

**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 November 24, 1997, at 9 a.m., in Room 1214 of the Legislative Building, in Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman

Assemblyman Morse Arberry, Jr., Vice Chairman

Senator Bob Coffin

Senator Lawrence E. Jacobsen

Senator Bernice Mathews

Senator William R. O'Donnell

Senator Raymond D. Rawson

Senator Jack B. Regan

Assemblywoman Barbara K. Cegavske

Assemblywoman Vonne Chowning

Assemblyman Jack D. Close

Assemblyman Joseph E. Dini, Jr.

Assemblywoman Jan Evans

Assemblywoman Christina R. Giunchigliani

Assemblyman David E. Goldwater

Assemblyman Lynn Hettrick

Assemblyman David E. Humke

Assemblywoman Sandra Krenzer

Assemblyman John Marvel

Assemblyman Richard D. Perkins

Assemblyman Bob Price

Assemblywoman Kathy A. Von Tobel

LEGISLATIVE COUNSEL BUREAU STAFF:

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. Crews called the roll, Chairman Raggio announced that a quorum of each committee was present. Chairman Raggio apologized for the delay in convening today's meeting. He said, however, the Interim Retirement Committee meeting scheduled for 8 a.m. had run longer than had been anticipated.

B. APPROVAL OF SEPTEMBER 18, 1997, MEETING MINUTES.

SENATOR RAWSON MOVED TO APPROVE THE INTERIM FINANCE COMMITTEE'S MEETING MINUTES OF SEPTEMBER 18, 1997. SECONDED BY SENATOR JACOBSEN 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: 1, 2, 5 and 6 on page 1; 14 on page 2; 18, 19, 20, 21, 22 and 23 on page 3; 27 and 31 on page 4; 32 on page 5 (Volume 1); 38, 39, 40 and 41 on page 6; 45 on page 7; no items on page 8; no items on page 9; 75 on page 10 (Volume 2); and 77 and 78 on page 11 (Volume 3).

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

1. Office of the Attorney General - Consumer Protection - (FY 98) - Transfer of \$123,398 from Reserve category to Salary category, \$750 from Reserve category to Out-of-State Travel category, \$2,625 from Reserve category to In-State Travel category, \$12,916 from Reserve category to Operating category, \$6,156 from Reserve category to Equipment category, and \$13,378 from Reserve category to Information Services category to initiate services related to telecommunications as prescribed by Section 239 of A.B. 366 passed by the 1997 Legislature.

Speaking to items 1 and 2, Mr. Fred Schmidt, Chief Deputy Attorney General, Office of the Attorney General, apprised the Committee that he had been appointed to head the newly-reorganized Bureau of Consumer Protection (BCP). In providing background information, Mr. Schmidt noted that the Nevada Legislature had approved Assembly Bill 366, which contained several new responsibilities for BCP, during the closing days of the 1997 Legislative Session. He said, however, those additional responsibilities were not included in the proposed budget for BCP that was submitted to the Legislature. Mr. Schmidt said the purpose of this request was to obtain Committee approval to transfer money from the reserve category into

the salary category to fund personnel needed to complete the tasks established in A.B. 366. In particular, section 239 of A.B. 366 requires BCP to develop and maintain a data base of telecommunication services that are available in the state; perform outreach programs to facilitate the provision of telecommunication services to public schools, public libraries, medical facilities, and local governments in rural counties; advocate for public schools, public libraries, medical facilities, businesses and general public before the Public Utilities Commission of Nevada (PUC) relating to the provision of universal telephone service and access to universal services; and facilitate coordination among agencies and local governments and the PUC regarding issues relating to telecommunication services. The personnel included in this request are telecommunications-related in terms of expertise. No General Fund money is involved and no new collection of funds or increase in the mill assessment will be required. Although this request was heard previously by the Assembly Committee on Ways and Means during the 1997 Legislature as a Fiscal Note for A.B. 366, Mr. Schmidt said it was suggested that since BCP's budget had already been closed, the funds be requested at a later date through the Interim Finance Committee.

Chairman Raggio said it was his understanding the cost of the program would be about \$350,000 for the biennium and he asked Mr. Schmidt to briefly explain his plan to implement the program. Mr. Schmidt indicated that most of the requested funding would be allocated to hire three new positions; namely: one Telecommunications Engineer, one Program Specialist, and one Legal Secretary II. Although telecommunications expertise was previously obtained through consulting funds, Mr. Schmidt said he thought it was a more expensive way in which to obtain the service.

**MRS. EVANS MOVED TO APPROVE ITEMS 1 AND 2. SECONDED BY MR. DINI
AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.**

2. Office of the Attorney General - Consumer Protection - (FY 99) - Transfer of \$164,530 from Reserve category to Salary category, \$1,000 from Reserve category to Out-of-State Travel category, \$3,500 from Reserve category to In-State Travel category, \$16,371 from Reserve category to Operating category and \$692 from Reserve category to Information Services category to initiate services related to telecommunications as prescribed by Section 239 of A.B. 366 passed by the 1997 Legislature.

Refer to testimony and motion for approval under item 1.

3. Office of the Attorney General – Tort Claims Fund - (FY 98) - Transfer of \$1,400,000 from Reserve category to Tort Claims category to pay anticipated claims.

Refer to motion for approval under item C.

4. Department of Administration – Motor Pool Division - Motor Pool - (FY 98) - Transfer of \$174,500 from Reserve category to Information Services category to allow for purchase and installation of new computer system and software originally approved by 1995 Legislature.

Refer to motion for approval under item C.

5. Department of Administration – Technology Improvement Plan - (FY 98) - Transfer of \$48,800 from Integrated Financial System category to Salaries category to allow for a new Project Manager position for the Integrated Financial System.

Mr. Perry Comeaux, Director, Department of Administration, indicated that items 5 and 6 represent a request to transfer funds from the Integrated Financial System (IFS) category to the salary category and also to add a new Project Manager position for IFS. In the Department of Administration's original plan for IFS, Mr. Comeaux indicated that the Department had budgeted \$500,000 for FY 1998 and \$600,000 for FY 1999 to contract for project management and quality assurance. As the project progressed, a decision was made to contract with the Department of Information Technology (DoIT) for quality assurance and \$90,000 per year has been budgeted for that purpose. A decision was also made to utilize an existing employee of DoIT, Paul Hewen, as the Project Manager for IFS. Mr. Hewen was recommended to the Department of

Administration by DoIT, by David M. Griffith and Associates (DMG), requirements contractor for IFS, as well as the Project Evaluation Team. Mr. Hewen is currently occupying one of the five project-related positions that the 1997 Legislature approved for DoIT. Mr. Comeaux said, however, he believes all five positions should be made available to the Department of Administration, plus the Project Manager position. In summary, Mr. Comeaux said he was asking the Committee to approve the transfer of additional existing funding from the IFS category to the salary category so a salary could be paid for project management instead of paying for it under a consulting contract.

Since this request deals with IFS, Senator O'Donnell wanted to know whether the State Controller was satisfied with the way the platform was structured. Chairman Raggio recognized Mr. Darrel Daines, Controller, who stated that his only concern was that Mr. Hewen should report to IFS and not to DoIT. Mr. Comeaux said he wished to assure the Committee that the Project Manager position being requested would report to IFS and not to DoIT.

Chairman Raggio asked Mr. Comeaux to comment on the issue of using DoIT's mainframe as the platform for IFS. Mr. Comeaux said a decision had been made by the Advisory Board to acquire three mid-range computers as the hardware for IFS instead of utilizing DoIT's mainframe. Mr. Daines thought the acquisition of three mid-range computers was totally appropriate; however, he was not in agreement with the Advisory Board's recommendation to place one of the mid-range computers in DoIT.

Senator O'Donnell wanted to know why a decision had been made to place one of the mid-range computers in DoIT. Mr. Comeaux noted that the principal reason for housing one of the mid-range computers in DoIT, was because the personnel payroll component of IFS would reside there; thus, management could take advantage of the existing communication system.

SENATOR JACOBSEN MOVED TO APPROVE ITEMS 5 AND 6. SECONDED BY SENATOR O'DONNELL AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

6. Department of Administration - Technology Improvement Plan - (FY 99) - Transfer of \$76,700 from Integrated Financial System category to Salaries category to allow for a new Project Manager position for the Integrated Financial System.

Refer to testimony and motion for approval under item 5.

7. Department of Administration - Risk Management - Insurance & Loss Prevention - (FY 98) - Transfer of \$594,000 from Reserve category to Property Claims category to allow for payment of projected and anticipated claims through the end of the fiscal year, primarily as a result of fires and the January 1997 flood.

Refer to motion for approval under item C.

8. Department of Education - Discretionary Federal Grants - (FY 98) - Addition of \$400,389 in Federal Emergency Immigrant Education Grant to provide additional aid-to- schools for Immigrant Education programs.

Refer to motion for approval under item C.

9. Department of Education - IASA - Title I - (FY 98) - Addition of \$165,972 in IASA-Title I - Migrant, \$43,500 in Federal IASA Title I - Neglected & Delinquent, and \$122,385 in Federal IASA Title I - Even Start to provide additional aid-to-schools for Migrant, Neglected and Delinquent and Even Start education programs.

Refer to motion for approval under item C.

10. Department of Education - IDEA - Individuals with Disabilities Education - (FY 98) - Addition of \$3,072,896 to Federal IDEA Grant to increase aid-to-schools for IDEA programs.

Refer to motion for approval under item C.

11. Department of Education - Health Education - HIV/AIDS - (FY 98) - Addition of \$21,034 in Comp. Health Education Grant to replace office equipment and computer hardware.

It was Chairman Raggio's understanding that an amendment had been made to this request. Mr. Douglas Thunder, Deputy Superintendent for Administrative and Fiscal Services, Department of Education, explained that the original work program requested \$12,439 for the purchase of new equipment. Since the original work program was prepared, Mr. Thunder indicated that \$3,872 had been deducted from \$12,439 and placed in the operating category to purchase additional instructional materials for students in this program; thus, the correct amounts for the equipment category (05) and the operating category (04) are \$8,567 and \$4,087, respectively.

MRS. EVANS MOVED TO APPROVE THE AMENDED REQUEST. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

12. Department of Museums, Library and Arts - Nevada Literacy Coalition - (FY98) - Addition of \$30,000 in Transfer from Education to promote workplace literacy via Adult Basic Education teacher training.

Refer to motion for approval under item C.

13. Department of Museums, Library and Arts - Cooperative Libraries Automated Network (CLAN) - (FY 98) - Addition of \$6,000 in Federal Title I Grant and \$94,530 in Federal Title III Grant to purchase new library system hardware and software to make CLAN System year 2000 compliant.

Refer to motion for approval under item C.

14. 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.

Mr. Mark Roberts, Administrative Services Officer, Director's Office, Department of Human Resources, apprised the Committee that this work program would augment the budget by \$50,000 in federal Health and Human Services Maternal and Child Health Bureau grant funds to specifically develop a training program for healthy children under the Health Systems Development and Child Care Project. Mr. Roberts said DHR anticipates contracting with the University of Nevada, Reno (UNR) for assistance in developing and implementing a program that meets Nevada's direct child care training needs.

It was Chairman Raggio's understanding that DHR plans to contract with the Nevada Administrators, Staff and Parents Association, Inc. (NASPA) to develop and implement this project. Mr. Roberts said he was not familiar with NASPA.

Since this would be the second \$50,000 grant received by DHR for a training program for healthy children, Mrs. Evans wanted to know how the first \$50,000 grant had been expended. Mr. Roberts indicated that the original \$50,000 grant was in tact and that DHR was planning to combine both grants before letting a contract. Mr. Roberts also noted that DHR had received the funds late in the 1997 Legislative Session and had submitted a work program to the Interim Finance Committee in April or May of 1997. He said, however, all of the funding was balanced forward because DHR was considering moving several of the child care grants to the Welfare Division at that time.

Mrs. Evans wondered why there had been such a long delay. Mr. Roberts responded that it had taken a

considerable length of time to "get all of the people in the right places."

Chairman Raggio said he would be interested in learning exactly what it is that "the people in the right places" were going to be doing. The intent of this program, Mr. Roberts explained, is to identify specific child care training needs within Nevada so that child care providers can receive proper on-site training. By contracting with University of Nevada, Reno (UNR), who has access to video tape programs and research libraries nationwide, DHR hopes to provide child care providers with training in safety and prevention, the recognition of illnesses and potential illnesses and the appropriate actions to take upon such recognition, including minimizing or eliminating the opportunities for transfer of diseases, and making appropriate referrals.

Chairman Raggio wanted to know how the \$100,000 in grant money would flow down to child care providers. Mr. Roberts indicated that a half-time person would be scheduled as Project Coordinator at a non-profit agency to communicate and work with the non-profit agencies statewide to ensure that the resource libraries and tools were available statewide so that each non-profit child care agency receives the training they need.

Since she thought this type of program would be more suitable under the jurisdiction of the Welfare Division, who handles other child care programs, Mrs. Evans wondered what the rationale was in placing this program in the Director's Office. Mr. Roberts said he could not offer a logical explanation as to why the program was placed in the Director's Office, but he would agree that consideration should be given in the future to placing this program in the Welfare Division. According to Mr. Roberts, the Project Director for this program will be located in the Welfare Division.

To respond to a question from Ms. Cegavske, Mr. Roberts said that a budget and plan was prepared after the original \$50,000 grant was awarded. Subsequent to that, DHR applied for and was awarded a second \$50,000 grant and a budget and plan was mirrored after the first one.

It was Chairman Raggio's belief that the Interim Finance Committee was being taken foregranted in this particular instance and he thought it would be appropriate for DHR to provide more specific information to the Committee at its January meeting on how this federal grant money was going to be expended; whether additional staff was going to be hired; and how child care givers were going to benefit from the program. Chairman Raggio also requested that a representative from UNR explain its role in the program.

Mr. Hettrick said he would agree that the request should be deferred because he would be interested in learning how DHR plans to hire a half-time position and also provide training to all child care providers statewide for \$100,000.

This request was deferred until the January 14, 1998, meeting.

15. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - (FY 98) - Addition of \$282,345 in Federal Title XIX to allocate a portion of the federal share of costs for the Statewide Cost Allocation Plan to the Medicaid budget.

Refer to motion for approval under item C.

16. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - (FY 99) - Addition of \$294,391 in Federal Title XIX to allocate a portion of the federal share of costs for the statewide cost allocation plan to the Medicaid budget.

Refer to motion for approval under item C.

17. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Medicaid - (FY 98) - Transfer of \$2,500,000 from Medical Payments - Current Year category to Medical Payments - Third Year category to provide for increase in FY 96 medical payments to meet projected

obligations.

Refer to motion for approval under item C.

18. Department of Human Resources - Health Care Financing and Policy Division - Nevada Medicaid - (FY 98) - Deaugmentation of \$223,190 in Gifts and Donations and Transfer of \$322,849 from Operating category to Baby Your Baby category to consolidate the fiscal and programmatic administration for the Baby Your Baby Program from the Medicaid budget to the Health Division's Maternal and Child Health budget.

In addressing items 18,19, 31 and 32, Ms. Janice Wright, Deputy Administrator, Division of Health Care Financing and Policy, explained that the Baby-Your-Baby Program was currently housed within and administered by the Health Division. The funding for this program, however, was passed through the Welfare Division, and the Medicaid budget was able to provide Title XIX matching funds for donations. According to Ms. Wright, there was discussion late in the 1997 Legislative Session between staff of the Health Division, the Welfare Division, and the legislative Fiscal Analysis Division as to why the fiscal and the programmatic responsibilities for this program were not together. Since the budgets for the Health Division had already been closed, Ms. Wright said a decision was made to defer this request and present it later via work programs to the Interim Finance Committee. These four work programs are designed to take the authority for the expenditures out of the Medicaid budget and place them in the Health Division budget, the agency that is responsible for administering this particular program. Mr. Alex Haartz, Acting Administrative Services Officer, Health Division, also noted that the purpose of the four work programs was to consolidate an information and awareness public education campaign from two divisions to one division.

To respond to a question from Chairman Raggio, Mr. Haartz said he did not anticipate having to request additional staff for this program during the current biennium as a result of the consolidation.

Mrs. Evans said she would be interested in learning at what level donations were currently being received. Mr. Haartz indicated that sponsors were currently contributing a total of \$150,000 per year.

In responding to a question from Mrs. Evans, Mr. Haartz said the transfers would not impede the Medicaid match.

MRS. EVANS MOVED TO APPROVE ITEMS 18, 19, 31 AND 32. 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 99) - Deaugmentation of \$223,190 in Gifts and Donations and Transfer of \$230,191 from Operating Category to Baby-Your-Baby category to consolidate the fiscal and programmatic administration for the Baby-Your-Baby Program from the Medicaid budget to the Health Division's Maternal and Child Health Services budget.

Refer to testimony and motion for approval under item 18.

20. Department of Human Resources - Division of Health Care Financing and Policy - Intergovernmental Transfer Account - (FY 98) - Transfer of \$512,280 from Reserve category to Transfer to Nevada Check-Up category to provide start up costs to establish the Nevada Check-Up Program.

Mr. Christopher Thompson, Administrator, Division of Health Care Financing and Policy, explained that the work programs in items 20 and 21 propose to transfer \$512,280 from the Intergovernmental Transfer budget and establish a new budget account for the projected start-up costs associated with developing a Children's Health Program for Nevada. Regarding the funding source, Mr. Thompson indicated that approximately \$7.5 million was available in the Intergovernmental Transfer budget that was not budgeted through the last legislative process. Of that \$7.5 million, Mr. Thompson said approximately \$5.3 million

was reserved in 1999 for disproportionate cuts at the federal level and \$2.3 million represents carried forward amounts in excess of what was estimated for the ending fund balance for 1997. Since the Children's Health Program is a new federal program that was approved by Congress and signed into law by the President in August of 1997, no budget was submitted to the 1997 Legislature for approval.

In providing a few general points, Mr. Thompson apprised the Committee that the Children's Health Program was a federal program which would provide total funding of approximately \$50-billion over a 10-year period. Nevada's share will be about \$30 million for FY 1998, and a state match of 35 percent, or \$16.4 million per year, will be required. Because the Division has been unable to find other available funding sources, Mr. Thompson said he was proposing a state expenditure of \$7 million to be matched with \$13 million in federal funding for a total of \$20 million. It was Mr. Thompson's belief that with \$20 million the state should be able to provide comprehensive health care coverage to 20,000 children.

Continuing his testimony, Mr. Thompson explained that the two work programs under consideration by the Committee today represent administrative start-up costs for the program, which includes: three new positions, various consulting contracts, and computer technology necessary to implement the program. Mr. Thompson said he anticipates having to return to the Interim Finance Committee in January or February of 1998, because most of the costs will have been incurred by the end of February of 1998. Mr. Thompson said he envisions having a separate, stand-alone program that will provide health care coverage to children. Since it was the intent of the federal legislation for the new program to mirror private insurance carriers, Mr. Thompson said the states would have the ability to essentially write their own rules within broad federal parameters. It was Mr. Thompson's sense that the Children's Health Care Program was going to be a very important program for the state and it was DHR's hope to have children actually receiving services by April of 1998, although he acknowledged that April was a very ambitious time frame. At the same time, Mr. Thompson said there was no doubt in his mind that this issue would be "hashed out" in much greater detail during the 1999 Legislative Session. Even though the DHR is trying to move forward quickly, Mr. Thompson said he wished to assure the Committee that the DHR's efforts in this regard would not preempt the legislature from having full input on this program in 1999.

Chairman Raggio asked Senator Rawson, Chairman of the Legislative Committee on Health Care, if his committee had reviewed the Division's proposal. Senator Rawson directed the Committee's attention to a memorandum dated November 18, 1997, located on pages 157 and 158 in Volume 1 of the meeting packets, which indicates that at its November 5, 1997, meeting, the Legislative Committee on Health Care had voted to support certain aspects of a request for funding to the Interim Finance Committee from the Division of Health Care Financing and Policy, Department of Human Resources. The Committee on Health Care also recommended that the funding appropriated to the division for this purpose should be released incrementally subject to the review of the Legislative Committee on Health Care as well as the Interim Finance Committee. In addition, the Committee on Health Care agreed that funding was needed as soon as possible so that actuarial studies could be performed which would enable Nevada to develop a cost-effective program, providing full coverage, if possible, to all eligible children in the state based on available federal funding.

Note: Since page 158 was inadvertently omitted from the original meeting packets, a copy of the November 18, 1997, memorandum from Fiscal Analysis Division is included in the meeting minutes as Exhibit A.

