MINUTES OF THE MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Chairman Morse Arberry Jr. called a regular meeting of the Interim Finance Committee (IFC) to order on Thursday, April 8, 2004, at 8:20 a.m. in Room 4100 of the Legislative Building. Exhibit A is the agenda. Exhibit B is the sign-in sheet. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry Jr., Chairman
Senator William J. Raggio, Chairman
Senator Mark Amodei, Sitting as an Alternate for Senator Tiffany
Senator Bernice Mathews
Senator Raymond D. Rawson
Senator Dean A. Rhoads
Assemblyman Kelvin Atkinson, Sitting as an Alternate for Mrs. McClain
Assemblyman Bob Beers
Assemblyman John C. Carpenter, Sitting as an Alternate for Mr. Hettrick
Assemblywoman Vonne Chowning
Assemblywoman Dawn Gibbons
Assemblywoman Christina R. Giunchigliani
Assemblyman Joe Hardy, Sitting as an Alternate for Mr. Griffin
Assemblywoman Sheila Leslie
Assemblyman John Marvel
Assemblyman David Parks
Assemblyman Richard Perkins

COMMITTEE MEMBERS EXCUSED:

Senator Barbara Cegavske
Senator Bob Coffin
Senator Sandra Tiffany
Assemblyman Walter Andonov
Assemblyman David Goldwater
Assemblyman Lynn Hettrick
Assemblywoman Kathryn (Kathy) McClain

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda J. Erdoes, Legislative Counsel
Mark W. Stevens, Fiscal Analyst, Assembly
Steve Abba, Principal Deputy Fiscal Analyst

Gary Ghiggeri, Fiscal Analyst, Senate
Robert Guernsey, Principal Deputy Fiscal Analyst
Connie Davis, Recording Secretary
Donna Thomas, Secretary, Fiscal Analysis Division

***A. ROLL CALL.**

Lorne Malkiewich, Director, Legislative Counsel Bureau (LCB), called the roll and advised the Chairman a quorum of each house was present.

On behalf of the committee, Senator Raggio extended condolences to Senator Ann O'Connell, whose husband, Bob O'Connell passed away on April 7, 2004.

***B. APPROVAL OF MINUTES FROM THE JANUARY 28, 2004 MEETING.**

SENATOR RAWSON MOVED APPROVAL OF THE MINUTES FOR THE JANUARY 28, 2004, MEETING.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Janine Hansen and a group of protestors, in the audience, stood and objected to the seating of Assemblywoman Giunchigliani based on a violation of Article 3 of the Nevada Constitution and an Attorney General's opinion.

Chairman Arberry requested advice from Brenda Erdoes, Legislative Counsel.

Ms. Erdoes informed the committee that because the issue was currently before the Supreme Court, there was no standing to object. Ms. Erdoes said the opinions of the Attorney General and the Legislative Counsel were only opinions and until the Supreme Court made a decision, there was no challenge viable to seating a member.

Chairman Arberry announced that Items C, D, and E were informational only items, and asked if the members of the committee had any issues or concerns that wished to address.

There were no concerns raised by members of the committee.

***C. WORK PROGRAM REVISION APPROVED BY THE GOVERNOR IN ACCORDANCE WITH NRS 353.220(5)(a).**

Department of Human Resources – Child and Family Services – Caliente Youth Center – FY 04 – Transfer of $150,000 from the Personnel Services category to the Maintenance of Buildings and Grounds category to pay for the emergency replacement of the boiler. An inspection of the boiler by representatives of the

State Public Works Board and Occupational Safety and Health Enforcement identified specific technical failures and safety hazards that made the current boiler illegal and unsafe to operate which posed a safety threat to the inhabitants of the Caliente Youth Center. Therefore, the Governor deemed an emergency existed and approved the work program for immediate replacement of the boiler.

***D. WORK PROGRAM REVISISONS IN ACCORDANCE WITH NRS 353.220(5)(b). INFORMATIONAL ONLY – REQUIRED EXPEDITIOUS ACTION WITH 15 DAYS.**

1. Department of Agriculture – Mormon Cricket and Grasshopper Program – FY 04 – Augmentation of $250,000 in Federal United States Department of Agriculture Mormon Cricket grant funds to fund the Rangeland Grasshopper and Mormon Cricket program. Requires Interim Finance Committee approval since the amount of the grant exceeds $100,000.

2. Department of Wildlife – CIP Wildlife Department – FY 04 – Transfer of $88,500 from the Reserve category to the Lahontan Water category and $500 from the Reserve category to the Water Rights Administration category to purchase water rights for the Lahontan Valley, Carson Lake. Requires Interim Finance Committee approval since the amount transferred to the Lahontan Water category exceeds $50,000.

***E. WORK PROGRAM REVISION IN ACCORDANCE WITH NRS 353.220(5)(c) IN ACCORDANCE WITH NRS 353.224(2). INFORMATIONAL ONLY – REQUIRED ACTION WITH 45 DAYS.**

Department of Corrections – Correction Programs FY 04 – Addition of $81,578 in funds transferred from Inmate Welfare and $244,732 in funds transferred from the Department of Public Safety to receive additional funding for the Residential Substance Abuse Treatment for State Prisoners (RSAT), Willing Inmates in Nevada Gaining Sobriety (WINGS) program. Requires Interim Finance Committee approval since the amount added to the RSAT (WINGS) category exceeds $50,000.

***F. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS, ALLOCATION OF BLOCK GRANT FUNDS AND POSITION CHANGES in accordance with Chapter 353, *Nevada Revised Statutes*.**

Chairman Arberry indicated testimony would be required on Items 6, 7, 11, 20, 21, 22 and 23 required a public hearing, 26, 49, 50 was withdrawn, 56, 57, 67 related to H.3, 85, and 87 was withdrawn.

SENATOR RAGGIO MOVED APPROVAL OF ALL WORK PROGRAM REVISIONS AND POSITION CHANGES NOT ENUMERATED FOR HEARING BY THE CHAIRMAN.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

1. **Office of the Attorney General – Administrative Account – FY 04 –** Addition of $240,898.00 in Federal Department of Homeland Security grant funds transferred from the Division of Emergency Management to purchase emergency preparedness equipment for investigators. Requires Interim Finance approval since the amount added to the Equipment category exceeds $50,000.00.

   Refer to motion for approval under Item F.

2. **Office of the Attorney General – Administrative Account – FY 05** – Addition of $13,140.00 in Client Charges to upgrade a Deputy Attorney General to a Senior Deputy Attorney General due to the complexity and volume of the workload for legal representation of the Division of Environmental Protection.

   Refer to motion for approval under Item F.

3. **Department of Administration – Indigent Accident Account – FY 04 –** Transfer of $20,350.00 from the Claims category to the Operating category to cover increased contractual expenditures for program administration on behalf of the Board of Trustees. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

   Refer to motion for approval under Item F.

4. **Department of Administration – Purchasing Division – Commodity Food Program – FY 04 –** Addition of $83,148.00 in Federal Senior Farmer's Market Nutrition Program funds, and $25,153.00 in Federal Indian Family Feeding Program funds, and a transfer of $32,757.00 from the Reserve category to the Personnel Services category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Senior Farmer's Market Nutrition Program category exceeds 10% of the legislatively approved level for that category.

   Refer to motion for approval under Item F.

5. **Department of Administration – Buildings and Grounds – FY 04 –** Addition of $3,180.00 in Reimbursement of Expenditures revenue and a transfer of $4,533.00 from the Reserve category to the In-State Travel category, $38,079.00 from the Reserve category to the Operating category and $1,010.00 from the Reserve category to the Information Services category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance

approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

6. **Department of Administration – Buildings and Grounds – Marlette Lake – FY 04 –** Addition of $33,716.00 in Treated Water Sales and $134,297.00 in Raw Water Sales to allow for an increase in the water rate charged per an agreement with Carson City and for the associated personnel, operating, and utility costs. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Cindy Edwards, Administrator, Division of Buildings and Grounds, identified herself for the record. Ms. Edwards requested the committee's approval to accept additional revenue from increased water rates charged by the state for untreated water and for increased rates charged by Carson City for treated water. Additionally, Ms. Edwards requested approval to expend funds to maintain and operate the Marlette Lake Water System.

In response to questions from Chairman Arberry concerning the increased rate, Ms. Edwards advised that the rate for untreated water from Marlette increased from 20 cents per thousand gallons to 65 cents effective November 1, 2003. The rate increase would provide $168,000 in revenue in fiscal year 2004 and $237,000 in fiscal year 2005.

Chairman Arberry questioned whether the increased rate would impact the Department of Corrections' or other state agencies' budgets.

Ms. Edwards indicated that Carson City had increased their water rate for treated water effective August 1, 2003, and state agencies were being charged at the City's standard tiered commercial rate based on water usage. Under the new rate structure, Ms. Edwards said the costs for state agencies that used very little water would decrease, and the cost for large users would increase. Ms. Edwards indicated that most state agencies in Carson City would pay an overall $36,000 more for water each year under the new rate structure. However, as a large user, the Department of Corrections was the most affected and would pay about $50,000 more for their water.

Assemblyman Beers questioned whether the 125-year old inverted siphon water line from the tank to US 395 in Washoe Valley needed to be replaced.

Ms. Edwards responded that in working with the Carson City Subconservancy District, the state had requested an engineering study to test the integrity of the inverted siphon to Virginia City. Ms. Edwards defined the equipment in Virginia City as "dilapidated" and indicated that when the division had all of the projected costs for a capital improvement project, they would return to the IFC for approval of an agreement whereby users would pay for capital improvements to the system.

In response to Mr. Beers who questioned whether a contractor could be located to build an inverted siphon water system, Ms. Edwards advised that the engineering study would determine whether the entire system or only portions of it needed to be replaced.

Assemblyman Hardy indicated a pipeline had recently been built from Henderson to Boulder City, a length of approximately nine miles in flat terrain, for a cost of about $30 million. Dr. Hardy asked whether the projected $3.5 million cost related to installing an entirely new system or replacement of sections that were leaking.

Ms. Edwards deferred to the Buildings and Grounds' Engineer, Pat McInnis, to provide a response. Mr. McInnis identified himself for the record and explained that the consultant for the Carson City Water Subconservancy District estimated the cost for replacing the state's entire portion from the tank to US 395 at approximately $3.5 million. Mr. McInnis advised that it was assumed the other side, owned by Virginia City would be more expensive to replace since land ownership and subdivision issues existed.

Additionally, Mr. McInnis indicated that the engineering study would determine the scope of the project after which the division would approach the IFC with more accurate costs.

With respect to Dr. Hardy's discussion on the Boulder City pipeline, Mr. McInnis said an 8 to 10 inch diameter pipeline would be used for the Marlette Lake water system compared with, most probably, a 24-inch diameter line in Boulder City.

Dr. Hardy asked if the leakage factor for the water going out of Marlette Lake to Virginia City could be determined.

Mr. McInnis responded that Virginia City had been losing millions of gallons of water in the summer to evaporation and leakage out of their five-mile reservoir. However, because their pipeline had been replaced during the previous summer, leakage was no longer an issue.

Mr. McInnis advised that while Virginia City could probably provide information on the difference, thus far there had been little discrepancy between what they were sold and what they received.

In response to cost concerns expressed by Dr. Hardy for both Virginia City and the state, Mr. McInnis advised that currently Virginia City was billed for water going down the pipeline while the differences at the other end were negotiated. Mr. McInnis indicated that Virginia City had one of the highest capitalizations per water-paying persons in the country with only about 500 customers to help defray the cost of a recently built water treatment plant and pipeline. Mr. McInnis indicated funding would be a problem if Virginia City needed to replace their side of the inverted siphon line, but that perhaps they could qualify for federal grants. Additionally, Mr. McInnis indicated the division was hopeful that Virginia City could offset the state's cost to upgrade the inverted siphon line from the tank to US 395 in Washoe Valley, if necessary.

Mr. Beers reiterated Dr. Hardy's earlier question and asked whether the amount of leakage could be measured.

Mr. McInnis responded that currently the state metered the water from the tank at the top of Lakeview before it flowed into the inverted siphon line, and the only permanent meter that Virginia City used was the output from their water treatment plant. Mr. McInnis indicated that currently, for the first time, Virginia City and the state were close on the number of gallons of water received and sent.

Mr. Beers questioned whether the division had any information on what amount of leakage was currently taking place.

Ms. Edwards responded that if the information on the leakage factor could be provided by Virginia City, it would be forwarded to the members of the committee.

As a member of the Legislative Committee for the Review and Oversight of the Tahoe Regional Planning Agency and the Marlette Lake Water System, Senator Amodei indicated that while the leakage, from a resource standpoint, was a legitimate issue, Virginia City was billed for water going into the pipeline at the beginning of the state's system and paid for any leakage that occurred.

Senator Amodei advised that because Virginia City's leakage had been an issue in the past, they decommissioned their unlined reservoir, and with funds provided through the grant process and state legislation upgraded their water system with a new pipeline from their end of the siphon into Virginia City. From a fiscal standpoint, Senator Amodei said the state charged for water going into the line, which Virginia City paid for and from a resource perspective, improvements made from Virginia City's end of the siphon to their service area had remedied the leakage problem.

> ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL OF ITEM 6.
>
> ASSEMBLYWOMAN GIBBONS SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

7. **Department of Administration – Buildings and Grounds – Marlette Lake – FY 05 –** Addition of $237,562.00 in Raw Water Sales to allow for an increase in the water rate charged per an agreement with Carson City and for the associated personnel costs. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds 10% of the legislatively approved level for that category.

Mark Stevens, Assembly Fiscal Analyst, advised the members of the committee that an amendment had been requested to increase revenue in General Ledger 4013 by $33,716 with the same change made to Category 59.

SENATOR RAGGIO MOVED APPROVAL OF ITEM 7 AS AMENDED.

MRS. GIBBONS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

8. **Department of Education – Child Nutrition – FY 04 –** Addition of $68,091.00 in Federal Commodity Cash Grant funds, $1,214,866.00 in Federal Child/Adult Care Program funds, $40,166.00 in Federal School Lunch Program funds and a deletion of $101,224.00 in Federal School Breakfast Program funds and $95,756.00 in Federal Special Milk Program funds to align revenue authority with funding levels approved by the Federal government for designated educational programs to include the Child and Adult Care and Commodity Food Program and other child nutrition programs. Requires Interim Finance approval since the amount added to the Child/Adult Care - Food category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

9. **Department of Education – Child Nutrition – FY 04 –** Addition of $41,061.00 in Federal Administrative Cost Allowance, and $71,251.00 in Federal Summer Food Service Program Administration funds, and a transfer of $40,000.00 from the Personnel Services category to the Information Services category, $5,000.00 from the In-State Travel category to the Information Services category, $13,500.00 from the Operating category to the Information Services category, $40,000.00 from the Indirect Cost category to the Information Services category, $61,547.00 from the National School Lunch Program category to the Information Services category, $2,000.00 from the Training category to the Information Services category and $4,364.00 from the Transfer to NDE Staffing category to the Information Services category to develop and install the Child and Adult Care Food Program (CACFP) and the Summer Food Service Program (SFSP) phases of the Child Nutrition Program's web-based claims processing system. Requires

Interim Finance approval since the amount added to the Information Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

10. Department of Cultural Affairs – Library and Archives – State Library FY 04 – Addition of $869,234.00 in Federal Library Services Technology Act (LSTA) grant funds to provide authority for an anticipated increase in drawdowns by subgrantees for federal reimbursement grants to public libraries and to adjust salary authority to meet anticipated actuals for federally funded positions. Requires Interim Finance approval since the amount added to the Library Development Title I category exceeds $50,000.00.

Refer to motion for approval under Item F.

11. Department of Agriculture – Administration – FY 04 – Augmentation of $75,075.00 in Miscellaneous Sales revenue to receive and expend funds for the sale of nonfat dry milk. Requires Interim Finance approval since the amount added to the Nonfat Dry Milk Program category exceeds $50,000.00.

Rick Gimlin, Administrative Services Officer, Nevada Department of Agriculture, identified himself for the record and introduced, Don Henderson, Director of the Department, and Dr. David Thain, State Veterinarian.

Mr. Gimlin requested the committee's approval to add revenue expenditure authority of $75,075 to distribute over 7,000 tons of non-fat dry milk as feed replacement to livestock producers suffering from "D4 drought conditions."

Mr. Gimlin explained that $50,000 of the funding would be used for interlocal agreements with the Nevada Association of Counties to manage the program since the Nevada Department of Agriculture did not have enough staff to administer distribution of the product. Mr. Gimlin said to date, with assistance from the Nevada Association of Counties, approximately 6.6 million pounds or approximately 3,300 tons of non-fat dry milk was distributed to producers representing $345,950 in direct assistance. At the end of the program, Mr. Gimlin said the Department of Agriculture expected to provide over $700,000 in assistance to livestock producers. Mr. Gimlin further advised that the remaining $25,000 would be placed into Reserve for reversion as required by Section 7 of the Authorizations Act.

MR. MARVEL MOVED APPROVAL OF ITEM 11.

MR. PARKS SECONDED THE MOTION.

Mr. Marvel asked if additional quantities of non-fat dried milk had yet to be distributed.

Mr. Gimlin responded that the program to distribute the non-fat dried milk would end within about ten days, and receiving any more of the product was not anticipated since it appeared Nevada would not remain in a D4 drought condition. Mr. Gimlin said that if the program were reinstated in the future, it would be in an entirely different format.

THE MOTION CARRIED.

SENATOR RHOADS ABSTAINED.

12. **Department of Agriculture – Pest, Plant Disease and Noxious Weed Control – FY 04 –** Addition of $36,813.00 in Reimbursement revenue for the development of a coordinated Noxious Weed Management Program in Clark County. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds 10% of the legislatively approved level for that category and includes new staff. **RELATES TO ITEM 13.**

Refer to motion for approval under Item F.

13. **Department of Agriculture – Pest, Plant Disease and Noxious Weed Control – FY 05 –** Addition of $51,252.00 in Reimbursement revenue and $14,358.00 in funds balanced forward for the development of a coordinated Noxious Weed Management Program in Clark County. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00 and includes new staff. **RELATES TO ITEM 12.**

Refer to motion for approval under Item F.

14. **Commission on Mineral Resources – Division of Minerals – FY 04 –** Transfer of $9,000.00 from the Reserve category to the In-State Travel category to cover projected in-state travel expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the Reserve category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

15. **Public Utilities Commission – Regulatory Fund – FY 04 –** Transfer of $35,000.00 from the Reserve category to the In-State Travel category to fund projected in-state travel expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the In-State Travel category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

16. **Department of Business and Industry – Real Estate Division – FY 04** Addition of $518,278.00 in Testing Fees to cover increased testing service costs for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Testing Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

17. **Department of Business and Industry – Division of Insurance – Captive Insurers – FY 04 –** Addition of $2,700.00 in Licenses and Fees, $7,500.00 in Application Fees, and $25,825.00 in Examination Fees to cover the costs associated with an increase in the number of companies requesting to be licensed as captive insurers. Requires Interim Finance approval since the amount added to the Program Expenses category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

18. **Department of Business and Industry – Financial Institutions – FY 04 –** Transfer of $26,000.00 from the Reserve category to the Operating category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

19. **Department of Business and Industry – Dairy Commission – FY 04 –** Transfer of $1,025.00 from the Reserve category to the Equipment category, $52,993.00 from the Reserve category to the Information Services category, and $1,703.00 from the Reserve category to the Training category to replace and upgrade computer hardware and software to support the United States Animal Identification Program developed by the United States Department of Agriculture. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

20. **Department of Business and Industry – Nevada Attorney for Injured Workers – FY 04 –** Transfer of $170,000.00 from the Personnel Services category to the Information Services category to replace the information case management system database. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds $50,000.00.

Nancyann Leeder, Nevada Attorney for Injured Workers (NAIW), identified herself for the record. Ms. Leeder requested the committee's approval to transfer $170,000 from Category 01, Personnel Services to Category 26, Information

Systems, to supplement funding approved by the Legislature in 2003 to replace the agency's information case management system.

In a brief overview, Ms. Leeder advised that:

- In the early 1990s, the NAIW sought a case management system to facilitate the development of performance indicators. The Department of Information Technology (DoIT) modified the existing system enabling the NAIW to move from an MS-DOS-based environment to a Windows-based environment.

- In 1998 the LCB Auditor noted problems with the NAIW case management system and recommended improvements. The DoIT provided additional modifications to the system, and, after a functional requirements study, determined that NAIW needed a replacement system.

- A Request for Information (RIF) was initiated to develop cost estimates for budgeting purposes, and, based on those costs, the 2003 Legislature approved funding for the development of a case management system for completion within fiscal year 2004.

- Following the approval of funding, DoIT modified an existing template pursuant to the requirements provided in the functional requirements study and placed a Request for Proposal (RFP) on the Internet.

- The (RFP) included an aggressive contract time line with completion of the system required within fiscal year 2004. Proposals were received from five vendors who had to provide assurance they could complete the task by June 30, 2004.

- An evaluation team that included four staff from the NAIW and the Program Manager from DoIT met to review and evaluate the five proposals, and three were selected. Ms. Leeder advised that parameters established for the evaluation team excluded her participation.

- The three vendors provided demonstrations, and the evaluation team determined the vendor that best fit the established criteria.

- The cost was made known only after a vendor was selected, and the vendor chosen was, in fact, the least expensive.

- Following the selection, the vendor provided assurance they could complete work on the contract by June 30, 2004.

- Ms. Leeder advised that the vendor indicated they would provide four staff members for the contract work and several others would be available as necessary.

Ms. Giunchigliani questioned the funding sufficiency and the adequacy of the DoIT's involvement in the process.

Ms. Leeder supported the DoIT's involvement and capability throughout the process and indicated that she believed the funding problem could be attributed to the aggressive time line.

Ms. Giunchigliani questioned the cost factor if an aggressive time line was not pursued.

Ms. Leeder responded that the RFP included the June 30, 2004 time line, and none of the vendors who responded to the RFI responded to the RFP.

