAN) - FY 98** - Addition of \$18,564 in County Participation Funds and Transfer of \$13,025 from Information Services category to Operating category to reconcile estimated county billings to actual billings and allow for higher-than-anticipated expenses for the CLSI Library Catalog Network System and the Marchive online cataloging database service.

Refer to motion for approval under item C.

**16. Department of Museums, Library and Arts - Arts Council - FY 98** - Addition of \$400 in Federal National Endorsement for the Arts (NEA) Rural Arts Grant, \$65,500 in Federal NEA Basic Arts Grant and \$7,500 in Registration Fees and Deletion of \$34,250 in Federal NEA Local Arts Grant, \$38,500 in Gifts and Donations, Transfer of \$28,000 from Folk Arts category to Community Programs category to adjust revenue authority to reflect Federal NEA grants and to increase community programs for Artists Services, Project Contracts, professional services and printing.

Refer to motion for approval under item C.

**17. Department of Human Resources - Community Services Block Grant - FY 98** - Addition of \$512,393 in Federal Community Services Block Grant to allocate increase of block grant award to sub-recipients and to provide for increased operating costs, additional training and technical assistance costs; office furniture and the replacement of two computers and software needed to comply with federal reporting requirements.

Ms. Giunchigliani requested a list of the sub-recipients to which the CSBG funding would be allocated. Mr. Mark Roberts, Administrative Services Officer, Director's Office, Department of Human Resources, said he would be happy to provide the list to Ms. Giunchigliani.

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

**MS. GIUNCHIGLIANI MOVED TO APPROVE THE REQUEST. SECONDED BY MRS. CEGAVSKE AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**18. Department of Human Resources - Family-to-Family Connection - FY 98** - Acceptance of \$376,578 in Child Care Development Fund Block Grant, and Deaumentation of \$376,578 in Federal Title XIX to replace eligible costs associated with Infant Support Districts, quality assurance and training originally budgeted using Federal Title XIX revenues with Child Care Development Fund Block Grant revenues.

Mr. Roberts explained that this request seeks Committee approval to deaugment the Family-to-Family Program from Health Care Title XIX revenue and to replace this funding with Child Care Development Block Grant funds from the NSWDC.

Chairman Raggio wanted to know the reason for this funding change. Ms. Marilyn Walter, Administrator, Early Childhood Services, Department of Human Resources, said there were three reasons why the Department wishes to replace the Title XIX funds, which are: (1) it would require a lengthy process to change the state plan to allow for the provision of reimbursable services with state funds that flow through the state to local community-based organizations; (2) it would require obtaining a significant amount of confidential financial information from the families, which was viewed as intrusive and might be a disincentive for some families to participate; and (3) family representatives and community organizations have commented that it would be viewed negatively by the communities to require some families to provide personally identifiable information and not require the same information from others.

Chairman Raggio questioned whether changing the source of the funding for this program would result in a failure of the state to receive Title XIX funds that it would otherwise be able to receive; thus, reducing the amount of General Fund support for this program. In addressing Chairman Raggio's question, Ms. Charlotte Crawford, Director, Department of Human Resources, told the Committee that when the Family-to-Family Program was first implemented the Department projected a certain percentage of federal money to operate the program, including Title XIX Medicaid revenue. Ms. Crawford indicated that although the Department intends to continue evaluating the use of Title XIX Medicaid funds on an ongoing basis, the Department is not ready at this point in time to make this its highest priority. In addition, Ms. Crawford noted that the Department was currently experiencing a resource problem as a result of the Health Care Financing and Policy Division's efforts with the Nevada Check-Up Program and with the Mandatory Managed Care Program.

Senator Regan requested that the record indicate his abstention from voting on this request because he was recently appointed as Chairman, Southern Nevada Board of the Family-to-Family Program.

Chairman Raggio requested that the record reflect that Mrs. Chowning and Senator O'Donnell are excused from this portion of the meeting because they are serving, respectively, on the Council to Establish Academic Standards for Public Schools and the Commission on Educational Technology, which are also meeting today.

Ms. Giunchigliani said she would be interested in learning how many families and newborns have requested and received services to date. Ms. Walter indicated that 369 families had received services through May 1, 1998. Out of a total of 13 Infant Support Districts (ISD), two became operational in January and two became operational in March.

To respond to a question from Ms. Giunchigliani, Ms. Walter noted that two handouts had been prepared for the Committee's information. The first handout is a chart which shows the date the ISD was approved by the Board of Examiners, the scheduled date of initiation of services, and the services available/implementation date. A copy of this handout is included in the meeting minutes as Exhibit C. The second handout, a copy of which is included in the meeting minutes as Exhibit D, provides a summary of the ISD's. Since the Department originally projected serving 1,866 families during this current fiscal year, Ms. Walter said the goal had not yet been reached as only 369 families had received services to date. According to Ms. Walter, several of the ISD's are scheduled to come on line in the near future and the Department has been focusing its efforts on public awareness.

Ms. Giunchigliani wondered whether staff had been hired to accommodate the projected 1,866 families or whether staff was being phased in as the caseload builds. Ms. Walter indicated that staff had been phased in as they are trained to provide the services and that the collaboratives at the local level have been hiring the trained staff as quickly as they possibly can. To clarify Ms. Walter's prior statements, Ms. Crawford pointed out that the budget for the Family-to-Family Program was built on 50 percent of an approximate 27,000 expected births at its full implementation. She also noted that the Family-to-Family Program was designed to be phased in, with ISD's being implemented throughout the biennium. Ms. Crawford said it was the Department's goal to distribute all of the funds and have all of the ISD's implemented by the end of the current fiscal year.

It was Chairman Raggio's understanding that the Department is required (per a 1997 letter of intent) to submit a detailed report on the Family-to-Family Program to the Interim Finance Committee and the Budget Division by November 15, 1998.

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

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

**Disclaimer: Senator Regan abstained from voting for the reason previously indicated.**

**19. Department of Human Resources - Child and Family Services - Youth Community Services - FY 98** - Addition of \$719,790 in Title IV-E Funds, \$186,055 in Room and Board Charges and \$362,402 in Medicaid Rehab Charges, and Transfer of \$24,592 from Placement Prevention category to Emergency Shelter category, \$15,077 from Placement Prevention category to Adoption Subsidy category, \$67,819 from Placement Prevention category to Foster Care category, \$3,525 from Placement Prevention category to Foster Home Insurance category, \$3,044 from Placement Prevention category to Drug Testing category, \$204,370 from Placement Prevention category to Child Welfare Placement category, \$450,000 from Youth Parole Placements category to Child Welfare Placements category and \$300,000 from Voluntary Mental Health Placements category to Child Welfare Placements category to meet projected shortfalls in adoption subsidies, foster care, group home placements, emergency shelter care, foster home insurance and drug testing costs.

Mr. Stephen Shaw, Administrator, Division of Child and Family Services (DCFS), introduced Mr. Darrel Rexwinkel, Administrative Services Officer. Mr. Shaw indicated that approval of this work program would add approximately \$1.4 million, or 3.4 percent over the original budget, to budget account 3229, a \$37 million budget, to meet a projected shortfall. Mr. Shaw said the main issue in budget account 3229 is that DCFS has no control over the number of children requiring placement in 80 percent of the state. Between calendar year 1996 and 1997, for example, Mr. Shaw noted that DCFS had experienced a 29.5 percent increase in placements. It was Mr. Shaw's opinion that DCFS staff had done a commendable job in controlling costs. Utilization Review Teams meet weekly to determine the proper level of care. One of the obstacles with which DCFS must deal is a parallel foster care system operated by Washoe County which pays \$40 per day per child compared to \$13 per day per child paid by the state. Because of this pay disparity, DCFS has experienced difficulty in recruiting foster homes and, in the last six months, for example, DCFS has recruited 50 foster homes and lost 38 foster homes to Washoe County. Mr. Shaw also pointed out that the federal auditors had done an audit of the federal Title IV-E revenue DCFS had earned over a four-year period prior to Maximus, and DCFS was assessed an \$80,000 penalty. He said, however, DCFS staff worked with the federal auditors and were able to turn an \$80,000 negative to an approximate \$830,000 positive. Although he recognized that this money would ordinarily be returned to the state's General Fund, Mr. Shaw said he was asking to use the \$830,000 to "plug the shortfall." In concluding his testimony, Mr. Shaw said he and the DCFS staff were doing everything possible to control costs in budget account 3229, including changing policies that were not in the best interest of the children.

It was Mr. Humke's understanding that 98 percent of the transfers would be expended for substitute foster care and Child Welfare placements. If DCFS were allowed to use the retroactive Title IV-E funds, which he characterized as "found money," for the current fiscal year, Mr. Humke wanted to know whether Title IV-E funds would be available in FY 1999. Mr. Shaw said the Title IV-E funds were a one-time recovery and would not be available in FY 1999.

Mr. Humke asked Mr. Shaw if it would be reasonable to assume that if a similar shortfall were to develop in FY 1999, DCFS would need General Fund dollars to makeup the difference. Mr. Shaw said he did not believe General Fund dollars would be required because DCFS had increased the penetration of the Title IV-E funds over the last 18 months from 17 percent to over 70 percent. Mr. Shaw said he would disagree with Mr. Humke that the \$830,000 was "found money" because DCFS has changed the way it does business. By consolidating eligibility and placing social workers under fiscal, for example, DCFS has been able to dramatically increase federal funds.

During the 1997 Legislature, Mr. Humke recalled that there was an effort by DCFS to reduce the number of transfers from the Child Welfare Trust Account (645-3242), Social Security benefits, and Child Support payments because of the potential impact of Welfare Reform. Mr. Humke questioned why DCFS was requesting transfers from those categories at this time. Mr. Rexwinkel acknowledged that DCFS had projected in its budget a decrease in supplemental Social Security Income (SSI) due to Welfare Reform.

Although DCFS has experienced a decrease in this category, Mr. Rexwinkel indicated that as a result of changing its practices, DCFS has been able to increase the room and board category, which includes SSI and Child Support. According to Mr. Rexwinkel, DCFS currently deposits all of the Child Support funding into budget account 3229 because it does not require off-setting the costs.

Although realizing that he does not have a "crystal ball" for making predictions, Mr. Humke asked Mr. Rexwinkel if he thought less General Fund support for this budget would have been required if the SSI and Child Support revenue had been increased during the 1997 Session. While he did believe that the majority of the transfers were the result of an inaccurate projection on the impact of Welfare Reform on SSI, Mr. Rexwinkel said he would agree with Mr. Humke that to the extent Welfare Reform has impacted SSI, it would have required less General Fund support.

It was Mr. Humke's understanding that the funding being requested by DCFS in category 13, Child Welfare Placements, represents a 16 percent increase and he questioned whether this increase would be added to the base budget for consideration by the money committees during the 1999 Legislative Session. Although he acknowledged that the increase might very well be added to the base budget, Mr. Rexwinkel reminded the Committee that DCFS had projected an over-expenditure of approximately \$14 million in FY 1996 and, although a different funding source was available to meet a portion of a significant over-expenditure in FY 1997, a supplemental appropriation was requested by DCFS and approved by the 1997 Legislature. When DCFS prepared the budget for FY 1997, it had projected 504 Child Welfare placements (category 13). He said, however, DCFS currently has about 160 more Child Welfare cases than it had a year ago. Compared to 150 out-of-state placements in January of 1996, Mr. Shaw interjected that DCFS had been able to keep the very expensive out-of-state placements down to 23 for almost a year. Mr. Shaw stressed that DCFS had been able to reduce the most expensive placement dramatically. He additionally stated:

I am telling you we have more kids coming in the front door. We are pushing them down to lower levels of care. If you want to get into it, I will tell you of examples where we are splitting up sibling groups now, not for best practice reasons but for economic reasons. We are going to continue to do that to stay within budget.

While he thought out-of-state placements had been a major concern of the Committee for years, Mr. Humke noted that the previous administrator of DCFS had testified that approximately 60 percent of DCFS's resources were directed toward institutional or contract placements versus 40 percent toward strengthening parental and community capacity to maintain children within their own home and he wanted to know whether DCFS had been able to lower the institutional contract placements. Since the national norm is 70 percent foster care and 30 percent group care, Mr. Shaw said the former administrator was striving in that direction. He said, however, DCFS was at a standstill at the present time mainly because of the disparity in the foster care rate in Washoe County.

Mr. Humke expressed interest in learning whether the Regionalization Plan was helping to control costs.

Since the Regionalization Plan is on the meeting agenda under J.7.b, Chairman Raggio said he would accept comments on this item at this time.

It was Mr. Humke's understanding that the 56-bed juvenile treatment center, named the Desert Willow Treatment Center, was scheduled to open in Las Vegas and begin to accept clients on March 1, 1998. Mr. Humke wondered whether the delay in opening this new facility was contributing to DCFS's projected over-expenditures. Mr. Shaw said he was anticipating that the facility would open between June 15 and July 1, 1998. When the facility is operational, Mr. Shaw said he anticipates bringing back to Nevada some of the children who are currently in expensive out-of-state placements.

Senator O'Donnell said he was very disturbed to hear that DCFS was splitting up families and he requested Mr. Shaw to provide additional information on what had precipitated this draconian policy change. Mr. Shaw said DCFS had recently split up three siblings who were in group care in northern Nevada for economic reasons. Since their level of care could be handled in foster care, the three siblings were placed in

three different foster care homes.

While he could appreciate Mr. Shaw's position in trying to reduce costs, Senator O'Donnell said DCFS needs to let the 1999 Legislature know how much it would cost to keep siblings together versus splitting up siblings. Senator O'Donnell said it was disheartening to hear that DCFS has been splitting up families for economic reasons because sometimes all these children have is each other. Mr. Shaw said it was not only upsetting to him, but was upsetting to the staff as well to have to split up siblings; however, the legislature had mandated that DCFS operate within its budget. Mr. Shaw stated that:

We are not doing that on a wholesale basis. We recently removed three kids in Yerington that were in a Group Home. They were doing well in the Group Home, but could be handled in a Foster Care Home. There were no Foster Care Homes in Yerington. We had to move them to Battle Mountain. That was not splitting up a group, but it is making decisions based on economics. You don't get out of that. We all have to do that and there has to be a balance\*\*\*\*I think we have squeezed every bit of fat out of it. When you have 29 percent more kids coming in the front door, you tell me what to do. I am telling you that this will get me through the next year. We will evaluate it. We don't like doing that.

Chairman Raggio said he thought he could speak for the entire Committee when he said it was never the intention of the legislature for DCFS to split up siblings in order to stay within its budget. Chairman Raggio said he would strongly urge DCFS to revisit its policy in this regard.

Although splitting up families can, under certain circumstances, be for the betterment of the child, especially if there are two different fathers or mothers, Ms. Giunchigliani said it was the Legislature's responsibility to review DCFS's budget to ensure that DCFS can not only compete with Washoe County, but that foster parents who take these children into their homes are paid adequately. Ms. Giunchigliani inquired about the daily rate for foster parents in Clark County. Mr. Shaw stated that Clark County has no parallel foster care system. Ms. Giunchigliani wanted to know whether exit surveys were being conducted when foster parents exit the system. Mr. Shaw indicated that a survey had been conducted recently on all foster parents who had exited the system and a variety of issues were identified, of which compensation was one. Mr. Shaw noted that it was DCFS's policy to split up sibling groups for clinical reasons when incest is involved. According to Mr. Shaw, no sibling groups had been split up in southern Nevada. Mr. Shaw stated that:

There is not a day that goes by that we don't deal with this issue and I am staying on top of this as much as I can. There is a balance between what we can do. We are earning revenue like we have never earned before.

Ms. Giunchigliani suggested that the Legislature needs to allow DCFS the flexibility to move dollars wherever they are needed so that families are not split up when it is not clinically appropriate to do so. Ms. Giunchigliani inquired about training and/or guidance for foster care parents, especially those parents who care for children with special needs. Mr. Shaw indicated that DCFS provides foster parents with a standard 36-hour training course. In addition, the Interim Finance Committee recently approved an allocation of \$50,000 so that the Foster Parent Association could provide their own training. Ms. Giunchigliani said she would hope that DCFS would present a budget to the 1999 Legislative Session that would provide appropriate pay for foster parents, as well as funding for clothing and sports equipment, because many of the children have special needs.

Chairman Raggio said he would accept a motion.

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

**20. Department of Human Resources - Child and Family Services - Youth Corrections Services - FY 98 - Transfer of \$200,000 from Transitional Community Re-Integration Program (TCRP) category to**



Detention Costs category to provide for costs of youth who have been revoked from parole and are being held in county detention facilities awaiting an opening at a state training center.

Mr. Shaw apprised the Committee that there had been an issue with overcrowded conditions in juvenile facilities during the past year. DCFS considered placing youth who had their parole revoked immediately in the Nevada Youth Training Center (NYTC) in Elko. Although DCFS would not have incurred any costs, Mr. Shaw said the costs would have been transferred to Elko County and DCFS did not believe this was an appropriate option.

Chairman Raggio wanted to know why there was such a large disparity in the costs per day in local detention centers, which range from \$50 to \$80 in FY 1998. Mr. Shaw said he did not believe the cost factor in detention centers was a consideration until the over-crowding occurred. It was Mr. Shaw's opinion that the counties were increasing their rates to compensate for the actual costs.

While he realized that this issue could not be addressed today, it was Chairman Raggio's opinion that the rate charged for intermediate detention should be uniform across the state. Mr. Shaw agreed with Chairman Raggio. Mr. Shaw also pointed out that DCFS had changed its policy and youth are currently being released from the detention centers immediately once they have been paroled.

To respond to several inquiries from Mr. Humke, Mr. Shaw indicated that although the TCRP Program was two to three months late in getting started, it is currently working in the manner in which it was intended by decreasing parole commitments, as well as holding down costs. Mr. Shaw also noted that a youth on parole revocation awaiting a state bed was the state's responsibility; however, a newly committed youth awaiting placement with the state was not the state's responsibility until the youth is transported to a training center.

Mr. Humke wondered whether the local county-operated detention centers were trying to squeeze additional funds from the state by holding parole violators longer than necessary. In an effort to address the overcrowding, Mr. Shaw said he had made a decision to place youth parole violators on the same waiting list for a state bed with newly-committed youth. While overcrowding is no longer an issue for males, Mr. Shaw indicated that DCFS was currently experiencing a problem with female overcrowding at the Caliente Youth Center.

Chairman Raggio called time on the discussion and said he would entertain a motion on this request.

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

**21. Department of Human Resources - Health Division - Health Facilities - FY 98** - Addition of \$62,258 in Medical Receipts and \$62,257 in Medicaid Receipts to provide additional funding for three and one-half new positions and contract, travel, operations, equipment, and training costs.

Refer to motion for approval under item C.

**22. Department of Human Resources - Health Division - Communicable Disease - FY 98** - Addition of \$5,445 in Tuberculosis Federal Grant to provide sufficient salary funds for two existing positions.

Refer to motion for approval under item C.

**23. Department of Human Resources - Health Division - Communicable Disease - FY 99** - Addition of \$405,430 in Cancer Prevention Grant, and Deletion of \$253,420 in Breast and Cervical Cancer Grant, and \$1,081 in Tuberculosis Grant to continue the Cancer Early Detection Program of six existing positions, support costs, and client services.

Refer to motion for approval under item C.

**24. Department of Human Resources - Health Division - Communicable Disease - FY 99** - Addition of \$58,750 in Diabetes Federal Grant, and Deletion of \$318 in Tuberculosis Federal Grant to continue two positions and support costs in the Diabetes Control Program.

Refer to motion for approval under item C.

**25. Department of Human Resources - Health Division - Immunization Program - FY 98** - Addition of \$64,653 in Robert Wood Johnson Grant to continue a statewide children's immunization registry and add three new positions and support costs.

