

**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 Wednesday, March 25, 1998, at 8 a.m., in Room 1214 of the Legislative Building, in Carson City, Nevada.

**COMMITTEE MEMBERS PRESENT:**

Senator William J. Raggio, Chairman

Assemblyman Morse Arberry, Jr., Vice Chairman

Senator Lawrence E. Jacobsen

Senator Bernice Mathews

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 Jan Evans

Assemblywoman Christina R. Giunchigliani

Assemblyman David E. Goldwater

Assemblyman Lynn Hettrick

Assemblyman David E. Humke

Assemblywoman Sandra Krenzer

Assemblyman John Marvel

Assemblywoman Kathy A. Von Tobel

**COMMITTEE MEMBERS PRESENT IN LAS VEGAS:**

Senator William R. O'Donnell

**COMMITTEE MEMBERS ABSENT:**

Senator Bob Coffin, Excused

Assemblyman Richard D. Perkins, Excused

Assemblyman Bob Price, 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. Chairman Raggio also announced that Senator O'Donnell would be monitoring the meeting via telephone hook-up from Las Vegas; however, this would not constitute an ability to vote since the Interim Finance Committee's meetings are not televised.

Chairman Raggio inquired about the condition of Mr. Price who fell ill yesterday on his way from Las Vegas to Carson City to attend the Interim Finance Committee meeting. Mrs. Krenzer, who was with Mr. Price at the Reno/Tahoe Airport when he became ill, reported that Mr. Price was doing much better today and tests were being conducted to determine the reason for his sudden illness. The doctors at Washoe Medical Center have not yet determined whether his illness was due to a minor heart attack or a diabetic seizure. Mrs. Krenzer suggested that a round of applause be given to the legislative policeman who may have saved Mr. Price's life.

Chairman Raggio asked Director Malkiewich to convey the sentiments of the Committee to Mr. Price. Chairman Raggio also asked for a moment of silence in respect to R. Guild Gray, former legislator, and probably one of the most eminent educators in Nevada, who passed away this morning.

**B. APPROVAL OF JANUARY 14, 1998, MEETING MINUTES.**

**MR. MARVEL MOVED TO APPROVE THE JANUARY 14, 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, 2 and 7 on page 1; 8, 9, 10, 11, 12, 13, 14 and 15 on page 2 (item 16 was withdrawn); 17, 18 and 20 on page 3; 29, 30 and 32 on page 4; 34, 35 and 38 on page 5. In Volume II: item 46 was withdrawn on page 6; 47, 49 and 50 on page 7; 57, 58 and 59 on page 8; 66, 68, 69 and 70 on page 9; 71, 73, 74 and 76 on page 10; and 79 and 80 on page 11.

**MS. GIUNCHIGLIANI MOVED TO APPROVE ALL ITEMS NOT PREVIOUSLY ENUMERATED ABOVE. SECONDED BY SENATOR REGAN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**1. Department of Administration - Risk Management - Benefit Services Fund - FY 98** - Transfer of \$44,300 from Reserve category to Operating category, and \$3,170,000 from Reserve category to Self-Insured Program Costs category to provide additional funding required through end of this fiscal year related to operating and Self-Insured Program costs including costs related to the new third party administrator.

Mr. Perry Comeaux, Director, Department of Administration, apprised the Committee that Mr. David Thomas, Risk Manager, had resigned and gone into private business since the last meeting. Mr. Comeaux said he had asked Mr. Randy Waterman to serve as Acting Risk Manager until recruitment could be completed and a permanent replacement selected.

Chairman Raggio welcomed Mr. Waterman and suggested that he address agenda items C1 as well as J4. Mr. Waterman apprised the Committee that the purpose of this request was to increase authority in the amount of \$44,137 in the operating category in budget account 1338. Of that amount, \$28,859 is related to additional costs which were incurred in postage, contract services and mailing services for the transition of the state's third party administrator (TPA) from L&H Administrators to UICI Administrators. In addition, \$12,281 is related to additional costs for filing supplies and temporary services to implement recommendations of a recent audit of the Benefit Services Fund by the Legislative Council Bureau (LCB) Audit Division to establish a file management system. Also, \$4,567 is related to the contract with an independent contractor to present monthly employee benefit orientation meetings to new state employees in the rural areas.

Mr. Waterman also requested increased authority in category 10 (Self-Insurance Program costs) in the amount of \$3,170,000. Of that amount, \$1,979,534 is related to additional costs for administrative and consulting expenses for the transition of the state's TPA from L&H to UICI. Mr. Waterman noted that \$773,708 is related to an increase in Health Maintenance Organization (HMO) premiums due to increased rates and greater enrollment than projected during the budget cycle. He also indicated that \$223,630 is related to a contract with the Nevada Dental Alliance for a dental Preferred Provider Organization (PPO) network. Mr. Waterman said that \$219,666 is related to increased expenses for UNUM, which were inadvertently not included in the original budget. An enhancement to the plan is the addition of dependent life insurance of \$2,000 for active employees and \$1,000 for retired employees. The cost for this additional benefit is \$105,000 for the fiscal year. Additionally, the life insurance rate increased \$.01 retroactive to January 1, 1997, in order to offer the premium waiver to individuals who were declined by Hartford Insurance Company.

Chairman Raggio questioned why the premium increase for HMO coverage was being recommended for funding from reserve, rather than from increases in premium revenues. Mr. Waterman introduced Ms. Karen Rasner, Accountant, Risk Management Division, who said that it would make sense for Risk Management to increase the premium revenues rather than funding the HMO coverage from reserve because the funding is a "wash through." She said, however, because the overall total revenue for insurance premiums has not been higher than budgeted, an increase to augment revenue has not been requested.

Chairman Raggio asked Ms. Rasner if she would have any objections to charging the premium increase for HMO coverage to increases in premium revenues rather than reserve and Ms. Rasner responded that she would have no objections.

Chairman Raggio wanted to know why an additional \$1.8 million was being requested for UICI services. Ms. Rasner explained that there was an increase in administrative fees when the state transitioned from L&H Administrators to UICI Administrators. Although the state's consultants originally contracted with UICI for an administrative fee of \$8.40 per employee for medical, Ms. Rasner noted that the state was currently paying UICI an administrative fee of \$11.32 per employee to administer the medical.

Chairman Raggio wondered whether UICI had been penalized for failure to meet contracted turnaround times. According to Ms. Rasner, UICI's performance agreements are on a quarterly basis and she expects an assessment to be made in April of UICI's performance during the months of January, February and March. In responding to a question from Chairman Raggio, Ms. Rasner said she could not provide an estimate of the amount of the sanctions at this time.

Chairman Raggio wanted to know whether procedures were in place to ensure that UICI meets the processing accuracy requirements. Mr. Comeaux apprised the Committee that the state's current contract with UICI provides for certain levels of service and that the penalties were tied to non-performance in those areas. Although it was his recollection that the penalty levels had been discussed at previous meetings, Mr. Comeaux indicated that the penalty levels for UICI were somewhat lower than previous contracts. He also stated that the penalty levels were lower than those levels deemed acceptable to the state that were included in the new Request for Proposals (RFP) for TPA services for the plan year beginning January 1, 1999, which was issued last Friday, March 20, 1998. According to Mr. Comeaux, the reports received by UICI will be reviewed by the consultant in order to determine whether UICI has complied with the terms of the contract. If UICI has not met the required performance levels, then sanctions will be applied. Mr. Comeaux said, however, no sanctions had yet been applied to UICI because the quarterly report was not due until April. Mr. Comeaux said he was sure the Committee would recall that sanctions were applied month after month to the previous TPA, L&H Administrators.

Chairman Raggio directed the Committee's attention to a handout entitled "Claims Status Update Ending 03/13/98, Revised," and a copy of which is included in the meeting minutes as Exhibit A. Chairman Raggio noted that UICI's report indicates there were 16,128 medical claims over 10 days as of March 13, 1998, and he wondered whether this number represents an improvement or significant non-compliance. Chairman Raggio recognized Ms. Jan Marie Reed, UICI Administrators, who told the Committee that UICI receives about 20,000 claims per week from the state; whereas, UICI had originally expected to receive 43,000 claims per month. When UICI first became the state's TPA, Ms. Reed recalled that there were over 100,000 claims each month that were over 10 days; therefore, she thought the current backlog of 16,128 claims over 10 days represents a significant improvement. Although UICI has been able to decrease the backlog and make considerable progress, Ms. Reed indicated that the number of claims received in the months of January and February were significantly higher than were originally anticipated.

Chairman Raggio wanted to know whether the 20,000 claims that were previously on open status due to data entry problems had been resolved. Ms. Reed responded that those claims would be going through the check-writing process tonight.

Ms. Giunchigliani wanted to know why the administrative fee was increased from \$8.40 per employee to \$11.32 per employee. Ms. Rasner said her best guess was that the state needed a TPA and UICI was willing to assume the responsibility. It was Ms. Giunchigliani's hope that the Committee on Benefits (COB) would have an open process when the next TPA contract is bid.

It was Chairman Raggio's recollection that the state's consultant, William Mercer Company, had recommended UICI. Mr. Comeaux said that Chairman Raggio's recollection was correct and he added that COB had canceled the TPA contract with L&H Administrators in June of 1997, based on licensing problems L&H was having with the Insurance Division and other problems of a long-term duration. The term of UICI's contract is for the balance of L&H's contract, which expires December 31, 1998. Mr. Comeaux indicated that the COB had issued an RFP for TPA services last Friday, March 20, 1998, and he would be happy to provide a copy of the RFP if the Committee so desires. Mr. Comeaux said he thought the COB had learned from this very difficult experience and that the new RFP includes a number of features that would give the state more protection in the future that were not included in the current contract or in previous contracts.

Ms. Giunchigliani wanted to know who had crafted the new RFP. Mr. Comeaux said the RFP was crafted by the state's consultant, William Mercer Company, the state Purchasing Division, the Office of the Attorney General, and the COB.

Ms. Giunchigliani said she would be interested in learning what type of training the members of the COB receive on, for example, contract writing, contract negotiation, and understanding reserving. Mr. Comeaux responded that the members of the COB receive on-the-job training.

Ms. Giunchigliani suggested that since training is available for self-insured organizations, groups, and trustees, it was irresponsible on the part of the state to ask lay people to be making multi-million dollar decisions without appropriate training. Mr. Comeaux said he would agree with Ms. Giunchigliani and he noted that the

COB had taken steps over time to train itself and it had also engaged consultants to look at the operation. It was Ms. Giunchigliani's belief that some of the problems the state had run into the last time may not have occurred if the COB had known what type of questions to ask. Ms. Giunchigliani also thought that the first thing anybody would check was whether a potential vendor was licensed in Nevada, but this was not done when L&H was hired.

To respond to a question from Ms. Giunchigliani regarding the additional funding being requested for consulting costs, Mr. Comeaux said the William Mercer Company had incurred additional costs as a result of the termination of the L&H contract and the transition to UICI. Working at the request of the COB, Mercer assessed UICI's organization and procedures and reviewed UICI's internal controls to determine whether it was operating in a fashion that would make defalcation easier. Mr. Comeaux said he wished to clarify that the cost for TPA services was comprised of two components; i.e., the additional monthly fee per participant and the fee charged by the TPA for run-in claims. According to Mr. Comeaux, the additional charge by UICI for run-in claims was for those claims received by L&H prior to the termination of its contract that were delivered to UICI in cardboard boxes. The contract with UICI provided that UICI would start processing current claims at the new monthly fee as of a certain date.

In responding to several questions from Ms. Giunchigliani, Mr. Comeaux said he wished to clarify that when he had referred previously to an additional charge he meant the amount over and above what the state was paying L&H. Mr. Comeaux also noted that the exact cost of the additional consulting fees was \$116,861.

It was Mrs. Krenzer's recollection that at the last meeting she and Mrs. Evans had requested performance indicators be provided on a monthly basis. In addition, she asked specifically for a detailed report on the current backlog and the number of claims processed versus the number of claims received. Mrs. Krenzer said she had been unable to locate a response to those questions in the meeting packets. Since the Committee had expressed concern during the last meeting about responses being delivered on the day of the meeting or shortly before the meeting, Mr. Comeaux stated that staff had been asked to provide their responses on a certain date and those responses can be found on pages 75, 76, 77 and 78 in Volume III of the meeting packets. He also reviewed the revised information from March 1 through March 13, 1998, provided as a handout by UICI (Exhibit A).

Chairman Raggio wanted to know whether all of those claims listed under "backlog" would total 51,175, the number of claims processed through March 13, 1998. Ms. Reed indicated that the number of claims processed represents the number of claims UICI takes from the shelf and puts through the system to be processed which end up being paid. According to Ms. Reed, approximately 6 percent of the total claims are pending additional information needed by UICI in order to resolve the claims. The claims that come in, but are not yet processed, are called "backlog." These are claims sitting on the shelf that have not yet been touched. The reason UICI reports those claims over 10 days and those claims under 10 days is because those claims over 10 days represent claims which are out of compliance with UICI's contract. Since UICI has agreed to process claims within 10 days of receipt, Ms. Reed noted that her revised report indicates that there were 16,128 medical claims over 10 days old and 19,337 medical claims that were less than 10 days old, as of March 13, 1998. Ms. Reed said the Committee should always expect to see a 10-day backlog of claims unless it wants to change the turnaround time to within two or three days of receipt.

Since the last meeting, Ms. Reed said she had done a rough calculation of the number of claims over 10 days old and she estimated that UICI was going to be penalized approximately \$65,000 to \$70,000 for the months of January, February and March.

Mrs. Krenzer wanted to know what percentage UICI used when it calculated the penalty. Ms. Reed indicated that the penalty was based on a 9 percent assessment of the administrative fee for claims over 10 days old. It was Mrs. Krenzer's understanding that L&H, the state's prior TPA, was assessed at 12 percent of the administrative fee for claims over 10 days old. Mr. Comeaux said he could not recall the exact percentage number, but he knew it was higher than 9 percent.

Although she was pleased that the state was going to be advertising a new contract for TPA services, Mrs. Krenzer wanted to know whether the RFP includes the cost of picking up the backlog. Mr. Comeaux said the

backlog was addressed in the new RFP as were specific penalty provisions. He also noted that the performance guarantees included in the new RFP were considerably higher than the ones included in UICI's contract. For example, dollar paid financial errors cannot be greater than 3 percent and if they are greater, there will be a 30 percent fee reduction. The state will expect a 90 percent overall non-financial claims processing accuracy. Failure to meet the 90 percent accuracy rate will result in a 15 percent penalty of the administrative fee. The turnaround time on claims was increased from 10 days to 14 days and the penalty will be 15 percent if the TPA exceeded 14 days. If a claim were to be over 30 days, the penalty will be 30 percent. Regarding customer service accessibility, if the TPA fails to respond to the telephone within 30 seconds 80 percent of the time, the penalty will be 5 percent. In addition, there are penalty provisions for "hold time" and abandonment on the telephone. Since the COB has been advised by William Mercer Company that the penalties being proposed in the new RFP are higher than the industry standard, Mr. Comeaux said he was not sure what kind of response the state would receive on the new RFP.

Mrs. Krenzer said she wished to commend Mr. Comeaux and members of the COB for placing higher performance guarantees than industry standards in the new RFP and she hoped a vendor could be found within the marketplace at a reasonable cost who would be willing to comply with the higher standards.

It was Chairman Raggio's understanding that UICI's contract would end June 30, 1998. Mr. Comeaux said it was COB's plan to be able to award a contract to the new TPA by the end of June, or early in July of 1998, so that the state would have six months for an orderly transition, if the successful bidder was not UICI.

After referring to UICI's handout (Exhibit A), Mrs. Evans wanted to know what the "oldest date" represents. Ms. Reed noted that the "oldest date" means the oldest claims on the shelf that have not been touched. Mrs. Evans said she could provide names and addresses of people who have told her that they have routine claims pending from last summer. Mrs. Evans said she would be interested in learning how much effort UICI was expending to resolve those very old pending claims. Ms. Reed indicated that since UICI had not received any reports from L&H Administrators, it was impossible for UICI to determine how many claims received by L&H were pending. Even though her latest report indicates that the oldest claim date is February 16, 1998, Ms. Reed said that claim could very well be a June 1996 date of service, but UICI did not receive the claim until February 16, 1998. Ms. Reed said this type of claim was occurring at a greater degree at this point in the process than UICI had anticipated. Mrs. Evans wanted to know what UICI intends to do about the situation. Mrs. Evans said she had been told that people with old claims were only able to get their claims resolved if they were persistent in calling UICI. Ms. Reed said that UICI's customer services was addressing the old claims issue by getting on the telephone with the providers and asking the providers to Fax copies of any outstanding, itemized bills to UICI so that UICI would be able to resolve those bills.

Mrs. Evans also pointed out that she had received a number of complaints from people who had been placed on hold for 30 to 40 minutes before reaching UICI's client services, and some were disconnected. Mrs. Evans wanted to know what UICI was doing to address client services so people could be spoken to in a timely manner. Ms. Reed pointed out that UICI had installed additional telephone efficiency equipment last week end. She said, however, the equipment was ordered over 60 days ago. Ms. Reed said she had met with Nevada Bell representatives to ask for a letter verifying that the delay in installing the telephone equipment was not the fault of UICI's. When people call UICI now they can choose various options from a menu, i.e., extension numbers, eligibility status, claim representatives for medical questions, and other options. Ms. Reed said the additional telephone efficiency equipment had made a huge difference in UICI's client services this past week.

To respond to Mrs. Evans' concern about how she should advise her constituents who have very old claims, Ms. Reed suggested that Mrs. Evans advise her constituents to keep pressing UICI for a resolution to their old claims because otherwise UICI does not know the claims exist.

It was Mrs. Von Tobel's recollection that the Committee had been told by UICI at previous meetings the providers were being paid at 100 percent; thus, the state was not receiving a discount, and she wanted to know whether this practice was continuing. Mrs. Von Tobel also recalled that UICI had been asked at the last several meetings to provide a dollar figure of how much more the state has had to pay out because it has not been getting a discount. Ms. Reed indicated that this type of response would have to come from the actuary and not UICI. According to Ms. Reed, the old claims were still being paid at 100 percent without a discount. She said,

however, since UICI is currently paying as many of the 1998 claims as possible within 10 days the state was incurring a savings on the 1998 dates of service.

Mrs. Von Tobel wanted to know whether any of the new claims were being paid at 100 percent. Ms. Reed said that the state does not receive a discount if a new claim is over 30 days when UICI processes it. The contract for northern Nevada requires UICI to pay claims within 30 days or the discount does not apply. The southern Nevada contracts do not have such a requirement.

Since she thought there was a big difference between the claims being paid at 100 percent and the discounted claims, Mrs. Von Tobel wanted to know whether UICI would be held responsible for making up that difference. Mr. Comeaux explained that UICI would not be at fault in this case. After consulting with the Office of the Attorney General, Mr. Comeaux noted that the COB had approved a contract with an accounting firm, on a test basis, to attempt to determine the damages that the Benefit Fund has suffered as a result of lost discounts, and some other things, so that a claim can be pressed against performance bonds that might be available from the state's previous TPA, L&H Administrators, whose contract the state canceled in June of 1997. Although it was his opinion that most of the liability for the lost discounts would rest with L&H, Mr. Comeaux said the state's success in collecting on those performance bonds has yet to be determined. Under the terms of UICI's contract, UICI is required to process claims within 10 days. The loss of discounts for the northern providers does not kick in until the claim is 30 days old so if UICI were to fail to process a claim within a 30-day period, the state would pay the additional amount. The only penalty that the UICI contract provides for is the 9 percent penalty that would be applied for failing to process a claim within 10 days.

It was Mrs. Von Tobel's understanding that the discount was about 30 percent. Although Mr. Comeaux acknowledged that the discount could be a considerable amount, he noted that it varies.

Mrs. Von Tobel suggested that in the future the state should review contracts more carefully because she thought the primary reason for having medical plans was to save money. If the state is not getting a discount, Mrs. Von Tobel said there was no benefit in having a medical plan. Mrs. Von Tobel also stressed that requiring UICI to pay a 9 percent penalty for not paying claims on time does not offset the loss to the state of a 30 percent discount. Since UICI would be assessed a penalty of 9 percent of the administrative fee, Mr. Comeaux said there was no relationship between that and the lost discount. As he previously advised the Committee, Mr. Comeaux reiterated that the penalty levels included in the new RFP for TPA services are considerably higher than the present ones. He also indicated that the COB would be taking a hard look at the discounts when the next TPA contract is negotiated. It was Mr. Comeaux's belief that it would be more reasonable for a TPA to pay an additional 10 percent if claims were not processed within 30 days.

Senator Rawson asked Ms. Reed if she thought she was being treated fairly by the state. Senator Rawson said he wanted to ask that question because he thought UICI had stepped into a situation where the state might be accused of misrepresentation. Regarding the assessment of penalties, Senator Rawson said he wanted to be assured that UICI's contract was working to the mutual benefit of the state and UICI. In responding to Senator Rawson's question, Ms. Reed stated that:

It has not been easy. The job was certainly not what we understood the job to be. I think the backlog was about three times more than L&H apparently thought the backlog was. The fact that there was no L&H history that was usable. The fact that there was no pend record available. We sort of plunked down and said tell us what is going on and we have not stopped being told since. But as far as understanding that in this situation we have a responsibility to do our absolute best and to put every one of our resources at this. We put a moratorium on sales on our company in the State of Nevada when we took this job. We felt it was a big job and we did not intend to bring on any new clients as a result of that. We have lost some opportunities at sales while we got this going. And we have just now lifted that. We do feel that we see light at the end of the tunnel on this account and I think we are willing to accept some responsibility for saying maybe there was a period of time in there when we should have moved a little faster or stepped up a little quicker or maybe we should have ordered that phone equipment 30 days sooner than we did and a few things like that and for that we will take our share of the responsibility.

While he thought it would be possible to stand back in righteous indignation and quote the law and say certain penalties should be assessed, Senator Rawson said he did not believe the Committee should run roughshod over this issue because it needs to be worked out in a fair manner.

It was Senator Regan's understanding that higher performance standards and additional penalty clauses were going to be included in the new RFP for TPA services, but he wondered whether anyone had done a cost analysis because he thought someone was going to have to pay for them. He also noted that the cost of performance bonds would have to be added to the RFP.

Chairman Raggio asked Ms. Rasner if she could represent to the Committee that there is adequate reserve and that it is not necessary to increase the premiums for that portion of Risk Management's request. Ms. Rasner responded affirmatively.

Since there were no further questions or comments from the Committee, Chairman Raggio entertained a motion.

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

**Disclaimer: Senator Rawson indicated that he was an employee of the UCCSN, but he would be voting on the request because no conflict was apparent.**

**2. Department of Administration - Technology Improvement Plan - FY 98** - Addition of \$1,705,075 in Transfer from Department of Transportation to develop a contract management subsystem for new project estimation and construction contract management that will integrate with the new accounting system currently being developed as part of the Integrated Financial System.

Mr. Comeaux apprised the Committee that items 2 and 80 involve a transfer of \$1,705,075 from the Department of Transportation (NDOT) to the Integrated Financial System (IFS) project budget to develop a contract for a subsystem for contract payments for NDOT. Mr. Comeaux introduced Mr. Thomas Tatro, Administrative Services Officer, NDOT, who he said would be explaining the two items. Mr. Tatro said the purpose of the two requests would authorize funding for the development and implementation of a subsystem to perform project estimating functions, project-level budgeting, and calculation of contractor payments. The subsystem will be fully integrated with NDOT's new accounting system. The work program in item C.1 will transfer \$1,705,075 from the Highway Fund into NDOT's budget account 4660. The second work program (item C.80) will transfer that funding into category 15 in the IFS project's budget account 1320.

According to Mr. Tatro, the functionality of the subsystem was not included in the original scope of the IFS project because NDOT, at that point in time, was attempting to focus on the successful replacement of its accounting system, which is not year 2000 compliant. Implementation of a new accounting system is still NDOT's top priority. When staff reviewed the functional processes used by NDOT to perform its business, it became clear that the end product of the IFS project could be greatly enhanced by the development of a subsystem. The improvements would include, among many other things, a single data base and a significant reduction in data entry. Mr. Tatro said, however, that the most important benefit would be derived by the replacement of NDOT's currently ailing systems which, in the case of the contractor pay system, are only operating with a high level of staff effort to make them run each cycle. In addition, the existing systems are not year 2000 compliant. Mr. Tatro noted that the contractor pay system currently generates payments totaling between \$1 million and \$2 million every biweekly run and the peak annual pay cycle this year would probably exceed \$14 million.

Continuing his testimony, Mr. Tatro told the Committee that NDOT was faced with a choice of either rewriting the obsolete systems to solve the year 2000 problem and developing sophisticated interfaces to link those systems to the new accounting system, which would be very resource intensive and give NDOT the same poorly functioning programs it now has, or replace the systems with a new subsystem, which would give NDOT improved processing capabilities, integration, some business process improvement, and year 2000



compliance. It is NDOT's belief that the new subsystem development is clearly the best choice. The IFS Project Management Committee, which is comprised of representatives from the state Controller's office, Department of Personnel, Purchasing Division, the Department of Information Technology (DoIT), the Budget Division, and NDOT, is recommending the subsystem. NDOT believes that the development of this subsystem with American Management Systems, Incorporated (AMS), the existing contractor with the AFS project, is a sound and logical choice because AMS has already gained familiarity with NDOT's processes and can start the development immediately. In addition, AMS is the only contractor who can ensure complete integration with NDOT's accounting system. According to Mr. Tatro, AMS' contract can be amended quickly to include this piece. With AMS, Mr. Tatro said NDOT would have a single contractor with a solid track record developing an integrated system for accounting, estimating, budgeting, and payment administration under a contract that would closely tie payments to deliverables. The end product will be state-of-the-art systems, not 1970's programming made to be year 2000 compliant. In concluding his testimony, Mr. Tatro noted that the development of this subsystem by AMS would not only bring more value to NDOT's accounting system, but would present less risk to the project's success.