In response to questions from Ms. Giunchigliani concerning purchasing an off-the-shelf database, Ms. Leeder explained that the vendor's system was off-the-shelf and would be customized to NAIW's requirements. The cost included installation, customized forms and performance indicators, training, verification, and conversion.

Ms. Leeder said a letter from the DoIT, provided to the committee, indicated the DoIT believed the proper system had been selected, but also expressed concern in reference to completion by June 30, 2004.

Chairman Arberry said that DoIT representatives should have attended the meeting to provide additional information to the committee.

Ms. Leeder said that safeguards were included in the contract.

Mr. Beers recalled a similar incident when the DoIT indicated additional funding was required for the state's mainframe upgrade. When the request for funding was denied by the IFC, the vendor provided the upgrade for the original cost. Mr. Beers said it appeared that it had become a part of the committee's duties to negotiate on behalf of various state agencies, particularly in the information technology environment. Additionally, Mr. Beers indicated that an off-the-shelf case management tool for a small law firm should be available for $115,992.

Ms. Leeder explained that none of the RFI or RFP proposals, which ranged in cost up to $1 million, provided a system for $115,992. Ms. Leeder indicated it was her opinion that the selected system would work well with only a minimum of modification since the vendor had worked with other public law firms. Ms. Leeder advised that the NAIW and the DoIT had expended months of staff time that had been dedicated to the various studies and components of the system and reiterated her request for authorization to proceed with the transfer of funding.

Mr. Beers pointed out that the $170,000 request not only enhanced the original $115,992 appropriation approved by the Legislature but that the agency also received funding for three new positions in order to address a significant caseload. Mr. Beers asked for information concerning the current caseload.

Ms. Leeder described the caseload as still significant and explained that while she wanted to fill the positions, hiring experienced staff required a lot of time, which was the reason the NAIW had gained salary savings.

Assemblywoman Chowning noted that information provided to the committee indicated a 7 percent decrease in unresolved cases between the end of fiscal year 2002 and the end of fiscal year 2003. Additionally, Mrs. Chowning recalled that during the 2003 Legislative Session, Ms. Leeder testified that the three positions were critical to decrease the unresolved caseload. Mrs. Chowning asked for additional detail on whether the backlog had actually decreased or escalated, and whether technology was being used to replace staff.

Ms. Leeder advised that the positions had been filled and were critical to the caseload, and while the new case management system would enhance the NAIW's efficiency, the technology was needed to facilitate not replace staff. Ms. Leeder advised that while two experienced attorneys had been hired at the top of the salary range that had been offered, both attorneys had prior state service and took a reduction in salary to finish out pension requirements.

In response to questions from Mrs. Chowning, Ms. Leeder confirmed that salary savings had occurred as a result of the delay in filling the positions. Additionally, Ms. Leeder explained that as a result of a reduction in new cases to which the NAIW was appointed, the number of unresolved cases going into fiscal year 2004 was slightly less than the previous fiscal year. Ms. Leeder indicated she believed the number of new cases for fiscal year 2004 thus far was approximately 1,080, but she could not provide the number of unresolved cases until the end of fiscal year 2004.

Mrs. Chowning indicated that other agencies had provided similar information and the NAIW should provide it also.

Ms. Leeder reiterated that the number of new cases appointed to NAIW was less than the previous year, but the workload had continued to rise.

In response to a question from Chairman Arberry concerning whether the contract had been awarded to the successful vendor for $115,992, Ms. Leeder advised that the proposed contract for the higher amount, $285,992, a total of $170,000 plus $115,992 had been drafted and agreed to by the vendor and the Attorney General, but had not yet been awarded. Ms. Leeder explained that if the IFC approved the authority to transfer $170,000 from the Personnel Services category, the proposed contract would go to the Board of Examiners for approval, and if not, the contract would be withdrawn.

In response to additional questions from Chairman Arberry, Ms. Leeder said the proposed price range was not included in the RFP.

Chairman Arberry indicated that NAIW staff representatives should be prepared to return to the June IFC meeting for reconsideration of the issue.

Ms. Giunchigliani noted that a portion of the increase was tied to 54 days of training versus four days of training and questioned whether the vendor or the agency had changed the number of training days.

Ms. Leeder responded that the agency asked the vendor for the number of training days necessary to provide the most efficiency from the use of their program.

In view of the $80,000 added to the proposed contract for training, Ms. Giunchigliani asked for information on who created the protocol.

Ms. Leeder advised that the training had several components.

Ms. Giunchigliani indicated she was not interested in the training and reiterated her request for information on who created the protocol.

Chairman Arberry indicated that because Ms. Leeder was not part of the evaluation team, she was not able to provide the detail the committee required. The Chairman asked that Ms. Leeder meet with Department of Administration and DoIT representatives, and return to the committee with a better plan.

In response to a question from Ms. Giunchigliani, Ms. Leeder said she did not believe that the NAIW could move forward with the RFP for the $115,992 originally appropriated.

At 9:17 a.m. Chairman Arberry placed the request on hold while DoIT representatives were contacted to appear before the committee to address the issue.

At 11:28 a.m., Chairman Arberry recognized the presence of DoIT representatives and indicated the committee would reconsider the work program request for the Nevada Attorney for Injured Workers.

Chairman Arberry suggested that the committee approve $105,516, which in addition to the $115,992 already approved by the 2003 Legislature would provide the vendor's quote of $221,508. Chairman Arberry indicated that should the agency desire, they could return to the IFC in June with a request for an additional $64,484.

> CHAIRMAN RAGGIO MOVED APPROVAL OF AN ADDITIONAL $105,516 IN FUNDING WITH AN OPPORTUNITY FOR THE NAIW TO RETURN TO THE NEXT MEETING OF THE IFC WITH JUSTIFICATION FOR ADDITIONAL FUNDING.
>
> SENATOR RHOADS SECONDED THE MOTION.

Ms. Giunchigliani expressed concern that the committee had debated against providing retirees insurance but would consider approving a work product for twice the legislatively approved amount. Ms. Giunchigliani indicated she could not support the request for an additional $105,516.

Ms. Leeder provided assurance that she would use any available surplus funds within any of NAIW's categories.

Ms. Giunchigliani indicated the debate was not a criticism of where the money was coming from, but rather that it appeared DoIT had not done a good job in the course of the bid process. Additionally, Ms. Giunchigliani said that to allow the agency to return to a subsequent meeting, with perhaps another group of legislators in attendance who did not have a history of the issue, or to return in two months with a request for approval was irresponsible.

Ms. Giunchigliani asked for information on what had changed since the Legislature approved $115,992 for the system to the agency's acceptance of the proposed vendor quote of $221,508. Additionally, Ms. Giunchigliani questioned whether such a large increase in a legislatively approved request meant that the Legislature should "question every single thing" that came out of the DoIT during session.

Terry Savage, Director, Department of Information Technology, identified himself for the record. Mr. Savage said it was common to have a small increase from the RFI to the RFP, but agreed that the size of the increase in the NAIW proposed contract was unusual. Mr. Savage indicated he had just recently become aware of the magnitude of the difference and was looking at it in more detail. Mr. Savage pointed out that the training cost was the most significant increase going from approximately $7,200 to $80,000.

Ms. Giunchigliani pointed out that the Legislature had approved only four days of training and, therefore, the $80,000 for training should be eliminated.

Mr. Savage advised that he was not in a position to reduce the training to four days.

In response to questions from Ms. Giunchigliani concerning development of the RFI, Mr. Savage advised that DoIT representatives in conjunction with the agency wrote the RFI.

In response to questions from Ms. Giunchigliani concerning language in the RFI, Mr. Savage said that while language in the RFI did not increase training, he had not yet had the opportunity to look at the language in the RFP.

Ms. Leeder indicated the RFP requested sufficient training to operate the system.

Ms. Giunchigliani recalled that during the legislative session committee members were told that four days of training was sufficient for each member of the staff.

Ms. Leeder reiterated that none of the vendors that responded to the RFI responded to the RFP, and because she had been prohibited from participating in negotiations, she did not know the extent of the difference in the new system. However, Ms. Leeder advised that staff had been told that in order to operate the system on day one, extensive training would be required.

It was Ms. Giunchigliani's opinion that staff had the ability to be trained to operate an off-the-shelf system without a cost of an additional $80,000.

Ms. Leeder said the training included three separate components:

- User training that would provide the ability for all staff to go from the existing system to the new system on day one.

- Training some NAIW staff to train new staff hired through normal attrition.

- Administrative training so that staff would know if the Appeals Office, for example, changed its numbering system as had recently occurred.

In response to questions from Ms. Giunchigliani concerning the difference in the length of training requested in the RFI and what was presented to the Legislature, Ms. Leeder said the 54 days of training provided in the vendor's proposal had not been requested by the NAIW.

Ms. Giunchigliani suggested removing the training component, which would reduce the proposal by $73,300.

Ms. Leeder responded that such a decrease would result in an inefficient use of a large system.

In response to questions from Ms. Giunchigliani concerning whether there were state employees who could provide the training, Ms. Leeder, said she believed the vendor who customized the program would know the system best.

Chairman Arberry indicated Ms. Giunchigliani's points were well taken and expressed the frustration members of the committee experienced when testimony provided during the session changed during the interim.

Mr. Savage agreed with the Chairman's observation and explained that normally an RFP might be only 15 to 20 percent above an RFI quote. Mr. Savage indicated he did not understand the large percentage increase on the vendor's quote and had begun an investigation into the matter and would share the results with the committee and staff.

In response to a question from Chairman Arberry concerning whether the contract had been awarded, Ms. Leeder advised that an intent to award had been published, and all other interested vendors knew that one particular company had been chosen. However, there would be no award until the NAIW received IFC authorization to proceed to the Board of Examiners for the contract.

Ms. Leeder explained that she believed the reason for the substantial increase in price was the short time line for performance by June 30, 2004, and pointed out that the company could not begin work until the contract was signed.

In response to questions from Chairman Arberry concerning the time line information, Ms. Leeder explained that while information concerning completion of performance was provided in the RFP, the information was not provided for the estimates on which the budget was based.

Mrs. Chowning, in her capacity as Co-Chairwoman of the Joint Subcommittee on General Government during the 2003 Legislative Session, said that when the NAIW request for a new system was voted on and brought forward as a recommendation, it was done so on good faith based on compromises and information provided to the subcommittee at that time. Mrs. Chowning expressed concern that the IFC would be approached almost a year later with a 147 percent increase from the legislatively approved amount and a 163 percent increase for installation, configuration and customization. Mrs. Chowning defined the request as "outrageous," and indicated that approval would set a precedent.

Chairman Arberry indicated a motion that had been seconded was on the floor and reiterated that $115,992 in funding for the NAIW system had been approved by the Legislature in 2003, and the NAIW was currently requesting an additional $170,000, which was $64,484 more than the vendor's quote of $221,508.

Mr. Stevens clarified that the motion on the floor was to approve $105,516, which in addition to the $115,992, approved by the Legislature, would provide the agency with $221,508 to meet the vendor's quote. Additionally, the motion indicated that if the agency so desired, they could return to the next meeting of the IFC to provide a full explanation and justification for the $64,484 difference.

Mr. Stevens said that while some confusion might have existed, the Legislature had not made any adjustments to the project. Mr. Stevens explained that the new system was recommended by the Governor, included in the budget at $115,992, and approved by the Legislature at that level. However, Mr. Stevens said other adjustments existed within the budget based on how the DoIT budgets were closed by the Legislature. Mr. Stevens indicated he remained unclear insofar as why the $64,000 was needed since it was not needed to finance the project based on what the Legislature approved and what was currently being recommended for the total cost of the project.

In response to concerns raised by Chairman Arberry about payment to vendors, Mr. Savage advised that payment to vendors varied based on the contract, and the vendor in this situation would not be paid until the successful completion of the project.

Ms. Leeder confirmed that in the terms of the contract, the vendor would not be paid until the successful completion of the project.

Senator Mathews asked if any vendors had withdrawn because they could not meet the short time line, and if so, whether they would reconsider if the dollar amount increased.

Ms. Leeder indicated that none of the vendors had withdrawn because of the timeline. Ms. Leeder explained that the dollar amount was not included in the RFP but the time line was, and while the time line was not included in the RFI, once it was known, none of vendors who had responded to the RFI responded to the RFP.

In response to concerns raised by Mr. Parks concerning how much of the $221,508 would be paid for DoIT support, Ms. Leeder advised that the entire $221,508 would be paid to the contractor.

Mr. Savage advised that none of the new funding request would be directed to the DoIT. Mr. Savage said unclassified personnel, who were not billable, would be used to assist with the project to completion.

In response to questions Mr. Beers raised concerning the $64,000 difference, Ms. Leeder indicated the NAIW was not asking for $64,000 above the amount quoted by the vendor, but understood the $64,000 was part of the explanation of the motion.

Senator Mathews suggested removing any mention of the $64,000 from the motion.

Senator Raggio asked staff for an explanation on the additional $64,000.

Mr. Stevens explained the request before the committee was for $170,000 in additional funding. The difference between the $115,992, legislatively approved funding for the project and the vendor's quote of $221,508 equaled an additional $105,516, not $170,000. Mr. Stevens said that with a calculation of an additional $105,516 that would meet the vendor's quote, he remained perplexed concerning the agency's request for $170,000, or what amounted to a $64,000 difference.

Mr. Savage explained that the bulk of the increase could be attributed to training, which had increased from $7,200 to $80,000.

Ms. Giunchigliani also questioned the $64,000 difference and pointed out that $50,500 and $30,000 in costs had been designated for user training.

Mr. Savage reiterated he did not know how the $64,000 applied to the project.

Chairman Raggio questioned how the time line would be affected if no action were taken on the request.

Ms. Leeder responded that the project would not begin and could not be completed in fiscal year 2004.

Chairman Arberry pointed out that the NAIW already had $115,992 in approved funding and that the project had to be completed by the end of the fiscal year. With the IFC scheduled to meet again in June, Chairman Arberry suggested that since the vendor would not be paid until completion of the project, the NAIW return in June with a request for $105,516.

Ms. Leeder indicated that authority from the IFC was required in order to proceed with the contract at the amount quoted by the vendor, otherwise the project had to be re-bid.

Chairman Arberry called for a vote on the motion on the floor.

Mr. Stevens restated the motion.

> CHAIRMAN RAGGIO MOVED APPROVAL TO REDUCE THE REQUEST FOR ADDITIONAL FUNDING FROM $170,000 TO $105,516 FOR A TOTAL OF $221,508 AND TO PROVIDE THE AGENCY AN OPPORTUNITY TO RETURN TO A SUBSEQUENT IFC MEETING TO

PROVIDE JUSTIFICATION FOR THE ADDITIONAL $64,000 DIFFERENCE.

SENATOR RHOADS SECONDED THE MOTION.

SENATOR RAGGIO, SENATOR RAWSON, SENATOR RHOADS VOTED AYE.

SENATOR AMODEI AND SENATOR MATHEWS VOTED NAY.

THE ASSEMBLY MEMBERS UNANIMOUSLY VOTED NAY.

THE MOTION FAILED.

Mr. Beers suggested appropriating half of the $105,516 to the project and to direct the NAIW representatives to tell the vendor that was what they could pay.

If agreed to, Chairman Arberry questioned whether the vendor would have to make any adjustments to the project.

Mr. Beers indicated that the lesson of the state's mainframe upgrade should not be forgotten.

MR. BEERS MOVED TO REDUCE THE $105,516 REQUEST BY 50 PERCENT OR $52,758 FOR THE PROJECT AND TO DIRECT FURTHER NEGOTIATIONS WITH THE VENDOR.

While Senator Raggio indicated the concept was interesting, he questioned whether legal counsel had an opinion on whether it was legally possible to negotiate with a vendor already determined to have the best proposal, or whether the agency would be obligated to go back to everybody that had submitted a proposal.

Brenda Erdoes, Legislative Counsel, indicated there was a percentage by which the accepted quote could not be reduced, and it was her opinion the agency would have to re-bid the project.

Mr. Beers withdrew his motion.

Chairman Arberry announced that the request for funding had been defeated and moved on to the following work program.

21. **Department of Human Resources – Director's Office – FY 04 –** Deletion of $217,209.00 in Maximus Recovery revenue to reflect projected Maximus receipts for the remainder of the fiscal year. Requires Interim Finance approval since the amount deducted from the Maximus Collection Expense category exceeds 10% of the legislatively approved level for that category.

Mike Torvinen, Administrative Services Officer, Department of Human Resources, identified himself for the record. Mr. Torvinen requested committee approval to balance forward $194,027 in Maximus Recovery revenue from Reserve to an expenditure category. The transfer would be used to fund the Title XX shortfall, the first priority identified by the Legislature in the Department's budget for Maximus funding. Mr. Torvinen pointed out that a revision had been submitted to reflect a reduction from $217,209 in Maximus Recovery revenue to $194,027.

Ms. Leslie expressed concern about the current status of Maximus recovery funds and questioned whether Maximus had been working under contract.

Mr. Torvinen indicated that after "some hard work" with Maximus, issues with Third Party Liability (TPL) recovery services concerning matches and reliability of the data had been resolved.

In response to additional questions from Ms. Leslie concerning the revenue recovery, Mr. Torvinen confirmed that while no Maximus recoveries had occurred to date for fiscal year 2004, $60,000 to $70,000 in the Pharmacy recovery area had been collected.

Ms. Leslie indicated she was aware that historically Maximus recoveries occurred toward the end of the fiscal year and questioned the date revenue was posted and what the Department anticipated would be recovered by June 30, 2004.

Mike Torvinen projected that approximately $70,000 to $80,000 in the Pharmacy recovery area would be received by June 30, 2004 through TPL recovery services. Additionally, Mr. Torvinen said the revenue would be posted when it was actually received.

In response to a question from Ms. Leslie concerning the date funds were received, Mr. Torvinen indicated there was no choice concerning the date of receipt. Mr. Torvinen explained that TPL recovery services matched Medicaid-paid claims against databases from various insurance companies, Medicaid money was recovered, and the provider told that the insurance agency or third-party provider was required to pay the claim.

Ms. Leslie reiterated her concern with regard to the legislatively budgeted $1.675 million in Maximus recoveries and questioned how zero recoveries to date would impact the Legislature's priorities on spending the Maximus money.

Mr. Torvinen advised that the work program under discussion was designed to address the first item, which was the shortfall in the non-state Title XX agencies. Mr. Torvinen recalled that in a previous IFC meeting, it was determined that the funding priorities would be addressed for both years of the biennium before moving on to the next priority on the list.

Ms. Leslie requested a report at the next IFC meeting that would provide information on where reductions would be made and what would not be funded.

Mr. Torvinen advised that the six items on the priority list for Maximus funding were contingent upon the collection of Maximus recovery revenue. The first priority on the list for funding was Title XX, and the second was Suicide Prevention. Mr. Torvinen indicated it was his understanding a grant application submitted by the Division of Mental Health and Developmental Services (MHDS) to fund suicide prevention activities in Nevada was modeled after the budget developed for the S.B. 49 legislation.

Ms. Leslie indicated that the budget subcommittee on which she had served, during the 2003 Legislative Session, worked hard on the list of priorities they wanted to see funded. While it was understood the list would not be funded without the Maximus recoveries becoming a reality, Ms. Leslie went on record to say that she wanted to see the established priorities funded before funding anything else.

Mr. Torvinen expressed his understanding and frustration as well and said that if the initiatives they had discussed materialized, funding would be recovered for the following year.

Mr. Stevens indicated staff agreement with the amendment to reduce the Maximus revenue authority by $23,182 for a total of $194,027 with a corresponding reduction to Reserve

SENATOR RHOADS MOVED APPROVAL OF WORK PROGRAM 21 AS AMENDED.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

Mr. Stevens advised the members of the committee that information he had provided concerning an adjustment to the Maximus revenue authority by a reduction of $23,182 for a total of $194,027 was accurate. However, the information concerning a reduction in the Reserve for expenditures of a like amount was incorrect. Mr. Stevens explained that of the three categories that were impacted, the only item on the expenditure side that was required to be reflected was a negative $194,027 in the Reserve category.

SENATOR RAGGIO MOVED TO RECONSIDER THE COMMITTEE'S PREVIOUS ACTION ON ITEM 21.

MS. LESLIE SECONDED THE MOTION TO RECONSIDER ACTION ON ITEM 21.

THE MOTION CARRIED UNANIMOUSLY.

SENATOR RAGGIO MOVED TO APPROVE ITEM 21 TO REFLECT THE OFFSETTING REDUCTION INDICATED BY STAFF.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chairman Arberry called for testimony on Items 22 and 23 and announced that both work program items required a public hearing and would be heard consecutively.

22. Department of Human Resources – Health Care Financing and Policy – Nevada Check-Up – FY 04 – Addition of $20,969.00 in Federal Title XXI Block Grant Funds to pass-through funds to the Health Division under an interlocal agreement for the purchase and administration of vaccines for Nevada Check-Up enrollees. **Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.**

Debbra J. King, Chief Financial Officer, Division of Health Care Financing and Policy, identified herself for the record. Ms. King indicated Items 22 and 23 were before the committee for a public hearing.

Ms. King testified that Item 22 augmented authority by $20,969 in Federal Title XXI Block Grant Funds to pass through money to the Health Division for their immunization program. The funding would pay for the cost of immunizations for children who were recipients of care provided under Nevada Check Up, a Title XXI program.

Chairman Arberry called for testimony by members of the general public.

There was no response to a request for testimony from members of the general public.

SENATOR RAGGIO MOVED APPROVAL OF ITEM 22.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

23. Department of Human Resources – Health Care Financing and Policy – Nevada Check Up – FY 04 – Transfer of $1,650.00 from the Out-of–State Travel category to the In-State Travel category and $850.00 from the Training category to the In-State Travel category to cover projected in-state travel expenditures for the remainder of the fiscal year. **Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing**.