Refer to motion for approval under item C.

**26. Department of Human Resources - Health Division - Immunization Program - FY 99** - Addition of \$198,416 in Robert Wood Johnson Grant to increase the numbers of children on the statewide immunization registry to include private providers and managed care organizations.

Refer to motion for approval under item C.

**27. Department of Human Resources - Health Division - Immunizations - FY 98** - Addition of \$188,780 in Federal Immunization Grant to provide sub-grants to Nevada counties for children's immunizations and to provide for one out-of-state trip.

Refer to motion for approval under item C.

**28. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - FY 98** - Addition of \$3,695,479 in Federal Title XIX to provide federal matching funds to Clark and Washoe counties for case management services provided to children through their child protective and juvenile probation programs.

Since it was his understanding that Clark and Washoe counties would benefit from this proposal, Chairman Raggio wanted to know whether the reimbursement to Maximus for identifying this new revenue source would come from the counties' share of the Title XIX reimbursement.

Ms. Janice Wright, Administrative Services Officer, Division of Health Care Financing and Policy, explained that approval of items 28 and 29 would provide the Division with the authority to draw down Title XIX federal dollars. Clark and Washoe counties are currently spending the federal dollars to provide for child protective services and juvenile probation case management services. Although Clark and Washoe counties will continue to provide case management services, the Division will be allowed to draw down the Title XIX federal dollars and those additional dollars will go back to the two counties, which will provide them with the opportunity to provide additional services. As a result of its efforts in developing this program, the Division initially incurred a small amount of one-time administrative costs. Ms. Wright said, however, the Division believes there will be an ongoing charge by its fiscal agent, Blue Cross/Blue Shield, for processing the bills and the Division is currently in the process of working with Clark and Washoe counties to determine whether the counties will reimburse the Division for those administrative costs.

Because of the benefits the two counties will derive, it was Chairman Raggio's opinion that Clark and Washoe counties should be willing to reimburse the Division for administrative costs. Ms. Wright indicated that Clark and Washoe counties were benefitting greatly from this program and the Division anticipates being able to work successfully with the two counties in achieving a solution.

**MR. CLOSE MOVED TO APPROVE ITEMS 28 AND 29. SECONDED BY SENATOR COFFIN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**29. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - FY 99** - Addition of \$8,483,513 in Federal Title XIX to provide federal matching funds to Clark and Washoe counties for case management services provided to children through their child protective and juvenile probation programs.

Refer to testimony and motion to approve under item 28.

**30. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - FY 98** - Addition of \$459,900 in Federal Title XIX to cover additional Medicare Part B premiums resulting from an expansion of eligibility for Special Low-Income Medicare Beneficiaries (SLMB) as mandated by the Balanced Budget Act of 1997.

Speaking to items 30 and 31, Ms. Wright explained that the federal Balanced Budget Act of 1997 expanded the Special Low-Income Medicare Beneficiaries (SLMB) Program by creating two new categories called Qualified Individuals 1 (QI-1) and Qualified Individuals 2 (QI-2). The Division has discovered that the QI-1 population will impact the state in FY 1998 and the QI-2 population will impact the state in FY 1999.

In responding to several inquiries from Chairman Raggio, Ms. Wright noted that QI-1's are persons with countable income from 120 percent to 135 percent of the federal poverty level and QI-2's are persons with countable income from 135 percent to 175 percent of the federal poverty level. The Qualified Individual Program requires states to cover the costs of the monthly Medicare Part B premium for QI-1's. The premium cost per month for calendar year 1998 is \$43.80 and \$47.10 for calendar year 1999. For QI-2's, states must cover one-seventh of the cost shift of the Medicare premium increase caused by moving home health care from Part A coverage to Part B coverage. For 1999, the reimbursable premium cost for QI-2's will be \$1.07 per month.

Chairman Raggio thought the Committee would be interested in learning the extent to which the state might be potentially liable for picking up the cost of the Medicare premiums and whether the federal government intends to place a cap on those costs. Ms. Wright advised the Committee that the federal government had placed a cap of \$1.32 million on the Title XIX funds to cover the premium costs for FY 1998 and a similar cap was in place for FY 1999. In addition, the Division expects to incur a certain amount of administrative costs in FY 1999. Ms. Wright told the Committee that the Division had based its estimates on information provided by the federal Health Care Financing and Administration (HCFA) office. The Division will return to the Interim Finance Committee if it finds later on that the impact is going to be greater than originally projected. The Division also anticipates addressing the QI-1 and QI-2 impact in its upcoming biennial budget.

To respond to a question from Chairman Raggio, Ms. Wright said additional staff might be necessary because of the possible impact to the NSWDC budget in FY 1999.

It was Chairman Raggio's understanding that approximately \$2 million would be needed to hire additional eligibility workers as a result of the expanded SLMB Program. Ms. Wright noted that NSWDC had been watching what other states have been doing to find a cost-effective means of administering \$1.07 per month for the QI-2's.

Chairman Raggio thought it would be appropriate to hear from a representative of the Welfare Division and he recognized Mr. Robert Anderson, Administrative Services Officer, NSWDC. Mr. Anderson indicated that although the NSWDC does not yet know whether the expanded SLMB Program would have a significant impact on eligibility determination and caseload, information has been provided to the legislative Fiscal Analysis Division staff regarding the potential for additional staff. While he did not believe the QI-2 population would cause a significant impact on caseloads in FY 1999, Mr. Anderson said it was too early to determine whether the increase in application processing for the QI-1 population in FY 1998 would require additional staff. Mr. Anderson said, however, the NSWDC would make every effort to manage the increased workload with current staff.

Chairman Raggio asked Mr. Anderson if NSWDC was looking at possible alternatives to ameliorate the effect of the additional workload on current staff. Mr. Anderson indicated that NSWDC expects to include this new application processing workload in its staffing study to be presented to the 1999 Legislature.

Senator Rawson wondered whether the eligibility workers in NSWDC were being trained to access the Nevada Operations Multi Automated Data Systems (NOMADS), which he thought might help reduce costs. It was Mr. Anderson's understanding that a presentation would be given later on today by Mr. Michael Willden on the expected rollout of NOMADS and the significant training effort and technology transfer in progress.

Since there were no further questions or comments from the Committee, Chairman Raggio said he would entertain a motion.

**SENATOR REGAN MOVED TO APPROVE ITEMS 30 AND 31. SECONDED BY MR. DINI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**31. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - FY 99** - Addition of \$1,196,179 in Federal Title XIX to continue covering additional Medicare Part B premiums resulting from an expansion of eligibility for Special Low-Income Medicare Beneficiaries (SLMB) as mandated by the Balanced Budget Act of 1997.

Refer to testimony and motion for approval under item 30.

**32. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - FY 98** - Deaugmentation of \$376,578 in Federal Title XIX to replace Federal Title XIX revenues in the Family-to-Family Connection budget with Child Care Development Block Grant revenues.

Refer to motion for approval under item C.

**33. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Check-Up Program - FY 99** - Addition of \$25,702,330 in Federal Title XXI, \$1,930,000 in Reimbursement of Expenses and \$13,839,731 in Transfer from Intergovernmental Transfer Account to implement the Federal Child Health Initiative Program in Nevada, called the "Nevada Check-Up Program"; costs to administer the program include 25 full-time equivalency (FTE) positions and their associated operating costs; out-of-state and in-state travel; office and computer equipment; contractual services; data processing programming charges and staff training.

Mr. Christopher Thompson, Administrator, Division of Health Care Financing and Policy, explained that item 33 represents the Division's formal request to establish the administrative structure for the Nevada Check-Up Program and budget authority to begin health care coverage for uninsured children ages birth to 18 years of age effective July 1, 1998. Item 34 transfers \$13,839,731 from the Intergovernmental Transfer budget to the Nevada Check-Up Program budget to finance the state's match requirement for the Check-Up Program.

Since the Division is proposing a 25-position organizational structure to administer the Nevada Check-Up Program, Chairman Raggio suggested that Mr. Thompson speak to that proposal, as well as provide a status report on the Check-Up Program. Mr. Thompson told the Committee that good progress was being made on the Nevada Check-Up Program and that applications had been available since the third week in March. Although applications have been received from approximately 3,000 children so far, Mr. Thompson said the 3,000 applications clearly means a slower uptake than the 25,000 children that were originally contemplated by July of 1998. Mr. Thompson said he anticipates that between 500 to 1,000 applications will be received each week. In addition, the Division has recently completed its personal computer (pc)-based eligibility system and expects to release this week its final contract proposal to the managed care organizations. Seven managed care organizations have already expressed an interest in the program. In talking with other states, Mr. Thompson indicated that the state of New York, for example, which has a

similar program, spoke positively about being able to enroll 7,000 children per month. Since Nevada is approximately one-tenth the size of New York, Mr. Thompson suggested that Nevada would be doing a good job if it were able to enroll 2,500 children per month. While he acknowledged that more work needs to be done on the outreach effort, Mr. Thompson indicated that the level of the budget which the Division has requested would not be fully expended and the funding would be maintained in the same manner it has been as a reserve.

Since he anticipates the Committee will be meeting by necessity in June and again in September, Chairman Raggio said that he would prefer having Mr. Thompson outline the Division's proposal and provide some realistic projections at this time rather than the Committee granting a blanket approval for the 22 new positions being requested, which he thought would diminish the Committee's oversight and control capabilities. Mr. Thompson advised the Committee that there were currently three staff assigned to the Nevada Check-Up Program. In order to setup the necessary administrative structure and to provide for the appropriate program oversight, Mr. Thompson said he was requesting immediate authority to hire 12 new positions starting on July 1, 1998, which would provide a total program complement of 15 positions when the enrollment reaches 30,000. Mr. Thompson said he would return to the Interim Finance Committee in June and provide a list of the 12 new positions deemed most critical for administering the program from the 22 new positions being requested. Mr. Thompson said he would also be proposing a "trigger" mechanism for adding the remaining 10 positions, which would allow the Division to hire one additional position once enrollment reaches the threshold of 15,000 and, thereafter, to hire one additional position for each additional 1,500 children enrolled until 30,000 children were enrolled.

Chairman Raggio asked Mr. Steve Abba, Senior Program Analyst, Fiscal Analysis Division, if Mr. Thompson's proposal was consistent with his understanding. Although he did not believe that Mr. Thompson's proposal to add one new position for every 1,500 children enrolled after the threshold of 15,000 has been reached was unreasonable, Mr. Abba suggested that Mr. Thompson should provide to the Interim Finance Committee at its June meeting a list of the 12 new positions he intends to fill and also the manner in which he intends to justify filling the remaining 10 new positions in increments of 1,500 enrollees. Mr. Abba said he thought the Committee would be interested in understanding why 1,500 had been chosen as a "magical incremental number."

Ms. Giunchigliani wanted to know whether the 22 new positions being requested would be dedicated solely to the Nevada Check-Up Program and not diverted for other purposes. Mr. Thompson said he would submit that when the organization has been finalized, all 25 positions would be working on issues pertaining to the Nevada Check-Up Program. Mr. Thompson acknowledged, however, that two or three of the new positions would have a broader function; i.e., the Personnel Analyst will perform the personnel function for the Division and several of the new positions will work on comparison and interface between the Medicaid Program and the Check-Up Program.

Ms. Giunchigliani said she would be interested to learn what percentage of this new funding for the Nevada Check-Up Program would actually be expended on providing health care for uninsured children. Mr. Thompson said the percentage would be based upon on how many children are enrolled in the Nevada Check-Up Program. Mr. Thompson said the administrative cost to enroll 30,000 children in the Nevada Check-Up Program, for example, would be in the range of 5 to 6 percent.

Ms. Giunchigliani said she wanted to know what the administrative cost was going to be in dollars because she did not want the state to create an administrative bureaucracy where dollars were diverted from actual insurance coverage for children. Mr. Thompson said he was projecting approximately \$2 million for the administrative cost for full implementation of the Nevada Check-Up Program, which is estimated to cost a total of \$41 million. Mr. Thompson said, however, reducing the staff from 25 to 15 would also reduce the total administrative cost as well.

To respond to a question from Ms. Giunchigliani regarding the type of duties that the staff would be expected to perform, Mr. Thompson indicated that the staff would be involved in a whole host of duties;

i.e., eligibility determination and outreach efforts, contract oversight to ensure individuals are receiving the services that have been contracted for, and the provision of financial reports required by the federal government, to name a few.

Ms. Giunchigliani suggested that Mr. Thompson be prepared to speak on specific startup and continuing overhead costs for the Nevada Check-Up Program at the Interim Finance Committee's June meeting. It was Ms. Giunchigliani's understanding that the University Medical Center (UMC) in Las Vegas would continue to provide care, but it would be required to contract either with a health management organization (HMO) or a managed care organization (MCO). Mr. Thompson indicated that UMC was currently participating in the Division's managed care system in Medicaid. He said, however, since UMC could not act as a HMO under existing state insurance law, it is currently exploring alternatives to do so. Mr. Thompson added that he fully expects UMC to have contracts with all of the MCO's.

Ms. Giunchigliani wondered whether UMC would be required to pay a per head administrative cost. Mr. Thompson indicated that UMC could either receive a per diem payment from a HMO similar to what the state pays in Medicaid or, rather than getting paid for individual care, UMC could receive a sub-capitation to provide all necessary care.

It was Ms. Giunchigliani's belief that the cost for care would be doubled if UMC were required to enter into a separate agreement to either pay capitated rates for an administrative cost just to be able to participate in providing services. Mr. Thompson countered that UMC would not be paying administrative costs, but rather UMC would be receiving payment for providing care in one of several different methods.

Ms. Giunchigliani wanted to know what type of hit UMC could expect to receive as far as the Nevada Check-Up Program is concerned. Mr. Thompson indicated that UMC would not receive a revenue hit from the Nevada Check-Up Program, but rather UMC would continue to provide inpatient hospital care without reimbursement since the children to be served by the Nevada Check-Up Program are currently uninsured.

To address recent media reports, Mr. Thompson also pointed out that UMC currently receives approximately \$10 million in Medicaid revenues and it has indicated that as much as 50 percent, or \$5 million to \$6 million, of that business may be lost when children and low-income adults are moved into the mandatory managed care program. Although UMC will incur costs associated with providing that care, Mr. Thompson indicated that the bottom line impact would be minimal when compared with \$255 million in overall revenues. Ms. Giunchigliani said she did not consider any money to be minimal, especially if it would impair UMC's competitive edge in providing care. While realizing that the mandatory managed care program goes into effect October 1, 1998, Ms. Giunchigliani said she thought it was somewhat irresponsible to move in that direction when, according to recent news reports, the program may not accomplish the amount of savings originally contemplated. It was Ms. Giunchigliani's hope that the entire issue would be revisited during the 1999 Legislative Session.

In responding to Ms. Giunchigliani's comments regarding specific savings to be derived by the mandatory managed care program, Mr. Thompson emphasized that the projected savings of between 1 to 3 percent had been consistent and consistently reported to the Interim Finance Committee and the entire Legislature for the last two sessions at least. Although he recalled that the savings had been projected in a higher range during the 1993 Legislature, Mr. Thompson said those projections were proposed by legislators and by the managed care industry, not the state. Since the state is proposing an approximate \$100 million mandatory managed care program, Mr. Thompson calculated that 1 to 3 percent of \$100 million would equate to a savings of between \$1 million to \$3 million.

Since the mandatory managed care program has been debated during the last three legislative sessions, Senator Rawson said he was convinced that it was a very complicated issue and an issue with which the interim Health Care Committee continues to struggle. Senator Rawson said the one player who has been afraid of being hurt is UMC because of its large indigent load. He said, however, the interim Health Care Committee, as well as the Legislature, has built programs, each step of the way, that have actually improved

the bottom line of UMC and Washoe Medical Center. In particular, the state currently provides a significant amount of Disproportionate Share moneys for the support of hospitals with large indigent loads. UMC believes that it would be able to make more money than it currently receives from the state in Disproportionate Share money if it could act as an MCO and bid on all of the care; however, this would require a radical change in the state's insurance law to allow the county to become a risk-bearing entity. It was Senator Rawson's opinion that a great deal of careful debate would be required before a decision could be made to turn the counties into insurance companies. Senator Rawson also pointed out that anyone who bids on this book of business would be obligated to make a good faith negotiation with the community providers, such as UMC, and the person who will make that determination is Mr. Thompson. In concluding his remarks, Senator Rawson stated:

This thing has been structured and engineered to help the public entities and the last thing that any of us will do is allow those major public entities to suffer because of this program.

Mr. Thompson said he wished to bring to the Committee's attention that the Division had submitted the State Plan for the Nevada Check-Up Program in early-March and had received a letter from HCFA this week commenting on the program. Although the comments in general are expected to be easy to deal with, Mr. Thompson said the critical issue was the federal government's request for the Division to do a full determination of Medicaid eligibility as a precursor to enrollment in the Nevada Check-Up Program. Mr. Thompson said he believes the federal government's position is erroneous. If the Division does not prevail on this issue, Mr. Thompson said the Division would need to fairly radically alter the Nevada Check-Up Program, which would result in significant additional administrative costs. Mr. Thompson said he would not consider going forward with the Nevada Check-Up Program without coming back to the Interim Finance Committee with an adjustment. Although he still expects to receive approval of the Nevada Check-Up Program by July 1, 1998, Mr. Thompson suggested that the Committee may want to consider approving this request contingent upon approval of the State Plan by HCFA.

Mrs. Krenzer commended Mr. Thompson for his efforts in getting almost 3,000 children enrolled in the Nevada Check-Up Program within a two-month time frame. Mrs. Krenzer thought it was almost criminal, however, that the money currently available to provide health care for approximately 40,000 children was not being fully utilized. Although she thought the application forms had been designed extremely well, Mrs. Krenzer said she did not believe the outreach people were reaching the working poor population or more children would have been enrolled. Mrs. Krenzer said the working poor population needs to know that medical insurance is currently available for their children and their children no longer have to go to UMC for an emergency medical crisis. Since she did not want all of the funding to go to bureaucrats, Mrs. Krenzer suggested that performance indicators be provided prior to hiring new staff which show the number of children who are going to be served by this program. Mrs. Krenzer also expressed concern that many of the families do not have \$50 to enroll in the program or the \$20 deductible per visit. Mrs. Krenzer was also concerned about having staff talk about the Nevada Check-Up Program at Chamber of Commerce meetings because business owners may feel they no longer have to provide insurance for their employees because of the state's program. Before supporting this request, Mrs. Krenzer said she would like to be assured that the focus of this program was going to be on children. Mr. Thompson said he shared Mrs. Krenzer's concerns and that if the additional positions were approved, the Division would continue to put forth a strenuous effort to bring the Nevada Check-Up Program to the attention of those people who are eligible for the program.

If the Committee desires to approve this request, Chairman Raggio said he would suggest authorizing 12 new positions, in addition to the three existing positions, to administer the Nevada Check-Up Program when the threshold of 15,000 has been reached, with the proviso that the Committee will revisit the request and the trigger mechanism in June and approval will be contingent upon the State Plan being approved by HCFA.