To respond to an inquiry from Ms. Giunchigliani regarding the Medicaid match, Mr. Thompson indicated that the federal portion of the new Children's Health Program for Nevada would require a 65 percent federal match and a 35 percent state match as opposed to the Medicaid Program, which requires a 50-50 match.

It was Ms. Giunchigliani's understanding that Nevada would receive a "bump" for those individuals currently being served under Medicaid. Mr. Thompson said the enhanced funding would go only to individuals who were not currently covered under Medicaid.

Because of the huge preventive dental care problem statewide, Ms. Giunchigliani thought it would be imperative, as the plan was being crafted, for Nevada to offer dental care coverage. Although not a mandate under federal law, Mr. Thompson said the Division was looking very closely at the issue of dental benefits for preventive care.

Regarding the \$5.3 million in reserve, Mrs. Krenzer wanted to know if the Division was confident that funding would not be needed to meet cuts made by the federal government in 1999. Mr. Thompson said the issue of the \$5.3 million in reserve was based on discussions in Washington that the disproportionate share would be cut in the Balanced Budget Act and, in fact, the disproportionate share was cut by about \$14 billion nationwide. He said, however, Nevada received no cuts based on the manner in which the Medicaid Program had been operated. Mrs. Krenzer thought Mr. Thompson should be commended for his efforts in this regard.

Since it was his understanding that Nevada would have flexibility in designing the program, Mr. Hettrick wondered if the program could be operated by private carriers. Mr. Thompson said he was reasonably sure that the initial plan would be operated through private Health Management Organizations (HMO's). Mr. Hettrick thought this was an excellent idea mainly because the state collects tax on insurance premiums.

Senator Regan questioned why the Division was not considering funding the entire program through a private insurance carrier. Even though the Division has been considering contracting with outside insurance carriers and actuaries who would actually be responsible for providing all of the services, Mr. Thompson suggested that the state would still need to play several important roles in determining eligibility, ensuring that the insurance companies provide the types of services being requested, acting as the final line of defense for grievances, and other roles. The Division, however, will not be involved in paying individual providers as it now does in the Medicaid Program through a Fiscal Intermediary.

It was Mr. Close's recollection that the 1997 Legislature had approved four new positions; i.e.: Administrator, Management Analyst IV, Management Analyst III, and Management Assistant IV, for the new Division of Health Care Financing and Policy and he wanted to know whether those positions had been filled. Mr. Thompson noted that two of the new positions were filled by incumbents and the Division was in the process of filling those two vacated positions. According to Mr. Thompson, the Division intends to hire the three new planning positions (two professionals and one clerical) immediately to address mandates and other issues, principally the Medicaid Program, that have fallen behind schedule due to the significant amount of time and resources the Division had expended on the new Children's Health Program.

Although he thought it would be more appropriate for the Legislative Committee on Health Care to debate the pros and cons of the Children's Health Program, Mr. Goldwater questioned why the Division was not considering modeling the Children's Health Program after the successful Medicaid Program; thus, saving the state the administrative costs. While understanding the payment differential between private insurance and Medicaid, Mr. Goldwater suggested that Medicaid could be fine tuned to accommodate the new program as opposed to creating a totally separate health insurance program. Mr. Thompson told the Committee that there were several reasons for creating a separate program, the principal one being that as an entitlement, the Children's Health Program would not fall under all of the federal rules regarding Medicaid.

Mr. Goldwater asked Mr. Thompson if Medicaid would not provide certain types of treatment to children. Mr. Thompson said that just as there are limitations of coverage for certain services within any insurance policy, Medicaid has certain limitations of coverage as well. Mr. Thompson said, however, full services could be provided under a separate program. If Medicaid were to be used, Mr. Thompson indicated that an income level would need to be set and those individuals under that income level would qualify. According to Mr. Thompson, Nevada does not currently have very good data on the number of people who are uninsured and over the Medicaid limits; however, the Legislative Committee on Health Care is moving forward with a study of that population. Mr. Thompson said he did not believe it would be fiscally prudent for the Division to try to set a limit at this time which might eventually be exceeded because of incomplete

data. With this program, however, an eligibility level could be set and, if the state were to exceed the number of clients for which it could pay services, a cap could be implemented and a waiting list instituted until additional money could be found.

Mr. Goldwater questioned why it would be more fiscally prudent for the state to pay administrative costs in perpetuity, rather than working within the framework of the Medicaid Program where economies of scale might be found. Speaking to the overall costs, Mr. Thompson said that most of the start-up costs; i.e., actuarial studies, computer system design, and other costs, would have to be incurred regardless. Mr. Thompson said he envisions being able to create a much more simplified system for this program which would be less expensive on a per client basis than the increases that would be needed for Welfare Eligibility Workers to handle this load.

Since setting up an entitlement program is a very complex issue, especially during the interim, Senator Rawson said he would try to clarify some of the concerns that had been expressed by Mr. Goldwater. Senator Rawson pointed out that his committee had determined there were between 69,000 and 100,000 children in Nevada who were uninsured; a huge range when setting up an entitlement program. In addition, Senator Rawson said his committee was currently grappling with Medicaid costs for children which average \$2,345 per year; whereas, many of the private insurance companies have indicated their cost for children in the same age group is approximately \$800 per year. Although his committee recognizes that the Medicaid Program pays for some high-cost handicapped children and disabilities, Nevada does not have the ability to separate that information clearly at this point in time. It was Senator Rawson's belief that by setting up a program that can be converted to Medicaid, it would give the state the option of having the legislature make the final decision. While the current plan proposes to provide health care services to between 14,000 and 20,000 children, Senator Rawson said his committee realizes there could be three to five times more children who are uninsured. Senator Rawson said his committee had already commissioned a study to determine the actual number of uninsured children and, in the meantime, was deliberating ways to reduce the cost of the insurance so more children could be insured. It was Senator Rawson's belief that if the state were to simply buy into the Medicaid Program rather than setting up a separate program, between 20,000 to 50,000 children would be without insurance. Senator Rawson said that the Medicaid Program was still a viable option and that the state would retain the ability to convert the new program to Medicaid at any point in time.

Mr. Goldwater requested that the record reflect that the commentary provided by Senator Rawson on this agenda item was for information and collection purposes so that the 1997 Legislature could better assess what type of Children's Health Program it should move forward with. Mr. Goldwater said he would be discouraged if only one proposal were to be presented to the next legislature.

Senator Rawson emphasized that unless his committee, along with the Governor's office, continues to move forward in their deliberations on establishing a Children's Health Program, children would go uninsured for another year and he was sure no one would want that to happen. He said, however, it was his intention to leave options open so the 1997 Legislature would be able to modify the program should it desire to do so. Mr. Goldwater suggested that Senator Rawson was speaking about his plan, but not necessarily the administration's.

It was Chairman Raggio's understanding that if the Committee were to approve items 20 and 21, it was not committed to the new Children's Health Program in the next biennium and also that the standing Legislative Committee on Health Care, as well as the Interim Finance Committee, would have the opportunity to be kept informed. Furthermore, Chairman Raggio said it may well be that the 1999 Legislature, as well as the administration, would determine another option for dealing with the uninsured children in Nevada.

Since there were no further comments or questions, Chairman Raggio said he would entertain a motion on items 20 and 21.

MRS. EVANS MOVED TO APPROVE ITEMS 20 AND 21. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

21. Department of Human Resources - Division of Health Care Financing and Policy - Nevada Check-Up Program - (FY 98) - Addition of \$512,280 in Transfer from Intergovernmental Transfer Account to establish the Nevada Check-Up Program to provide health insurance to uninsured children of Nevada working families who are not covered either by private health insurance or Medicaid.

Refer to testimony and motion for approval under item 20.

Chairman Raggio announced a recess for lunch at 1:20 p.m.. The meeting was reconvened at 2:15 p.m.

22. Department of Human Resources - Community Services Block Grant - (FY 98) - Addition of \$9,057 in Federal Food & Nutrition Grant to provide food and nutrition training programs and services within the Division of Aging Services.

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

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

23. Department of Human Resources - Mental Health-Mental Retardation - (FY 98) - Addition of \$110,000 in Aging Services Grant and \$22,700 in Alcohol and Drug Abuse Grant to conduct a Senior Citizens Mental Health Outreach Program in southern Nevada which includes two new positions.

Dr. Carlos Brandenburg, Administrator, Division of Mental Hygiene and Mental Retardation, DHR, stated that the 1997 Legislature had directed the Division to secure funding for a Senior Citizens' Mental Health Outreach Program in southern Nevada. The Division has been in negotiations with the Division of Aging Services (DAS) as well as with the Bureau of Alcohol and Drug Abuse (BADA). Approval of this request will provide a total augmentation of \$132,700 to the Southern Nevada Adult Mental Health Services (SNAMHS) budget in order to operate a Senior Citizens' Mental Health Outreach Program in southern Nevada.

Chairman Raggio asked Dr. Brandenburg to explain the funding source for this program. Dr. Brandenburg said the federal funding for this program would be provided through a grant in the amount of \$110,000 from DAS and a grant in the amount of \$22,700 from BADA.

In light of the soaring suicide rate for senior citizens in Nevada, Ms. Giunchigliani wanted to know whether counseling services would be provided for senior citizens who are potentially at risk of committing suicide. Dr. Brandenburg noted that the suicide rate for senior citizens living in Nevada was approximately four times higher than the national average. Dr. Brandenburg apprised the Committee that the Division plans to provide services to a minimum of 200 senior citizens in Clark County. After a need assessment has been completed, Dr. Brandenburg said it was his intention to present the 1999 Legislature with a proposal which would address some of the problems encountered by senior citizens. In addition, Dr. Brandenburg pointed out that the Division would be able to refer homeless people to DAS for the services they require.

Mr. Arberry expressed an interest in learning how the two new positions would carry out this program. Dr. Brandenburg said the Division anticipates hiring a Clinical Social Worker and a Management Assistant to assist DAS in providing services to 200 senior citizens in Clark County. The two positions will also assist the Division's administrative staff in doing a need assessment study.

In responding to a question from Mr. Arberry, Dr. Brandenburg indicated that the two positions would be continued if the grants were continued. He said, however, the positions would be terminated if the grants were not continued.

To respond to a question from Mr. Close, Dr. Brandenburg said this program would be a part of the Division's strategic plan.

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

24. Department of Human Resources - Health Division - Sexually Transmitted Diseases - (FY 98) - Addition of \$5,948 in Comprehensive Care Grant, \$9,889 in Aids Grant, \$60,017 in Disease Grant and Deaumentation of \$3,501 in HIV Federal Grant to adjust for Federal Grants to actual grant awards for combating sexually transmitted diseases.

Refer to motion for approval under item C.

25. Department of Human Resources - Health Division - Communicable Diseases - (FY 98) - Addition of \$118,742 in Tuberculosis/AIDS Federal Grant to provide operating, equipment, and sub-grantee costs in the tuberculosis elimination program.

Refer to motion for approval under item C.

26. Department of Human Resources - Health Division - Family Planning - (FY 98) - Addition of \$43,591 in Family Planning Grant to provide for salary shortfalls and to provide for family planning in Lyon, Nye and Carson counties.

Refer to motion for approval under item C.

27. Department of Human Resources - Health Division - Community Health - (FY 98) - Addition of \$220,811 in Preventative Health Grant to provide contracts and sub-grants to allow sexual offense and rape prevention programs at the community level.

Mr. Haartz told the Committee that the intent of this request was to maximize available federal funding and also to comply with the Preventive Health and Health Services (PHHS) block grant. Separating the two programs within the grant, Rape Prevention Education (RPE) Program and victims of Sexual Offense (SO) Program, under special categories will assure accountability.

Chairman Raggio wanted to know what types of programs were going to be funded with these federal grants. Mr. Haartz indicated that funding allocated to RPE and SO programs would provide services to non-profit agencies at the community level; such as: Crisis Call Center in Washoe County, Community Action Against Rape in Clark County, Family and Child Treatment of Southern Nevada, and Advocates to End Domestic Violence. Mr. Haartz also noted that the Health Division had solicited proposals from all interested parties and that all of those agencies who responded, except one agency based in Illinois, had received funding at the level they requested.

To respond to several questions from Chairman Raggio, Mr. Haartz said it was his understanding that the funding would be setup in the form of sub-grants as well as contracts and that services would be based upon reimbursements. Mr. Haartz also advised the Committee that a monitoring system had been implemented to ensure the federal funding was utilized in an appropriate manner.

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

MRS. CHOWNING MOVED TO APPROVE THE REQUEST. SECONDED BY SENATOR O'DONNELL AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

28. Department of Human Resources - Health Division - Communicable Diseases - (FY 98) - Addition of \$169,542 in Federal Diabetes Grant to continue salaries of two existing positions plus travel and operating costs in the diabetes program.

Refer to motion for approval under item C.

29. Department of Human Resources - Health Division - Maternal - Child Health - (FY 98) - Addition of \$45,672 in Primary Care Federal Grant to provide contract services, computer and printer and to allow medical stipends to train medical providers in the Primary Care training program.

Refer to motion for approval under item C.

30. Department of Human Resources - Health Division - Communicable Disease - (FY98) - Addition of \$1,040,862 in Breast and Cervical Cancer Grant to provide two new positions, travel, operating and sub-grant costs for increases in the breast and cervical cancer early detection program.

Refer to motion for approval under item C.

31. Department of Human Resources - Health Division - Maternal and Child - (FY 98) - Addition of \$223,191 in Medicaid charges, \$223,190 in Donations, \$99,658 in Transfer from Medicaid and Deaumentation of \$144,494 in Medicaid Billings to provide for the fiscal and programmatic administration of the Baby-Your-Baby program.

Refer to testimony and motion for approval under item 18.

32. Department of Human Resources - Health Division - Maternal and Child - (FY 99) - Addition of \$230,191 in Medicaid charges, \$230,190 in Donations and Deaumentation of \$145,118 in Medicaid Billings to continue the fiscal and programmatic administration of Baby-Your-Baby program.

Refer to testimony and motion for approval under item 18.

33. Department of Human Resources - Health Division - Immunization Program - (FY 98) - Addition of \$545,675 in Federal Immunization Grant to provide for operating, travel, data processing costs and sub-grants to counties.

Refer to motion for approval under item C.

34. Department of Human Resources - Welfare Division - (FY 98) - Deaumentation of \$83,221 in USDA Food Stamp Program, \$34,396 in Federal Child Support Program and \$65,723 Federal Title XIX to allocate a portion of the federal share of costs for the Statewide Cost Allocation Plan to the Medicaid budget and to place in reserve Temporary Assistance for Needy Families revenues freed-up by the reduction in costs.

Refer to motion for approval under item C.

35. Department of Human Resources - Welfare Division - Child Support Enforcement - (FY 98) - Addition of \$494,158 in Federal Funds from Previous Year, Deaumentation of \$164,034 in Balance Forward from Previous Year, \$482,917 in Federal Child Support Program, Transfer of \$11,240 from Non-Assistance clients category to County Cost Reimbursement category, \$6,275 from Non-Assistance Clients category to Incentives category, \$41,259 from Non-Assistance Clients category to IRS Intercept category and \$3,765 from Non-Assistance Clients category to ESD Distributions category to allow distribution in FY

98 of collections received in FY 97 from IRS intercepts and ESD withholdings and to provide for the payment of stale claims to Churchill County for District Attorney Reimbursements and incentive fees.

Refer to motion for approval under item C.

36. Department of Human Resources - Welfare Division - Welfare Administration - (FY 99) - Deaumentation of \$86,715 in USDA Food Stamp Program, \$35,840 in Federal Child Support Program, and \$68,493 in Federal Title XIX to allocate a portion of the federal share of costs for the Statewide Cost Allocation Plan to the Medicaid budget and to place in reserve Temporary Assistance for Needy Families revenues freed-up by the reduction in costs.

Refer to motion for approval under item C.

37. Department of Human Resources - Welfare Division - (FY 98) - Addition of \$374,085 in Low-Income Home Energy Assistance Program Grant and Deaumentation of \$2,000 in Balance Forward of Federal Funds to continue client services; expand computer capabilities to provide access to client information stored in the mainframe database; cover projected FY 98 shortfalls in salaries, operating and utilities categories; and to correct the amount budgeted as a federal cash balance forward.

Refer to motion for approval under item C.

38. Department of Human Resources - Welfare Division - Welfare-to-Work Program - (FY 98) - Addition of \$2,427,632 in Budgetary Transfer and \$3,449,131 in Welfare-to-Work Federal Grant to establish the Welfare-to-Work Program to create additional job opportunities for the hardest-to-employ recipients of the Temporary Assistance for Needy Families (TANF) program; provide for administrative costs to include the addition of eight classified positions and associated travel, operating, equipment, information services and utilities; establish a reserve for future Data Systems costs; and to provide for statewide compliance monitoring and technical assistance through Department of Employment, Training and Rehabilitation.

Chairing the Committee in Chairman Raggio's absence, Vice Chairman Arberry recognized Ms. Myla Florence.

Ms. Myla Florence, Administrator, Welfare Division (NSWD), introduced Mr. Robert Anderson, Deputy Administrator, Administrative Services, and his predecessor Mr. Michael Willden, Deputy Administrator, Program and Field Operations. Ms. Florence noted that she would be speaking to items 38, 39, 40, 41, 46 and 47. In providing background information, Ms. Florence apprised the Committee that the Balance Budget Act of 1997 appropriated funds to states for implementing a Welfare-to-Work Program. Since President Clinton was especially concerned about the most difficult-to-serve individuals, these funds are targeted to long-term recipients who may have significant barriers to employment. The funds may also be used for programs for non-custodial parents of individuals who are receiving Temporary Assistance for Needy Families (TANF) funding. The funds are provided through the U.S. Department of Labor (DOL) and NSWD has been designated to administer the funds on the state level. Nevada's share of the federal funding is about \$3.4 million of which Nevada needs to provide \$1.7 million in match. It is NSWD's intent to secure the match by transferring savings derived as a result of reduced caseloads in TANF to the Welfare-to-Work Program, as well as funding from various Department of Employment, Training and Rehabilitation (DETR) budgets. Ms. Florence noted that DETR had funding specifically targeted to welfare recipients that could be used as match. The Welfare-to-Work Program requires NSWD to submit a grant application as an amendment to its TANF state plan by December 12, 1997. According to Ms. Florence, NSWD has been meeting with various parties from both state and local levels and anticipates having the grant completed and submitted by December 12, 1997; funding will become available to the state after January 1, 1998.

In continuing her testimony, Ms. Florence indicated that there were several significant issues associated with this grant; i.e., the requirement for longitudinal data tracking and reporting not only on the minimal federal requirements but job retention, job placements, and increases in earnings to accurately follow this

population that experience significant barriers to employment. Funding is being requested for three new positions within NSW, which include: a Program Specialist, an Administrative Services Officer, and clerical support to those two positions. Also included in the request are five Employment Specialist positions which will be placed through DETR. Since Assembly Bill 401 (1997 Legislature) requires DETR to hire job developers to specifically target welfare populations, this source of funding would meet that need. Additionally, two positions in the Job Training Office (JTO) will be utilized to supplement program monitoring of the local providers in the two service delivery areas. Ms. Florence said she would be happy to respond to questions from the Committee on this new program.

Ms. Giunchigliani wanted to know how NSW plans to track the state's maintenance of effort (MOE) level. According to Ms. Florence, the MOE level for the TANF grant was 80 percent; however, the rate could drop to 75 percent if NSW meets its work participation rates. Ms. Florence told the Committee that NSW was hopeful it would meet the work participation requirements in order to qualify at the 75 percent MOE level; however, the mandatory two-parent household work participation rate is 75 percent and Nevada is currently at about the 64 percent level.

Ms. Giunchigliani asked Ms. Florence if NSW could provide statistics regarding the income individuals are deriving from the Welfare-to-Work Program. Ms. Florence indicated that NSW had been tracking earnings and the average hourly wage was \$6.30 statewide.

Ms. Giunchigliani inquired as to whether employers were going to be providing health insurance once individuals become full-time employees. Ms. Florence said NSW was attempting to collect that data; however, some individuals may not be signing up after the 90-day waiting period because they are unable to afford the cost of insurance premiums. In addressing the issue of two-parent families, Ms. Florence indicated that many of the families live in remote areas with fewer job opportunities. There have also been several instances where individuals were awaiting disability determinations. She said, however, the district offices may not have been focusing on two-parent families as much as single-parent families because of the small number.

To address a question from Ms. Giunchigliani, Ms. Florence explained that NSW's local district offices had been meeting with tribal representatives within their catchment area in an attempt to develop community work experience job opportunities for those individuals having a low-employment base. In addition, Ms. Florence said NSW was in the process of recruiting for the Tribal Liaison position that was authorized by the 1997 Legislature.