Ms. King testified that Item 23 was a transfer of $1,650 from the Out-of-State Travel category and $850 from the Training category to augment the In-state Travel category by $2,500. Ms. King explained the availability of funds through reduced out-of-state travel was needed to increase in-state travel to cover the additional in-state training for employees of the division.

Chairman Arberry called for testimony by members of the general public.

There was no response to a request for testimony from members of the general public.

SENATOR RAGGIO MOVED APPROVAL OF ITEM 23.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

24. Department of Human Resources – Mental Health and Developmental Services – Northern Nevada Adult Mental Health Services – FY 04 – Addition of $106,509.00 in Independent Living grant funds transferred from the Division of Aging Services and $22,557.00 in Federal Medicaid Case Management funds to fund two existing positions that were incorrectly funded with General Funds and to provide services based on the number of Medicaid eligible clients projected to be served under the Independent Living grant. Requires Interim Finance approval since the cumulative amount transferred to the Personnel Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

25. Department of Human Resources – Mental Health and Developmental Services – Rural Regional Center – FY 04 – Transfer of $111,600.00 from the Community Training Center (CTC) Day Training category to the Non-CTC Jobs and Day Training category to cover projected expenditures for non-certified jobs and day training programs that provide client services based on individual need and choice and in a less restrictive, less expensive setting. Requires Interim

Finance approval since the amount transferred to the Non-CTC Jobs and Day Training category exceeds $50,000.00.

Refer to motion for approval under Item F.

26. **Department of Human Resources – Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 04 –** Transfer of $214,300.00 from the Medications category to the Operating category, $85,700.00 from the Medications category to the Maintenance of Building and Grounds category and $29,400.00 from the Food Service Center category to the Maintenance of Building and Grounds category to meet the Joint Commission on Accreditation of Health Care Organization's (JCAHO) accreditation requirements and to cover projected pharmacist and security service contractual expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

David Rosin, Medical Director, Division of Mental Health and Developmental Services, identified himself for the record and introduced Peter Brand, Administrative Services Officer, Southern Nevada Adult Mental Health Services (SNAMHS).

Mr. Brand requested committee approval to transfer $300,000 from the Medications category and $29,400 from the Food Service categories to fund projected shortfalls of $214,300 and $115,100 in the Operating and Building Maintenance categories. Mr. Brand attributed the projected shortfalls to preparation of SNAMHS facilities for accreditation by the Joint Commission on Accreditation of Health Care Organizations in January.

Chairman Arberry requested assurance that the agency would not expend funds again in the future for accreditation-related expenditures without prior budgetary approval.

Mr. Brand apologized to the members of the committee for the expenditures and provided assurance that corrective steps had been taken to ensure the mistake would not be repeated in the future.

Ms. Leslie requested that information be placed on the record with respect to the savings that had resulted in the Medications' category. Ms. Leslie indicated it was her understanding the savings in the Medications' category resulted from the hiring of additional pharmacists and not from the dispensation of less medication. Ms. Leslie asked Dr. Rosin to provide a more detailed explanation concerning the savings.

Dr. Rosin advised that the 2003 Legislature approved the use of contract pharmacists until the Division could successfully hire permanent pharmacists.

The hiring of new pharmacists enabled the opening of two additional state-operated pharmacies that had the ability to distribute medication at a lesser cost than previously distributed. Dr. Rosin advised that medication to clients had not been reduced, and the average cost was much less expensive per prescription compared to when the state's contract pharmacy, Catalyst was used.

Ms. Leslie wanted to ensure that the state was not arbitrarily decreasing medication in order to make up the shortfall to pay for the over expenditure.

Dr. Rosin assured Ms. Leslie and members of the committee that savings resulted from the decrease in the cost of medication purchased and the absence of an administrative cost.

MS. LESLIE MOVED APPROVAL OF ITEM 26.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

27. Department of Human Resources – Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 04 – Addition of $66,767.00 in Federal Going Home Prepared grant funds transferred from the Department of Corrections to continue funding a position responsible for performing inmate mental health assessments and assisting with offenders with reoccurring disorders. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

28. Department of Human Resources – Mental Health and Developmental Services – FY 04 – Addition of $169,904.00 in Human Resources Service Administration (HRSA) Bioterrorism Hospital Preparedness grant funds transferred from the Health Division to fund three new positions responsible for establishing a system for acute psychosocial interventions and long-term mental health services that would be needed as a result of exposure to biological, chemical, radiological or explosive terrorist incidents. Requires Interim Finance approval since the amount added to the HRSA Hospital Preparedness category exceeds $50,000.00 and since the work program includes new staff.

Refer to motion for approval under Item F.

29. **Department of Human Resources – Mental Health and Developmental Services – Sierra Regional Center – FY 04 –** Transfer of $130,000.00 from the Residential Placement Communities category to the Personnel Services category to cover projected salary expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $50,000.00.

    Refer to motion for approval under Item F.

30. **Department of Human Resources – Mental Health and Developmental Services – Desert Regional Center – FY 04 –** Transfer of $673,411.00 from the Certified Training Center Day Training category to the Residential Placement category to cover an increase in supported living arrangement contractual rates and an increase in the number of clients served in intensive supported living arrangements. Requires Interim Finance approval since the amount transferred to the Residential Placement category exceeds $50,000.00.

    Refer to motion for approval under Item F.

31. **Department of Human Resources – Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 04 –** Addition of $196,167.00 in Pharmacy Sales and deletion of $2,176.00 in Agency Services revenue to cover increased medication requirements for the Division of Child and Family Services (DCFS) and Rural Clinics for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the DCFS and Rural Clinics Pharmacy category exceeds $50,000.00.

    Refer to motion for approval under Item F.

32. **Department of Human Resources – Mental Health and Developmental Services – Northern Nevada Adult Mental Health Services – FY 04 –** Addition of $131,885.00 in Pharmacy Sales revenue to provide for increased pharmacy requirements for Rural Clinics and the Lake's Crossing Center. Requires Interim Finance approval since the amount added to the Medication Sales category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

33. **Department of Human Resources – Mental Health and Developmental Services – Facility for the Mental Offender – FY 04 –** Transfer of $33,000.00 from the Personnel Services category to the Medication category to cover projected medication expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Medication category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

34. **Department of Human Resources – Mental Health and Developmental Services – Rural Clinics – FY 04 –** Transfer of $140,378.00 from the Personnel Services category to the Medication category to cover projected medication expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Medication category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

35. **Department of Human Resources – Health Division – Office of State Health Administration – FY 04 –** Transfer of $124,857.00 from the Personnel Services category to the Operating category to utilize available salary savings to cover the cost of a temporary contract position. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

Refer to motion for approval under Item F.

36. **Department of Human Resources – Health Division – Cancer Control Registry – FY 04 –** Transfer of $17,490.00 from the Personnel Services category to the National Cancer Prevention and Control category to utilize available salary savings to fund temporary contract employees. Requires Interim Finance approval since the cumulative amount transferred to the National Cancer Prevention and Control category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

37. **Department of Human Resources – Health Division – Consumer Protection – FY 04 –** Transfer of $64,100.00 from the Personnel Services category to the Information Services category to utilize available salary savings to fund a database migration project. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

38. **Department of Human Resources – Health Division – Alcoholism and Drug Rehabilitation - FY 04 –** Transfer of $108,656.00 from the Reserve category to the Information Services category to replace the existing DOS-based data system with a web-based system in order to maintain client statistics for treatment programs. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

39. **Department of Human Resources – Health Division – Community Health Services – FY 04** – Transfer of $623,641.00 from the Personnel Services category to various other categories to utilize available salary savings to support the cost of temporary contracted nursing and clerical staff and medical supplies for the various programs. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

    Refer to motion for approval under Item F.

40. **Department of Human Resources – Health Division – Communicable Disease Control – FY 04 –** Addition of $74,066.00 in Federal Chronic Disease Prevention and Health Promotion grant funds to continue to provide education and support services for arthritis care. Requires Interim Finance approval since the amount added to the Reducing Impact of Arthritis category exceeds $50,000.00.

    Refer to motion for approval under Item F.

41. **Department of Human Resources – Health Division – Maternal Child Health Services – FY 04 –** Addition of $64,116.00 in Oral Disease Prevention grant funds to continue the State Oral Health Program. Requires Interim Finance approval since the amount added to the Oral Disease category exceeds $50,000.00.

    Refer to motion for approval under Item F.

42. **Department of Human Resources – Health Division – Maternal Child Health Services – FY 04 –** Transfer of $45,933.00 from the Personnel Services category to the State-Based Core Injury Program category and $37,267.00 from the Personnel Services category to the Rape Prevention and Education category to consolidate two federally funded existing full-time positions funded by two federal grants into one full-time position funded 50% by each grant and utilize the savings to improve program effectiveness. Requires Interim Finance approval since the amount transferred to the State Based Core Injury Program category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

43. **Department of Human Resources – Health Division – Maternal Child Health Services – FY 04 –** Addition of $166,471.00 in Maternal Child Health Abstinence Education grant funds to continue the enhancement of Nevada's existing teen pregnancy prevention initiative through community action teams at the local level. Requires Interim Finance approval since the amount added to the Abstinence Education category exceeds $50,000.00 and since the work program includes new staff.

    Refer to motion for approval under Item F.

44. **Department of Human Resources – Health Division – Women, Infants and Children Food Supplement – FY 04 –** Addition of $1,206,054.00 in Federal United States Department of Agriculture Women, Infants and Children grant funds to continue to provide supplemental food vouchers and nutrition education to all participants of the Women, Infants and Children (WIC) program. Requires Interim Finance approval since the amount added to the Aid to Individuals category exceeds $50,000.00.

    Refer to motion for approval under Item F.

45. **Department of Human Resources – Health Division – Women, Infants and Children Food Supplement – FY 04 –** Addition of $787,199.00 in Federal Department of Agriculture, Women, Infants and Children, Electronic Benefits Transfer, grant funds to provide for a sub-grant with the Western Governors' Association to coordinate the statewide rollout of the Electronic Benefits Transfer/Electronic Service Delivery (EBT/ESD) project. Requires Interim Finance approval since the amount added to the EBT/ESD category exceeds $50,000.00.

    Refer to motion for approval under Item F.

46. **Department of Human Resources – Health Division – Alcoholism and Drug Rehabilitation – FY 04 –** Transfer of $29,782.00 from the Personnel Services category to the Operating category and $50,000.00 from the Personnel Services

category to the Alcohol Grants category to utilize available salary savings to cover the costs of contractual positions and the costs of substance abuse treatment programs**. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category and since this action involves the allocation of block grant funds and requires a public hearing.**

Refer to motion for approval under Item F.

47. **Department of Human Resources – Health Division – Health Alert Network – FY 04 –** Transfer of $23,898.00 from the Center for Disease Control Bioterrorism Preparedness category to the Personnel Services category to convert four contract positions to permanent positions effective June 1, 2004. Requires Interim Finance approval since the cumulative amount transferred to the Personnel Services category exceeds $50,000.00 and since the work program includes new staff.

Refer to motion for approval under Item F.

48. **Department of Human Resources – Welfare Division – Child Support Enforcement Program – FY 04 –** Addition of $46,200.00 in Federal Child Support Enforcement grant funds, and a transfer of $10,200.00 from the Reserve category to the Operating category, and $13,600.00 from the Reserve category to the State Collections and Disbursement Unit category to cover increased postage, rent, and security expenditures in the Operating category and increased banking fee expenditures in the State Collections and Disbursement Unit category for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the Reserve category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

49. **Department of Human Resources – Aging Services – Senior Citizens Property Tax Assistance Program – FY 05 -** Transfer of $11,500.00 from the Tax Assistance category to the Personnel Services category to increase a 0.51 Administrative Assistant III position to a full-time position, due to increased workload demands, through the elimination of an intermittent position. Requires Interim Finance approval since the amount transferred to the Personnel Services category includes a new position.

Carla Watson, Administrative Services Officer, Division of Aging Services identified herself for the record and introduced Carol Sala, Administrator, and Earline Heinz, Program Officer.

Ms. Watson requested committee approval to transfer $11,500 from the Tax Assistance category to the Personnel category to increase a .51 Administrative

Assistant III position to full-time and to eliminate a seasonal intermittent position. Ms. Watson advised that approval of the request would provide the staffing needed to assist claimants with technical programmatic questions. Additionally, Ms. Watson indicated that no shortfall in salaries was projected for fiscal year 2004, and a shortfall of $11,500 projected for fiscal year 2005 was revised to $6,700.

In response to questions from Ms. Giunchigliani concerning notification efforts, Ms. Watson advised that approximately 14,000 applications were mailed in January of each year to individuals whose addresses were in the division's database. Ms. Watson advised that applications were available through County Assessor offices.

In response to questions from Ms. Giunchigliani concerning property tax assistance for mobile home renters and property owners, Ms. Watson deferred to Ms. Heinz.

Ms. Heinz advised that the Division's Property Tax Assistance Program provided assistance to both mobile home owners who owned their property and mobile home owners who rented space as well as those who rented only.

With the existence of many small mobile home parks in all areas of Nevada, Ms. Giunchigliani indicated that many senior citizens, on a restricted income, might not even be aware of the availability of property tax assistance. Ms. Giunchigliani requested program information that she could share with colleagues whose districts included mobile home parks.

In response to a question from the Chairman, Ms. Watson affirmed the shortfall for fiscal year 2005 should be revised to $6,700.

DR. HARDY MOVED TO APPROVE THE REQUEST AS REVISED.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

50. Department of Human Resources – Aging Services – Tobacco Settlement – Fund for a Healthy Nevada – FY 04 – Addition of $1,463,809.00 in funds transferred from the Tobacco Settlement account to reconcile the Tobacco Settlement funds in the Treasurer's account to the Fund for a Healthy Nevada. Requires Interim Finance approval since the amount added to the Independent Living Grant category exceeds $50,000.00. **WITHDRAWN MARCH 25, 2004.**

Item 50 was withdrawn.

51. **Department of Human Resources – Division of Child and Family Services – Unified Nevada Information Technology of Youth (UNITY) – FY 04 –** Addition of $273,183.00 in Federal Title IV-E funds to pass-through federal funds to Washoe County for their participation in the UNITY program. Requires Interim Finance approval since the amount added to the Washoe County Participation category exceeds $50,000.00.

    Refer to motion for approval under Item F.

52. **Department of Human Resources – Child and Family Services – Youth Community Services – FY 04 –** Addition of $2,457,155.00 in Federal Title IV-E funds to pass-through federal funds to Washoe County for services that are not associated with Child Welfare Integration. Requires Interim Finance approval since the amount added to the IV-E Washoe County category exceeds $50,000.00.

    Refer to motion for approval under Item F.

53. **Department of Human Resources – Child and Family Services – Juvenile Correction Facility – FY 04 –** Transfer of $10,470.00 from the Operating category to the Maintenance of Buildings and Grounds category and $11,273.00 from the Private Contractor category to the Maintenance of Buildings and Grounds category to cover projected expenditures for maintenance of the Summit View facility for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Maintenance of Buildings and Grounds category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

54. **Department of Human Resources – Division of Child and Family Services - Community Juvenile Justice Program – FY 04 –** Addition of $93,290.00 in federal funds transferred from the Bureau of Alcohol and Drug Abuse (BADA) to enhance the current drug and alcohol treatment services for youth involved in the juvenile justice system. Requires Interim Finance approval since the amount added to the BADA category exceeds $50,000.00.

    Refer to motion for approval under Item F.

55. **Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 04 –** Transfer of $110,715.00 from the Personnel Services category to the Operating category to cover projected pharmacy expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

Refer to motion for approval under Item F.

Chairman Arberry announced that Items 56 and 57 would be considered simultaneously.

56. **Department of Motor Vehicles – Director's Office – FY 04 –** Addition of $245,000.00 in Highway Fund Appropriation to expand the Kiosk Project. Requires Interim Finance approval pursuant to Assembly Bill 553, Section 40, of the 2003 Legislative Session. **RELATES TO ITEM 57.**

Ginny Lewis, Director, Department of Motor Vehicles (DMV), identified herself for the record. Ms. Lewis requested committee approval to transfer $245,000 of authority from fiscal year 2004-05 to fiscal year 2003-04 to expand the DMV kiosk project.

At the January 28, 2004, meeting of the IFC, Ms. Lewis advised the committee the DMV was proceeding with implementation of the kiosk project and in May would begin a rollout of 14 additional kiosks to metropolitan and express offices in southern and northern Nevada. Completion of the project was projected by the middle of June.

After five months of observation at the Carey office, Ms. Lewis reported the following:

- The Carey office kiosk successfully served about 1,000 customers a month.
- The transactions were limited to "a clean registration" with payment made by either credit card or cash.
- Customers were in and out of the office in less than five minutes with each transaction time taking about two minutes.

Ms. Lewis reported that customers, whose response had been "extremely positive," were guided to a kiosk, provided the ability to pay with cash, and exited the office with decal and registration in hand. Ms. Lewis said the pilot program met its objective to recognize cash customers and to serve them quickly.

Ms. Giunchigliani recalled that, during the 2003 legislative budget closing process, it was decided four kiosks would be placed in metropolitan and express offices.

Ms. Lewis advised that it was “quickly realized” during the pilot program that four kiosk machines would sit idle, and that two machines was a better way to begin. Ms. Lewis further advised that kiosks currently could only perform one transaction, but other transactions including late renewals and drivers’ license renewals were scheduled for implementation after installation of the kiosks was completed. Additionally, Ms. Lewis advised that the kiosk transactions would be closely monitored to determine if additional kiosks were needed.

In response to Ms. Giunchigliani’s concerns with respect to whether the DMV could measure staff requirements based on kiosk transactions, Ms. Lewis said the DMV would not return to the Legislature to request additional staff. Ms. Lewis explained that their goal had been to see how many simple customer transactions could be handled via the Internet or kiosks so that technicians could address more complex transactions. Ms. Lewis advised that with staffing needs addressed during the 2003 Legislative Session, the DMV would continue to explore technology in order to better serve the growth needs of the state.

In response to questions from Ms. Giunchigliani in reference to wait times, Ms. Lewis advised that after phasing in 100 percent staffing, the DMV now had two offices with 100 percent staffing and one office with 100 percent staffing and one kiosk. Ms. Lewis indicated that Deputy Director, Clay Thomas would provide the committee with statistical data on wait times.

Mr. Thomas provided the following statistics for the Carey office:

- The 2003 Legislature approved 30 new positions for the Carey office.
- The technicians were hired in August 2003 and began handling transactions in October 2003.
- During March 2003, the Carey office handled 26,276 customer transactions with an average wait time of 87 minutes.
- During March 2004, the Carey office handled 28,260 customer transactions with an average wait time of 55 minutes, a reduction of 32 minutes with 1,984 additional customers.
- Comparing the last six months against the same period one-year ago, the customer wait time went from an average of 90 minutes to an average of 59 minutes, a reduction of 31 minutes.
- Overtime for the Carey office was reduced approximately 56 percent.

Ms. Giunchigliani expressed her appreciation to the DMV representatives for bringing the kiosk concept to the Legislature for approval, which she indicated, eased some of the burden for the staff and provided members of the public more timely transactions.

Ms. Giunchigliani questioned what the failed transaction rate amounted to and whether failed transactions could be reduced.

Ms. Lewis advised that unsuccessful transactions on the kiosk were limited to customers who, for example, did not know they had a parking ticket, or did not realize their vehicle's insurance had lapsed, or that an emission test was required.

In response to additional questions Ms. Giunchigliani had concerning the failed transactions, Ms. Lewis advised that a failed transaction on the kiosk, during the pilot project, was indicated by a code and required a technician to advise the customer. With the new rollout, a message the public could understand would be provided.

In reference to a separate issue, Ms. Giunchigliani asked to be contacted after the meeting concerning "prison identifications and the DMV."

Mr. Beers asked for information concerning the percentage of kiosk transactions paid for with cash.

Ms. Lewis said that during the month of March, 31 percent of all kiosk transactions were paid for by credit card and the balance cash, which validated the suspicion that the majority of transactions were paid for with cash.

During a recent visit to the Carey office Mrs. Chowning said she observed a positive customer experience and commended staff for taking customers out of the information line to the kiosk to quickly complete their transactions. Mrs. Chowning also observed that completion of two transactions would ensure an even more positive experience and asked the following questions:

- When drivers' license renewals and insurance verifications transactions could be completed through the use of a kiosk.

- Why the Carey office had a kiosk and the Sahara office did not.

- Why express offices and the Carson City office merited a kiosk.

Ms. Lewis advised that additional kiosk transactions, the first of which included late renewals, would be included in the new rollout. While a date was not yet available, Ms. Lewis said drivers' license renewal transactions would follow the late renewal transactions. In addition, Ms. Lewis indicated that DMV was working with the vendor to place IVP reinstatements first on the Internet, perhaps by summer and then on the kiosk. Ultimately, Ms. Lewis indicated that every transaction on line would also be available on a kiosk.

In reference to the placement of kiosk at the Carey office rather than the Sahara office, Mr. Thomas advised the need was greater since the Carey office had more customers than the Sahara office, and a language barrier at the Carey office often slowed down transactions.

In response to the question concerning kiosks for express offices and Carson City, Ms. Lewis said that while express offices had not been included in discussions concerning wait times and Carson City was not considered a metropolitan office, it was important to the DMV to provide customers with the most efficient service possible. Ms. Lewis advised that as the rollout took place, data would be gathered and adjustments could be made.

In response to a question from Mr. Beers, Ms. Lewis confirmed bilingual transactions could be completed using a kiosk.

Mr. Parks questioned whether the DMV had prioritized positioning of the kiosks and whether a breakeven point to warrant installation had been configured.

Ms. Lewis advised that the kiosks would be installed at the following offices:

Carey (2), Donovan (1), Flamingo (2), Sahara (2), Henderson (2), Carson City (1), Reno Express (1), Sparks Express (1) and Galletti (2).

While Ms. Lewis did not have answer for an actual breakeven point, she said transactions were closely monitored during the pilot project, and the kiosk had proved an "incredible potential." With the ability to process 9 renewals in 15 minutes, Ms. Lewis said a goal had been set to see the machines consistently working all day long.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEMS 56 AND 57.