**MR. DINI MOVED TO APPROVE ITEMS 33 AND 34, AS AMENDED, WHICH WOULD AUTHORIZE 12 NEW POSITIONS, PLUS THE THREE EXISTING**

**POSITIONS, TO ADMINISTER THE NEVADA CHECK-UP PROGRAM WITH THE PROVISIO THAT MR. THOMPSON BE REQUIRED TO RETURN TO THE INTERIM FINANCE COMMITTEE IN JUNE WITH A LIST OF THE 12 NEW POSITIONS DEEMED MOST CRITICAL OUT OF A TOTAL OF 22 NEW POSITIONS BEING REQUESTED AND BE PREPARED TO PROVIDE JUSTIFICATION FOR SAME AND THAT THE INTERIM FINANCE COMMITTEE WILL REVISIT THE PROPOSED TRIGGER MECHANISM AND THAT APPROVAL OF ITEM 33 AND ITEM 34 WILL BE CONTINGENT UPON THE STATE PLAN FOR THE NEVADA CHECK-UP PROGRAM BEING APPROVED BY HCFA. SECONDED BY SENATOR RAWSON.**

Chairman Raggio recognized Mr. Goldwater on the motion. Mr. Goldwater said he first wished to state for the record that he was supportive of health care for all citizens of the State of Nevada. While understanding that this is a complex program and everyone involved in the process has had good intentions, Mr. Goldwater said he would not support the motion because he did not support the program. Mr. Goldwater indicated that he would have to work out a number of personal philosophical differences before he would consider supporting such a program because he thought the existing Medicaid Program was a great health care program, which needs to be improved upon, but not supplanted. Furthermore, it was Mr. Goldwater's opinion that the money being spent on administrative costs for a new program could be better spent for benefits because the administrative structure was already in place in the Medicaid Program. As an entirely new program, Mr. Goldwater thought the Nevada Check-Up Program was entitled to full consideration by the 1999 Legislature. Mr. Goldwater said he could not support the motion because he thought the Interim Finance Committee would be obligating the state to a significant dollar item.

Chairman Raggio called for a vote on the motion.

**MOTION CARRIED BY VOICE VOTE WITH MR. GOLDWATER VOTING NO.**

**34. Department of Human Resources - Division of Health Care Financing and Policy - Intergovernmental Transfer Account - FY 99 -** Transfer of \$13,839,731 from Reserve category to Nevada Check Up category to provide matching funds needed to implement the Federal Child Health Initiative Program in Nevada.

Refer to testimony and motion to approve an amended request under item 33.

**35. Department of Human Resources - Welfare Division - Welfare Administration - FY 98 -** Deaumentation of \$43,218 in Budgetary Transfer, \$13,571 in Federal Food Stamps Program, \$5,609 in Federal Child Support Program, \$16,884 in Federal TANF Program, and \$10,718 in Federal Title XIX to cover shortfall in data processing supplies and printing costs in the Welfare Field Services budget through the remainder of FY 98.

Refer to motion for approval under item C.

**36. Department of Human Resources - Welfare Division - Welfare Administration - FY 99 -** Deaumentation of \$43,218 in Budgetary Transfer, \$13,571 in Federal Food Stamps Program, \$5,609 in Federal Child Support Program, \$16,884 in Federal TANF Program, and \$10,718 in Federal Title XIX to cover shortfall in data processing supplies and printing costs in the Welfare Field Services budget through the remainder of FY 99.

Refer to motion for approval under item C.

**37. Department of Human Resources - Welfare Division - Welfare Field Services - FY 98 -** Addition of \$43,218 in Budgetary Transfer, \$13,571 in Federal Food Stamps Program, \$5,609 in Federal Child Support Program, \$16,884 in Federal TANF Program, and \$10,718 in Federal Title XIX to cover shortfall in data processing supplies and printing costs through the remainder of FY 98.



Refer to motion for approval under item C.

**38. Department of Human Resources - Welfare Division - Welfare Field Services - FY 99** - Addition of \$43,218 in Budgetary Transfer, \$13,571 in Federal Food Stamps Program, \$5,609 in Federal Child Support Program, \$16,884 in Federal TANF Program, and \$10,718 in Federal Title XIX to cover shortfall in data processing supplies and printing costs through the remainder of FY 99.

Refer to motion for approval under item C.

**39. Department of Human Resources - Welfare Division - Welfare Field Services- FY 99** - Addition of \$25,408 in Federal Food Stamps Program, \$10,502 in Federal Child Support Program, \$538,848 in Federal TANF Program, \$86,623 in Federal Child Care Development Funds, and \$20,065 in Federal Title XIX to continue operations of the multi-purpose Professional Development Center (PDC) in southern Nevada.

Chairman Raggio announced that item 39 would be heard in conjunction with Item G and he recognized Mr. Robert Anderson, NSW, who explained that item 39 was a work program request to continue operations of the multipurpose PDC in southern Nevada for FY 1999. Item G represents an action item which requests the Committee's approval to use quality assurance discretionary Child Care funds to make modifications to the child care facility at the PDC. According to Mr. Anderson, the mission and goals of the PDC remain the same; i.e., to provide intensive training to both the cash assistance recipients and the Welfare eligibility staff. The ongoing costs for operating the PDC for FY 1999 are projected to be \$681,000. This funding was not included in the request when the PDC was originally proposed to the Interim Finance Committee at its meeting on November 24, 1997, because a decision had not yet been made on the type and size of facility that would be required. According to Mr. Anderson, a large portion of the additional cost associated with operating the PDC was due to a variance in the rent rate and volume of the larger building. NSW originally planned to lease a 22,000 square foot facility; however, a larger building was finally located that met most of NSW's needs. Although the building was 5,300 square feet larger than the size originally contemplated, Mr. Anderson said NSW had been able to utilize the additional space by moving in the Welfare-to-Work staff, which accommodated about 1,200 square feet, doubling the size of the child care facility from about 1,600 to 3,330 square feet, which will allow more children to be accommodated on a daily basis, and leasing about 1,100 square feet of the partially unfinished part of the building to several agencies. In addition, NSW has been able to hold training sessions in the PDC since March and is currently scheduled to hold four, 8-hour per day training courses in four of the seven labs and classrooms. In July, the Division anticipates that the PDC will be functioning with the first of the 20 new front-line workers who will be given standard training.

In speaking to item G, Mr. Anderson said the success of the professional development and employment training programs would rely heavily on the child care facility located at the PDC as statistics have shown that on-site child care increases the attendance at orientations, training sessions, and work experiences. NSW is currently negotiating with the City of Las Vegas to manage the child care facility and the Variety Day Home will sub-contract to operate the child care facility. Sister Dianne McGuire of the Variety Day Home already has a similar program to train Welfare recipients at their D Street location and NSW hopes to be able to replicate that same program at the PDC. This creates a very synergistic relationship where parents on cash assistance will train and provide child care services to other TANF client attendants who will be there on training and job-related functions. The modifications at the PDC to license the child care facility will provide another tool for reducing Welfare dependents and will help meet the work requirement participation rates that are mandated by Congress.

It was Chairman Raggio's recollection that NSW had proposed to use population modifier monies provided to states with high rates of population growth to fund the PDC and he wanted to know when that funding would be available. Although the population modifier monies are available at the present time, Mr. Anderson said NSW does not believe it will need that funding because caseload projections are well below original estimates. According to Mr. Anderson, NSW has accumulated about \$2 million in earned TANF monies which will be set aside for expenditures in future years.

Chairman Raggio said he would entertain a motion.

**MR. ARBERRY MOVED TO APPROVE ITEM C39 AND ITEM G. SECONDED BY SENATOR COFFIN.**

Chairman Raggio wanted to know whether NSWDC has future plans for locating a PDC in other counties. Mr. Anderson said NSWDC plans to return to the Interim Finance Committee in September with a similar proposal for northern Nevada. Chairman Raggio wanted to know whether the population modifier monies were restricted for use in Clark County and Mr. Anderson said the population modifier monies could be used statewide.

Chairman Raggio called for a vote on the motion.

**MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**40. Department of Human Resources - Mental Health - Rural Clinics - FY 99** - Addition of \$41,176 in transfer from Bureau of Alcohol to contract with Bureau of Alcohol and Drug Abuse to provide substance abuse treatment in Mineral County.

Refer to motion for approval under item C.

**41. Department of Human Resources - Southern Nevada Mental Retardation - FY 98** - Transfer of \$56,500 from Operating category to Jobs Training category, \$2,500 from Equipment category to Jobs Training category, \$6,000 from Insurance category to Jobs Training category, and \$15,000 from Data Processing category to Jobs Training category to increase placements in jobs and day training programs.

Mr. StanLee Dodd, Director, Desert Regional Center, introduced Ms. Marjorie Pepper, Administrative Services Officer. Mr. Dodd requested a transfer of funds to cover a projected deficit in category 37, which is the Community Training Center, Jobs and Day Program. There are four Community Training Centers (CTC's) in southern Nevada and nine non-CTC's. The clients of the CTC's, as well as their parents and guardians, are given the opportunity to choose day programs and the parents and guardians have chosen more non-CTC day programs than were anticipated. Mr. Dodd said he was proposing to move a total of \$80,000 in funds from the operating, equipment, insurance, and data processing categories to category 37.

Chairman Raggio wondered whether there was any incentive for clients to enroll in the less expensive Jobs Program. Mr. Dodd said that if the existing CTC's were to move clients from the workshops to the Jobs Program, those positions would be back-filled so the CTC's would not lose funding. According to Mr. Dodd, CTC's receive less funding for jobs than they do for day training.

Since the budget for Desert Regional Center was based on certain projections that did not materialize, Chairman Raggio questioned whether there would be an additional shortfall next fiscal year if this trend continues. Mr. Dodd said that as the Desert Regional Center grows he would expect to receive more clients with severe needs, which require placement at a cost of \$30 per day. Based on the Desert Regional Center's strategic plan, Mr. Dodd said the goal was to place as many clients as possible in jobs and that the Desert Regional Center has been encouraging all of the day program providers to place as many clients in jobs as possible. According to Mr. Dodd, a number of clients are currently being placed in enclaves, which is a small work setting of up to five clients, and he hoped those clients would be able to gain skills that would enable them to achieve independent employment.

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

**42. Department of Human Resources - Nevada Mental Health Institute - FY 98** - Transfer of \$175,000 from Residential Treatment category to Transitional Living category to properly align costs with current

types of placements.

Dr. David Rosin, Medical Director, Nevada Mental Health Institute (NMHI), introduced Mr. Robert Harmish, Administrative Services Officer, who he said had been on the job two weeks. Chairman Raggio inquired about Mr. Harmish's background. Mr. Harmish said he had been employed by the federal government and had worked as a financial officer in the U.S. Navy. Chairman Raggio welcomed Mr. Harmish to Nevada. After explaining the purpose of the request, Dr. Rosin said he would be happy to respond to questions from the Committee.

Chairman Raggio asked Dr. Rosin if he expects to request funding during the 1999 Legislative Session for high-cost supported living arrangement (SLA) placements, which cost between \$2,000 and \$3,000 per month. Dr. Rosin said he did not anticipate requesting additional funding for SLA placements during the next biennial budget cycle since he thought NMHI would be able to handle all of its housing issues with the onset in July of the new Program for Assertive Community Treatment (PACT) Program and the new Residential Treatment Program (RTP) in June.

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

**43. Department of Human Resources - Nevada Mental Health Institute - FY 98** - Transfer of \$124,745 from Salary category to Professional Services category to fund Psychiatrists by contract with the University of Nevada Medical School rather than as state employees.

Refer to motion for approval under item C.

**44. Department of Employment, Training and Rehabilitation - Employment Security Special Fund - FY 99** - Transfer of \$963,278 from Year 2000 category to Reserve category to return temporary funding authority used by Employment Security for year 2000 conversion.

Refer to motion for approval under item C.

**45. Department of Business and Industry - Real Estate Division - FY 98** - Addition of \$67,404 in Settlement Receipts to disburse funds received from the settlement of the class action suit against the Lakes Realty Inc., et al.

Refer to motion for approval under item C.

**46. Department of Business and Industry - Lot Rent Trust Subsidy - FY 98** - Addition of \$22,620 in Mobile park Fees, and \$7,760 in Treasurer's Interest, Transfer of \$13,120 from Reserve category to Lot Rent Subsidies category to fund subsidy payments for May and June, 1998, due to additional subsidy applicants.

Mr. Close said he had asked for additional information on this request because it was his recollection that a great deal of time had been spent last legislative session dealing with the issue of providing sufficient funding to cover the requests for mobile home lot rent subsidies. Mr. Close wanted to know whether there was going to be sufficient funding available for this purpose next fiscal year. Representing the Manufactured Housing Division, Mr. Donald Morse indicated that he would assume if the same amount of money was budgeted for FY 1999 that was budgeted for the current fiscal year, the Division would need to return to the Interim Finance Committee for a similar request for FY 1999.

Mr. Close asked Mr. Morse if the demand for subsidies was continuing to increase. Mr. Morse told the Committee that the Division was currently subsidizing 312 tenants in mobile home parks and had paid out \$26,456 in subsidies last month, which represents a payment of \$85 per tenant. Mr. Close suggested that the Division provide a status report so the Committee could get a handle on the funding required to meet the increased demand for subsidies.

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

**47. Department of Business and Industry - Housing Division - FY 99** - Addition of \$90,000 in repaying of home loans to cover increases in projected loan collections associated with the Home Investment Partnership Program.

Refer to motion for approval under item C.

**48. Department of Business and Industry - Housing Division - FY 99** - Addition of \$70,200 in Transfer from Programs to provide for additional salary associated with a greater use of Deputy Attorney General time due to an increase in workload required by the agency.

Refer to testimony and motion for approval under item 1.

**49. Department of Business & Industry - Housing Division - FY 98** - Addition of \$75,780 in Federal Weatherization Funds to provide for an increase in expenditures associated with Nevada's Weatherization Program.

Refer to motion for approval under item C.

**50. Department of Business & Industry - Division of Industrial Relations - Office of the Administrator - FY 99** - Transfer of \$112,886 from Reserve category to Personnel Expenses category, \$1,452 from Reserve category to In-State Travel category, \$18,947 from Reserve category to Operating Expenses category, \$6,993 from Reserve category to Equipment category, \$7,676 from Reserve category to Information Technology category, and \$250 from Reserve category to Training category to provide funds for a new attorney and legal secretary, including support costs for in-state travel, operating expenses, equipment, computer equipment and training. The new positions are necessary to prepare for three-way industrial insurance by July, 1999. The transfers are funded from reserve which was established for this purpose.

Refer to motion for approval under item C.

**51. Department of Business and Industry - Mine Safety & Training - FY 98** - Addition of \$34,573 in Federal Mine Safety & Health Administration funds to provide funds to purchase a truck and for additional miscellaneous grant expenses such as travel and equipment.

Refer to motion for approval under item C.

**52. Department of Business and Industry - Minerals - FY 98** - Transfer of \$15,982 from Reserve category to Information Services category to comply with Information Technology's needs assessment.

Refer to motion for approval under item C.

**53. Department of Business & Industry - Agriculture - Grade & Certification - FY 98** - Addition of \$37,158 in Shipping Point Inspections and \$9,839 in Egg Grading Fees to cover intermittent salaries (Potato Graders), shipping point inspection costs, increased egg certification expenses (Travel) and the balance to reserve.

Refer to motion for approval under item C.

**54. Department of Tourism & Economic Development - Commission on Tourism - FY 98** - Transfer of \$26,391 from Reserve category to Out-of-State Travel category to enable travel for key Tourism and Economic Development individuals to call upon major international airline chief executives to encourage their commitment to new and expanded air service to Nevada via the international visitor and air cargo

shipping.

Mr. Thomas Tait, Executive Director, Nevada Commission on Tourism (NCOT), requested authority to transfer funds from the reserve category into the out-of-state category in FY 1998 (item 54) and in FY 1999 (item 55) in an attempt to expand the international tourist trade into Las Vegas. According to statistics compiled by the Las Vegas Convention and Visitors' Authority, Las Vegas had 30.5 million visitors in 1997, 19 percent of which were international in origin. Las Vegas' top international markets are: Canada, Japan, the United Kingdom, Germany, France, Brazil, Taipei, Italy, and Mexico. Canada and Mexico currently have scheduled non-stop service into Las Vegas, as well as charter service. Germany and the United Kingdom have charter service only. On June 1, 1998, Northwest Airlines will commence the first scheduled non-stop service from Tokyo into Las Vegas twice weekly. Japan Airlines has successfully operated charter flights from southern Japan and hopes to be able to add more charter flights in the future. Las Vegas currently has 105,000 hotel rooms available and anticipates having 120,000 rooms by the end of 1999. According to Mr. Tait, this will add 4.5 million room nights to the 38.3 million room nights already available.

In continuing his presentation, Mr. Tait thought the Committee was well aware that there had been a general softening of the tourism market in Las Vegas over the past six months. It was Mr. Tait's belief that without additional air service and new customers, the economy in Las Vegas would continue to soften. While he expects the domestic market to continue to grow with the new product that is being developed in Las Vegas currently, Mr. Tait said the domestic market would not grow at the same level as the product launch and new inventory that are expected to be brought on line in the next year. According to Mr. Tait, the tourism business leadership of Las Vegas, which includes the Las Vegas Convention and Visitors Authority, the Nevada Resort Association, the Las Vegas Chamber of Commerce, the Nevada Development Authority, and the McCarran International Airport, as well as resort executives representing several properties, including Hilton, Mirage, Circus Circus, Aladdin, and Harrah's, have been working with Governor Miller and the Tourism Commission toward having key executives meet with airline senior management on three continents over the next six months to encourage non-stop air service directly into Las Vegas.

Mr. Tait told the Committee that the Commission on Tourism's plans beyond the first visitation are more tentative than concrete because a thorough review of the bilateral agreements between the United States and the respective countries with which it has an interest are in the process of being developed. In the event of a bilateral snag, Mr. Tait said visitation to that particular country may not be viable at this time and, likewise, if a country's airline does not show a particular interest in non-stop service discussions, it would result in an elimination of that air carrier from short-term evaluation. For example, although the Commission on Tourism had proposed to visit Hong Kong in FY 1998, Hong Kong has been removed from the list of sites to be visited in FY 1998 because Cathay Pacific was not in a position to be a major player at this point in time. As a result of a recalculation of the per diem costs, Mr. Tait stated that the original request of \$26,391 for FY 1998 had been reduced to \$13,444.

Refer to motion to approve the request in the amended amount of \$13,444 under item 55.

**55. Department of Tourism & Economic Development - Commission on Tourism - FY 99 -** Transfer of \$48,677 from Reserve category to Out-of-State Travel category to enable travel for key Tourism and Economic Development individuals to call upon major international airline chief executives to encourage their commitment to new and expanded air service to Nevada via the international visitor and air cargo shipping.

Continuing his testimony, Mr. Tait apprised the Committee that the second mission would take place in July when Nevada's representatives visit Mexico City, Sao Paulo and Buenos Aires to meet with representatives from Aeromexico, Mexicana, Varig, Aerolineas Argentinas, as well as American, Continental and United Airlines. Mr. Tait indicated that the amount of this request had been reduced to \$11,744, down from the original request of \$22,443. The third mission will take place in October and will

cover the following major airline carriers: KLM, Lufthansa, British Air, British Midland, Virgin Atlantic, Alitalia, and Air France. The revised amount of this request is \$19,697, for a total of \$31,442 for FY 1999, which represents a reduction from the original request of \$48,677. Mr. Tait said the total request for the two fiscal years would be \$44,886, which represents a reduction from the original request of \$75,068.

To respond to a question from Mr. Arberry, Mr. Tait said he would have no objections if the 1999 Legislature were to decide not to build the additional funding for out-of-state travel into the Commission on Tourism's base budget. Mr. Arberry told Mr. Tait he appreciated his efforts in reducing the amount of the original request.

Ms. Giunchigliani wanted to know whether the state was picking up the cost of the entire entourage. Mr. Tait said the funding being requested would pay the travel costs for three people; i.e., the Governor, himself, and one other staff member from the Commission on Tourism.

Ms. Giunchigliani wondered whether there was some type of measurement available to determine the current clientele visiting Las Vegas from various countries so the Commission on Tourism would be able to determine which countries need additional focus. Although there are many international customers who are currently interested in visiting Las Vegas, Mr. Tait indicated that many of them have to travel through as many as three cities before they reach Las Vegas and the Commission on Tourism wishes to establish relationships with air carriers to provide non-stop service from the host country directly into McCarran International Airport in Las Vegas.