Chairman Raggio inquired as to whether a cost analysis had been done by NDOT on the three alternatives recommended by AMS to address NDOT's needs. Mr. Tatro said NDOT staff had analyzed what the internal costs would be, plus the cost to contractors, and a combination of those costs would be approximately \$1 million. Although he acknowledged that the cost of the new subsystem was being estimated at approximately \$1.7 million, Mr. Tatro said it was NDOT's belief that any cost differential would be offset by the additional benefits the new subsystem would provide.

Chairman Raggio wanted to know whether NDOT would be year 2000 compliant. Mr. Tatro indicated that the development of the new subsystem would allow NDOT to become year 2000 compliant.

After referring to the March 9, 1998, memorandum from Diane Jungwirth, Budget Analyst, Budget and Planning Division, provided on pages 2.1 and 2.2 in Volume I of the meeting packets, Mr. Hettrick said he was concerned about the statement in the last paragraph of the memorandum on page 2.2 which indicates that \$1,705,075 is only a preliminary cost estimate for AMS to develop the new subsystem. Mr. Hettrick wondered whether a final cost estimate was available because otherwise the new subsystem could conceivably become a \$10-million project. Mr. Tatro indicated that although NDOT had not yet negotiated a final agreement with AMS, the final cost would not exceed \$1,705,075, and would probably be lower. As an amendment to the existing contract is developed, Mr. Tatro noted that there were a number of things which could be done to reduce costs. Mr. Tatro assured the Committee that the cost of the contract with AMS would not exceed \$1,705,075.

Chairman Raggio entertained a motion to approve items 2 and 80.

**MR. HETTRICK MOVED TO APPROVE ITEMS 2 AND 80. SECONDED BY MR. MARVEL AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**3. Department of Administration - Purchasing Division - Purchasing - FY 98** - Transfer of \$88,394 from Reserve category to Operating category to provide funds to account for higher Administrative Cost allocation from Commodity Food Program for warehousing costs inadvertently omitted when proposed restructuring of Federal Surplus and State Excess Property Programs were not approved by 1997 Legislature.

Refer to motion for approval under item C.

**4. Department of Administration - Purchasing Division - Purchasing - FY 99** - Transfer of \$90,185 from Reserve category to Operating category to provide funds to account for higher Administrative Cost allocation from Commodity Food Program for warehousing costs inadvertently omitted when proposed restructuring of Federal Surplus and State Excess Property Programs were not approved by 1997 Legislature.

Refer to motion for approval under item C.

**5. Department of Education - Child Nutrition - FY 98** - Addition of \$720,000 in Summer Food Program

and deletion of \$720,000 in School Lunch Program to adjust expenditure pattern on the basis of projected populations to be served for the fiscal year.

Refer to motion for approval under item C.

**6. Department of Education - Child Nutrition - FY 98** - Addition of \$1,510 in Commodity Foods, \$669,157 in School Breakfast, \$12,318 in Milk Program, \$1,504,587 in School Lunch, and \$7,798 in Summer Food and the Deletion of \$594,626 in Child and Adult Care to adjust expenditure patterns and authority on the basis of projected populations to be served for the fiscal year.

Refer to motion for approval under item C.

**7. Department of Education - School-to-Careers - FY 98** - Addition of \$3,655,272 in Federal School-to-Careers Grant to continue School-to-Careers Program with ninety-seven percent allocated for Sub-Grants.

Speaking to items 7 and 8, Mr. Douglas Thunder, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, introduced Ms. Phyllis Rich, Team Leader, School Improvement and Workforce Education, and Ms. Charlotte Curtis, State Coordinator, for the School-to-Careers Program. Mr. Thunder told the Committee that the implementation part of the School-to-Careers Program was not received until late in the 1997 Legislative Session; thus, it could not be incorporated into the normal budgetary process. Also, since the School-to-Careers Program operates on a calendar basis, the Department was able to receive authority to accept only a portion of the grant award when a work program was brought to the Interim Finance Committee during the end of the 1997 Legislative Session. The Department has since received a grant award for calendar year 1998, which has necessitated the two work programs in items 7 and 8. The Department also expects to be returning to the Interim Finance Committee some time near the end of this year to seek approval for the next grant award, which would take this program into 1999, and hopefully, at that time, the Department would be in the normal budgetary cycle for this program. The total amount for the second year is \$3.8 million. The administrative costs cannot exceed 10 percent. The subgrantees in this program are four regional partnerships: the Washoe County School District (WCSD), the Great Basin College (GBC), the Community College of Southern Nevada (CCSN), and the Western Nevada Community College (WNCC). The School-to-Careers Program is staffed by a coordinator, a support person, and a half-time grant analyst. In addition to the Department of Education, the School-to-Careers Program is a joint effort by several state agencies, which are: the Department of Employment, Training and Rehabilitation (DETR), the Department of Business and Industry (B&I), the Commission on Economic Development (CED), and the University and Community College System of Nevada (UCCSN).

Chairman Raggio inquired as to whether the Department had been able to measure the results of the School-to-Careers Program. With funding contained in Assembly Bill 303 of the 1995 Session, Ms. Rich indicated that the Department published the results of an 18-month survey which indicated that the Department had been able to reach 55,000 students with the state matching funds for the School-to-Careers Program.

It was Chairman Raggio's understanding that about 12 school districts had participated in the program funded by state funds provided by Assembly Bill 191 of the 1997 Session, which was supposed to bridge the transition from school to work. Ms. Rich indicated that the Department had been able to measure the total number of students who had participated in the School-to-Careers Program. In addition, the Department measured the total number of students who had participated in job shadowing, internships, and other similar categories. The Department also measured to make sure it was reaching all of the population, including the disabled and different ethnic groups. Also, since there is a significant amount of direct employer participation with the School-to-Careers Program, employer satisfaction was measured. It was Ms. Rich's belief that employer participation had been one of the greatest benefits of the School-to-Careers Program.

Since he did not believe that measuring student and employer participation was very meaningful, Chairman Raggio wanted to know what the success rate is. Ms. Rich indicated that the Department was using new benchmarks for the federal implementation funding that started July 1, 1997. The benchmarks are done demographically and measure such things as the drop-out rate and whether any of the students participating in the program are taking advanced science courses. The benchmarks are also measuring the transition from high

school to training programs in post-secondary institutions.

Chairman Raggio wanted to know how long the School-to-Careers Program had been in effect. Ms. Rich said the School-to-Careers Program had been in effect for about two years, or since the 1995 Legislature approved A.B. 303.

Chairman Raggio expressed concern that the information provided by the Department, which was included in the meeting packets, did not specifically address how well the students were doing in the School-to-Careers Program and whether or not prospective employers were pleased. Chairman Raggio asked Ms. Rich to provide specific information at the next meeting on the success rate of the School-to-Careers Program because he thought the Committee needs to know whether the School-to-Careers Program is reaching students who would not otherwise be prepared to go into a career and whether the people who employ the students were pleased and, bottom line, whether the School-to-Careers Program had made a difference.

Ms. Cegavske requested a list of the businesses which had participated in the School-to-Careers Program. Ms. Cegavske said she had received complaints from several people that the program did not introduce students to a diversified mix of professional businesses, such as doctors, veterinarians, and others. Ms. Cegavske said she was also curious about Clark County's involvement in the School-to-Careers Program.

Mrs. Chowning said she wanted to know why the federal grant funding for FY 1997-98 had flowed solely to the Washoe County School District. Mrs. Chowning expressed interest in having a list prepared showing a breakdown by each area of the state of those 55,000 students who had participated in the School-to-Careers Program.

Mr. Thunder said he would be happy to provide a response to each of the questions posed by the Chairman and the Committee members at the next meeting. Mr. Thunder also pointed out that he had provided the Fiscal Analysis Division staff with an amended work program, reducing out-of-state travel by \$2,600 and in-state travel by \$9,500. These two amounts, according to Mr. Thunder, were not realistic in terms of the time remaining in this fiscal year. In addition, he requested a corresponding reduction in Indirect Costs, which would result in adding about \$14,000 to the Aid-to-Schools category.

Ms. Giunchigliani also requested a listing of the total number of students who were participating in Apprenticeship Programs statewide. Ms. Giunchigliani also wanted to know the manner in which schools were being notified of the availability of Apprenticeship Programs. Ms. Giunchigliani suggested that it would be helpful to students if such information were to be included in school catalogs.

Chairman Raggio said he wished to re-emphasize that the Committee is not interested in the number of students and employers who have participated in the School-to-Careers Program, but rather the Committee wants to be provided with a measurement which will identify the success rate of those students who have participated in the School-to-Careers Program.

To respond to a question from Mrs. Krenzer regarding the Department's request to reduce the in-state travel category, Mr. Thunder indicated that there was sufficient funding in the in-state travel category for the Department to be able to provide the School-to-Careers Program in the rural counties.

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

**MS. GIUNCHIGLIANI MOVED TO APPROVE THE REVISED REQUESTS IN ITEMS 7 AND 8. SECONDED BY MR. MARVEL AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**8. Department of Education - School-To-Careers - FY 99 - Addition of \$144,728 in Federal School-To-Careers Grants to continue School-To-Careers Program.**

Refer to testimony and motion to approve under item 7.

**9. Department of Education - School Improvement - FY 98** - Addition of \$726,968 in Federal Goals 2000 Grant to provide additional Aid-to-Schools as well as increased contractual services for public engagement and Nevada School Network activities, dues for arts assessments and Title I programs, and non-employee travel for the State Goals 2000 Panel.

Ms. Mary Peterson, Superintendent of Public Instruction, Department of Education, explained that the purpose of this request is to augment the authority in the Goals 2000 Program by a total amount of \$726,968, as a result of the Department receiving a grant award from the U.S. Department of Education that increases the Department's allotment and carryover monies. The increased amounts permit additional state-level activities and also allows school districts to access their increased entitlements. The Goals 2000 Program is overseen by a state panel, the panel meets twice a year, and approval of this request would allow the state panel to continue to meet. The increased amounts fall into four different categories, which are: \$613,850 in Aid-to-Schools; \$5,000 for non-employee travel; \$92,000 for contractual services (contract services includes: \$28,000 for dues, \$27,494 for public engagement, and \$22,500 paid to UCCSN for the Nevada School Network, and \$14,006 for other contractual services); and \$16,118 in indirect costs to correspond with the other increases.

It was Chairman Raggio's understanding that the dues for Nevada's participation in a 15-state consortium has been used to develop performance assessments for dance, music, theater and visual arts. Chairman Raggio wanted to know whether Nevada is participating in a national performance assessment in the arts and whether the Council to Establish Academic Standards has been informed of this project. Ms. Peterson noted that although the Council to Establish Academic Standards expects to become involved this year in setting standards for arts, computers, physical education and health, and social studies, it has not yet begun to look at the arts issue. Chairman Raggio suggested that this project be brought to the Council's attention and Ms. Peterson said she would be happy to do so.

Chairman Raggio wanted to know whether the consortium mandates performance standards in these particular areas and Ms. Peterson said it did not. According to Ms. Peterson, the consortium, a collaborative effort among 15 states, will facilitate Nevada learning about the standard-setting process and assessments from other states.

Chairman Raggio inquired about how the increased funding of \$613,850 in Aid-to-Schools would be utilized. Ms. Peterson introduced Mr. Roy Casey, a consultant with the Department, who she said had been working directly with the Goals 2000 Program. Mr. Casey explained that the increased funding of \$613,850 in Aid-to-Schools was additional monies that are available to local schools and school districts on a competitive basis for programs to implement local education reform and pay for professional development in major areas such as standards and assessments. According to Mr. Casey, 17 school districts participated in a recent competition, of which 14 school districts submitted applications and 13 school districts were funded. One of the school districts, which included a consortium of rural Nevada, will continue with professional development in the Reading Recovery Program to help students learn to read in the first grade.

Chairman Raggio thought this program was commendable and he asked Mr. Casey if the funding was specifically earmarked for this purpose. Mr. Casey said the funding was specifically earmarked for local education reform, with an emphasis currently on the Nevada Education Reform Act (NERA) as a result of passage of Senate Bill 482 by the 1997 Legislature.

In responding to several questions from Ms. Giunchigliani, Mr. Casey indicated that the funding was allocated through competition between school districts and that there was a maximum grant award allocated to each school district. In addition, he noted that 85 percent of the funds allocated to the school districts were required to go directly to the schools. Mr. Casey pointed out that the Department communicates directly with the superintendent of each school district. He said, however, in larger school districts like Clark County, for example, the superintendent delegates the responsibility for the administration of the grant to the assistant superintendent.

Speaking not only as a legislator, but as a classroom teacher as well, Ms. Giunchigliani said she and other faculty members at her school had never received a notice of this funding. Ms. Giunchigliani suggested that if the program was getting locked up in the bureaucracy, the Department was not enabling other schools that

want to compete, who might be just as creative, but who are not aware of the funding. Since she did not believe that communicating through school district superintendents was going to achieve the desired goal of more education school reform ideas and more hands-on activity within the classrooms, Ms. Giunchigliani said she would hope in the future that the Department could find some other way to make sure teachers and counselors know about the funding. Mr. Casey indicated that Clark County does compete for the funding and applications are being distributed to local schools. Ms. Giunchigliani maintained that if the information and applications are being distributed to school district administrators, it does not necessarily mean that the information and applications will reach classroom teachers. Mr. Casey said he would follow up on whether the procedure is working as it should.

Chairman Raggio said he would be interested in learning today which school districts had completed negotiations for salaries and the percentages agreed upon for each school district. Mr. Thunder said he was unable to respond to Chairman Raggio's question, but he would research the matter and respond later on during the meeting.

In responding to a question from Ms. Cegavske, Ms. Peterson said she was unable to provide specific information regarding the increased amount of \$14,006 for contractual services, but she would research the matter and respond at a later date.

Since there were no further questions or comments on this item, Chairman Raggio said he would accept a motion.

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

**Disclaimer: Ms. Giunchigliani said she was a public school teacher, but she would be voting on this request because there was no apparent conflict.**

Chairman Raggio announced a 5-minute recess, after which he said he would take testimony on item E4, the request from the Supreme Court for an allocation from the Contingency Fund.

**10. University And Community College System of Nevada - University of Nevada, Las Vegas - FY 98 -** Addition of \$4,200,000 in Student Fees to provide additional instructional research, public service, academic, student service, institutional and operation and maintenance support.

Speaking to agenda items 10 through 14, Mr. Larry Eardley, Budget Director, University and Community College System of Nevada (UCCSN), told the Committee that UCCSN is requesting approval to expend within the state-supported operating budget additional fee income collected from the registration of additional students for FY 1998. He indicated that five work programs (items 10 through 14) involving five campuses had been submitted for the Committee's consideration. The five campuses are: Western Nevada Community College (WNCC), Truckee Meadows Community College (TMCC), Great Basin College (GBC), Community College of Southern Nevada (CCSN), and University of Nevada, Las Vegas (UNLV). Mr. Eardley indicated that a representative from each campus was available to respond to questions from the Committee.

It was Chairman Raggio's understanding that UCCSN is requesting approval to increase student fee revenues authorized for FY 1998 by \$6.1 million. The request includes augmenting expenditures for non-instructional areas, as well as instructional functions, and includes expenditures for pay equity. Chairman Raggio thought the Committee needs to discuss the extent to which it is appropriate for UCCSN to augment non-instructional expenditures with revenues derived through additional student fees. Since both instruction and non-instruction areas of the budget are based on formulas for UCCSN, Chairman Raggio said the Committee's approval of the five requests would result in an additional cost for this fiscal year, as well as an additional cost for the base budget of the upcoming biennium that the next legislature would have to fund which, he added, was not foreseen.

An argument is being made by UCCSN for pay equity. It was Chairman Raggio's recollection that similar arguments had been made in the past, but the legislature had served notice a number of years ago that it was

not going to buy into these "whipsaw" arguments; i.e., if one institution is allowed to use funding to increase salaries then other institutions should be allowed to do the same.

Mr. Eardley acknowledged that all of the campus budgets were built on student full-time equivalency (FTE) projections. Calculations are also made of registration fees, non-resident tuition, and other revenues to support each appropriation within the total UCCSN budget. UCCSN uses historical data, as well as other data, when making revenue projections and the next biennial budget requests are based upon those projected fees for that period of time. After the revenue and expenditure projections have been calculated, the legislature provides funding to UCCSN with General Fund dollars. According to Mr. Eardley, UCCSN's budget was fairly close to the revenue projections for the current biennium.

After lengthy discussions in numerous budget hearings during the 1997 Legislature, it was Chairman Raggio's recollection that an agreement was reached to allow a 10 percent growth factor for enrollments in the budgets for the community colleges. While he thought it was possible to market any of the institutions, Chairman Raggio said it was necessary to have some type of control on the funding, which is based upon student enrollments. Mr. Eardley told the Committee that UCCSN's Chancellor Richard Jarvis is currently working on a plan to deal with the growth issue. It was Mr. Eardley's understanding that UCCSN has typically been funded on FTE and if enrollment increases on a particular campus, a request is submitted to the Interim Finance Committee asking for additional student fees to be expended within the budget of that particular campus. Since the instruction formula is based on the actual revenue for the previous year and not FTE, Mr. Eardley said it makes no difference whether the FTE in a campus budget is under or over. If the same number of students are still there when the next biennial budget is calculated, those students will be calculated as part of the base.

It was Chairman Raggio's understanding that UCCSN is proposing for the first time to allocate \$3.8 million, or 62 percent, of the projected \$6.1 million in additional student fee revenue to the non-instructional areas, including research, public service, student services, institutional support, and operations and maintenance. If the Committee approves this request, Chairman Raggio said the 1999 Legislature would not allow UCCSN to build this additional revenue into the base budgets for the next biennium. Since he thought the 1997 Legislature had been very generous to UCCSN, Chairman Raggio said he would not want UCCSN to use this additional funding as "leverage" to create another level that the next legislature would have to automatically fund. Chairman Raggio suggested that there were three basic issues which need to be addressed: (1) why a non-instructional allocation of \$2,944,947 is needed at UNLV, (2) why UNLV needs an allocation to address pay equity, and (3) why a non-instructional allocation is needed to increase non-faculty positions by a total of 49.41 FTE's across the five institutions.

Chairman Raggio recognized Mr. Norval Pohl, Vice President for Finance and Administration, UNLV. Mr. Pohl explained that UNLV is seeking authorization to expend up to \$4.2 million in revenue over-achievement. The revenue is projected to exceed budget in two areas: registration fees and non-resident tuition. Of the total excess, about 40 percent is from registration fees and about 60 percent from non-resident tuition. The revenue excess is the result of serving more students than was anticipated in the budget. Although originally UNLV had internally forecast a higher enrollment growth, it was Mr. Pohl's understanding that after UCCSN staff considered a six-year historical average it did not think UNLV's revenue projection was robust enough to support a higher enrollment growth. The actual growth in enrollment will be about 2 percentage points greater than was forecast.

Mr. Pohl pointed out that part-time non-resident student enrollments were stronger than anticipated. Mr. Pohl said the Committee might recall that UCCSN had implemented a new policy back in the fall of 1997 which called for the movement of a tuition structure so that non-resident students would pay 100 percent of the cost of their education. Mr. Pohl said this phase in had resulted in a \$64 surcharge per credit hour for undergraduate, non-resident students and \$76 per credit hour for graduate students. UNLV had anticipated that this surcharge would be unattractive to part-time non-resident students; however, it did not turn out to be the case and UNLV had an increase in the number of part-time non-resident students. According to Mr. Pohl, those non-resident fees account for about 60 percent of UNLV's additional student fee revenue. Mr. Pohl said that UNLV had submitted a plan for expending the additional revenue to the Board of Regents and that the

Board of Regents had reviewed the plan and recommended approval. The plan calls for expenditures in several budget functions; namely: about 65 percent in instruction; 14 percent in institutional support; 8 percent in student services; and 6 percent in O&M of plant, primarily to meet unanticipated increases in utility rates.

To respond to a question from Chairman Raggio, Mr. Pohl estimated that the impact of the allocation on instruction would be about 65 percent. Mr. Pohl said the Committee would recall that about two years ago the Legislative Counsel Bureau's Audit Division had completed an audit of UNLV and questioned the categorization of certain employees that UNLV was charging to the instruction function. In citing an example of the categorization, Mr. Pohl noted that UNLV has a librarian in the School of Architecture, a librarian in the Music Department, and an archivist in the Arts Department who deals with photography. Those three positions are required by respective accreditation agencies for those specific programs. UNLV charges those individuals to the instruction function. In reviewing those positions, the LCB audit opined that those positions should have been charged to academic support, rather than to instruction. Mr. Pohl told the Committee that with a portion of the over achievement in revenue, UNLV is proposing to move those three positions into academic support, as suggested by the LCB audit.

Chairman Raggio questioned why UNLV had not proposed moving the three positions during the 1997 Legislature. Mr. Pohl said UNLV did not have sufficient funding to move the three positions at that time and the LCB audit had accepted UNLV's defense of those particular positions.

It was Chairman Raggio's understanding that of the \$4,200,000 projected in additional student fees, UNLV is proposing to allocate approximately \$1,255,053, or 30 percent, to the instruction function and \$2,944,947, or 70 percent, to the non-instruction function. Chairman Raggio said he would like to hear from Mr. Gary Crews, Legislative Auditor, about the LCB Audit Division's purported acceptance of the three positions in question. Mr. Crews said it was his recollection that the LCB audit report had contained several examples of what auditors considered to be misclassified positions at UNLV. Mr. Crews denied, however, that the LCB Audit Division had retreated from its original position.

Chairman Raggio asked Mr. Pohl to address UNLV's pay equity proposal. Mr. Pohl told the Committee that UNLV routinely compares expenditures in various categories, including salaries, with peer institutions. Since this comparison revealed that UNLV has certain classes of faculty that are materially below market averages, UNLV is proposing to use some of the additional funding to make pay equity adjustments.

Chairman Raggio wanted to know how this pay inequity had occurred. Since UNLV has incurred tremendous growth over the past several years, Mr. Pohl said UNLV had tended to stretch the dollars as far as possible in terms of FTE by hiring part-time instructors and full-time instructors at salaries that were lower than market averages.

Chairman Raggio expressed concern about how to control the "whipsaw" effect between the various institutions when comparisons were made between peer institutions. Mr. Pohl denied that UNLV was specifically comparing the salaries of its instructors with the salaries of instructors at any other institution within the state. According to Mr. Pohl, Chancellor Jarvis has initiated a plan; whereby, each higher education institution in the state will identify a group of peer institutions for comparison purposes. He said, however, the plan specifically prohibits the institutions from using other institutions within the state for comparison purposes.

Ms. Giunchigliani said she would not support a proposal that would allow UCCSN to leverage the additional revenues into the base budget so that the next legislature would have to deal with the problem. Ms. Giunchigliani also said she did not understand why UNLV had not attempted to address the issue of the misclassified positions during the 1997 Legislature to comply with the LCB Audit report. Furthermore, she thought it might be premature, from a budgetary standpoint, for the Committee to approve a "fix" at this point in time since the audit was not a concern to UNLV during the 1997 Legislature. Although he acknowledged that UNLV currently has the money to make the "fix," Mr. Pohl thought there had been a disagreement as to whether or not the LCB Audit Division had accepted UNLV's justification for those positions. Mr. Pohl indicated that UNLV felt comfortable with its justification because those specific positions were not, in UNLV's opinion, academic support, but rather were support related to instruction. It was also UNLV's

position that the definition used by the LCB Audit Division was narrow in scope; i.e., these individuals do not generate student credit hours; therefore, they should not be charged to instruction.

If UNLV had always maintained its original allegation, Ms. Giunchigliani said it did not make sense to her why UNLV was asking to change those positions at this time. Mr. Pohl indicated that UNLV is proposing to use the additional revenue from student fees to change the positions because the LCB Audit Division had asked UNLV to make the changes.

It was Ms. Giunchigliani's understanding that the Board of Regents had approved raising student fees for both in-state and out-of-state students and Mr. Pohl said Ms. Giunchigliani's understanding was correct. Ms. Giunchigliani wanted to know whether the fees paid by in-state students had generated any of the additional revenue. Mr. Pohl said that although the fees paid by in-state students had helped generate some of the additional revenue, the 2 percent increase in enrollment was the primary factor.

Ms. Giunchigliani wondered whether UCCSN had considered the possibility of rebating some of the additional revenue to students, or lowering some of the student fees, because she thought the possibility exists that UCCSN may be charging more than it needs to in order to cover the cost of the programs. Mr. Eardley noted that the student fees for this fiscal year and next fiscal year were already built into the base budget. He said, however, as a result of higher enrollments, UCCSN is requesting to increase student registration fees and non-resident tuition fees by an amount over and above that which was built into the base budget. In order to clarify the issue, Mr. Pohl indicated that UNLV's base budget had included an increase in the registration fee; thus, the additional revenue reflects that UNLV enrolled more students than was anticipated.

Ms. Giunchigliani wanted to know why UNLV plans to divert 70 percent of the additional revenue into non-instructional areas. Mr. Pohl noted that since UNLV has a number of positions currently being charged to the instruction function, UNLV is proposing to fund those positions with the newly-earned dollars; thus, freeing up those dollars back into instruction. Ms. Giunchigliani said that impact, which would represent an increased budget, would have to be visited next Session because UNLV would be able to get more dollars on the new enrollment numbers than it would on the actual budgeted amount. It was Ms. Giunchigliani's belief that if the Committee were to approve this request as recommended, it will have treated UNLV differently than the other institutions and she did not think that was the right thing to do.

To respond to a question from Ms. Giunchigliani, Mr. Eardley explained that each campus develops its own expenditure plan. Mr. Eardley suggested that it would depend on how the next administration and the next legislature handles the funding for the non-instructional function. If the non-instructional funding were to be treated as a one shot appropriation, Mr. Eardley said it would not be part of the base budget upon which to compare future funding. Ms. Giunchigliani agreed with Mr. Eardley that the legislature tends to look upon the non-instructional funding as a segregated amount; thus, it does not count within the base budget for the previous year.