MRS. GIBBONS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

57. Department of Motor Vehicles – Director's Office – FY 05 – Deletion of $245,000.00 in Highway Fund Appropriation to expand the Kiosk Project in fiscal year 2004. Requires Interim Finance approval pursuant to Assembly Bill 553, Section 40, of the 2003 Legislative Session. **RELATES TO ITEM 56.**

Refer to motion for approval under Item 56.

58. **Department of Motor Vehicles – Field Services – FY 05 –** Transfer of $1,166,213.00 from the Reserve category to the Personnel Services category and $9,367.00 from the Reserve category to the Operating category for the continued funding of additional personnel at the Flamingo office for which funding was approved and placed in reserve by the 2003 Legislature in an effort to improve customer service. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $50,000.00

Refer to motion for approval under Item F.

59. **Department of Motor Vehicles – Central Services – FY 05 –** Addition of $101,378.00 in funds transferred from the *Salvage/Wreckers/Body Shops Budget Account* for the continued funding of three positions needed to comply with Assembly Bill 325, Chapter 339, of the 2003 Legislative Session that requires the department to produce certificates of title for salvaged vehicles prior to the sale of that vehicle within a two-day period. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00. **RELATES TO ITEM 60.**

Refer to motion for approval under Item F.

60. **Department of Motor Vehicles – Salvage/Wreckers/Body Shops – FY 05 –** Addition of $101,378.00 in revenue generated from Salvage Title Fees pursuant to Assembly Bill 325, Chapter 339, of the 2003 Legislative Session. Requires Interim Finance approval since the amount added to the Salvage Titles 2003 AB 325 category exceeds $50,000.00. **RELATES TO ITEM 59.**

Refer to motion for approval under Item F.

61. **Department of Motor Vehicles – Records Search – FY 05 –** Transfer of $34,000.00 from the Reversion to the Highway Fund category to the Modular Units category to extend the use of a modular trailer unit as storage space for documents to be microfilmed. Requires Interim Finance approval since the amount transferred to the Modular Units category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

62. **Department of Public Safety – Emergency Management Division – FY 04 –** Addition of $15,130.00 in funds transferred from the Agency for Nuclear Projects to continue the Waste Isolation Project for the transportation of transuranic waste between the Nevada Test Site and the Waste Isolation Plant. Requires Interim Finance approval since the amount added to the Waste Isolation Pilot Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

63. Department of Public Safety – Emergency Management Division – FY 04 – Addition of $49,371.00 in Federal Department of Energy grant funds to align the legislatively approved budget authority with the actual grant award for activities involving emergency preparedness. Requires Interim Finance approval since the amount added to the Emergency Management Preparedness Grant category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

64. Department of Public Safety – Highway Patrol – FY 04 – Addition of $752,424.00 in Homeland Security grant funds transferred from the Division of Emergency Management to purchase and convert two motor homes into Mobile Command Centers to function as command and control centers in the event of terrorist or weapons of mass destruction incidents or other emergencies. Requires Interim Finance approval since the amount added to the Homeland Security grants category exceeds $50,000.00.

Refer to motion for approval under Item F.

65. Department of Public Safety – Highway Patrol Division – FY 04 – Addition of ~~$19,747.00~~ $31,969.00 in revenue received from Insurance Recoveries to replace Highway Patrol vehicles involved in accidents. Requires Interim Finance approval since the cumulative amount added to the Crash Fund category exceeds 10% of the legislatively approved level for that category. **REVISED MARCH 22, 2004**.

Refer to motion for approval under Item F.

66. Department of Public Safety – Highway Patrol Division – FY 04 – Transfer of $402,991.00 from the Personnel Services category to the Operating category and $11,000.00 from the Personnel Services category to the Utilities category to cover projected fuel, fleet maintenance and utility expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

Refer to motion for approval under Item F.

Chairman Arberry announced that Item 67 related to Agenda Item H.3.

67. Department of Public Safety – Training Division – FY 04 – Transfer of $30,000.00 from the Personnel Services category to the Operating category to cover projected food expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Operating category exceeds $50,000.00. **RELATES TO AGENDA ITEM H3.**

Rick Keema, Chief, Public Safety Training Division identified himself for the record. Mr. Keema requested approval to transfer $30,000 from the Personnel Services category to the Operating category to cover increased food expenditures for fiscal year 2004.

Mark Stevens, Assembly Fiscal Analyst, reported an adjustment in the Contingency Fund request, Item H.3, which reduced the Highway Fund allocation from $41,120 to $22,622, and the General Fund allocation from $4,602 to $2,513. Mr. Stevens reiterated that Items 67 and H.3 were related.

SENATOR RAGGIO MOVED APPROVAL OF ITEM 67 AND THE CONTINGENCY FUND ALLOCATION, ITEM H.3, AS AMENDED.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

68. **Department of Public Safety – Division of Parole and Probation – FY 04 -** Transfer of $162,035.00 from the Personnel Services category to the In-State Travel category to cover projected monthly Motor Pool Vehicle Rental and mileage expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the In-State Travel category exceeds $50,000.00.

Refer to motion for approval under Item F.

69. **Department of Public Safety – Traffic Safety – FY 04 –** Addition of $100,000.00 in Federal Incentive grant funds authorized under Section 157 of the Transportation Equity Act to purchase handheld pocket personnel computers (iPACs) and related equipment so that troopers can input citations and crash reports directly into the Nevada Citation and Accident Tracking System while in the field. Requires Interim Finance approval since the amount added to the 157 Incentive Grant category exceeds $50,000.00.

Refer to motion for approval under Item F.

70. **Department of Public Safety – Motorcycle Safety Program – FY 04 –** Transfer of $33,000.00 from the Reserve category to the Equipment category to replace eleven motorcycles over ten years old. Requires Interim Finance approval since the amount transferred to the Equipment category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

71. **Department of Conservation and Natural Resources – Division of Environmental Protection – Bureaus of Waste Management and Corrective Actions – FY 04 –** Addition of $217,547.00 in funds transferred from the Division of Emergency Management to update the State CBRNE/Hazardous Materials Operation Support Plan and to purchase equipment to respond to hazardous material emergencies and incidents of terrorism involving chemical, biological, radiological, nuclear or explosive materials (CBRNE). Requires Interim Finance approval since the amount added to the Emergency Management category exceeds $50,000.00.

    Refer to motion for approval under Item F.

72. **Department of Conservation and Natural Resources – Division of Environmental Protection – Safe Drinking Water Act – FY 04 -**Addition of $117,213.00 in revenue received from Safe Drinking Water Interest Payments/Bonds, $10,220.00 in revenue received from Intergovernmental Safe Drinking Water Principal Payments and $4,997.00 in Proceeds from the Sale of Drinking Water Bonds due to an increase in revenue collections and to support the issuance of new loans. Requires Interim Finance approval since the amount added to the Loans - Water Systems category exceeds $50,000.00.

    Refer to motion for approval under Item F.

73. **Department of Conservation and Natural Resources – Forestry – FY 04 –** Transfer of $5,000.00 from the Vehicle Reserve category to the Personnel Services category and $27,213.00 from the Vehicle Reserve category to the Humboldt National Forest Operating category to cover projected seasonal salaries and to purchase a fire engine. Requires Interim Finance approval since the amount transferred to the Humboldt National Forest Operating category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

74. **Department of Conservation and Natural Resources – Division of Forestry – Forest Nurseries – FY 04 –** Addition of $85,000.00 in Seed Bank Sales and a transfer of $15,000.00 from the Reserve category to the Seed Bank category to cover projected seed expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Seed Bank category exceeds $50,000.00.

    Refer to motion for approval under Item F.

75. **Department of Conservation and Natural Resources – Division of Forestry – Forestry Nurseries – FY 04 –** Transfer of $28,688.00 from the Reserve category to the Transfer to Parks Maintenance category to transfer the projected fiscal year ending balance from the wood sales to the Division of State Parks.

Requires Interim Finance approval since the amount transferred to the Transfer to Parks Maintenance category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

76. **Department of Conservation and Natural Resources – Division of Forestry – Intergovernmental Agreements – FY 04 –** Augmentation of $579,810.00 in Washoe County Receipts, deletion of $180,027.00 in Elko County Receipts, $55,412.00 in Storey County Receipts, $14,716.00 in Clark County Receipts, $32,333.00 in Eureka County Receipts, $124,915.00 in Douglas County Receipts, $26,670.00 in Carson City Receipts, and $18,021.00 in White Pine County Receipts to align the legislatively approved budget with the budgets approved by the counties for support of the fire districts. Requires Interim Finance approval since the amount added to the Washoe County category exceeds $50,000.00.

    Refer to motion for approval under Item F.

77. **Department of Conservation and Natural Resources – Division of Forestry – Forestry Nurseries - FY 04 –** Addition of $45,916.00 in revenue transferred from the Forestry Division to fund the salaries of seasonal staff. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds 10% of the legislatively approved level for that category.

    Refer to motion for approval under Item F.

78. **Department of Wildlife – Wildlife Administration – FY 05 –** Addition of $21,771.00 in Federal Statewide Wildlife grant funds, and $42,469.00 in funds transferred from the Department of Conservation and Natural Resources (EIP Bond). Deletion of $47,971.00 in Federal Pittman Robertson grant funds and $20,558.00 in Federal Sport Fish grant funds. Transfer of $684.00 from the Vehicles category to the Personnel Services category, $108.00 from the Tahoe Environmental Improvement Program (EIP) category to the Personnel Services category, and $2,677.00 from the Reserve category to the Personnel Services category to realign funding for the department's Lake Tahoe EIP and to fund a new EIP position. Requires Interim Finance approval since the work program includes new staff.

    Refer to motion for approval under Item F.

79. **Department of Wildlife – FY 05 –** Augmentation of $288,262.00 in Federal State Wildlife grant funds, $13,078.00 in Federal Wildlife Restoration grant funds and $78,090.00 in Federal Landowner Incentive grant funds to expand the Wildlife Diversity Bureau and its efforts to keep non-game wildlife such as reptiles, birds, amphibians, and mammals off the endangered species list. Requires Interim

Finance approval since the amount added to the Personnel Services category exceeds $50,000.00 and includes new staff.

Refer to motion for approval under Item F.

80. **Department of Transportation – FY 04 –** Addition of $6,159,043.00 in Highway Fund Authorization to cover projected Personnel Services expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00.

Refer to motion for approval under Item F.

81. **Department of Transportation – FY 04 –** Addition of $175,000.00 in Highway Fund Authorization to cover the cost of services provided by inmate crews and juvenile offenders performing community services as part of their rehabilitation. Requires Interim Finance approval since the amount added to the Honor Camp Payment category exceeds $50,000.00.

Refer to motion for approval under Item F.

82. **Department of Transportation – FY 05 –** Addition of $9,518.00 in Highway Fund Authorization and $142,783.00 in Federal Aviation Administration grant funds to cover Administrative Consultant expenditures associated with continuous updates of the Nevada Statewide Airport Systems Plan. Requires Interim Finance approval since the amount added to the Federal Aid category exceeds $50,000.00.

Refer to motion for approval under Item F.

83. **Office of the Military – FY 04 –** Addition of $15,950.00 in Federal Department of Defense funds to fund a new Environmental Scientist II position to meet National Guard Bureau workload requirements relating to the Resource Conservation and Recovery Act and other city, county and state requirements. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds $50,000.00 and since the work program includes new staff.

Refer to motion for approval under Item F.

84. **Office of the Military – FY 05 –** Addition of $63,800.00 in Federal Department of Defense Funds to fund a new Environmental Scientist II position to meet National Guard Bureau workload requirements relating to the Resource Conservation and Recovery Act and other city, county, and state requirements. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00 and includes new staff.

Refer to motion for approval under Item F.

85. **Office of the Military – FY 04 –** Addition of $498,820.00 in Federal Office of Domestic Preparedness Homeland Security grant funds transferred from the Office of Emergency Management to purchase and implement a vehicle entrance security system for the Nevada Military Joint Operations Center in Carson City and to purchase first response emergency handbooks. Requires Interim Finance approval since the amount added to the Federal Grants category exceeds $50,000.00.

Major General Giles E. Vanderhoof, the Adjutant General of Nevada, identified himself for the record. General Vanderhoof requested approval for the Office of the Military to receive $498,820 in federal Office of Domestic Preparedness (ODP) Homeland Security grant funds. The grant funds would be used to purchase and install a vehicle entrance security system (Vehicle Lift Bollard System) at the Nevada National Guard's Joint Operations Center in Carson City, and to purchase First Responder handbooks for training on how to handle biological or chemical incidents.

Prior to the September 11, 2001, terrorist attacks, General Vanderhoof said physical security for Army Guard Headquarters or armories had been largely ignored. However, since the events of September 11, 2001, appropriate security measures were federally required. The Nevada Military Joint Operations Center in Carson City was approved for construction prior to September 11, 2001, and with the containment of weapons, ammunition and explosive equipment within the Carson City headquarters, the Office of the Military applied for and was awarded a grant that did not require state matching funds. General Vanderhoof predicted that in the future, security requirements would probably be funded along with construction funds.

SENATOR RAGGIO MOVED APPROVAL OF ITEM 85.

MRS. GIBBONS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

86. **Commission on Mineral Resources – Division of Minerals – FY 04 –** Addition of $111,450.00 in Mining Claim Fees, $33,435.00 in Dangerous Mine Fees and $84,180.00 in Abandoned Mine Land Securing Fees to cover the costs associated with the Abandoned Mine Lands program. Requires Interim Finance approval since the amount added to the Abandoned Mine Land Securing category exceeds 10% of the legislatively approved level for that category. **RECEIVED MARCH 25, 2004.**

Refer to motion for approval under Item F.

87. **Department of Conservation and Natural Resources – Division of Forestry – FY 04 –** Transfer of $23,000.00 from the Rural Fire Prevention category to the Personnel Services category and $2,000.00 from the Rural Fire Prevention category to the Natural Resource Advisor Operating category to create and fund a State Natural Resource Advisor position through June 30, 2004. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds 10% of the legislatively approved level for that category and includes new staff. **RECEIVED MARCH 25, 2004**.

Item 87 was withdrawn.

88. **Department of Agriculture – Plant Industry – Pest, Plant Disease and Noxious Weed Control – FY 04** – Addition of $36,725.00 in United States Department of Agriculture (USDA) Fire Ants federal grant funds and $55,291.00 in USDA Salt Cedar federal grant funds, and a deletion of $41,233.00 in USDA Pest Detection federal grant funds and $11,022.00 in USDA Mormon Crickets and Grasshoppers federal grant funds to reconcile the legislatively approved budget with federal grant authority. Requires Interim Finance approval since the amount added to the USDA Imported Fire Ants category exceeds 10% of the legislatively approved level for that category. **RECEIVED MARCH 25, 2004**.

Refer to motion for approval under Item F.

Reclassifications

Refer to motion for approval under Item F.

Agency	Agency/ Account No.	Position Number	Present Class, Code, EEO-4, Grade & Salary	Proposed Class, Code, EEO-4, Grade & Salary
Department of Education	300/2673	0046	Administrative Assistant IV, 2.210, grade 29, step 9, $21,652.56, .50 FTE, Employee/Employer Paid	Program Officer I, 7.649, grade 31, step 9, $23,615.28, .50 FTE, Employee/Employer Paid
Department of Education	300/2705	0046	Administrative Assistant III, 2.211, grade 27, step 9, $19,846.44, .50 FTE Employee/Employer Paid	Program Officer I, 7.649, grade 31, step 7, $21,652.56, .50 FTE, Employee/Employer Paid
Department of Corrections/ Personnel	440/3710	0665	Accountant Technician II, 7.141, grade 32, step 1, $31,737.60, Employer Paid Retirement	Accounting Assistant IV, 2.300, grade 29, step 1, $28,062.72, Employer Paid Retirement
Department of Corrections	440-3719	0250	Program Officer II, 7.647, grade 33, step 1, $33,136.56, Employer Paid Retirement	Correctional Officer, 12.515, grade 31, step 1, $30,463.92, Employer Paid Retirement
Department of Motor Vehicles	810/4722	SA5558	DMV Services Technician III, 11.424, grade 27, step 1, $25,849.44, Employer Paid Retirement	Administrative Assistant II, 2.212, grade 25, step 1, $23,886.72, Employer Paid Retirement
Department of Motor Vehicles	810/4735	CC7032	Administrative Assistant II, 2.212, grade 25, step 1, $23,886.72, Employer Paid Retirement	DMV Services Manager IV, 11.428, grade 41, step 1, $46,854.72, Employer Paid Retirement
Department of Transportation/ Information Services	800/4660	067047	Communications System Supervisor, 6.976, grade 37, step 1, $39,317.04, Employer Paid Retirement	Computer Network Specialist III, 7.916, grade 40, step 1, $44,829.36, Employer Paid Retirement
Department of Conservation and Natural Resources/ Environmental Protection	709/3173	0329	Accounting Assistant III, 2.301, grade 27, step 4, $29,211.12, Employer Paid Retirement	Accountant Technician I, 7.143, grade 30, step 3, $31,737.60, Employer Paid Retirement
Department of Conservation and Natural Resources/ Environmental Protection	709/3173	0341	Environmental Scientist III, 10.525, grade 36, step 1, $37,625.76, Employer Paid Retirement	Public Information Officer II, 7.804, grade 37, step 1, $39,317.04 Employer Paid Retirement

G. STATEMENT OF CONTINGENCY FUND BALANCE.

Mark Stevens, Assembly Fiscal Analyst, reported the following:

Contingency Fund – Current Available Spending Authority

General Fund Unreserved Balance	Highway Fund Unreserved Balance
$11,884,543.81	$1,550,155.35

Mr. Stevens advised the members of the committee that approval of all the requests before the committee would reduce the balances as follows:

General Fund Unreserved Balance	Highway Fund Unreserved Balance
$7,000,000	$700,000

Ms. Giunchigliani asked for information on school bus replacement.

Mr. Stevens responded that the $7 million that would remain in the General Fund portion of the Contingency Fund would take into account all of the requests before the committee including the requests for $2.1 million for the Distributive School Account (DSA) and $2.6 million for the Division of Forestry's request for bus replacement.

Mr. Stevens indicated that the Board of Examiners had approved the Division of Forestry's bus replacement contingent on information being received for school bus replacement. The information on school bus replacement was available and would be discussed at the time the issue was addressed.

Ms. Giunchigliani questioned how low the Contingency Fund had been reduced to in the past.

Mr. Stevens advised that the Contingency Fund had been reduced to almost nothing at various times in the past.

*H. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY FUND. (NRS 353.269):

1. **DEPARTMENT OF EDUCATION – DISTRIBUTIVE SCHOOL ACCOUNT** – Request for a $2,351,324 allocation from the Interim Finance Committee Contingency Fund to participate in the funding of premiums for group health insurance for 798 retired employees enrolled in the Public Employees' Benefits Program pursuant to Assembly Bill 286 of the 2003 Legislative Session.

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, Department of Education, identified himself for the record. In a brief background presentation Mr. Thunder provided the following information:

- Assembly Bill 286, 2003 Legislature, required local governments, including school districts, to subsidize a portion of the cost of group health insurance for their retired employees.

- The amount being requested from the Contingency Fund to cover the cost of the subsidy was reduced from the $3.8 million originally projected for the full fiscal year, since the billings began in October rather than July.

- 188 fewer employees were enrolled in the Public Employees Benefits Program (PEBP) than originally anticipated.

- $2,351,324 was requested from the State Board of Examiners.

- After polling school districts, it was learned that some school districts were already subsidizing their retired employees, which further reduced the request by $200,510 for a total of $2,150,813.

Ms. Giunchigliani questioned the reduction of the number of employees by 188.

Mr. Thunder responded that the projections in July were based on information available at that time. He said department representatives arrived at the amount currently being requested from the Contingency Fund by requesting the monthly billing for the school districts from the PEBP current through February and projecting the remainder of the year based on the number of enrollees.

Ms. Giunchigliani asked for confirmation that there was no allocation for those individuals who were not in the state plan.

Mr. Thunder indicated it was his understanding that the legislation only required the school districts to subsidize those individuals in the state plan.

Ms. Giunchigliani indicated that while legislative intent had been "clear" that retired employees who were not enrolled in the state plan were to receive the subsidy as well, the language in the bill was "unclear." Noting that the dollar request was less than anticipated and since funding was available from within the Contingency Fund, Ms. Giunchigliani asked if there had been any discussion about passing the subsidy on to those individuals who were not in the state plan.

Mr. Thunder indicated that possibility had not been pursued.

Ms. Giunchigliani asked for Legislative Counsel's opinion.

Brenda Erdoes, Legislative Counsel, indicated Counsel's opinion was there would be no prohibition "at least at a state law level for the school districts to contribute to the other retirees in the form of a subsidy."

Ms. Giunchigliani advised that she and Senator Amodei served on the A.C. R. 10 Interim Legislative Committee, Public Employees Benefits Program, which was addressing the issue.

Ms. Giunchigliani said that many retirees had appeared before the interim committee to testify concerning the dollar amount they were paying for health insurance coverage. Ms. Giunchigliani indicated she believed a discriminatory practice had been created for those individuals who were not covered by the subsidy and asked that the committee consider funding to offset some of that cost.

In response to questions from Mr. Marvel concerning whether the school districts were current in their payments, Mr. Thunder advised it was his understanding that several school districts were not current.

Mr. Marvel questioned whether the funding requested from the Contingency Fund would be used to repay the districts that had made subsidy payments.

Mr. Thunder advised that in October 2003, the Department of Education contemplated a request for funding from the Contingency Fund to cover the costs of the subsidy, and it was determined at that time to wait until the actual costs could be more accurately determined. Mr. Thunder advised that the school districts had been working with that in mind and anticipated being repaid for some of the costs they had already incurred.

Mr. Marvel questioned how the money would be distributed to the school districts.