Ms. Giunchigliani asked Mr. Tait if he plans to curtail the Asia trip because of the recent turndown in Japan's economy. Mr. Tait stressed that Japan was still Las Vegas' number 1 market, producing 377,000 visitors to Las Vegas last year. With non-stop airline service from Japan, Mr. Tait said he would expect that number to increase substantially this year.

Senator Regan asked Mr. Tait whether he expects the federal Open Skies Program to impact tourism in Nevada. With respect to the Asian mission, Mr. Tait noted that all of the bilateral agreements were renegotiated recently and it was his understanding that the countries are fairly free to make decisions about which cities in the United States they are going to be targeting for the next three to five years. Mr. Tait added that he hoped Las Vegas would be able to change its current position from somewhere near the bottom of the list up to the top. With respect to some of the South American and European markets, Mr. Tait said the Commission on Tourism intends to investigate the bilateral agreements to see exactly what kind of negotiations need to be pressed not only with the State Department, but with the Department of Justice as well to make sure that Nevada has some voice in how the bilateral agreements are negotiated in the future.

While he would not want to second-guess any of the Commission on Tourism's decisions, Senator Rawson said he had been contacted by a number of groups within the last two years about not being able to get convention commitments in Las Vegas on the week ends. While recognizing that some of these groups may not be interested primarily in gambling, Senator Rawson suggested that conventions could be projected over a 10-year period and bring 40,000 to 50,000 people to Las Vegas, which would pay many of the bills. Since he thought convention business was being turned away, Senator Rawson said he would hope that the current policy on conventions could be moderated. Mr. Tait agreed with Senator Rawson that Las Vegas needs to encourage more convention business. He said, however, there had been movement in Las Vegas within the last couple of years to build convention facilities and to set aside room inventories specifically for conventions, which he thought was evidenced by the 300,000 square feet of space at MGM that opened last week and the 110,000 square feet of space that was opened at Caesar's Palace about five months ago. In addition, the Bellagio will have over 100,000 square feet of space when it opens and Circus Circus, for the first time, is building 150,000 square feet of space at Mandalay Bay. Mr. Tait said he was convinced that Las Vegas is committed to go after convention business and to diversify the tourism economy.

To respond to several questions from Mr. Goldwater, Mr. Tait said that if the Committee were to approve

both requests, it would provide the Commission on Tourism with a total out-of-state budget of \$112,000 for FY 1998 and \$131,000 for FY 1999. Mr. Tait added that he was not familiar with the state's policy on the frequent flyer designation.

Mr. Marvel inquired about the balance remaining of the \$203,000 that was budgeted for out-of-state travel during the 1997 Legislature. With approximately 25 percent of the fiscal year remaining, Mr. Tait indicated that there was a balance of 24.9 percent in the out-of-state travel budget.

Senator Jacobsen said he had observed earlier today five adults from Brazil touring the Legislative Building who were sponsored by Rotary International and he wanted to know what the Commission on Tourism was doing to encourage members of international organizations to visit Nevada. Although the tourists from Brazil received packets from the Commission on Tourism at a Rotary luncheon held the day before, Senator Jacobsen said he did not think people wanted to carry bulky advertising material on the plane because it becomes a nuisance to deal with. Mr. Tait agreed with Senator Jacobsen that people do not want to carry material with them when traveling. According to Mr. Tait, 27 percent of the people who visited Las Vegas in 1997 used the Internet to book travel, which represents an increase from the 10 percent who used the Internet to book travel in 1996. Since he thought the growth of the Internet had been phenomenal, Mr. Tait said the Commission on Tourism currently has a world class web site so people from all of the world can access it. According to Mr. Tait, people would be able to dial up travel information on the web site and have instantaneous access and even print the information, if they desire. Mr. Tait said the Commission on Tourism considers the web site as its number 1 marketing opportunity for the future and fully believes that upwards to 35 percent of the people will be looking at the web site as their primary source for travel information in 1998.

Mrs. Von Tobel said she had recently been invited to go on a state parks tour and found it interesting that 40 percent of the visitors to the state parks are from out-of-country or from out-of-state. Mrs. Von Tobel wanted to know what the Commission of Tourism was doing to encourage people to visit state parks while they are visiting Nevada because she thought it would enhance their visit. While the Commission on Tourism has developed marketing cooperative ventures with all federal and state park resources, as well as making sure that all of the published materials and Internet materials publicize the recreational, cultural, scenic, and historical opportunities within the state, Mr. Tait said he was sure more work could be done in this area.

Mrs. de Braga wondered whether the interests of the Nevada Development Authority and the Commission on Tourism were coordinated when out-of-country trips were made because it was her recollection that representatives of the Nevada Development Authority had recently toured China specifically to elicit international trade for Nevada. Mr. Tait indicated that representatives from the Nevada Development Authority, as well as McCarran International Airport, would be traveling with the Governor and Commission on Tourism staff to specifically talk about exports from the respective countries and using Las Vegas as a trans-shipment point for cargo. Although it costs significantly more to ship cargo than humans, Mr. Tait noted that cargo was a much more lucrative profit point for the airlines than having passenger traffic. If the Commission on Tourism can achieve filling the cargo bays of the aircraft, as well as having strong passenger counts, Mr. Tait said it would represent a Win-Win scenario for the airlines and a Win-Win scenario for Las Vegas as well.

Since there were no additional comments or questions from the Committee, Chairman Raggio said he would entertain a motion on items 54 and 55.

**SENATOR REGAN MOVED TO APPROVE ITEMS 54 AND 55 IN THE AMENDED AMOUNTS OF \$13,445 FOR FY 1998 AND \$31,443 FOR FY 1999. SECONDED BY MR. CLOSE AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**56. Department of Motor Vehicles and Public Safety - Department of Motor Vehicles Justice Assistance - FY 98 - Addition of \$34,865 in Byrne Memorial Formula Grant to assist state and local law**

enforcement agencies in implementing criminal justice projects, such as: multi-jurisdictional task forces, crime prevention, youth gang forces, and alternatives to incarceration.

Refer to motion for approval under item C.

**57. Department of Motor Vehicles and Public Safety - Criminal History Repository - FY 98 -** Addition of \$544,323 in Fingerprint Administrative Fees to provide operating expenses to meet fingerprinting requirements for health care workers (A.B. 155, Chapter 168) and security guards (A.B. 284, Chapter 107) passed by the 1997 Legislature.

Since it was his recollection that 17 new positions had been authorized by the 1997 Legislature over the biennium for the Repository for workload considerations and several legislative acts related to juvenile and sex offenders, Chairman Raggio thought the Committee would be interested in understanding why three new positions and related costs were being requested at this time.

Speaking to items 57 and 58, Mr. Dennis Debacco, Manager, Criminal History Repository, told the Committee that a total of 18 new positions were authorized by the 1997 Legislature for the overall program, with 4 positions to be filled in FY 1999 and 14 positions to be filled in FY 1998. Of those 14 new positions authorized to be filled in FY 1998, two positions were assigned to the Information Management Bureau of the Department of Motor Vehicles and Public Safety (DMV&PS). It was Mr. Debacco's understanding that the Information Management Bureau was currently conducting background investigations preparatory to hiring those two positions. Although he acknowledged that the Department of Personnel's vacant position roster of 4/27/98 reflects that the Repository has 14 vacant positions, Mr. Debacco said the Repository has recently completed the interviewing process and is currently involved in background investigations on 7 of the 14 positions. The Repository hopes to be able to hire the 7 positions at an early date providing that the individuals pass their background investigations. According to Mr. Debacco, the Repository experienced a significant delay in getting personnel control numbers from the Department of Personnel for the 7 new positions, but three individuals are presently being interviewed to fill the 7 remaining positions. Mr. Debacco said he anticipates being able to fill all but four of the total of 18 authorized new positions within the next few weeks. Mr. Debacco pointed out that the two work programs deal specifically with the records and identification services side of the program for which he was authorized only two new positions and one of which has not been filled.

Chairman Raggio wondered if the new positions were exclusive to the extent that the individuals could only perform certain functions. Mr. Debacco indicated that many of the new positions are program-specific and require certain levels of technical expertise. For example, two of the new positions were a computer programmer analyst and a computer network specialist. Mr. Debacco said he would be unable to cross-utilize either of those positions in doing fingerprint examinations or record-searching activities and he added that other positions were similarly specialized in nature. Mr. Debacco said he wished to assure the Committee that the Repository would cross-utilize staff whenever possible and wherever authorized as well, but he was very cognizant of the fact that the Repository had been criticized in the past for cross-utilizing staff in areas other than the ones in which those positions were funded.

Chairman Raggio wanted to know specifically whether the Repository was unable to accommodate within its authorized personnel the two 1997 legislative mandates; i.e., A.B. 155 which requires the Repository to perform a fingerprint background search on each applicant applying for a license to operate an intermediate care facility, a skilled nursing facility, or a residential facility for group care, and each employee of an agency who provides home-care nursing and A.B. 284 which requires the Repository to perform a fingerprint background search for security guards and private investigators. Mr. Debacco said the Repository had attempted to accommodate the two 1997 legislative mandates with existing personnel until the Interim Finance Committee could respond to the Repository's request for three additional positions. Mr. Debacco indicated that fiscal notes had been submitted for A.B. 155 and A.B. 284 during the 1997 Legislative Session indicating that additional staff would be needed. He said, however, as the two bills progressed through the legislative process, a number of amendments were made that placed additional



responsibilities on the Repository that had not been projected previously. Mr. DeBacco noted that the Repository had voluntarily withdrawn the fiscal note pertaining to A.B. 155 and requested the opportunity to make a more accurate projection at a later date when it had a better idea of what the impact might be.

With 14 unfilled positions, Mr. Dini wondered whether the Repository's existing staff was able to keep up with the fingerprinting workload. Mr. DeBacco said he wished to stress that the number of vacant newly authorized positions would be reduced to four in the very near future. When the Department of Personnel issued the personnel control numbers authorizing the Repository to fill the new positions, Mr. DeBacco said the Repository made a conscious decision to leave a number of those positions open because the new programs created by the 1997 Legislature had not yet been implemented. During the 1997 Legislature, it was Mr. DeBacco's recollection that there were approximately 23 pieces of legislation that significantly impacted the Repository program in one way or another, all of which had different legislative start dates. Mr. DeBacco said he had attempted to align the authorized new positions with the implementation of the new programs. For example, the sex offender registration program within the Repository became effective January 1, 1998, and the civil name check program that supports the hotel industry in providing background investigations is currently being implemented. Mr. DeBacco said he had intentionally delayed hiring positions for those two programs until they were needed. Although he acknowledged that the workload resulting from the two legislative mandates had slipped to some extent, Mr. DeBacco indicated that the Repository had no significant backlogs because of the use of overtime and the prioritization of non-critical functions. He said, however, the Repository needs to be at full complement in the near future because several new programs are scheduled to be implemented. In citing an example, Mr. DeBacco said he had received a telephone call yesterday from a representative of the Mirage Hotel in Las Vegas indicating that background investigations were going to be started right away preparatory to the opening of the Bellagio. Since he estimated that approximately 30,000 transactions from the Bellagio would be impacting the Repository, Mr. DeBacco suggested that it was time to hire staff that would be critical to that particular program.

Since he thought it was going to take considerable time to hire the three new positions and get them up to speed, Mr. Dini suggested transferring the four vacant positions to the new function that needs to get underway as quickly as possible, and then Mr. DeBacco could return to the Interim Finance Committee at a later date to request additional staff for the other programs. While he appreciated Mr. Dini's suggestion, Mr. DeBacco emphasized that he needs staff who can specifically deal with fingerprint identification matters and criminal history records research. Mr. DeBacco said it would not be possible to fill and cross-utilize the four vacant positions because they would never attain the level of expertise needed in dealing with fingerprint-related issues nor would they be at the grade level commensurate with that type of activity.

It was Mr. Hettrick's understanding that the Repository was currently awaiting the completion of background checks before hiring 7 of the 14 new positions and he wondered whether any of those 7 new positions were going to be assigned to work in fingerprint-related activities. Mr. DeBacco indicated that the 7 new positions were being hired specifically to do background checks for security guards. According to Mr. DeBacco, all of the 18 new positions authorized by the 1997 Legislature, except for two, will be conducting background checks, working with the sexual offender registration unit, the domestic violence protective order registry, missing persons, and the statistical analysis unit for uniform crime reporting. Mr. DeBacco said, however, there was absolutely no relationship between this side of the program and the side requiring the three additional positions to accommodate the anticipated workload.

Chairman Raggio suggested that the Committee approve the three additional positions and deauthorize four positions that are not contemplated to be hired at this time. Mr. DeBacco indicated that if the Committee were to deauthorize four positions, the Repository would fall significantly behind schedule in those areas where new programs are currently being implemented.

Senator Rawson suggested that the Committee approve the three additional positions with the proviso that Mr. DeBacco report back to the next Interim Finance Committee meeting on the status of the new positions.

It was Mr. Dini's suggestion that the Committee approve the three additional positions being requested at this time with the proviso that three positions that have already been approved by the 1997 Legislature be kept vacant until the Repository receives approval from the Interim Finance Committee to fill those three positions.

Chairman Raggio thought the significance of Mr. Dini's suggestion would be that if the Committee decides to approve this request, it would be conditioned upon Mr. Debacco returning to the Committee to justify filling three presently authorized positions. While he would have no problem returning to the Interim Finance Committee to justify filling three presently authorized positions, Mr. Debacco said he had intentionally delayed hiring the four remaining positions until he was certain there would be an adequate revenue source. He said he intended to immediately fill those four positions to accommodate the opening of the Bellagio.

Mr. Arberry urged the Committee to defer the request until the next Interim Finance Committee meeting. It was Mr. Arberry's belief that deferring this request would allow time for the Fiscal Analysis Division staff to work with Mr. Debacco to address some of the questions and concerns posed by the Committee today.

Mr. Debacco emphasized that the background information provided to the Committee by the Repository contained actual documentation of current workload. Although the Repository has been able to stay on top of the workload by an expenditure of approximately 350 hours in overtime and by prioritizing less critical tasks, Mr. Debacco pointed out that those less critical tasks would need to be dealt with in the future in order to stay current in the various activities performed by the Repository. Since the Repository has been criticized in the past for having backlogs, Mr. Debacco said he had worked very hard to keep the workload current.

To respond to a question from Senator Rawson, Mr. Debacco indicated that none of the funding included in the two requests was General Fund, but rather the collection of fees would support both requests. It was Senator Rawson's understanding that the work accomplished by the Repository generates a revenue stream which is used to justify hiring additional positions. Mr. Debacco told the Committee that he could justify hiring the three new positions because the work program under consideration by the Committee today reflects that the Repository expects to earn in excess of \$544,000 for the balance of FY 1998. The additional revenue will allow an augmentation to the in-state travel category associated with this program and to the reserve category as well and, more importantly, it provides additional spending authority to pass money through to the Federal Bureau of Investigation (FBI) for fingerprint services rendered.

Since he thought the Repository's increased workload had resulted from the legislation which was mandated by the 1997 Legislature and since the revenue stream appears to be adequate to support the three new positions, Senator Rawson suggested that a legislative audit could be done if the Committee believes additional controls are needed. Senator Rawson also expressed concern about the Repository having to tell a new hotel that it would take longer than anticipated to process background checks for 30,000 workers because of a lack of staff.

It was Mr. Arberry's recollection that the 1997 Legislature had provided funding to the Repository for a pilot program so that it would have direct access to the hotels which, so the money committees were told, would eliminate a number of time-consuming steps in the records-checking process. Mr. Debacco acknowledged that the hotels do have the ability to transmit their pre- and post-employment inquiries electronically to the Repository. He said, however, the hotels do not receive a direct response from the Repository, unless there is no record, until after the records research unit determines that the information provided by the hotel is complete, accurate, and matches the subject of their inquiry.

Chairman Raggio called time on the discussion and said he would entertain a motion.

**SENATOR RAWSON MOVED TO APPROVE ITEMS 57 AND 58 CONDITIONED UPON MR. DEBACCO RETURNING TO THE INTERIM FINANCE COMMITTEE AT ITS JUNE MEETING TO JUSTIFY THE THREE PREVIOUSLY AUTHORIZED**

**POSITIONS PRIOR TO FILLING THOSE POSITIONS. SECONDED BY SENATOR REGAN AND MOTION CARRIED WITH MS. GIUNCHIGLIANI AND MR. ARBERRY VOTING NO.**

Chairman Raggio requested the legislative Fiscal Analysis Division staff to place this item on the Committee's next meeting agenda.

**58. Department of Motor Vehicles and Public Safety - Criminal History Repository - FY 99 -** Addition of \$344,448 in Fingerprint Administrative Fees to provide three (3) staff positions, operating costs and office/computer equipment to meet the requirements for fingerprinting health care workers (A.B. 155, Chapter 168) and security guards (A.B. 284, Chapter 107) passed by the 1997 Legislature.

Refer to testimony and motion to approve under item 57.

**59. Department of Motor Vehicles and Public Safety - Emergency Management Assistance - FY 98 -** Addition of \$83,432 in FEMA. Reimbursement - Fire Suppression to pass through federal funds to the Department of Conservation and Natural Resources, Division of Forestry for fire suppression costs relating to the 1996 Autumn Hills, Belli Ranch and Lee Canyon fires.

Refer to motion for approval under item C.

**60. Department of Motor Vehicles and Public Safety - Emergency Management - Federal Grants - FY 98 -** Addition of \$352,237 in SLA 100 PT & E Grant and \$124 in National Weather Service Grant and Deletion of \$120,007 in Federal Training Grant, \$69,427 in Federal Radiological Defense Grant, \$130,429 in Federal Population Protection Grant, \$32,374 in Federal Survival Crisis Management Grant, \$8,993 in SLA 100 Federal Grant, \$9,204 in SLA 100 Federal Grant, \$2,763 in Disaster Preparedness Grant, \$45,651 in Department of Energy Federal Grant, \$49,493 in Federal Community Assistance Grant, \$65,218 in Transfer from Environmental Protection and \$24,252 in Transfer from Nuclear Waste to adjust budget to reflect reconciliation of grant awards to current authority, establish a method of cost allocation among SLA grant functions, eliminate three positions originally assigned to SLA grant which will now be passed through to local governments and transfer \$1,000 general fund appropriation into Reserve for reversion.

Refer to motion for approval under item C.

**61. Department of Motor Vehicles and Public Safety - Nevada Highway Patrol - FY 98 -** Transfer of \$116,000 from Equipment category to Operating category, \$24,000 from Highway Patrol Vehicles category to Operating category, \$7,200 from Washoe Lab Contract category to Lab Services category, \$6,800 from Utilities category to Lab Services category, and \$6,000 from Highway Patrol Vehicles category to Lab Services category to cover unanticipated shortfalls for laboratory services and operating categories, specifically operating supplies, communications and equipment repair.

Refer to motion for approval under item C.

**62. Department of Motor Vehicles and Public Safety - Registration - FY 98 -** Transfer of \$20,751 from Forms/Printing category to Fingerprinting Searches category to provide fingerprint background checks for unanticipated increase of auto dealers and salesmen in FY 98.

Refer to motion for approval under item C.

**63. Department of Prisons - Director's Office - FY 98 -** Addition of \$14,975 in Insurance Recoveries to replace a vehicle totaled from an accident.

This item was withdrawn.

**64. Department of Prisons - Director's Office - FY 98 -** Deletion of \$40,000 in Budgetary Transfer to

provide for increased operating and utility costs at the Nevada State Prison.