As a full-time student at CCSN, Mrs. Von Tobel thought she could lend perspective to the discussion by stating that the current formula does not help students. Mrs. Von Tobel also said she was somewhat offended to hear that a very small portion of the additional revenue generated from student fees would be coming back to instructing students. As a customer of CCSN, Mrs. Von Tobel thought she should receive services from the student fees she is paying. Mrs. Von Tobel indicated that as student enrolled in the Business Administration program that was formulated in September of 1997, she was required to take Speech 102. Mrs. Von Tobel said, however, CCSN is currently offering only one class in Speech 102 and since there are approximately 650 students currently enrolled in the Business Administration program, she wondered how students were going to be able to graduate in two years. Mrs. Von Tobel suggested that this was an example of the lack of class offerings and she thought the additional dollars should go to support instructing students. In addition, Mrs. Von Tobel said she had been told by her instructors that summer classes were not supported by state dollars and that at least 17 students would need to sign up for a class or the class would not be offered. It was Mrs. Von Tobel's belief that the additional revenue from student fees could be used to makeup the difference so classes could be offered. Mrs. Von Tobel reminded UCCSN that if it were not for the students, it would not be in business.



In responding to Mrs. Von Tobel's statements, Mr. Pohl indicated that summer school was run on a self-supporting basis. Mr. Pohl said that although UCCSN had considered the possibility of bringing a proposal to the legislature for consideration of state funding for summer school, the prospect of UCCSN bringing such a proposal to the legislature in the future was unlikely because the cost to the state would be significant. Mr. Pohl said there is a minimum enrollment required for summer school courses because UCCSN has to fund the costs of those courses. Mr. Pohl said it is UCCSN's belief that the proposal before the Committee today does address student needs in the best fashion by providing more instructors in classrooms and ultimately more class sections.

Mrs. Von Tobel wanted to know how many more class sections will be offered with the additional revenue from student fees. Mr. Pohl said the request calls for the addition of 23.24 faculty positions in the instruction function. Mr. Pohl also indicated that additional dollars would be used for operating expenses for those departments as well.

Senator Rawson said that during the 14 years he had served in the Nevada Legislature, it was his recollection that each Legislature has had to adjust the budgets in K-12 because more growth had occurred than was projected. While he could appreciate having to make projections for budgetary purposes, Senator Rawson said the reality is that the communities were being under served. Senator Rawson also noted that Mrs. Von Tobel's dilemma of trying to graduate in two years when only one class is available was a familiar story he hears every day. Senator Rawson said, however, that since some of the request deals with salary adjustments throughout UCCSN, he did not believe it was appropriate for him to participate in the discussion or to vote on the requests.

Mr. Marvel wanted to know whether salary adjustments between legislative sessions had been made before. Mr. Pohl stated that although UNLV had not previously made salary adjustments between legislative sessions, UNLV was attempting to catch up on salaries to ensure that it does not lose faculty to other institutions. Mr. Marvel expressed concern that the salary adjustments would be worked into the base budgets for the next biennium.

If the Committee decides to approve the requests, Chairman Raggio said it was his intention to recommend a motion to approve the requests with the understanding that non-instructional augmentations, as are defined by the legislative Fiscal Analysis Division and the state Budget Division, will not become a part of the base budget from which the next biennial budget will be computed.

Mr. Close thanked Chairman Raggio for capsulating the recommendation he had intended to make. Mr. Close said he wished to take this opportunity to commend one of the requesters, WNCC, for being the only college within UCCSN to use some of the additional enrollment revenue for scholarships. Since the legislature is continually being criticized by UCCSN for not providing money for scholarships for students, it was Mr. Close's contention that the additional enrollment revenue would give UCCSN a golden opportunity to provide seed money for scholarships. As a businessman, Mr. Close said he would want to do something like this to increase his business if he had the extra money. Mr. Close said he was disappointed with those people responsible for developing the proposed plan for not putting some of the additional enrollment revenue into scholarships because providing scholarships would be a way of better serving the communities.

In continuing his testimony with respect to student enrollments, Mr. Close said it was his recollection that the 1997 Legislature had approved the distribution of \$36.9 million in Estate Tax revenue during the current biennium. Specifically, of this total two-year allocation of Estate Tax revenue, TMCC and CCSN were allocated a total of \$570,000 in FY 1998 (\$70,000 and \$500,000, respectively) and a total of \$636,000 (\$130,000 for TMCC and \$500,000 for CCSN) in FY 1999 to fund instruction costs resulting from incremental student enrollments. Mr. Close said it would appear to him that if the Committee were to approve the allocation requests for TMCC and CCSN, it would provide TMCC and CCSN with duplicate funding for instruction costs resulting from student enrollment increases. In addition, Mr. Close said he would remember the next time UCCSN comes to the legislature asking for funding for scholarships that UCCSN had not considered scholarships for students to be a high priority so why should the legislature. Mr. Eardley said he disagreed with Mr. Close's previous statement that TMCC and CCSN would be receiving duplicate funding through student fees and Estate Tax revenue.

Since the Estate Tax distribution provided for this purpose, Chairman Raggio said the Committee needs to know specifically whether TMCC and CCSN require additional funding to address increased student enrollments. Chairman Raggio recognized Mr. Allen Ruter, CCSN, who explained that CCSN had experienced a funding deficiency in support services over the last three years as a result of increased growth. Although the distribution in Estate Tax revenue by the 1997 Legislature provided additional student access, security and information technology, Mr. Ruter said CCSN was drastically under funded in support services. Mr. Ruter directed the Committee's attention to page 11.1 in Volume 1 of the meeting packets, which provides a breakdown of the excess revenue expenditure plan for CCSN. According to Mr. Ruter, 58 percent of the excess revenue will go into instruction to provide additional class sections for additional students. He said, however, those additional students need to be served, which means the students need to be registered, assisted in securing financial aid, and other student services. Since support services are funded on a formula basis, Mr. Ruter indicated that some of the excess revenue would be used to address support services, which is an under funded area.

Chairman Raggio wanted to know what type of action CCSN was taking to stay within the growth limitation that was built into the budget. Mr. Ruter apprised the Committee that the President of CCSN takes student access very seriously and he realizes that higher enrollments become higher cost obligations to the state. According to Mr. Ruter, the President of CCSN has taken the approach of adding students to existing programs and existing class sections wherever possible; however, CCSN's class size has grown over the last three years from a little under 19 students to 23 students. In addition, the President of CCSN has been attempting to contain costs primarily by increasing class size where it does not hurt the student learning process. Mr. Ruter said he believes in marginal costs; i.e., an additional student may not cost as much as an original student, and he has been discussing this concept with Chancellor Jarvis because of the great need in Nevada for higher education, particularly in southern Nevada. Mr. Ruter said it was difficult for CCSN to turn away students because of the growth limitation when an empty seat is available in a classroom which could be filled without additional cost. Mr. Ruter emphasized that the growth limitation had created a serious problem for CCSN because it had grown 10 percent instead of the 5 percent that was budgeted.

It was Chairman Raggio's recollection that the Board of Regents and the Chancellor of UCCSN had established a policy allowing a 10 percent increase in growth for the community colleges and the 1997 Legislature had budgeted for a 10 percent increase in growth. Chairman Raggio said he was concerned that a precedent would be set if UNLV were allowed to use some of the additional revenue from student fees to address the so-called pay equity issue. He also thought several strong arguments had been made today that there might be a better use for the additional revenue than pay equity issues, such as scholarships and reducing student fees, among others. Furthermore, it was Chairman Raggio's position that pay equity issues were an internal matter that should be dictated by UCCSN, not the Interim Finance Committee. Chairman Raggio said it was not fair to ask the Interim Finance Committee to make decisions on funding adjustments for pay inequities when it was not responsible for creating the pay inequities.

Chairman Raggio recognized Mr. Eardley, who indicated that WNCC had revised its work program since it was originally submitted to the Budget Division and WNCC wishes to augment its budget \$47,100 instead of \$9,800, to reflect increased enrollment.

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

**MS. GIUNCHIGLIANI MOVED TO APPROVE ITEMS 10 THROUGH 13, AS REQUESTED, AND ITEM 14 AS AMENDED, WITH THE UNDERSTANDING THAT THE NON-INSTRUCTIONAL AUGMENTATIONS, AS DEFINED BY THE FISCAL ANALYSIS DIVISION AND THE STATE BUDGET DIVISION, WILL NOT BECOME A PART OF THE BASE BUDGET FROM WHICH THE NEXT BIENNIAL BUDGET WILL BE COMPUTED. SECONDED BY MR. CLOSE.**

Before taking a vote on the motion, Chairman Raggio inquired as to whether there were any serious objections to the motion by UCCSN staff. While he would not characterize his objection as serious, Mr. Pohl said he

would beg to differ with Chairman Raggio on two points. Regarding the first item, Mr. Pohl pointed out that the revenues UNLV expects to realize this year should be realized into the future; therefore, no additional state dollars will be required. On the second item, Mr. Pohl said he would ask that UNLV be given some flexibility to work with the LCB Audit Division staff to reaffirm UNLV's case for certain positions being appropriately charged to the instruction function.

Chairman Raggio said he thought Mr. Pohl's request was reasonable and he called for a vote on the motion.

**MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**Disclaimers: Mrs. Evans and Senator Rawson said they were employees of UCCSN, but would be voting on the requests since there was no apparent conflict.**

Ms. Giunchigliani suggested that when the next budget process is started the Board of Regents consider the entire formula issue, as well as course offerings because course offerings have not been expanded to meet enrollments. Ms. Giunchigliani said she would also ask that the Board of Regents review the hours that are required for individuals to instruct, which are directly tied to course offerings. It was Ms. Giunchigliani's hope that this might give the next legislature a better picture as the budget is being crafted.

Senator Regan suggested that the Board of Regents consider additional funding for the community colleges for head count versus FTE. Senator Regan said that CCSN currently has 26,000 students attending classes, but it was funded on approximately 11,000 students.

**11. University And Community College System of Nevada - Community College of Southern Nevada - FY 98 - Addition of \$1,150,067 in Student Fees to provide additional instructional, academic, student service and institutional support services.**

Refer to testimony and motion for approval under item 10.

**12. University And Community College System of Nevada - Great Basin College - FY 98 - Addition of \$80,000 in Student Fees to provide additional instructional support services.**

Refer to testimony and motion for approval under item 10.

**13. University And Community College System of Nevada - Truckee Meadows Community College - FY 98 - Addition of \$700,000 in Student Fees to provide additional academic support, student services, institutional services and operation and maintenance services.**

Refer to testimony and motion for approval under item 10.

**14. University And Community College System of Nevada - Western Nevada Community College - FY 98 - Addition of \$9,800 in Student Fees to provide additional institutional and scholarship support.**

Refer to testimony and motion to approve the revised request under item 10.

**15. Department of Human Resources - DHR Administration - FY 98 - Deaugmentation of \$50,000 in Federal Health Systems Development in Child Care Grant to transfer the Federal Health Systems Development in Child Care Grant to Welfare Division's Employment and Training Program budget.**

Mr. Mark Roberts, Administrative Services Officer, Director's Office, Department of Human Resources (DHR), said he would be addressing item 15 and Mr. Robert Anderson, Administrative Services Officer, Welfare Division, would be addressing items 29 and 30. The work program in item 15 requests a deaugmentation of \$50,000 in the Director's Office budget for a Child Care grant. The goal of this grant, explained Mr. Roberts, is to provide improved care for children in child care settings statewide. In order to facilitate this program, Mr. Roberts said the Director's Office was requesting permission to move this program to the Nevada Welfare Division (NWD).

Speaking to items 29 and 30, Mr. Anderson noted that these two work programs are the result of a request for an augmentation that was deferred by the Interim Finance Committee at its November 24, 1997, meeting. Approval of the two requests will allow NWD to accept the first and second year federal awards of \$50,000 per year of the Community Integrated Services System, which is a set-aside grant, and also establish revenue authority to draw the funds into budget account 3267 (Employment and Training Program). The 100 percent federal revenue will be split between the remainder of FY 1998 and all of FY 1999. The funds will be used to develop training videos, NWD's primary objective, and to improve the health status of children in child care facilities.

Since it was his recollection that the merits of this program were discussed at length at the November 24, 1997, meeting and there was general agreement that it should be transferred to NWD, Chairman Raggio wanted to know whether approval of the work programs would essentially accomplish this goal and Mr. Anderson responded affirmatively. Mr. Anderson also advised the Committee that it is NWD's intention to use some of its quality assurance Child Care Development fund allocation to continue this program if third year funding is not available.

**SENATOR RAWSON MOVED TO APPROVE ITEMS 15, 29 AND 30. SECONDED BY SENATOR REGAN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**16. Department of Human Resources - DHR Administration - FY 98 -** Addition of \$50,000 in Maternal Child and Health Grant to continue the development and implementation of a training program for healthy children under the Health Systems Development in Child Care Project.

This item was withdrawn.

**17. Department of Human Resources - DHR Administration - FY 98 -** Transfer of \$4,262,003 from Maximus Reserve category to Maximus Transfer to DCFS category to provide the State share of the Projected FY 99 shortfall for the UNITY Project within the Division of Child and Family Services.

Chairman Raggio said his main concern was that if the Committee approves items 17 and 47 it would augment the Unified Nevada Information Technology for Youth (UNITY) automation project by \$8,452,231 in FY 1999. It was Chairman Raggio's understanding that an augmentation is required for the UNITY project, formerly known as the Statewide Automated Child Welfare Information System (SACWIS), in order to meet projected system modification, development, and implementation costs in FY 1999. He said, however, approval of the two requests in the amount of \$8,452,231 for FY 1999 would represent a 203 percent increase in expenditure levels since the legislatively approved budget for FY 1999 totals \$4,166,167. Chairman Raggio also noted that although the 1997-99 Executive Budget recommended \$2,975,888 for FY 1999 in the data processing category for contractor payments of system modification, development, and implementation and contract monitoring, the revised estimate for FY 1999 is now \$10,348,049, an increase of approximately 248 percent. It was Chairman Raggio's understanding that the significant difference of \$7,372,161, appears to be the result of an underestimation of contractor costs by KPMG Peat Marwick, who has been retained by DCFS since the project's inception. Chairman Raggio questioned why no revisions to these estimates had been made by DCFS or KPMG prior to the submittal of DCFS' budget to the 1997 Legislature, or prior to the adjournment of the 1997 Legislature in July 1997. Since the Committee is now being told that the competition is keen because of the Year 2000 conversions; that there are very few contractors available; and that it is a sellers' market, Chairman Raggio wondered how this situation had occurred and whether the UNITY automation system was federally mandated.

Mr. Stephen Shaw, Administrator, Division of Child and Family Services (DCFS), introduced Ms. Marlene Lockard, Director, Department of Information and Technology (DoIT), and Ms. Madilyn Maire, DCFS' Project Director for UNITY. To respond to Chairman Raggio's questions, Mr. Shaw said there were multiple reasons why KPMG Peat Marwick's estimate was too low and that representatives from KPMG were available to respond directly to any questions the Committee may have. According to Mr. Shaw, 18 months elapsed between the time KPMG prepared its original estimate and the time DCFS went out to bid on the project. There were no successful bidders on the first Request for Proposal (RFP). When DCFS bid the second time,

the marketplace was extremely tight because it was the beginning of the bidding cycle for SACWIS, an automation project mandated by the federal government, as well as the Year 2000 conversions, and DCFS was caught in the middle of the bidding cycle with 16 or 17 other states. Although programming costs were \$45 per hour when the project estimate was first prepared, Mr. Shaw said programming costs are currently \$80 per hour.

In addressing the issue, Ms. Lockard suggested that there were several other factors which had contributed to the increased costs for the project. Since DoIT pledged during the 1997 Legislature to try to tighten the contract requirements in RFP's for computer projects, Ms. Lockard noted that a performance bond and liquidated damages were now required; however, those requirements carry a price tag. Ms. Lockard indicated that some states negotiate away liquidated damages. She also noted that the contracts include as a deliverable a provision for a transfer of skills to the state upon completion of the project so that state staff can maintain the system after implementation. In addition, the contracts provide for a training component. Ms. Lockard said she would agree with Mr. Shaw that a number of marketplace issues have occurred which had escalated the original cost estimate, but she thought the various issues had been well documented.

To respond to a question from Chairman Raggio, Ms. Lockard said that the execution of the contract had been placed on hold subject to the Committee's approval.

Chairman Raggio wanted to know what type of assurance could be given that no additional funding requests for this project would be forthcoming from DCFS and that the project would be implemented in a timely fashion. Ms. Lockard thought it was important to note that KPMG had taken the proper steps in trying to get an accurate cost estimate by conducting a feasibility study and a cost benefit analysis. Although the changes previously described have impacted that estimate, Ms. Lockard suggested that the current estimate portrays a more realistic cost of the actual project that should enable DCFS to hold that estimate to a fixed price. According to Ms. Lockard, DoIT has developed a new process for reviewing proposals. The cost is submitted separately and remains sealed until after a technical review of the project proposal has been done. If the project proposal does not pass the technical review, the cost factor of the project is not reviewed. By reviewing the technical aspects of a project first, DoIT hopes to be able to get a more realistic cost estimate up front, in the beginning, rather than having vendors provide "low-ball" estimates of projects in a piece-meal fashion as had been the case previously.

Since it was his understanding that KPMG's cost to monitor the project has increased from the original estimate of \$900,000 to \$1,777,278, which is nearly double the amount of the original estimate, Chairman Raggio suggested that it would be appropriate for a representative from KPMG to explain what is going to be done differently now that was not originally anticipated. Chairman Raggio recognized Ms. Catherine Nanney, KPMG Peat Marwick, who advised the Committee that KPMG had focused on the implementation contract when the cost estimate was first being developed in June of 1996, for the state's Implementation Advance Planning Document (IAP). According to Ms. Nanney, KPMG was not privy to the scope of work for the Quality Assurance (QA) contract at that time because KPMG anticipated being a future bidder on the QA contract. Since the cost of the QA contract is based on a percentage of the implementation contractor costs, KPMG recommended 10 to 15 percent of the implementation contractor costs.

After listening to Ms. Nanney's testimony, it was Chairman Raggio's interpretation that KPMG is not going to be doing anything differently, but rather KPMG's cost estimate was based on a percentage of the cost of implementation. Ms. Nanney said KPMG's cost estimate was not based on the scope of work, but rather on a normal marketplace range of 10 to 15 percent for a contract. According to Ms. Nanney, KPMG will not only be doing an independent review of the implementation contractor's deliverables, which was originally intended, but also will be monitoring the state's progress. In addition, KPMG will be reporting to the Steering Committee to ensure that the state's project team meets its contractual obligations so that the state will be able to impose damages if any deliverable is behind schedule.

If the Committee were to approve the augmentation today, Chairman Raggio asked Ms. Nanney if KPMG could provide assurances that the project will be completed in the Fall of 1999. Ms. Nanney said that KPMG's job is to ensure that the state team and the implementation team stay on schedule and within budget. KPMG advised the state's project team to go step by step in making sure the contract is a strong vehicle that includes

all of anticipated costs.

Chairman Raggio wanted to know whether KPMG could provide assurances that the estimated project contractor costs totaling \$3,771,832 would hold firm for the 1999-2001 biennium. Ms. Nanney indicated that there were triple provisions included in the proposed contract which would hold the project contractor costs in place during the 1999-2001 biennium and that it was KPMG's job to make sure that the state meets its obligations in order to prevent escape from those positions.

According to information provided to the Committee, Chairman Raggio noted that DCFS is proposing to fund \$4,190,229 of the projected \$8,452,232 shortfall from federal Title IV-E revenue and \$4,262,003 from Maximus Recovery Funds from the Director's Office budget. Mr. Shaw noted that the Maximus Recovery Funds have already been authorized for this project and would be matched by federal dollars.

Chairman Raggio wanted to know for which other purposes could the Maximus Recovery Funds be utilized besides offsetting the shortfall. Mr. Shaw said it was his understanding that the Maximum Recovery Funds were due to be reverted to the General Fund; however, the Maximus Recovery Funds had allowed DCFS to increase the amount of Title IV-E draw down received from the federal government, which had resulted in DCFS being able to increase the penetration rate of the children with which it deals from 17 percent in 1996 to the current rate of 68 percent. Mr. Shaw added that the national average is 40 percent.

Senator Rawson inquired as to whether there were any specific sanctions or penalties included in the contract for KPMG's role in monitoring the contract. Ms. Nanney indicated that the contract includes damages associated with KPMG's successful performance of monitoring activities. She said, however, those damages would not be tied to the implementation date since KPMG is not the implementation contractor.

Senator Rawson wanted to know whether KPMG had ever worked with the implementation contractor and Ms. Nanney responded affirmatively. It was also Mr. Shaw's understanding that BDM International, Incorporated, the successful contractor for this project, had worked on a successful project in Nevada for the Department of Business and Industry and had also completed two successful SACWIS projects in other states.

Senator Rawson wanted to know whether BDM had ever failed on a project in Nevada previously and Ms. Lockard indicated that BDM had completed a project successfully for the Department of Business and Industry.

Because he thought the state had endured too many failed computer projects in previous years, Senator Rawson said he would not want these contractors to do business again in Nevada if this project fails.

Mr. Arberry wanted to know whether DCFS would incur a large penalty if it were to pull out of the project at this time. Mr. Shaw suggested that the state had learned from other failed computer projects and everything had been done that could be done to avoid a recurrence. Mr. Shaw pointed out that this is the final phase of a three-phase project and that the previous contractors on each of the other two phases had come in under budget and on time. Although he said the Interim Finance Committee was not compelled to fund the third phase of this project and that the Maximus Recovery Funds could be reverted to the General Fund, Mr. Shaw indicated that DCFS would incur penalties from the federal government since it had received \$1.7 million as an advanced match for participating in the SACWIS project during the procurement stage. It was Mr. Shaw's belief, however, that the \$1.7 million could be paid back from advanced earnings on Title IV-E funds without adversely impacting DCFS' programs. Mr. Shaw also pointed out that the state would be penalized approximately \$122,000 semiannually for not reporting certain data, but he thought the state could get around this penalty by reporting in a different way. In responding to Mr. Arberry's original question:

If you do not want to do this, it reverts. The only thing I would ask. We did everything in our power. I do not know what else we could have done differently on this. At some point, we are going to have to automate child welfare services. It is not going to get any cheaper and we need to protect our kids by other than a Rolodex file.

Mr. Arberry said he had posed the question about bailing out of this project primarily because of his concern

about the problems the state had previously encountered with the Nevada Operations Multi Automated Data Systems (NOMADS) Project. While he was aware that state agencies were trying to automate and streamline their operations, Mr. Arberry said he had begun to wonder if the time had come to send a message to outside vendors wanting to do business in Nevada that the State of Nevada will no longer buy into unscrupulous, ill-prepared contracts that are being picked up by the state simply because they were the low bid and then allowing these companies to come back at a later date asking for more money. It was Mr. Arberry's belief that for almost \$8 million the state could have hired its own in-house staff and the work would have been completed within six months to a year. Ms. Lockard reminded the Committee that the contract in question is not a cost-overrun contract and that the contractor has never requested additional dollars. Furthermore, she said the costs being presented to the Committee do not represent a low bid, but rather the reality of the marketplace today in doing this type of project. Ms. Lockard also reiterated that BDM had performed work for the state in the past and the project was completed successfully.

Mr. Hettrick said he wished to clarify the distinction between the contract with KPMG and the proposed contract with BDM. The cost underestimation was done by KPMG, not BDM. After the first RFP was submitted, there were no successful bidders. When the second RFP was submitted, the state accepted a bid from BDM on a project that was originally bid 18 months previously. Since BDM has never bid on this project before, Mr. Hettrick said BDM could not be characterized as a company that was "low balling."

To respond to a question from Senator Regan, Mr. Shaw said it was his understanding that BDM's contract contains in excess of \$1 million in penalties on performance bonds, hold backs and liquidated damages. In view of some of the failed projects in the past, Mr. Shaw said the BDM contract also includes a provision for transfer of knowledge, maintenance, warranties, and on-site programmers. He said, however, those factors push up the cost.

In responding to a question from Senator Rawson, Mr. Shaw indicated that DCFS provides services to approximately 18,000 children annually. Since he estimated that it would cost \$700 per child to implement the UNITY project, Senator Rawson said he would support the request if he could be assured the UNITY project is needed and that it provides \$700 in services to each child.

Mr. Shaw said it would be difficult for him to evaluate whether the UNITY Project is worth \$700 per child. Mr. Shaw said, however, there were 26 children who died last year and 40 percent of those children were under the age of 1 year and 90 percent were under 4 years of age. According to Mr. Shaw, the UNITY project will automate the child abuse and child neglect system. Since the current system is done manually and is time-consuming, Mr. Shaw said it was difficult to estimate the cost of perhaps saving one life. Without the automated system, Mr. Shaw said he fears Nevada may face the possibility of court intervention this year or next year.

Senator Rawson asked Mr. Shaw what the total budget is for the 18,000 children. Mr. Shaw said the total budget is roughly \$100 million annually and it provides inpatient services, mental health services, correctional services, and child welfare services.

Since he had noted a 14 percent administrative cost for the equipment alone, Senator Rawson suggested that the UNITY project was going to be a very costly system.

Senator O'Donnell echoed Mr. Arberry's concerns about the state hiring outside data processing contractors. In Senator O'Donnell's opinion it would be an absolutely abominable decision for the State of Nevada to pay out \$8 million to a vendor for a data processing contract when the State of Nevada could be hiring people to do the work in house. As long as the state keeps farming out data processing projects, the state will never get what it wants and it will continue having problems with contractors. If the state can find good programmers who are capable of doing the work, there will no be overhead costs because those programmers will be moved from agency to agency and attrition will take care of the rest. Since he thought the State of Nevada could get a lot done for \$8 million, Senator O'Donnell said it was time to "bite the bullet" and do the right thing by hiring in-house staff. Senator O'Donnell cited the Nevada Legislature's new computer system as a good example of what can be accomplished with in-house staff.