Mr. Thunder indicated that an allocation from the Contingency Fund would be transferred to the Distributive School Account in a separate category, and the districts would be reimbursed for what they had expended.

In response to a question from Mr. Marvel concerning the number of school districts that had not made payment, Mr. Thunder advised he did not have the information with him.

Senator Amodei questioned whether some districts were providing a subsidy as a part of their regular budgeting process prior to the passage of A.B. 286.

Mr. Thunder confirmed that four districts were providing a subsidy prior to the passage of A. B. 286, and that subsidy was built into their budgets for the current biennium.

Senator Amodei noted that the request for an allocation from the Contingency Fund was a “one-shot” request, and asked if the school districts would build the cost into their budgets henceforth.

Mr. Thunder indicated it was anticipated the districts would build the ongoing cost into their budgets, unless there was some action taken by the next Legislature that changed the situation.

Senator Amodei indicated his sensitivity to the issue after hearing that members of a local school board accused the Legislature of being “asleep at the switch” with the passage of A.B. 286. Senator Amodei pointed out the policy of “taking care” of retirees was the issue that should be addressed. Additionally, Senator Amodei indicated he was “quite awake” when he voted for passage and fully intended that people not be put into the state system without a subsidy. Senator Amodei pointed out that the state subsidized their employees, and he took issue with those who had a problem of subsidizing their own retirees for whom the state was now being asked to provide assistance.

Mr. Thunder addressed concerns that had been expressed that fiscal notes had been requested from the various local governments, but not from the school districts, and thus none were provided by the school districts.

Senator Amodei pointed out that even without fiscal notes, the cost of health insurance was a well-known fact and indicated he would have supported the legislation whether or not fiscal notes had been provided. Senator Amodei said that if members of a local school board wanted to cast dispersions at the Legislative Branch, he wanted the record to reflect that there had been no misunderstanding concerning the cost of health insurance. If payment of health insurance premiums was going to involve funds with which the Legislature was now ready to assist, Senator Amodei indicated, “it was a sad day” if providing that kind of assistance was poor treatment of the school districts.

Acting as Chairman, Senator Raggio expressed agreement with Senator Amodei’s comments and said that, “even though technically a fiscal note was not requested from the school districts,” school district representatives attended the hearings. Chairman Raggio pointed out that the issue was the cost of placing local government retirees into the state system at the same time the state was experiencing difficulty with the expense of public employees’ health benefits.

Chairman Raggio also expressed concern that the request for $2,150,183 represented only a portion of fiscal year 2004 and questioned what the projected cost of the subsidy was for fiscal year 2005.

Mr. Thunder responded that the subsidy for 2005 was projected at approximately $4 million, which he indicated the Department would need to either request another allocation from the Contingency Fund or wait until the Legislature convened to request a supplemental appropriation.

Chairman Raggio pointed out that approval of current requests would reduce the Contingency Fund to $7 million, and there would not be enough money in the Contingency Fund in 2005 for a $4 million request as well as funds for the projected replacement of school buses.

Chairman Raggio pointed out the issue had significance for all involved and questioned how the DSA would be reduced to accommodate the cost of the subsidy if it was built into the DSA. Indicating it was his understanding that most of the school districts had paid their portion of the subsidy and approval of the Contingency Fund request would provide a reimbursement to them, Chairman Raggio questioned whether a decision had to be made immediately.

Mr. Thunder advised that while the districts would prefer the request be acted upon immediately, billings though May would be available by the time the IFC meeting took place in June.

Since it appeared the school districts had some ability to pay for the subsidy given that most had made payments, Chairman Raggio discussed the feasibility of a compromise so that the state did not bear the entire funding responsibility in the future.

Mr. Thunder said the reason the districts approached the state, and the cities and counties did not, was that the school districts were almost completely dependent upon the state for revenue. Mr. Thunder also mentioned that the Department anticipated a significant surplus in the Distributive School Account as a result of the increase in sales tax. Mr. Thunder discussed the possibility of a mechanism by which the requested group insurance subsidy amount could be paid straight out of the DSA rather than through the Contingency Fund and indicated the issue had been discussed with both the committee's staff and Executive Branch representatives.

In response to a question from Chairman Raggio, Mr. Thunder reported that sales tax was the most significant contributing factor to the DSA budget, and current sales tax projections were somewhere between $30 and $40 million above the budgeted amount.

Chairman Raggio indicated that if the request were to be approved it be with the caveat that a precedent for future funding not be established and that a compromise for the future be explored so that the entire cost did not rest with the state. Chairman Raggio pointed out that even though it had been stated that local government retirees had been invited into the state system, the state did not invite the “dumping” of the cost of the districts’ retirees.

Senator Rhoads pointed out that most rural counties were in a declining tax base and absorbing the entire cost of the subsidy would be difficult for rural school districts.

Mr. Marvel concurred with Senator Raggio and indicated it would be best to hold the request until the June meeting.

Chairman Arberry resumed his duty as Chairman.

Assemblyman Carpenter pointed out that if funding was approved for the school districts, the counties and the cities might also request support since the counties were not provided much assistance from the state.

Ms. Giunchigliani also expressed some disappointment in learning that a local school board blamed the Legislature for being asleep at the switch. However, Ms. Giunchigliani indicated that amendments and concepts from three different bills were blended into one bill late in the session, and some misunderstanding might have resulted from the attachment of a $5 million fiscal note to commingle active and retired participants. When the bill was amended, the $5 million fiscal note was eliminated, and certain individuals who would have been entitled to some portion of the subsidy did not receive it. Ms. Giunchigliani pointed out that while the interim committee on the Public Employee Benefit Program would look at subsidy issues, the only group represented in the request for funding from the Contingency Fund involved non-state retirees who participated in the state plan.

In view of the reduced amount requested, Ms. Giunchigliani expressed her opposition to delaying the request for funding and argued that while hundreds of individuals would not be compensated, an obligation existed to pay the small group represented in the request.

Ms. Giunchigliani agreed that a policy decision was required concerning the way local governments and school districts dealt with the cost of health insurance premiums for their retired employees. However, Ms. Giunchigliani indicated that delaying the vote would cost more money in the long run and programs in the districts were at risk of being cut.

> MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM H.1.
>
> MR. PARKS SECONDED THE MOTION.
>
> SENATOR RAGGIO AMENDED THE MOTION TO DEFER ACTION UNTIL THE JUNE MEETING.

SENATOR RHOADS SECONDED THE AMENDED MOTION.

Ms. Giunchigliani pointed out that legislation had been enacted that was not funded, and approval of funding from the Contingency Fund put no one at risk and provided some relief for the cost of insurance. Ms. Giunchigliani disagreed with the motion to amend and indicated it was the obligation and responsibility of the committee to fund the request.

Chairman Arberry called for a vote on Senator Raggio's motion to amend the motion on the floor by deferring action on Item H.1 until the June meeting.

SENATOR RAGGIO, SENATOR RHOADS, SENATOR AMODEI VOTED AYE.

SENATOR MATHEWS, SENATOR RAWSON VOTED NAY.

DR. HARDY, MR. BEERS, MR. CARPENTER AND MR. MARVEL VOTED AYE.

MRS. CHOWNING, MS. GIUNCHIGLIANI, MS. LESLIE, MR. ATKINSON, MR. PARKS, SPEAKER PERKINS, AND CHAIRMAN ARBERRY VOTED NAY. (MRS. GIBBONS WAS NOT PRESENT FOR THE VOTE.)

THE AMENDED MOTION FAILED.

Chairman Arberry called for a vote on the motion to allocate $2,351,000 from the Contingency Fund.

SENATOR RAWSON, SENATOR MATHEWS VOTED AYE.

SENATOR RAGGIO, SENATOR RHOADS, SENATOR AMODEI, VOTED NAY.

MR. PARKS, MS. LESLIE, MR. ATKINSON, MRS. CHOWNING, SPEAKER PERKINS, MS. GIUNCHIGLIANI, AND CHAIRMAN ARBERRY VOTED AYE.

DR. HARDY, MR. CARPENTER, MR. MARVEL, MR. BEERS VOTED NAY. (MRS. GIBBONS WAS NOT PRESENT FOR THE VOTE.)

THE MOTION FAILED ON THE SENATE SIDE.

2. **DEPARTMENT OF MOTOR VEHICLES – ADMINISTRATIVE SERVICES** - Request for a $820,000 allocation from the Interim Finance Committee Contingency Fund in Highway Funds to cover fees charged by credit card companies for credit card transactions.

Dennis Colling, Chief, Administrative Services Division, Department of Motor Vehicles, identified himself for the record. Mr. Colling requested committee approval for an $820,000 allocation from the IFC Contingency Fund in Highway Funds to pay the fees charged by credit card companies for DMV credit card transactions. Mr. Colling advised that credit card usage was encouraged, and the continued growth of alternative methods of customer service provided the DMV the ability to serve more customers who did not have to enter a DMV office and stand in line.

Mr. Colling indicated the use of credit cards continued to exceed estimates used to forecast expenses, and the growth rate for the current year represented a 34 percent growth over the previous year. Mr. Colling said the DMV had projected 676,000 credit card transactions totaling approximately $132 million for fiscal year 2004. Mr. Colling advised that during the previous week, the DMV experienced over 5,800 Internet credit card transactions. Based on the past two months of charges and continued increased usage, Mr. Colling indicated the DMV might have to return to the IFC to request an additional augmentation.

Mr. Colling pointed out that as the DMV continued to approach customer service with new ideas and technology, costs increased. Using Internet transactions as an example, Mr. Colling pointed out that 5,800 transactions a week equaled those conducted at a major metropolitan office, such as the Sahara or Henderson offices. From the DMV's perspective, Mr. Colling estimated the construction of a major metropolitan office at $10 million with $5 million for property acquisition, and approximately $5 million to $7 million a year in ongoing costs.

Mr. Colling advised that the request for an $820,000 allocation in Highway Funds from the Contingency Fund would help pay the DMV's credit card costs for the remainder of the year.

Chairman Arberry asked if it was reasonable to continue to absorb credit card fees given the increasing trend in usage.

Ginny Lewis, Director, Department of Motor Vehicles, identified herself for the record and advised the members of the committee that the topic of credit card fees would "override" budget development for the department during the upcoming biennium. Ms. Lewis said that some ideas on how to deal with the problem included the following options:

- For an average registration of $250, $33 went to the Highway Fund and $217 to the counties. Ms. Lewis questioned whether a fair share between the state and the counties should be considered.
- Payment options, such as using “E-Checks” rather than credit cards, were being explored. Currently, Ms. Lewis indicated the cost of an average credit card fee was $4 while the cost for an E-Check could be as low as 50 cents.
- Charging customers a fee. Ms. Lewis advised that a decision not to charge customers a fee was made four years ago when Internet transactions were initiated. At that time the driving force was to get as many customers online as possible and while that philosophy held, Ms. Lewis said the public used the Internet in their daily business transactions and appeared to accept the idea of fees.
- A fair customer fee. Ms. Lewis said that DMV customers transacting business on the Internet could not be expected to absorb a $3 million hit which calculated to a fee of $12 per person, but questioned whether a moderate $3 fee would be fair to help offset costs.

Chairman Arberry discussed charging a fee to members of the public who continued to go to DMV offices rather than to penalize those who used the Internet or kiosk technology.

In response to questions from Ms. Giunchigliani concerning state contracts with credit card companies and fees charged by public utilities for payment of bills online, Mr. Colling advised that the state contracted with Master Card, VISA, American Express, and Discover, and each company was paid a percentage of the total transaction. Additionally, Mr. Colling explained that while fees were not charged to members of the public for paying utility bills online, a utility company paid a certain percentage to credit card companies as a cost of doing business with them, and that cost was built into the rate charged to customers

Ms. Giunchigliani said she did not want to discourage people from going online to conduct DMV transactions nor penalize them by imposing a fee. Ms. Giunchigliani indicated the DMV would have to bring the issue to the budget process, and the Legislature would be faced with a policy decision during the 2005 Legislative Session.

Mrs. Chowning expressed her opposition to imposing a fee for customers going into a DMV office rather than to the Internet and pointed out that time and money was being saved by use of the new technologies.

Mrs. Chowning requested a report at the next IFC meeting concerning how much money in additional revenue was being realized as a result of the requirement for new residents to register their vehicle at the same time they obtained a Nevada driver's license.

> SENATOR RAWSON MOVED APPROVAL TO ALLOCATE $820,000 FROM THE INTERIM FINANCE COMMITTEE CONTINGENCY FUND IN HIGHWAY FUNDS TO COVER FEES CHARGED BY CREDIT CARD COMPANIES FOR CREDIT CARD TRANSACTIONS.
>
> MRS. GIBBONS SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

3. **DEPARTMENT OF PUBLIC SAFETY – TRAINING DIVISION** – request for a $41,420 allocation from the Interim Finance Committee Contingency Fund in Highway Funds and a $4,602 allocation from the Interim Finance Committee Contingency Fund in General Funds to supplement the cost of food for the Public Safety Academy.

   This item relates to Item 67. Refer to narrative and motion for approval under work program Item F. 67.

4. **DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES** – DIVISION OF FORESTRY – Request for a $2,663,100 allocation from the Interim Finance Committee Contingency Fund to replace Carpenter crew buses used in the Conservation Camp program for project and fire suppression work.

   Steve Robinson, State Forester, Division of Forestry, identified himself for the record and introduced Pete Anderson, Deputy State Forester. Mr. Robinson requested the committee's approval of a $2,663,100 allocation from the Contingency Fund to replace the division's Carpenter Crew buses. The Board of Examiners approved the request in March 2004 contingent upon information received from the Department of Education regarding the impact a directive from the National Highway Traffic Safety Administration (NHTSA) would have on the school districts and the potential fiscal impact on the state.

   In a brief background presentation, Mr. Robinson reported that in accordance with the NHTSA directive issued in March 2003, and in conjunction with Nevada Highway Patrol (NHP) inspectors, the Division of Forestry, in February 2204, began a systematic statewide inspection of all 12-passenger Conservation Camp Crew buses. At the conclusion of the inspections, 70 Conservation Camp Crew buses had failed inspection and were considered not repairable.

   Mr. Robinson told the committee that structural welds in the roof of the buses had a potential to crack after years of use. Mr. Robinson also informed the committee the NHTSA directive was issued because of the potential for rollover accidents and as a result of injuries and fatalities that had already occurred in other states.

Mr. Robinson reported that the Division of Forestry wanted to replace the buses with a vehicle mix of 34 15-passenger vans and 57 Crew Carriers. Mr. Robinson explained that the vehicle mix was requested in order to use the 15-passenger vans on the road for road cleanup work while the Crew Carriers would be used for off-road work, primarily fire fighting.

Mr. Robinson reported that the average age of the Division of Forestry fleet of vehicles was 29 years, and the buses each averaged from 100,000 to 200,000 miles. Mr. Robinson credited division employees' innovative methods in managing to keep the vehicles running.

After a request from Senator Raggio several years ago, Mr. Robinson advised that the division developed a plan for replacement of the fleet, but funding was unavailable. Mr. Robinson said the Carpenter Crew buses affected by the NHTSA directive were 13 to 20 years old, and could not be repaired which reduced the division fleet by 70 buses.

Mr. Carpenter questioned why the buses could not be repaired and how the crews would be affected until replacement occurred.

Mr. Robinson responded that some adjustments had already been made and as the fire season approached, priority would be given to fire emergencies. Mr. Robinson said passenger vans could be replaced within a month because of the source availability, which would make other off-road vehicles available for fire fighting and heavy-duty operations. Mr. Robinson explained the Crew Carriers, were considered heavy-duty vehicles and would take longer to replace. Mr. Robinson turned the microphone over to Peter Anderson who addressed the inspection of the vehicles.

Pete Anderson, Deputy State Forester, identified himself for the record and advised the members of the committee that the Division of Forestry had established a 7-day-a-week schedule using available vehicles "in order to rotate the remaining vehicles with existing camp crews." Mr. Anderson confirmed that there would be a period of time the division would not have the ability to "field" the same number of crews, but ideas continued to be explored to fill the gap. Mr. Anderson extended his appreciation to the Department of Corrections, the Nevada Department of Transportation (NDOT), and the Lincoln County School District for lending vehicles on a short-term basis that would fill the gap that even a 7-day rotation would not cover.

With respect to inspections, Mr. Anderson advised that the division followed specific criterion established by the National Highway Traffic Safety Administration and adopted by the Nevada Highway Patrol. Mr. Anderson advised that the criterion established a certain percentage of cracks in the structural frames of the Carpenter buses, and if certain primary components were cracked, the buses could not be repaired. Mr. Anderson advised that after years of off-road use that incorporated crossing creek beds and climbing mountains, the buses were “literally broken apart.”

In response to questions from Senator Rawson concerning prison inmates, Mr. Robinson advised that the buses carried both prison inmates and state employees. Additionally, Mr. Robinson indicated that prison inmates were transported without restraints.

In response to questions from Senator Rhoads concerning the NHTSA’s involvement, Mr. Robinson explained that while the NHTSA had not required inspections in the past, the March 2003 directive required state entities in conjunction with the Highway Patrol to conduct the inspections.

In response to questions from Senator Rhoads concerning when the division had last acquired new vehicles, Mr. Robinson reported that some passenger vans were purchased during the 2003 Legislative Session.

Senator Rhoads expressed his opposition to purchasing the vehicles as outlined.

Senator Raggio noted that one of the recommended actions by the National Highway Traffic Safety Administration was that qualified service personnel should repair cracked or broken welds, and questioned whether that possibility had been explored.

Mr. Robinson explained that part of the initial inspection differentiated between buses that could be repaired and those that could not, and all 70 of the division’s buses had failed the initial inspection. Additionally, Mr. Robinson explained that even if the division had buses that could be repaired, there were no available outside sources to repair the problems because of the liability.

In response to a question from Senator Raggio concerning Carpenter Manufacturing’s responsibility, Mr. Robinson advised that Carpenter Manufacturing had gone out of business in 1995.

Senator Raggio noted that the Board of Examiners had approved the request subject to an unidentified contingency and asked John P. Comeaux to explain.

John P. Comeaux, Director, Department of Administration, and Clerk of the Board of Examiners, identified himself for the record. Mr. Comeaux explained that the Board of Examiners approved the request contingent upon receipt of information from the various school districts concerning how the NHTSA directive impacted their school buses and any plans they had to request funding from the state.

A March 12 Department of Education report on school bus status in the various school districts was forwarded to members of the Board of Examiners. The report provided that there were 152 Carpenter buses in the various school districts, 82 failed the initial inspection, 28 were repaired, and 54 buses from Clark and Washoe Counties were scrapped, or taken out of service.

Mr. Comeaux further advised that the Board was informed the school districts would replace the buses out of their normal bus replacement rotation, and that Washoe County would replace 34 buses during the current year, and Clark County had already replaced 23. Additionally, Carson City scrapped 4, Douglas County scrapped 1, and White Pine County scrapped 3. There was no indication that any other district had scrapped any buses. Thus far, Mr. Comeaux reported the Board had not received requests from school districts for assistance to replace buses, nor was there any indication they would.

In response to a question from Senator Raggio, Mr. Comeaux indicated that the Board of Examiners' contingency, with respect to the recommendation to approve the request, had been satisfied.

Mr. Marvel questioned whether Prison Industries could provide any of the restoration work on the buses.

Mr. Robinson indicated that because of the liability factor any restoration work had to be provided by certified and qualified service personnel outside of state service and could not be provided in-house. However, Mr. Robinson explained that since the buses failed the initial inspection, repairs were not permitted.

Mr. Marvel indicated liability would remain with the state if Prison Industries did the work. Mr. Marvel also questioned the need for 46 toilet/tool trailers as outlined in the request.

In response, Mr. Anderson said the toilet-tool trailers carried tools and fire gear, addressed sanitation requirements and were considered a critical accompaniment to the 15-passenger vans. Mr. Anderson also explained that the crews that did not have access to tool trailers carried their tools on the buses or the Crew Carriers and typically worked off-road.

In response to additional questions from Mr. Marvel, Mr. Anderson advised that the division currently had 40 toilet-tool trailers in the fleet, and an additional 46 were needed at a cost of $5,500 each for a total of $253,000. Mr. Anderson explained that division employees would build the trailers with purchased kits and would work in conjunction with Prison Industries.

In response to a question from Mr. Marvel concerning whether Prison Industries would charge for the work, Mr. Anderson said that working in conjunction with

Prison Industries would expedite the assembly, and “the labor could be worked out.”

In response to a question from Mr. Marvel concerning the number of available buses that could be used in the event of a fire, Mr. Anderson advised that as a result of all 70 buses being red tagged, the division’s fire fighting and revenue generating capability had been reduced by half.

In response to questions from Mr. Carpenter concerning repair of the buses, Mr. Anderson explained that structural problems existed in the frame of the curved roof to the floor of the bus and, if broken, could not be repaired. Mr. Anderson indicated that damage to school district buses was minor compared to the damage found in the Conservation Crew buses, which had cracked welds all through the frame.

Mr. Carpenter questioned what appeared to be continued use of the vehicles in Elko.

Mr. Anderson advised that the Highway Patrol inspections had only just been completed during the previous week with only a few Crew Carriers left on the road.

In response to a question from Mr. Carpenter, Mr. Anderson explained that a Crew Carrier was an International Harvester cab and chassis with a white box on the back made by Master Body that held passengers.

In response to questions from Senator Rhoads concerning the current transportation of fire crews, Mr. Robinson explained that the division had 50 heavy-duty Crew Carriers in use. Additionally, Mr. Robinson confirmed that 70 buses out of 120 had been red tagged.

Senator Rhoads asked if 2004 was the first year inspections had been conducted.

Mr. Robinson advised it was the first year an inspection had been required and indicated the Carpenter buses would most likely still be in use had it not been for the directive.

In response to questions from Senator Rhoads concerning the number of new buses the division had requested in the past, Mr. Anderson advised that the last time the division received any major vehicles was in 2001 when three new Crew Carriers were purchased.