Chairman Raggio announced that testimony would be provided on items 64 and 67 through 74 and that items 65 and 83 would be heard separately since they deal with Medical Care. Chairman Raggio recognized Ms. Janet Johnson, Administrative Services Officer, Nevada Department of Prisons (NDOP), who advised the Committee that there are shortfalls in the Pioche Conservation Camp (item 68), Jean Conservation Camp (item 70), Humboldt Conservation Camp (item 72), and Wells Conservation Camp (item 74), primarily in the area of utilities. In addition, there is a shortfall in operating at the Nevada State Prisons (item 69) and a shortfall in revenue at the Northern Nevada Restitution Center (item 71). As a result of not having to send as many inmates out-of-state as was originally anticipated, Ms. Johnson said NDOP was requesting to transfer accrued savings in operating from the Lovelock Correctional Center (item 67) and the Director's office (item 64) to cover these shortfalls.

It was Chairman Raggio's understanding that the amounts in a number of the work programs had been revised. In reviewing the revisions, Ms. Johnson noted that the reduction in the Lovelock Correctional Center (item 67) was being changed from \$171,757 to \$138,905. The work program for the Northern Nevada Restitution Center (item 71) should be revised to reflect a budgetary transfer of \$43,917 from Lovelock Correctional Center (item 67), an augmentation of \$5,319 as a transfer from the Prison Store Fund/Inmate Welfare Fund, and a de-augmentation of \$49,236 in Client Income. The work program for the Wells Conservation Camp (item 74) should be revised to reflect a budgetary transfer of \$2,526 from Lovelock Correctional Center (item 67) and an augmentation of \$413 as a transfer from the Inmate Welfare Fund. Although the total augmentation for item 74 remains the same, NDOP has identified a number of broken windows that were inmate caused and the cost of repairs will be deducted from the Inmate Welfare Fund.

Since there were no comments or questions from the Committee on the requests, Chairman Raggio said he would entertain a motion.

**MR. MARVEL MOVED TO APPROVE ITEMS 64, AND ITEMS 67 THROUGH 74, AS AMENDED. SECONDED BY SENATOR COFFIN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**65. Department of Prisons - Medical Care - FY 98** - Addition of \$91,213 in Reimbursements, and \$253,594 in Transfer from Prison Stores, Transfer of \$38,717 from Salaries category to Operating category, and \$200,000 from Ely Medical Services category to Operating category to cover shortfalls in the Operating category.

In addressing item C65 and item E2 (request for an allocation from the Contingency Fund), Mr. Robert Bayer, Director, NDOP, told the Committee that NDOP was experiencing a serious problem with cost overruns in the Medical Care budget when he was hired in 1995 and that a significant supplemental appropriation in the amount of \$1.7 million was approved by the 1995 Legislature to offset that shortfall. Although he and the Medical Division staff have worked very hard for the last several years in trying to keep the cost of medical care within budgetary limits, Director Bayer said he regretted to inform the Committee that the Medical Division had identified cost overruns in the Medical Care budget once again and an allocation from the Contingency Fund was being requested to meet projected cost overruns. While doing some historical research on NDOP's medical care cost overruns, Director Bayer said he had read a letter written by former NDOP Director Sumner about 10 years ago that almost identically describes the current situation, which was very frustrating to him because it suggests that nothing much has changed in this area. Director Bayer said he had learned over the years of the importance of having a qualified professional Medical Director who could make critical decisions.

According to Director Bayer, the request before the Committee today has been revised about four times in the last month. As he said he would do at the last Interim Finance Committee meeting, Director Bayer indicated that he had been researching reimbursements related to A.B. 389. Although a final figure has not

yet been developed for 1996-97, Director Bayer indicated that a number of significant reductions have been made to current billings. Director Bayer stressed that he wanted to provide accurate and complete information on this very complex area. In concluding his testimony, Director Bayer noted that Ms. Johnson would speak to the fiscal aspects of the requests and Dr. Ted D'Amico, Medical Director, and Mr. Phil Nowak, Medical Administrator, would be speaking to the medical care issue.

Ms. Johnson said she would highlight the changes which had been made in the work program request, as well as the request for an allocation from the Contingency Fund. Ms. Johnson noted that the original request for an allocation from the Contingency Fund (item E2) had been reduced from \$1,335,601 to \$628,660. In addressing the changes to be made in the work program in C65, Ms. Johnson explained that the transfers from the Prison Store Fund to the Medical Division had been increased from \$203,000 to \$371,452. Also a transfer of \$87,066 from salaries to operating will be made to cover a shortfall in the operating category directly related to contract services for vacant physician, nurses and forensic technician positions. In addition, a transfer of \$12,000 from the University of Nevada, Reno (UNR) School of Medicine's psychiatric residency category to the operating category will be made since the residency program did not begin until mid-September. The total need in the operating category has been changed from the original amount of \$1,800,000 to \$1,390,391. This reduction was based upon a re-projection of actual need and to a number of projected inmate catastrophic cases that may not occur. Ms. Johnson indicated that the work program in item C83 was related to the work program in item C65 and would allow the transfer of funds from the Offenders' Store Fund to facilitate the augmentation of the transfer from Inmate Store revenue in the Medical Care budget by \$371,452.

Chairman Raggio recognized Dr. Ted D'Amico, who said he was appointed as Medical Director of NDOP's Medical Division in late January of 1998. Dr. D'Amico said he first became involved with NDOP's medical program when he contracted to give inmate medical examinations in 1966, while he was a practicing physician at Lake Tahoe. Dr. D'Amico noted that he appeared before the Interim Finance Committee about 12 years ago when he proposed to privatize NDOP's medical program. Although the Committee decided to stay with the existing medical program at that time, Dr. D'Amico said a number of procedures were modified as he had suggested. After leaving Nevada, Dr. D'Amico said he provided medical services on contract to Alameda County in California.

Dr. D'Amico suggested that he had learned a great deal more about the principles of managing a prison medical program since he last appeared before the Interim Finance Committee. Dr. D'Amico said he was pleased to see that a number of improvements had been made such as upgrading medical personnel and controlling prison medical care by developing on-site facilities. After receiving a mission statement from Director Bayer, Dr. D'Amico said he had done an analysis of NDOP's current medical program, which revealed that NDOP currently operates a statewide medical program with two private contracts, one in southern Nevada at the women's prison and one in northern Nevada at Ely State Prison. After touring each of the sites and talking with medical staff, Dr. D'Amico said he was of the opinion that NDOP has a good medical program, but he had observed several problems which were causing financial "bleeding." In order to address these problems, Dr. D'Amico indicated that several procedures had been implemented immediately.

It was Dr. D'Amico's opinion that the majority of medical costs occurred when NDOP has depended upon the outside community to decide the best method of treatment for inmates. This has resulted in higher costs because the standard of medical care provided has, in some instances, been better than the community standard. Since formularies that have been instituted in the past have not been adhered to closely, medication costs have been higher than they need to be. According to Dr. D'Amico, there are several different philosophies for treating inmates; i.e., a number of states have chosen privatized medical care and a number of the states who chose not to have privatized medical care have concentrated on reducing the caliber of medical personnel to save money on personnel costs. The State of Nevada has a different philosophy and NDOP operates with fully licensed physicians and a total registered nurse (RN) system. Dr. D'Amico said he was aware that some people would think it was fiscally irresponsible for the state to spend a lot of money to hire qualified and licensed staff in order to run a prison medical program. Although he

would have agreed with this line of thinking 10 years ago, Dr. D'Amico said today he believes it is possible to run a fiscally responsible prison medical program with high caliber medical personnel by instituting more actual on-site medical evaluations and care and not relying on the community for direction. For this reason, there must be maximum utilization of the Regional Medical Facility in northern Nevada for long-term catastrophic illnesses such as liver disease and AIDS.

Dr. D'Amico also recommended upgrading the facilities at each of the sites so more on-site infirmary care can be provided. This would necessitate having good nursing personnel and good doctors to make appropriate assessments to avoid the provision of poor care. Poor care should not be confused with what is called adequate care. It was Dr. D'Amico's belief that people working within a prison system must learn a style of care that is different than the care provided within the community. Patients must be approached within some type of a framework because every part of medicine must have constraints. Dr. D'Amico said it was his opinion that Nevada needs to change its philosophy into one that allows for the practice of good medicine and the provision of care with good providers while, at the same time, in a fiscally responsible manner. The definition of adequate and humane care and what is appropriate is sometimes different within the security parameters of the prison system than it is in the community. Dr. D'Amico said he did not believe it was appropriate for an inmate within a prison system to have the benefit of being able to get tests done or consult with a specialist quicker than private patients within the community nor should they be able to receive at random the amenities of medicine that private patients cannot get under managed care. Dr. D'Amico stated:

I think in an effort to provide a decent system, the Medical Division within the NDOP has rivaled the community to a point where we are running out of funds to be able to provide this kind of care. The alternative to that, is to take a system in which people who are marginal in being able to provide care, pay them less, and make the care less, and then end up with problems. My philosophy is to make about five major indicators in the system: community care, what we do on call when the prisons are closed and when people should be transported for emergency care, and when they can be taken care of on-site. We are matching our staffing program not like they do in hospitals, but how the budgetary constraints allow us to staff so that we do not have to use a registry of nurses like we have done in the past. We have instituted a very strict formulary of drugs that will not be deviated by the physicians and we are going to start teaching our doctors that this is the kind of care we need to provide for our inmates.

Dr. D'Amico suggested that the doctors working for Sierra Health, the organization dedicated to providing managed care for the state, have, in many instances, not been schooled in what is appropriate and adequate care for inmates, which had resulted in a number of erroneous hospital stays because of the dual standard. Dr. D'Amico said he was currently working with Sierra Health to establish parameters. He also noted that the cost being paid by the state for hospitalization and for speciality care throughout the state has been fragmented because of what is perceived as a northern Nevada and a southern Nevada. Dr. D'Amico stressed that this type of situation must no longer continue to exist within the prison system because the state should not be paying a different rate for medical care in Reno than in Las Vegas. He said medical care must be isolated into a small number of specialists who will come on site whenever possible and hire, whenever possible, specialists within that system who can provide specialized care without having to go outside and to negotiate with proper management those facilities required to provide the necessary community care.

The HIV program currently employed by Nevada's prison system, according to Dr. D'Amico, is second to none in the country. He said he was not sure whether to brag about this program or criticize it; however, the legislature made a decision several years ago for the Medical Division to screen inmates for HIV, which he thought had opened up a "Pandora's box." Nevada is one of 15 states that perform screening on inmates. Once an inmate has been found to be HIV positive, the Medical Division is compelled to effect some type of treatment. Since he did not believe the HIV program has been monitored very closely in the past, Dr.

D'Amico said he intends to monitor the program more closely and to institute protocols that will narrow some of the costs for the provision of appropriate medical care.

Dr. D'Amico suggested another major problem that had been encountered by NDOP's Medical Division was the policy of allowing people to have more autonomy in the treatment of inmates. Dr. D'Amico indicated that this type of policy works fine in the community sector, but not in the prison sector. The Medical Division needs to have strict medical guidelines on what is appropriate care. While he thought the previous Medical Directors have been very innovative and aggressive in developing a very good system, Dr. D'Amico stated that:

An old time doctor, like myself, likes to keep his finger on the pulse of the patient rather than rely upon all of our technology. The Medical Director needs to be down on, what we call in the Navy, the deck plates at all times making sure that nursing works to their full capacity with proper assessment, making sure that doctors not only lose some of their autonomy, but get on the band wagon and really are motivated to do the job that will help us save the system.

Chairman Raggio said he had allowed additional time because he thought it was important for the Committee to share Dr. D'Amico's philosophy and understanding of NDOP's Medical Care Program. Chairman Raggio recalled that there had been many concerns expressed over several decades about the cost of medical care in the prison system. Chairman Raggio said he also remembers that the Committee was divided in its opinion a number of years ago when a decision was made not to contract for medical care and that he would expect this issue to be scrutinized by the 1999 Legislature. Chairman Raggio asked Dr. D'Amico to conclude his testimony so the Committee could act on the request.

In concluding his testimony, Dr. D'Amico stated:

I am not a savior of any kind that can effect any miraculous cures, but I do have a tremendous background in this type of work. Not only have I got a history of making it work on other contracts, but I also have been pretty successful at medical practice. I think that the things that we have started right now probably are going to show you some very definite figures over about an 18-month period of time. Figures should change within a 6-month period of time rather dramatically as well.

While understanding that NDOP had been able to reduce its request for a Contingency Fund allocation from \$1,247,000 to \$628,660, Chairman Raggio thought it was going to be necessary for NDOP to effectively deal with medical care costs because the Committee has been asked each year to approve substantial amounts of additional funding for overruns.

Chairman Raggio recognized Mr. Philip Nowak, Medical Administrator, Medical Division, who confirmed that the revised amount of NDOP's request for a Contingency Fund allocation was \$628,660.

It was Ms. Giunchigliani's understanding that NDOP's Medical Division had finally submitted the reports last month on outside medical costs which the legislative Fiscal Analysis Division staff had been requesting for a long period of time so that it could monitor those costs. Ms. Giunchigliani said she would suggest that a proviso be added to the motion requesting the continuation of those exact reports on a monthly basis and that the Committee receive a regular update from the legislative Fiscal Analysis Division staff on whether those reports were being provided. Ms. Giunchigliani thought it would be difficult for NDOP to manage costs when it was unable to capture the data requested by the legislative Fiscal Analysis Division staff.

Chairman Raggio said he would entertain a motion to approve the work program in item C65 in the total amended amount of \$761,731 (\$91,213 for Reimbursements; \$371,452 for Transfer from Prison Store; \$87,066 for Transfer from Personnel Expense; \$12,000 for Transfer from UNR Psychiatric Residence Program; and \$200,000 for Transfer from Ely Medical Contract); item C83 (Offenders' Store Fund) in the amount of \$371,452; and the request in item E2 for an allocation from the Contingency Fund in the amended amount of \$628,660.

**MR. HETTRICK MOVED TO APPROVE THE WORK PROGRAM IN ITEM C65 IN THE AMENDED AMOUNT OF \$761,731, ITEM C83 (OFFENDERS' STORE FUND) IN THE AMOUNT OF \$371,452, AND THE REQUEST IN ITEM E2 FOR AN ALLOCATION FROM THE CONTINGENCY FUND IN THE AMENDED AMOUNT OF \$628,660, WITH THE PROVISIO THAT NDOP'S MEDICAL DIVISION CONTINUE TO PROVIDE MONTHLY REPORTS TO THE LEGISLATIVE FISCAL ANALYSIS DIVISION ON THE COST OF OUTSIDE MEDICAL CARE AND THAT THE LEGISLATIVE FISCAL ANALYSIS DIVISION REPORT BACK TO THE INTERIM FINANCE COMMITTEE AT EACH MEETING ON WHETHER THOSE REPORTS ARE BEING PROVIDED IN A TIMELY MANNER. SECONDED BY SENATOR JACOBSEN.**

Chairman Raggio recognized Mr. Hettrick who noted that although he had asked for an accounting from NDOP on A.B. 389 at the last Interim Finance Committee meeting on March 25, 1998, he had since met with Director Bayer and agreed to postpone NDOP's submittal of the report until the Interim Finance Committee's June meeting. Mr. Hettrick suggested that NDOP be required to provide the Committee with a report on A.B. 389 at each succeeding meeting so the progress could be monitored.

Chairman Raggio thought Mr. Hettrick's suggestion had merit and he requested that Director Bayer provide a report on A.B. 389 at the June meeting and each succeeding meeting thereafter. Chairman Raggio called for a vote on the motion.

**MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**66. Department of Prisons - Prison Industry - FY 98** - Transfer of \$4,500 from Retained Earnings category to In-State Travel category and \$45,801 from Retained Earnings category to Operating category to provide for projected travel needs through the end of the year and increased operating expenses related to additional SIIS premiums paid for inmate labor, postage expenses, vehicle operations and contracts with state agencies.

Refer to motion for approval under item C.

**67. Department of Prisons - Lovelock Correction Center - FY 98** - Deletion of \$171,757 in Budgetary Transfer to provide for shortfalls in room and board income for the Northern Nevada Restitution Center, additional operating expenses at the Northern Nevada Correctional Center and the Nevada State Prison, increased utility expenses at the Pioche Conservation Camp, Nevada State Prison, and Humboldt Conservation Camp.

Refer to testimony and motion to approve amended requests under item 64.

**68. Department of Prisons - Pioche Conservation Camp - FY 98** - Addition of \$22,541 in Budgetary Transfer to cover shortfalls in the utilities category for increases in the cost and usage of propane, disposal service and electricity.

Refer to testimony and motion to approve amended requests under item 64.

**69. Department of Prisons - Nevada State Prisons - FY 98** - Addition of \$97,485 in Budgetary Transfer and Transfer of \$2,500 from Special Projects category to Operating category to cover shortfalls in operating and utilities for increases in inmate population.

Refer to testimony and motion to approve amended requests under item 64.

**70. Department of Prisons - Jean Conservation Camp - FY 98** - Addition of \$11,600 in Budgetary Transfer to cover a shortfall in the utility category due to increases in the cost and usage of propane.



Refer to testimony and motion to approve amended requests under item 64.

**71. Department of Prisons - Northern Nevada Restitution Center - FY 98** - Addition of \$52,376 in Budgetary Transfer, \$1,664 in Transfer from Prison Store and Deletion of \$54,040 in Client Income to cover a shortfall in the receipt of client income for fewer inmates housed and outstanding uncollected billings this fiscal year.

Refer to testimony and motion to approve amended requests under item 64.

**72. Department of Prisons - Humboldt Conservation Camp - FY 98** - Addition of \$836 in Budgetary Transfer to provide for increased propane costs.

Refer to testimony and motion to approve amended requests under item 64.

**73. Department of Prisons - Northern Nevada Correctional Center - FY 98** - Addition of \$23,980 in Budgetary Transfer and Transfer of \$3,775 from Equipment category to Operating category to cover a shortfall in operating expenses due to an increase in the average inmate population.

This item was withdrawn.

**74. Department of Prisons - Wells Conservation Camp - FY 98** - Addition of \$2,939 in Budgetary Transfer to cover a shortfall in the maintenance of buildings and ground due to increased repair costs.

Refer to testimony and motion to approve amended requests under item 64.

**75. Department of Conservation and Natural Resource - Conservation and Natural Resource Director's Office - FY 99** - Transfer of \$58,000 from Salaries category to Biologist Operations category to continue the use of an independent contractor for the preparation of a statewide plan for the preservation of wild horses as originally approved by the Interim Finance Committee on January 14, 1998.

Refer to motion for approval under item C.

**76. Department of Conservation and Natural Resources - Forestry Nursery - FY 98** - Addition of \$10,400 in Wood Sales, \$2,386 in Nursery Sales, \$7,040 in Nursery Sales Next Cal. Yr., and Deaumentation of \$135,000 in Seed Bank and Transfer of \$21,632 from Reserve category to Wood Sales/Gifts category to pay off excessive comp time, increase wood sales expenses (tree plantings - parks) reduce overoptimistic seed bank revenue, increase operating expenses at Washoe Nursery and cover increased utilities.

Refer to motion for approval under item C.

**77. Department of Conservation and Natural Resources - Forestry Intergovernmental - FY 98** - Addition of \$560,491 in Washoe County, \$42,626 in Storey County, \$116,551 in Douglas County, \$56,022 in Carson City, \$2,376 in White Pine County, \$6,801 in Transfer from other Budget Accounts, Deaumentation of \$27,679 in Elko County, \$5,311 in Clark County \$116,551 in Eureka County and Transfer of \$500 from Reserve category to White Pine category to reconcile county approved intergovernmental budgets with legislative approved budgets.