Although she would agree with Mr. Arberry's and Senator O'Donnell's prior comments about the cost-effectiveness of the State of Nevada hiring its own data processing staff, Ms. Lockard said the reality is that DoIT had lost six key programmers to one firm in Carson City over the last three months. During the 1997 Legislative Session, Ms. Lockard said she was appreciative of the Nevada Legislature's decision to increase the staffing level and the salaries for the technology category within DoIT. She said, however, DoIT had found it impossible to compete salary-wise for programming and systems programming positions due to current market trends. Ms. Lockard suggested that market trends could return to a more realistic level once everyone gets through the Year 2000 conversion.

Senator Regan said that he would concur with Senator O'Donnell's prior comments, but he was prepared to make a motion to approve the requests because he thought the 18,000 children need the protection that the UNITY project would provide.

Chairman Raggio said he would accept Senator Regan's motion to approve the requests.

**SENATOR REGAN MOVED TO APPROVE ITEMS 17 AND 47. SECONDED BY MS. GIUNCHIGLIANI.**

Chairman Raggio recognized Mr. Arberry on the question. Mr. Arberry implored the Committee to remember the NOMADS project. It was Mr. Arberry's opinion that approval of the two requests would represent putting a Band-Aid on a sore that is going to continue to fester. Mr. Arberry suggested that if the State of Nevada were to send a message to the outside data processing vendors that it will no longer be buying into the multi-million dollar contracts, those programmers and other technical staff who are currently working for those outside vendors would start seeking employment with the State of Nevada. Mr. Arberry said he thought the State of Nevada must gain control over this issue at some point in time; otherwise, the outside vendors will continue to "drive the train."

Ms. Lockard said she could not agree more with Mr. Arberry and that it is her intention to provide the next legislative session with some detailed ideas on what she believes can be done by the State of Nevada to improve its position.

Mr. Dini suggested that the entire issue was a matter of supply and demand and that the state is going to have to pay more because of the current market demand for programmers and other technical staff. Since he thought it would take two to four years for the state to be able to recruit and hire adequate data processing staff in order to implement a computerized system, Mr. Dini urged the Committee to support the requests because there were currently 18,000 children in Nevada who are suffering from abuse and other problems who need to be monitored.

Chairman Raggio called for a vote on the motion.

**MOTION CARRIED ON A VOICE VOTE WITH MR. ARBERRY VOTING NO.**

As Chairman of the Legislative Commission's Subcommittee on Computer Application to the Legislative Process (SCALP) and the Interim Finance Committee's Subcommittee on Project Genesis, which deals with the computerization of the Department of Motor Vehicles and Public Safety (DMV&PS), Mr. Close said he was aware that Ms. Lockard has been working diligently to achieve legislative intent on all of the various data processing projects. Mr. Close estimated that the state had let bids on several hundred data processing contracts over the biennium. At the direction of Chairman Raggio, Mr. Close said he would suggest that Ms. Lockard be asked to work with the Fiscal Analysis Division staff to provide a spreadsheet for the Committee on each of the data processing projects, similar to the Project Status Report provided by SPWB, so the Committee could review the progress at each meeting.

Chairman Raggio thought Mr. Close's suggestion had merit and he requested that Ms. Lockard provide for the Committee's information at each meeting a project status report describing the progress on each of the data processing projects.



Speaking to Mr. Dini's earlier comments about taking the state two to four years to recruit and hire staff to implement a computerized system, Senator O'Donnell said he wished to point out that the state is currently involved in letting data processing contracts to outside vendors and state staff are leaving to take positions with those outside vendors and that the money being spent by the state for this purpose could be spent more efficiently if the state were to do those projects in-house; otherwise, the state has no control over the projects.

**18. Department of Human Resources - Division of Health Care Financing and Policy - Health Resources Cost Review - FY 98** - Addition of \$199,501 in Penalties to allow for the collection and distribution of additional indigent care penalties.

Mr. Close said he had requested additional information on this item because he wanted to know whether the Division of Health Care Financing and Policy had received the money for the assessments for unmet indigent care that were referred to in the letters to the hospitals which were included on pages 18.2 and 18.3 in Volume 1 of the meeting packets. Ms. Janice Wright, Administrative Services Officer, Division of Health Care Financing and Policy, apprised the Committee that only one of the checks had been received to date; however, the second check is expected to be received on April 12, 1998. According to Ms. Wright, there had been no disputes with respect to the amounts.

Vice Chairman Arberry opened the meeting to a public hearing. After inquiring as to whether anyone in the audience wished to testify and hearing no response, Vice Chairman Arberry said he would entertain a motion to approve items 18 and 20.

**MR. CLOSE MOVED TO APPROVE ITEMS 18 AND 20. SECONDED BY MS. GIUNCHIGLIANI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**19. Department of Human Resources - Health Care Financing And Policy Division - Nevada Medicaid - FY 98** - Addition of \$218,588 in Federal Title XIX to provide the Federal share of projected costs for the WELF system in the Welfare Administration budget through the remainder of FY 98.

Refer to motion for approval under item C.

**20. Department of Human Resources - Health Division - Maternal Child Health - FY 98** - Transfer of \$3,500 from Medical category to Out of State Travel category, \$2,000 from Medical category to In-State Travel category \$2,000 from Medical category to Operating category and \$16,500 from Medical category to Prior Year Medical category to provide travel, operating and prior year medical costs to increase child access to dental care and genetic testing.

Mr. Close said he had been unable to read some of the information contained in the supporting documents provided by the Health Division because someone had used a dark color high liter. Mr. Close suggested that in the future staff use a different color high liter.

Refer to testimony and motion for approval under item 18.

**21. Department of Human Resources - Health Division - Sexually Transmitted Disease - FY 98** - Addition of \$34,596 in Disease Prevention Grant to fund medical supplies, operating costs and aid to counties.

Refer to motion for approval under item C.

**22. Department of Human Resources - Health Division - Sexually Transmitted Disease - FY 98** - Addition of \$759,215 in HIV Federal Grant to provide funding to community based organizations statewide for AIDS, drugs and home and community based care.

Refer to motion for approval under item C.

**23. Department of Human Resources - Health Division - WIC Food Supplement - FY 98** - Addition of \$2,750,000 in Food Rebate Funds and \$30,000 in Miscellaneous Income and Transfer of \$1,700,000 from Aid

to Individuals category to Food Support category and \$31,400 from Aid to Individuals category to Program Income to fund travel, County Food Clinics, food costs and utilities in the WIC Food Program for women and children.

Refer to motion for approval under item C.

**24. Department of Human Resources - Health Division - Consumer Protection - FY 98** - Addition of \$6,908 in Federal Safe Drinking Water Grant and transfer of \$16,342 from Special Projects category to Operating category to fund existing rent requirements due to the move in June 1997.

Refer to motion for approval under item C.

**25. Department of Human Resources - Health - Division Community Health - FY 98** - Addition of \$112,402 in Federal Rural Health Outreach Services Grant to provide salary adjustments for existing positions, in-state and out-of-state travel, and operating costs in the Rural Health Outreach Program.

Refer to motion for approval under item C.

**26. Department of Human Resources - Welfare Division - Welfare Administration - FY 99** - Addition of \$17,011 in Budgetary Transfer, \$5,342 in Federal USDA Food Stamps, \$2,208 in Federal Child Support, \$6,646 in Federal TANF Block Grant, and \$4,218 in Federal Title XIX to cover anticipated shortfall in In-State Travel through FY 99.

Refer to motion for approval under item C.

**27. Department of Human Resources - Welfare Division - Welfare Administration - FY 98** - Addition of \$14,865 in Budgetary Transfer, \$4,668 in Federal USDA Food Stamps, \$1,929 in Federal Child Support, \$5,807 in Federal TANF Block Grant, and \$3,687 in Federal Title XIX to cover shortfall in In-State Travel through the remainder of FY 98.

Refer to motion for approval under item C.

**28. Department of Human Resources - Welfare Division - Welfare Administration - FY 98** - Addition of \$218,588 in Federal Title XIX to cover projected costs for the WELF system through the remainder of FY 98.

Refer to motion for approval under item C.

**29. Department of Human Resources - Welfare Division - Employment and Training Program - FY 98** - Acceptance of \$20,565 in Federal Health Systems Development in Child Care Grant to contract with the University of Nevada, Reno, Cooperative Extension to research and review existing child care training materials and to assess child care training needs to include meetings with focus groups such as child care providers, parents and regulators.

Refer to testimony and motion for approval under item 15.

**30. Department of Human Resources - Welfare Division - Employment and Training Program - FY 99** - Acceptance of \$79,435 in Federal Health Systems Development in Child Care Grant to continue with the University of Nevada, Reno, Cooperative Extension to research and review existing child care training materials and to assess child care training needs to include meetings with focus groups such as child care providers, parents and regulators.

Refer to testimony and motion for approval under item 15.

**31. Department of Human Resources - Welfare Division - Employment And Training Program - FY 98** - Addition of \$3,150 in Budgetary Transfer and \$3,150 in Federal TANF Block Grant to cover projected In-State Travel needs through the remainder of FY 98.

Refer to motion for approval under item C.

**32. Department of Human Resources - Welfare Division - Employment and Training Program - FY 98 -** Transfer of \$1,368,243 from Extended Day Care category to At Risk Child Care category, \$1,836,461 from NEON/TANF Child Care category to At Risk Child Care category and \$250,000 from Child Care Block Grant category to At Risk Child Care category to cover projected increase in At Risk Child Care costs through the remainder of FY 98.

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

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

**33. Department of Human Resources - Welfare Division - Welfare Field Services - FY 99 -** Deaumentation of \$17,011 in Budgetary Transfer, \$5,342 in Federal USDA Food Stamps, \$2,208 in Federal Child Support, \$6,646 in Federal TANF Block Grant, and \$4,218 in Federal Title XIX to cover anticipated shortfall in In-State Travel in the Welfare Administration budget through the remainder of FY 99.

Refer to motion for approval under item C.

**34. Department of Human Resources - Welfare Field Services - FY 98 -** Deaumentation of \$14,865 in Budgetary Transfer, \$4,668 in Federal USDA Food Stamps, \$1,929 in Federal Child Support, \$5,807 in Federal TANF Block Grant, and \$3,687 in Federal Title XIX to cover shortfall in In-State Travel in the Welfare Administration budget through the remainder of FY 98.

Mr. Close said he had requested additional information on this request because funding for food stamps and other services to residents was being transferred into the Welfare Administration budget and he wanted to be assured that this funding transfer would not impact services to those residents. Mr. Robert Anderson, Administrative Services Officer, Welfare Division, indicated that the work programs included in items 26, 27, 31, 33, 34 and 35 were zero-based; thus, there would be no reduction in services. According to Mr. Anderson, a disproportionate amount of travel money had been placed in the Field Services budget because of the bifurcation between the Welfare, Admin and Field Services budgets. This money is being moved into the budgets out of which staff actually travel.

**MR. CLOSE MOVED TO APPROVE ITEMS 34 AND 35. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**35. Department of Human Resources - Welfare Division - Welfare Field Services - FY 98 -** Deaumentation of \$3,025 in Budgetary Transfer, \$950 in Federal USDA Food Stamps, \$393 in Federal Child Support, \$1,182 in Federal TANF Block Grant and \$750 in Federal Title XIX to cover projected In-State Travel needs in the Welfare Division's Employment and Training budget through the remainder of FY 98.

Refer to testimony and motion for approval under item 34.

**36. Department of Employment Training and Rehabilitation - Information Development and Processing - FY 98 -** Addition of \$29,605 in Federal Administrative Cost Allowance to purchase furniture ordered in December of 1996 and not paid for from FY 96-97 authority due to a document coding error.

Refer to motion for approval under item C.

**37. Department of Employment Training and Rehabilitation - Bureau of Services to the Blind and Visually Impaired - FY 98 -** Transfer of \$69,609 from Reserve category to SSA/VR Reimbursement category to enhance job development and placement activities and to provide other direct client services.

Refer to motion for approval under item C.

**38. Department of Employment Training and Rehabilitation - Alcoholism and Drug Rehabilitation - FY 98** - Addition of \$179,939 in Federal Prevention and Education Grant, and \$2,635,811 in Federal Substance Abuse, Prevention and Treatment Grant to increase sub-grants for substance abuse prevention and treatment programs.

Vice Chairman Arberry noted that this work program had been revised. A copy of the memorandum from John P. Comeaux to Lorne Malkiewicz, dated March 23, 1998, describing the reduction of \$93,362 to Category 10 (Alcohol Grants) with a corresponding increase to Category 93 (Reserve for Reversion) is included in the meeting minutes as Exhibit B.

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

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

**39. Department of Employment Training And Rehabilitation - Employment Security Division - FY 98** - Addition of \$2,497,258 in Federal Administration Cost Allowance to Convert the Unemployment Insurance Benefits System and the Unemployment Insurance Tax System to be year 2000 compliant.

Refer to motion for approval under item C.

**40. Department of Employment Training And Rehabilitation - Employment Security Division - FY 99** - Addition of \$2,174,701 in Federal Administration Cost Allowance to Continue Conversion of Unemployment Insurance Benefits System and Unemployment Insurance Tax System to be year 2000 compliant.

Refer to motion for approval under item C.

**41. Department of Employment Training And Rehabilitation - Employment Security Special Fund - FY 98** - Transfer of \$716,340 from Year 2000-Tax category to Reserve category and \$2,519,193 from Year 2000 category to Reserve category to return Temporary Funding Source Authority used by Employment Security for year 2000 conversion.

Refer to motion for approval under item C.

**42. Department of Employment Training And Rehabilitation - Vocational Rehabilitation - FY 98** - Transfer of \$100,691 from Reserve category to Client Services category to provide Client Vocational Evaluation Services at the Vocational Assessment Centers.

Refer to motion for approval under item C.

**43. Department of Employment Training And Rehabilitation - Vocational Assessment Centers - FY 98** - Addition of \$100,691 in Special Services to provide Vocational Evaluation Services to approximately 262 Bureau of Vocational Rehabilitation Clients.

Refer to motion for approval under item C.

**44. Department of Employment Training And Rehabilitation - Vocational Rehabilitation - FY 98** - Transfer of \$41,636 from Reserve category to Operating category to provide for additional office space at departmental co-locations and to provide for Unbudgeted Space Rental increases.

Refer to motion for approval under item C.

**45. Department of Employment Training And Rehabilitation - State Job Training Office - FY 98** - Addition of \$693,525 in Service Area South, \$31,282 in Older Worker Program, \$121,913 in Veterans IV-C Grant, \$389,875 in Dislocated Workers, \$6,775 in State Educational Grants, \$347,101 in Incentive and Technical Assistance, and \$47,710 in Displaced Homemaker Program and the Transfer of \$45,000 from Reserve category to Information Services category, and \$4,762 from Reserve category to Incentive and Technical Assistance category to provide additional client services to: 1) Displaced Homemaker Program, 2) Veterans On-the-Job Training Program, 3) Older Worker Program, 4) Training and Employment Programs (North and South), and to provide additional incentives and technical assistance to Training and Employment Program service providers. Also provides Program Information Management System as required by U.S. Department of Labor.

Refer to motion for approval under item C.

**46. Department of Human Resources - Child And Family Services - Youth Corrections Services - FY 98** - Transfer of \$200,000 from TCRP category to Detention Costs category to provide for costs of youth who are revoked from parole and are backed up in county detention facilities as a result of overcrowding at the Nevada Youth Training Center and Caliente Youth Center.

This item was withdrawn.

**47. Department of Human Resources - Child And Family Services - UNITY - FY 99** - Addition of \$4,190,228 in Title IV-E Funds and \$4,262,003 in Transfer from Director's Office to continue system modification development and implementation of the Statewide Automated Child Welfare Information System (SACWIS). Six FTE positions are requested including: one Clinical Program Planner I, four Social Welfare Specialist II's and a Program Assistant I. Amounts provide for increased contractor costs, mainframe charges, line charges, employee related travel, training, operating and equipment costs.

Refer to testimony and motion for approval under item 17.

**48. Department of Human Resources - Aging Services - FY 98** - Addition of \$270,000 in Federal Title III Funds to provide programs for the Elderly including Transportation Homemaking, and Adult Day Care.

Refer to motion for approval under item C.

**49. Gaming Control Board - FY 98** - Addition of \$500,000 in Federal Forfeiture, \$50,000 in Interest and \$50,000 in Excess Property Sales to establish a separate budget for expenditure of federal forfeiture funds and earned interest.

Mr. Mark Stevens, Assembly Fiscal Analyst, pointed out that a forfeiture policy had been established by the Legislature and the Interim Finance Committee for agencies that receive forfeiture funds. According to Mr. Stevens, authority to expend the forfeiture funds is not provided until a spending plan has been brought forward to the Interim Finance Committee. Although the work programs in items 49 and 50 are requesting authority to expend money derived from forfeitures, Mr. Stevens said a spending plan has not yet been developed. When the forfeiture policy was brought to the attention of Mr. William Bible, Chairman, Gaming Control Board, Mr. Stevens said Mr. Bible said he would have no problem placing the forfeiture funds in the reserve category until an expenditure plan could be developed, at which time he would resubmit the two work programs to a future meeting of the Interim Finance Committee and inform the Committee on how the money will be spent.

Since there were no questions from the Committee on items 49 and 50, Vice Chairman Arberry said he would entertain a motion to approve the two requests as amended.

**MR. MARVEL MOVED TO APPROVE ITEMS 49 AND 50 AS AMENDED.  
SECONDED BY SENATOR REGAN AND MOTION CARRIED UNANIMOUSLY  
BY VOICE VOTE.**

**Disclaimer: Although he has an interest in gaming, Senator Regan said he would be voting on the two requests because there was no apparent conflict of interest.**

**50. Gaming Control Board - FY 98** - Addition of \$250,000 in Forfeiture Funds to reimburse Gaming Control for law enforcement activities such as illegal bookmaking.

Refer to item 49 for testimony and motion to approve items 49 and 50 as amended.

**51. Public Utilities Commission - Regulatory Fund - FY 98** - Transfer of \$39,700 from Reserve category to Expert Consultants category to provide for education and training of excavators in violation of NRS 455.

Refer to motion for approval under item C.

**52. Department of Business And Industry - Transportation Services Authority - FY 98** - Transfer of \$7,000 from Operating category to Equipment category to provide funding for the purchase of a vehicle and auto equipment for the Las Vegas Office.

Refer to motion for approval under item C.

**53. Department of Business & Industry - Housing Division - FY 98** - Addition of \$80,000 in Repayment 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.

**54. Department of Business & Industry - Housing Division - FY 98** - Addition of \$1,410,000 in Mortgage Bond Sales to provide single and multi-family home loans statewide.

Refer to motion for approval under item C.

**55. Department of Business And Industry - Financial Institutions - FY 98** - Transfer of \$69,357 from Reserve category to Investigative category to provide for operating and travel expenses associated with statutorily mandated investigations and examinations and federal required training for staff.

Refer to motion for approval under item C.

**56. Department of Business And Industry - Insurance Regulation - FY 98** - Addition of \$12,806 in Medicare ICA Grant to continue services to Medicare population provided by the Medicare Information, Counseling and Assistance Grant Program.

Refer to motion for approval under item C.

**57. Department of Business And Industry - Insurance Regulation - FY 98** - Addition of \$90,226 in Medicare ICA Grant to continue services to the Medicare population provided by the Medicare Information, Counseling and Assistance Grant Program.

Mr. John Laxalt, Deputy Commissioner of Insurance, introduced Ms. Marilyn Espinosa, Administrative Services Officer, Insurance Division, who explained that the purpose of this work program is to record the carryover funds from the Medicare Information, Counseling and Assistance (ICA) Grant to conform with federal records. Ms. Espinosa pointed out that in previous years the Insurance Division has been recording current year grants, but has not been recording carryover amounts from year to year and approval of additional authority will allow the Division to expend the carryover funds to expand ICA services currently being offered.

In responding to a question from Senator Rawson, Ms. Espinosa said the additional authority would not be built into the Division's base budget. Since the Medicare ICA Grant is a fully funded continuing federal grant, Ms. Espinosa said no state funding would be required for any budgetary items.

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

**58. Department of Business And Industry - Division of Industrial Relations - FY 98** - Addition of \$117,146 in Allocation from Fund to provide funds for operating expenses, equipment, and information technology necessary to prepare for three-way industrial insurance by July, 1999. This allocation of funds was planned for FY 99 (see work program B68296).

Speaking to items 58 and 59, Mr. Ronald Swirczek, Administrator, Division of Industrial Relations (DIR), said that the Committee's approval of the two requests would authorize DIR to expend a portion of \$1,395,000 that was set aside by the 1997 Legislature for the successful implementation of Three-Way Workers Compensation Insurance commencing on July 1, 1999. Specifically, DIR is requesting one Program Coordinator-Education position to disseminate the information regarding three-way insurance to employers, insurers, medical providers and others. In addition, funding in the amount of \$316,948 is being requested for an information system to be used in lieu of the information DIR is currently receiving from the State Industrial Insurance System (SIIS) relative to proof of coverage by employers. The new system will also provide claims information such as the type of injury that was incurred by an employee.

**SENATOR REGAN MOVED TO APPROVE ITEMS 58 AND 59. SECONDED BY  
MR. DINI.**

Vice Chairman Arberry recognized Ms. Giunchigliani who asked for clarification on the new information system that will replace the information currently being provided by SIIS. Mr. Swirczek explained that beginning July 1, 1999, there will be private insurers in addition to SIIS and the new information system will accommodate claims information from those private insurers.

Since there were no other questions or comments from the Committee, Vice Chairman Arberry called for a vote on the motion.

**MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**59. Department of Business And Industry - Division of Industrial Relations - FY 99** - Deaugmentation of \$117,146 in Allocation from Fund and the transfer of \$61,414 from Reserve category to Personnel Expense category, \$4,500 from Reserve category to In-State Travel category, \$3,875 from Reserve category to Operating Expense category, \$3,732 from Reserve category to Equipment category, \$233,967 from Reserve category to Information Technology category and \$250 from Reserve category to Training category to provide funds for a new Program Coordinator position, in-state travel, operating expenses, equipment, information technology, and training necessary to prepare for three-way industrial insurance by July, 1999. The transfers and the deaugmentation are funded from reserve (see work program B68295).

Refer to testimony and motion for approval under item 58.

**60. Department of Business & Industry - Nevada Beef Council - FY 98** - Transfer of \$22,438 from Reserve category to Beef & Veal Promotion category to provide for an increase in beef & veal promotion efforts.

Refer to motion for approval under item C.

**61. Department of Business And Industry - Livestock Inspection - FY 98** - Addition of \$88,297 in Livestock Inspection Fees and the Transfer of \$319 from Reserve category to In-State Travel category to cover shortfall in Salaries and the costs for Brand Inspectors to travel to isolated locations.

Refer to motion for approval under item C.

**62. Department of Business And Industry - Plant Industry - FY 99** - Addition of \$49,600 in Reimbursement Per Interlocal Agreements to cover the cost of noxious weed control efforts along Highways (NDOT and in areas specified by Bureau of Land Management (BLM) and Vya Resource Conservation

District, Survey for Purple Loose Strife for U.S. Fish and Wildlife Services (USFWS) and Invertebrates Survey for Las Vegas Valley Water District (LVVWD).

Refer to motion for approval under item C.

**63. Department of Motor Vehicles and Public Safety - FEMA #1153 DR-NV - FY 98** - Transfer of \$676,284 from Public Assistance Administration Costs category to Public Assistance Management Costs category to provide for sufficient salary expenses of the Flood Recovery Task Force.

Refer to motion for approval under item C.

**64. Department of Motor Vehicles And Public Safety - Emergency Management - Federal Grants - FY 98** - Transfer of \$50,900 from Information Services category to U.S. Department of Energy (DOE) Grant category to upgrade Emergency Operations Center (EOC) data processing equipment per amendment to the Department of Energy's Agreement in Principle.

Refer to motion for approval under item C.

**65. Department of Motor Vehicles And Public Safety - Nevada Highway Patrol - FY 98** - Addition of \$14,047 in Insurance Recovery to purchase replacement vehicles from Risk Management Insurance Settlements.

Refer to motion for approval under item C.

**66. Department of Motor Vehicles And Public Safety - Fire Marshal - FY 98** - Addition of \$8,395 in License and Fees and \$51,316 in Plan Review Fees to provide in-state-travel for building plans review and inspections of Clark County schools and temporary clerical help in processing the plans backlog.

Mr. William Souigny, Budget Analyst, Administrative Services Division, Department of Motor Vehicles and Public Safety (DMV&PS), indicated that the original work program had requested an augmentation to the operating category from additional revenue sources in the amount of \$41,648. Since that time, Mr. Souigny said the Division had been able to identify duplicate entries of items as paid, pending and projected; therefore, the amount of the augmentation had been reduced to \$26,175. The reduction of \$15,472 will be added to the reserve category.

Ms. Giunchigliani wanted to know whether the Clark County School District has been cooperating with the State Fire Marshal's office on the inspections and Mr. Byron Slobe, State Fire Marshal, answered affirmatively.

**MS. GIUNCHIGLIANI MOVED TO APPROVE THE REQUEST AS AMENDED.  
SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED  
UNANIMOUSLY BY VOICE VOTE.**

**67. Department of Prisons - Prison Industry - FY 98** - Addition of \$302,994 in Miscellaneous Sales to cover increased operating expenses at Northern Nevada Correctional Center Metal Shop and Nevada State Prison Vinyl Shop for Increased Sales.

Refer to motion for approval under item C.

**68. Department of Prisons - Lovelock Correctional Center - FY 98** - Deletion of \$42,219 in Budgetary Transfer to provide for increased utilities expenses in Indian Springs Conservation Camp, increased maintenance of buildings and ground expenses in Northern Nevada Correctional Center and Humboldt Conservation Camp and to provide for additional canine expenses at Northern Nevada Correctional Center.

Chairman Raggio announced that items 68 through 71 would be considered together since they are interrelated.