In response to additional concerns expressed by Senator Rhoads with respect to the NHTSA directive, Colonel David Hosmer, Nevada Highway Patrol, reported that in early April 2003, the Highway Patrol was made aware of the NHTSA advisory for school buses. Meetings were scheduled with the Department of Education and inspections were conducted.

Colonel Hosmer advised that while the Highway Patrol normally only inspected school buses, it was determined that the Forestry Division was using Carpenter buses that met the criterion established by the National Highway Traffic Safety Administration. Colonel Hosmer reported that damage to the Forestry Division's buses was much more severe than the district school buses, which he attributed to off-road usage.

Senator Rawson said that in view of the liability and the need for fire crews, the committee would have to approve the request. However, Senator Rawson indicated a replacement cycle should have been established before 70 vehicles had to be replaced at one time.

Mr. Marvel agreed that without the necessary transportation for fire crews, the entire the state would be in peril, and, as distasteful as it was, he would move to approve the request.

MR. MARVEL MOVED APPROVAL OF ITEM H. 4.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

Senator Rhoads indicated he would reluctantly support the motion for approval but at the same time expressed his distaste for the issue.

In response to questions from Mr. Carpenter, Colonel Hosmer advised that Lieutenant Bill Bainter, from Highway Patrol Headquarters, had been in charge of the inspections conducted by the Highway Patrol's Commercial Enforcement staff.

Mr. Carpenter also expressed his intent to support the motion but indicated he wanted to see the buses for himself when he visited Carlin.

In response to a request from Senator Rhoads, Mr. Robinson agreed to provide a copy of the NHTSA directive (Exhibit D) issued in March 2003 to the committee.

Colonel Hosmer reported that the NHTSA Carpenter School Bus advisory came about because of a school bus accident in Florida in which a Carpenter school bus rolled over and caused the roof to collapse.

Chairman Arberry called for a vote on the motion.

THE MOTION CARRIED. (Chairman Arberry voted nay.)

***I. OFFICE OF ATTORNEY GENERAL –** Letter of Intent – Request to spend $2 million in General Fund appropriation in the Attorney General's Special Litigation Account for legal costs associated with the state's efforts to prevent the location of a federal nuclear waste repository at Yucca Mountain.

Marta Adams, Senior Deputy Attorney General, Attorney General's Office identified herself for the record and introduced Robert Loux, Executive Director, Agency for Nuclear Projects.

Ms. Adams advised that a September 5, 2003, Letter of Intent, issued by the money committees, requested that representatives of the Attorney General's office appear before the committee for approval to spend the $2 million appropriation to the Attorney General's budget. On behalf of the Agency for Nuclear Projects, Ms. Adams requested Interim Finance Committee approval to expend the $2 million General Fund appropriation for legal expenses related to the repository at Yucca Mountain.

Chairman Arberry pointed out that the money committees requested that all other available funds for Yucca Mountain be expended prior to requesting authorization from IFC to utilize the $2 million appropriation. Chairman Arberry questioned the request after receiving information that the Nevada Protection Fund, which held monies to fight the nuclear waste repository, contained $182,268.

Mr. Loux advised that the $182,268 in the Nevada Protection Fund was obligated.

Chairman Arberry asked for an overview of the state's current and anticipated legal activities related to Yucca Mountain.

In response to the Chairman's request, Ms. Adams said it was the intention of the Attorney General's office to expend the money wisely. Ms. Adams reported that there were four pending actions in the District of Columbia circuit for which decisions were expected in the near future. In addition, Ms. Adams advised that litigation was being pursued to seek federal funds for pre-licensing activities and several additional actions were anticipated. However, Ms. Adams indicated it was difficult to "totally predict" costs.

In response to questions from Chairman Arberry concerning receipt of federal dollars, Ms. Adams advised that based on questions from the District of Columbia Court of Appeals, the Office of the Attorney General was optimistic that at least one of the state's challenges could provide a setback to the Department of Energy (DOE) from which they would be unlikely to recover. Ms. Adams indicated it was believed the Yucca Mountain site was so unsafe and dangerous that the only responsible course was the course being taken.

In response to additional concerns raised by Chairman Arberry in reference to the federal government's power as well as compensation for the repository, Mr. Loux stated there had "never" been nor was there currently any offer of money on the table.

Mr. Loux advised that the DOE was expected to file for license application with the Nuclear Regulatory Commission, and the Commission would ultimately determine whether or not the repository could be built. Mr. Loux reported that the application for license was a four or five-year process for which the state hoped to use federal funds to pay for the cost of participation including the cost of lawyers and science experts.

Mr. Loux indicated the Agency for Nuclear Projects did not currently anticipate any large financial needs other than maintaining the office and the ability to participate in the licensing process with funds provided by the federal government. Mr. Loux advised that the success of a current court case would force the federal government to fund pre-licensing activities. If successful, Mr. Loux said the agency would most likely submit proposals in the range of $10 million to $15 million to the federal government for fiscal year 2005 to facilitate at least the first year in the licensing process in the event that any one of the pending lawsuits was not fatal to the project.

In response to questions Senator Raggio raised concerning compliance with requirements of the federal appropriation, Mr. Loux indicated he believed the agency was "fully compliant at both the federal and state level."

In response to Senator Raggio's concern on how the $2 million would be spent, Ms. Adams advised that money would only be spent "for legal and litigation-related expenses."

In response to a question from Senator Raggio concerning committee oversight during the next fiscal year, Ms. Adams advised that quarterly reports would be provided to the committee.

Dr. Hardy raised a number of concerns in reference to the use of funds for litigation purposes versus scientific studies and transportation issues related to Yucca Mountain. It was Dr. Hardy's opinion that just because others were not conducting scientific studies did not mean Nevada should not be conducting studies.

Mr. Loux advised that one of the pending court cases was to acquire federal funding to pay for the state's scientific activities. Mr. Loux further advised that some of the money being requested from the $2 million appropriation would be used to challenge transportation decisions. Additionally, Mr. Loux explained that while there might be 300 million curies of radiation suspended in the soil and ground water underneath the Nevada Test Site, the amount of radiation that would be contained in the Yucca Mountain environment, in a fast groundwater travel time, would be approximately 25 times greater. Mr. Loux further indicated that the highly fractured and faulted Yucca Mountain environment led directly into the Amargosa Valley aquifer where there were current users.

In response to questions from Dr. Hardy concerning contamination issues, Mr. Loux advised that documentation by the state and the federal government indicated radiation "would travel the 18 or 20 miles from Yucca Mountain to water users in the Amargosa Valley in probably less than 100 years."

In response to Mr. Beers' question concerning the containers that held the material, Mr. Loux advised that the state had scientific data that had been peer reviewed which suggested that no container of any kind would last more than 500 years underground at Yucca Mountain.

> SENATOR RAGGIO MOVED APPROVAL OF THE REQUEST WITH THE CONDITION THAT A REPORT ON THE EXPENDITURES AND OBLIGATION OF THE FUNDS BE PROVIDED TO THE COMMITTEE AT FUTURE INTERIM FINANCE COMMITTEE MEETINGS
>
> MRS. CHOWNING SECONDED THE REQUEST.
>
> THE MOTION CARRIED UNANIMOUSLY.

***J. DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES – DIVISION OF STATE LANDS** – Approval of lease of Buildings 3 and 4 at the Northern Nevada Adult Mental Health Services facility in Sparks, Nevada.

Pamela Wilcox, Administrator, Division of State Lands, identified herself for the record. On behalf of the Northern Nevada Adult Mental Health Services (NNAMHS), Ms. Wilcox requested approval of a lease to rent 15,679 square feet of space in Buildings 3 and 4 at the Nevada Mental Health Institute to Bristlecone Family Resources.

Ms. Wilcox advised that approval of the lease would enable Bristlecone Family Resources, under contract with NNAMHS, to continue a program that provided a variety of substance abuse services. Ms. Wilcox further advised that the lease that would expire on July 1, 2005 provided for a rental rate of 45 cents per square foot, or $84,666.60 a year.

Chairman Arberry questioned why the rental rate negotiated with Bristlecone was less than what was being paid for space leased to Hands Up for Youth and Benchmark Behavioral Health System. Additionally, Chairman Arberry questioned whether the agency could provide assurance it was recovering the cost of maintaining the buildings and the cost of utilities.

Harold Cook, Director, Northern Nevada Adult Mental Health Services, identified himself for the record. Dr. Cook advised that currently the cost of utilities for the entire campus was approximately 30 cents per square foot and indicated the 45 cents per square foot rate would recover utility costs in addition to a small amount for other maintenance costs. Additionally, Dr. Cook indicated the space being leased to Bristlecone in Buildings 3 and 4 was older and in poorer condition than space in other buildings. Dr. Cook said the condition of the buildings did not warrant the same rate that was being charged for space in better-maintained buildings.

Ms. Leslie recently having visited Building 4 expressed strong concerns about the poor condition of the building and indicated the state was fortunate to be able to lease the space for the 45-cent rate. Ms. Leslie questioned why it had taken the agency and State Lands a year to work on the lease.

Ms. Wilcox advised that the use was authorized by lease in 1992 which expired in 1995 and had a holdover provision that the tenants could continue "at will" on a monthly basis. Additionally, Ms. Wilcox advised that State Lands had been very busy and there seemed to be no urgency in view of the continuing use on a holdover basis since 1995.

In response to a question from Ms. Leslie, Ms. Wilcox agreed that the rate was reasonable considering the condition of the building.

Tom Murtha, CEO, Bristlecone Family Resources, identified himself for the record and expressed his appreciation for the opportunity to lease the space. Mr. Murtha advised that Bristlecone Family Resources had provided their own resources to make the space habitable, and said a good relationship had been established with NNAMHS and Dr. Cook. Mr. Murtha reported that services were being shared to the extent that some benefit beyond a financial transaction was being seen and that additional mental health and substance abuse services would evolve in the future that would also benefit the state.

MS. GIUNCHIGLIANI MOVED APPROVAL CONTINGENT ON APPROVAL BY THE BOARD OF EXAMINERS' ON APRIL 13, 2004.

MS. LESLIE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

***K. STATE PUBLIC WORKS BOARD**

1. Request to change the scope of CIP 03-M17 (Renovate windows and showers at Northern Nevada Correctional Center.)

Evan Dale, Deputy Manager, State Public Works Board, requested approval to change the scope of CIP 03-M17, Institutional Renovations at the Northern Nevada Correctional Center. Approval of the request would add Americans With Disabilities Act (ADA) upgrades to the restrooms in housing units 1 through 3 and postpone the window upgrades that were included in the project.

Ms. Giunchigliani questioned why ADA upgrades were not automatically included in the request since they were considered standard practice.

Mr. Dale indicated the upgrade had been requested by the Department of Corrections.

Ms. Giunchigliani cautioned that no additional change of scope requests should be submitted for upgrades that were considered standard practice.

Mr. Dale expressed his understanding of the concern.

SENATOR RAGGIO MOVED APPROVAL OF ITEM K. 1 TO CHANGE THE SCOPE OF CIP 03-M17.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTON CARRIED UNANIMOUSLY.

2. Project Status Report (Informational.)

***L.** **INFORMATIONAL ITEMS** – Reports on Letters of Intent and various reports from agencies. (List available upon request.)

Chairman Arberry expressed his intent to hear testimony on the following informational items:

- Item 1, Department of Administration, Information Technology Division.
- Item 2, Department of Taxation.
- Item 4, Department of Education, Items a. and b.
- Item 5, Department of Human Resources, Division of Health Care Financing and Policy, Item 1.
- Item 5, Welfare Division, Items 1 and 2.
- Item 5, Division of Child and Family Services, Items 4 and 5.
- Item 6, Department of Business and Industry, Manufactured Housing Division Quarterly Report.
- Item 7, Department of Corrections, Item a. was withdrawn.
- Item 8, Department of Motor Vehicles, Item b.
- Item 10, Office of Veterans' Services.

In a reference to the withdrawn Item 7a, Department of Corrections' status report on the Casa Grande project, Senator Raggio indicated the Department of Corrections' representatives should be aware there was some concern in reference to changing the project from a leased property to a constructed building. Senator Raggio forewarned department staff that if funds were going to be used for capital improvement, there would be many questions that would arise including what to do with the building if the program was terminated.

The Chairman excused members of the audience in attendance for the information items on which testimony was not required.

For a complete list of Information items, refer to Exhibit C.

ITEM 1 - DEPARTMENT OF ADMINISTRATION – Information Technology Division – Project status report on the transition of the Department of Public Safety Radio System.

Dave McTeer, Chief, Division of Information Technology, Department of Administration identified himself for the record and introduced Mark Blomstrom, Deputy Director, Division of Information Technology, Robert Chisel, Assistant Director, Administration, Nevada Department of Transportation, and Colonel David Hosmer, Chief, Highway Patrol Division, Department of Public Safety.

Mr. McTeer advised that a March 18, 2004 project status report on the Department of Public Safety Radio Transition (Exhibit E) was submitted to the committee prior to the meeting and an updated report dated April 5, 2004, (Exhibit F) was distributed to the committee during the meeting.

Mr. McTeer reported that while the unauthorized frequencies in Reno were vacated on January 28, 2004, diligent efforts to vacate the unauthorized frequencies in the Las Vegas area were continuing.

Mrs. Chowning pointed out that a delay in vacating the unauthorized frequencies in Las Vegas could mean the difference between life and death and questioned whether fines had been imposed for continued use of the frequencies.

Colonel Hosmer blamed the continued use of the unauthorized frequencies in Las Vegas on technical problems that had occurred during attempts to transition to the 800 MHz system. Colonel Hosmer provided assurance that the system would work eventually and indicated that both operational and technical changes were being explored to effectively achieve the transition. However, Colonel Hosmer indicated that mountaintop-engineering issues had to be resolved in order for the system to work satisfactorily. In the meantime, Colonel Hosmer said the safety of officers and members of the public would not be placed in jeopardy.

Additionally, Colonel Hosmer advised that the Federal Communications Commission (FCC) would not make any final ruling until the frequencies had been vacated and completely converted. Colonel Hosmer further advised that temporary engineering of the frequencies and mountaintops was being attempted to hasten the transitioning procedure. It was Colonel Hosmer's opinion that if the required system engineering had been completed before attempting a transition, the setbacks that had been experienced would not have occurred.

Ms. Giunchigliani questioned the successful transition in Reno versus the problems in Las Vegas.

Robert Chisel, Assistant Director, Administration, Department of Transportation, identified himself for the record. Mr. Chisel clarified, for the record, that the 800 MHz system was currently working for the Department of Transportation and other users in Las Vegas. However, he explained "the sheer volume of the additional users" brought on to the system at one time created the problem.

Ms. Giunchigliani referenced information she had that attributed the transitioning problems to a lack of required system engineering and to the Clark County School District's delay in transitioning to the Southern Nevada Area Communications Council system (SNACC). Ms. Giunchigliani questioned the Clark County School District's involvement.

Mr. Chisel advised that the Clark County School District's law enforcement officers were currently operating on the Highway Patrol 150 MHz frequency.

In response to whether the Clark County School District law enforcement officers had permission to use the frequency, Colonel Hosmer advised that it was learned upon investigation that the Clark County School District had been brought into the mix by Highway Patrol personnel and use of the frequency was agreed to by a "handshake." Colonel Hosmer advised that while the Highway Patrol did not perform dispatching duties for them, the Clark County School District began using the 150 MHz system after purchasing more than $500,000 worth of equipment.

It was Ms. Giunchigliani's opinion the Clark County School District would have to find their own resolution to the problem, and the Highway Patrol and other users should not be impacted by their involvement.

Colonel Hosmer agreed and advised that the school district's enforcement officers were attempting to vacate the 150 MHz system, but it had taken time to find the necessary grant money and matching funds.

In response to a question from Ms. Giunchigliani concerning the parties involved in the "handshake" agreement, Colonel Hosmer indicated the employee from the Highway Patrol was a Communications Specialist, but he did not know who the employee was from the Clark County School District.

Ms. Giunchigliani asked that she be provided additional information on the “handshake” agreement. Additionally, Ms. Giunchigliani indicated that if the FCC imposed a fine for the use of an unauthorized frequency by an unapproved entity, the Clark County School District should be held responsible for a portion of that fine. Ms. Giunchigliani also indicated that moving from the 150 MHz frequency to the Southern Nevada Area Communications Council system (SNACC) should not be an issue that created a delay in the state’s transitioning plan.

In an effort to better understand the delay in vacating the 150 MHz system, Ms. Giunchigliani asked whether the problems were engineering or volume related, or a combination of both.

Mark Blomstrom, Deputy Director, DoIT, identified himself for the record and attributed the problems to both engineering and volume. Mr. Blomstrom credited the successful transition in the Reno-Sparks-Carson City area to the availability of additional peak capacity unavailable in Clark County.

Mr. Blomstrom explained that peak capacity was the function of the number of channels and sites versus the number of actual channels loading in terms of units. While some peak capacity existed in Las Vegas, Mr. Blomstrom explained the system could not handle more than the amount of margin available. Additionally, Mr. Blomstrom explained that a programming error discovered in the Las Vegas system would not allow a large increase in capacity. Mr. Blomstrom said that with proper engineering and pre-testing, the error would have been discovered before the additional loading was placed on the system.

In response to questions from Ms. Giunchigliani, Mr. Chisel explained that the Nevada Department of Transportation (NDOT) had worked with the vendor, M/A-Com, on the programming for the mountaintops and for the radios in the vehicles. Mr. Chisel explained that when the Highway Patrol was brought onto the system during the transitioning attempt, an “overwhelming amount of radio traffic” caused a number of problems, which should not have occurred. A multi-phased approach was being used to address the issues and to vacate the unauthorized frequencies as quickly as possible. One approach Mr. Chisel discussed was the addition of five legally licensed National Public Safety Panning Advisory Committee (NPSPAC) channels to the Sloan site in the metropolitan Las Vegas area specifically dedicated for use by the Department of Public Safety. Additionally, radios were being reprogrammed to resolve the queuing problem, and variances to FCC licensing in the Las Vegas area were requested in an effort to add even more channels.

In reference to the projected timeline for transition, Mr. Chisel indicated that “optimistically” it would take six weeks for the transition and “pessimistically,” several more months. With respect to testing the system, Mr. Chisel explained that with the “sheer volume” of users in the Las Vegas area and understaffed Highway Patrol dispatchers, attempts were being made not to create additional problems and safety issues for the Highway Patrol during the transition.

Mr. Chisel further advised that after the Highway Patrol and other public safety users vacated the unauthorized frequencies, the next phase would include additional mountaintop engineering to complete the conversion in the rural areas. Plans also called for additional channels in the Reno/Sparks area and throughout the state to address increased capacity.

In response to a question from Ms. Giunchigliani, Mr. Chisel provided assurance that funding for the Las Vegas part of the project was not being used for other areas in the state.

In reference to questions Ms. Giunchigliani had about low spots on the freeway, Colonel Hosmer advised that the 800 MHz system and additional mountaintop engineering would address the freeway noise barrier issue.

Recalling the legal opinion and threatened imposition of an FCC fine that prompted the project, Mr. Beers asked if the FCC provided the state with the permission to continue use of the unauthorized frequencies.

Colonel Hosmer responded that while the FCC understood there was a public safety issue, the state did not have permission to use the unauthorized frequencies and continued to face possible sanctions by the FCC.

In response to questions from Mr. Beers concerning the legal opinion regarding FCC fines, insufficient system engineering and acquisition of the frequencies, Mr. McTeer advised that the FCC's position remained unchanged, and the imposition of fines was an unknown factor until completion of the project. Mr. McTeer further indicated that advice from legal counsel continued to maintain the state must be diligent in their efforts to transition to the 800 MHz system as rapidly as possible. However, Mr. McTeer said that had the project team been aware of engineering difficulties encountered in the Las Vegas area, work would have stopped until the system engineering could be completed as had been encouraged by the vendor. In the interest of vacating the unauthorized frequencies and under extreme pressure from legal staff, Mr. McTeer explained that the team tried to circumvent the engineering requirement.

Mr. Beers questioned whether the delay in vacating the 150 MHz would increase the cost of the project.

In response, Mr. McTeer said the infrastructure equipment had been purchased, work continued on building the mountaintop sites, the unauthorized frequencies in the Reno and rural areas had been vacated, and only Las Vegas continued to use unauthorized frequencies. Mr. McTeer indicated he did not believe current problems required any additional expenditure of funds beyond what was currently available, and although there were no guarantees, he said he had no intention of requesting additional funding.

In reference to an earlier discussion, Mr. Beers questioned how the school district's involvement was an impediment to transitioning to the 800 MHz system.

Mr. Chisel explained that the original plan called for moving only the Nevada Highway Patrol to the 800 MHz system in Las Vegas and converting the 150 MHz from a trunked system to a conventional system for the allied user agencies. Mr. Chisel advised that there would have been enough frequencies on the converted 150 MHz system to operate in a conventional manner, and agencies using the 800 MHz and the 150 MHz conventional system would have been legally authorized to do so. However, the need to move all public safety users onto the 800 MHz system at one time created a need for greater capacity than originally anticipated and required a need for additional engineering and channels at the Sloan site which meant going back to the original plan to leave the allied agencies on the 150 MHz until engineering requirements were completed in the Las Vegas area.

Mr. Beers indicated it was his understanding that the 150 MHz system in its current configuration used some channels for which the state was not licensed, and, until the 150 MHz could be converted to a trunked system, the 150 MHz in its current mode had to serve all users until the Highway Patrol could transition to the 800 MHz system.

Mr. Carpenter asked that the record reflect his understanding that rural Nevada was a long way from having access to the 800 MHz system. Mr. Carpenter indicated that while the Highway Patrol might be able to transition to the 800 MHz in the rural areas, mountaintop construction requirements and what appeared to be the lack of application to either the Bureau of Land Management or the U. S. Forest Service for permits would prevent local rural law enforcement officers from accessing the system.

Mr. Blomstrom responded that all permits for nine additional sites had been filed and were pending with the Bureau of Land Management and the U. S. Forest Service.