It was Mrs. Evans' understanding that NSW was required to pass through 85 percent of the available funding for the Welfare-to-Work Program to local Private Industry Councils (PIC's) that are responsible for overseeing job training programs by geographical jurisdictions. Ms. Florence said the PIC's must be used unless a waiver is requested by the Governor. Ms. Florence apprised the Committee that it was NSW's intent at this point in time to use the PIC's.

Since she was of the opinion that a Request for Proposal (RFP) implies the initiation of a competitive bidding process, Mrs. Evans wondered why it was necessary for NSW to develop an RFP. Ms. Florence noted that because the funding must be funneled down to the PIC's, which are governing bodies to the local Job Training Partnership Act (JTPA) agencies, NSW, during its discussions with the local JTPA agencies, had tried to convey to the agencies that the Welfare-to-Work Program funding was new money which was targeted to an entirely different population than the JTPA agencies have been serving previously and that, in the interest of broadening the provider base, the PIC's should issue an RFP so new approaches to providing service to this population could be considered.

It was Mrs. Evans' contention that NSW would have no alternative if the RFP's proved to be inadequate. Ms. Florence pointed out that a number of private entities, as well as non-profit organizations, who were aware of this new funding stream have already expressed an interest in bidding and developing different strategies for job placement, job retention, or training.

Since she was concerned about the ability of the PIC's to handle appropriately a significant amount of money, Mrs. Evans suggested that the Welfare-to-Work Program was going to require close monitoring on the part of NSW. Except for the new job developer positions, Ms. Florence indicated that the primary function of the new positions being requested was to ensure the widest possible distribution of the funds to appropriate providers. She also added that the new positions would be monitoring the funds not only from a financial standpoint but programmatic as well.

To respond to an inquiry from Mrs. Evans, Ms. Florence said that although the grant period was for two years, the funding could be expended over a three-year period. Since she does not expect the Welfare-to-Work-Program to become operational until some time after January 1, 1998, Ms. Florence said there would be carryover funds. In addition, if the funding is not continued through DOL, there is a possibility of NSW receiving a performance bonus from DOL under this funding stream as well as an investment of TANF funds into the programs.

Since states are required to maintain a minimum 80 percent MOE level to receive their TANF grant allocation (unless they meet or exceed the work participation requirements) and Nevada's MOE level is currently 81 percent, Mrs. Evans thought the MOE level was going to need close scrutiny and she requested Ms. Florence to keep the Committee apprised of the MOE level. Ms. Florence told the Committee that NSW was watching the MOE level very carefully.

It was Mrs. Von Tobel's understanding that the supplemental grant funds could be placed in the reserve category in order to meet an unexpected increase in caseloads. Mrs. Von Tobel asked Ms. Florence if she plans to request an allocation from the Contingency Fund at some future date. Ms. Florence told the Committee that NSW had maintained a planned reserve from TANF funding; however, NSW was confident about shifting funding to the Welfare-to-Work Program given the experience NSW has had thus far with caseloads. Ms. Florence indicated that NSW would also be looking for other matching sources and, if they should become available, any savings derived would be directed to the reserve category.

In addressing Mrs. Von Tobel's question regarding the placement of grant funds into the reserve category to meet increased caseloads, Mr. Michael Willden, Deputy Administrator, Program and Field Operations, suggested that Mrs. Von Tobel may have been referring to the work program in item 41 which requests funding to build a multi-purpose Professional Development Center (PDC). In this work program, Mr. Willden indicated that NSW proposes to use the state population modifier, which is about \$1 million, to build the PDC. According to Mr. Willden, those funds could be used for any cause related to TANF activities. He said, however, NSW would not be able to apply for the \$3.4 million grant from DOL being requested for the Welfare-to-Work Program unless the state provides either direct state cash or an in-kind match.

SENATOR REGAN MOVED TO APPROVE ITEMS 38, 39 AND 40. SECONDED BY SENATOR RAWSON AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

39. Department of Human Resources - Welfare Division - Temporary Assistance for Needy Families - (FY 98) - Deaugmentation of \$2,427,632 in Budgetary Transfer to provide the state match necessary to commence the Welfare-to-Work Program.

Refer to testimony and motion for approval under item 38.

40. Department of Human Resources - Welfare Division - Welfare-to-Work Program - (FY 99) - Addition of \$1,043,566 in Balance Forward from Prior Year and \$3,449,131 in Welfare to Work Federal Grant to continue the Welfare-to-Work Program designed to create additional job opportunities for the hardest-to-employ recipients of the Temporary Assistance for Needy Families (TANF) program.

Refer to testimony and motion for approval under item 38.

41. Department of Human Resources - Welfare Division - Welfare Field Services - (FY 98) - Addition

of \$48,595 in Federal Food Stamps Program, \$20,074 in Federal Child Support Program, \$899,102 in Federal TANF Program and \$35,521 in Child Care Development Block Grant to establish a multi-purpose Professional Development Center (PDC) in southern Nevada to provide centralized training for Welfare Division staff and clients.

As Mr. Willden previously explained under item 38, Ms. Florence said this request relates to the development of a multi-purpose Professional Development Center (PDC) in southern Nevada. According to Ms. Florence, NSWDC was recently advised that Nevada would receive \$899,102 in supplemental funding for its increased population. In addition, Nevada is guaranteed to receive \$1,820,681 in FY 1999, \$2,765,299 in FY 2000, and \$3,733,533 in FY 2001. It was Ms. Florence's belief that some of the supplemental funding could be utilized to address three major issues: (1) Training of front-line staff, particularly new workers, given the complexity of Welfare Reform rules and the high turnover of new employees; (2) Training existing employees to handle domestic violence, substance abuse, and other issues, in a different manner than they are doing currently and also to provide training in payment accuracy; and (3) work participation rates. According to Ms. Florence, training has not been standardized or consistent. Since new workers have been paired with journeyman employees in the past, Ms. Florence said that the productivity level of the journeyman employees has not only been reduced, but consistent standardized training has not been provided to the new workers. Because there are currently 72 trainees within NSWDC who have been paired with 72 journeyman workers, Ms. Florence said NSWDC was not able to reach the level of productivity desired.

Continuing her testimony, Ms. Florence said NSWDC hopes to be able to utilize the PDC for client training as well as worker training. Also included in this request is a child care center so child care can be provided to individuals who are in training at the PDC. Ms. Florence said she envisions this program as a potential model program in the nation in that it would be incorporating not only staff training but client training at the same facility. The PDC will encompass 22,000 square feet and will include two standardized classrooms, one of which will be setup as a learning lab for new eligibility workers. NSWDC proposes to move six eligibility workers to the PDC to provide training to 72 new employees. Additionally, NSWDC proposes to transfer other non-direct client staff to the PDC to facilitate opening the new facility. In concluding her testimony, Ms. Florence told the Committee that she thought this was a one-time opportunity for NSWDC to do something right on behalf of its staff as well as the clients NSWDC serves. When the \$1,820,681 million in supplemental funding becomes available in FY 1999, Ms. Florence said she anticipates returning to the Interim Finance Committee for a funding request for a smaller version of the PDC for northern Nevada. Ms. Florence also pointed out that NSWDC had received the support of Nevada's Eligibility Workers' Association, Client Advocates, State of Nevada Employees' Association (SNEA) and Service Employees' International Union (SEIU). Ms. Florence also introduced Dr. Robert Silverman, Senior Vice President, Clark County Community College (CCCC), who she said was available to respond to questions from the Committee.

Mr. Close wanted to know how NSWDC plans to measure whether the quality of training and error rate were improving as a result of the training. Ms. Florence said NSWDC would track the Food Stamp Program's accuracy rate to determine whether or not it was improving and also tests would be administered to the new eligibility workers at the end of three or four months to determine their core competency in various program areas. It was Ms. Florence's belief that the training would improve the quality of the casework that NSWDC currently delivers.

Mr. Close wanted to know whether the results of the testing would be made available during the 1999 Legislative Session and Ms. Florence responded affirmatively.

It was Mr. Close's recollection that there was a great deal of discussion during NSWDC's budget hearings during the 1997 Legislature about removing the cap and making sure NSWDC had access to the Contingency Fund should expenses exceed a certain level. Since he did not consider the training NSWDC proposes to provide its employees and clients with the supplemental funding as an unexpected expenditure, Mr. Close wanted to know if NSWDC would expect to receive an allocation from the Contingency Fund if caseloads

were to increase. Ms. Florence told the Committee that NSWDC would do everything possible to control expenditures. She also noted that NSWDC had never had a problem with the cap during the many years she had been associated with NSWDC. Her concern with the cap during this biennium, Ms. Florence explained, had to do with the uncertainty of Welfare Reform and in NSWDC charting new territory. Ms. Florence said she wished to assure the Committee that NSWDC believes it has worked through all of the numbers to the extent that it is very confident in making this investment in staff now while the opportunity exists. Ms. Florence added that she definitely does not expect to have to request an allocation from the Contingency Fund.

Ms. Giunchigliani wanted to know whether NSWDC had been looking at specific locations for the PDC in southern Nevada. Ms. Florence indicated that NSWDC was considering several locations in southern Nevada; one of which, the Educational Dynamics Institute (EDI), would be perfect. If NSWDC were to be able to secure that facility, it could trim about \$109,000 from the total cost. Ms. Florence said, however, NSWDC would not be able to move forward unless Interim Finance Committee approves this funding request.

Ms. Giunchigliani wanted to know who would be managing the child care component. Ms. Florence indicated that NSWDC plans to subcontract the management of the child care facility. To respond to a question from Ms. Giunchigliani regarding the state's liability, Ms. Florence said that although the child care provider would be required to carry liability insurance, the state would be responsible legally as well if an accident were to occur. Ms. Giunchigliani wondered whether the state could utilize its liability protection so that a more qualified child care program could be provided. Ms. Florence thought Ms. Giunchigliani's suggestion had merit and she said she would research whether the state's liability insurance could be utilized for the child care program and report her findings.

Ms. Giunchigliani inquired as to whether NSWDC had contacted the Culinary Union, Business Partners, or other groups, regarding linking up with their training programs. It was Ms. Giunchigliani's belief that NSWDC should not duplicate existing training programs within the community if those groups were doing a good job. Ms. Florence said the concept of this program was not to duplicate existing, specialized types of training programs. Ms. Florence also noted that eligibility workers would assume their caseloads from the PDC once their training was completed.

Speaking in support of the training program, Ms. Giunchigliani said she thought proper training would address the high turnover rate for eligibility workers which NSWDC had been experiencing.

While she totally supports the proposed training program because she thought it was imperative that NSWDC upgrade its training standards for eligibility workers, Mrs. Krenzer said she wanted to understand the involvement of CCCC. Ms. Florence apprised the Committee that CCCC would be providing non-credit basic computer training for clients. In terms of NSWDC staff, training related to domestic violence and substance abuse could be coordinated through CCCC as well. Dr. Silverman told the Committee that CCCC was looking forward to a partnership with NSWDC to provide training to the people most difficult to serve. It was Dr. Silverman's belief that this type of program would provide a natural link to CCCC's ongoing process of workforce development in adult basic education. CCCC expects to offer non-credit classes totally skill based. CCCC will look toward employers to set levels of skills in the areas of word processing and basic computer use and then CCCC will train to an industry standard and guarantee its work.

Mrs. Krenzer wanted to know why the clients were not going to receive credit for the classes and how many CCCC dollars were going to be expended on this program. Dr. Silverman said he did not anticipate expending CCCC funding on this program at this point in time. While he said CCCC could provide credit courses for the clients, Dr. Silverman said he did not believe the clients need credit courses as much as they need the necessary skill levels to get a job.

Mrs. Von Tobel said she had read a recent newspaper article that indicated the unions and businesses were doing an exceptional job of training welfare workers. In view of an expenditure of approximately \$1

million, Mrs. Von Tobel said it would be interesting to learn how many workers have been put to work over a year's time. Ms. Florence suggested that Mrs. Tobel should keep in mind that NSWDC eligibility workers were also going to receive training with this funding. Since individual clients will be required to work 25 hours or more per week this year, NSWDC views the drop-in and training component as being able to supplement the work participation rates. Insofar as the numbers of clients to be served are concerned, Ms. Florence said the computer classroom would accommodate 25 clients while traditional-type classrooms would accommodate 50 clients. Because different concepts are still being considered, Ms. Florence said no decision has been made on specific classes to be offered or the number of clients to be served.

To put this issue in perspective, Mrs. Von Tobel indicated that the newspaper article also indicated that the Bellagio, a large property in Las Vegas, was going to be hiring 800 welfare workers at no cost to the state; whereas, by comparison, NSWDC plans to expend \$1 million to train an estimated 25 clients. Ms. Florence pointed out that approximately one-half of the \$1 million would be expended on one-time costs to build the PDC where all new eligibility workers, ongoing staff, as well as clients, would receive their training. Ms. Florence stated that it had been a logistical nightmare, for example, finding suitable places to accommodate 600 people who would be undergoing three days of training on all of the Welfare Reform changes associated with Assembly Bill 401 (1997 Legislature).

After suggesting that Ms. Florence check with the high schools for training facilities, Mrs. Von Tobel wanted to know whether there were specific guidelines for expending the supplemental funding or whether the funding was open ended. Ms. Florence said the supplemental funding was "totally open to the state" and no matching funds were required.

Mrs. Von Tobel inquired as to whether performance indicators for the training would be developed and Ms. Florence responded affirmatively. Ms. Florence also added that a meeting on performance indicators had already been scheduled.

Since the funding is for a limited period, Ms. Giunchigliani cautioned NSWDC about entering into a long-term contract for the PDC at this point in time. It was Ms. Giunchigliani's belief that when the joint computer school has been completed, that facility could be utilized when either the community colleges or the school district were not using it.

Mr. Hettrick wanted to know how many people NSWDC anticipates training on a daily basis. Since it was his understanding that NSWDC was planning to have 72 new eligibility workers and 6 trainers housed at the 22,000-square foot PDC, for a total of 78 people, Mr. Hettrick said this would compute to approximately 275 square feet per person. Ms. Florence indicated that NSWDC plans to have a staff of 41 at the PDC in addition to the number of trainees who would be on line at any one point. In addition, clients would be coming in for service prior to the eligibility workers being assigned to district offices. It was Ms. Florence's estimate that between clients and staff, there could be between 90 to 100 people at the PDC on a daily basis.

To address a question from Mr. Hettrick, Ms. Florence noted that NSWDC intends to return to the Interim Finance Committee in FY 1999 for funding for a smaller version of the PDC in northern Nevada. Mr. Hettrick said he was concerned that only 36 of the 72 new eligibility workers were going to be trained over a period of one year at the PDC. Also, because of the cost factor, Mr. Hettrick thought that Ms. Florence was going to have a difficult time convincing the Interim Finance Committee that there was sufficient accuracy improvement to justify additional funding for a northern facility. Ms. Florence reminded Mr. Hettrick that part of the 22,000-square foot facility would be devoted to a child care center. She said, however, there was no question that NSWDC was proposing to build a "class facility" since it had been given the opportunity to do so. Ms. Florence said the facility being proposed for northern Nevada would be based on the early results achieved in southern Nevada. Ms. Florence asked that the record include a statement from Miki Primus, who supports the training academy. According to Ms. Florence, Ms. Primus had been an eligibility worker with NSWDC for approximately eight years and is first past President of the National Eligibility Workers' Association and State Treasurer of SEIU Local 1864. A copy of Ms. Primus' statement is included in the meeting minutes as Exhibit B.

SENATOR REGAN MOVED TO APPROVE THE REQUEST. SECONDED BY MRS. KRENZER AND MOTION CARRIED BY VOICE VOTE WITH MRS. VON TOBEL VOTING NO.

Chairman Raggio thanked Vice Chairman Arberry for chairing this section of the meeting in his absence.

42. Department of Human Resources - Child and Family Services - (FY 98) - Addition of \$200,000 in Family Violence Prevention Grant to continue program to pass through funds to local family violence prevention entities to assist in establishing, maintaining and expanding programs and projects to prevent family violence and to provide immediate shelter and related assistance for victims of family violence and their dependents.

Refer to motion for approval under item C.

43. Department of Human Resources - Child and Family Services - Chapter I - Special Education - (FY 98) - Addition of \$50,006 in Head Start Grant to continue the program to improve services to at-risk children and to provide training to increase child care and respite options for children with disabilities.

Refer to motion for approval under item C.

44. Department of Human Resources - Child and Family Services - Youth Community Services - (FY 98) - Transfer of \$40,000 from Reserve category to Dave Thomas Foundation category to develop a recruitment plan for adoptive home and to conduct adoptive home studies for children with special needs.

Refer to motion for approval under item C.

45. Department of Human Resources - Child and Family Services - Southern Nevada Child and Adolescent Services - (FY 98) - Addition of \$415,706 in New Wish Behavioral Health Services Grant to support the integration of mental health and substance abuse prevention treatment services for the zero to seven population and their families and care givers; adds a total of 9.55 FTE.

A supplemental handout was provided to the Committee entitled "New Wish Project" and a copy of which is included in the meeting minutes as Exhibit C.

Mr. Darrel Rexwinkel, Administrative Services Officer, Division of Child and Family Services (DCFS), introduced Ms. Karen Harbour, Administrative Services Officer, for Southern Nevada Child and Adolescent Services (SNCAS). Mr. Rexwinkel apprised the Committee that the purpose of this request was to receive a federal grant in the amount of \$415,706 for the first year of a four-year grant period. The grant funds a new project called "New Wish." The total grant amount for the four-year period will approximate \$1.9 million. The formal grant name is "Starting Early and Starting Smart" and the funding was provided by the federal Department of Health and Human Resources (DHHR), Public Health Services (PHS), Substance Abuse and Mental Health Services Administration (SAMHSA). There were 12 grants awarded nationally and the grants are a product of a public-private initiative between the Casey Family Foundation Program and SAMHSA. Since he said Ms. Harbour had been extensively involved in the development of this grant, Mr. Rexwinkel thought it would be informative for her to provide additional program information.

With the funding from this research grant, Ms. Harbour told the Committee that SNCAS plans to target children ages 3 to 5 as well as children who are in the "Head Start Program." SNCAS will be working with approximately 1,200 children who are part of Clark County's "Head Start Program." There are 13 sites in Clark County. Four of those 13 sites, which have a total of 600 children, will be considered as intervention sites. The remaining nine sites, which have a total of 600 children, will be considered as control sites. SNCAS expects to identify approximately 250 at-risk children who are in need of special services. Those children in the control sites will continue to receive the "Head Start" services with which they are currently being provided and those children in the intervention sites will receive a series of interventions. A multi-disciplinary team will help create enriched curriculum for the children. In addition, Ms. Harbour cited

several of the services which would be provided; namely: training and support for the "Head Start" classroom teachers; respite child care; family consultation and a resource library for the parents; parents education and parents support groups; and numerous home visits. All 1,200 children in the "Head Start" catchment area will be evaluated. The data, which will be collected throughout the four years of the grant period, will be combined as a part of the national data. The protocol for this program is still being developed in Washington in collaboration with each of the 13 sites.

To continue her remarks, Ms. Harbour pointed out that the primary purpose of this program was to look at the efficacy of this enhanced approach. It is SNCAS' hope that through this evaluation, it will see some good, long-term results not only with the family, but with school placements as well. In addition, SNCAS hopes to see improved behavioral health functioning and increased awareness on the parts of both the "Head Start" teachers and also the parents with whom it will be working. SNCAS also will be evaluating family stability and the child's success in school placement, with the desired outcome being a lack of contact with child protective services. This request also includes the addition of 9.55 full-time equivalency (FTE) positions. According to Ms. Harbour, 4.04 FTE positions of the 9.55 FTE positions being requested would be working in the research and data collection area, 5 FTE positions would be working in clinical services as direct support to the children and families, and one .50 FTE account specialist position would be helping to oversee the financial aspect of the grant.

To respond to several questions from Mrs. Chowning, Ms. Harbour indicated that a number of the research and evaluators would be working directly at the "Head Start" sites. Ms. Harbour also pointed out that SNCAS had talked preliminarily with staff from the Andre Agassi Center about the possibility of utilizing that facility as another site, but no decision had yet been made. As to whether the new positions would be terminated if the funding is not continued, Ms. Harbour said it was possible that the Casey Family Foundation Program would choose to continue to support the program at the end of the four-year period. Absent that possibility, Ms. Harbour said that if the data shows good results and cost-effective ways of helping children and ultimately keeping them out of the child protective system later, SNCAS would like to reserve the right to return to the 1999 Legislature so a decision could be made whether funding for the program should be continued. Ms. Harbour said, however, the positions would be terminated if the 1999 Legislature decides not to fund the program.