Mr. Robert Bayer, Director, Nevada Department of Prisons (NDOP), introduced Ms. Janet Johnson, formerly with the Budget Division, who he said had recently transferred to NDOP as the Administrative Services Officer. Ms. Johnson explained that the work program in item 68 would serve as the vehicle to move money to cover shortages at the Northern Nevada Correctional Center (NNCC), item 69, Indian Springs Conservation Center (ISCC), item 70, and Humboldt Conservation Camp (HCC), item 71. Ms. Johnson noted that as a result of reductions which had been made to the work programs in item 69 and in item 71, the total budgetary transfer in the work program for LCC, item 68, could be lowered from \$42,219 to \$26,912. In addition, the amount in item 69 should be \$12,486 and the amount in item 71 should be \$5,426. Ms. Johnson told the Committee that savings were available in the LCC budget as a result of delays in construction of Unit No. 6.

Chairman Raggio wanted to know when Unit No. 6 is expected to be operational. Although the original opening date was scheduled for November of 1997, Ms. Johnson said NDOP anticipates having Unit No. 6 operational some time this month or in April.

**MR. MARVEL MOVED TO APPROVE ITEMS 68 THROUGH 71 AS AMENDED.  
SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED  
UNANIMOUSLY BY VOICE VOTE.**

**69. Department of Prisons - Northern Nevada Correctional Center - FY 98** - Addition of \$24,277 in Budgetary Transfer to meet projected shortfalls in Maintenance of Buildings and Grounds category and Canine category.

Refer to testimony and motion for approval under item 68.

**70. Department of Prisons - Indian Springs Conservation Camp - FY 98** - Addition of \$9,000 in Budgetary Transfer to meet projected shortfalls in Utilities.

Refer to testimony and motion for approval under item 68.

**71. Department of Prisons - Humboldt Conservation Camp - FY 98** - Addition of \$8,942 in Budgetary Transfer to provide for shortfalls in Maintenance of Buildings and Grounds category and replacement of hot water heater.

Refer to testimony and motion for approval under item 68.

**. 72. Department of Conservation & Natural Resources - Air Quality - FY 98** - Addition of \$190,053 in Air Pollution Grant and \$24,079 in Air Quality Fees to meet salary adjustments and indirect cost requirements, increased contract costs with community colleges and purchase of meteorological air monitoring equipment.

Refer to motion for approval under item C.

**73. Department of Conservation Natural Resources - Parks Improvements 97-99 - FY 98** - Addition of \$61,717 in transfer other budget account to provide \$25,860 for construction of a maintenance/shop at Big Bend of the Colorado State Park, \$18,000 for installation of underground telephone cable at Valley of the Fire State Park, and \$17,857 for parking area and other improvements at Spooner Lake Unit of Lake Tahoe State Park.

Mr. Steven Weaver, Chief of Planning and Development, Division of State Parks, said the Division of State Parks is seeking approval from the Interim Finance Committee to move unexpended funding authorized in the Park Improvement budget by the 1995 Legislature to the 1997-99 Park Improvement budget. Mr. Weaver said the Division of State Parks had been able to save over \$60,000 by redeveloping the water treatment plant at Washoe Lake State Park instead of having to drill a new well. Mr. Weaver requested permission to redistribute that savings to three other projects where shortfalls are expected.

Chairman Raggio wanted to know the status of the automated fee collection device at Valley of Fire State Park. Mr. Weaver said the device was expected to be operational in the very near future.

Since there were no further comments or questions from the Committee, Chairman Raggio entertained a motion to approve items 73 and 74.

**MR. CLOSE MOVED TO APPROVE ITEMS 73 AND 74. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**74. Department of Conservation Natural Resources - Parks Improvements 95-97 - FY 98 -** Deaugmentation \$61,717 in Washoe Lake State Park improvements 95-97 to reduce funds for Washoe Lake State Park 95-97 and transfer to park improvements 95-97, including \$25,860 for maintenance/shop at Big Bend of the Colorado State Park, \$18,000 for underground cable at Valley of the Fire State Park and \$17,857 for parking area and other improvements at Spooner Lake Unit of Lake Tahoe State Park.

Refer to testimony and motion for approval under item 73.

**75. Department of Conservation And Natural Resources - Bureaus of Waste MGMT/Federal Facilities - FY 99 -** Addition of \$145,399 in Hazardous Waste RCRA Federal to cover the difference between SFY 98 Legislative Approved Indirect Cost Rate of 15.2% and the Actual Negotiated Rate of 18.5% for SFY 98.

Refer to motion for approval under item C.

**76. Department of Conservation And Natural Resources - State Lands - FY 98 -** Addition of \$28,901 in Transfer Other Budget Account to cover Salary, Travel, Operating, Equipment, and Information Expenses for the new Tahoe Bond Program position.

Ms. Pamela Wilcox, Administrator, Division of State Lands, requested permission to transfer \$28,901 from interest on the Tahoe Bond Act of 1996. Since the Division of State Lands is authorized to use this money to cover administrative expenses of the program, Ms. Wilcox said she intends to use the funding to add a new position to coordinate the state's 10-year plan. Ms. Wilcox also said she planned to request approximately \$86,000 next fiscal year to continue the position.

Chairman Raggio questioned whether the General Fund would ultimately have to pay for the position. Although the Division is authorized to use this funding to cover administrative expenses of the Tahoe Program, Ms. Wilcox expressed concern about paying for this position indefinitely out of interest from the Tahoe Bond Act. In explaining the duties of the new position, Ms. Wilcox noted that the individual in this position will be responsible for implementing the Tahoe Bond Act, the license plate program, the stream restoration programs, and the erosion control programs. In addition, the individual will be supervising staff in the agency who work in the Tahoe Basin, representing the state at all of the Tahoe Partnership meetings, and other activities not related to the Tahoe Bond Act of 1996. Since the position will need to be continued longer than the remainder of the biennium, Ms. Wilcox said it was her intention to "make things right in the future."

Mrs. Von Tobel wanted to know whether any of the revenue collected from license plates could be used to fund the new position. Although revenue collected from license plates is supposed to be used for programs to protect the Tahoe Basin, Ms. Wilcox said there is no funding currently available in the license plate fund, but funding is expected in the near future. In addition to the Tahoe Bond Act activities, Ms. Wilcox said the Division is currently coordinating on behalf of the Governor's Office the state's entire response to the Presidential commitments, as well as the commitments made by Governor Miller, to protect the Tahoe Basin.

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

**77. Department of Conservation And Natural Resources - Wildlife - FY 99 -** Addition of \$132,000 in Sports Fish Restoration flow through to provide for development of urban fisheries program and improved access at Paradise Pond in Reno/Sparks and at University pond in Fallon.

Refer to motion for approval under item C.

**78. Department of Conservation And Natural Resources - Fire Suppression Emergency Response - FY 99** - Addition of \$150,000 in Federal Coop Purchase Agreement to cover acquisition of new consoles, related equipment and attendant training for computer aided dispatch system.

Refer to motion for approval under item C.

**79. Department of Colorado River Commission - FY 98** - Transfer of \$26,632 from Reserve category to Salaries category to allow for two positions to operate the electric power transmission facilities currently under construction as part of the power delivery project.

Mr. George Caan, Director, Colorado River Commission (CRC), introduced Mr. Douglas Beatty, Administrative Services Officer. Mr. Caan requested Committee approval to transfer \$26,632 from the reserve category to the salary category to hire two positions, an Electronics Technician and a Communication Supervisor, who will be responsible for maintaining the Power Delivery Project (PDP) in Henderson, Nevada, which is a high voltage transmission and distribution system currently under construction. This is an ongoing operation and maintenance activity. The two positions will be working with a number of contractors who will be servicing the facility, as well as maintaining and providing emergency services. The two positions will be funded entirely by the Southern Nevada Water Authority (SNWA) as part of the revenues that are produced from the sale of water.

**MR. MARVEL MOVED TO APPROVE THE REQUEST. SECONDED BY MR. DINI.**

Chairman Raggio asked whether CRC's request is part of a staffing plan or a collateral matter. Mr. Caan noted that CRC is currently involved in the construction of the \$78-million PDP. As part of this operation, CRC will need to hire technicians, supervisors, and maintenance staff for the long-term operation of the system. Mr. Caan indicated that CRC anticipates using a combination of staff resources and contractors, depending on the need of the system. CRC believes the system will require two persons on a 40-hour per week basis to maintain and calibrate the electronic and communication equipment. CRC also expects to have contractors on board for emergency repairs and other repairs that do not require a full-time presence.

Chairman Raggio called for a vote on the motion.

**MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**80. Department of Transportation - FY 98** - Addition of \$1,705,075 in Highway Fund Authorization to transfer funds to the Technology Improvement Plan to develop software for a new project estimation and construction contract management subsystem that will integrate the new accounting system currently being developed as part of the Integrated Financial System.

Refer to testimony and motion to approve the request under item 2.

**81. Reclassification Changes Requiring Interim Finance Committee Review:**

(1) Office of the Attorney General, S.B. 497 (1997 Legislature) authorized an unclassified position to serve as Executive Director to the Advisory Council for Prosecuting Attorneys. S.B. 497 requires that the Executive Director be an attorney. The salary was not included in the Unclassified Pay Bill (S.B. 493). The Office of the Attorney General is requesting approval of a full-time salary of \$65,141, which is equivalent to the salary of a Deputy Attorney General.

(2) Department of Prisons, a reclassification request of position 344 from Accounting Specialist, grade 27-7, \$28,314, to Accountant Technician, grade 30-5, \$30,769.

(3) Department of Prisons, a reclassification request of position 555 from Property/Inventory Manager, grade

31-9, \$31,946, to Management Analyst II, grade 35-5, \$34,808.

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

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

Mr. Miles apprised the Committee that the current balance in the Contingency Fund was \$8,461,901. If the Committee were to approve all of the requests for allocations from the Contingency Fund on the agenda today, which total \$1,521,525, Mr. Miles said it would leave a balance in the Contingency Fund of \$6,940,376.

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

Chairman Raggio asked the Committee members and agency staff to be mindful of the time because he expected to lose a quorum early on.

##### **1. University and Community College System of Nevada - National**

Student Loan Program.....\$ 36,165

Mr. Larry Eardley, Budget Officer, University and Community College System of Nevada (UCCSN), requested an allocation of \$36,165 from the Contingency Fund to address a shortfall for this biennium in the National Direct Student Loan (NDSL) Program, which provides funds for federal loan programs such as Perkins and others. Although the 1997 Legislature appropriated \$46,000 for the National Direct Student Loan Program, which was based on actual expenditures for FY 1996, Mr. Eardley indicated that the institution capital contribution (ICC) for FY 1998 was about \$80,000, based on a one-third match requirement.

Chairman Raggio wanted to know whether loans were being repaid to the federal government or directly to the campus, and also whether the full amount of each loan; i.e., the federal amount plus the state contribution, including interest, was being repaid by the student. Mr. Eardley indicated that the student, who receives the federal portion and the state's match, is required to pay the total loan amount.

Chairman Raggio questioned whether the state's portion of the loan is being credited back to the General Fund when the loan was repaid. Mr. Eardley indicated that when the loans were repaid both the federal portion and the state's match were eligible to be redistributed again as a loan to another student and were being leveraged to provide future loans.

When she was attending college, Ms. Giunchigliani recalled that there were partial waivers on student loans for those individuals who were teaching in low-income and high-risk areas and she wondered whether those waivers were still in existence. Mr. Eardley said he was not familiar with the waivers, but he would research the matter and report back. Since UCCSN has been able to leverage the federal funding in other areas such as the health profession and nursing, Ms. Giunchigliani suggested that this might be another opportunity for UCCSN to leverage the federal funding.

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

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

**Disclaimer: Mrs. Evans said she was an employee of the UCCSN, but she would be voting on the request because she had no conflict of interest.**

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

##### **2. Department of Conservation and Natural Resources - Division of**

State Parks.....\$ 17,224

Mr. Steven Weaver, Chief of Planning and Development, Division of State Parks, apprised the Committee that Assembly Bill 486, which was passed by the 1997 Legislative Session, had authorized an annual fee of \$10 per acre/feet of permitted ground water to be assessed by the Southern Nevada Water Authority (SNWA). According to Mr. Weaver, passage of A.B. 486 had impacted the Division of State Parks because it owns 861.2 acre/feet of water rights at Floyd Lamb State Park. The Division of State Parks has received a bill in the amount of \$8,612 for the assessment of those water rights for FY 1998 and expects to receive an identical bill for FY 1999. According to Mr. Weaver, these assessments represent almost one-half of Floyd Lamb State Park’s annual operating budget. Since this expense was unforeseen and since funds cannot be transferred from other State Parks budgets without adversely impacting the operations of those parks, Mr. Weaver told the Committee that if the allocation from the Contingency Fund was not approved, the Division of State Parks would have no other recourse but to reduce services in all of the state parks, or eliminate some of its budgeted maintenance projects.

Since there were no questions from the Committee, Chairman Raggio entertained a motion to approve the request.

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

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

3. Department of Motor Vehicles and Public Safety -

Nevada Highway Patrol, Dignitary Protection.....\$ 58,136

Colonel Michael Hood, Chief, Nevada Highway Patrol (NHP), pointed out that the Department of Motor Vehicles and Public Safety (DMV&PS) was requesting an allocation of \$58,136 from the Contingency Fund to offset the cost overrun during the National Governors’ Conference in Las Vegas during July of 1997. Although NHP had budgeted for 38 to 40 governors to attend the conference, Colonel Hood indicated that 47 governors had attended the conference. In addition, the NHP was not only required to provide security for the additional governors, but their families as well. There were two structured events at the conference, the Fremont Experience and the Stratosphere Tower, which required more security than was anticipated.

Chairman Raggio asked Colonel Hood to explain Presidential visits. Colonel Hood indicated that it had historically been the policy of the NHP to provide security whenever a President or Vice President visits Nevada and those expenditures were charged to the Highway Fund, budget account 4713, because those visits were considered to be a highway operation involving motorcades and on-street security.

Ms. Giunchigliani said she would find it unlikely that the governors and their families had not used the highways during their stay in Las Vegas. Colonel Hood said the governors and their families had driven their own private vehicles on the highways rather than riding in NHP-designated patrol vehicles.

Speaking to an unrelated matter, Senator Regan recalled that the 1997 Legislature had appropriated \$6 million for radios for NHP and Parole and Probation and he wanted to know the status of the appropriation. Colonel Hood noted that the new communication system for DMV&PS was delayed about two months while a Request for Proposal (RFP) was advertised for a Project Manager to manage the system. A selection of the Project Manager is expected to be made on April 6, 1998, and NHP will be moving forward in implementing the new communication system.

While he could appreciate having to hire a Project Manager, Senator Regan wanted to know the status of the purchase of the more powerful 800 megahertz radios that were supposed to replace the existing 150 megahertz radios. Senator Regan said he had received numerous calls from Parole and Probation in

southern Nevada complaining about having inadequate radio communications. Senator Regan also said he had been told that there was not sufficient money to install radios in the new NHP vehicles. Senator Regan questioned why it was necessary to hire an expert to install the new radios in NHP vehicles. Colonel Hood pointed out that pursuant to a decision which was made during the 1997 Legislative Session, 150 megahertz radios will be installed in all law enforcement vehicles. As far as radios for NHP vehicles, Colonel Hood said that every NHP vehicle on the highway has been equipped with a radio and that all new vehicles coming on stream would be equipped with radios as well. Regarding hand-held radios for Parole Probation in southern Nevada, Colonel Hood indicated that NHP was assisting Parole and Probation at this time by providing them with any excess hand-held radios from either the low-band or high-band system until DMV&PS implements the new high-band communication system.

In responding to a question from Senator Regan, Colonel Hood said that NHP would be able to communicate with the Las Vegas Metropolitan Police Department when the new communication system has been installed. Senator Regan asked Colonel Hood to keep him informed on the progress of the new system. Colonel Hood said he would be happy to do so. Colonel Hood also noted that he was pleased with the progress to date and that the Project Manager should be on board within the next 60 days and some of the new equipment should be installed shortly thereafter.

Since there were no further comments or questions from the Committee on this request, Chairman Raggio entertained a motion.

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

A copy of the resolution approved by the Committee is included in the meeting minutes as Exhibit E.

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

Chairman Raggio announced that item E.4., the Supreme Court request for a Contingency Fund allocation in the amount of \$410,000, would be taken out of order to accommodate judicial staff and other representatives from Clark County.

Ms. Karen Kavanau, Director, Administrative Office of the Courts (AOC), introduced Ms. Janette Bloom, Supreme Court Clerk, who had accompanied her to the witness table. In addition, Ms. Kavanau introduced Supreme Court Justices Robert Rose and William Maupin, Judge Nancy Becker from the Eighth District Court, Las Vegas, Mr. Charles Short, Court Administrator for the Eighth District Court, Las Vegas, Mr. Robert Boyle, Project Manager, and Mr. Windom Kimsey, Designer, who were sitting in the audience and who, she added, were available to respond to questions from the Committee. Ms. Kavanau thanked Chairman Raggio and members of the Committee for taking the Supreme Court's request out of order to accommodate the arrival of Judge Becker and others from Las Vegas.

Ms. Kavanau requested Committee consideration of an allocation in the amount of \$410,000 from the Contingency Fund so that the Supreme Court could participate in the planning and design phases of a Regional Justice Center (RJC) to be built by Clark County. According to Ms. Kavanau, Clark County has extended an offer to the Supreme Court to participate in this unique opportunity to establish a permanent location in southern Nevada in a government-owned facility along with the City of Las Vegas. The \$410,000 represents the Supreme Court's total cost to participate in the RJC for the current biennium. Other occupants planned for the RJC include: the Las Vegas Municipal Court, the Las Vegas Justice Court, the Eighth District Court, and the Clark County District Attorney's Office. Participation in the RJC offers many advantages to the Supreme Court. Ms. Kavanau enumerated those advantages, which are as follows:

^ Optimized public access to Nevada's justice system: the Las Vegas Justice Court, Las Vegas Municipal Court, Ninth District Court, and the Supreme Court and its related services will all be located in one building.

- ^ Fixed lease: the annual lease cost would be fixed and not increase over the lease's 20-year term. The Supreme Court has been advised it would pay approximately \$1.80 per square foot per month for a period of 20 years, or \$8,640,000 in total.
- ^ Shared expenses: the occupants will split the cost of certain expenses such as common area security, maintenance, lobby/reception staffing, and shipping/receiving.
- ^ Cost effectiveness: a projected lease cost of \$1.80 per square foot (utilities, custodial services, elevator maintenance, and environmental system maintenance included) which is comparable to the rate the Supreme Court would pay for privately-owned space downtown. The space currently leased by the Supreme Court at 316 Bridger Street provides for \$1.70 and \$1.75/square foot for fiscal years 2001 and 2002, respectively.
- ^ Prime location: the RJC will be located in downtown Las Vegas on the site where the Rainbow Vegas Hotel is currently located, bounded by Lewis on the north, Casino Center on the west, Clark on the south, and 3rd on the east.
- ^ Efficiency: occupants will be able to communicate and work together better due to their proximity to each other.
- ^ Establishment of an enhanced presence for the Supreme Court in the Las Vegas area: locating all of the courts in the RJC will optimize service to southern Nevada's public and legal community.
- ^ Good timing: the Supreme Court's current lease at 316 Bridger Street ends at approximately the same time the RJC will be available for occupancy.

Ms. Kavanau indicated that the Supreme Court had not considered participation in the RJC previously because of the large up-front fees required. The Supreme Court now feels it would be remiss if it did not consider Clark County's most recent offer, which was received last month. Ms. Kavanau noted that the offer calls for the Supreme Court to cover its share of Clark County's out-of-pocket expenses during the planning and design phases. Ms. Kavanau noted that the Supreme Court was bringing this request forward today because Clark County's construction schedule requires a decision by the Supreme Court by the end of March.

Since the Supreme Court is recommending 20,000 net square feet in the RJC, Ms. Kavanau said this square footage would relate to 4 percent of the total space in the building; therefore, Clark County's out-of-pocket expenses for planning and designing 20,000 square feet of office space would equate to approximately 4 percent of Clark County's up-front costs for the architect (\$301,582), approximately 4 percent of its up-front costs for a professional project manager (\$57,358), and approximately \$26,000 to cover the Supreme Court's share of miscellaneous permit costs for a total of \$385,000. To this sum, \$25,000 has been added to cover the estimated cost for an independent consultant to review Clark County's final architectural plans on behalf of the Supreme Court, for a total request of \$410,000. The Supreme Court is proposing to occupy 20,000 net square feet in the RJC based on preliminary assessments.

Ms. Kavanau advised the Committee that it was the Supreme Court's intent to negotiate an option for another 20,000 square feet to accommodate potential growth and that the Supreme Court was currently assessing its exact spacial and staffing needs for the RJC. According to Ms. Kavanau, two major changes will be occurring in the near future that will influence the use of a Las Vegas office; namely: the addition of two justices in the next election and the use of roving panels rather than the full court to hear the majority of cases. During the interim of approximately four years between now and the time the RJC will be available for occupancy, Ms. Kavanau told the Committee that the Supreme Court plans to continue using the 5,003 square feet space currently being leased at 316 Bridger Street in Las Vegas. This space will be remodeled to accommodate two justice chambers, effective January 1999. She said, however, this space would be too small to support the business functions the Supreme Court expects to

be performing in Las Vegas for the long term. In concluding her presentation, Ms. Kavanau noted that Mr. Kimsey, the project's designer, had brought a three-dimensional model of the proposed RJC for the Committee to review.

In directing his question to Ms. Brenda Erdoes, Legislative Counsel, Chairman Raggio wanted to know how the Supreme Court would be able to justify its request under the criteria of the Contingency Fund. Ms. Erdoes advised that since an appropriation was made during the 1997 Legislative Session for building rent for the Supreme Court in Las Vegas, the Interim Finance Committee would need to find that the Supreme Court's request represents a legitimate expense of the state and that unforeseen circumstances, going forward on that appropriation, had kept this request from being considered during the 1997 Legislative Session.

Chairman Raggio suggested that the Committee would be stretching the criteria of the Contingency Fund if it were to approve the Supreme Court's request and would set a precedent for approving similar types of requests in the future. Chairman Raggio said that it was not unforeseen that the 1997 Legislature had authorized two new justices and a roving panel. Although the 1997 Legislature realized that the Supreme Court would need space in southern Nevada, Chairman Raggio wondered how such a request would meet the criteria of the Contingency Fund. Ms. Erdoes said she had gleaned from the information provided by the Supreme Court that the Supreme Court did not bring a proposal to the 1997 Legislative Session because it did not believe it was going to be able to negotiate a satisfactory rate for office space with Clark County during the 1997 Legislature because it was going to be too expensive. Since that time, Clark County has offered the current proposal for office space and now the Supreme Court believes it will be able to negotiate a satisfactory rate for office space with Clark County. Under those existing circumstances, it was Ms. Erdoes' opinion that the Interim Finance Committee could find the proposed expenditure to be unforeseen.

If the Committee's action were to be challenged in court, Chairman Raggio wondered whether it could be justified legally. Ms. Erdoes suggested that it would be difficult for the Committee to justify such action. She said, however, since this was the gate-keeping provision of the Contingency Fund, it would be up to the witnesses to convince the Committee that this was an unforeseen circumstance.

Chairman Raggio expressed concern that if the Committee were to agree to fund the Supreme Court's request, the Committee would be committed irrevocably to participation in the proposed project; i.e., the state will be required to pay a percentage of the cost of construction, as well as the preliminary design and project management. Since he thought the Committee was being asked to make a commitment to a capital improvement project for a state agency on very short notice, Chairman Raggio wanted to know why the Committee was being pressed to make a decision by April 1, 1998. It was Chairman Raggio's understanding that no one in the Supreme Court had previously envisioned the type of occupancy that is currently being proposed for the RJC which would, when built out, occupy about 4 percent of the total facility. Furthermore, Chairman Raggio said he had been told that in order for the Supreme Court to participate, the project's manager and architect were requiring a combined 13.2 percent of total construction costs in preliminary design and management costs.

To respond to a question from Chairman Raggio, Ms. Kavanau noted that Supreme Court was currently paying \$1.35 per square foot for office space at the Bridger Street building; however, effective today the cost would increase to \$1.75 per square foot for fiscal years 2001 and 2002.

According to the information provided by the Supreme Court, Mr. Hettrick said it was his understanding that the Supreme Court intends to negotiate an option for another 20,000 square feet of office space. Mr. Hettrick questioned why the Supreme Court was being required to buy the first 20,000 square feet in order to negotiate a lease for the second 20,000 square feet.

Chairman Raggio also wondered why the Supreme Court needs 20,000 square feet of office space in Las Vegas when it is currently occupying approximately 5,000 square feet. It was also Chairman Raggio's recollection that when the 1997 Legislature authorized the roving panels, the Legislature was assured the panels would not be permanently assigned to one location; thus, preventing the panels from becoming



sectionalized. Furthermore, the Legislature had envisioned the Supreme Court would continue to sit in Carson City.

After Chairman Raggio recognized Judge Nancy Becker from the Eighth District Court in Las Vegas, Judge Becker explained that when the bond passed in 1996, Clark County had anticipated bringing a proposal to the 1997 Legislative Session which would allow the Supreme Court to participate in the RJC. She said, however, a site had to be selected before a cost estimate could be calculated. At that time, Clark County had anticipated that Lewis Street would be vacated and that the RJC would be constructed on that site. A dispute arose between the City of Las Vegas and Clark County with regard to the vacation of Lewis Street and the direction of the RJC and the dispute was not resolved until September of 1997. After the dispute was resolved, all of the data was then gathered and work was commenced on the cost projections so that Clark County could present to the Interim Finance Committee the ability of the Supreme Court to participate in the design phase. Judge Becker told the Committee that in order to proceed with Clark County's schedule, the Supreme Court would need to participate now in the design phase; otherwise, Clark County would have to redesign the entire building if a decision were to be made by the 1999 Legislative Session for the Supreme Court to participate in the building. It was Judge Becker's opinion that such a delay would more than likely make the cost prohibitive for the Supreme Court.