Mr. Blomstrom advised that a 1996 mapping study of 46 state sites, based on coordinates, showed that 83 percent of the state was covered by 150 MHz compared with 60 percent covered by 800 MHz, a 4:3 ratio. Mr. Blomstrom pointed out that Nevada had many north/south mountain ranges and was "fundamentally terrain limited" to radio signals. Mr. Blomstrom explained that terrain limited the distance radio signals traveled and not necessarily the radio frequency, which meant that while more sites were needed within Nevada, as previously indicated, the state already had a 4:3 ratio. Mr. Blomstrom also advised that while the state would work with rural law enforcement personnel, they would need to decide, based on an observation of coverage, what was expected from their communication systems.

Mr. Carpenter indicated that the rural law enforcement officers might require two radios in their patrol cars and said that perhaps the issues could be discussed in more depth after the meeting.

Mr. Blomstrom agreed to discuss the issues at Mr. Carpenter's convenience.

Chairman Arberry asked that an additional report be made before the committee prior to completion of the transition to the 800 MHz system.

ITEM 2 - DEPARTMENT OF TAXATION – Report on IFC allocation expenditures.

Charles Chinnock, Executive Director, Department of Taxation, identified himself for the record. Mr. Chinnock referenced two booklets that had been distributed to the members of the committee, *Tax and IT Implementation Status Update* (Exhibit G) and *UTS Project Status Update* (Exhibit H). Mr. Chinnock pointed out that information in italics had been added since his last appearance before the committee on November 18, 2003.

Beginning with the document titled *Tax and IT Implementation* (Exhibit G), Page 1, Mr. Chinnock provided the following summary of funding appropriations by the Legislature and allocations to the department by the IFC:

- A. B. 553 (2003 Legislature) Appropriation - $27.5 million

IFC Allocations

- $4.3 million for fiscal year 2004
- $3.8 million for fiscal year 2005
- $803,949 Gaming Control Board for implementation of a Live Entertainment Tax
- $362,085 for the Attorney General's Office

$18 million remained for the Information Technology enhancement and the Request for Proposal for the Unified Tax System

Staffing

- 55 positions were approved.
- 16 vacant positions as of March 26, 2004. Mr. Chinnock advised that 8 new positions and 8 base positions were vacant because of internal promotions, and 7 new positions were in various processes of being approved, which was intentional, since positions such as administrative law judge to oversee hearings were not needed until new taxes were implemented.
- Overtime – originally projected at $35,000. As of February 29, 2004, overtime costs incurred year-to-date totaled $101,227.

Mr. Chinnock advised that the department's past planning and implementation action, during most of August through November 2003, was devoted to determining the rules for the new taxes, adopting new regulations, and planning and preparation to implement new taxes. The period from December through March was devoted to actual implementation, providing information to taxpayers, and education. Refining the tax process would take place during the month of April.

Mr. Chinnock advised that additional space requirements for new personnel had been completed, and remodel and reorganization of the Las Vegas main office was scheduled to take place in the near future.

Mr. Chinnock reported that $1,855,966 of the original $4,327,994 IFC allocation for fiscal year 2004 had been expended not counting the encumbrances for the remaining portion of the year. Mr. Chinnock indicated that a future report would be provided to the committee on any remaining funds rolled over to the next fiscal year.

Mr. Chinnock advised that the addition of 55 new positions doubled the department's normal account workload, and he pointed out that with implementation of the Unified Tax System technology, the department would depend on automation to handle additional workload and future growth.

Business License Fee

Mr. Chinnock said the department processed 101,000 annual Business License Fee registrations from August 1, 2003 through March 31, 2004, or between 10,000 and 13,000 accounts per month.

While 220,000 businesses were originally projected for Business License Fee registrations, Mr. Chinnock advised that current projections were between 120,000 to 150,000 businesses. Department representatives would be working with the Secretary of State's office to identify approximately 100,000 businesses that would be placed on a mailing list to receive information concerning the Business License Fee.

Live Entertainment Tax

Mr. Chinnock reported that approximately 400 notices had been mailed to taxpayers in January and that actually less than 50 accounts had reported to date. While it was projected that $27 million would be collected from the Live Entertainment Tax, the first month's collection totaled slightly less than $600,000. Mr. Chinnock said the projection for the Live Entertainment Tax evolved through a long process that began with the admission and amusement tax, a review of national statistics based on population, the fact that Nevada was a tourism-oriented state along with deductions for participatory entertainment such as boxing and wrestling, movies and movie rentals and additional deductions for seating capacity and exclusion of nonprofit associations.

Mr. Chinnock indicated Nevada had a "very narrow tax base with respect to the Live Entertainment Tax" and discussed conducting a "bottom/up analysis" to identify taxpayers and mail notices to them. Mr. Chinnock advised that the department was currently in a position to initiate further refinements to identify taxpayers. Additionally, Mr. Chinnock pointed out that some increased activity might be seen as a result of major events that would be held at the Thomas and Mack and Lawlor Event Centers

Mr. Chinnock reported that oftentimes businesses reported a less than 300 seating capacity. He said the department was aware that some businesses that had a seating capacity of 300 or greater had managed to get occupancy permits for less than 300 while some businesses had elected to no longer carry live entertainment. Mr. Chinnock advised that with the implementation of new taxes, the department was now in a position to conduct additional analysis and research on those businesses.

In response to questions Ms. Giunchigliani had concerning the Live Entertainment Tax mailing lists, Mr. Chinnock advised that the department had a list of those businesses that had been mailed notices, a list of those that had responded as well as a list of businesses that reported less than a 300-seat occupancy, or were in an exempt status. Mr. Chinnock clarified that businesses were sent a notice if there was any indication they might fall under the requirements of the Live Entertainment Tax. However, Mr. Chinnock said sending notices did not mean the department actually had information that the seating capacity was 300 or more.

In response to additional questions from Ms. Giunchigliani, Mr. Chinnock advised that some strip club businesses were paying the Live Entertainment Tax fee while some businesses it was thought would pay no longer qualified under the 300 seating capacity requirement. Additionally, Mr. Chinnock reiterated that some businesses reported they did not have a room with the capacity to seat 300 while some had their occupancy permit changed.

In response to Ms. Giunchigliani's request, Mr. Chinnock advised that he would provide a list of the businesses to which notices had been sent. Additionally, Mr. Chinnock said that between the present time and the following meeting, visits by department staff would be scheduled to those sites. Mr. Chinnock reported that prior to the January 1 implementation date, the department held an education and information program with respect to the businesses it was believed qualified for the Live Entertainment Tax followed up with actual visits and telephone contacts to provide them information to determine if they were following the requirements of the statute. While the department staff was confident that the right people had been identified, the follow-up visits would make certain.

In response to questions Ms. Giunchigliani had concerning businesses that had been exempted, Mr. Chinnock advised that determinations were made primarily based on seating capacity, and it was his opinion the tax base was narrowed by restricting the seating capacity to 300 seats or greater.

<u>Modified Business Tax</u>
Mr. Chinnock reported that notices concerning the Modified Business Tax were mailed to 53,000 businesses. Responses were received from 49,000 businesses, and between 1,000 and 2,000 notices were returned which staff was investigating to determine if the businesses were closed or had an address change. The additional 2,000 businesses that did not respond were being investigated.

<u>Bank Excise Tax</u>
Mr. Chinnock reported that the Bank Excise Tax was due quarterly.

The Nevada Tax Commission approved a temporary regulation with an expiration date of June 1, 2004, that granted relief from penalty and interest for those who did not receive the information, or did not feel they received the information they needed. Mr. Chinnock advised that the department was working closely with businesses to provide them information concerning the temporary regulation and their opportunity to pay the tax without penalty through June 1, 2004.

Excise Taxes

Mr. Chinnock reported that Cigarette Tax increases were implemented effective July 22, 2003, and stamp sales were down 10 percent since implementation of the change. Mr. Chinnock indicated the decrease was being investigated and could be attributed to the Internet or cross border sales.

Mr. Chinnock reported that Liquor Tax increases were implemented effective August 1, 2003, and collections remained flat as projected.

Moving to page 4, Mr. Chinnock advised that as a result of legislation, a ¼ percent sales tax increase had occurred in Washoe County, White Pine County, Clark County, and Lander County.

Additionally, Mr. Chinnock reported an April 1, 2004, implementation of a 2 percent car rental tax in Washoe County to support the baseball stadium in Washoe County.

Turning to a compilation of General Fund Revenue Collections for fiscal year 2004 on pages 5 and 6, Mr. Chinnock reported the Economic Forum projected a 5.1 percent increase for the 2 percent sales tax for fiscal year 2004 with an actual year-to-date increase of 11.34 percent.

Mr. Chinnock reported that under the Projected Total column on page 6, the $41,200,000 Live Entertainment Tax should be corrected to $27 million, which represented the portion related to non-gaming live entertainment.

With respect to the Business License Fee, Mr. Chinnock reiterated earlier testimony that the department was working with the Secretary of State's office to identify businesses to which the notices could be sent. Mr. Chinnock reported that between 120,000 to 130,000 account registrations were currently projected, and year-to-date collections were at 28 percent of projected collections.

Year-to-date General Fund revenue collections totaled 58.33 percent of projections and were shown at the bottom of page 6. Mr. Chinnock noted that most taxes were not implemented until after the close of the 2003 Legislative Session, which was actually two months into fiscal year 2004.

With respect to the Modified Business Tax, Mr. Chinnock advised that the department had collected 34 percent of the projected amount, or a little greater than one third.

Mr. Chinnock pointed out that only three quarters of the modified business tax would be collected in fiscal year 2004 since the tax was initiated on October 1, 2003. Mr. Chinnock noted that financial institutions represented 5 percent of total accounts but 10 percent of the money that had been collected.

With respect to health care deductions, Mr. Chinnock advised that general statistics provided that health care deductions were anywhere from 1 to 2 percent up to 25 percent of gross taxable wages. Mr. Chinnock advised that department staff would be working with the Employment Security Division to add employee counts to determine gross wage and health care deductions.

Mr. Chinnock pointed out that year-to-date collections for Liquor Tax totaled 65 percent of projections and were ahead of the 58 percent projected.

Mr. Chinnock pointed to Real Property Transfer Tax as one of the more positive collections. The Real Property Transfer Tax had been projected to bring in $51.5 million, and, in one quarter, almost half of that amount had been collected.

Mr. Chinnock noted that only two quarters of the Excise Tax on Banks would be collected, and year-to-date collections were at exactly 50 percent.

In reference to the Live Entertainment Tax, Mr. Chinnock reiterated earlier testimony that based on a projection of $27 million, it was anticipated $4.5 million a month would be collected while the first month's collection totaled slightly less than $600,000.

Moving to the document titled, *UTS Project Status Update* (Exhibit H), Mr. Chinnock explained that the Project Status Report contained information concerning the period from February 11, 2004 to March 29, 2004. Mr. Chinnock reported that several committees, which included a project management team, an executive leadership team, and a steering committee, had been established.

Mr. Chinnock advised that four major companies had responded to the Request for Proposal (RFP) for the implementation of "a fully integrated and comprehensive Unified Tax System (UTS)." Prior to mailing the RFP, Mr. Chinnock advised that the implementation of other tax systems, outside the state of Nevada, had been reviewed, and those systems' costs ranged anywhere from $70 million to $140 million.

Mr. Chinnock advised that from March 10 to April 29, 2004, the department would be involved in proposal evaluations. During the period from April 20 through April 23, vendor presentations and vendor site visits would take place with vendor selection completed by May 4. Mr. Chinnock advised that a cost threshold of $28 million had been included in the RFP.

Mr. Chinnock indicated that he would provide a report to the committee at their June meeting on selection of the vendor as well as additional costs to the department throughout the entire three-year process for which the implementation was projected.

Those costs would be compared to allocations already made and requests for the following biennium.

ITEM L. 4. - DEPARTMENT OF EDUCATION - Items a. and b.

Item 4. a – Nevada Discretionary and Formula Dollars Reverted to the U.S. Treasury as of September 30, 2003.

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, identified himself for the record.

In a brief update on the issues raised at the January 28, 2004, IFC meeting concerning Nevada discretionary and formula dollars reverted to the U. S. Treasury, Mr. Thunder reported that in early March 2004, the department obtained a printout of the programs for which unused federal funding was reverted. Mr. Thunder explained that the department's research revealed the programs for which funds were reverted expired in September 30, 1999, and information the department provided at the January 28, 2004, meeting reported only on the money refunded in 2000 and 2003.

Of the approximate $800,000 that was reverted to the U.S. Treasury, Mr. Thunder said about 27 percent was not channeled through the Department of Education, but either directly through school districts or other state agencies.

Mr. Thunder further advised that a list of refunds and explanation (Exhibit J) concerning the reversion of the remaining $577,000 was provided to the committee in their meeting packets.

Senator Raggio, acting as chairman, expressed particular concern in reference to the reversion of technology and special education funding especially since the Legislature had appropriated funding in each of the last two biennia for educational technology and special education. With ongoing concern that special education was not fully funded at either the state or federal level, Chairman Raggio indicated that "careful attention" must be paid to the utilization of available federal funds to the extent that state funding could be provided for other purposes.

Providing an update for the current federal fiscal year, Mr. Thunder reported that all but 4 percent of the approximate $136 million in state grants that would expire on September 30, 2004, had been obligated, and the remaining $15.6 million would be expended in the remaining six months.

Chairman Raggio congratulated Keith Rheault on his recent appointment as Superintendent of Public Instruction.

Dr. Rheault advised that the Department of Education implemented a policy in 2000 that required the school districts to determine in April whether all funds obligated to them or sub-grantees were being expended. Dr. Rheault explained that while an "entitled to grant" could not be reissued, a “competitive grant” could be de-obligated and reissued to ensure it would be expended.

Chairman Raggio suggested that reminders be sent to the school districts to maintain a watch over the funds.

Dr. Rheault indicated implementation of the department’s policy in 2000 had an effect, and, while federal funding had increased, an average of a little over $300,000 was not being expended.

Item L. 4.b. - SAIN (System of Accountability Information in Nevada) – Quarterly Report.

Keith Rheault, Superintendent of Public Instruction, identified himself for the record and introduced Mr. Mike Hadaway, Vice President, Otis Educational Systems.

A report titled, *Status Update of the SAIN System* (Exhibit K), a one-page summary of Dr. Rheault’s comments (Exhibit L), and a brochure titled *The OtisED Solution* (Exhibit M) were provided to the committee.

Dr. Rheault testified that the Legislature’s intent to implement “a valid, reliable, speedy, accurate system for student accountability” was the same expectation held by the Department of Education.

Dr. Rheault advised the committee that the millions of dollars in state appropriations spent since 1997 on the SMART (Statewide Management of Automated Record Transfer) system had provided the basic infrastructure for the upgraded SAIN (System for Accountability Information in Nevada) system.

A major obstacle in meeting the expectations of the upgraded SAIN system had been the extraction of local data to the state level from the four different student information systems used by the school districts. Until recently, Dr. Rheault said the only solution to the problem would have been a mandate to school districts to use one common student information system vendor from which a software program could have been developed for student data transfer.

However, with $850,000 in state appropriations provided by the 2003 Legislature, a contract was awarded to OtisED, and Dr. Rheault said the solution on how the data extract problem would be achieved would be addressed by Mr. Hadaway.

In conclusion, Dr. Rheault indicated there had been some disagreement with the interpretation of the statutory requirement that, “the Superintendent of Public Instruction shall prescribe a uniform program throughout the state for collection, maintenance, and transfer of data that each school district must adopt, which must include standardized software.” Dr. Rheault advised the committee that the OtisED solution was the uniform program that would provide the opportunity to retrieve student information data.

With respect to the statutory requirement, Senator Raggio indicated that at the last meeting of the Legislative Committee on Education, of which Speaker Perkins was Chairman, a major issue of concern was that the precise wording of the authorization was not being followed.

Mike Hadaway, Vice President, Otis Educational Systems, identified himself for the record.

Mr. Hadaway testified that Otis Educational Systems was a technology company that entered the education marketplace five years ago in comparison with other companies whose background was education but had attempted to enter the field of technology.

Mr. Hadaway said OtisED, whose expertise was data warehousing, developed programs that managed data in Fortune 500 companies from branch offices to central offices. Mr. Hadaway explained that "data-driven decision making" was terminology used by the industry to describe data warehousing that was required as a result of the federal No Child Left Behind Act and state legislative acts which placed pressure on state departments of education and school districts to provide reporting on a more frequent and accurate basis.

As previously indicated by Dr. Rheault, Mr. Hadaway said the challenge faced by states and school districts was that the data required for reporting did not come from one system. Mr. Hadaway indicated that a visit to any school district in Nevada or in the country would see an average of five to ten systems that stored data about students, teachers, grades, and tests. Mr. Hadaway pointed out that the federal government requested aggregated data for analysis in order to measure education program effectiveness, and while systems were available for student information, human resources, transportation, food and nutrition, and testing, Mr. Hadaway said that not a single system currently existed that could handle all of a school district's administrative tasks.

Mr. Hadaway testified that it was OtisED's approach to integrate the systems rather than to create a single application at the district level that contained all of the functionality needed. While the approach was new to the education marketplace, Mr. Hadaway said it was not new to the corporate marketplace. Mr. Hadaway explained that the technology had been available for about ten years, but refinement that provided the ability to go directly into a database had only taken place in the last five years. In a "proof of concept" procedure, Mr. Hadaway explained that OtisED installed software at the Clark County School District level, and through an automated computer procedure reached into the school district's SASI (Schools Administrative Student Information System) and extracted the required data in approximately one hour.

Mr. Hadaway described an education intelligence platform OtisED was structuring for Nevada, which would use technology to pull data from the various systems to create a series of rules that would validate the accuracy of data.

Chairman Arberry questioned whether OtisED would be able to provide the required data.

Mr. Hadaway provided assurance that OtisEd could deliver the required information.

ITEM L. 5 - DEPARTMENT OF HUMAN RESOURCES –

Item 5.b. - Division of Health Care Financing and Policy – Status Report on Implementation on MMIS System and Payment of Provider Claims.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, identified himself for the record and introduced Teresa DiMarco, Chief Executive Officer, and Tim Brewer, Western Regional Vice President, First Health Services Corporation.

In response to the committee's request at the January 28, 2004 IFC meeting, Mr. Duarte provided a brief update on the Division of Health Care Financing and Policy's contract activities with First Health Services.

Mr. Duarte advised that multiple communications had been received from First Health Services in response to the division's January 2, 2004 letter concerning contract performance. Additional division correspondence had been sent to First Health Services in reference to issues related to eligibility, discrepancies, managed care enrollment, payment to managed care organizations, and legal notices concerning service reductions or changes.

Mr. Duarte informed the committee that First Health Services had submitted a "plan of correction" with an April 18, 2004 stabilization plan target date. Correspondence had also been sent to First Health Services that provided the division's plans for stabilizing the system and extending First Health Services' plan of correction to incorporate a broader scope that included full contract compliance. Mr. Duarte advised that plans for stabilization and correction were currently under discussion with First Health Services' representatives.

Mr. Duarte reported that First Health Services had provided "a number of activities to improve services" to providers and recipients. Mr. Duarte expressed the division's appreciation for the patience the provider community had demonstrated and indicated that cash payments would continue to be available for unprocessed claims. Mr. Duarte indicated he was aware the provider community's patience was limited and that the system had to be fully functional as soon as possible.

Ms. DiMarco's presentation included references to a document titled *Medicaid Management Information System Status Report to the Interim Finance Committee* (Exhibit I), which she used to point out the progress that had made on claims payment stabilization as well as the work that remained to reach optimization.

Ms. DiMarco referred to page 3 of the document and addressed First Health Services' commitment to increased claims payments to providers, implementation of the state's new hospital outpatient payment program and expanded provider outreach training and service. Ms. DiMarco reported that while increased claims payments had been achieved, the hospital outpatient program had been implemented on time and provider training and services expanded, all three areas required ongoing work.

Moving to the graph on page 4, Ms. DiMarco pointed out that cumulatively Medicaid payments had increased significantly since December, with acceleration in January February and March. The new system paid $312,400,000 in provider claims through the end of March 2004, approximately three times the level of the cumulative payments in December.

Ms. DiMarco pointed out that the graph on page 5 showed payment progress for each month with January, February and March significantly higher than any previous months by a third to a half. With payments totaling $71,200,000, Ms. DiMarco said March showed the most significant increase to date with a 50 percent increase over December.

Moving to page 6, Ms. DiMarco pointed out that during the first four months from September 2003 through December 2003, 16.7 percent of the claims received were rejected due to a lack of recipient and provider identification, or signature. Currently, as a result of education efforts and provider responsiveness, rejected claims were reduced to 6 percent, and the goal was to reduce claim rejection to zero percent.

Page 7 outlined provider training, and Ms. DiMarco reported that since January, First Health Services held 161 provider billing and policy training workshops to assist providers with billing compliance and policy training. Additional customer service staff had been assigned to provide better telephone service, and weekly meetings had been held with many provider associations. Ms. DiMarco advised that the collaboration between First Health Services and the providers had been beneficial to both parties. Additionally, Ms. DiMarco said First Health Services had conducted claim-billing workshops for hospitals and nursing homes. As a result of the training, one hospital that had previously been successful with only about 30 percent of their claims achieved a 70 percent success rate after training. It was Ms. DiMarco's observation that it would take "one-on-one" work between providers and First Health Services Corporation to ensure continued progress.

Moving to page 8, Ms. DiMarco discussed the stabilization plan measures established with the division for the month of April. Ms. DiMarco reported that the division and First Health Services' representatives were currently holding meetings on a number of measures, and work to reach the established targets would continue over the next several weeks.

Moving to page 9, Ms. DiMarco testified that once stabilization was achieved, work would continue in an effort to reach optimized operation and full contract compliance.

Ms. DiMarco advised that First Health Services and the division were working together to refine claims processing edits and rules, provider enrollment and rate files, improvement of provider relations and communication, and enhancement of system management processes.