Senator Regan wanted to know whether it would be possible to overlap the five new positions that are supposed to start on March 1, 1998, by having them also work in the new Family-to-Family Program. It was Ms. Harbour's understanding that the Family-to-Family Program would be working with the zero to age 2 population; whereas, the New Wish Program would be working with the age 3 to 5 population. Since the five clinical services positions would be providing direct services to children in the "Head Start Program" as well as their families, Ms. Harbour said she did not believe it would be possible to overlap the positions between the two programs.

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

46. Department of Employment, Training and Rehabilitation - State Job Training Office - (FY 98) - Acceptance of \$111,908 in Transfer from Welfare Division to establish statewide compliance monitoring and technical assistance for the Welfare-to-Work program.

Refer to motion for approval under item C.

47. Department of Employment, Training and Rehabilitation - State Job Training Office - (FY 99) - Acceptance of \$178,761 in Transfer from Welfare Division to continue statewide compliance monitoring and technical assistance for the Welfare-to-Work program.

Refer to testimony and motion for approval under item 38.

48. Department of Employment, Training and Rehabilitation - Nevada Commission for National and

Community Service - (FY 98) - Addition of \$279,468 in Federal Flow-Through Grant to continue national service volunteer and non-profit AmeriCorps programs in Nevada.

Refer to motion for approval under item C.

49. Department of Employment, Training and Rehabilitation - Employment Security Special Fund - (FY 98) - Transfer of \$178,700 from Reserve category to Maryland Buildout category, \$384,769 from Reserve category to Maryland Equipment category and \$265,699 from Reserve category to Maryland Computers category to equip, furnish, supply and Americans with Disabilities Act (ADA) retrofit new Las Vegas local office that replaces facility closed in May of 1997 due to fungus contamination.

Refer to motion for approval under item C.

50. Department of Employment, Training and Rehabilitation - Employment Security Special Fund - (FY 98) - Transfer of \$509,711 from Reserve category to Eighth Street Demolition category to re-mediate fungus contamination and perform subsequent demolition of closed local office in Las Vegas.

Refer to motion for approval under item C.

51. Department of Employment, Training and Rehabilitation - Employment Security Division - (FY 98) - Addition of \$721,592 in Federal Administrative Cost Allowance to cover rent and tax payments for new Las Vegas local office that replaces facility closed in May of 1997 due to fungus contamination and to increase Training and Technical Assistance for Department of Labor grantees.

Refer to motion for approval under item C.

52. Department of Employment, Training and Rehabilitation - Employment Security Division - (FY 99) - Addition of \$154,900 in Federal Administration Cost Allowance to continue rent and tax payments for new Las Vegas local office that replaces facility closed in May of 1997 due to fungus contamination.

Refer to motion for approval under item C.

53. Department of Employment, Training and Rehabilitation - Blind Business Enterprise Program - (FY98) - Addition of \$7,150 in Excess Property Sales, \$48,189 in Treasurer's Interest, \$22,876 in Commissions and \$32,342 in Loan Re-payments to establish self-funded health insurance reimbursement program for Nevada blind vendors and to increase reserve.

Refer to motion for approval under item C.

54. Department of Employment, Training and Rehabilitation - Vocational Rehabilitation - (FY 98) - Transfer of \$362,003 from Reserve category to SSA/VR Reimbursement category to provide vocational rehabilitation counseling and guidance services, vocational services and other training services.

Refer to motion for approval under item C.

55. Department of Employment, Training and Rehabilitation - Community Based Services - (FY 98) - Addition of \$57,963 in Federal Traumatic Brain Injury Planning Grant to update the traumatic brain injury statewide services, needs assessment and statewide action plan.

Refer to motion for approval under item C.

56. Department of Business and Industry - Real Estate Recovery - (FY 98) - Transfer of \$50,000 from Reserve category to Operating category to allow real estate recovery payments per court order.

Refer to motion for approval under item C.

57. Department of Business and Industry – Energy Conservation - (FY 98) - Addition of \$234,476 in Energy Program Grant to continue state Energy Conservation Program.

Refer to motion for approval under item C.

58. Department of Business and Industry - State Energy Office - (FY 98) - Addition of \$25,000 in Environmental Agency Agreement and \$179,496 in Energy Program Grant to study emissions contributing to global warming and fund the alternative fuels program.

Refer to motion for approval under item C.

59. Department of Business and Industry - Industrial Relations - (FY 98) - Addition of \$3,072 in Allocation from Fund, \$8,796 in Lab Statistics Grant and \$49,977 in OSHA Grant to provide funds for out-of-state travel, telephone lines and a fax machine.

Refer to motion for approval under item C.

60. Department of Tourism & Economic Development - Rural Community Development - (FY 98) - Addition of \$1,555,113 in HUD Contract and \$500 in Filing Fees to allow for costs of filing loan documents, as required.

Refer to motion for approval under item C.

61. Department of Tourism & Economic Development - Procurement Outreach Program - (FY 98) - Addition of \$25,560 in Balance Forward Federal Funds from Previous Year to continue the provisions of marketing and technical assistance to businesses in acquiring federal contracts, selling goods and services to other federal agencies and state and local governments.

Refer to motion for approval under item C.

62. Department of Tourism & Economic Development - Commission on Tourism - (FY 98) - Transfer of \$100,000 from Reserve category to International Trade category to open a representative trade office in Seoul, South Korea to enhance Korean visitation and the state's share of the South Korean tourism market.

This item was withdrawn.

63. Department of Tourism & Economic Development - Rural Community Development - (FY 98) - Deletion of \$59,000 in HUD Contract to reduce HUD expenditures to contract allocation levels.

Refer to motion for approval under item C.

64. Department of Tourism & Economic Development - Commission on Economic Development - (FY 98) - Addition of \$45,000 in Registration Fees to partially off-set the cost of producing the Governor's Economic Development Conference this fiscal year.

Refer to motion for approval under item C.

65. Department of Prisons - Prison Industries - (FY 98) - Addition of \$297,000 in Miscellaneous Sales to cover increased operating expenses at NSP Vinyl, NSP Mattress and NSP Linen shops due to increased sales.

Refer to motion for approval under item C.

66. Department of Motor Vehicles and Public Safety - DMV Justice Assistance Act - (FY 98) - Addition of \$1,200,482 in Byrne Memorial Formula Federal Grant to provide assistance to state and local agencies for support of multi-jurisdictional narcotics task forces, crime prevention, youth gang task forces,

correctional facility enhancements, forensic laboratory improvements and alternatives to incarceration projects.

Refer to motion for approval under item C.

67. Department of Motor Vehicles and Public Safety - DMV Highway Safety Plan & Administration - (FY 98) - Addition of \$50,000 in Gifts/Donations - General Motors to promote occupant protection and traffic safety through public education and advertising.

Refer to motion for approval under item C.

68. Department of Motor Vehicles and Public Safety - Emergency Management Assistance - (FY 98) - Addition of \$416,363 in FEMA reimbursement - Fire Suppression to pass through obligated funds for fire suppression tasks performed by the Department of Conservation & Natural Resources, Division of Forestry in 1996 relative to the Autumn Hills, Lee and Belli Ranch fires.

Refer to motion for approval under item C.

69. Department of Motor Vehicles and Public Safety - Forfeitures - (FY 98) - Transfer of \$16,460 from Reserve Category to Federal NDI category to cover FY 97 claims for the alarm system and remodel of the NDI office located at Jones Blvd., Las Vegas.

Refer to motion for approval under item C.

70. Department of Motor Vehicles and Public Safety - Justice Assistance Act - (FY 98) - Addition of \$172,727 in Federal Grant - State Identification System (SIS) to provide assistance to the Sex Offender Registry through DNA typing of convicted offenders.

Refer to motion for approval under item C.

71. Department of Motor Vehicles and Public Safety - Justice Assistance Act - (FY 98) - Addition of \$3,447,183 in Federal Grant-Violent Offender Incarceration/Truth in Sentencing Program to provide for additional capital improvements relative to the Violent Offender Incarceration and Truth-In-Sentencing programs.

Refer to motion for approval under item C.

72. Department of Motor Vehicles and Public Safety - Narcotics Control - (FY 98) - Addition of \$60,002 in Transfer from DMV Justice to replace four existing vehicles and provide retrofitting for narcotics operation.

Refer to motion for approval under item C.

73. Department of Motor Vehicles and Public Safety - Emergency Management - (FY 98) - Addition of \$53,570 in Federal Cost Allowance - State Hazardous Mitigation Program to develop a comprehensive hazardous materials/disaster mitigation program designed to reduce the financial burden for Nevada's citizens in the event of a natural disaster.

Refer to motion for approval under item C.

74. Department of Conservation and Natural Resources - Department of Environmental Protection - Bureaus of Waste Management and Federal Facilities - (FY 98) - Addition of \$123,392 in Balance Forward, \$52,930 in Federal Balance Forward, Deaumentation of \$15,350 in Dumping Fees, \$13,967 in Federal Department of Defense, and \$38,963 in Federal Department of Energy to adjust authority for cash and meet obligated contracts.

Refer to motion for approval under item C.

75. Department of Conservation and Natural Resources - (FY 98) - Addition of \$215,000 in Transfer from Wildlife to increase the allocation for Phase III element and to add the Phase IV element for the development of the Big Bend State Park.

Mr. Steve Weaver, Chief, Planning and Development, Division of State Parks, requested Committee approval to accept two separate grants from the Nevada Division of Wildlife (NDOW) totaling \$215,000 for the construction and repair of facilities that enhance boating access at Big Bend of the Colorado State Recreation Area.

To respond to several questions from Chairman Raggio, Mr. Weaver indicated that the 25 percent state match would be provided by NDOW through an allocation it received from the Motorboat Fuel Program. Mr. Weaver said that the transfer of funds being requested would not jeopardize other programs since NDOW had agreed over a year ago to provide matching funds for eight Division of State Parks' projects over the next couple of years. He said, however, in order to comply with federal guidelines, the Division of State Parks would need to show proof that it had spent an amount equal to revenues collected from fees charged to the public for use of the facilities constructed or otherwise supported with these federal funds to offset the operation and maintenance costs of the boating facilities. According to Mr. Weaver, the Division of State Parks had always been able to justify the expenditures because of the significant amount of overhead involved with managing and maintaining boating access facilities.

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

76. Department of Conservation and Natural Resources - Nevada Natural Heritage - (FY 98) - Addition of \$4,013 in Balance Forward Federal Funds, \$23,667 in Federal BLM Grant, \$57,857 in Federal Endangered Species Grant, Deaugmentation of \$57,664 in Balance Forward, \$605 in Federal Biodiversity Grant, and Transfer of \$29,463 from Reserve category to Operating category to continue plant survey, endangered species and biodiversity programs.

Refer to motion for approval under item C.

77. Department of Transportation - Transportation Administration - (FY 98) - Addition of \$20,000 in Federal Highway Funds and Transfer of \$550,836 from Capital Outlay category to Equipment category to purchase a Roadway Image Capturing System, portable scales, furnishings for the Incline Village Maintenance Station and a Disadvantaged Business Enterprise computerized monitoring system.

Speaking to item 77, Mr. Jerry Ross, Senior Budget Analyst, Nevada Department of Transportation (NDOT), said the first work program request deals with equipment purchases in the amount of \$570,836 and includes four elements; the principal one being the Roadway Image Capturing System. NDOT has used the Roadway Image Capturing System for a number of years to "take videos" of all of the roadway features across state highways. This information is utilized by various divisions within NDOT as a ready reference to determine the exact locations of crosswalks, passing lines, and other roadway features. Mr. Ross said the system has saved a considerable amount of legal costs when tort claims or liability claims have been filed against NDOT.

It was Chairman Raggio's understanding that the Roadway Image Capturing System had become inoperable. Mr. Jeff Fontaine, Deputy Director, NDOT, told the Committee that this particular equipment had been purchased in 1986 at a cost of \$81,000 and had become inoperable in late 1995 when the manufacturer advised NDOT that parts were no longer available for the equipment.

In explaining the second element of the work program, Mr. Ross said that NDOT was requesting to purchase 36 portable scales which would be used in the Weight Enforcement Program by the Nevada Highway Patrol (NHP). According to Mr. Ross, the Weight Enforcement Program has been a very

beneficial program because NDOT believes overweight trucks cause approximately \$22 million in damage annually to Nevada's roadways. By placing the portable scales in NHP vehicles, NHP can setup the portable scales in undesignated locations; thereby, enabling NHP to apprehend a number of trucks that are overweight. The portable scales would not only save damage to the roadways, but would generate revenue to the Distributive School Fund (DSF) as well. NDOT expects to net \$35,000 more in the first year of operation in fines than the actual cost of the portable scales.

According to information provided to him, Chairman Raggio noted that the 1997 Legislature had approved 56 portable scales for NHP enforcement activities at a cost of approximately \$90,000 and he questioned why NDOT was estimating a cost of \$118,000 to purchase 36 portable scales. Mr. Ross apologized for not being able to respond specifically to Chairman Raggio's question, but he indicated that each portable scale was expected to cost \$3,277.

Chairman Raggio said he would accept a motion to approve NDOT's request with the proviso that NDOT re-check the cost of the portable scales.

Since it was his recollection that NHP had received approval by the 1997 Legislative Session to purchase 56 portable scales, Mr. Close wanted to know how many portable scales were needed. Mr. Ross said that the Committee's approval of this request would enable NDOT to purchase 36 portable scales. Mr. Ross also pointed out that because larger trucks require a portable scale under each axle, those trucks would require a maximum of eight portable scales. Mr. Ross also noted that NDOT currently maintains an inventory of the portable scales.

In addressing the third element of NDOT's request, Mr. Ross explained that NDOT currently has two residences at the Incline Village Maintenance Station that have been rehabilitated, but need furnishings. Ordinarily, the houses would be considered as primary residences, with employees living in the houses and providing furnishings for the houses. He said, however, the houses would no longer be considered as primary residences because NDOT employees would be staying in the houses only on an intermittent basis during severe weather conditions. A list of the furnishings that will be required at each residence is provided on page 77.6 in Volume 3 of the meeting packets.

MR. DINI MOVED TO APPROVE THE REQUEST WITH THE PROVISIO THAT NDOT RE-CHECK THE COST OF THE PORTABLE SCALES. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

78. Department of Transportation - Transportation Administration - (FY 98) - Transfer of \$6,401,989 from Capital Outlay category to Operating category to provide for increased costs for maintenance projects, vehicle repair and maintenance, increases in contracts for landscaping and maintenance, and to establish a pilot project to provide a Freeway Service Patrol on the U.S. 95 corridor between the Tropicana and Craig Road interchanges.

Mr. Ross apprised the Committee that this work program would augment NDOT's operating category by \$6,401,989. Since this request covers a broad spectrum of items, Mr. Ross said Mr. Fontaine was prepared to address each of the five items. Mr. Fontaine provided the Committee with a handout entitled "State of Nevada, Department of Transportation, November 24, 1997, Explanation of Request for \$6.4 million Increase in 'Operating' Expenses," and a copy of which is included in the meeting minutes as Exhibit D. Mr. Fontaine directed the Committee's attention to item 1. (Materials for Betterments) under the caption "Explanation of Request" and noted that Materials for Betterment represents the largest percentage (37 percent) of NDOT's total request. Betterments are typically the kinds of projects; i.e., sealing, patching, drainage work, or other activities that would preserve the surface of highways, which are performed by NDOT's maintenance workers. The primary purpose of this request, Mr. Fontaine explained, is to obtain optimum efficiencies from the maintenance force, which comprises approximately one-third of NDOT's total workforce, so that NDOT would be able to spend less money on major reconstruction and overlays on

low-volume rural roads and additional state funds to accommodate the high-capacity projects in fast-growing sections of the state.

In responding to an inquiry from Chairman Raggio, Mr. Fontaine explained that NDOT was proposing to launch a new project called the freeway service patrol and, subject to approval by the Interim Finance Committee, NDOT plans to negotiate an agreement with a contractor to provide roving vehicles on U.S. 95, between Craig Road and the Tropicana Interchange on I-515, and between the hours of 6 a.m. and 10 p.m. The contractor will provide large vans equipped with an array of mechanical tools, parts and supplies so that if a vehicle breaks down on U.S. 95, the contractor will be able to service that vehicle, free of charge. He said, however, if the contractor is unable to repair the vehicle within 15 minutes, the vehicle will be moved off the freeway to a safe site so it can be towed for service. Mr. Fontaine said that NDOT had determined that vehicle break downs on this particular section of U.S. 95 was the major cause of the "gridlock" and congestion.

It was Ms. Giunchigliani's recollection that a similar project had been discussed during the 1997 Legislature, but did not move forward. Mr. Fontaine said the freeway service patrol was an initiative that was still under study by NDOT during the 1997 Legislative Session. Mr. Fontaine said, however, NDOT did propose legislation regarding towing vehicles off the shoulders of freeways when they obstruct or otherwise interfere with traffic and that legislation was passed as Assembly Bill 415.

Ms. Giunchigliani wanted to know if NDOT views the freeway service patrol as a means of saving time and money. Mr. Fontaine indicated that NDOT believes the congestion caused by break downs on that particular section of U.S. 95 is significant. According to Mr. Fontaine, any time someone has to stop for a broken down vehicle for one minute it causes a five-minute backup down the line. Mr. Fontaine said he would be pleased to provide the Committee with statistical information compiled by NDOT which would address the percentage of congestion related to actual vehicle breakdowns.

To respond to a question from Ms. Giunchigliani, Mr. Fontaine said the estimated cost of the freeway service patrol for the period starting in December of 1997 and ending June 30, 1998, was \$612,500. If the freeway service patrol proves to be successful, Mr. Fontaine said it was NDOT's intent to present a proposal to the 1999 Legislature to continue the service for subsequent years. Mr. Fontaine said he would be happy to provide information to the Committee regarding cost estimates and potential savings to be accrued from the freeway service patrol.

Since the Committee's approval of funding for the freeway service patrol represents moving into a new program area and could have an impact on NDOT's budget next legislative session, Ms. Giunchigliani said she thought it would be helpful to the Committee if NDOT provided additional information. Ms. Giunchigliani noted that the freeway service patrol was not a new concept. Mexico, for example, has what they call the "Green Angels" who rove along highways assisting people when their vehicle breaks down. Mr. Fontaine pointed out that disabled or abandoned vehicles parked on the shoulder of freeways reduce roadway capacity by 26 percent for a three-lane highway; 50 percent if one lane is blocked; and as much as 79 percent if both lanes are blocked. Mr. Fontaine also pointed out that since NDOT had removed portions of the shoulders on U.S. 95 to accommodate auxiliary lanes, it was critical that NDOT have the ability to move disabled vehicles from the freeway's shoulders.

Ms. Giunchigliani said she was not aware until the 1997 Legislature that NDOT was party to a maintenance contract for the aging pedestrian overpass as well as the pedestrian walkways at the Tropicana Intersection on the Las Vegas Strip and she wondered if it was possible for NDOT to free itself from this obligation. Mr. Fontaine apprised the Committee that NDOT was responsible for the entire cost of maintenance and repairs to the overpass and escalators at the Tropicana Intersection on the Las Vegas Strip. In responding to an inquiry from Ms. Giunchigliani, Mr. Fontaine indicated that NDOT had opted not to sign an agreement to provide maintenance and repairs for the overpass at Flamingo and Las Vegas Boulevard.

Senator Rawson said he was prepared to support NDOT's request as an attempt to find out whether the freeway service patrol was workable and cost effective. He said, however, since he viewed U.S. 95 as a "race track," he personally felt that disabled vehicles should be removed from the highway as fast as possible rather than trying to repair them.

Since the 1997 Legislature adjourned only six months ago, Mrs. Evans expressed concern that NDOT was requesting a 22.3 percent increase over its legislatively approved budget. Mrs. Evans wanted to know how it was possible for NDOT to miscalculate its budget by such a large amount. Although he acknowledged that some of the cost overruns could have been predicted during NDOT's budget preparation, Mr. Fontaine said it was difficult for NDOT to anticipate the kinds of maintenance projects that were going to be required 16 months ago. More importantly, NDOT's current strategy of requiring more efficiencies from the maintenance force was not in place when the budget was being prepared. Speaking to item 2, Mr. Fontaine suggested that the heavy winters which had occurred in northern Nevada was a factor in the increased costs for materials and that the heavy traffic areas in southern Nevada had worn pavement markings beyond expectation. Much of the increased costs in service contracts and utilities reflected in item 3 was due primarily to increased costs of competitive bids as well as additional contracts for maintenance of pedestrian overpasses, landscaping and lighting. Mr. Fontaine said that NDOT recognizes the costs related to items 2 and 3 can be improved upon.