Chairman Raggio wanted to know when construction was expected to begin. Judge Becker indicated that the construction bids were expected to be opened in August of 1999, and cost estimates had been developed that would protect Clark County in terms of the amount of money required for the design phase so that alternative bidding documents could be prepared; i.e., one with the Supreme Court and one without. Judge Becker said the 1999 Legislature would then be able to decide whether the arrangement makes good business sense and whether it wanted to provide funding for the project. If the 1999 Legislature does not choose to fund the project, Judge Becker indicated that Clark County would build the RJC without the Supreme Court's participation.

Chairman Raggio suggested that as a practical matter the state would be committed to go ahead once it has provided funding for planning. Judge Becker agreed with Chairman Raggio, noting that some of the planning money provided by the state could not be used for other purposes, but that a good portion of the planning money could be used for the Supreme Court if it wishes to do tenant improvements, increase lease space, or even participate in another state building that might be constructed in Clark County at some future date.

Chairman Raggio questioned the propriety of the Supreme Court occupying the same building with the Las Vegas Municipal Court, the Las Vegas Justice Court, the Eighth District Court, and Clark County's District Attorney's office. During the second phase of construction, Judge Becker pointed out that the District Attorney's office was scheduled to be moved out of the building, when the second office complex has been built on site, leaving the entire building for the Supreme Court.

To respond to several inquiries from Chairman Raggio, Judge Becker estimated that approximately 30 district courts, 12 justice courts, and 10 municipal courts would be occupying the RJC at build out. In addition, the RJC would include between 13 and 17 stories, depending on the number of courts per floor contemplated in the design phase. Judge Becker also told the Committee that Clark County had not brought this proposal to the Interim Finance Committee earlier because it would not have been possible to provide accurate cost estimates without a resolution from both the City of Las Vegas and Clark County. Judge Becker estimated that the total project cost would be over \$200 million. Although the bond approved by Clark County voters in 1996 provided \$120 million for the jail, the juvenile facilities, and the court house, Judge Becker indicated that administrative assessment fees from the courts, as well as monies from Clark County's General Fund, would make up the difference between the amount generated by the bond and the total cost of the project.

Chairman Raggio said he was confused with the figures provided by Judge Becker because he had been told that the total cost of the RJC project was being estimated at \$120 million, with \$29 million coming from the City of Las Vegas and \$90.5 million from Clark County. Judge Becker apologized for having

misunderstood Chairman Raggio's question and acknowledged that his understanding of the estimated cost of \$120 million for the RJC project was correct.

Speaking to the issue of the Supreme Court's option for an additional 20,000 square feet of office space, Judge Becker indicated that the Supreme Court could negotiate for additional office space when the second phase of construction commences in approximately the year 2005. According to Judge Becker, there will be no extra 20,000 square feet available in the building because the building will be fully occupied. Judge Becker said that although office space would be available in the building to accommodate growth in the District Attorney's office, that space would be back filled by the Supreme Court, as the number of justices increase, when the District Attorney's office moves out of the building.

Since he thought 20,000 square feet represents a large area, Chairman Raggio said he would be interested in having an explanation provided as to why the Supreme Court needs 20,000 square feet of office space in Las Vegas. While it was her understanding that the two panels would be rotated between the north and the south, Judge Becker suggested that the central issue revolves around the Supreme Court wanting to have a greater presence in southern Nevada because of the continuing growth in the population in Clark County. Judge Becker said, however, it was not her understanding that any justice who lives in southern Nevada would remain there or that any justice who lives in northern Nevada would remain there.

Chairman Raggio recalled that the 1997 Legislature had been very clear when it appropriated the funding for seven Supreme Court justices to serve on rotating panels. Furthermore, the 1997 Legislature was assured by the Supreme Court that the seven justices would be residing in Carson City and that the location of the Supreme Court would remain in Carson City. It was also Chairman Raggio's recollection that the Supreme Court Building was built to accommodate seven justices and that the roving panels would not be selected to accommodate justices who want to live in Las Vegas. Judge Becker said she did not believe the office space in the RJC was intended to accommodate permanent, sectionalized roving panels.

Regarding the 20,000 square feet issue, Mr. Hettrick wondered why the Supreme Court could not negotiate with Clark County for 20,000 square feet during the second building phase, which is planned for construction five years from now, rather than asking the Committee to act on a request that requires the justification of an unforeseen event in order for the Supreme Court to receive an allocation from the Contingency Fund. Since no funding is available for the second building at the present time, Judge Becker indicated that the planning process would not be started for the second building until the year 2005 and that the building would probably not be completed until the year 2010 or 2015.

Mr. Hettrick contended that the Nevada Legislature had built the Supreme Court Building in Carson City to house seven justices and he agreed with Chairman Raggio that the Committee would have to stretch the criteria to justify an allocation from the Contingency Fund for additional office space for the Supreme Court in southern Nevada. Since the Supreme Court had already leased office space in Las Vegas through the year 2002, Mr. Hettrick said he was having difficulty supporting the request due to the large number of unanswered questions.

Mr. Marvel expressed concern that the request from the Supreme Court for \$410,000 was only the "tip of the iceberg" and he wanted to know how the Supreme Court plans to fund the balance of several million dollars. According to Mr. Marvel, passage of a bond for this capital improvement project would impact the state's tax rate and bonded indebtedness. Also, since legislation was passed during the 1997 Legislative Session requiring a cost analysis on all capital improvement projects, Mr. Marvel wanted to know whether the Supreme Court had done a cost analysis. Ms. Kavanau said the Supreme Court had elected not to go any farther on Clark County's proposal until the Interim Finance Committee had the opportunity to approve the request. Although the Supreme Court will have to pay rent for office space one way or the other, Ms. Kavanau maintained that the 5,000 square feet of office space being leased in the Bridger Street building was going to be inadequate in the future due to the workload being envisioned by the Supreme Court in southern Nevada. Ms. Kavanau also indicated that it would make no difference where the justices were permanently located because the justices would be rotated between

the two panels on a random basis. According to Ms. Kavanau, it was the Supreme Court's belief that Clark County's proposal for additional space in the RJC was a good idea because it would not require new justices residing in southern Nevada to move to Carson City.

Chairman Raggio asked Ms. Kavanau to clarify whether she was implying that the newly elected justices would not be residing in Carson City. Ms. Kavanau said it was the intent of the Supreme Court to offer the newly elected justices the opportunity to be permanently located in southern Nevada. In addition, Ms. Kavanau said it was her understanding that the Supreme Court Building was not built to accommodate seven justices, but rather it was built to accommodate five justices, with rooms for visiting justices. The Supreme Court Building currently has five chambers for the existing five Supreme Court Justices. She said, however, the other two rooms were not the same size.

Unless he misheard, Chairman Raggio said the members of the 1997 Legislature's two money committees were told that the Supreme Court Building contained two additional chambers that would accommodate two additional justices; thus, no additional costs would be involved in adding two additional justices. Chairman Raggio said this was the first time he had heard that all seven justices were not going to be residing in Carson City and that the proposal being presented to the Committee today was an entirely new concept.

Chairman Raggio recognized Supreme Court Justice Robert Rose, who told the Committee that the Supreme Court had made no firm decision about where the justices must reside. He said, however, he did not believe it would be of any consequence where the justices reside physically since the justices would in the future be deciding approximately 90 percent of their cases in panels. It was Justice Rose's belief that a justice could spend a fair amount of time in his office in Las Vegas, while having an office in Carson City as well. This type of arrangement would give greater flexibility to a justice who might not want to move his family from Las Vegas to Carson City.

Chairman Raggio suggested that if justices were to be allowed to retain their residences in Las Vegas they would be the preferred justices to sit on the panel in Las Vegas.

Justice Rose assured the Committee that nothing was going to change for the next four to five years; i.e., the Supreme Court would live within its budget and, as was represented to the 1997 Legislature, the panels would be operated on a random selection basis. If a justice wants to reside in Las Vegas, he would be required to travel to Carson City periodically to serve on the northern panel. Conversely, as a northern Nevada resident, Justice Rose said he would be required to travel to Las Vegas periodically to serve on the southern panel, depending upon the random selection. Since 90 percent of the cases will in the future be decided by the panels, Justice Rose reiterated that it would make very little difference where the justices reside. Although the Supreme Court has made no firm decision on this concept at this point in time, Justice Rose suggested that it would be a logical assumption one or more justices might want to reside in Las Vegas due to the greater presence in Las Vegas envisioned by the Supreme Court. Since the Supreme Court received the proposal from Clark County only a month or two ago, Justice Rose said the Supreme Court thought it would be irresponsible not to bring the proposal to the Interim Finance Committee.

Continuing his testimony, Justice Rose told the Committee that the question which begs to be answered today is where will the Supreme Court be housed in four or five years from now when its lease ends and it is required to move from the Bridger Street building. According to Justice Rose, the Supreme Court would like to have a presence in southern Nevada other than "a vagabond court." Justice Rose stated:

We would like to have a permanent home, at a fair price, with good security, in a public building. The reason a public building is important is because conflicts are inherent. We cannot lease from a law firm, because then we have a law firm relationship. We do not have security at our present building in Las Vegas, something that I think all government officials need.

Because of the Supreme Court's concern about having permanent office space in Las Vegas in the

future, Justice Rose said the Supreme Court decided it would be remiss if it did not bring the Clark County proposal to the Interim Finance Committee. In addition, the Supreme Court was afraid that if it were to bring a funding request to the legislature for a new location in Las Vegas three or four years from now, when the lease expires on the Bridger Street building, the legislature would question why the Supreme Court had not mentioned the availability of office space in the RJC. Justice Rose said he would readily admit that the Clark County proposal had a number of loose ends, which the Supreme Court would need to address. Although he realized the Committee could deny the request today and leave the decision to the 1999 Legislature, Justice Rose said he was not sure the same opportunity would be available at that time.

Chairman Raggio said he wished to have clarified that two of the seven existing chambers in the Supreme Court Building were not suitable for two new full-time justices. Since there are currently five front chambers, Justice Rose said the Supreme Court Building would accommodate a five-justice court. Although he acknowledged that two chambers were located in the back part of the Supreme Court Building, Justice Rose indicated that those two chambers were not nearly as large as the other five chambers. It was also Justice Rose's opinion that it would require converting a portion of the Supreme Court's conference room to make it an adequate suite for one of the justices and that visiting justices would have to be accommodated in the Supreme Court's library.

Since the full legislature has historically voted on capital improvement projects, Mr. Marvel questioned whether the Interim Finance Committee had the authority to approve \$410,000 for a capital improvement project for the Supreme Court.

It was Chairman Raggio's recollection that Judge Becker had indicated that the state would be committed for the design cost, but that the full legislature would have the opportunity to decide whether to go ahead with the construction.

Mr. Goldwater said he agreed with Justice Rose's prior comments regarding the legislature chastising state department heads and administrators for not bringing forward in a timely fashion proposals that would address their space needs. After listening to Judge Becker's testimony, it was Mr. Goldwater's understanding that Clark County's proposal would be cost prohibitive if the Committee were to decide to defer the Supreme Court's request to the next legislature. Additionally, Mr. Goldwater suggested that the Interim Finance Committee should act favorably in approving the \$410,000 request because he did not believe that meeting the needs of the Supreme Court justices in southern Nevada was an unreasonable commitment. Mr. Goldwater also said he would be interested in having an estimate provided that would reflect projected cost increases which might result by not allowing the Supreme Court to participate with Clark County in the RJC project. Mr. Goldwater said he would encourage the Committee to support the request.

To respond to an inquiry from Mr. Close, Ms. Kavanau indicated that the Supreme Court had not considered the possibility of using surplus administrative assessment collections as a funding source for the Clark County proposal, but she said she would be happy to research the matter.

Mr. Close wanted to know whether Ms. Kavanau had contacted the State Public Works Board (SPWB) regarding funding which might be available for planning future capital improvement projects. Ms. Kavanau reiterated that the Supreme Court had elected not to move forward until a decision was made by the Interim Finance Committee on whether or not the Supreme Court was going to be participating with Clark County in the planning and design phase of the RJC.

While he could appreciate the Supreme Court's foresight in looking forward to potential office space expansion in Las Vegas, Mr. Close noted that the members of the Interim Finance Committee had received today a copy of a memorandum from the Fiscal Analysis Division, which provided an update on General Fund revenue. In summary, the report indicated that the state's two largest revenues, sales tax and gaming percentage fees, have not met projected levels through the first seven to eight months of this fiscal year. The report also indicated that unless General Fund revenue collections increase from levels experienced thus far in FY 1997-98, the General Fund surplus available to finance one-shot items

and capital improvement projects during the 1999 Legislative Session will be substantially lower than the levels experienced during the last couple of legislative sessions. In light of this information, Mr. Close said he would be reluctant to support the expenditure of \$410,000 from the Contingency Fund for a capital improvement project. Mr. Close encouraged the Supreme Court to make a concerted attempt to locate surplus funding within its budget and from other sources as well.

It was Ms. Giunchigliani's opinion that unforeseen circumstances could be argued if an opportunity arises that had not otherwise been available. Ms. Giunchigliani also said she would hope that the Committee does not decide to disregard the Supreme Court's request, but would instead look at the long-term implications. As a result of the growth in the state, Ms. Giunchigliani reminded the Committee that several years ago the legislature had funded the Grant Sawyer State Office Building in Las Vegas as a "one-stop shop." Ms. Giunchigliani suggested that the time had come for private citizens as well as attorneys in the private sector to decide whether or not a "one-stop shop" for justices needs to be created in southern Nevada so their cases can be heard in Las Vegas rather than having to travel to Carson City to settle a 10-minute case before the Supreme Court. It was Ms. Giunchigliani's belief that office space in the RJC would provide the Supreme Court both with accessibility and visibility. Ms. Giunchigliani said, however, she felt more comfortable after learning there was not going to be a long-term commitment because by law one legislative body cannot bind another legislative body.

Ms. Giunchigliani asked Judge Becker whether the design was going to be flexible so that if the legislature were to make a decision at some future time not to participate in the project the space in the RJC being proposed for occupancy by the Supreme Court could be utilized by other governmental entities. In responding to Ms. Giunchigliani's inquiry, Judge Becker advised the Committee that the proposal had been brought forward to the Interim Finance Committee because of the long-term benefits; i.e., a 20-year lease without an increase in space rent, or a lump-sum payment by the state, which would involve the life of the building, or about 50 to 60 years. According to Judge Becker, this arrangement would be a considerable cost benefit over that period of time to the taxpayers of Nevada in terms of the space analysis. In addition, Judge Becker pointed out that the Committee's approval of the \$410,000 from the Contingency Fund would allow Clark County to proceed with the design documents on schedule and if the 1999 Legislature chooses not to fund the project, then Clark County would go ahead and build the RJC, without the additional 27,000 square feet for the Supreme Court. Judge Becker noted that Mr. Robert Boyle, Project Manager, could address what it would cost the state if Clark County had to add the space for the Supreme Court in 1999. In concluding her testimony, Judge Becker stated:

Whether you choose to fund it as a capital project or whether you want to make it an operational cost and sign a 20-year lease is entirely up to you in 1999. You could defer it; however, you will pay more than if you pay in a lump sum. That is entirely within the session's discretion.

If the Committee decides to approve the Contingency Fund request, Ms. Giunchigliani said she would agree with Mr. Close that the Supreme Court should make an effort either to look at its budget for savings, or to check with the SPWB regarding possible project design funding in order to pay back some of those funds. Ms. Giunchigliani said it was difficult for those people living in southern Nevada who have to commute back and forth to Carson City and be away from their family and friends. In addition, she did not think there was anything wrong with the Supreme Court, or any other state agency for that matter, planning for the future by providing an option so people could work and live in southern Nevada. It was Ms. Giunchigliani's belief that in the future there needs to be more budgetary diversity where the population is the greatest.

Senator Regan said he thought a \$7.5 million architectural fee on a \$120 million building appears excessive. Senator Regan also expressed concern that the state would not be a co-owner of the building, but rather would be considered only as a tenant. He also pointed out that the \$8.6 million, which the state would pay for a 20-year lease, would not include such costs as insurance, maintenance, security, and other operating costs.

In responding to a question from Chairman Raggio regarding the cost of a lump-sum payment when the

legislature meets in 1999, Ms. Kavanau noted that the cost of a lump-sum payment would be \$4,097,600. Ms. Kavanau indicated that although the 20-year fixed lease would cost the state almost double that amount, the lease could be renewed indefinitely.

Chairman Raggio expressed concern that the Committee was being asked to act on a funding request on short notice that would create repercussions to the state; i.e., the 1999 Legislature would need to consider \$4,097,600 in capital construction costs for the Supreme Court in lieu of other capital improvement projects, or reducing the state's bonding limit by entering into a 20-year lease for office space. Chairman Raggio said he would prefer that the Committee not make a decision today because he felt more time was needed to determine the long-term effects.

Ms. Kavanau indicated that Senator Regan was correct when he stated that the Supreme Court would be a tenant in the RJC rather than an owner. Following the expiration of its lease in the Bridger Street building in the year 2002, Ms. Kavanau said the Supreme Court had considered whether to rent or build. The Supreme Court did not believe that the legislature would support building another building, especially when space in the RJC was available.

Senator Regan wanted to know whether the \$8,640,000 cost of the 20-year lease was a "turn key" operation or whether the Supreme Court would need to do tenant improvements. Other than the cost for furniture, fixtures, and equipment, commonly referred to as FF&E, Judge Becker said the office space was "turn key" and would include all of the interior walls, carpets, and building out of the court benches for the three-judge panels. Judge Becker also pointed out that another 20 year lease was available and the Supreme Court could lease the space as long as it wants to. The current RJC project is estimated to cost \$119.5 million, with \$29 million coming from the City of Las Vegas and \$90.5 million from Clark County. Although she acknowledged that neither the City of Las Vegas nor the Supreme Court would have an ownership interest in the RJC, Judge Becker apprised the Committee that the proprietary rights of the City of Las Vegas and the Supreme Court would be protected because both of them would get their money back if the building were to be sold. Judge Becker said that the question which the Committee needs to answer is:

If you are going to have to lease space and expand offices in the future anyway, is this the cheapest way to do it and is this the best use of taxpayers' money from that perspective; understanding that it will affect your bonding rate and understanding that it is difficult because of the timing involved with the project.

Judge Becker introduced Mr. Robert Boyle, Project Architect, for the RJC. Mr. Boyle said he thought there were several things that appear to be unclear; i.e., there will be no excess square footage for tenants to lease in the RJC, the space being proposed for the Supreme Court does not currently exist, and the space being proposed for the Supreme Court will not have an option for another client to sublet the space at some future time. According to Mr. Boyle, Clark County must make a decision on the project by mid-summer or it will not be able to back off due to the amount of money it has already invested in the project and the project's schedule. Mr. Boyle also said it would not be possible for the state to decide, say, six to nine months from now because:

You are locating yourself on a roof and physically you cannot build the office space you need on that because it will not support it. Every column, from the roof down, starting at the roof, is designed to carry certain loads. A roof load is much, much less than an occupied floor load. So once our engineers start on those calculations and take it to the foundation, our engineers, mechanical, electrical, and architectural, are all impacted. And these are significant impacts. So, the point is, it is not the question of do we take the first option of 20,000 square feet today and think of another 20,000 square feet down the road. That 40,000 square feet will not even exist in June or July because it is not part of the planning. We have been asked to keep that option open from a design standpoint at no cost to you and at no cost to our client to give you the time to make that decision. The point is, very simply, that it is a roof right now, it is on the 14th floor, it is 280 feet above the ground, and at the time we turn our engineers loose, they wanted to be turned loose yesterday, and I mean that

quite literally, but when we turn them loose, you will very quickly pass a point of no return, to where it is impossible to give you the space and, very frankly, it would be cost prohibitive to come back, throw the drawings away, the engineering fees, and start over. Simply the duct work is impacted. Every piece of equipment, fire systems, smoke evacuation systems, power generators, boilers, every single piece of equipment in this building and every major line that supports every floor will increase in size to support the Supreme Court.

So, in terms of the amount of money, I can tell you very quickly the \$4.1 million is a walk in. You bring your phones, pencils, waste baskets, pictures for your desk, and your computer systems and this place is ready to go. There is a lot of pressure on our client and our client is re-evaluating their entire operation to make this building the most cost-effective building that they can. I can tell you that the state will be a benefactor because there are costs that this project will have to support whether you are there or not. I personally believe at the \$4.1 million to build this thing you will not come close anywhere else. A lease is twice as much. If you build it, you are sharing your property costs over 600,000 square feet. That is how much building we have here - 600,000 square feet - so that cost is all a part of that total. So you are really receiving the benefit of the volume the county is putting into this thing. It is a good opportunity; the costs will never be lower. You cannot lease it for a comparable price.

While she thought the Supreme Court staff, as well as the representatives from Clark County, had brought up excellent reasons why the Supreme Court should have office space in the RJC, Ms. Cegavske said she was having difficulty reconciling the source of funding. Ms. Cegavske said she wished to recommend that the Interim Finance Committee defer this request until the next meeting because she did not believe adequate information had been provided. Also, Ms. Cegavske recommended that Legislative Counsel revisit the legal aspects of this request.

After listening to Mr. Boyle's testimony, Chairman Raggio said he understood clearly that his engineers, designers and architects need to know the load level of the RJC as quickly as possible and he wanted to know whether six weeks would present a problem to the engineers. Mr. Boyle said that if the Committee could provide a decision by May 8, 1998, which is the date the planning documents are due to his clients, his clients would be able to seek another course if the Committee were to decide against the proposal.

Although he did not believe anyone would argue that the Supreme Court needs to have adequate and appropriate office space in southern Nevada, it was Chairman Raggio's belief that a minimum office space of 27,000 square feet was not what was envisioned by the 1997 Legislature when it authorized funding for seven justices and the roving panels. He also indicated that because of possible alternatives, the Committee needs to justify this request even if it is a bargain. While he thought the concept was interesting, Chairman Raggio said the Committee has had only a brief opportunity to evaluate it; thus, he thought it would be helpful to defer the request until the Interim Finance Committee's May meeting.

In view of Justice Rose's previous comments about the justices having to work in a "vagabond court" in southern Nevada because it had been necessary for the Supreme Court to move to several different locations over the past few years, Mr. Arberry urged the Committee to make a favorable decision, as soon as possible, so the Supreme Court could have permanent office space in southern Nevada. While he realized that some of the Committee members may fear that approval of this request would lead to the Supreme Court being moved to southern Nevada, Mr. Arberry said the Committee had been told today that this was not going to be case.

Chairman Raggio announced that it was his expectation the Interim Finance Committee would meet again on May 5, 1998.

Mr. Goldwater said he wished to point out that the Committee had received the meeting agenda and backup material approximately one week before the meeting. Mr. Goldwater suggested that the

Committee members were very familiar with agency budgets since each member had served at least one session on the money committees. In addition, certain agenda items, of which the Supreme Court's request was one, were highlighted by the Fiscal Analysis staff. Mr. Goldwater said it would be his hope, therefore, that in the spirit of expeditious execution of the state's business, Committee members would offer suggestions on how to solve the problems rather than continually procrastinating. After listening to the detailed testimony provided by the Supreme Court staff and the representatives of Clark County, Mr. Goldwater said he thought it was not only a burden on Clark County and Mr. Boyle, the Project Manager, for the Committee to defer action on the Supreme Court's request, but on each and every participant involved in the construction of the RJC.

Although he said it was difficult to provide an estimate of total impact in terms of the proposed space, Mr. Boyle said his best guess right now is that if an unfavorable decision were to be made later on when the engineers have proceeded to the August deadline, approximately \$1.5 million of infrastructural costs would have been committed to the RJC to support the space being proposed for the Supreme Court.

To respond to a question from Ms. Giunchigliani, Mr. Boyle said it would not be possible to add the space to the RJC for the Supreme Court in 1999.

In the interest of time, Chairman Raggio said he was going to defer this request until the May 5, 1998, meeting of the Interim Finance Committee and, in the meantime, he would suggest that the Supreme Court concentrate on the issue of the need for 20,000 square feet of office space in southern Nevada in the year 2001. In addition to asking for detailed layouts to be provided at the next meeting, Chairman Raggio requested that Mr. Eric Raecke, Manager, SPWB, research the CIP budget to see whether there was any planning funding available that was not otherwise earmarked.

Mr. Hettrick said he would like to have clarification on the shared expenses. According to information provided by Ms. Kavanau, occupants will split the cost of certain expenses such as common area security, maintenance, lobby/reception staffing, and shipping/receiving. Mr. Hettrick thought the cost of the shared expenses would be necessary to determine the total cost.

After referencing the 13.2 percent figure to which he referred earlier in the meeting, Judge Becker said she was curious where Chairman Raggio had obtained that figure because it was inaccurate. Chairman Raggio stated that the Fiscal Analysis staff had provided information to the Committee which indicated that the Project Manager and the architect were requiring a combined 13.2 percent of total construction costs in preliminary design and management costs in order for the Supreme Court to participate in this project. If this percentage is inaccurate, Chairman Raggio suggested that Judge Becker discuss with the Fiscal Analysis staff how the percentage was calculated. Ms. Kavanau added that the 13.2 percent represents the architect's fee and the Project Manager's fee, and other items, as prorated to the projected total cost of the building. Chairman Raggio requested that the percentage in question be clarified by the next meeting.

Chairman Raggio also asked Mr. Raecke from SPWB to work with the Supreme Court in reviewing the overall project, the space needs of the Supreme Court in an objective fashion, the operation and maintenance (O&M) costs, the time frame, the type of construction, and any other pertinent factors.

Since Assembly Bill 74 (1997 Legislature) requires that an operating and maintenance (O&M) budget must be approved before the Committee can approve a contract to build anything, Mr. Hettrick suggested that Legislative Counsel research this issue to ensure that the Committee does not violate the provisions set forth in A.B. 74.

In order to determine whether the Committee would be over committing if it were to approve the request, Chairman Raggio asked Mr. Raecke to look at future O&M costs vis-a-vis what the Supreme Court realistically needs. Chairman Raggio said it would be helpful if the Supreme Court staff and representatives from Clark County would return to the Committee on May 5, 1998, with the information requested. Chairman Raggio wondered whether there might be an alternative, for example, the Supreme Court may not need the entire additional floor and that somebody else might be a potential tenant for the



immediate period of time.