Chairman Raggio noted that the transfer of \$500 from the reserve category to White Pine category should be corrected to read \$1,100.

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

**78. Department of Conservation and Natural Resources - State Lands - FY 99** - Addition of \$86,001 in Transfer from Other Budget Account (4191) to continue Tahoe Bond program salary and operating support originally approved by the Interim Finance Committee on March 25, 1998.

Refer to motion for approval under item C.

**79. Department of Conservation and Natural Resources - 97/99 Park Improvements - FY 98** - Addition of \$170,000 in Transfer from Wildlife to provide for boat parking area renovations and repairs at Sand Harbor.

Refer to motion for approval under item C.

**80. Department of Conservation and Natural Resources - DEP Bureau of Water and Mining - FY 99** - Addition of \$165,000 in Mining Regulation Fees to support an interlocal agreement with BLM for a liaison position and reserve funds for future use.

Refer to motion for approval under item C.

**81. Department of Conservation and Natural Resources - Mining Regulation - Water Pollution Control - Water Quality Planning - FY 99** - Addition of \$115 in Water Quality Fees, \$102,695 in CMAG 205G, \$22 in Water Quality 604B and \$2,887 in Stormwater and Transfer of \$41,484 from Operating category to Salaries category, \$142,678 from Reserve category to Transfer to 3173 category, and \$94,434 from Reserve category to Salaries category to cover shortfalls in projected salaries and indirect cost categories.

Refer to motion for approval under item C.

**82. Department of Transportation - Transportation Administration - FY 98** - Addition of \$104,877 in Highway Fund Authorization and \$203,572 in Sale of Oil and Gas to allow for payment of equipment ordered in FY 1997, but not received until FY 1998; allow for greater utilization of Honor Camp Crews; and allow for increased sale of oil and gas.

Refer to motion for approval under item C.

**83. Reclassification Changes Requiring Interim Finance Committee Review.**

(1) Department of Motor Vehicles and Public Safety (DMV&PS), a reclassification request of position 0002 from Program Assistant IV, grade 29-9, \$29,341, to Grants and Project Analyst I, grade 33-5, \$31,946.

(2) Department of Employment, Training and Rehabilitation (DETR), a reclassification request of position 0031 from Program Assistant III, grade 27-15, \$33,481, to Personnel Technician III, grade 29-15, \$36,472.

(3) Department of Administration, a reclassification request of position 0035 from Stores Manager, grade 33-15, \$39,702, to Management Analyst III, grade 37-11, \$43,389.

The three requests referred to above were approved in the blanket motion under item C.

**83.\* Department of Prisons - Offenders' Store Fund - FY 98** - Transfer of \$371,452 from Retained Earnings category to Inmate Medical Co-payments category to provide for transfers to the Prison Medical Division budget for increased costs related to inmate-to-inmate and self-inflicted injuries.

\*This request, which was inadvertently assigned a duplicate number of 83, was received from the Budget Division too late to be included in the meeting packets which were mailed to the Committee members. Refer to memorandum from John P. Comeaux, dated April 28, 1998, a copy of which is included in the

meeting minutes as Exhibit E.

Refer to testimony and motion to approve the request under item 65.

**84.\* Department of Business & Industry - Housing Division - FY 98** - Addition of \$5,580 in Transfer from Programs to pay for the cost of increasing the assigned time of the Deputy Attorney General from part-time to full-time for the last month of FY 98.

\*This request was received from the Budget Division too late to be included in the meeting packets which were mailed to the Committee members. Refer to memorandum from John P. Comeaux, dated April 28, 1998, a copy of which is included in the meeting minutes as Exhibit E.

Refer to testimony and motion to approve the request under item 1.

**85.\* Office of Attorney General - Administrative - FY 98** - Addition of \$5,850 in Agency Reimbursement to increase level of legal service for Housing Division.

\*This request was received from the Budget Division too late to be included in the meeting packets which were mailed to the Committee members. Refer to memorandum from John P. Comeaux, dated April 28, 1998, a copy of which is included in the meeting minutes as Exhibit E.

Refer to testimony and motion to approve the request under item 1.

#### **D. STATEMENT OF CONTINGENCY FUND BALANCE.**

After directing the Committee's attention to tab D in Volume III of the meeting packets, Mr. Daniel Miles, Senate Fiscal Analyst, noted that the current Contingency Fund balance was \$7,350,866 at April 22, 1998. The total of the original requests was \$1,994,926. Mr. Miles said, however, since the request from NDOP had been reduced almost in half, he estimated that the balance in the Contingency Fund would be approximately \$6.1 million if the remaining requests were to be approved as originally requested.

#### **E. REQUESTS FOR ALLOCATION FROM THE CONTINGENCY FUND:**

1. Supreme Court of Nevada.....\$ 410,000

Ms. Karen Kavanau, Director, Administrative Office of the Courts (AOC), introduced Mr. Steve Bremer who, she said, was the new Manager of Budget and Finance for AOC. When she made her presentation at the Interim Finance Committee's March 25, 1998, meeting, Ms. Kavanau said there appeared to be some confusion about the nature of the Supreme Court's request. Ms. Kavanau apologized for this confusion and said she wished to clarify that the Supreme Court intends to pursue the possibility of becoming a tenant in Clark County's Regional Justice Center (RJC) in the year 2002 when the Supreme Court's current lease for office space in Las Vegas expires. Since the March 25, 1998, Interim Finance Committee meeting, Ms. Kavanau indicated that the AOC had provided the legislative Fiscal Analysis Division staff with a significant amount of supplemental information and she wished to briefly recap that information as follows.

Ms. Kavanau told the Committee that the Supreme Court was not proposing to be a partner in Clark County's capital improvement project, nor was it asking to buy in. The Supreme Court has been offered the opportunity to lease space from Clark County in the year 2002, and Clark County has asked the Supreme Court to join Clark County in its planning efforts now. Clark County has requested an answer and a commitment to pay some up-front monies no later than May 8, 1998, after which Clark County has indicated that design plans will be finalized and the cost of changing those design plans to include the Supreme Court at a later date will be prohibitive. The RJC appears to be an alternative that the Supreme Court should carefully explore and the request today is for funding which would allow the Supreme Court to do that. The Supreme Court's next biennial budget proposal

will reflect the outcome of this exploration. Clark County's forecasted per square foot lease rate of \$1.80 appears to be competitive, the proposed location appears to be excellent, and there appears to be a potential cost savings through shared resources. She said, however, the Supreme Court has not yet explored any of those possibilities.

If the Committee approves the Supreme Court's request today, Ms. Kavanau indicated that the Supreme Court will perform the appropriate level of detailed evaluation after which the Supreme Court will be able to answer questions from the Committee about how much space will be needed. If the Supreme Court is allowed to participate in this venture, it will cost Clark County an extra \$385,000, primarily in architectural and project management fees because the size of the RJC would have to be enlarged to include the Supreme Court. The architectural and project management fees paid by Clark County are a function of total project size, and since Clark County does not wish to expend the added cost on the Supreme Court's behalf, Clark County has asked the Supreme Court for reimbursement. In addition to the \$385,000, Clark County has added \$25,000 to provide for an expert, independent plans check, bringing the total to \$410,000, the amount of the Supreme Court's initial request that was considered by the Interim Finance Committee during its meeting on March 25, 1998. She said, however, during the period of time since the request was first developed, the Supreme Court has determined that it will experience a \$150,000 savings in fast-track expenditures in FY 1998; thus, the Supreme Court has reduced its original request from \$410,000 to \$260,000.

Chairman Raggio wanted to know how the savings had occurred. Ms. Kavanau indicated that the 1997 Legislature had provided \$150,000 in each fiscal year of the biennium to pay for a senior justice to hear oral arguments for the fast-track cases. The vast majority of those cases, according to Ms. Kavanau, are being summarily disposed and are not requiring oral arguments in front of the senior justice; therefore, the Supreme Court has not needed to hire a senior justice. Ms. Kavanau said this may or may not be the case in FY 1999 because the Supreme Court was currently considering expanding the criteria for which cases can be fast tracked to include life imprisonment sentences. If those cases are heard, the Supreme Court would anticipate requiring a significant number of oral arguments; thus, the services of a senior justice would be needed.

To respond to a question from Chairman Raggio, Ms. Kavanau explained that the \$150,000 in savings would include approximately \$86,000 transferred from another budget and that she planned to submit a work program to reflect this transaction.

Chairman Raggio thought the Committee's main concern was whether the approval of the Supreme Court's request would commit the legislature to the major expenditure that would be required to construct space for the Supreme Court in the RJC when the Supreme Court has not yet determined its future space needs. Chairman Raggio also wanted to know whether the Supreme Court had made the request with the understanding that the approval of an allocation from the Contingency Fund to cover costs associated with the Supreme Court's share of the RJC's up-front costs would not commit the legislature to future expenditures. It was Ms. Kavanau's understanding that the Supreme Court was committing to go through a planning phase. While understanding Clark County had requested an early commitment from the state, Ms. Kavanau said the Supreme Court felt no such compulsion to meet that request.

Chairman Raggio wanted to know when Clark County expects to start construction on the RJC. Chairman Raggio recognized Judge Nancy Becker, Clark County District Court, 200 South Third Street, Las Vegas, who said there was no commitment on the part of the legislature. If the Committee approves the request from the Supreme Court today, Judge Becker said the funds would allow Clark County to maintain the time line, but the actual construction of the RJC would not commence until 1999, after the 1999 Legislature has adjourned. Clark County expects to be going out to bid, but the bid will be alternative. Judge Becker said if the Committee decides to deny the Supreme Court's request, Clark County would simply build the RJC without the space for the Supreme Court.

Chairman Raggio said he did not believe that the legislature wants to be stripped of its ability to make an independent decision on this project during the 1999 Legislative Session. Judge Becker noted that Clark County had attempted to design the project in such a manner to give the legislature as much flexibility as possible, while maintaining the construction schedule to build the RJC on time and within budget.

Since he had been reading in the newspapers about Clark County's bidding difficulties, Mr. Close asked Judge Becker to provide an update on the status of the bidding. Judge Becker said there had been no bidding. According to Judge Becker, the original budget proposed for construction of the RJC in November of 1996, was \$10 million more than it is now. When the Clark County commissioners were debating how to allocate capital improvement project money, Judge Becker noted that they cut the budget for the RJC at that time by \$10 million, which simply meant that in order to meet a year 2015 time line for space for the District Attorney's office, Clark County would either need to build a second building or lease space much sooner than originally anticipated to accommodate the District Attorney's office. The Supreme Court, on the other hand, would be able to stay in the RJC longer because when the District Attorney's office vacates, the Supreme Court would backfill that space.

Since it was her understanding that the Supreme Court would be a tenant in the RJC, Mrs. Von Tobel expressed concern that the state, as well as the other entities involved in this capital improvement project, could be asked for additional funding if project costs exceed budget. Mrs. Von Tobel also wanted to know whether the Supreme Court would be able to lease space vacated by Clark County entities that are moving into the RJC rather than having the state provide up-front costs so the Supreme Court can become a tenant in the RJC. In responding to Mrs. Von Tobel's questions, Ms. Kavanau said that as a tenant, the Supreme Court was anticipating a lease rate being estimated by Clark County at this time of approximately \$1.80 per square foot. It is the Supreme Court's understanding that the \$385,000 which Clark County had requested the Supreme Court pay up front would have no effect on that lease rate whatsoever nor does the Supreme Court anticipate having to pay additional up-front money.

It was Mrs. Von Tobel's belief that there are no guarantees that Clark County would not request additional funding because of the possibility of cost overruns. If it still looks like a viable option for the Supreme Court, Ms. Kavanau reiterated that the Supreme Court would provide the latest information in its biennial budget requests for presentation to the 1999 Legislature, and the money committees would have the opportunity to review the information in detail without committing another dollar. In addressing Mrs. Von Tobel's comments, Judge Becker noted that the amount of up-front money being requested by Clark County at this time would not change nor would the budget change. In addition, Judge Becker indicated that when the District Attorney's office vacates its space, that space would not be available for occupancy by the Supreme Court because it had already been allocated for the future expansion of the District Courts. Judge Becker also emphasized that:

When you vote at the 1999 Session, you will have the hard-core facts, and if you vote for a lease that is your lease and no, we are not going to increase it on you and no, we are not going to come back. That's your lease rate that pays for your space. And since all of the construction documents will be done by then, it will be a detailed estimate at that point in time because all of the drawings are there. And the contingency budget covers things like change orders and things like that and that is why we keep a contingency budget in construction. I can tell you that our experience with the Family Court was that we actually came in under budget. I don't see that happening, but it is a good question and a good concern and you will have all that data before you before you approve the long-term lease during the 1999 Session.

Chairman Raggio called time on the discussion and said he would entertain a motion.

**MR. GOLDWATER MOVED TO APPROVE THE REQUEST IN THE AMENDED**

**AMOUNT OF \$260,000, WITH THE UNDERSTANDING THAT THE 1999 LEGISLATURE RETAINS FULL AUTHORITY TO DETERMINE THE ACTUAL LEASE AND SPACE NEEDS OF THE SUPREME COURT. SECONDED BY MR. MARVEL AND MOTION CARRIED WITH MR. ARBERRY ABSTAINING AND SENATOR O'DONNELL AND MRS. CHOWNING ABSENT FOR THE VOTE.**

A copy of the resolution adopted by the Committee is included in the meeting minutes as Exhibit F.

2. Department of Prisons - Medical Division.....\$1,247,000

Refer to testimony and motion to approve amended request in the amount of \$628,660 under item C65.

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

3. Department of Prisons - Nevada State Prison.....\$ 314,926

Ms. Johnson told the Committee that NDOP was requesting a Contingency Fund allocation in the amount of \$314,926 to fund the cost of replacing the underground heat circulation water pipes at the Nevada State Prison (NSP). According to Ms. Johnson, there have been a number of repairs to broken and leaking pipes at NSP ever since NSP maintenance staff discovered low-water levels in the heating systems of Units 6 through 11 in September of 1997. Several repair teams have been hired to assess the leaks, but each time a repair has been made another leak occurs. Mr. Tom Glab, Chief of Plant Operations, NDOP, met with the State Public Works Board (SPWB) staff, and determined that the heating system at NSP was not stable and a new heating system should be installed to correct the problem.

Chairman Raggio asked Ms. Brenda Erdoes, Legislative Counsel, if NDOP's request for an allocation from the Contingency Fund would qualify under the provisions of NRS 353.268 and Ms. Erdoes responded that the request meets all of the requirements of emergency and unforeseen circumstances.

Since SPWB would be monitoring the contract for this project, Ms. Johnson requested that the allocation be given directly to SPWB.

It was Chairman Raggio's understanding that the resolution had been drafted so that the sum of \$314,926 would be allocated to SPWB to supplement the appropriation to SPWB for capital improvements for NDOP.

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

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

4. Department of Museums, Library & Arts - Nevada State Museum.....\$ 17,000

Mr. Scott Miller, Administrator, Division of Museums and History, explained that the budget account for the Nevada State Museum currently covers five separate structures. When the Nevada State Museum acquired the old First Interstate Bank Building and the little house in back of it, there was no budget consideration for the corresponding utility costs to operate those buildings. In addition, the Division has experienced higher than budgeted utility expenses for the Nevada State Museum building. Mr. Miller also indicated that the utilities budget had been augmented from the private budgets of the Nevada State Museum in order to cover a shortfall in the base year of the previous biennium. In concluding his testimony, Mr. Miller noted that the Nevada State Museum anticipates experiencing a budget shortfall of approximately \$17,000 in the current fiscal year as a result of additional square footage and the loss of funding that was previously available from private sources

to cover such a shortfall.

To respond to an inquiry from Mr. Marvel, Mr. Miller said it was his understanding that the owner of the Golden Spike building plans to remodel the building for office and retail rental space, but it would not impede parking at the Nevada State Museum.

Chairman Raggio said he would entertain a motion to approve items E4 and E5.

**SENATOR COFFIN MOVED TO APPROVE ITEMS E4 AND E5. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

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

5. Department of Museums, Library & Arts - Nevada State Railroad Museum.\$ 6,000

There were no comments or questions from the Committee on this request.

Refer to motion for approval under item E4.

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

**F. DIVISION OF STATE LANDS - Pursuant to NRS 321.335, approval is requested of the quitclaim deed for Nevada Division of Forestry's building in Glenbrook.**

Ms. Pamela Wilcox, Administrator, Division of State Lands, apprised the Committee that state law allows the Division to dispose of the state's interests in property with the approval of the State Board of Examiners and the Interim Finance Committee. In this particular case, Ms. Wilcox noted that the state has no further interests in the Nevada Division of Forestry's (NDF) building located at Glenbrook. The old building, which formerly was used by NDF for seasonal employee housing, is approximately 500 square feet. The building is no longer useable and is no longer needed by the NDF. The Glenbrook Homeowners Association, which owns the land upon which the building is situated, has asked that the state give up its interests in the building. Since there is no lease involved or title to the building, Ms. Wilcox said the Division of State Lands proposes to quitclaim whatever interests the state may have in this building to the Glenbrook Homeowners Association for a fee of \$100.

Mr. Price wondered whether the building was of any historical significance. Ms. Wilcox said the building had no historical significance, but rather was one of a number of cabins at a camp site located on U.S. Forest Service (USFS) land at Zephyr Cove that was moved to Glenbrook during the 1950's or 1960's to provide housing for a seasonal employee of NDF's.

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

**G. DEPARTMENT OF HUMAN RESOURCES - Request for funding from the Child Care Development Fund Block Grant to pay for needed modifications to operate child care facility in the Professional Development Center.**

Refer to testimony and approval of this request under item C39.

**H. DIVISION OF STATE PARKS - Pursuant to NRS 407.0762, approval is requested for \$20,233 to resolve water problems at Churchill Beach at Lake Lahontan State Recreation Area.**

After directing the Committee's attention to his memorandum dated March 31, 1998, which is included on page 72 of Volume III of the meeting packets, Mr. Wayne Perock, Administrator, Division of State Parks,

noted that he had originally requested \$30,233 in state match to be comprised entirely of budget account 4605, category 06 funds; however, he wished to change that amount to \$20,233. The remaining \$10,000 of the required \$30,233 state match for the Lahontan Water System Renovation Project will be allocated from budget account 4605, category 15 (Lahontan SRA Utility Surcharge Fund). In addition, Mr. Perock directed the Committee's attention to the second paragraph of the IFC Grant Acceptance Request, on page 75, which should be corrected to read "up to six (6) pre-fabricated restroom buildings" instead of three (3).

**MRS. De BRAGA MOVED TO APPROVE THE REQUEST AS AMENDED.  
SECONDED BY SENATOR MATHEWS AND MOTION CARRIED UNANIMOUSLY  
BY VOICE VOTE.**

## **I. PUBLIC WORKS BOARD:**

### **1. Project No. 97-C1 - Prison No. 7 - Project Update.**

Mr. Erick Raecke, Manager, State Public Works Board (SPWB), introduced Ms. Yvonne Benson, Deputy Manager. Mr. Raecke said he had previously provided two typewritten pages of information on Prison No. 7 (Cold Creek State Prison) in southern Nevada (pages 77-78 in Volume III of the meeting packets), plus a copy of the Master Site Plan and Enlarged Site Plan (pages 79-80), and a Preliminary Staffing Estimate (pages 81-83).

Chairman Raggio requested representatives from NDOP to sit with Mr. Raecke and Ms. Benson at the witness table to respond to questions from the Committee.