Regarding the expenditure of \$962,885 in item 4, Mr. Fontaine indicated that the new freeway service patrol program and the in-house equipment refurbishing program were new initiatives that were under consideration during the 1997 Legislature; therefore, were not included in NDOT's biennial budget requests. In addressing the last expenditure in item 5, Mr. Fontaine said the principal reason for this increase was related to additional items required for equipment or rolling stock repair that were not anticipated. While realizing 22.3 percent was a significant increase over the legislatively approved budget for FY 1998, Mr. Fontaine indicated that NDOT's operating budget for FY 1998 was about 15.8 percent over FY 1997. According to Mr. Fontaine, NDOT had seen a steady increase in its operating budget over the past six years.

Although she could empathize with NDOT for having difficulty predicting maintenance projects 16 months in advance, Mrs. Evans reminded Mr. Fontaine that four and one-half months ago the Nevada Legislature was in session and NDOT should have given notice to the money committees that it was anticipating having cost increases in certain operating areas. Mr. Fontaine said he was not aware of any discussion on record during the 1997 Legislature that addressed specific increases in operating costs.

Chairman Raggio wanted to know whether the Committee's approval of the \$6,401,989 funding request would materially impact any of NDOT's projects. Mr. Fontaine said the expenditure of \$6,401,989 would not impact any of NDOT's projects because the funding would be transferred from the capital outlay category where savings had been realized in several areas; i.e., right-of-way acquisition, as well as environmental and structural consultant costs.

While she was in favor of motorists receiving assistance when their vehicles break down on the freeway, Mrs. Chowning wanted to know whether motorists who have abandoned their vehicles in search of help would be responsible for paying towing charges. Mr. Fontaine said the freeway service patrol would render service only to motorists who remain with their vehicles. He said, however, NDOT was currently working on a program where signs would be erected on the freeways directing people to call to find out the location where their cars have been towed.

Regarding the \$313,118 increase for service contracts for the overpasses, Mr. Hettrick wanted to know what the total cost was for the service contracts for the overpasses. Mr. Ross explained that the total cost for maintaining the overpasses, including the new request of \$313,118, would be approximately \$750,000. This figure also includes janitorial service for the overpasses. Mr. Ross said, however, that a consultant hired by NDOT to evaluate the condition of the escalators and elevators on the overpasses, found deficiencies amounting to approximately \$200,000 to \$260,000. Since the study was completed about two weeks ago,

the consultant estimates that the cost of the new maintenance contract would be double the cost of the previous contract.

Mr. Hettrick wanted to know whether NDOT plans to file a legal action against the previous contractor. Mr. Ross responded that NDOT was attempting to recover its losses from the previous contractor. Mr. Hettrick wanted to know whether the new contractor was going to be bonded. Mr. Ross pointed out that all contractors must be bonded in order for NDOT to comply with federal guidelines.

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

**MR. MARVEL MOVED TO APPROVE THE REQUEST. SECONDED BY MR. DINI
AND MOTION CARRIED BY VOICE VOTE WITH MRS. EVANS VOTING NO.**

79. Department of Transportation - Transportation Administration - (FY 98) - Addition of \$363,464 in Highway Fund Authorization, \$1,064,969 in Federal Highway Funds and Transfer of \$5,257 from Capital Outlay category to Consultants/Federal Projects category to continue pass through of federal and state shares to local governments and other entities, to continue ongoing research and planning projects and to continue accounting for a project agreement between the National Governor's Association and the Federal Highway Administration.

Refer to motion for approval under item C.

80. Board of Registered Engineers and Land Surveyors - (FY 98) - Transfer of \$34,500 from Reserve category to Salaries category to add clerical assistance and adjust fringe benefits for projected requirements.

Refer to motion for approval under item C.

81. Reclassification Changes Requiring Interim Finance Committee Review:

(1) Department of Prisons (DOP), requests reclassification of position number 14 from Court Compliance Monitor, grade 32-1, \$28,132, to Management Analyst III, grade 37-1, \$34,808.

Refer to motion for approval under item C.

(2) Department of Taxation, requests reclassification of position number 0207, from Word Processing Supervisor II, grade 27-1, \$22,899, to Program Officer, grade 31-1, \$26,988.

Refer to motion for approval under item C.

D. STATEMENT OF CONTINGENCY FUND BALANCE.

Mr. Miles directed the Committee's attention to a financial statement under Tab D, Volume 3 of the meeting packets, which indicates the current fund balance in the Contingency Fund, as of November 7, 1997, was \$9,241,167. If the Committee were to approve all of the allocations from the Contingency Fund being requested today, which total \$610,000, Mr. Miles said the remaining balance in the Contingency Fund would be \$8,631,167.

E. REQUESTS FOR ALLOCATION FROM THE CONTINGENCY FUND:

1. Department of Museums, Library and Arts,

State Historic Preservation Office-----\$ 10,000.

Mr. Ronald James, State Historic Preservation Officer, indicated that approval of this request would correct a mechanical error made during the closing days of the 1997 Legislative Session, allowing the Historical Marker Program to operate at the level intended by the 1997 Legislature. Chairman Raggio added that this request had been approved by the State Board of Examiners at its meeting on October 2, 1997.

MR. HETTRICK 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 E.

2. University and Community College System of Nevada,

Desert Research Institute (DRI)----- \$498,308.

A supplemental handout entitled "Nevada State Weather Modification Program" was provided to the Committee, and a copy of which is included in the meeting packet as Exhibit F.

Ms. Marilou Jarvis, Vice President for Finance and Administration, DRI, introduced Mr. Arlen Huggins, Director, Weather Modification Program, or more commonly referred to as Nevada's Cloud Seeding Program, who she said would be happy to respond to questions of a technical nature from the Committee.

To respond to a question from Chairman Raggio, Mr. Huggins told the Committee that the Cloud Seeding Program has more ability to increase the snow pack in average to above-average years than during severe drought years because fewer storm systems were available to modify. Although somewhat below last year's outlook, Mr. Huggins said the current state of water supplies was in good shape at the present time. Central and northern Sierra precipitation patterns are basically non-correlated with El Nino years, which means DRI has found no correlation between the occurrence of El Nino and increased precipitation in the area from say Sierra Tahoe northward. He said, however, there was a much higher correlation between El Nino events and increased precipitation in southern Nevada and in the southwestern United States. The opposite effect would be true north of Sierra Tahoe in that there would be a dryer regime during El Nino years. Mr. Huggins also indicated that a high moisture year in the Sierra was oftentimes a dry year in central Nevada and northeastern Nevada. Both of those areas are presently included in DRI's Cloud Seeding Program. During the past several years, Mr. Huggins noted that DRI had attempted to make the Cloud Seeding Program more flexible so that resources could be moved from one area to another based on the amount of precipitation occurring in that particular area.

In responding to an inquiry from Chairman Raggio, Mr. Huggins said this funding request would support 4.25 FTE positions, which are specifically identified on page 92 of Volume 3 in the meeting packets.

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 G.

3. Tahoe Regional Planning Agency (TRPA)----- \$ 8,628.

Representing TRPA as its Special Projects Attorney, Ms. Susan Scholley recalled that the Interim Finance Committee had approved an allocation of \$104,775 from the Contingency Fund in the spring of 1996 for litigation costs through June 30, 1999, of the defendants in Tahoe-Sierra Preservation Council v. TRPA, State of Nevada, State of California. According to Ms. Scholley, TRPA has expended all but \$8,628.08 of the \$104,775 allocation preparing for trial. Since trial preparation will

be continuing, Ms. Scholley said TRPA would like to in effect have this funding rolled over into the next biennium so any cost overruns could be avoided or mitigated in its legal budget.

Chairman Raggio wanted to know the status of the case. Ms. Scholley apprised the Committee that the case was originally filed in 1984 and involves over 400 residential parcels in the Tahoe Basin. The property owners have sued TRPA for alleging inverse condemnation of their property. The case has been up to the Ninth Circuit on several occasions; it has been dismissed twice by the District Courts; and then reinstated in whole or in part by the various Ninth Circuit panels. The case is now back to the District Court for a trial on the remaining parcels in the case. The parcels at this point in time are divided by about 50-50 between the two states.

Mr. Miles told the Committee that he had received a note from Mr. Scott Wasserman, Chief Deputy Legislative Counsel, which indicates that it would not be legal for the Interim Finance Committee to extend the reversion date of the original allocation made in 1996 pursuant to NRS 353.268, but the Interim Finance Committee does have the authority to approve a new allocation of \$8,628.08.

With this understanding in mind, Chairman Raggio said he would entertain a motion to approve a new allocation of \$8,628.08 from the Contingency Fund.

MR. DINI MOVED TO APPROVE A NEW ALLOCATION FROM THE CONTINGENCY FUND IN THE AMOUNT OF \$8,628.08 FOR ONGOING LEGAL EXPENSES IN THE TAHOE-SIERRA PRESERVATION COUNCIL CASE. SECONDED BY SENATOR JACOBSEN AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

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

4. Department of Business and Industry, Nevada Athletic Commission-----\$ 5,600.

Mr. Luther Mack, Member of the Nevada Athletic Commission, requested an allocation of \$5,600 from the Contingency Fund to purchase a state-of-the-art computer system recommended by the Department of Information Technology (DoIT) which would enable the Nevada Athletic Commission to operate more efficiently for many years in the future. Since June of 1997, Mr. Mack told the Committee that the Nevada Athletic Commission had deposited approximately \$6 million in revenues into the General Fund. Mr. Mack said the Committee's consideration of this funding request would be appreciated.

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

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

5. State Public Works Board (SPWB)-----\$ 88,169.

Mr. Eric Raecke, Manager, SPWB, introduced Ms. Yvonne Benson, Deputy Manager of Fiscal and Administrative Services, SPWB. Mr. Raecke noted that the purpose of this request was to construct a second leach field at the Tonopah Conservation Camp (TCC). In providing background information, Mr. Raecke apprised the Committee that the bed count for TCC had been expanded since the original construction eight years ago, but the leach field was not expanded accordingly to fit the size of the facility. A request to expand the leach field was submitted to the Interim Finance Committee and an allocation from the Contingency Fund was approved on June 25, 1996, with a funding reversion date of June 30, 1997. He said, however, the project was not ready for bid when the funding was approved due to various delays SPWB encountered with getting approval from the Division of Environmental Protection (DEP). Since there was a one-year sunset clause on the allocation, Mr. Raecke said SPWB had reverted the funding to the Contingency Fund. Subsequent to that time, SPWB submitted to the

Board of Examiners a funding request for an allocation of \$88,169 from the Contingency Fund and the request was approved November 4, 1997. The project is essentially the same as the original one. With the approval of DEP, TCC has been using a sewage lagoon. Mr. Raecke indicated that any costs incurred for cleanup of the sewage lagoon would be covered within this project. The project is ready for bids and is expected to be completed within 60 to 75 days, or by April of 1998.

To respond to several questions from Chairman Raggio, Mr. Raecke said DEP had signed off on the project plans on June 25, 1997, and also that \$88,169 was sufficient funding to complete the project.

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

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

F. REQUEST FOR APPROVAL OF THE LEASE OF STATE LANDS - Pursuant to NRS 322.070 and NRS 322.065, approval is requested for a lease between the State of Nevada and Job Opportunities in Nevada, Incorporated, for office space on recently acquired property in Winnemucca.

Ms. Pamela Wilcox, Administrator, Division of State Lands, Department of Conservation and Natural Resources (DC&NR), apprised the Committee that the state had recently acquired for DC&NR the old Bureau of Land Management (BLM) headquarters in Winnemucca. There are two office buildings on the property. One of the office buildings is currently being used by DC&NR and the second one is vacant. Ms. Wilcox said the Division of State Lands was requesting Committee approval to lease the large vacant office building to Job Opportunities in Nevada, Incorporated (JOIN), who will, in cooperation with the Humboldt County School District and the Family Resource Council, be providing adult education, including G.E.D. classes.

It was Chairman Raggio's understanding that the appraisal on the property was below market value. Ms. Wilcox pointed out that a statutory amendment passed by the 1995 Legislative Session, and codified as NRS 322.065, allows the Division of State Lands to enter into below-market leases for non-profits that have working relationships with state agencies or for public educational institutions. Since JOIN qualifies under this statute, Ms. Wilcox indicated that JOIN would be paying \$350 per month for the office building, which is below market value. JOIN initially will receive a credit for repairs and improvements that are needed for the office building, up to a maximum of \$4,200 per year, and will commence paying \$350 per month when that credit has been met. The term of the lease is for 5 years, with possible extensions. The lease also provides for the right to terminate with 30-days notice.

MR. MARVEL MOVED TO APPROVE THE LEASE. SECONDED BY MR. CLOSE AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

G. DIVISION OF STATE PARKS - Pursuant to NRS 407.0762, approval is requested to allocate funds from the Maintenance of State Parks Budget Account No. 4605 for necessary repairs to:

1. Floyd Lamb State Park-----\$ 5,000.
2. Repair of the Boat Dock at Washoe Lake-----\$ 1,800.
3. Replace Chinchilla Shed Roof at the Spring Mountain Ranch State Park-----\$15,000.

In explaining the expenditures being requested for the above three projects, Mr. Weaver indicated that the expenditure of \$5,000 in excess funds from the Maintenance of State Parks Budget Account 4605 would address fire code deficiencies identified by the State Fire Marshal (\$1,500) and would also be used for repairs, testing and certification of the sprinkler system (\$3,500) at the yet-to-be-occupied visitors center at Floyd Lamb State Park. He also noted that the expenditure of \$1,800 would be expended to correct deficiencies in keeping the boat dock in place due to high winds and

resulting wave action on Washoe Lake. Mr. Weaver indicated that the manufacturer of the boat dock had recommended that additional hardware be purchased to properly repair the dock. Lastly, the Division proposes to replace the roof on one of thirteen historic out-buildings at the Spring Mountain Ranch State Park at a cost of \$15,000.

To respond to a question from Mr. Close, Mr. Weaver indicated that the expenditure of funds would not have a negative effect on the balance remaining in the Maintenance of State Parks Budget Account 4605. Mr. Weaver also noted that the Division of State Parks expects to be returning to the next Interim Finance Committee meeting with funding requests for two or three more projects. Mr. Close requested that Mr. Weaver provide a report at the next Interim Finance Committee meeting on the unobligated balance available for maintenance projects (category 06) in budget account 4605.

MR. HETTRICK MOVED TO APPROVE THE THREE REQUESTS. SECONDED BY MRS. VON TOBEL AND MOTION CARRIED BY VOICE VOTE WITH SENATOR REGAN VOTING NO.

H. DIVISION OF HEALTH CARE FINANCE AND POLICY - Approval is requested for Business Process Re-engineering (BPR) Request for Proposal (RFP).

Ms. Janice Wright, Deputy Administrator, Division of Health Care Financing and Policy, Department of Human Resources (DHR), directed the Committee's attention to a draft Request for Proposal (RFP) for the Business Process Re-engineering (BPR) study provided on pages 5 through 91 in Volume 4 of the meeting packets (pages 1 through 87 in the draft BPR). Ms. Wright said the 1997 Legislature had provided funding for the BPR study as well as approved four new positions effective January 1, 1998. Ms. Wright directed the Committee's attention to the performance bond (pages 35 and 36 of the Draft RFP) and the scope of work (page 65 of the Draft RFP). The purpose of the BPR study is to examine the Medicaid functions to determine adequacy and flow of information necessary for authorization of services. The Division of Health Care Financing and Policy has been working with the Department of Information Technology (DoIT) in developing the Draft RFP. According to Ms. Wright, Senate Bill 427 (1997 Legislature), which created the Division of Health Care Financing and Policy, directed the Division to bring the Draft RFP to the Interim Finance Committee and the Committee on Health Care to seek guidance and advice. In concluding her testimony, Ms. Wright thanked the Committee for its consideration of the Draft RFP and noted that the Division would be presenting the Draft RFP on December 1, 1997, to Senator Rawson's Committee on Health Care.

Chairman Raggio wanted to know the estimated total cost for the BPR study. Ms. Wright noted that the total legislative appropriation was \$685,000 and she estimated that approximately one-third or less of that appropriation would be allocated to the RFP.

To respond to an inquiry from Chairman Raggio, Ms. Wright stated that notice letters were being sent to over 300 individual companies that have expressed interest in the BPR study. Ms. Wright said the Division expects to receive Letters of Intent within a two-week period after issuing the RFP and hopes to be able to provide information at the Interim Finance Committee's next meeting regarding the number of bidders. The successful bidders will be examined and that information will be provided at the Interim Finance Committee's subsequent meeting.

Chairman Raggio wanted to be assured that the Committee would be kept informed of the progress. Ms. Wright said the Division would be providing reports not only to the Interim Finance Committee, but the Committee on Health Care as well.

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

I. DISASTER RELIEF FUND - Pursuant to Senate Bill 218 (1997), approval is requested for requests from:

1. Douglas County-----\$ 469,327.

2. Lyon County-----\$1,045,827.

3. Boulder City-----\$ - 0 -

4. Henderson-----\$ - 0 -

After he directed the Committee's attention to the separate yellow meeting packet devoted entirely to Item I. Disaster Relief, Chairman Raggio recognized Mr. Dan Kaffer, who told the Committee that he was employed by the United States Department of Agriculture (USDA), Natural Resources Conservation Service (NRCS). Mr. Kaffer said he was based in Carson City and covered seven western counties; namely: Carson City, Churchill, Douglas, Lyon, Mineral, Storey and Washoe. When the flood struck in January of 1997, Mr. Kaffer recalled that there was not a great deal of immediate support for numerous restoration projects that needed to be done and which required state matching funds. Mr. Kaffer said his agency, USDA, initially supplied about \$1 million in funding that was distributed to the affected counties in the west. Requests for the remaining funds needed were then submitted by Nevada's Congressional Delegation. According to Mr. Kaffer, there were 38 states throughout the United States that either had flood or hurricane disasters during 1997. The federal government finally approved the disaster relief funding in July of 1997; however, it was too late for the Nevada Legislature to make a decision regarding an appropriation which would have provided matching funds for the federal programs. He said, however, the Nevada Legislature did pass Senate Bill 218 which created a Disaster Relief Fund to provide grants or loans of money to state agencies or local governments for certain expenses incurred because of a disaster. Subsequent to passage of S.B. 218, applications were made for matching funds.

In continuing his testimony, Mr. Kaffer apprised the Committee that the USDA had received approximately \$14 million in disaster relief support for the seven western counties. Mr. Kaffer also noted that the federal Emergency Watershed Protection Program had been used in the past throughout Nevada for various types of disasters, from fires to floods. Mr. Kaffer said it had taken almost six months for the federal government to act upon the funding request. Many of the counties were hit badly. For example, Lyon County was severely damaged due to flooding of the Carson River, the Truckee River, and the Walker River, all of which run through Lyon County. Although a number of projects are ready to go, Mr. Kaffer said some of the counties were so severely affected by the flooding that they are unable to provide the matching funds. Mr. Kaffer told the Committee that the availability of the 75 percent federal matching funds would end 220 days from the time the request was initiated, which was about the first week in February of 1997.

Chairman Raggio asked Mr. Kaffer to explain exactly what it is that Nevada is required to do within the 220-day period. Speaking in a literal sense, Mr. Kaffer said that if Nevada does not take care of the damages caused by the 1997 flooding within 220 days after receipt of the federal dollars, it could lose its ability to access the 75 percent in federal matching funds. It was Mr. Kaffer's recollection, however, that the federal government historically had extended the 220-day period. Mr. Kaffer told the Committee that there was a sense of urgency in getting the rehabilitation projects done before bad weather sets in because more flooding could occur during the upcoming winter months.

Chairman Raggio asked Mr. Kaffer to clarify the difference between the funding that Nevada had already received from the Federal Emergency Management Agency (FEMA) that was utilized for various projects after the 1997 Flood and NRCS' program. According to Mr. Kaffer, after the Governor declares an emergency, submits a request for federal aid to the President, and the President approves the request, FEMA money becomes available immediately for repair and replacement of major infrastructure, such as bridges and roads. In emergency situations, Mr. Kaffer pointed out that the "first line of defense" was provided by the U.S. Army Corps of Engineers, followed by assistance from FEMA. NRCS covers erosion, levees, revegetation and damage to land.

Chairman Raggio asked Mr. Kaffer if FEMA and NRCS funds could be used for similar purposes. Mr.

Kaffer said FEMA funding and NRCS funding were allocated for specific purposes and overlapping of projects was not allowed.