Mr. Close encouraged the Supreme Court to review the administrative assessments and other budgetary items to see if there was some "wiggle room" that would defray some of the costs.

Senator Regan suggested that the Supreme Court review the statutory provisions for leases prior to the next legislative session so that the state would in the future be able to enter into leases without having them affect the state's bonded indebtedness.

Chairman Raggio announced the deferral of the Supreme Court's request until the May 5, 1998, meeting.

5. State Board of Examiners - Stale Claims Account.....\$1,000,000

Before providing his testimony on this request, Mr. Perry Comeaux, Director, Department of Administration, said he would like to take this opportunity to advise the Committee that Ms. Janet Johnson, who was Deputy Budget Administrator for the last four and one-half year, had transferred to the Department of Prisons (NDOP) as an Administrative Services Officer and that Mr. Don Hataway, Chief Assistant Budget Administrator, had replaced her as Deputy Budget Administrator.

Mr. Comeaux noted that this item represents a request from the Department of Administration for a \$1,000,000 allocation from the Contingency Fund to partially replenish the Stale Claims Account. Mr. Comeaux directed the Committee's attention to pages 5.1 through 5.3 in Volume II of the meeting packet which provides a listing of the stale claims that have been paid and/or approved by the State Board of Examiners since May 23, 1997, pending approval of this request by the Interim Finance Committee. Funding in the amount of \$1,245,775 was approved by the 1997 Legislature on May 12, 1997, through Senate Bill 173, to restore the fund balance in the Stale Claims Account to approximately \$1.5 million. As of February 18, 1998, which was the date of the last meeting of the State Board of Examiners, the Stale Claims Account had a balance of \$190,946. At that meeting, the State Board of Examiners approved additional payments of \$293,905, contingent upon approval by the Interim Finance Committee of this request. If the Interim Finance Committee approves the allocation for \$1,000,000, Mr. Comeaux indicated that the balance in the Stale Claims Account would be approximately \$900,000, which would be available for expenditure for the next two fiscal years.

Chairman Raggio recalled that the 1995 Legislature had approved Assembly Bill 389, which authorizes the Director of the Department of Prisons to charge offenders for certain medical costs resulting from inmate altercations, self-inflicted and recreational injuries, and authorized the transfer of funds from the Offenders' Store Fund to pay those unpaid costs assessed to an offender. Since significant costs have been incurred for inmate medical care, in excess of \$300,000, Chairman Raggio wanted to know whether any of that cost was of a similar nature and, if so, whether there had been any attempt to collect from the inmate. Mr. Comeaux said he had discussed this issue with Ms. Johnson this morning and was told that NDOP is currently working on reconciling medical costs for FY 1998 that could be charged back to inmates and once that has been completed, staff would be working on prior years.

It was Chairman Raggio's understanding that the Offenders' Store Fund was chargeable if the inmate could not be identified and Mr. Comeaux said Chairman Raggio's understanding was correct.

Chairman Raggio recognized Mr. Robert Bayer, Director, NDOP, who apprised the Committee that NDOP had identified \$367,000 from the Inmate Welfare Fund in FY 1998. Mr. Bayer also indicated that NDOP is in the process of reviewing inmate medical costs incurred in FY 1997 and anticipates that a substantial amount of that cost would be paid back to the Stale Claims Account.

Chairman Raggio urged Mr. Bayer to make sure this policy was carried out.

Mr. Marvel wanted to know whether the \$337,686 listed under Forestry (page 5.3 of Volume II of the meeting packet) was related to fire suppression. Mr. Comeaux indicated that approximately \$331,000 of

the \$337,686 represents the reimbursement to the State of California for fire suppression costs on the Belli Ranch fire. It was Mr. Comeaux's understanding, however, that Nevada had collected everything that it was going to on the Belli Ranch fire.

Mr. Marvel noted that a recent report by the legislative Audit Subcommittee indicated numerous accounts receivable to state agencies. Mr. Marvel wanted to know whether the Department of Administration was attempting to collect those accounts receivable. Mr. Comeaux said he was not aware of the situation, but he would research the matter and respond at a later date.

Regarding the A.B. 389 issue, Mr. Hettrick suggested that it would be helpful if Mr. Comeaux could provide a status report at the next meeting on the FY 1997 and FY 1996 inmate medical costs that could be assessed pursuant to A.B. 389.

Since there were no further questions or comments from the Committee, Chairman Raggio entertained a motion to approve the request.

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

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

## **F. PUBLIC WORKS BOARD.**

1. Project No. 97-M24, Nevada Historical Society Remodel - Approval requested to increase spending authority to receive allocation from Board of Museums and History.

Mr. Eric Raecke, Manager, SPWB, requested the Committee's approval to increase the spending authority in this project so that SPWB can accept an additional \$100,000 in dedicated trust funds from the Board of Museums and History. The additional \$100,000 will be used to enhance exhibit restoration.

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

2. Project No. 97-S41, Southern Nevada Museum - Selection of site for new museum facility.

In providing historical information, Mr. Erik Raecke, Manager, State Public Works Board (SPWB), noted that the 1997 Legislature had approved an expenditure of \$200,000 to perform an advanced planning study on the possibility of moving the Nevada State Museum from Lorenzi Park in Las Vegas to another location. Since he had promised that he would not commit the entire \$200,000 until the study was completed, Mr. Raecke told the Committee that he had committed about 20 percent of the \$200,000 for a study which was prepared by Robert Charles Lesser and Company, as part of the Holmes, Sabatini Associates, Architects Team, on February 19, 1998. A copy of the entire report was provided to the Committee under separate cover on March 12, 1998.

After apologizing for the report's lack of a better indexing system, Mr. Raecke directed the Committee's attention to page 4 of the report, which provides an organization of the report. He also referred to pages 5 through 10, which provides background information on the Nevada State Museum and Historical Society. An evaluation of the Lorenzi Park Museum Site is provided on pages 12 and 13. In addition, pages 21 through 41 provides an assessment of the five alternative sites under consideration; which are: (1) Lorenzi State Museum site (existing site), (2) Boulder City site, (3) City of Henderson site, (4) Las Vegas Boulevard site; and (5) North Las Vegas site. Mr. Raecke referred the Committee to the report's recommendations and conclusions on page 42, followed by a matrix for each site that summarizes the conclusions and applies a quantitative scale to this analysis based on certain critical success factors, which were: proximity to established cultural/tourist attractions, accessibility/visibility, proximity to concentration of school children, special amenity or attraction, and financial considerations. Mr. Raecke indicated that although Boulder City had scored the poorest in proximity to concentration of school

children, the scores on the other critical success factors had brought the site back into contention.

Chairman Raggio wanted to know whether the Boulder City site was the only site free of acquisition cost. Mr. Raecke said the acreage involved in the Boulder City site belongs to the state and the state had already funded a railroad maintenance shop on one end of the site several years ago.

It was Chairman Raggio's understanding that the City of Henderson site would require an acquisition cost of \$2 million, the Las Vegas Boulevard site would require \$4.3 million, including a cash component and the deed to the existing facility, and the North Las Vegas site would require \$500,000, but higher capital costs.

After directing attention to page 34 of the full report, which provides an assessment of the Las Vegas Boulevard Site, Mrs. Evans noted that the report states: "The City of Las Vegas\* \* \*will pay the estimated \$4.3 million to assemble the site. The City will then sell the land to the State of Nevada for between \$500,000 to \$1 million plus take title to the existing facility in compensation for this expense." She then directed attention to page 38 of the full report which states: "\*\*\*\*The cost to purchase the land from the City of Las Vegas will be \$4.3 million\*\*\*\*" Since she thought the information in the report appears to be contradictory, Mrs. Evans wanted to know what the actual cost was going to be for the Las Vegas Boulevard site. Mr. Raecke indicated that the City of Las Vegas had not yet committed to the purchase price, but he estimated that it would cost the state between \$500,000 and \$1 million to buy the property. In addition, the state would be required to commit to the City of Las Vegas the title to the Lorenzi Park site; therefore, he estimated that the total cost of the Las Vegas Boulevard site would be close to \$4.3 million.

Ms. Giunchigliani said she had found a number of inconsistencies throughout the report, which she wished to highlight. Although the number of commercial bus tours is down at Lorenzi Park, the report does not note that the number of commercial bus tours is consistently up at the Lied Discovery Children's Museum. According to the mission statement it is the goal of the Nevada State Museum and Historical Society to maintain and expand the exhibits and to increase school and visitor attendance. She said, however, the report indicates that families with children visiting the area have not yet been marketed. Since the report indicates that 54 percent of gamblers spend between 3 and 6 hours per day in gaming institutions, it was Ms. Giunchigliani's belief that the museum would need to be marketed to a group close by, or within an hour's drive, because of the limited amount of time to pursue other activities. In addition, teachers have stated that the trips should be no more than 10 or 15 miles from the school; otherwise, field trips would be prohibitive. Since commercial bus tours account for only .1 percent of museum visitors, Ms. Giunchigliani said they should not have been weighted as heavily. In addition, the consultants argued to "Design the museum such that visitors are enveloped in a coherent theme or environment\*\*\*This total 'museum experience' is likely to heighten the profile of the museum and increase its overall visitation." Ms. Giunchigliani said the site being recommended in Boulder City does not take any of those factors into consideration.

On page 21 of the report, Ms. Giunchigliani noted that the consultant indicates "The Boulder City location should provide great opportunity for expansion of the current visitor levels;" that "The Henderson City site should also provide a significant opportunity for expansion of the current visitor level;" and that "The Las Vegas Boulevard site should also provide a very good opportunity to expand the current visitor level." Ms. Giunchigliani said, however, the "Site Evaluations" for each of the three sites do not agree with the narratives. While Boulder City received an excellent "Site Evaluation" rating, under the caption "Visibility" the narrative states: "However, much of the site lacks visibility as it is behind an existing commercial strip." According to Ms. Giunchigliani, the Boulder City site is en route to Hoover Dam, an established tourist attraction; however, depending on which route one chooses, the distance is approximately 20 miles from downtown Las Vegas. The report also indicates that only 6 percent of the 4th grade and total elementary school enrollment of Clark County is located within 12 miles of the Boulder City site. The "Special Amenity or Attraction" was rated as excellent because the Boulder City site is located next to a state-owned historical locomotive maintenance facility and 4.5 miles of railroad tracks. Ms. Giunchigliani said she found this to be pretty exciting. Under "Conclusions

and Recommendation," the report states that "This site will provide the greatest opportunity for the Nevada State Museum and Historical Society to meet its mission." Ms. Giunchigliani said she would argue that this statement was misleading if the Museum's mission is to increase school attendance.

In continuing her review, Ms. Giunchigliani indicated that the City of Henderson site received a good "Site Evaluation" rating although the site lacks direct visibility from Lake Mead Boulevard and the freeway. While capital costs were listed at \$2,175,000, there are no amenities nearby. Under the caption "Visibility," the report states that: "Although the site is not visible from the freeways, the site enjoys frontage along a major arterial." The Lake Mead Boulevard site received a very good "Site Evaluation." The report indicates that the topography is flat and the site is located one-half mile from both Interstate 15 and Highway 95. Again, Ms. Giunchigliani said the assessment rating did not reflect some of the comments made in the narrative. Regarding the cost of the Las Vegas Boulevard site, Ms. Giunchigliani said she did not believe the cost of the Lorenzi Park buildings should be mixed into the comparisons of the actual dollar cost of the site. In addition, Ms. Giunchigliani pointed out that the report on page 34 states that the "Traffic Count" is 20,000 cars per day at the corner of Bonanza Road and Las Vegas Boulevard; however, page 42 in the report refers to a "Traffic Count" of 13,000 cars per day. The report indicates that the "Topography" is flat and visible, yet it received a very good rather than an excellent "Site Evaluation" rating. The Las Vegas Boulevard site is located in proximity to the Lied Discovery Museum, the Las Vegas Natural History Museum, and the Old Las Vegas Fort, as well as several small parks, plus the site is one-fourth of a mile from three other attractions. Yet, the Las Vegas Boulevard site received a very good "Site Evaluation" rating. According to the report, 85 percent of Clark County's 4th grade enrollment is within 12 miles of the Las Vegas Boulevard site. The Las Vegas Boulevard site received a below average rating under the caption "Special Amenity or Attraction." Since she would consider the Lied Museum and some of the parks to be special amenities and since she thought some of the ratings were arbitrary, Ms. Giunchigliani said it was her intention to argue against the recommendation for the Boulder City site and instead to support the Las Vegas Boulevard site. While she appreciated the report, Ms. Giunchigliani said she did not agree with its conclusions.

Chairman Raggio recognized Lieutenant Governor Lonnie Hammargren, who said he was speaking as a private citizen who loves museums and Nevada history. It was his understanding that the Committee was evaluating the future location of the Southern Nevada Museum and Historical Society in Las Vegas. Lieutenant Governor Hammargren said he thought a much larger museum complex was needed for the rapidly growing metropolitan area, for the citizens, for the children, and for the visitors. He said he fell in love with Boulder City when he attended the Boulder City Art Fair a number of years ago. According to Lieutenant Governor Hammargren, the Boulder City Art Fair attracts 100,000 people each year mainly from Las Vegas. Currently, less than 2 percent of the school children in the metropolitan area visit the museum at Lorenzi Park each year even though the park is centrally located. A better facility is needed to teach children Nevada history. Busing a longer distance for quality exposure has been accepted by the Clark County School District, as an example, school children are allowed to go on field trips to visit Red Rock.

Continuing his testimony, Lieutenant Governor Hammargren indicated that the state needs to build a better tourist experience to improve the entertainment capitol of the world, as a destination resort, and a family resort. It was Lieutenant Governor Hammargren's opinion that many of the people who visit Nevada to gamble in the casinos do not want their children to watch them gamble. He thought it would be possible to develop a full-day family excursion for visitors which would include Hoover Dam, Lake Mead, a railroad museum, and a classy museum that would illustrate the state's pride in its history. Since the railroad tracks are already in place, he thought it might be possible to ride a train from "The Strip" to a Boulder City museum so that people would be able to experience the old Nevada and the new Las Vegas. Las Vegas started as water station No. 25 on the San Pedro Salt Lake Railroad. The state already owns the land at the Boulder City site and can sell the present facility at Lorenzi Park to the City of Las Vegas to be consumed as a city park. In concluding his remarks, Lieutenant Governor Hammargren said he would urge the Committee to adopt the recommendation made by the site selection study. It was his belief that a world class museum was needed to advertise Las Vegas and the State of Nevada.

Mr. Arberry complimented Mr. Raecke on the report. He said, however, he only wished he could have had the study earlier when he was trying to convince the Committee to place the Southern Nevada Veterans' Home in Boulder City. It was his opinion that if the state intends to create a cultural corridor, it needs to be created in the inner-city where children have accessibility to a library and there is a very good library located across the street from the Old Mormon Fort. Mr. Arberry said he disagrees with the recommendation of the Boulder City site because the museum would be located too far away for school children to visit. Furthermore, he said it had been his experience that most major museums were located within metropolitan areas, not in suburban areas. Mr. Arberry said he could not support the recommendation.

Mr. Raecke said he wished to clarify for the record that Boulder City was one of the sites recommended by SPWB for the Southern Nevada Veterans Home.

It was Chairman Raggio's recollection that the Boulder City site was not chosen for the Southern Nevada Veterans Home for several reasons, but mainly because of the cost of acquisition. Chairman Raggio recognized Mr. Scott Miller, Administrator, Division of Museums and History, who pointed out that the Division had a sizable investment, from both outside funding sources as well as state funding, in developing the Boulder City site with the expectation that the site will ultimately become a full-scale railroad operation. Mr. Miller noted that the Division plans to start operating the train some time within the next 18 months, which he thought would focus attention to the site. In the course of the development of the railroad facility in Boulder City, Mr. Miller said the Division had hoped that the combination of the two ideas, a railroad and a museum, would present both a financial as well as a practical means by which the state could address the declining attendance at the museum operations in Clark County.

Continuing his remarks, Mr. Miller said it was never the Division's intention to deny access to the students of Clark County by moving the museum a greater distance away. According to museum statistics, 3,500 students visited the museum at Lorenzi Park last year, which is located within 85 percent of the enrolled school population in the valley. He said, however, two or three times that number of organized school children visit the Red Rock Recreation Area, the Valley of Fire State Park, and the Hoover Dam each year. While he said the issue of whether or not school children will be allowed to visit the museum at the Boulder City site may hold up under scrutiny over the long term, Mr. Miller said the Division feels strongly that based on the attendance at other sites, the teachers will take their students to the museum at the Boulder City site if they feel the operation is significant enough to make the trip worthwhile. In addition, Mr. Miller said he was uncertain whether the present museum at Lorenzi Park is actually worth \$3.3-\$3.8 million, but the City of Las Vegas has expressed interest on numerous occasions in buying the facility as a site for a recreational center. It is the Division's belief that this money could be put towards the development of the program. Mr. Miller said he wished to state for the record that:

We are not trying to make work for ourselves, we feel that the standards that were measured by not only this body but also a lot of other people have tended to concentrate around how effectively we get people in the door.

It is unfortunate, Mr. Miller said, but attendance does seem to carry a very substantial price tag. It was Mr. Miller's belief that if as many people visit the museum and railroad facility at the Boulder City site as is potentially possible, he had no doubt that the desired attendance numbers would be generated. The Division also believes that a significant number of people will visit the operation each year if the site is properly marketed and if the operation is significantly large enough.

Mr. Arberry said it was time for the subcommittee to put the cards on the table and declare that no one wants to place the museum near Cashman Field because the area is frequented by people who are less fortunate than some of us. In order to avoid addressing this issue, he said it was apparent to him that a decision is going to be made to move the museum out to Boulder City, next to a railroad station that will be frequented by an unknown number of visitors. Mr. Arberry reiterated that if it was the intent of the subcommittee to create a cultural corridor, it needs to be created in the inner-city. Mr. Arberry also said he was in total disagreement with splitting up the activities currently available for children at the

Morman Fort, the Lied Discovery Museum, the Children's Museum, and the Las Vegas Library and having to bus children across town to a museum located in Boulder City.

In Ms. Giunchigliani's opinion the Clark County School District had not allocated very much money toward field trips and an assessment should be done to determine whether an additional allocation is needed. She also pointed out that if the museum wants to increase visitor attendance, it needs to initiate an aggressive marketing strategy since the report was critical of the museum in this respect. Furthermore, Ms. Giunchigliani opined that if the museum were to be located on Las Vegas Boulevard in proximity to the Natural History Museum, the Lied Discovery Museum, the Children's Museum, the Old Mormon Fort, the Las Vegas Library, and nearby parks where children could picnic, it would provide more opportunity to recruit the children to that site. Ms. Giunchigliani complained that busing the children to Boulder City would require half of the school day. Ms. Giunchigliani also suggested that while people were downtown on "The Strip" gambling, it would be much more accessible for them to visit the cultural corridor on Las Vegas Boulevard. Ms. Giunchigliani said she could not support the Boulder City site for the reasons cited previously.

Mrs. Krenzer said she could not support the Boulder City site for the reasons cited previously by Ms. Giunchigliani and Mr. Arberry. In addition, Mrs. Krenzer suggested that the museum work with the school district to find out where the field trips are going to be held and to supply the school district with the types of activities that are going to be provided by the museum of particular interest to school children. If the museum were to coordinate its marketing efforts in conjunction with the Lied Discovery Museum, the Old Mormon Fort, and the Children's Museum, it would dramatically increase marketing at a cost savings to the school district. Since more tourists visit downtown Las Vegas, Mrs. Krenzer said it is imperative that a cultural corridor be created on Las Vegas Boulevard.

To respond to a question from Senator Rawson, Mr. Miller said that if a decision were to be made to move the museum to the Las Vegas Boulevard site, the facility presently located in Lorenzi Park would be sold to the City of Las Vegas.

Senator Rawson suggested that there were enough resources in southern Nevada to support an artistic community at the Lorenzi Park site regardless of whether a decision were to be made to move the museum. Mr. Miller indicated that the Division had internally looked at several alternatives; one being, maintaining the current site as the collection repository and education center and providing those services specifically as outreach to the immediate community and moving an element of the exhibit function to Boulder City. He said, however, this option would require that the Lorenzi Park site not be sold. Mr. Miller noted that any additional development at Lorenzi Park would be up to the City of Las Vegas since the museum leases only the portion of the park on which the museum is located.

Because of the significant number of people visiting the area each year, Senator Rawson thought the Boulder City site, as well as the Las Vegas Boulevard site, could potentially have more visitors than does the museum in Carson City; therefore, he did not believe it was unrealistic to consider more than one site with different missions for each site.

Mr. Miller agreed with Senator Rawson's comments and he added that the Division was prepared to carry out such a mission if it is the desire of the subcommittee that it do so. Mr. Miller said he would state for the record that the Division's staff likes the present facility in many respects, despite some of the shortcomings which were previously outlined. According to Mr. Miller, the structure had been characterized as "a Cadillac of buildings." Although the Division staff would have no problem remaining at the present facility, Mr. Miller said he wished to state that the only way the museum would be able to increase attendance is to have extremely advanced exhibits to attract more people to the site. Senator Rawson suggested that it might be time for legislators and other interested people in the community to get behind a drive to bring in resources to help the museum.

It was Chairman Raggio's understanding that the cost for the Las Vegas Boulevard site would be between \$500,000 and \$1 million, plus the City of Las Vegas would take title of the existing museum facility at Lorenzi Park and Mr. Miller said Chairman Raggio's understanding was correct.

Speaking from Las Vegas, Senator O'Donnell inquired as to the distance between the museum in Lorenzi Park and the Lied Discovery Museum. Mr. Miller estimated the distance to be between 2-1/2 to 3-1/2 miles. Senator O'Donnell questioned why the museum should be moved to the Cashman Field area when it was only 2-1/2 to 3-1/2 miles away. In Mr. Miller's opinion leaving the museum in Lorenzi Park was certainly a very good option and he would not recommend to the subcommittee that the state endure the cost of relocating the museum for the sake of moving it 2-1/2 to 3-1/2 miles away from its present location since he did not believe the present location of the museum could be construed as being located out of the inner-city.

Chairman Raggio asked that a letter from Ms. Juanita Clark, President, Charleston Neighborhood Preservation, be made a part of the record, and a copy of which is included in the meeting minutes as Exhibit G. Ms. Clark urged the Committee not to move the museum from its present location in Lorenzi Park. She also suggested that the museum's signage be improved upon, that comprehensive brochures be provided to the Chamber of Commerce for distribution to hotels, motels, tour desks, Grant Sawyer State Office Building, and other locations. Ms. Clark also urged the museum to maintain regular visiting hours.

Chairman Raggio said it was his understanding that the project could not go forward until the Committee makes a decision on the site. Mr. Raecke said he had promised the 1997 Legislature that he would provide a study on which the Committee could base its decision.

Chairman Raggio recognized Mr. Goldwater, who said the City of Las Vegas had made a policy decision to create a cultural corridor on Las Vegas Boulevard and that is why the museum needs to be moved from its present location in Lorenzi Park.

Chairman Raggio said it was his belief that the essence of the report prepared by Robert Charles Lesser and Company was that the best location for the museum is the Boulder City site. Mr. Raecke acknowledged that the report had recommended the Boulder City site.

Chairman Raggio said he would entertain a motion to accept the recommendation.

Senator Rawson suggested that the Committee accept the report at this time, but to defer action on the report's recommendation until a later date. Senator Rawson said he wished to commend the SPWB staff for its efforts in getting the report completed.

Chairman Raggio maintained that if the Committee were to accept the report it would also be accepting the report's recommendation. Mr. Raecke indicated that the purpose of his request was for the Committee to approve the site selection based on the report's recommendation.

Mr. Miller reminded the Committee that the report had recommended the existing site in Lorenzi Park as one of the five potential site selections. Mr. Miller said, however, the 1999 Legislature would need to address the shortcomings that currently exist at the Lorenzi Park site in order to upgrade the museum's ability to meet its mission.

Chairman Raggio wanted to know whether there was a motion to move the museum from its present site in Lorenzi Park to another specific site.

In the absence of a motion to either keep the museum at its present site in Lorenzi Park or select another site, Ms. Giunchigliani said she would like to make a motion to not accept the report.

Chairman Raggio said he would interpret such a motion as tantamount to retaining the Lorenzi Park site. Chairman Raggio inquired once more as to whether anyone wanted to make a motion to select a specific site.

**MS. GIUNCHIGLIANI MOVED TO SELECT THE LAS VEGAS BOULEVARD**

**SITE. SECONDED BY MR. GOLDWATER.**

Chairman Raggio recognized Senator Regan on the question. Even though Las Vegas Boulevard is in his district, Senator Regan said he could not support the motion because he thought the Committee was moving too quickly, especially in light of the fact that Mr. Miller had testified previously that he was not necessarily in favor of moving the museum to another site if the next legislature would grant additional funds to improve shortcomings at the present facility, as well as improve the proposed railroad museum in Boulder City.

Since she agreed with Senator Regan's position, Mrs. Cegavske said she would not be supporting the motion.

Senator O'Donnell said it would cost \$1 million per mile to move the museum from Lorenzi Park to the Las Vegas Boulevard site.

Chairman Raggio called for a roll call vote on the motion.

**AYES: FINANCE--NONE**

**NAYS: FINANCE--JACOBSEN, MATHEWS, RAWSON, REGAN, RAGGIO.**

**AYES: WAYS & MEANS--ARBERRY, GIUNCHIGLIANI, GOLDWATER.**

**NAYS: WAYS & MEANS--CEGAVSKE, CHOWNING, CLOSE, DINI, EVANS, HETTRICK, KRENZER, MARVEL, VON TOBEL.**

**MOTION FAILED IN BOTH COMMITTEES ON A ROLL CALL VOTE.**

**Senator O'Donnell not voting, and Senator Coffin, Mr. Humke, Mr. Perkins and Mr. Price were absent.**

Chairman Raggio inquired as to whether there was an alternative motion.