Chairman Raggio suggested that the first question was why is Prison No. 7, which will house 1,500 inmates, expected to require almost twice the number of staff (456) that is provided for Southern Desert Correctional Center (289), which houses 1,458 inmates. Director Bayer indicated that the staffing estimate (pages 81-83) previously provided to the legislative Fiscal Analysis Division had not yet been finalized. Since staffing will not be hired until the middle of July 1999, Director Bayer said it had "kind of taken a back seat." Director Bayer suggested that several philosophical issues need to be discussed, especially regarding medical staffing and the housing units. The same design that was used for the Lovelock Correctional Center (LCC) housing units has been used for Prison No. 7. Director Bayer noted that NDOP was finding that inmates, in general, were getting more difficult to handle, for example, NDOP has received more than 1,000 inmates with life or death sentences since 1989.

Director Bayer thought the Committee was aware of the unique problems that had been experienced by the Southern Desert Correctional Center (SDCC) because of the topography and design. When Prison No. 7 was being designed, Director Bayer said the safety of the staff, security, and keeping inmates properly locked up, was a major concern because of the dramatic slope to the land. Director Bayer reminded the Committee that Prison No. 7 would ultimately become a 3,000-bed facility, or twice the size of NDOP's largest facility. The operating costs for Prison No. 7 will be lower because when the facility has been completely built out, the three towers on the core side will not be duplicated when Prison No. 8 (Phase II) is constructed. Director Bayer suggested that the Committee would see dramatic savings during Phase II and see even more dramatic savings when Prison No. 8 has been completed. Director Bayer indicated that a staffing complement of 456 would not be needed during Phase I. According to Director Bayer, some of the staff listed in the "Preliminary Staffing Estimate" will be paid from a different budget account. For example, the Training Officer will be paid from the Director's Office budget (3710) and the Law Librarian will be paid from the Inmate Store Fund (3708). Director Bayer also said that consideration was being given to using an electric fence in lieu of some of the towers.

Chairman Raggio wanted to know whether NDOP had ever had an electric fence that worked properly. While he acknowledged that the electronic notification system at SDCC had malfunctioned, Director Bayer said the type of electric fence being considered for Prison No. 7 would be lethal to



anyone touching it.

It was Chairman Raggio's understanding that the date of occupancy for Prison No. 7 had slipped. Mr. Raecke acknowledged that the date of occupancy for Prison No. 7 had slipped from October 1999 to February 2000. He said, however, because Prison No. 7 would be the largest project that SPWB has ever put out to bid and because the budget is extremely tight, SPWB staff and NDOP staff have been re-examining the plans continuously to ensure that the bid comes in right. Mr. Raecke said he expects to go out to bid on Prison No. 7 in June and anticipates that construction would be completed in February of 2000.

Chairman Raggio inquired about the original cost estimate. Mr. Raecke told the Committee that he believes the project would be bid within budget; however, there are several alternative plans in case a bad bidding climate is encountered. Mr. Raecke directed the Committee's attention to a schedule he had prepared (page 78) which shows that SPWB will open bidding in late June of 1998 and construction will be started in late July of 1998, with inmate occupancy on February 1, 2000. Although construction is scheduled to be completed on January 1, 2000, Mr. Raecke said the 30-day period between January 1 and February 1 would provide time for a shake-down of the facility and allow NDOP to train staff before inmates are moved into the facility.

It was Chairman Raggio's opinion that since bidding starts in less than a month, a decision needs to be made fairly quickly on such basic issues as the number of towers that are going to be needed and whether an electric fence would be installed. If the decision were up to him, Director Bayer said he would be more than willing to go with a lethal fence in the back part of the facility. Chairman Raggio said he did not believe such a decision should be made by the Interim Finance Committee. Mr. Raecke suggested that he, Director Bayer, and several other people, had already made a decision to go out to bid with six towers. When Phase II is built, which will provide another 1,500 beds, Mr. Raecke said a lethal fence would be installed from Tower 6 all the way around the back to Tower 3, which would eliminate the construction of additional towers in Phase II.

Chairman Raggio said he thought that Mr. Raecke's previous statement begs the question why six guard towers are going to be needed at Prison No. 7 when only four guard towers are needed at LCC and Ely State Prisons (ESP). Mr. Raecke indicated that Prison No. 7 would cover significantly more space and the distance, or sight line, between guard towers was critical. Mr. Raecke also noted that Prison No. 7 at build out would house twice the number of inmates that are housed in any of NDOP's existing facilities.

Ms. Giunchigliani questioned the necessity of having six towers if the electric fence was going to be installed later on. Ms. Giunchigliani also wanted to know whether the bid would include all of the material required to install an electric fence. In order to give the Committee an idea of the size of Prison No. 7, Director Bayer noted that the fence line for Phase II would require approximately one mile of fencing. Since weapons are only accurate within a certain distance, Director Bayer indicated that the fence at the bottom of Phase I would become a fence that separates Prison Industries and Phase II from Phase I. When the second prison has been completed, Director Bayer said he did not anticipate adding more than two towers which, he suggested, would be a tremendous savings.

It was Ms. Giunchigliani's understanding that two more towers would provide a total of eight towers. With the amount of acreage involved, Director Bayer suggested that it would require eight towers if the facility were a square. According to Director Bayer, one of the things that he dislikes about the design of LCC and ESP is having the core surrounded by housing units in case of an emergency. Prison No. 7 has been designed so that the core is located in one area and the housing units in another. The front of the buildings are fenced so that inmates cannot hide behind the core. This area becomes a "no man's zone" and is very secure.

To respond to several questions from Ms. Giunchigliani, Mr. Raecke said the electric fence would be

installed during Phase II. The type of electric fence SPWB intends to use will be the same type of electric fence California Department of Prisons has used very successfully and will cost approximately \$1 million per mile to install. Since SPWB is currently dealing with a tight budget situation, Mr. Raecke said he did not believe it would be possible to pickup \$1 million in construction costs by eliminating towers. Since two perimeter fences would be installed during Phase I regardless of whether an electric fence is installed now or later, Mr. Raecke indicated that it would be easy to add the electric fence later because it would be installed between the two perimeter fences. In addition, Mr. Raecke said it would make no difference cost-wise whether the electric fence were to be installed today or three years hence it would cost \$1 million per mile. According to Mr. Raecke, 60 percent of the prison facilities in California currently use a lethal fence.

Ms. Giunchigliani asked Director Bayer if he anticipates needing another prison. Director Bayer said he had no doubt that as the state grows another prison would be needed. He said, however, he thought the best place to locate a new prison would be next to Prison No. 7.

Since 60 percent of the prison facilities in California are currently using lethal fence, Ms. Giunchigliani wanted to know why an electric fence was not going to be installed in Phase I so additional staffing costs could be eliminated. If the 1999 Legislature approves funding for construction of Phase II, Director Bayer indicated that an electric fence would be installed, which would eliminate a tower. He also suggested that one other tower might not have to be staffed. Because he was having difficulty verbally explaining the physical layout of Prison No. 7, Director Bayer said he would be happy to go over the plans with any of the Committee members who request his assistance.

Senator Coffin suggested that previous legislatures had already made the philosophical decision to place new prison facilities closer to the cities so that they can be adequately manned and so that nearby families can visit on a regular basis. Senator Coffin thought it would be appropriate to let the population know that extra security measures had been taken during the design of Prison No. 7 to ensure the safety of the citizens living nearby. Because of the size of the new prison facility, Senator Coffin wanted to know whether there was going to be an adequate sewage system. Mr. Raecke indicated that SPWB had contracted with several well-known engineers in southern Nevada to do comprehensive studies which have concluded that aerating the existing ponds would handle the sewage needs for Phase I; however, a sewage trench would need to be run and a small plant installed to handle the sewage needs for Phase II. Mr. Raecke indicated that the water supply was good. The existing wells at SDCC are producing approximately 375 gallons per minute and both of the recently drilled wells are producing approximately 1,000 gallons per minute.

Since the population is moving in that direction, Senator Coffin inquired about odor control. Mr. Raecke apologized for not being prepared to respond to Senator Coffin's question, but he said he would research this issue and report back in the future.

While appreciating the importance of staying within budget, Mr. Close thought the issue was the overall cost being projected to staff the additional guard towers for Prison No. 7, which he thought would cost the state more money over time. In order to respond to concerns from the Committee, Mr. Close suggested that Director Bayer should make it a priority to install the electric fence now rather than later. Director Bayer told the Committee that the electric fence would not be cost effective in Phase I because one of the major fence lines in Phase I would become an interior fence separating Phase I from Phase II once Prison No. 7 has been built out. In his opinion, it would be more appropriate to install an electric fence during Phase II after a permanent outer fence line has been built. Although the tower located next to the housing units, where the temporary fence will connect to the perimeter fence, would be needed for the next couple of years, Director Bayer said it might be possible to eventually eliminate the staff for that particular tower. Director Bayer also contended that there was only one small segment of the facility where it would make any sense to install an electric fence.

Since no Committee action is required, Chairman Raggio said he would accept the report, but it would be his hope that Mr. Raecke and Director Bayer would re-evaluate the situation taking into consideration the Committee's long-term concerns on funding for maintenance and operations of Prison No. 7.

Chairman Raggio called a recess at 1:05 p.m. until 1:30 p.m.

## 2. Project No. 97-S41 - Report from Subcommittee on Selection of a Site for the Nevada State Museum in Southern Nevada.

Mr. Raecke noted that this item was handled by a subcommittee of the Interim Finance Committee and he would defer to Senator Rawson, who chaired that subcommittee, to make the report. Senator Rawson reported that the subcommittee had met on April 15, 1998, in Las Vegas, at the Nevada State Museum and Historical Building located in Lorenzi Park. Presentations were made by representatives of SPWB and the Department of Museum, Library and Arts. The subcommittee also heard testimony from various members of the public, including Senator Bob Coffin, Senator Jon C. Porter, and Assemblywoman Gene Segerbloom. Senator Rawson said the subcommittee recommended that the current site (Lorenzi Park) not be relocated because it was a good staging area from which future museum sites could be developed. Since the subcommittee discussed a number of alternatives to increase attendance and fund the operations at the Museum, Senator Rawson said the subcommittee concluded it would be more appropriate to have the 1999 Legislature deal with those alternatives.

Chairman Raggio accepted the report and asked that a copy of the report from the Interim Finance Committee's Subcommittee on Selection of a Site for the Nevada State Museum in Southern Nevada be made a part of the permanent record, and a copy of which is included in the meeting minutes as Exhibit K.

Chairman Raggio inquired about the balance of the \$200,000 appropriation from the 1997 Legislature for a site analysis study. Senator Rawson said a question was put to the subcommittee as to whether the remaining funds, approximately \$150,000, could be used for planning purposes by the SPWB; however, a legal opinion from the Legislative Counsel had indicated the balance could not be used for planning purposes.

## 3. Project No. 97-C16 - Veterans' Skilled Nursing Facility - Re-evaluation of project site.

After visiting five sites (three in Boulder City, one in Las Vegas, and one in North Las Vegas), Mr. Raecke noted that the subcommittee had recommended to the Interim Finance Committee, at its September 18, 1997, meeting, an eight-acre site at 5<sup>th</sup> and Craig Street in North Las Vegas, which was donated by the U.S. Air Force (USAF). Mr. Raecke told the Committee that the design architects, Harry Campbell Architects with Ashen and Allen, were working very diligently in getting the 180-bed skilled nursing facility completed; however, a geo-technical survey had found very deep fissuring (up to 30 feet deep) of soils at the site. Although not certain, the suspected cause of the fissuring is because USAF had operated for many years several large water wells which had pumped water below the site. The survey also reported tensional stress relief near existing ground faults. The consulting engineers have offered four different methods of building on that site, with estimates running from approximately \$1.5 million up to \$2.5 million. It was Mr. Raecke's belief that no professional engineer would put his license on the line before excavating the site from up to 12 to 15 feet and installing a fabric mesh to bridge any fissuring and engineered and compacted soil replacement.

Since he estimated the cost for such an operation to be approximately \$2 million, which he thought was an excessive amount of money to put into site work, Mr. Raecke said both he and Mr. Charles Abbott, Executive Director, Commission for Veterans' Affairs, felt compelled to return to the Interim Finance Committee and ask for guidance. Although he was prepared to go ahead and build on the

site, Mr. Raecke said he did not believe that the Interim Finance Committee or the Nevada Legislature would want to see fewer amenities and the landscaping plan reduced, as well as other reductions, for Nevada's veterans. He said a decision needs to be made in order to meet the federal Veterans Administration (VA) requirement for an environmental impact statement prior to the deadline for the final grant submittal on September 30, 1998. Mr. Raecke estimated that it would take four to six months to prepare an environmental impact statement. Although he wished to assure the Committee that the design work on the facility had not stopped, Mr. Raecke said it was the recommendation of the SPWB and the Commission for Veterans' Affairs that the Interim Finance Committee allow negotiations to be opened on either a previous and/or alternative site, to be determined by the Committee, and an immediate commitment made if these negotiations are satisfactory; or direct the continued use of the 5<sup>th</sup> and Craig Street site. If the Committee decides to stay at the 5<sup>th</sup> and Craig Street site, Mr. Raecke pointed out that it would mean the land donated by the USAF would have cost the state a minimum of \$250,000 per acre.

In Chairman Raggio's opinion the 5<sup>th</sup> and Craig Street site was out of consideration because of the prohibitive cost to provide a remedial solution to the soil and that it would be his suggestion that alternatives to the existing site be looked at. Since September 30, 1998, is approximately five months away, Chairman Raggio inquired about the time line for selecting a new site. Mr. Raecke said he would like to have a decision from the Committee today because it would be too late to get the environmental assessment done if a decision were to be delayed until the June meeting.

It was Chairman Raggio's recollection that the law requires the Interim Finance Committee to approve the site; thus, it would not be legal for the Interim Finance Committee to grant Mr. Raecke the authority to go out and negotiate for a site. Ms. Brenda Erdoes, Legislative Counsel, agreed with Chairman Raggio that section 2 of Assembly Bill 670 (1997 Legislature) requires the site to be approved by the Interim Finance Committee before the expenditure of any funds for design of the facility.

Chairman Raggio wanted to know whether any of the sites previously considered by the subcommittee, and then ultimately by the Interim Finance Committee, were still available. Mr. Raecke indicated that the SPWB staff has had no communication with any of the previous sites because staff did not want to take any action without the Committee's express authority.

Chairman Raggio recalled that the Boulder City site was more than acceptable, but there were problems relative to the cost of the land and the City Charter required a vote of the people on the sale of the land. Mr. Raecke acknowledged that under the City Charter of Boulder City any sale of land requires a vote of the people. A number of months ago, SPWB staff checked into the possibility of leasing the land, which does not require a vote of the people. The VA has also indicated that it would not be opposed to the state building a facility on leased land as long as the lease extends over a period of 20 to 25 years.

As a member of the subcommittee, Mr. Close recalled discussion about a state land trade. Although the state owns about 12 or 13 acres upon which the Southern Nevada Children's Home is located, which he thought would provide good trading stock, Mr. Raecke said he was not sure whether a trade would require a vote of the people in Boulder City.

Chairman Raggio asked Ms. Pamela Wilcox, Administrator, Division of State Lands, what the state's requirement would be to trade the Southern Nevada Children's Home site for another piece of land in Boulder City. Ms. Wilcox explained that state law allows land exchanges, if they are of equal value, with the approval of the State Board of Examiners and the Interim Finance Committee. If the values are not equal, they may be equalized by cash up to 25 percent of the value of the land. Ms. Wilcox indicated that such action would require an appraisal and the approval of the State Board of Examiners and the Interim Finance Committee.

Although he realized the Legislative Counsel had previously indicated that the Interim Finance Committee must approve the site before money could be expended for design, Mr. Hettrick pointed out that the Interim Finance Committee had already approved the site at its meeting on September 18, 1997, and that money for design work had already been expended as well. Given the fact that the Interim Finance Committee had already met all of the provisions in the law, Mr. Hettrick wondered whether there could be some flexibility in the law as a result of having to change the site.

Mrs. De Braga wanted to know whether a soil analysis had been done on the other four sites. Mr. Raecke indicated that a soil analysis, as well as an environmental assessment, would need to be done on any site selected. While he could not offer a guarantee that a similar situation would not be encountered at the other sites, Mr. Raecke noted that he was aware that several buildings which had been built in Boulder City did not require mass excavations before large structures could be built on the sites.

Senator Rawson wondered whether pile driving and other similar techniques had been considered at the 5<sup>th</sup> and Craig Street site. It was Senator Rawson's belief that if a soils analysis were to be done today on the Legislative Building site, it would probably not pass muster. Mr. Raecke agreed with Senator Rawson's observation and he cited the new DMV facility, as a case in point. The new DMV facility, which is currently being built in Carson City, is located on swamp land and sits on approximately 36 piles that are 30 feet deep. Mr. Raecke said he was pleased to announce that the project was brought in within budget.

Senator Rawson wondered whether it was possible to reopen negotiations on any of the sites which were withdrawn from consideration earlier by the USAF. Mr. Abbott indicated that the site rejected earlier by the Nellis Air Force Base, because of objectionable surrounding environment, would have been withdrawn in any event as a result of an environmental study which showed a rare plant species, i.e., the California Bear Paw Poppy, was endangered. Mr. Abbott also indicated that the original site had already been programmed for buildings.

Senator Regan suggested that the subcommittee look at a prime site on the Nellis Air Force Base range road, which is the area immediately west and approximately one mile from the original site. The site is situated on Recreational and Public Purpose (R and PP) land and is under contract with the Bureau of Land Management (BLM). He also noted that the new headquarters for the National Guard was located on the site. It was Senator Regan's understanding that if a Veterans Home were to be developed on this site, it would be classified for public use, which would allow 20 to 25 percent non-veterans to be admitted to the Veterans' Home. Mr. Raecke indicated that Adjutant General Drennan "Tony" Clark had expressed his desire that the Veterans' Home be situated on that site. Mr. Raecke said the only problem he could foresee was that the eventual build out of the Veterans' Home would accommodate 900 beds over the next several bienniums and such a large facility would require about 40 acres. In his discussions with General Clark, Mr. Raecke said General Clark had indicated to him that 10 acres would not be a problem, but 40 acres would be an impossibility because of the lay out of this particular parcel of land. If the Committee were to select this site, it was Mr. Raecke's belief that it would require a change in philosophy by the Veterans Administration in trying to have 900 beds at one site.

It was Mr. Arberry's understanding that there would be a problem with utilities at the Nellis Air Force Base range road site. Although there was no existing infrastructure at the site before the National Guard facility was built, Mr. Raecke noted that water, sewer, gas, power and telephone service was currently available.

Ms. Giunchigliani suggested that the Committee focus on finding the best possible site to coincide with the funding that had already been appropriated by the 1997 Legislature, rather than looking for a site to accommodate a much larger facility that might be built five or more years from now. Since the Nevada State Museum will remain at Lorenzi Park, Ms. Giunchigliani wanted to know whether

consideration was going to be given to the second site in Boulder City, although she recalled the concerns expressed by some of the veterans about transportation to Boulder City. Mr. Raecke acknowledged that the next four phases of the Veterans Home were not funded and that although a number of regional facilities could be built within Clark County if the Veterans Administration chose to do so, it would represent a change in philosophy from the original concept for the Veterans Home.

While he thought Senator Regan's suggestion to consider the range road site at Nellis Air Force Base had merit, Mr. Hettrick said he thought the time issue alone would preclude selection of that site because Congress would have to approve an exemption. Mr. Hettrick suggested that the subcommittee pursue the possibility of leased land because it would allow the state to move forward quickly.

Ms. Wilcox said she did not believe it was possible for anyone to state today with any degree of accuracy whether the Nellis Air Force Base site could be cleared without going to Congress. Ms. Wilcox said she had only learned of the availability of the site today and she had not had the opportunity to contact BLM regarding the applicable regulations. It was Ms. Wilcox's suggestion that the Committee keep the Nellis Air Force Base site as an option which could be explored.