Chairman Raggio said he thought some of the FEMA funding was available for mitigation purposes. Mr. Kaffer said that FEMA funds for mitigation purposes were used primarily to move homes, subdivisions, and mobile home parks out of harm's way. Mr. Kaffer said he had worked in the Command Center with FEMA for the first three months after the flood as well as out in the field trying to coordinate NRCS' program with FEMA and the U.S. Corps of Engineers. Mr. Kaffer noted that over 100 Damage Survey Reports (DSR) have been completed on areas which need work.

Chairman Raggio pointed out that certain legal criteria must be met before a project can become "eligible" for funding from Nevada's Disaster Relief Fund. Since he assumed certain legal criteria must be met as well for federal funding, Chairman Raggio wanted to know whether the 25 percent match from either state or local government could be in kind or cash and whether the local match had to be made before the federal money could be expended. Mr. Kaffer said the match could either be in kind or cash. Mr. Kaffer also explained that NRCS could expend federal funds on projects if it has a formal contract and commitment from the counties regarding the provision of a 25 percent match.

To respond to a question from Chairman Raggio, Mr. Kaffer indicated that NRCS had already completed a number of projects for Lyon County, Douglas County, Washoe County and Storey County. Mr. Kaffer noted that Lyon County and Douglas were currently requesting funding from the Disaster Relief Fund to meet the 25 percent match. Although NRCS does have agreements with each of those counties, the counties have deferred payment of the match to private landowners who are living along the rivers. Generally speaking, the private landowners are not financially able to meet the match; thus, the projects have been placed on hold. Mr. Kaffer also pointed out that because many of the projects involve restoration to river banks, the land is considered to be under state ownership.

Chairman Raggio asked Ms. Brenda Erdoes, Legislative Counsel, whether the rivers and banks were the property of the State of Nevada. It was Ms. Erdoes' opinion that the State of Nevada owns the river and banks up to the so-called "high water mark." The "high water mark," Ms. Erdoes explained, was determined based on the average flow of water in that particular river. Mr. Kaffer noted that the "high water mark" was a mobile figure that was dependent upon the watershed.

Chairman Raggio thought it would be appropriate to have Mr. Perry Comeaux, Director, Department of Administration, provide a report on the Board of Examiners' recommendations on the applications. Reporting as the Clerk of the Board of Examiners, Mr. Comeaux apprised the Committee that the Board of Examiners met on November 4, 1997, and heard the revised requests from the counties of Lyon and Douglas and the cities of Henderson and Boulder. That meeting, Mr. Comeaux said, was the result of over two months work by the Department of Administration and the Division of Emergency Management in trying to get a handle on the original requests that were received by the Board of Examiners in mid-August. The Division of Emergency Management spent a significant amount of time with the local governments reviewing DSR's and basically ensuring that the damage had been incurred and that the estimates to repair were reasonable. At the same time, the Department of Administration attempted to gather information that addressed the financial ability of the local governments to pay the costs involved in the repair themselves. In addition to general funds, the Department of Administration also examined utility funds, road funds, capital project funds, and various other sources of funding. Information was received directly from the local governments as well as from the Local Government Section of the Department of Taxation. Mr. Comeaux noted that the Local Government Section was very helpful because it has the statutory responsibility to monitor local government budgets.

Continuing his testimony, Mr. Comeaux said the Department of Administration decided to zero in on the general fund because the other funds were either restricted because of the source of revenues or they were committed to, what appeared to be, worthwhile projects. Although a summary of the Board of Examiners' recommendations is included in the meeting packet under tab 1, Mr. Comeaux said he would briefly explain

the Department of Administration's approach. The Department of Administration decided to look at funding available to local governments in their general fund over and above what they had budgeted for this year. According to Mr. Comeaux, additional funding can be derived from two sources: (1) additional revenues coming in during the year over and above the amount budgeted; and (2) beginning fund balance being higher than budgeted. Since it is too early in the year for the Department of Administration to be able to look at current revenues and draw any conclusions about whether they are up or down from what was budgeted, Mr. Comeaux said he had decided to zero in strictly on the beginning fund balance. In every case, the beginning fund balance was higher than what was budgeted by the local government.

In order to place everyone on a level playing field, Mr. Comeaux said he had assumed a desirable ending fund balance for the local governments of 10 percent. He said there was nothing magical about this assumption because when the Governor presents his Executive Budget to the Legislature, the NRS requires that an agency's fund balance not exceed 10 percent. He said, however, there was no statutory guidance for the fund balance for local governments. Mr. Comeaux said he had taken the local government's budget ending fund balance and added to that the difference between their beginning fund balance and ending fund balance. This was compared to the 10 percent desirable ending fund balance. Any excess he assumed was available to meet the costs of this disaster. He then subtracted from that amount the 50 percent match that the northern counties had already agreed to provide. He said he would consider the balance available to reduce the county's request for assistance. In concluding his testimony, Mr. Comeaux said his recommendations had been approved by the Board of Examiners and he directed the Committee's attention to page 8 under tab 1 in the yellow meeting packet which provides a detailed work sheet and the amount of the grants the Board of Examiners recommended for Douglas County, Lyon County, Boulder City and Henderson.

Since it was Chairman Raggio's understanding that there had been a change to Lyon County's request, he called upon Mr. David Fulstone, Chairman, Lyon County Commission, to testify. Mr. Fulstone explained that Lyon County's original request had been reduced because some of the projects that were originally on DSR had been funded fully as emergency projects through NRCS' Emergency Watershed Protection Program, while several other projects had been canceled either because local landowners could not afford their part of the match or for other reasons.

Chairman Raggio asked Mr. Fulstone to provide the amount of the amended request. Without having the information readily available, Mr. Fulstone estimated that the amount of the original request was being reduced by 25 to 35 percent.

While he could appreciate the problems Lyon County had encountered in trying to accurately assess the damage resulting from the 1997 flooding, Chairman Raggio said that before the Committee could act on any request from the newly-created Disaster Relief Fund it needs to first determine that the project is "eligible" within the statutory language and it also needs to have a specific amount of the request that could be verified by legislative Fiscal Analysis Division staff. Although he said he could not provide an exact revised amount, Mr. Kaffer said he could share with the Committee that the federal government would provide the money "up front" in the beginning and the match would be determined from that amount. Mr. Kaffer also said NRCS had offered to make-up the community's 25 percent match by providing the designs and doing the surveys that are needed; thus, part of the match would be made up through local in kind in advance of actually having the final bid.

After introducing Ms. Rita Evasovic, Lyon County Controller, who he said had been working on the request over the week end, Mr. Fulstone apologized to the Committee for not being able to provide an exact amount of the reduced request, but he estimated that approximately \$700,000 to \$750,000 would be required. Mr. Fulstone also pointed out that work needs to be done on both the Carson River and the Walker River in Lyon County and that it had been difficult getting the engineering work done because, in many cases, NRCS had to hire private engineers. Mr. Fulstone stressed the importance of having as much damage repaired as possible on the Carson River and the Walker River before heavy spring run off occurs and irrigation season starts March 1, at which time waterflow from the rivers would be too high to do the work.

Chairman Raggio told Mr. Fulstone that the Committee would act within the 220-day period and before the irrigation season starts, but that the Committee was not going to authorize "blank checks" nor was it going to set precedents which were inappropriate for the use of the Disaster Relief Fund.

Chairman Raggio recognized Mr. Richard Mirgon, Director, 9-1-1 Communications Emergency Management, Douglas County, who told the Committee that Douglas County's request was firm at \$571,795. Chairman Raggio wondered why Douglas County could be specific while Lyon County could only estimate. Mr. Mirgon pointed out that Douglas County had been working closely with NRCS and the ranchers since mid-January and documentation had been made on all of the projects early on. Mr. Mirgon suggested that the difference between the two counties was that Douglas County had been dealing with one river rather than two and one group of people which it had dealt with for years. Mr. Mirgon said he felt very confident with Douglas County's funding request which was submitted to the state Budget Division in September of 1997.

Chairman Raggio asked Mr. Comeaux if the Division of Emergency Management had reviewed Douglas County's projects to ensure that the costs were reasonable and that there had been no duplication with other funding. Mr. Comeaux indicated that the Department of Administration had worked with the Division of Emergency Management during the entire process and it was Emergency Management's responsibility to assess the damages to ensure they were eligible in terms of FEMA-type requirements and that the cost estimates were reasonable.

It was Mr. Goldwater's recollection that the legislature had funded a position by the title of "Flood Plains Management Coordinator" in the state Water Planning Division. Since he thought the duties outlined for that position would address flood-type emergencies, Mr. Goldwater said he would be interested in learning about the status of this position. Mr. Comeaux apologized for not knowing the status of that position; however, he said he would inquire and report back to him.

In addressing the requests from Boulder City and Henderson, Chairman Raggio pointed out that representatives from Boulder City and Henderson had asked him for the opportunity to testify before the Committee today. Chairman Raggio reminded the Committee that the Board of Examiners had not recommended funding from the Disaster Relief Fund for the two requests based upon a review of Boulder City's and Henderson's resources that were available to them for this purpose. In view of that, Chairman Raggio said he had advised the representatives that he would ask Legislative Counsel to review their applications in light of the statutory requirements, as well as the Board of Examiners' recommendation, and report back to the next meeting of the Interim Finance Committee as to whether or not Boulder City and Henderson can qualify for Disaster Relief Fund money as an "eligible" project. Chairman Raggio also said he was disappointed about the "chatter going around" regarding whether or not the requests were becoming a sectional issue. Chairman Raggio emphasized that sectionalism would not be tolerated by the Committee and that the Committee was going to consider each request based upon that request meeting specific criteria.

Regarding the request from Lyon County, Chairman Raggio told Mr. Fulstone that he needed to return to the Interim Finance Committee in January with a specific request for documented projects.

Mr. Dini wanted to know how quickly the work could be done if the Interim Finance Committee were to approve the request at its January 14, 1998, meeting. Mr. Fulstone indicated that since the majority of the work would be restoration of river banks, he thought the work could be done rather quickly, but progress would depend upon obtaining the necessary permits and weather conditions.

To respond to Mr. Dini's question, Mr. Kaffer indicated that NRCS had already acquired the necessary permits from the state, county, and federal government. He said, however, if the Committee approves Lyon County's request in January, it would create a logistics problem for NRCS to prepare and submit a large number of bid packages because of its small contracting staff.

In order to deal with the uncertainty of the weather during the ensuing winter months, Chairman Raggio wanted to know the amount of the matching funds that was absolutely necessary to be approved now for the Douglas County and the Lyon County requests. Mr. Kaffer told the Committee that the federal government would not release funding for projects unless a formal contract was executed which indicates the 25 percent match would be provided.

It was Chairman Raggio's understanding that NRCS already had the contracts. Mr. Fulstone indicated that Lyon County was the first county in Nevada to sponsor the Emergency Watershed Protection Program, which basically guarantees the 25 percent match. He said, however, because Lyon County does not have funds available for this purpose, private landowners have been required to provide the 25 percent match. Mr. Fulstone stated that Lyon County would not be able to provide the 25 percent match for the projects unless the Committee approves Lyon County's request for the state's Disaster Relief Fund to pay one half of the 25 percent local match required to receive funding from the Emergency Watershed Protection Program.

Chairman Raggio pointed out that the 12-1/2 percent state match would be provided from the Disaster Relief Fund based upon the fact that the rivers and banks are state property and that the project qualifies under the law as an "eligible" project. Chairman Raggio said he was trying to determine how much of Douglas County's and Lyon County's request was needed now, or whether the funding could wait until the Committee's January meeting. Mr. Kaffer estimated that approximately one-half of the amount being requested by Douglas County and Lyon County was needed now so the work could get underway.

Speaking on behalf of Douglas County's request, Mr. Mirgon told the Committee that Douglas County needs 100 percent of the 12-1/2 percent grant being requested from the state's Disaster Relief Fund. According to Mr. Mirgon, Douglas County considers the Carson River to be a "whole project." Completion of this project would prevent future property damage and risk of loss of life should there be a high run-off season or excessive rain. Mr. Mirgon maintained that if only one part of the river were to be fixed, the problem would only be deferred to some place else on the river. Mr. Mirgon also noted that the damage to Carson River not only needs to be corrected, but needs to be maintained in the future as well. He indicated that some of the flood damage; i.e., diversions into ranches, would either be paid for by the ranchers or with FEMA money.

Mr. Kaffer estimated that NRCS had between \$1.4 million and \$1.5 million worth of projects that had already been designed and could be ready to go out to bid within the next couple of weeks. Mr. Kaffer said that if the Committee were to approve 12-1/2 percent of that \$1.4 million to \$1.5 million amount, NRCS would be able to start the projects immediately and then the Committee could reconsider the balance of the requests at its January meeting.

Chairman Raggio wanted to know whether Lyon County and Douglas County would be able to share the grants equally. Mr. Kaffer estimated that Lyon County had approximately \$500,000 in projects that had been designed and were ready to go out to bid and Douglas County had approximately \$1 million in projects that had been designed and were ready to go out to bid, which would equate to one-third for Lyon County and two-thirds for Douglas County. After consulting with the legislative Fiscal Analysis Division staff, it was determined that 12-1/2 percent of \$1.5 million totals approximately \$180,000; thus, based on the 1/3:2/3 ratio, Douglas County's share would be \$120,000 and Lyon County's share would be \$60,000.

Since there was no doubt in his mind that Douglas County and Lyon County qualify for the grants from the state's Disaster Relief Fund as "eligible" projects under section 4 of Chapter 538, S.B. 218 ([1997 Legislature](#)), Chairman Raggio suggested that the Committee approve a partial disbursement of \$60,000 of the Lyon County request and \$120,000 of the Douglas County request and that the balance of the requests pertaining to both Lyon County and Douglas County, as well as the requests from Boulder City and Henderson, be deferred until the January 14, 1998, meeting. In the meantime, Chairman Raggio requested that Legislative Counsel review the four requests with Mr. Comeaux and representatives of the four communities, as well as other interested parties, to determine whether or not the Committee has any

flexibility under S.B. 218 to grant those requests. This review would particularly involve the definition of "eligible" projects as well as the ability of the jurisdictions to deal with emergency situations.

With the Committee's concurrence, Chairman Raggio said it was his intention to appoint a subcommittee, structured in a fashion so that the north and south portions of the state would be equally represented and that the Democrat and Republican parties would be equally represented. Since it was the legislature's intent for the funds to be made available on an equal basis across the state, Chairman Raggio emphasized that the Disaster Relief Fund would not become a "political football" as long as he chairs the Committee.

Chairman Raggio said he would entertain a motion which would allocate \$60,000 to Lyon County and \$120,000 to Douglas County from the Disaster Relief Fund with the provision that a full report would be made as to the expenditure of those funds at the Committee's January 14, 1998, meeting. The Committee would also expect to receive updated, not enhanced, requests from Lyon County and Douglas County.

MR. HETTRICK MOVED TO APPROVE AN ALLOCATION FROM THE DISASTER RELIEF FUND IN THE AMOUNT OF \$60,000 FOR THE LYON COUNTY REQUEST AND \$120,000 FOR THE DOUGLAS COUNTY REQUEST, WITH THE PROVISIO THAT A FULL REPORT BE MADE AT THE NEXT INTERIM FINANCE COMMITTEE MEETING REGARDING THE EXPENDITURE OF THOSE FUNDS. ALSO, LYON COUNTY AND DOUGLAS COUNTY WILL PROVIDE UPDATED, NOT ENHANCED, REQUESTS AT THE NEXT INTERIM FINANCE COMMITTEE MEETING. SECONDED BY SENATOR REGAN.

After inquiring of the Committee as to whether there were any questions or comments on the motion, Chairman Raggio recognized Mr. Arberry. Mr. Arberry said he could not in good conscience support the motion because he thought Lyon County and Douglas County should be made to wait along with the other requesters.

Chairman Raggio said he had suggested the motion only because he thought the case had been made that the reduced amount was essential in order for the projects to go forward at this time.

Senator O'Donnell recalled that Mr. Kaffer had testified that it would be a problem for NRCS if all of the contracts were to be let simultaneously because NRCS had limited manpower.

It was Ms. Giunchigliani's understanding that Boulder City and Henderson also have some emergency situations requiring immediate consideration. While she thought it was important to move forward, Ms. Giunchigliani wanted to know whether it would be possible for the Committee to have a special meeting via telephone rather than waiting until January.

Chairman Raggio said he would have no objection to having a special telephone meeting if the subcommittee and Legislative Counsel deem such a meeting to be warranted. He said, however, he did not believe six weeks was too long to wait for the next meeting.

Mr. Hettrick noted that the two requests had been approved by the Board of Examiners as qualifying under the S.B. 218 guidelines and also that the federal government had approved funding for the projects. He said a problem had arisen, however, because Boulder City and Henderson had not been able to qualify for the funding under the same guidelines. Mr. Hettrick said he would disagree with the suggestion made earlier that if one governmental entity has to wait all have to wait. Mr. Hettrick questioned what would happen if the ultimate decision were to be made that Boulder City and Henderson do not qualify for the funding. Mr. Hettrick said it would make no sense to him that the state would not approve funds to repair a state-owned river with federal money that had already been approved for this purpose. Mr. Hettrick stated:

We are not talking about whether there is a fairness issue. We are talking about people's lives here. This river could flood again in January. We have work that is ready to go now and money that is ready to go now. This is not a north-south issue. This is a matter of people's lives in the

State of Nevada. This needs to be handled appropriately. I think this Committee would be terribly at fault if it does not approve at least this minimal amount to begin work on the river that can be done now.

To respond to a question from Chairman Raggio, Mr. Kaffer said NRCS' engineers had surveyed the areas damaged by flooding in Boulder City and Henderson and determined that some of the projects have the potential for being eligible to qualify for federal funds under NRCS' Emergency Watershed Protection Program. He said, however, because the damage which had occurred in Boulder City and in Henderson was caused by a different type of flooding than had occurred in Lyon County and in Douglas County, he could not accurately state to what extent their requests would be able to qualify for funding under NRCS' Emergency Watershed Protection Program or other federal programs.

Chairman Raggio said he had opted to defer the requests from Boulder City and Henderson to the next meeting because he was aware of the problems encountered by the Board of Examiners and he did not want the Committee to categorically reject the requests.

It was Ms. Giunchigliani's understanding that some of the projects had qualified for FEMA assistance immediately after the flooding in January of 1997, and then subsequent to that, additional flooding hit the southern part of the state. While she did not believe it was a north-south issue, Ms. Giunchigliani said she thought the Department of Administration was using a double standard when making determinations on requests for assistance from the state's Disaster Relief Fund, adding that she was confused regarding the criteria being used to qualify under Chapter 538.

Chairman Raggio told Ms. Giunchigliani that he had requested Legislative Counsel to respond to this question with respect to applications and report her findings at the next meeting. Chairman Raggio also reiterated that the Board of Examiners had rejected Boulder City's and Henderson's requests because it was determined that no federal funding was available and their projects did not meet the definition of "eligible" project defined in the law.

Senator Regan thought it should be left to the subcommittee to look into the qualifications and eligibility of Boulder City and Henderson. Senator Regan reminded the Committee that \$1.4 million in federal funding could be lost if the state does not provide a 12-1/2 percent match, or \$180,000, for projects that have already been qualified by the Board of Examiners as "eligible" projects. Senator Regan said it was not a north-south problem, but rather it was a matter of eligibility.

Mr. Arberry said he was not trying to make the four requests a north-south issue. He said, however, since it was only six weeks until the next meeting, he would rather defer all of the requests until Legislative Counsel could provide her findings on all of the requests. In addition, Mr. Arberry said he was beginning to think that the legislature should never have created the Disaster Relief Fund because of its potential to become another sectional issue like the Supplemental City-County Relief Tax (SCCRT) Fund was. Mr. Arberry said he could not support the motion.

After listening to Mr. Hettrick's remarks, Mr. Goldwater said he realized the importance of the vote; people's lives could be at stake. Mr. Goldwater said, however, he could recall sitting in this Committee hearing a similar plea and the Committee approving a great deal of money for a similar purpose. In order to make an educated vote, Mr. Goldwater wanted to know "what lives did we not affect with the previous money that we would now affect with the current money?"

Mr. Hettrick explained that the FEMA matching funds which the Committee previously approved was used for repairs to the infrastructure; however, it did not repair the damage to the Carson River. Mr. Hettrick said the funding being requested today would be used for restoration of the river banks to try to prevent additional flooding from occurring.

Chairman Raggio called for the question.