In Mrs. Krenzer's opinion the report had attempted to answer the question as to the best site on which to locate the museum, but it did not address several of the concerns that have been posed today by the Committee, such as marketing strategies and other things that are needed to make the museum, wherever it is located, a viable and workable option. Mrs. Krenzer said she would suggest that the Committee not accept the report as the final recommendation, because no one knows with any degree of certainty whether attendance will increase if the museum were to be moved to the Boulder City site, and to ask the museum staff to bring back some proposals to the Committee at the next meeting as to how to make the museum a success story.

Due to time constraints, Chairman Raggio said he intended to call time on the discussion unless there was a motion from the Committee for selection of a specific site. Chairman Raggio recognized Senator Rawson who said he wished to make a motion.

**SENATOR RAWSON MOVED TO TABLE THE REQUEST.**

Chairman Raggio pointed out that tabling the request would mean the issue would not be considered further.

Since he was unable to attend the meeting today because of missing his flight, Senator O'Donnell asked that consideration be given for a motion to defer the request until the next Interim Finance Committee meeting.

Since there was no second to Senator Rawson's original motion, Chairman Raggio announced that:



## **MOTION DIED FOR THE LACK OF A SECOND.**

Chairman Raggio said he would accept another motion from Senator Rawson.

**SENATOR RAWSON MOVED TO DEFER THE REQUEST UNTIL THE NEXT INTERIM FINANCE COMMITTEE MEETING. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

Mr. Dini thought it was appropriate to appoint a subcommittee of the members of the Committee who were familiar with the area and who were interested in resolving the issue.

After conferring with the Committee, Chairman Raggio announced the appointment of Senator Rawson, Senator O'Donnell, Ms. Giunchigliani and Mr. Arberry to serve on the subcommittee.

3. Project No. 97-C10, Elko Interagency Dispatch Center - Approval requested to increase spending authority to add square footage at request of the City of Elko.

Mr. Raecke requested Committee approval to increase the spending authority so that SPWB can accept from the City of Elko \$378,311 in cash and \$21,689 in in-kind services for previously completed site preparation. The additional funding will be used to expand the project by 2,000 square feet, from 6,800 square feet, as approved by the 1997 Legislature, to 8,800 square feet. The Elko Interagency Dispatch Center will serve Elko County, Elko City, Carlin, Wells, Bureau of Indian Affairs (BIA), and Jackpot.

Chairman Raggio questioned the difference in cost between the original legislatively approved 6,800 square feet and the additional 2,000 square feet. Mr. Raecke indicated that when the original cost estimate was prepared for the Interagency Dispatch Center, the square footage was calculated at \$260 per square feet on the total project. He said, however, the actual "raw bricks and mortar" cost is about \$200 per square feet and this is the amount of funding that the City of Elko has been requested to provide.

Chairman Raggio asked Mr. Raecke if he could state for the record that the City of Elko is paying its fair share of the cost of the additional 2,000 square feet. Mr. Raecke said he felt the City of Elko is paying its fair share.

It was Chairman Raggio's understanding that a larger air conditioning system would have to be installed to accommodate the additional square footage. Mr. Raecke acknowledged that a larger air conditioning system would have to be installed, but he noted that the City of Elko will be funding \$200 per square feet of construction costs, which he thought would be adequate to cover additional expenditures for equipment.

Chairman Raggio wanted to know how SPWB plans to handle the expenditures until the money is received from the City of Elko. Mr. Raecke indicated that the City of Elko will be advancing half of the money up front and the balance will be advanced next fiscal year. Mr. Raecke said he was not concerned about the cash flow because he thought it would work out nicely. Mr. Raecke also noted that the City of Elko had already done some of the site work for the project.

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

### **4. Facility Audit Program Report.**

Ms. Yvonne Benson, Deputy Manager of Fiscal and Administrative Services, SPWB, reviewed the report provided on page 4.1 of Volume III of the meeting packets. In addition, Ms. Benson advised the Committee that the consultant (ISES) will return next month to compare results of the pilot program. The first project SPWB plans to do on its own will be the remainder of the buildings at the Southern

Nevada Correctional Center (SNCC) at Jean.

Since there were no objections from the Committee, Chairman Raggio accepted the report.

## 5. Capitol Complex Master Plan Report.

Mr. Raecke said he had provided to the Committee a miniaturized State of Nevada Capitol Complex Development Plan color coded to the large Development Plan displayed on the standing easel so the Committee could more readily follow his report. A copy of the color-coded Development Plan is included in the meeting minutes as Exhibit H. The Development Plan was developed by Parsons, Harland, Bartholomew and Associates, San Francisco, California. Mr. Raecke said the long-term goal of the Capitol Complex Development Plan conceptually is an approximate 20-year plan to house all state employees on state land in state property. The state is currently renting about 425,000 square feet in Carson City from the private sector. Even if the plan were to be followed and an office building is built every legislative session, it would take 20 years to get all of the employees moved back into the Capitol Complex. Mr. Raecke directed the Committee's attention to the Development Plan which shows 14, 3-acre parcels, that would support a 50,000-square foot building. Mr. Raecke noted that advance planning had been done for Parcel 1 and Parcel 2 which will house the Department of Employment, Training and Rehabilitation (DETR) and the Department of Information Technology (DoIT). The plan shows some closed roads and a pedestrian connection that would facilitate access to the Capital Complex.

Senator Rawson wondered whether there were any future plans for the Blasdel Building because he would hate to wait 20 years before the building is demolished. Mr. Raecke said the money committees would need to make such a decision when the Capital Improvements Program is approved next session.

Senator Rawson asked Mr. Raecke to provide the next legislature with options for the Blasdel Building, including the cost of demolition.

As the Development Plan for the Capitol Complex moves forward, Ms. Giunchigliani wondered whether any consideration was being given to decentralizing some of the state departments and divisions from Carson City to other locations. Mr. Raecke said he did not believe it was his responsibility to decide where to locate state staff in the future. Mr. Raecke said, however, the Master Plan does respond to the fact that the state is currently renting 425,000 square feet in Carson City from the private sector. The Master Plan anticipates a minor increase over the next 20 years; thus, the Development Plan shows 10 parcels, each of which will accommodate a 50,000 square foot building, for a total of 500,000 square feet.

Ms. Giunchigliani said she would assume from Mr. Raecke's comments that the figures in the Master Plan were driven by the square footage currently being rented in the Carson City area plus a small percentage increase. Mr. Raecke said he had attempted to lay out an orderly process so that if a decision were to be made in the future to build a building, that building will be placed in a location that would not affect the next three buildings.

Mr. Hettrick said that since a similar scenario was currently being debated in Douglas County; i.e., whether it is more cost effective to rent from the private sector and allow them to pay taxes or whether Douglas County should build its own complex, which would effectively remove that property from the tax rolls, he thought it would be helpful to the Committee if Mr. Raecke were to develop an analysis showing the cost for renting office space from the private sector versus the cost for the state to build a complex to house all of its employees.

Since there were no objections from the Committee, Chairman Raggio said he would accept the report.

## 6. Project Status Report.

Speaking to Project No. 95-C1, Lovelock Expansion, Mr. Raecke said that although it was reported earlier today the facility was not ready for occupancy, he had been told last week by Warden Crawford

that the facility is ready for occupancy, but she intends to train staff first before allowing inmates to be housed in the facility. To respond to an inquiry from Chairman Raggio, Mr. Raecke said there were no major problems with the facility at this time.

Regarding Project No. 97-C15, UNLV Lied Library, Mr. Raecke said this project was bid about one month ago for about \$1.5 million under the \$40.5 million budget. The Notice to Proceed was issued last Monday and a ground breaking ceremony is scheduled for tomorrow at 4 p.m.

**G. DIVISION OF STATE PARKS** - Pursuant to NRS 407.0762, approval is requested to allocate funds for necessary expenses:

1. Insurance claim deductible to cover roof replacement - Berlin.....\$ 1,000
2. Replace damaged concrete pad - Big Bend.....\$ 800
3. Hire consultant to assess historic buildings - Spring Mountain.....\$12,000
4. Build water detention basin - Mormon Station.....\$ 2,000
5. Re-roof six buildings - Sand Harbor.....\$25,000
6. Replace floor and other repairs - Spring Mountain Ranch House.....\$16,000

Speaking to projects 1 through 6, Mr. Weaver noted that the agenda had incorrectly referred to the Mormon Fort instead of the Mormon Station and the amount for item 6, the Spring Mountain Ranch House project, should be \$16,000 instead of \$25,000. Mr. Weaver said he wished to withdraw project 4, the Mormon Station, since the Division of State Parks had decided on trying another alternative.

Since there were no comments or questions from the Committee, Chairman Raggio said he would accept a motion to approve item G as amended.

**MR. HETTRICK MOVED TO APPROVE ITEM G AS AMENDED. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**H. APPROVAL OF BUSINESS PLAN CRITERIA FOR STATE AGENCIES** - Pursuant to A.B. 524 (1997).

Mr. Daniel Miles, Senate Fiscal Analyst, pointed out that Assembly Bill 524 (1997 Legislature) requires that the Budget Division of the Department of Administration and the Fiscal Analysis Division of the Legislative Counsel Bureau jointly develop criteria, which will be included in the biennial budget instructions to state agencies. State agencies will be asked to include a Business Plan when and if they seek an expansion of their statutory authority; or recommend a new program; or recommend the enhancement of an existing program by at least 50 percent of the legislatively approved program or more than \$1 million. Highway construction projects and public works projects are exempt. Although the Business Plan Criteria form, which was developed by the Budget Division and Fiscal Analysis Division, is included on pages 1 through 3 in Volume III of the meeting packets, Mr. Miles said the contents of the form had been refined since the meeting packets were mailed and a copy of the revised Business Plan Criteria form was provided to the Committee today, and a copy of which is included in the meeting minutes as Exhibit I. After reviewing the contents of the Business Plan Criteria form, Mr. Miles noted that the Interim Finance Committee is required to approve the Business Plan Criteria pursuant to A.B. 524.

Chairman Raggio recognized Mr. Comeaux, who said he was in agreement that the Business Plan Criteria developed by the Budget Division and the Fiscal Analysis Division would meet the intent of A.B. 524.

Mr. Miles pointed out that there were several items which the Committee might want to include in the criteria to help the procedure mechanically. Since the intent of A.B. 524 is to address major program enhancements

and major changes in statutory authority, Mr. Miles said the Budget Division and the Fiscal Analysis Division were in agreement that a Business Plan should be filed if the threshold of \$1 million is going to be exceeded. The Budget Division and the Fiscal Analysis Division suggest the Committee's consideration of the following additional criteria:

- (1) Agencies will not be required to file a Business Plan for a small, new program.
- (2) Agencies will be required to adjust the original Business Plan to coincide with the Governor's Recommendations, if those recommendations are different than the agency's original Business Plan.
- (3) Agencies will be required to deliver the Business Plan to the legislature at the same time the Governor's Executive Budget is delivered to the legislature.

Note: If the Ballot measure passes, this would be 2 weeks before the convening of the legislative session.

As the prime sponsor of A.B. 524, Mrs. Evans said she wished to take this opportunity to thank the staff of the Fiscal Analysis Division and the Budget Division for their good work in developing the criteria. Mrs. Evans thought that Mr. Miles had portrayed the intent of A.B. 524 very well when he stated that the legislature was not trying to add to the burden of paperwork, but rather was trying to expedite the budgetary process. She said the genesis for A.B. 524 were the numerous projects that state agencies bring forth each session that are ill defined in terms of purpose, scope, cost and other factors, which sometimes takes the money committees almost the entire session to get everything sorted out. If the state agencies are required to think through very fundamental questions, it was Mrs. Evans's belief that the money committees would be able to work more effectively and expeditiously. Although the threshold amounts had been discussed at length in the Assembly Committee on Ways and Means, Mrs. Evans asked that the Committee critique item (c) under Overview in the Business Plan Criteria form so the procedure will be workable.

Chairman Raggio asked Mrs. Evans, as prime sponsor of A.B. 514, to move for adoption of the Business Plan Criteria.

**MRS. EVANS MOVED TO ADOPT THE BUSINESS PLAN CRITERIA WHICH INCLUDES THE RECOMMENDATIONS AS PREVIOUSLY OUTLINED BY MR. MILES. SECONDED BY MR. CLOSE.**

Chairman Raggio recognized Ms. Giunchigliani on the motion. Regarding Mr. Miles' suggestion to adjust the Business Plan to correspond with the Governor's Recommendations, Ms. Giunchigliani said as a legislator she wanted to know what the agency's original request was because it may turn out to be the direction the legislature wants to go. Mr. Miles indicated that the original Business Plan would be retained and, if need be, the agency could bring that plan forward to the legislature.

To respond to a question from Ms. Giunchigliani, Mr. Miles noted that A.B. 524 applies only to agency initiated programs or statutory authority. Ms. Giunchigliani suggested that it might be appropriate for the Committee to consider how to handle policy issue changes that may occur as a result of passage of legislation that would have a fiscal impact on the Business Plan.

Since it was his recollection that during the last two years a number of programs initiated directly out of the Governor's Office had a significant budgetary impact, Mr. Hettrick wondered whether the Governor's Office would be required to file a Business Plan. Mr. Hettrick said it would be his hope that all state agencies would be required to file a Business Plan, regardless of the requests origin.

Chairman Raggio asked Mr. Miles to submit to the Committee the revised Business Plan Criteria form incorporating the additional criteria. Since there were no further comments or questions from the Committee, Chairman Raggio called for a vote on the motion.

**MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

**I. CHINA SPRING YOUTH CAMP - Request for reimbursement.....\$38,849**

Pursuant to A.B. 497 (1997 Legislature), which appropriated \$710,000 to construct a gymnasium and multipurpose building for the China Spring Youth Camp, Mr. Miles noted that Douglas County is requesting reimbursement of \$39,849 in expenditures, which would leave a balance of \$670,150 in the portion of the Contingency Fund relating to the \$710,000 appropriation.

Speaking to the request, Mr. Steven Thaler, Director, China Spring Youth Camp, requested reimbursement from the Contingency Fund in the amount of \$38,849, which represents Douglas County's first drawn down on the \$710,000 appropriation that was made by the 1997 Legislature, pursuant to A.B. 497, to construct a gymnasium and multipurpose building for the China Spring Youth Camp.

Senator Jacobsen said he wished to commend the Kiwanis Club in Gardnerville for its efforts in spearheading the project at China Spring Youth Camp.

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

**J. INFORMATIONAL ITEMS:**

1. Attorney General

a. Report on Federal Omnibus Crime Control Grant Funds.

There were no comments by the Committee on this informational item.

b. Request for increase for position 60 to full time.

There were no comments by the Committee on this informational item.

2. Reports from Legislative Auditor - Six month reports of the following:

a. Agency for Nuclear Projects.

b. Department of Administration, Hearings Division.

c. University and Community College System of Nevada.

d. Department of Personnel.

e. Department of Personnel, Payroll System.

f. Department of Transportation.

g. Department of Administration, Audit Follow-up Process.

There were no comments by the Committee on the above informational items.

3. Department of Administration - Report on the status of the Privatized Juvenile Facility approved by the 1997 Legislature (S.B. 495).

Mr. Comeaux noted that a handout of the status report had been provided to the Committee, and a copy of which is included in the meeting minutes as Exhibit J. In highlighting the status report, Mr. Comeaux noted that the Treasurer's Office had been added to the Task Force, which was originally comprised of the Department of Administration, Division of Child and Family Services, State Public Works Board,

Purchasing Division, Department of Motor Vehicles and Public Safety, and Attorney General's Office. The Task Force has received a report from Mr. John Stettler, the consultant who was provided by the U.S. Department of Justice, Office of Juvenile Justice and Delinquency Prevention (OJJDP), to help with the advanced planning. Mr. Stettler's recommendations are being incorporated into an RFP. The Task Force is currently working on items that will be included in the RFP concerning siting and financing options. The time table for completing and mailing out the RFP is April 20, 1998. Although the Task Force is proposing a phased-in approach, it intends to award a contract on or about August 3, 1998, which would allow the state to open a juvenile facility by August of 1999.

Since the legislative committee on the System of Juvenile Justice in Nevada (A.C.R. 57) has expressed a very keen interest in the progress of the juvenile facility and the content of the RFP, Mrs. Evans asked Mr. Comeaux to submit at the earliest possible time the proposed RFP to the Fiscal Analysis Division for review. Mr. Comeaux said the time frame calls for a draft of the RFP to be distributed by the Purchasing Division to everybody concerned on or about April 3, 1998, and he would make sure that the Fiscal Analysis Division is added to the distribution list.

Senator Regan asked to be placed on the distribution list to receive the draft RFP.

4. Benefit Services Committee - Report on status of claims payments.

Refer to testimony under item C.1.

5. Department of Museums, Library and Arts - Report on 1998 Grant Awards of the Commission for Cultural Affairs.

There were no comments from the Committee on this informational item.

6. Department of Human Resources.

a. Division of Child and Family Services - DCFS Regionalization Plan (handout).

Vice Chairman Arberry requested that this informational item be placed on the next meeting agenda.

b. Division of Health Care Financing and Policy - status report Nevada Check-Up and State Plan.

Senator Rawson said the Nevada Check-Up and State Plan had been a phenomenal project. Senator Rawson thought the Executive Branch staff and the Legislative Committee on Health Care (NRS 439B.200) had worked very well together. Senator Rawson commended Mr. Christopher Thompson, Administrator, Health Care Financing and Policy Division, and Ms. Charlotte Crawford, Director, Department of Human Resources, who had spearheaded the activities.

After thanking Senator Rawson for his compliment, Mr. Thompson advised the Committee that he had prepared a summary budget for the Nevada Check-Up Program for the Committee's meeting agenda (page 97 in Volume III of the meeting packets). He said, however, a budget will be provided in work program form at the Committee's next meeting. Mr. Thompson said a copy of the Title XXI State Plan had also been provided to the Committee and that he would be happy to provide a copy of the draft contract to anyone expressing an interest. Mr. Thompson said the Division has been distributing the applications to enroll families in the Nevada Check-Up Program via telephone and written requests and that applications were currently available in over 200 locations throughout the state. In addition, over the course of next week, the applications will be distributed through the public school system. Mr. Thompson said he expects to see a very good turnout as far as people applying for the program. Mr. Thompson said it was his intention to report to the Committee at the next meeting on the number of people who have applied for the program, as well as progress with the federal government on approval of the State Plan.

Mrs. Evans said she had not been able to find any information on the marketing and public education outreach component for the Nevada Check-Up Program, but she would hope it is a comprehensive plan. It was Mrs. Evans understanding that enrollments had been low in those states where there was no comprehensive marketing plan. Mr. Thompson said he would follow-up his comments with a written report to Mrs. Evans on the marketing and public education outreach component. In the meantime, within the next two to three months, Mr. Thompson said it is his goal to reach all eligible families with applications; however, he thought the largest distribution of applications would be made through the public school system. Once he has been assured that everything possible has been done to get the applications circulated, Mr. Thompson said he would compare the applications that have been received with the study of the uninsured that is currently being done through the University of Nevada, Las Vegas (UNLV) and Senator Rawson's Legislative Committee on Health Care, and essentially determine those places where the response has not been good and move forward. Mr. Thompson added that the applications have been printed in both Spanish and English. In addition, Mr. Thompson said he wished to clarify that although the parents may not be citizens of the U.S., or are undocumented aliens, their children would be eligible for the Check-Up Program, as well as the Medicaid Program, if they were born in this country.

7. Department of Business and Industry - Division of Industrial Relations - Annual Audit Reports of Workers' Compensation Insurers (NRS 616B.003).

There were no comments from the Committee on this informational item.

8. Department of Prisons.

a. Responses to letter of intent from 1997 Legislative Session.

b. Report on Therapeutic Community.

There were no comments from the Committee on the above informational items.

9. State Industrial Insurance System - Detailed report of proposed expenditures (response to letter of intent).

There were no comments from the Committee on this informational item.

10. Rural Drug Court (S.B. 204 and A.B. 208) - Status Report.

There were no comments from the Committee on this informational item.

11. Status Report on Disaster Relief Fund.

There were no comments from the Committee on this informational item.

12. Commission on Educational Technology - Status Report.

After providing a handout to the Committee entitled "Report on the Commission on Educational Technology," a copy of which is included in the meeting minutes as Exhibit K, Mr. Thunder told the Committee that he was serving as liaison between the Commission on Educational Technology and the Department of Education. Mr. Thunder indicated that the Commission on Educational Technology had held six meetings to date. The next meeting has been scheduled for April 23-24, 1998, and will provide a presentation from the Commission's consultant, West Ed, a regional educational laboratory located in San Francisco, California, who was awarded the contract to help with the development of the State Comprehensive Educational Technology Plan required by Senate Bill 482 (1997 Legislature). The Commission has also received applications from 10 of the school districts for, what is being referred to as, implementation of Section 61.2 funding, which provides \$7.5 million in the first year of the biennium

and \$4.9 million in the second year of the biennium. Although the Section 61.2 funds are designated for those two years, Mr. Thunder said it was his understanding that those funds could be used in either year with the permission of the Interim Finance Committee. He said, however, the Commission does not anticipate using any of the second year funding in the first year.

Chairman Raggio wanted to know whether the Commission is currently following the directives provided by the Legislative Committee on Education. Mr. Thunder responded affirmatively and also noted that the Commission, at its last meeting, accepted a chart showing various levels of technology in the schools, going from Level I (Low Tech), which is the highest priority, to Level III (High Tech), which is the highest technological facility at the present time, but which would be the lowest priority in terms of providing funding. The Commission has decided that its top priority will be to get all of the schools to at least Level I with the first \$27.5 million. Mr. Thunder directed the Committee's attention to Attachment A of the handout (Exhibit K) which shows the various components of each level and to Attachment B which shows a motion that was made at the March 4, 1998, meeting that talks about the Commission's priority and that the Commission will receive applications designed to bring schools to Level I.

Ms. Giunchigliani wondered whether it would be possible for someone from the Commission to give a presentation at the June meeting of the legislative interim State Planning Commission for the New Construction, Design, Maintenance and Repair of School Facilities since she thought some of the activities outlined by the Commission could overlap the work expected to be accomplished by the interim study group.

Ms. Giunchigliani also wanted to know how many schools were not presently at Level I. Mr. Thunder said that he would be better able to respond to Ms. Giunchigliani's question after the applications have been received from the school districts. The applications are due on April 20, 1998. The Commission plans to hold a meeting on May 5-6, 1998, to receive presentations from the school districts. Mr. Thunder added that the funding would be awarded based upon those applications.

Ms. Giunchigliani wanted to know whether the Commission will be able to match, say, a computer in a classroom, against the one-shot money that was allocated in 1995, so that those classrooms that do not have computers will have one. Mr. Thunder indicated that it was the Commission's intent for a school district with 40 classrooms, for example, to be required to have 40 computers. Although those computers could be configured in classrooms separately or placed in labs, the local school would make the decision on how they want the computers configured.

Ms. Giunchigliani suggested that the Commission needs to reexamine the direction it is currently taking; otherwise, she thought the inequities would be compounded. While she thought most schools have a computer lab, Ms. Giunchigliani said some schools have a computer in each classroom. If the Commission intends to count a lab rather than individual computers, Ms. Giunchigliani said the inequities will continue to build because not all children or their teachers have access to labs. Since she is still trying to find out how the one-shot money provided by the 1995 Legislature had been spent, Ms. Giunchigliani said she would hope that the Commission compares "apples to apples" before it expends any of the funding.

Mr. Hettrick said he was concerned about the current direction of the Commission also. It was Mr. Hettrick's recollection that the one-shot funding was supposed to ensure that each school has a computer lab and, once the lab was established, two mobile units capable of being moved from classroom to classroom were supposed to be available.

While it was not a mandate of the legislature, Chairman Raggio said the legislature had provided sufficient funding to provide a computer lab for each school. According to Chairman Raggio, the Legislative Committee on Education is currently monitoring this process closely to ascertain that the proper criteria are being used when funding is provided for computers. Chairman Raggio said, however, as Mr. Thunder stated previously, the Commission would not be able to analyze the needs of each school district until the applications have been received.



Mr. Hettrick expressed concern that there were a number of computer programs not suitable for classroom instruction, that there were a number of teachers who have not been trained to use and provide instruction on computers, and that a significant amount of money had been spent on wiring for computers instead of providing services. Mr. Hettrick said he wanted to make sure that the state has a viable program and a teacher trained before "just plunking down the box in the classroom and saying we did it." He said he was also concerned about having one computer in a classroom with, say, 24 children. Mr. Hettrick said he did not believe it was possible for one teacher to instruct one student when the remaining 23 students were doing something else and this is one of the reasons for having a lab.

Senator O'Donnell suggested that a presentation to the Interim Finance Committee by the Commission on Educational Technology was in order because he thought that Mr. Hettrick had brought up some valid questions which need to be answered. As a member of the Commission, Senator O'Donnell said all of the members were very dedicated and had spent many hours addressing the very same questions posed by Mr. Hettrick. Senator O'Donnell also thought it was appropriate for the Commission to address Mr. Hettrick's questions before the Interim Finance Committee to make sure that the Commission is on the right track. It was Senator O'Donnell's belief that the Commission has been conducting its charge of allocating \$27.5 million over the current biennium in exactly the manner the legislature had intended.

Mr. Thunder pointed out that the school districts were being asked to describe not only the manner in which the funds will be used, but how they plan to provide professional development to go along with the equipment. In addition, the school districts are being asked to respond as to whether federal funds are available in existing programs for technology equipment and other questions.

Chairman Raggio noted that Mr. Close had submitted a report from the Interim Finance Committee's Subcommittee on Project Genesis, and a copy of which is included in the meeting minutes as Exhibit L, and he asked Mr. Close to summarize his report.

Although he thought the report was self-explanatory, Mr. Close told the Committee that the Project Genesis is on target and that the subcommittee plans to meet again the day before the next Interim Finance Committee meeting.

#### **K. PUBLIC TESTIMONY.**

There was no public testimony.

There being no further business to come before the committee, Vice Chairman Arberry 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