As a member of the Veterans' Home Site Selection Subcommittee, Senator Jacobsen said it was his belief that the subcommittee had done the job it was assigned to do by reviewing the five sites and recommending the 5<sup>th</sup> and Craig Street site to the Interim Finance Committee. Senator Jacobsen also indicated that he and Mr. Abbott had met on a regular basis with Mr. Raecke and the SPWB staff to try to keep current; however, the results of the geo-technical study had only been brought to their attention last week. Senator Jacobsen expressed concern about abandoning the 5<sup>th</sup> and Craig Street site because a consensus had been secured of all of the various veterans groups and a volunteer group was meeting soon to look at the design plans. It was Senator Jacobsen's opinion that the only alternative was to reactivate the subcommittee and review the other sites.

If the reactivated subcommittee were to be able to review the sites and report back to the Committee by the latter part of June, Chairman Raggio asked Mr. Raecke if he thought it would allow enough time for the preparation of the environmental assessment statement. Mr. Raecke said that if the subcommittee were to recommend a site at the Interim Finance Committee's June meeting, it would leave only three months in which to prepare an environmental assessment statement that ordinarily takes six months to prepare, mainly because of the necessity of having to hold public hearings. According to Mr. Raecke, Mr. Abbott contacted the Veterans Administration regarding an extension to the September 30, 1998, deadline.

Chairman Raggio recognized Mr. Abbott, who stated that the Veterans Administration had indicated to him that if the state made substantial efforts on the rest of the project and that if the environmental assessment was in process, it was possible for the state to receive a conditional approval of the grant on September 30, 1998, and a few months extension in which to meet those conditions.

Since he thought it would be foolhardy for the Committee to vote on a site today without having an understanding of what might be involved in obtaining the site, Chairman Raggio suggested that the subcommittee be reactivated; that the subcommittee take the necessary actions preparatory to making a recommendation for a site; that the subcommittee report back to the Interim Finance Committee with a recommendation at the June meeting, and at which time the Committee will act.

Senator Rawson suggested streamlining the process by having Mr. Raecke, Mr. Abbott, and the chairman of the subcommittee do an evaluation of the sites and bring back to the Interim Finance Committee at the June meeting a priority list of three sites from which the Committee would select a site.

Mr. Raecke told the Committee that if three sites were to be brought back to the Interim Finance

Committee at the June meeting, he thought he could get enough geo-technical work done on each of the three sites to eliminate the possibility of the recurrence of a similar problem.

In the interest of time, Chairman Raggio said he would accept a motion to reconsider the Committee's previous action when it approved the 5<sup>th</sup> and Craig Street site for the Veterans Home.

**MR. HETTRICK MOVED TO RECONSIDER THE INTERIM FINANCE COMMITTEE'S PREVIOUS ACTION WHEN IT APPROVED THE 5<sup>TH</sup> AND CRAIG STREET SITE FOR THE VETERANS HOME. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

Chairman Raggio recognized Senator Rawson.

**SENATOR RAWSON MOVED TO RESCIND THE COMMITTEE'S PREVIOUS ACTION; WHEREBY, IT APPROVED THE 5<sup>TH</sup> AND CRAIG STREET SITE. SECONDED BY MR. HETTRICK AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

After announcing the reactivation of the Veterans Home Site Selection Subcommittee, which consisted of himself as chairman and Mr. Arberry as vice chairman, and Senator Jacobsen, Senator Regan, Mr. Close and Mr. Price as members, Chairman Raggio directed the subcommittee to proceed diligently and report back to the next meeting of the Interim Finance Committee. Chairman Raggio also directed the subcommittee to coordinate with Mr. Raecke and Mr. Abbott in identifying at least three potential sites and to submit those three sites in a prioritized order to the Interim Finance Committee at its June meeting. Chairman Raggio, in concurrence with Mr. Hettrick's previous recommendation, requested that SPWB conduct a geo-technical analysis on each potential site and that the Commission on Veterans Affairs prepare a formal request to the Veterans Administration asking for an extension to the September 30, 1998, deadline for final grant submittal.

Senator Regan requested that Ms. Wilcox be directed to look into the availability of the range road site at Nellis Air Force Base. Since he thought Senator Regan's request was appropriate, Chairman Raggio asked Ms. Wilcox to comply with Senator Regan's request.

Senator Rawson suggested that consideration be given to the overall Master Plan so as not to deter future development of the site.

Senator Jacobsen noted that the Commission for Veterans Affairs would be meeting in Las Vegas on Saturday, May 9, 1998, and he would report the Committee's actions at that time.

#### 4. Project Status Report.

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

Senator Jacobsen said the Committee would recall that funding was appropriated by the 1997 Legislature for a gymnasium and multipurpose building for the China Spring Youth Camp in Douglas County. Senator Jacobsen said he had been able to get a work crew from the U.S. Naval Air Station at Fallon to do the site preparation, which saved the state about \$15,000, and that it was his intention to send a letter to the commanding officer of the work crew expressing the state's appreciation for their assistance.

### **J. INFORMATIONAL ITEMS:**

1. Update report on legislative computer applications - S.B. 72 and S.B. 196.

Mr. Lorne Malkiewich, Director, Legislative Counsel Bureau (LCB), directed the Committee's

attention to a handout of a memorandum from Ron Nichols, Manager, Information Systems, LCB, dated May 5, 1998, a copy of which is included in the meeting minutes as Exhibit L. Due to time constraints, Mr. Malkiewich said he would not review the memorandum in its entirety, but he wished to point out that moving off of the mainframe to the new NT Server Network, which was a major component of S.B. 72, was expected to save LCB an estimated \$8,000 per month in maintenance costs. Mr. Malkiewich said he wished to defer to Mr. Close, chairman of the Subcommittee for Computer Application to the Legislative Process (SCALP), for additional comments. Mr. Close said he did not wish to comment further because he thought the memorandum from Ron Nichols was self-explanatory.

## 2. Legislative Commission on Health Care - Quarterly report.

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

## 3. Nuclear Projects Office - Status report.

Since it was his understanding that a request for funding for the Nuclear Projects Office would be on the agenda for the Interim Finance Committee's June meeting, Chairman Raggio thought it would be appropriate for Mr. Robert Loux, Executive Director, Agency for Nuclear Projects, to brief the Committee at this time. Mr. Loux said he had told the Committee in January of 1998, he anticipated making a request in June for an allocation from the Contingency Fund to fund some of the Agency's activities for next fiscal year. He said, however, a problem had since arisen that would prevent the Agency from bringing forward any federal funding into the new fiscal year. According to Mr. Loux, the U.S. Department of Energy (DOE) conducted a review of an audit that was done by the General Accounting Office (GAO) about three years ago for fiscal years 1994 and 1995. The DOE's contracted auditors determined that as much as \$691,000 had been improperly spent and, as a result, the DOE has requested the Agency not to draw down below \$691,000 in its Letter of Credit, in anticipation of DOE declaring an audit exception and rescinding the advanced funding. Mr. Loux indicated that the Agency currently has under \$800,000 remaining in federal funds and if \$691,000 in federal funds were to be frozen, it would leave approximately \$92,000 for operating costs to July 1, 1998. Although he believes the Agency would be able to manage until July 1, 1998, Mr. Loux said the Agency would have to close its doors after July 1, 1998. The principal issue in the audit relates to out-of-state communications. Nearly \$600,000 of the entire amount expended has been potentially disallowed due to the DOE's interpretation that the Agency is not allowed to communicate with citizens and entities outside of the geographical boundaries of the State of Nevada. Mr. Loux said he does not agree with the DOE's interpretation nor does the Office of the Attorney General. Although he was unable to speak to specific issues, because he had not yet had the opportunity to review the audit report, Mr. Loux told the Committee that the Agency may be in a situation of needing state funds for the second year of the biennium.

Speaking to a separate issue, Mr. Loux apprised the Committee that in anticipation of the DOE's audit report being released later on this year, the Agency released a report to the news media yesterday dealing with the subject of the cost of the Yucca Mountain Project, including an interim storage facility as contemplated by the federal legislation. The Agency's report, which was reviewed by Peat-Marwick and Associates, confirms the total cost of the project to be \$53.9 billion. Since only about \$6 billion has been spent to date, Mr. Loux indicated that the total sunk costs for the project are about 11 percent. The Agency's report also suggests that the entire contribution from the nuclear utilities industry to pay for this project will more than likely not exceed a maximum of \$26 billion, leaving as much as a \$34-billion taxpayer liability. It was Mr. Loux's opinion that there are policy problems with the project which would have to be addressed at the federal level. Mr. Loux said he would be happy to provide a copy of the report to any of the members of the Committee who express an interest in receiving one.

## 4. Benefit Services Committee - UICI Administrators - Update on claims processing.



Refer to testimony under item C6.

5. Department of Education:

- a. Update on Goals 2000.
- b. School-to-Careers/School-to-Work Programs.

Chairman Raggio noted that the Committee had received a separate informational packet entitled "Nevada's School to Careers."

At the March 25, 1998, Interim Finance Committee meeting, Mrs. Cegavske said she had asked Mr. Douglas Thunder, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, for a list of businesses which had participated in the School-to-Careers Program, but she had not yet received the list.

Chairman Raggio asked the legislative Fiscal Analysis Division staff to follow up on Mrs. Cegavske's request.

6. Department of Human Resources - Health Division - Follow-up information for Fundamental Review of Base Budgets - Use of Category 26 funds.

Mr. Alex Haartz, Administrative Services Officer, Health Division, noted that the Health Division's Emergency Medical Services (EMS) Program had been selected for base budget review. During that process, the Health Division proposed to change the funding provided in category 26 (Information Services) to purchase pre-designed software and instead request assistance from the Department of Information Technology (DoIT) to define the actual software application needed.

7. Department of Human Resources:

- a. Welfare Division - Update on NOMADS Project.

Speaking on behalf of Ms. Myla Florence, Administrator, Nevada State Welfare Division (NSWD), who he said was on vacation this week, Mr. Michael Willden, Deputy Administrator, said he was prepared to provide an update on the Nevada Operations Multi Automated Data Systems (NOMADS) Project. Mr. Willden introduced Ms. Marlene Lockard, Administrator, DoIT, and Mr. Frank Pecovich, IBM. Mr. Willden noted that the tasks under the original contract amendments 1 through 6 had been completed as of October 1, 1997. Contract amendment 7 was negotiated for the period from October 1, 1997 through March 31, 1998. The scope of work to be covered is as follows: to look at several Welfare Reform issues that were impacting the NOMADS Project; to hold Joint Application Development (JAD) sessions; to continue testing; and to analyze and implement alternatives to roll out the NOMADS Project.

Mr. Willden said he was happy to report that the majority of the JAD's have been completed. Mr. Willden also indicated that the NSWD staff had reviewed approximately 80 issues, a number of which were related to Welfare Reform, that could possibly impact the NOMADS Project. NSWD determined that there were 48 critical items and 12 to 15 additional items that need careful consideration. Mr. Willden suggested that the principal issue was how NSWD would deal with employment and training programs. NSWD made an important decision in March to change the rollout, or implementation schedule, for NOMADS. Although NSWD had been operating under the "big bang" theory, where all of the programs would become operational before rolling out NOMADS, NSWD is currently using a two-step approach and plans to have its first parallel pilot on August 3, 1998, in Washoe County.

During the first rollout, NSWD intends to load non-public assistance Child Support cases, non-

public assistance Food Stamp cases (cases not on the Temporary Assistance for Needy Families (TANF) Program, and Medical Assistance to the Aged, Blind and Disabled (MAAMD) institutionalized cases. If the parallel pilot is successful, NSWDC intends to proceed with an initial pilot on September 15, 1998, and start rolling out NOMADS statewide on November 30, 1998, based on a Go/No-Go decision after the pilot is done. Since the programs previously described were not impacted by Welfare Reform, but the public assistance Child Support cases and the TANF cases were severely impacted by the Welfare Reform legislation, Mr. Willden said NSWDC decided to split the two streams and have the programs not impacted by Welfare Reform rolled out, while NSWDC continues to work on fixing the programs impacted by Welfare Reform. The second parallel pilot, which will be a fully integrated parallel pilot, is scheduled to start on January 22, 1999, followed by a full pilot on March 29, 1999, and the statewide fully integrated rollout of NOMADS will begin in June of 1999.

Although NSWDC was mandated by the federal government to have a certified Child Support system implemented by October of 1997, Mr. Willden indicated that only about 22 states had been able to meet that certification requirement. The federal Office of Child Support Enforcement has subsequently notified those states which did not meet the October deadline that it would begin withholding funding on the NOMADS Project. NSWDC received notification on January 27, 1998, and exercised its appeal rights on March 23, 1998, in order to protect the funding. Although a hearing has not yet been scheduled, NSWDC received a letter from the federal Office of Child Support Enforcement on May 2, 1998, acknowledging NSWDC's request for due process. Since Congress recognizes that there are a number of states that have not yet been able to implement a Child Support system, both a Senate version and a House version of H.R. 3130 have been introduced. NSWDC is hopeful that the Senate version of H.R. 3130 will pass because it would be more beneficial to the State of Nevada. Depending on when NSWDC receives its certification, Mr. Willden indicated that there could be a 4 percent, 8 percent, 16 percent, or 30 percent penalty over the next four years. He said, however, if NSWDC receives certification by September 30, 1999, it could potentially not be penalized more than eight-tenths of one percent of funds for being late. Mr. Willden added that NSWDC intends to continue tracking H.R. 3130 closely.

Mr. Willden said he wished to report that NSWDC and IBM have negotiated contract amendment #8, which covers the period April 1, 1998 through June 30, 1999. This amendment is a time and materials contract with a capped "not to exceed" number of hours totaling 78,441. IBM will continue to provide project management leadership, as well as manage and perform the tasks for software development, testing, conversion, two parallel pilots, two pilots, rollout implementation and certification.

Continuing, Mr. Willden indicated that NSWDC has assembled a training team for northern Nevada and southern Nevada. Computer training rooms are available for staff at the Professional Development Centers (PDC) in Las Vegas and in Reno. NSWDC anticipates taking staff off the line at the end of this month for familiarization sessions on NOMADS. NSWDC hopes to provide formalized training for the phase 1 rollout in August and September for staff working on Food Stamps, MAAB, and non-public assistance Child Support caseloads. The training will be based both on Computer Based Models (CBM) and actual hands-on classroom training.

Since he thought it was a larger system than was originally envisioned, Senator Rawson suggested that a number of the Committee members had not yet grasped the magnitude of the NOMADS Project. Senator Rawson inquired as to the number of screens that would be involved in the training process. Mr. Frank Pecovich, Project Engineer, IBM, noted that there were about 800 screens in the complete system, which includes both the Welfare portion of the system, as well as the Child Support portion.

Senator Rawson pointed out that each legislator had received a personal computer (PC) with a number of different screens during the 1999 Legislature and he suggested that it had taken a considerable length of time before most of the legislators felt comfortable with the operation of the PC. Senator Rawson asked Mr. Willden if he thought NSWDC had an adequate plan to train the employees on NOMADS. Although he acknowledged that NSWDC had not yet finalized its training plan for NOMADS, Mr. Willden said he did not believe a caseworker would ever need to use 800 screens. In citing an example of the system's simplicity, Mr. Willden noted that Ms. Florence, who he said had "keyboard phobia," was able to navigate the system with 20 minutes training. Mr. Willden said he wished to assure the Committee that NSWDC's employees would receive adequate training on NOMADS.

In responding to a question from Senator Rawson, Mr. Willden said he thought the software product would be adequate after the 48 changes have been made.

Senator Rawson wanted to know whether NSWDC plans on having a "Help Desk" for staff to call when they need assistance. In addition to having a "Help Desk," Mr. Willden indicated that the training teams would go into the field offices and become the "super helpers."

While he did not mean to sound accusatory, Senator Rawson said he recognized that the legislature had expended a significant amount of money placing technology into the classrooms, yet a number of students and teachers are not using that technology because of the "fear factor" and other problems. Since he thought NSWDC's training plan could be a "weak link," Senator Rawson urged NSWDC to provide the necessary training so that the employees have all of the skills they need. Mr. Willden acknowledged that a number of the front line Eligibility workers and Child Support workers have expressed concern about the keyboarding aspect of the system and being able to keep up with the pace. In order to address this issue, Mr. Willden indicated that NSWDC had provided every front line worker with either a dumb terminal or a PC about two years ago. Although he thought the front line workers have had the opportunity to acquire keyboarding skills, Mr. Willden said the workers have not had time to work with the screens. He said, however, during the familiarization process workers would be categorized into two groups; i.e., those who need additional training on keyboarding and system navigation and those who do not need additional training.

Senator Rawson inquired about the security of the system. Mr. Willden said the system had been built with numerous security features.

Ms. Giunchigliani wanted to know whether NSWDC had considered developing a budget in the future which would compensate workers who need to be trained outside of the normal work day. Since time away from the desk for training purposes is difficult at this point in time, Mr. Willden indicated that NSWDC anticipates being able to offer workers additional training in the evenings or on Saturdays.

Mrs. Krenzer wondered whether NSWDC was still in jeopardy of being fined by the federal government for not meeting the October 1997, deadline. Unless H.R. 3130 passes, Mr. Willden said that NSWDC could be facing significant penalties. He said, however, NSWDC would face much less of an impact if H.R. 3130 were to be passed, but it would depend on when NSWDC actually complies with the federal mandate.

Chairman Raggio recognized former Senator Mathew Callister sitting in the audience and asked him if he wished to comment on the NOMADS Project as a representative of IBM. Mr. Callister told the Committee that he planned to provide a presentation on the NOMADS Project at a future meeting of the Interim Finance Committee.

b. Division of Child and Family Services - Regionalization Plan.

A copy of the Division of Child and Family Services (DCFS) Regionalization Plan was provided to the Committee as a handout (Exhibit M), and a copy of which is on file in the legislative Fiscal Analysis Division.

Mr. Stephen Shaw, Administrator, DCFS, pointed out that the Regionalization Plan represents about 18 months of work by the DCFS staff and two different consultants, following the recommendations that were made several years ago as a result of the Business Process Re-engineering (BPR) study. According to Mr. Shaw, the Regionalization Plan would need to be modified as changes occur. It was Mr. Shaw's belief that the provision of regionalized services makes a great deal of sense because each of the three regions, southern Nevada, northern Nevada, and the rural counties, had different needs. Mr. Shaw offered to meet with any Committee member who desires additional information on the Regionalization Plan.

Chairman Raggio wondered whether each region would be fiscally responsible. Mr. Shaw indicated that a centralized fiscal office had been created to ensure fiscal accountability in the regions as they accept greater service accountability. The fiscal office will also be responsible for budget preparation, division accounting, and financial reports.

Chairman Raggio questioned why each region was not going to be held fiscally responsible. It was Mr. Shaw's recollection that the Committee had directed DCFS to centralize its fiscal operation until expenditures were under control. Mr. Shaw estimated that it would take two to four years to get expenditures under control and once that has been achieved, he hoped to regionalize fiscal responsibility because he thought it was the best approach.

8. Department of Employment, Training and Rehabilitation - Temporary full-time equivalent (FTE) adjustment for unclassified position approved by the 1997 Legislature.

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

9. Department of Prisons:

a. Adjustment in FTE levels.

b. Update on implementation of Assembly Bill 389 for 1995 and 1996.

There were no comments or questions from the Committee on the above two items.

10. Department of Conservation and Natural Resources - Division of State Lands - Quarterly report of Tahoe Basin Act.

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

## **K. PUBLIC TESTIMONY.**

There was no public testimony.

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

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Senator William J. Raggio, Chairman

Interim Finance Committee

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Lorne Malkiewich, Director

Legislative Counsel Bureau, and

Secretary, Interim Finance Committee