MR. HETTRICK MOVED TO APPROVE AN ALLOCATION FROM THE DISASTER RELIEF FUND IN THE AMOUNT OF \$60,000 FOR THE LYON COUNTY REQUEST AND \$120,000 FOR THE DOUGLAS COUNTY REQUEST, WITH THE PROVISIO THAT A FULL REPORT BE MADE AT THE NEXT INTERIM FINANCE COMMITTEE MEETING REGARDING THE EXPENDITURE OF THOSE FUNDS. ALSO, LYON COUNTY AND DOUGLAS COUNTY WILL PROVIDE UPDATED, NOT ENHANCED, REQUESTS AT THE NEXT INTERIM FINANCE COMMITTEE MEETING. SECONDED BY SENATOR REGAN. MOTION CARRIED WITH MR. ARBERRY VOTING NO.

A resolution for Douglas County and a resolution for Lyon County were adopted by the committee and a copy of which is included in the meeting minutes as Exhibit K and Exhibit L.

After thanking all of the representatives for their time and patience, Chairman Raggio selected a subcommittee consisting of Mr. Arberry (Vice Chairman), Mr. Dini, and Mr. Marvel (Assembly Committee on Ways and Means) and Senator Rawson (Chairman), Senator Regan and Senator Raggio (Senate Committee on Finance). Chairman Raggio directed the subcommittee to work with Legislative Counsel, legislative Fiscal Analysis Division staff, and the applicants to make a recommendation which would be provided to the Interim Finance Committee at its meeting on January 14, 1998. The recommendation will be based upon the opinion of Legislative Counsel as to whether or not the applications meet the legal requirements and whether the amounts of the applications that are pending can be supported. Chairman Raggio also said the Committee would appreciate receiving guidelines within the legal requirements for the Committee's use when considering future applicants.

Mrs. Evans thought it would be informative if the subcommittee could also determine how much private match had been collected to date. Chairman Raggio asked the subcommittee to furnish this information to Mrs. Evans.

Mr. Kaffer said he would be happy to assist the subcommittee in any way possible and urged the subcommittee to contact him at his Carson City office at telephone number 883-2292.

While she thought all of the members of the Interim Finance Committee were trying to be sensitive to the north-south issue, Ms. Giunchigliani said she wished to take this opportunity to point out that no women had been appointed to the Committee on Higher Education during the 1997 Legislative Session. It was Ms. Giunchigliani's belief that it would not only be appropriate, but would be fair if at least one woman were to be appointed to the newly-created subcommittee. Chairman Raggio said it was not the Chair's intention to expand the subcommittee; however, he would ask the subcommittee members to let him know if anyone wished to be replaced.

J. DEPARTMENT OF HUMAN RESOURCES - State Plan and Application for Fiscal Year 1998 Community Services Block Grant (CSBG) Program Funds. The report is forwarded to the Committee to comply with the requirement for a public hearing.

Mr. Roberts said this agenda item was related to item C.22. To respond to a question from Chairman Raggio, Mr. Roberts indicated that there had been minimal changes in the State Plan and Application for Fiscal Year 1998 Community Services Block Grant (CSBG) Program Funds from the prior year. Although DHR anticipates receiving an additional award from the federal government, Mr. Roberts said this increase would only amount to \$20,000 to \$30,000, which would be allocated to the counties. According to Mr. Roberts, DHR's report covers the expenditures for the federal fiscal year. Chairman Raggio directed the Committee's attention to a schedule of the proposed distributions to all eligible entities by county which is provided on page 121, in Volume 4 of the meeting packets.

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

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

K. PUBLIC WORKS BOARD.

Project Status Report.

After inquiring as to whether there were any questions from the Committee on SPWB's Project Status Report, Chairman Raggio recognized Mr. Arberry.

Mr. Arberry asked Mr. Raecke to provide additional information on Project No. 95-C01, Lovelock Correctional Center, Phase II. Mr. Raecke indicated that the purpose of Project No. 95-C01 was to build 750 additional beds and to complete the Prison Industry buildings. Units 3 and 4, which are two, 250-bed units, have been occupied since about November 1, 1997 and Units 5 and 6, which are two, 125-bed units, will be turned over to NDOP by December 1, 1997. This project is on schedule and the only remaining work to be completed is some floor replacement in the Prison Industry buildings. According to Mr. Raecke, SPWB rejected about 1 percent of the total 40,000 square feet in flooring and the contractor will replace that flooring at no cost to the state.

Mr. Arberry wanted to know whether the fencing problems at Southern Desert Correctional Center (SDCC) had been corrected. Mr. Raecke stated that SPWB anticipates going out to bid on Project No. 97-M06L in January of 1998, construction is expected to last 60 to 75 days, and the estimated completion date is March or April of 1998.

Mr. Arberry noted that there was no estimated completion date provided on the Project Status Report for Project No. 95-G01 & 97-C01 Prison #7. Mr. Raecke noted that Prison #7 should be ready to bid in February of 1998 and that SPWB was anticipating having an August of 1999 completion date.

SENATOR RAWSON MOVED TO ACCEPT THE PROJECT STATUS REPORT. SECONDED BY MS. GIUNCHIGLIANI AND MOTION CARRIED UNANIMOUSLY BY VOICE VOTE.

L. DEPARTMENT OF INFORMATION TECHNOLOGY - Report on state mainframe capacity and approval to release funding for network enhancement.

This item was withdrawn.

M. INFORMATIONAL ITEMS:

1. Report from the Interim Finance Committee Oversight Subcommittee on Project Genesis.

As Chair of the Oversight Subcommittee on Project Genesis, Mr. Close reported that the subcommittee had met in Carson City on Sunday, November 23, 1997. Mr. Close indicated that the Department of Motor Vehicles and Public Safety (DMV&PS) staff had proposed several changes. Although no action was taken by the subcommittee, Mr. Close said he had made several assignments and requested the DMV&PS staff to report back at the next meeting of the subcommittee, which will be held on January 13, 1998, the day before the next Interim Finance Committee meeting. It was Mr. Close's belief that the subcommittee was moving as quickly as possible at this point in time.

2. Department of Administration - Risk Management, UICI Administrators, and William M. Mercer - Status report on the state employees' self-funded plan claims payments (as requested during the September 18, 1998, IFC Meeting).

Chairman Raggio suggested the Risk Manager provide an updated report regarding the numerous concerns that were expressed by the Interim Finance Committee members at its last meeting on

September 18, 1997. In addition, he said a status report was needed on certain projections that were made to the Committee. Chairman Raggio thanked Mr. Thomas for his timely response to an informational request from the Fiscal Analysis Division, dated November 20, 1997, regarding claims backlog, selection of UICI, financial liability associated with claims backlog, impact of backlog on Self-Funded Plan budget, impact of reimbursements to preferred providers at higher rates, and other questions. A copy of the informational request memorandum and Risk Management's responses is included in the meeting minutes as Exhibit M. Due to time constraints, Chairman Raggio said it was his intention to hold all questions from Committee members until after the presentation.

Mr. David Thomas, Risk Manager, Risk Management Division, introduced Ms. Jan Marie Reed, Reno Office Manager for UICI Administrators, third party administrator (TPA) for the State Employee Health Benefit Program, which replaced L&H Administrators, Mr. Glen Meister, representing the State of Nevada Employees' Committee on Benefits (COB) consulting firm of William M. Mercer, Incorporated, and Ms. Diana Valdez, President, UICI Administrators. Mr. Thomas asked Ms. Reed to give an up-to-date status report on UICI Administrators' claims payment. A supplementary handout was provided to the Committee entitled "UICI Administrators, Update for: State of Nevada, Interim Finance, 11/21/97," a copy of which is included in the meeting minutes as Exhibit N. Ms. Reed directed the Committee's attention to page 1 of the handout (Exhibit N) which provides a Claims Inventory of current in-house claims and the oldest dates of those claims categorized by Medical, Dental and Hospital. Ms. Reed said she would like to take this opportunity to remind the Committee that UICI had inherited a tremendous job from L&H. Although UICI originally anticipated having a backlog of about 45,000 claims, the backlog turned out to be nearly 75,000 claims; therefore, UICI is approximately 60 days behind its original target to get the reduction to current status, or obtaining a maximum 15-day service. In addition to the sheer volume of claims, Ms. Reed noted that UICI had encountered several obstacles; the major one being, resolving the issues of the PPO data network with Sierra Health Care.

Ms. Reed directed the Committee's attention to page 2 of Exhibit N entitled "Backlog Reduction Strategy." According to Ms. Reed, this information indicates that UICI's Reno Office hopes to be able to provide a maximum 15-day claim service by early March of 1988; however, as she indicated earlier, the plan is about 60 days behind UICI's original reduction strategy. By using current staff and adding seven examiners for an evening shift, Ms. Reed indicated that UICI expects to be able to process 4,095 claims per day. Since UICI is currently receiving about 2,000 claims per day, it should be able to reduce the backlog by approximately 2,000 claims per day.

In addressing the information provided on page 3 of Exhibit N, Ms. Reed indicated that UICI believes that an additional 10 days will be needed to ensure that outstanding items with the PPO network get resolved and provider data is correctly loaded and interpreted for the state employees. After calculating the work days available from November through February, UICI is projecting the receipt of 128,000 new claims over 64 days, plus a current backlog of 112,198, for a total of 240,198 claims that will need to be processed in order for UICI to be current at the end of 64 days. Since UICI is projecting to process 262,080 claims, Ms. Reed said this number would provide UICI with a variance of approximately 300 claims per day and still meet its target. Ms. Reed advised the Committee that UICI's goal was not to provide one-day service but rather to have a 10- to 15-day turnaround.

Speaking to the information provided on page 4 of Exhibit N regarding Production, Ms. Reed indicated that claims had not been released at the rate UICI was capable of releasing claims because UICI had not been comfortable with the data load in the beginning. She said, however, UICI had continued to work with Sierra Health Care and the progress over the last three weeks had been outstanding. The dollar amount for benefits UICI has released to date is \$11,344,509. In addition, 96,619 claims have been processed; 66,062 claims have been paid; and 26,956 claims are on hold.

It was Chairman Raggio's understanding that the Committee on Benefits (COB) had recently met and

decided to pay 80 percent of the claims. Mr. Thomas indicated that COB had met on November 13, 1997, specifically to address whether advance payments should be made to providers in recognition of the number of providers, particularly those in the Carson and Reno areas, who have expressed their concerns about having significant cashflow problems because of their heavy reliance on the state plan participants. COB approved the concept of UICI paying 80 percent of the outstanding receivables that a provider might have if the provider would attest to those outstanding receivables. As those claims are processed, UICI will pay the claims against those advance payments. According to Ms. Reed, UICI has received about 40 requests from providers for 80 percent advance payments. UICI has advanced about \$2 million to date, which Ms. Reed estimated represents payment of approximately one-third to one-half of those 40 requests from providers for advance payments.

Chairman Raggio wanted to know whether UICI's payment of \$2 million to the providers was included in the \$11,344,509 figure reflected on page 4 of Exhibit N, which Ms. Reed previously reported represented the total funds released by UICI, and Ms. Reed responded affirmatively.

To respond to a question from Chairman Raggio, Ms. Reed said UICI had been directed by COB to issue a check for an 80 percent advance payment to any provider who submits a written request signed either by the provider or someone authorized to sign for the provider. In addition, the provider must include the total outstanding amount for the state employees, their tax I.D. number, and the address for the state.

Chairman Raggio wondered whether arbitrary payments made to providers would affect the integrity of UICI's review system. Ms. Reed said the amount of the advance payments would be reflected on the Explanation of Benefits (EOB) forms and no check would be issued until the amount of the advance was met, at which point the next EOB would generate a check.

Chairman Raggio wanted to know at what point in time UICI expects to review the efficacy of the other 20 percent so that payment can be made to the providers. Ms. Reed said UICI would be processing those claims in the same manner as it processes all other claims regardless of whether an advance payment had been made or not.

To clarify the 80 percent advance arrangement, Mr. Meister explained that COB had determined that 80 percent was a reasonable percentage to deal specifically with the cashflow for the receivables that a provider might have; however, the 80 percent advance payment would have no effect on the benefit payments or contracts under the state's program. Mr. Meister said a clause in the state's contract for the northern Nevada providers does stipulate that claims must be paid at 100 percent of the customary rate rather than the preferred provider discount if they are not paid within 30 days. While COB would not be able to assess the financial impact until after the claims flow through the system, Mr. Meister acknowledged that the claims would be paid at the higher dollar amount.

In responding to several questions from Mr. Close, Ms. Reed indicated that UICI was tracking the age of the claims by using the date the claim was received. She indicated that all of L&H's mail had been "worked through" except for a final 6,000 claims, which were other insurance cross-over claims. While UICI is currently working through those 6,000 claims, Ms. Reed told the Committee that UICI staff was not as focused on those claims as it was on the new mail because of the provider discount issues. She said, however, because the primary carrier had already paid the providers its share, the providers were only missing the payment from the secondary carrier, the State of Nevada.

Prior to coming to Carson City for the meeting, Mr. Close noted that he had been contacted by a number of providers in Las Vegas who had outstanding accounts dating back to 1996. Mr. Close said he needed to speak to Ms. Reed about those accounts after the meeting adjourned because he thought the providers in southern Nevada were being affected equally as much as the providers in northern Nevada. Mr. Close also expressed concern that the claimants in southern Nevada were being denied coverage by the providers because the providers were not getting paid.

To respond to a question from Mr. Close, Ms. Reed indicated that Sierra Health Care was handling the pre-authorizations for medical and surgical treatment and services. As a provider, Mr. Close told Ms. Reed that he and other providers were having a difficult time getting pre-authorizations in a timely manner from Sierra Health Care at this point in time. According to Mr. Close, Sierra Health Care has been laying the blame for its problems on UICI.

Senator Coffin wanted to know on what date UICI had notified the providers that they could request an 80 percent advance. Ms. Reed noted that UICI had received authorization from COB on November 13, 1997, and UICI began sending Faxes to the providers on November 14, 1997.

Senator Coffin questioned whether a Fax to the providers would provide UICI with the legal protection that a certified letter would. Also, not all providers have Fax machines. Although she said UICI had worked closely with Sierra Health Care to get a list of providers, Ms. Reed said she was not certain whether the distribution method had been addressed.

Senator Coffin told Ms. Reed that UICI should have in its computer system a list of all the providers and should not have to rely on Sierra Health Care for this information. Ms. Reed said UICI had been working closely with Sierra Health Care to ensure that it does have all the necessary information on the providers.

Senator Coffin recalled that a backlog figure of 45,000 claims was reported at the last Interim Finance Committee meeting and he wanted to know where the additional 30,000 claims had come from. Ms. Reed indicated that UICI had received a backlog count of 45,000 claims from L&H. UICI inventoried those claims and sent a log to the high-volume providers identifying those claims UICI had inherited from L&H and requesting the providers to notify UICI if additional older claims need to be added. According to Ms. Reed, many of the providers walked boxes of claims into UICI's Reno office and those claims were added to the L&H claims count.

In reading from question 2 of Mr. Thomas' response to the informational request from the Fiscal Analysis Division (Exhibit M), Senator Coffin stated that "COB directed their benefits consultant, William M. Mercer Company, to immediately conduct an exhaustive search of their national resources and recommend to COB within one week a new TPA for consideration." It was Senator Coffin's recollection from information provided at the last Interim Finance Committee meeting that no TPA from Nevada was contacted. Now that the state is approaching a new bid date, Senator Coffin wanted to know if the William Mercer Company was going to be participating in the selection process. Mr. Meister said the William Mercer Company would be participating in the selection process. Mr. Meister also apprised the Committee that due to time constraints and the potential for a large claims backlog, the William M. Mercer Company had actually conducted a targeted search, rather than an exhaustive search as indicated in COB's memorandum dated November 21, 1997 (Exhibit M). William M. Mercer Company was looking primarily for a large TPA that had experience with state employee benefit plans and essentially focused on two TPA's, UICI Administrators and CENTRA. CENTRA provides claims payment services for the states of Mississippi and Washington and Mercer's Seattle office has had experience working with CENTRA. UICI provides claims payment services for the state of Arkansas as well as a number of large private sector employees and Mercer's Los Angeles office has had experience working with UICI. The only company within Nevada that Mercer considered was Sierra Health Care; however, Mercer was concerned about Sierra's ability to handle the state's large volume of claims because Sierra had just acquired its TPA in January of 1997. Since CENTRA would not commit to the time line required by COB, COB decided to go with UICI. According to Mr. Meister, UICI's contract was negotiated to run through 1998 and the Mercer Company, as the consultant to COB, would be involved in the competitive bidding process for the state's TPA contract next year.

Because of the large backlog, Senator Coffin wanted to know whether Mr. Thomas plans to follow through with the commitment that was made at the September 18, 1997, Interim Finance Committee

meeting, and initiate the competitive bidding process in March of 1998. According to Mr. Thomas, Risk Management plans to initiate the competitive bidding process for the TPA services in March or April of 1998, with the idea that if a change should occur this would provide at least six months lead time to have an orderly transition.

Senator Coffin wanted to know whether the baseline compensation rate for TPA services was going to be the same rate that was arbitrarily decided upon by COB for UICI, the new TPA, which he noted was higher than the rate that was included in the original bid. In responding to Senator Coffin's question, Mr. Meister said he would expect the fee levels, or the ongoing costs per employee per month, for the new TPA contract would be closer to the levels currently being paid to UICI than those fee levels previously paid to CoreSource and L&H Administrators. Mr. Meister pointed out that the additional costs would be attributable to the set-up fee and the per claim run-in fee for picking up the huge backlog of claims. Mr. Meister said, however, this huge backlog of claims would not be a consideration in the event the state has to transition out of UICI.

Senator Coffin asked Mr. Meister if he was aware that Northbrook, a large national company, was the owner of CoreSource at the time of its sale to L&H Administrators. Mr. Meister said he was not familiar with Northbrook or CoreSource because William M. Mercer Company was not retained until December 1, 1996, replacing Legacy Enterprises as the state's benefits consultant.

Senator Coffin asked Mr. Thomas if he thought the state would be able to recover some of its losses from Northbrook, which he estimated could be in the millions of dollars. Mr. Thomas said he was not familiar with Northbrook; only the CoreSource staff working out of the Las Vegas office. Senator Coffin wanted to know who were the specific owners or principals of CoreSource and Mr. Thomas said he had no idea who they were.

Since the Committee's September meeting, Senator Coffin said he had taken it upon himself to speak with several former CoreSource employees who told him they were immediately dismissed upon the takeover by L&H because they had asked questions about the claims payment procedures. If this is the case, Senator Coffin said an investigation needs to be conducted to determine whether there was a connection between L&H and CoreSource, the previous TPA. Mr. Thomas said that both he and COB would agree with Senator Coffin that several issues need to be investigated and he plans to contact Risk Management's Deputy Attorney General in the very near future for advise on how to proceed.

Chairman Raggio asked that the record reflect that he serves as a member of the Board for Sierra Health Care, Incorporated.

Despite the backlog, Mrs. Krenzer wondered if UICI anticipates meeting all of the performance standards by January 1, 1998. Ms. Reed said UICI should be in compliance with the performance standards by early-March of 1998; however, UICI expects to have a 10- to 12-day backlog of claims at that time. Mrs. Krenzer wanted to know whether UICI would be fined for non-compliance for the backlog. Mr. Thomas said UICI's contract provides for a fine for non-compliance.

Mrs. Krenzer said she did not understand why UICI could not be assessed a penalty that would exceed 9 percent of the quarterly administrative fee paid by the state. Mr. Meister said the 9 percent maximum penalty was a competitive risk arrangement with a TPA.

Mrs. Krenzer wanted to know whether the state had the same penalty arrangement with L&H Administrators. During the nine months L&H served as the state's TPA, Mr. Thomas indicated that the state had been assessing a 15 percent penalty to specifically address turn-around time.

Mrs. Krenzer wanted to know why UICI was not being required to pay a 15 percent penalty as well. Mr. Meister indicated that COB was not in the best bargaining position when it entered into negotiations with UICI on the TPA contract; thus, COB negotiated as reasonable of a performance

agreement as it could under the circumstances.

Mrs. Krenzer said she thought it was important to remind the Committee that although L&H could have been penalized for not paying claims correctly, claims auditing, and other performance standards, L&H was penalized only for backlog. Mr. Thomas said he wished to clarify that L&H's contract had included a financial and claims processing accuracy provision similar to UICI's contract, but L&H was not penalized with respect to those areas. He said, however, if L&H had continued its contract, it was COB's intent to conduct an audit in the summer to examine the previous year and if any violations of those provisions were found, COB would have assessed a penalty at that time.

Ms. Giunchigliani wanted to know why southern Nevada providers did not have the same type of 100 percent billing charges that was being provided to northern Nevada providers. According to information received from Sierra Health Care, Ms. Reed said the northern contracts were the only ones that contained the 100 percent billing provisions.

Ms. Giunchigliani said she found it interesting that a provider would negotiate two different contracts between the north and the south. It was also Ms. Giunchigliani's understanding that one of the reasons UICI had not been able to become fully operational was because Sierra Health Care did not have accurate preferred provider organizations "PPO" lists. Mr. Meister indicated that UICI had made a request to load data from Sierra Health Care, which he noted was a typical request, but some of the data from the initial load was out-of-date and certain information could not be detected. Since that time, the data has been manually updated.

To respond to a question from Ms. Giunchigliani, Mr. Meister said he was not exactly sure contract-wise what type of information Sierra Health Care was supposed to be supplying UICI. It was Ms. Giunchigliani's belief that the lack of accurate information by the PPO network would not only cause problems with claims adjustments now, but with future ones as well. Ms. Giunchigliani wanted to know whether the William M. Mercer Company had recommended the initial screening of L&H. Mr. Meister said he would agree that the screening process for L&H needs further examination because he did not believe L&H was ever evaluated, but rather L&H purchased CoreSource and assumed its contract.

In responding to Ms. Giunchigliani's questions, Ms. Reed noted that UICI had increased its staff and currently has 14 examiners on board. The last four examiners were hired three weeks ago. Although all of the 75,000 claims which UICI had inherited from L&H have been put into the system, Ms. Reed said that not all have been processed through the system because of the questions UICI has had with the data supplied by Sierra Health Care.

It was Ms. Giunchigliani's contention that if Sierra Health Care was not able to provide correct data to UICI in a timely fashion, then perhaps Sierra Health Care should be fined. Although he said he would need to review the contract, Mr. Thomas recalled having seen language that would require Sierra Health Care to work cooperatively with the state's TPA in providing the data. After listening to Ms. Reed's testimony, Ms. Giunchigliani said she did not believe working cooperatively was the issue, but rather whether the data was accurate in the first place. Ms. Giunchigliani said she would hope that the Committee could receive accurate documentation regarding the services actually contracted for and the dates on which those services were supposed to be obtained and maintained.

In order to respond to Ms. Giunchigliani's questions regarding Sierra Health Care's contractual obligations, Chairman Raggio recognized Mr. Jon Bunker, President, Sierra Health Care Options, a wholly owned subsidiary of Sierra Health Services, the company that owns and operates the PPO network currently under contract with the State of Nevada. Mr. Bunker told the Committee that Sierra Health Care Options had provided a PPO network to the State of Nevada's Employees Health Benefit Plan since 1990. According to Mr. Bunker, Sierra Health Care Options has been a licensed TPA in Nevada since 1990 and pays claims on behalf of employers in the State of Nevada for over 20,000

employee lives. In response to some of the previous commentary and ongoing discussion, Mr. Bunker explained that Sierra Health Care Options had previously provided a PPO network for the past seven years through CoreSource. It was Mr. Bunker's belief that Sierra Health Care Options' contractual obligation was to provide a network with available contractual discounts which could be utilized under the terms of a contract between Sierra Health Care Options and self-funded employers, such as the state.

It had been Mr. Bunker's experience that all new TPA clients experience some degree of difficulty when loading data initially. He said, however, because the data-loading process had been completed with CoreSource, he was unaware of any complaints having been directed toward the PPO as far as being the reason for having a backlog. In approximately July of 1996, CoreSource was acquired by L&H at which time L&H decided to do an operating conversion of its system. During this conversion, L&H decided to forego certain fundamental tasks that make the plan building and the accuracy of the data as a TPA operation efficient. It was Mr. Bunker's opinion that L&H got further and further behind as the conversion of the system progressed. In May of 1997, COB decided to terminate L&H's contract and UICI was brought in with a backlog already in place because of the conversion that was imposed by L&H. For the record, Mr. Bunker said he wished to apprise the Committee that not only had Sierra Health Care Options contractually provided all of the information that it was required to do, but also that Sierra Health Care Options had gone out of its way and expended a fair amount of money in programming and human resources to provide the new TPA with the information it required to process claims correctly. Mr. Bunker said he was confident the relationship between Sierra Health Care Options and UICI could and should work and it was his intention to cooperate completely and fully to make this a positive plan for all state employees and their dependents.

Ms. Giunchigliani thought it would be helpful if a copy of Sierra Health Care Options' contract with the state was provided so that the Committee could be assured the provisions for services which were originally agreed upon in the contract with CoreSource were still in place after L&H took over.

In responding to a question from Ms. Giunchigliani, Mr. Bunker said he did not know who the corporate owners of CoreSource were or who the parent company might have been.

Senator Regan suggested that the amount of penalty L&H should have been assessed was a moot issue at this point in time because L&H had filed bankruptcy and was currently involved in criminal prosecution.

Mrs. Evans said she would be interested in learning what the earliest date possible was for determining the impact of higher reimbursements to providers. Mr. Meister said COB would not know the extent of the higher reimbursements until all of the claims were actually paid because of the length of time that has elapsed. It was Mr. Meister's estimation that a report on the impact of higher reimbursements to providers would not be available before the end of the first quarter of next year.

To respond to a question from Mrs. Evans, Mr. Meister said it would not be possible to provide a "guesstimate" of the total amount paid to providers at the higher reimbursement rate at this time for several reasons; namely: higher reimbursements may be confined predominately to physician payments and the state may not be required to adhere to the discount clause in the contract on some of the larger hospital claims.

After directing the Committee's attention to page 160 in Volume IV of the meeting packets, Mrs. Von Tobel wanted to know how much longer was it going to take Risk Management to reconcile the nine pay centers. Mrs. Von Tobel also wanted to know a dollar estimate of the former employees who continue to be paid by the state because the reconciliations have not been completed. Although he could not provide a dollar estimate at this point in time because it changes from month to month, Mr. Thomas assured the Committee that Risk Management was making good progress on getting the

reconciliations done. According to Mr. Thomas, Central Payroll was the principal outstanding pay center; however, Risk Management had received renewed assurances and commitments from DoIT and the Department of Personnel that they would continue to work with Risk Management in fixing the problem. In providing an update on the reconciliations, Mr. Thomas indicated that DoIT had completed its programming work and was currently testing the program with the Department of Personnel to make sure the system works. Since Risk Management has made more progress in reconciling several of the other pay centers than was reflected in the October 23, 1997, report, Mr. Thomas said he would be happy to provide the Committee with an updated report.

Mrs. Von Tobel wanted to know whether the 80 percent advance to providers was going to be at the discounted or full rate. Mr. Thomas indicated that UICI had asked the providers to supply UICI with a statement of their total outstanding receivables for the state's self-funded plan and UICI would be paying 80 percent of that amount. Ms. Reed advised the Committee that the 80 percent advancement to the providers would not affect how the claim was paid. For example, if a claim is submitted by a southern Nevada provider, UICI would pay that claim with the PPO discount taken and that same amount would go toward the credit. If a claim is submitted in the north by a provider who has a 100 percent contract, UICI would pay that amount toward the advance.

Since she thought it could become a logistical nightmare, Mrs. Von Tobel wanted to know when UICI expects to be able to pay the providers at the discounted rate again. Ms. Reed said UICI had been working closely with Sierra Health Care to get the fee schedules loaded correctly so that when UICI does reach the 10- or 15-day backlog, the system would not continue to pay at 100 percent because the claim was not 30 days old.

Because she was concerned about hearing some of the same testimony she had heard previously when L&H was the state's TPA, Senator Mathews wanted to know whether the state was protected from fraud. Mr. Meister said the Mercer Company had reviewed all of the insurance coverages as well as the checks and balances that were in place in UICI's claims office to protect against fraudulent claims from occurring and was satisfied procedurally with how UICI was set up to process claims.

It was Senator Mathews' understanding that UICI was processing claims for one other state. Mr. Meister said UICI was processing claims for the state of Arkansas

. Chairman Raggio noted that the questions which were submitted to Risk Management by the Fiscal Analysis Division for response should be deemed as continuing questions requiring an update at the Committee's next meeting, tentatively scheduled for January 14, 1998. Also, the Committee would appreciate receiving responses from Risk Management to any additional information that would be pertinent for the Committee's inquiry. Chairman Raggio also requested that Jeannie Adams, Chairman, COB, be present at the next meeting.

Chairman Raggio asked Mr. Thomas to address specifically why waivers of life insurance premiums were not granted to 28 state employees who were eligible for waivers due to their disabilities. In order to rectify this error, it was Chairman Raggio's understanding that the state had been required to pay an additional \$112,000 per year for the next three years and the state's insurance carrier, Hartford Insurance Company, would be paying a set-off of \$76,000. Mr. Thomas told the Committee that Risk Management had one staff member who was responsible for processing life insurance claims, long-term disability claims, as well as waivers of premium claims; however, this individual no longer works for Risk Management. It was Mr. Thomas' belief that rather than committing an error, the former employee had been negligent in carrying out her duties. While the new employee was being oriented, 28 claims that had never been sent to the insurance carrier for processing were discovered in the desk drawer. Since this problem was detected, Mr. Thomas said that written procedures were currently in place. Also, Mr. Thomas indicated that he receives a monthly report which shows the date the claims were sent by the insurance carrier to Risk Management for processing and the date the

claims were processed by Risk Management. Mr. Thomas also apprised the Committee that Risk Management had worked with its previous insurance carrier, Hartford Insurance Company, and its present insurance carrier, UNUM, to arrange and negotiate a settlement to provide waiver premium coverage for the 28 state employees.

To respond to a question from Chairman Raggio, Mr. Thomas said the state would be required to pay \$112,000 per year for the three-year term of the UNUM contract.

Chairman Raggio recognized Ms. Diana M. Valdez, President, UICI, who told the Committee that UICI was completely committed to meet the time lines that Ms. Reed had stated earlier today. In addition, UICI has turned over all of its resources to correct this problem. Ms. Valdez said it was UICI's intent to meet all of the expectations which had been set forth today by Ms. Reed by the Committee's next meeting in January.

As a matter of record, Mr. Dini pointed out that the legislative auditors were conducting a partial audit of Risk Management's incoming revenue. It was Mr. Dini's recommendation that the Committee consider asking the Legislative Commission to expand the legislative audit to encompass outgoing revenue as well. Mr. Dini said the legislative audit report should be available some time in January of 1998.

Chairman Raggio said he would consider Mr. Dini's recommendation after Risk Management has provided an updated report at the next Committee meeting.

3. State Personnel - Payroll system progress report.

Mrs. Sharon Murphy, Director, Department of Personnel, introduced Ms. Judy Holt, Administrative Services Officer for the Department of Personnel. Mrs. Murphy explained that the State Personnel Payroll System was one of the components of the Integrated Financial System (IFS). Mrs. Murphy said the evaluation team had completed a review of the potential systems in August of 1997; contract negotiations with the chosen vendor, American Management System (AMS), began on August 6, 1997, and a contract was signed on October 2, 1997. Since that time, Mrs. Murphy said events had unfolded very quickly; i.e.: the project location was selected and established at 1301 Hot Springs Road, in Carson City; appropriate building modifications were accomplished during the week of October 20, 1997; the project "kick off" was held on October 27, 1997; the initial meeting of the Human Resource Project Team was held on November 6, 1997; and the first phase of the Human Resource implementation began on November 7, 1997. According to Mrs. Murphy, the first phase, which is referred to as the implementation analysis, was anticipated to be completed on January 28, 1998, which is consistent with the overall IFS project plans submitted with the Department of Personnel's quarterly report.

In continuing her report, Mrs. Murphy apprised the Committee that the financial impact to the Department of Personnel's budget had been minimal for the first quarter. The Department of Personnel was authorized to hire four employees to back field the individuals assigned to the full-time project. Two positions, a Management Analyst and a Personnel Technician, were filled October 27, 1997 and November 24, 1997, respectively, an Accounting Specialist position was filled on October 20, 1997, and the remaining position, a Management Analyst II, which was approved for hiring effective April 1, 1998, will be filled at that time.

4. Department of Human Resources - Health Division - Report on HIV Grant Allocations - Nevada Hispanic Services.

Chairman Raggio wanted to know whether the problems related to reduced funding for HIV prevention that were discussed during the Interim Finance Committee meeting on September 18, 1997, had been resolved. Ms. Yvonne Sylva, Administrator, Health Division, apprised the Committee that the Health Division had been meeting with Nevada Hispanic Services regarding its concerns

about reductions in funding to three projects in northern Nevada. Although the reductions have not gone away, Ms. Sylva indicated that Nevada Hispanic Services had been underspending its current federal year funding this year. In order to reduce some of the impact this underspending will have on the program, the Health Division has been negotiating with Nevada Hispanic Services to transition some of those funds over to next year. The Nevada Hispanic Services has agreed to do so and has submitted a revised budget including those funds.

To respond to a question from Chairman Raggio, Ms. Sylva noted that the funding request submitted by Nevada Hispanic Services in August of 1997 was for calendar year 1998 and the next funding cycle would commence in June of 1998.

It was Chairman Raggio's belief that every effort should be made not to cut a successful program merely to achieve some type of sectional allocation of funding.

In responding to a question from Senator Rawson, Ms. Sylva apprised the Committee that the community planning group did in fact vote on and approve the allocation of funds and that allocation still stands.

5. Department of Human Resources - Welfare Division - Status report on Nevada Operations Multi Automated Data Systems (NOMADS).

Ms. Myla Florence, Administrator, NSWd, introduced Ms. Marlene Lockard, Director, DoIT and Mr. Frank Pecovich, Project Executive for IBM. Unlike the State of California's system, Ms. Florence told the Committee that the development of NOMADS was complete. In the month of September, federal reviewers examined the Child Support component of NOMADS and indicated to NSWd that NOMADS would be certifiable except for one issue which relates not to programming as much as it does to accounting personal level distribution of Child Support funding. If Congress had not passed the Welfare Reform package on August 22, 1996, it was Ms. Florence's opinion that NSWd would have been in a position to roll out NOMADS to the field beginning in October of 1997. Ms. Florence apprised the Committee that the system implications to NOMADS as a result of not only federal changes but state statutory changes as they relate to Assembly Bill 401 (1997 Legislature) have presented sizing issues. The extent of those changes will determine when NSWd will be able to roll out NOMADS to the field. IBM is currently looking at that work now in conjunction with staff from NSWd and DoIT. IBM has developed a preliminary list of issues that NSWd will be reviewing this week in terms of what the critical items for inclusion for roll out will be. Once a determination has been made by NSWd as to what absolutely needs to go into NOMADS as it relates to the Eligibility and Employment components of NOMADS, then IBM will be able to present NSWd with a schedule. Ms. Florence said she was encouraged, overall, by the verbal report from the federal reviewers during the month of September. She also said she did not believe the state was "buying a pig in a poke" because NSWd actually knows that NOMADS has been developed according to 1993 requirements. She said, however, during the passage of time from 1993 to present, there have been changes at the federal level and more recently at the state level that need to be considered for incorporation.

Chairman Raggio wanted to know what changes and modifications had been agreed upon between NSWd and the contractor to date. Ms. Florence said that with the successful negotiation of Amendment No. 7, NSWd had agreed to accept the code as it was delivered with assurance from the contractor that NOMADS will meet certification requirements. The contractor has also agreed to make any changes that are the result of problems identified during testing as well as any of the federal reviewer comments regarding modifications. In essence, NSWd has agreed that the work has been completed as it was developed under the existing contract through Amendments No. 6 and No. 6-A.

To respond to an inquiry from Chairman Raggio, Ms. Florence said NSWd was considering running

a modified pilot concurrently with some of the work that will be occurring during the six-month period of Amendment No. 7, which will run from October 1, 1997 through March 31, 1998.

It was Chairman Raggio's understanding that IBM Global was currently proceeding within the funding authorized by the 1997 Legislature and would be compensated at a rate of \$94.50 per hour up to a contract maximum of \$2,661,120 and that joint application development (JAD) planning sessions would be initiated between staff from NSW, DoIT and IBM Global. In addressing Chairman Raggio's remarks, Mr. Pecovich told the Committee that staff from IBM Global, NSW and DoIT were currently working together at the 813 North Plaza location on planning, analysis of Welfare Reform, and hands-on training for state staff.

Chairman Raggio noted that he had recently visited with Mr. Pecovich and a representative from IBM Global, Mr. Matthew Callister, and Mr. Pecovich had indicated to him that IBM Global was on the road toward implementing the Welfare Reform component into NOMADS and that IBM Global was aware of the amount of funding that had been allocated for this purpose. Chairman Raggio asked Mr. Pecovich to provide the Committee with his best estimate of when NOMADS would be completed. Mr. Pecovich stated that "the biggest obstacle right now is defining what done looks like." As mentioned previously by Ms. Florence, Ms. Pecovich said the joint staffs were currently evaluating what are the minimum amount of requirements necessary to change NOMADS before it can be rolled out. Mr. Pecovich said he expects this planning work to be completed within three weeks, at which time he will be able to provide a list of major milestones and major events that will take place. Mr. Pecovich also said he hopes to be able to report to the Committee as to the date NOMADS can be turned on, what functionality it would have at the point in time it was turned on, and other ancillary plans such as data conversion and training.

To respond to a question from Chairman Raggio, Ms. Florence said it would be her hope that NSW would be able to roll out NOMADS prior to the convening of the next legislative session in January of 1999. Furthermore, it was Ms. Florence's belief that the critical functionality to support workers in the field must be determined as quickly as possible and that such issues as benefit issuance and child support distribution must be incorporated into the system. It was Ms. Florence's understanding, however, that those were the kinds of areas that may be more complicated programmatically. Ms. Florence also pointed out that the federal agencies were also very anxious for NSW to determine a realistic roll out date for NOMADS so that if sanctions should occur and negotiations are required NSW would have a clear plan in place.

Since Child Support is only one component of NOMADS, Mrs. Evans said it would be helpful if Ms. Florence would clarify what she meant when she previously stated that NOMADS would be completed by the next legislative session. Even though the Child Support component could be ready to go now, Ms. Florence said the Eligibility, Employment and Training components would also need to be completed because NOMADS was an integrated system. Ms. Florence added that it was her understanding that Nevada was the only state in the nation which has had to address this type of issue.

Senator Rawson referred to a recent newspaper article which indicated that the State of California and the contractor, Lockheed-Martin, decided to simply call it quits and hold each other harmless for a similar program that had cost the state over \$100 million. The State of California estimates that it will cost an additional \$385 million to design an appropriate system. By comparison, Senator Rawson said he thought NOMADS had been a more successful operation. Senator Rawson suggested, however, that it might be better to change the name of the program. Ms. Florence thanked Senator Rawson for suggesting a name change for NOMADS. Although she and Ms. Lockard had also considered a name change, Ms. Florence said the staff did not agree to a name change because of their dedication to making NOMADS a success.

To respond to Mrs. Krenzer's question regarding future sanctions, Ms. Florence indicated that

because the federal agencies recognize Nevada has a unique situation and also that approximately one-half of the states were not going to meet the certification requirement, she was confident that the states were going to be asked to enter into a corrective action plan with the federal agencies.

6. Department of Human Resources - Division of Health Care Financing and Policy - Annual report on health care quality and costs. The full report with attachments can be obtained from the Legislative Counsel Bureau Library.

Mr. Thompson said he had provided the Division's annual report in accordance with NRS 449.520. He also noted that the Division plans to move towards overall cost containment primarily through the Medicaid Program. Mr. Thompson said he wanted to point out that there had been a shift over the last 10 years from direct services to managed care and, because of this change in dynamics, it was going to be important for the 1999 Legislature to look at how to control health care costs into the next century.

7. Department of Prisons - Medical positions converted to .51 percent full-time equivalency (FTE) to facilitate recruitment efforts.

Mr. Comeaux apprised the Committee that Nevada Department of Prisons (NDOP) medical positions had been converted to .51 percent FTE to facilitate recruitment of professional medical staff. A full-time position was split into two positions, each one at .51 percent FTE, to avoid the state and the employee from having to pay both state retirement and Social Security, while at the same time allowing for the provision of health benefits.

N. PUBLIC TESTIMONY.

There was no public testimony.

After Committee discussion, Chairman Raggio announced the appointment to the Fundamental Review and Base Budget Committee of the following members: Mr. Arberry (Chairman), Mr. Close, Ms. Giunchigliani and Mr. Marvel (Assembly Committee on Ways and Means) and Senator Jacobsen, Senator Mathews, Senator Regan (Senate Committee on Finance) and Senator Rhoads.

Chairman Raggio tentatively set the next meeting of the Interim Finance Committee for Tuesday, January 14, 1998, to coincide with other scheduled meetings. He also suggested that the designated subcommittees meet prior to the January 14, 1998, date.

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

Senator William J. Raggio, Chairman

Interim Finance Committee

Lorne Malkiewich, Director

Legislative Counsel Bureau, and

Secretary, Interim Finance Committee