In summary, Ms. DiMarco reported the achievement of significant gains since January, particularly in the area of provider payments. Ms. DiMarco indicated continued collaboration was required to ensure a superior Management Information System that worked for the state, recipients and providers.

Acting as Chairman, Senator Raggio agreed that considerable progress had been achieved, but asked for information on the target dates First Health Services and the division were projecting to reach complete compliance under the terms of the contract.

Ms. DiMarco said First Health Services' commitment was to reach what they considered to be "a stable situation by April," not full contract compliance. Ms. DiMarco advised that while stabilization targets appeared to be within reach, "significant work" would continue to be required over the next two weeks.

Chairman Raggio asked for information on the milestones agreed to between First Health Services and the agency.

Ms. DiMarco advised that a meeting had been scheduled between the division and First Health Services during the following week to establish dates and specific measures for achieving full contract compliance. Ms. DiMarco expected there would be specific measures the Division would commit to for July 1, and analysis was currently being conducted to determine whether full contract compliance could be achieved by July 1.

Chairman Raggio asked for information concerning the contract renegotiation.

Mr. Duarte reported that the division sent First Health Services a letter outlining the division's goals to achieve contract compliance by July, and an April 13, 2004 meeting was scheduled to discuss the goals.

In response to a question from Chairman Raggio concerning obstacles to reaching the July deadline, Ms. DiMarco indicated a "significant" amount of collaborative work between the division and First Health Services' staff was required in order to reach the established goals. Specifically, Ms. DiMarco indicated there were certain edits and rules in the system that required refinement and could not be changed unilaterally. Ms. DiMarco advised that the progress that had been achieved thus far was a result of the collaborative relationship between the division and First Health Services, and that relationship needed to continue.

Chairman Raggio asked if any problems existed that would prevent the goals from being reached.

Mr. Duarte expressed uncertainty concerning the resource requirements needed to achieve the goals and said the division was counting on First Health Services to quantify the requirements and to provide a response to the division's recommendations for contract compliance by July 1. Additionally, Mr. Duarte said certain interim targets for contract performance goals to be reached by May 25 had been established.

Chairman Raggio asked First Health Services' representatives when they would provide the division with the requested information.

Ms. DiMarco responded that First Health Services intended to be prepared to respond to the division at the April 13, 2004 meeting.

In response to a question from Chairman Raggio, Ms. DiMarco confirmed that within a month both the division and First Health Services would know what was necessary to achieve the established time lines.

In response to Chairman Raggio's request, Mr. Duarte agreed to report to the committee's staff in the event there were any obstacles to reaching the established deadlines.

Senator Rawson expressed his appreciation for the progress that had been made. However, Fixed Wing Air Ambulance, brought payment claim concerns to his attention during a recent meeting, and during the last ten days he had been contacted by oral surgeons, as well as psychiatrists, and rural mental health providers who indicated an eight-month problem with receipt of payment. Senator Rawson expressed concern for the "fragile" network that existed in the rural areas.

Mr. Duarte advised that while claim payments depended on whether the claim was defined as a "fee for service" or managed care, he was the person who should be contacted for payment concerns.

Senator Rawson asked for information on whether Great Basin Primary Care and the Community Health centers had lost essential provider services.

Mr. Duarte reported that division staff as well as First Health Services' staff had been working with Health Access in Washoe County on resubmission of several thousand claims, and although he did not specifically know the status of those claims, the problems had been identified. Mr. Duarte advised that cash payments were being offered during the claims process. It was Mr. Duarte's opinion the problem was an accounting issue and the resources needed to reconcile accounts to cash payments. Mr. Duarte indicated the division would continue working with providers.

Senator Rawson referenced an earlier statement concerning the difference between "fee for service" and managed care, and asked if payments were being made to managed care providers.

Mr. Duarte responded that "capitation payments" to all managed care organizations were being paid correctly and on time.

Dr. Hardy disclosed his status as a physician and his employment with Fremont Medical Center.

Dr. Hardy discussed the issue of non-payment to providers as a deterrent in managed care organizations' recruitment attempts and took issue with the statement that all managed care associations were being paid on time indicating the existence of some payment discrepancies. However, Dr. Hardy indicated managed care organizations were appreciative of the progress they had seen. Extending his appreciation to Mr. Duarte in his role as the contact person on payment issues, Dr. Hardy said he would refer questions concerning payments to Mr. Duarte.

Mr. Carpenter addressed the provider problems that continued to exist in Elko and reported that 70 to 80 percent of the providers had dropped out of the system in Elko because of First Health Services, or the payment schedule. Additionally, after a recent meeting with a home health care organization and division employees, Mr. Carpenter discussed the seeming lack of decision-making authority division staff employees had concerning payment issues. Mr. Carpenter advised that a home health care organization in Elko was currently owed $250,000, and Pinion Orthopedics, among others, was owed $35,000. Mr. Carpenter asked that some assistance be provided to providers in Elko as well as other rural communities to ensure continued service.

Chairman Raggio accepted the report and asked that division staff be aware of the committees' collective concern and the need to reach established goals.

<u>Item e. 1 **-** Welfare Division, Report on the Child Enforcement Program and Child Support Issues</u>.

Nancy Ford, Administrator, Welfare Division, identified herself for the record and introduced Gary Stagliano, Deputy Administrator, Program and Field Operations, Robert Teuton, Assistant District Attorney, Juvenile and Family Support Division, Clark County District Attorney's Office, and C. A. Watts, Director, Family Support Division, Clark County District Attorney's Office.

Ms. Ford reported that:

- The Child Support Enforcement Program was a statewide program administered under the provisions of Title IV-D of the Social Security Act.

- The program was operated through interlocal contracts with 13 of Nevada's district attorneys' offices. The four remaining counties were provided services either through the state or district attorneys under contract with the state to provide services.

- Funding for the Child Support Enforcement Program was based upon a 66 percent Federal match and 34 percent state or county match.

- The state's share of the program at 34 percent was achieved solely through child support collections retained from TANF (Temporary Assistance to Needy Families) child support cases.

- Incentives paid by the federal agency to states were based on five performance measures, paternity establishment, support order establishment, collections on current support, collections on arrears, and cost effectiveness of the program.

- Incentives were provided to the district attorneys who carried out the enforcement action. A document titled *Incentive Worksheet* (Exhibit N) provided information on how the incentives were calculated and distributed among the various district attorneys and programs that administered child support collections.

- If performance measures were not met, the federal agency reduced the incentives allocated to the state, and the state program then reduced the incentives to the counties in accordance with the formula provided in Exhibit N.

Ms. Ford discussed the federal data reliability audit, which was conducted annually for the prior federal fiscal year's data. Ms. Ford reported that in federal fiscal year 2002, Nevada failed the audit in the areas of active case count (line 1) and children with paternity established (line 6).

Ms. Ford reported that notification was received from the Administration of Children and Families on November 19, 2003, of a 1 percent penalty assessment against the TANF Block Grant for failure to meet the performance standards in the Child Support Enforcement Program for two federal fiscal years.

Ms. Ford advised that an appeal had been filed. During the previous week an opposing brief was received from the Office of Child Support Enforcement, and the state had 21 days to file a reply brief. Additionally, Ms. Ford indicated that the Office of Child Support Enforcement provided information on three penalty options and stated that the penalty was not stayed pending the appeal. Option 3 provided that half the penalty could be collected April 15 and the other half July 15, and Ms. Ford indicated that option 3 was selected since there was a movement in Congress to amend the statute in order that penalties could not be collected until all appeal processes had been exhausted.

Ms. Ford advised the committee that Nevada's Child Support Enforcement Program had a quality control process that had been in effect for over 15 years. State quality control staff regularly audited county child support agencies, and individual offices were advised of review results, given corrective action plans, and provided assistance to improve their programs.

In 1999 the Federal Office of Child Support Enforcement developed self-assessment reviews designed to evaluate accuracy and compliance with federal casework standards, which differed from performance measures. Ms. Ford explained that while performance measures gauged the productivity and success of a program, a self-assessment review gauged compliance with established casework standards in federal regulations. The theory being that good casework would result in successful programs that would meet program measurements.

As a result of self-assessment reviews, Ms. Ford indicated corrective action plans would be engaged in, if necessary, and a schedule (Exhibit O) distributed to the committee outlined Clark County's areas of issues and improvements.

Ms. Ford discussed Clark County's 2003 implementation of Policy Studies, Inc. (PSI) recommendations, a report Clark County commissioned to evaluate and improve their program. Ms. Ford pointed out that Clark County had taken a positive step designed to improve their program and efficiency and were to be commended. Ms. Ford further advised that the state had joined with Clark County and other counties to develop a statewide strategic plan that would benefit the statewide program.

In response to a question from Ms. Leslie concerning the basis of Nevada's appeal, Ms. Ford defined Nevada's case as unique. Ms. Ford reported that in federal fiscal year 2000, Nevada failed lines 5 and 6 of the data reliability report. However, the Commissioner of Child Support Enforcement provided a waiver to the effect that failure was based on a technical error for which a penalty would not be assessed. In federal fiscal year 2001, Nevada successfully passed all lines of the data reliability report, but in 2002 failed lines 1, active case count, and 6, children with paternity established. Ms. Ford explained that the federal agency crossed over fiscal years to measure the paternity establishment percentage, and a line from the 2001 data reliability report was compared with a line from the 2000 report.

In response to a comment from Ms. Leslie that the failure appeared to be the result of a technicality, Ms. Ford agreed and cited other issues as well, including the lack of due process. Ms. Ford expressed confidence in the success of the state's appeal.

Ms. Leslie questioned whether the $428,360 assessed against the TANF Block Grant would, in turn, be assessed against the counties by the state. Ms. Leslie pointed out that while Clark County might be improving, their job performance had not been good, and the majority of the cases were in Clark County.

Ms. Ford responded that a determination had not yet been made but expressed confidence the state would prevail in their appeal, and, if not, the case would be taken to court. Ms. Ford advised that a breakdown of the penalty that would be assessed to each county, should such a determination be made, was provided in a schedule titled TANF Penalty (Exhibit N).

Ms. Leslie questioned Mr. Teuton concerning how long it would take to resolve the problem.

Robert Teuton, Assistant District Attorney, Juvenile and Family Support Divisions, Clark County District Attorney's Office was identified for the record.

Mr. Teuton indicated Clark County's Child Support Enforcement Program had been impacted "by so many detrimental" problems that deterred workers' ability to do their job "they had bottomed out," but were now on an "upswing" focusing on performance. Mr. Teuton provided Ms. Leslie his assurance that Clark County's performance in the area of child support enforcement would continue to improve.

Ms. Leslie stated she did not want to listen to testimony in a year indicating that the state had been assessed another $500,000 in incentive money.

In response to questions Ms. Giunchigliani had concerning the technicality and the $428,000 assessment, Ms. Ford explained there were actually two penalties and that not meeting established performance measures incurred an automatic reduction in incentives for which there was no appeal. Ms. Ford reiterated earlier statements that the paternity enforcement percentage was compared against two fiscal years on the data reliability reports, and a penalty was assessed for failure to pass the establishment percentage for two subsequent years. Additionally, Ms. Ford explained that the information entered into the state's system had to match the actual hard case file and errors could occur while entering data, or in the system itself and did not necessarily relate to a particular office.

In response to additional questions from Ms. Giunchigliani, Mr. Teuton said that if the data entered into the system could be established as reliable, he was confident that the federal performance measures that dictated whether incentive monies were received would be met and perhaps even surpassed.

Ms. Giunchigliani questioned when the reliability threshold would be met and whether the threshold would be based on the appeal.

Ms. Ford responded that the data reliability issue was a part of the appeal because the federal office had not provided guidance on how the problems could be corrected. Ms. Ford pointed out the state had only 27 days to submit corrective information, which had been accomplished. The penalty was based upon the initial failure in 2002, and Ms. Ford explained that a part of the state's appeal was that the penalty was premature since the data had been resubmitted timely, and the appeal had not yet been evaluated. Ms. Ford cited additional grounds for appeal based on the initial waiver for failure of the data reliability audit in 2000.

It was Ms. Ford's opinion that Congress would act to amend the federal statute and that Nevada would be provided full corrective action.

In response to additional questions from Ms. Giunchigliani, Ms. Ford advised that each county had an incentive to meet data reliability because of the receipt of incentive dollars.

<u>Item e. 2 - Welfare Division, Status report on the increased staffing levels, the progress of processing applications, addressing the backlog of applications, and making timely redeterminations in the Food Stamp, Medicaid and TANF programs</u>.

Nancy Ford, Administrator, Welfare Division, identified herself for the record and introduced Gary Stagliano, Deputy Administrator, Program and Field Operations, and Roger Mowbray, Deputy Administrator, Administrative Services.

In response to a legislative letter of intent that required the Welfare Division to report on the impact of new positions approved by the 2003 Legislature, Ms. Ford advised the members of the committee that the Welfare Division began an accelerated hiring of new staff after the 2003 Legislative Session. Ms. Ford referred to a schedule titled *NSWD FSS Skill Assessment Analysis*, (Exhibit P) which provided a comparison of budgeted staff, hired staff, and the skill level of staff from March 2003 through December 2003.

Ms. Ford discussed the academy that had been established to train new employees for three months in programs such as Food Stamps, Eligibility Certification, Medicaid, and TANF as well as case management and operation of the division's information system programs. Ms. Ford pointed out that after the initial training, practical experience was gained as new employees gradually took on a caseload but that it was about 11 months before a full caseload could be managed. Ms. Ford advised that graduates of the first academy after the 2003 Legislative Session were at nine months of skill level and could carry about 75 to 80 percent of a full caseload.

Ms. Ford indicated improvements to the caseload were being seen but not as quickly as had been anticipated. As Welfare Division Administrator, Ms. Ford said her goal for the TANF caseload was to reach a level that could be funded by the Block Grant and Maintenance of Effort without the need for any additional state General Fund dollars. In an effort to reach that level, Ms. Ford reported the initiation of procedures such as an orientation for clients to be provided full disclosure concerning what was expected of them before eligibility was determined. Ms. Ford advised that clients learned they would be entering a self-sufficiency program that might include training, domestic violence counseling, substance abuse counseling, or getting a job. As a result of that initiative, Ms. Ford said that about 20 percent of the applicants declined to participate, which had reduced the cash caseload. However, Ms. Ford pointed out the reduction in the cash caseload did not mean the overall caseload had dropped since clients had to be evaluated for other Welfare programs for which they might be eligible.

Chairman Arberry asked Ms. Ford to comment on how Nevada's Welfare staff to caseload compared with the national average.

Ms. Ford indicated it would be difficult to provide a comparison across states since each state was structured differently, and Nevada's "seamless" case management workers had caseloads related to more than one program.

In response to additional questions from Chairman Arberry concerning the overburdening of staff, Ms. Ford advised that the division's caseload was continually assessed in order to move positions where they were needed.

Chairman Arberry questioned how much General Fund savings would be realized as a result of the lower than budgeted TANF caseload.

Ms. Ford anticipated that $9 million less than the Legislature approved for the TANF cash caseload would be realized which translated to about $4.6 million in General Funds spread across three budget accounts, TANF, Field Services, and Welfare Administration. Ms. Ford anticipated that $2.8 million would be available to revert from the Field Services budget, and about $500,000 in Welfare Administration. Ms. Ford indicated a presentation on those issues would be provided at the June IFC meeting.

In response to a question from Chairman Arberry, Ms. Ford confirmed that the funds would be reverted to the General Fund

Item f.4 **-** Division of Child and Family Services, Semi-annual report on the progress of integration efforts and the phase-in of child welfare services to Clark and Washoe Counties.

Jim Baumann, Administrative Services Officer, Division of Child and Family Services identified himself for the record.

Mr. Baumann presented the semi-annual report on the progress of the integration efforts on the phase-in of child welfare services in Clark and Washoe counties and indicated he would respond to questions.

Mrs. Chowning was aware that Phase II of the integration process was scheduled to occur in April 2004 and Phase III in October, but questioned whether the process and the transfer of funding was proceeding as anticipated.

Mr. Baumann advised that integration of services and funding was on target with Phase II transferred on April 1, 2004 and Phase III scheduled for October 1, 2004.

Item f.5 - Division of Child and Family Services, Quarterly status report on the Desert Willow Treatment Center for the period October 1, 2003 through December 31, 2003.

Jim Baumann, Administrative Services Officer, Division of Child and Family Services identified himself for the record and introduced Dr. Crabb, Program Manager, Desert Willow Treatment Center in Las Vegas.

Mr. Baumann presented the quarterly status report on the Desert Willow Treatment Center for the period October 1, 2003 through December 31, 2003 and indicated Dr. Crabb would respond to questions.

There were no questions from the members of the committee.

ITEM 6 - DEPARTMENT OF BUSINESS AND INDUSTRY

Item c - Manufactured Housing Division – Quarterly Report.

Bill Maier, Administrative Services Officer, Department of Business and Industry identified himself for the record.

Ms. Giunchigliani asked that a sample copy of the interlocal agreement with local governments for the inspection of mobile homes be provided to her. Ms. Giunchigliani questioned whether there were "checks and balances" that ensured the local governments were accomplishing what was required of them and whether a fee was collected for the inspections.

It was Mr. Maier's understanding that it was the division's intent to cancel the interlocal agreements. However, Mr. Maier indicated he was not aware of how many agreements were still in effect. Additionally, Mr. Maier indicated that the counties collected the fee, which was then submitted to the Manufactured Housing Division.

Ms. Giunchigliani questioned whether a sticker was placed on a window of inspected mobile homes. Ms. Giunchigliani noted that during a recent visit to a mobile park, there were no visible stickers on the windows of the homes in that park. Ms. Giunchigliani questioned whether those homes had been inspected and whether the fees had been collected for the Manufactured Housing Division.

Mr. Maier indicated he would look into the issue and provide the requested information.

ITEM 7 - DEPARTMENT OF CORRECTIONS, Casa Grande Project – Status report on the comprehensive transitional housing plan pursuant to Assembly Bill 553.

This item was withdrawn.

ITEM 8 - DEPARTMENT OF MOTOR VEHICLES, Staffing for the Carey and Sahara Offices.

Refer to Item F. 56.

ITEM 10 - OFFICE OF VETERANS' SERVICES – Veterans' Nursing Home.

Chuck Fulkerson, Director, Office of Veterans Services, identified himself for the record. Mr. Fulkerson told the members of the committee the Nevada Veterans' Nursing Home continued to make progress in providing quality care at a reasonable cost to American military heroes.

Mr. Fulkerson profiled Nevada's Veterans' Nursing Home (NVNH) residents as veterans who were about 80 years of age with an approximate three-year stay at the facility. Succeeding in the mission to enhance the quality of life for resident veterans during their last years, Mr. Fulkerson said would meet the goals established for the Nevada Veterans' Nursing Home

Gary Bermeosolo, Administrator of the Nevada Veterans' Nursing Home identified himself for the record and distributed a document titled *Nevada Veterans Nursing Home Progress Report* (Exhibit Q).

Beginning with an overview, Mr. Bermeosolo provided the following information:

- Two of the three NVNH hospital wings were "open and full" with normal resident turnover.
- Staffing was stable with turnover at approximately 20 percent compared with nearly 100 percent in the private sector.
- Patient care at the NVNH was "the best the staff had ever delivered," but could and would get better.
- Roof leaks, a faulty nurse call system, an inoperable misting system, inconsistent hot water, and door latch problems from the constant expansion and contraction of the building were being addressed in a lawsuit.
- The current waiting list had 115 applicants and was growing.
- The NVNH was working to become an integral part of the Boulder City community by contracting with the community's local medical service providers.

Mr. Bermeosolo provided the following information concerning major challenges:

- As a result of lower than projected revenues, the opening of the third wing of the facility had to be delayed and necessitated additional resources before the end of the fiscal year 2004.

- The NVNH's governing board recommended that the pay rate for private residents be increased from $50 a day to $101 a day effective April 9, 2004.

- Current room charges were established in 1999 and had not been adjusted for medical inflation or for NVNH's increased costs.

- Current NVNH room charges of $50 per day were considered low compared to the average cost of nursing home care in Las Vegas at $159 a day. The governing board arrived at the $101 per day rate after reducing the $159 rate by a $58-a-day contribution by the Veterans Administration.

- The $50 per day resident charge was intended to be a minimum.

- NVNH actual cost of services effective December 31, 2003, was $242.20 per day.

- Medicaid and Medicare paid for actual cost of care, and the state paid the difference between private pay rates and actual cost of care.

- It had been anticipated that Medicaid would provide payment for 60 percent of the residents and 35 percent would be private-pay residents. Currently Medicaid provided payment for 19 percent of residents, and 75 percent were on a private-pay basis.

- The shift in the anticipated profile of residents was attributed to the current daily rate of $50, which attracted a large number of private-pay residents since it was so far below the average $159 a day cost for nursing care in Las Vegas.

- Most patients entering a nursing home for the first time did not qualify for Medicaid support until they "spent down" their assets, and the current low rate did not substantially draw down assets.

- Medicaid patients transferring from other nursing homes who had been eligible for $90 in Veterans Administration benefits became eligible for nearly $1,500 a month in benefits at the state facility which increased their income to the point they were no longer eligible for Medicaid.

- The resulting financial burden exceeded the ability of the Nevada Veterans Nursing Home to absorb expenses.

- The NVNH was unable to attract qualified nurses.

A recent salary survey conducted by State Personnel verified the state was not competitive in the area of nursing salaries. Mr. Bermeosolo reported that the inability to attract qualified nurses resulted in "significant overtime expenditures with no immediate solution in sight." A typical registered nurse earned $24 an hour and $36 an hour on overtime while nurses hired under contract earned an average of $50 an hour. Mr. Bermeosolo indicated that the inability to attract registered nurses would also impact opening the third wing. However, Mr. Bermeosolo said it was anticipated that State Personnel would address the nursing salary inequity.

Mr. Bermeosolo reported the NVNH had been slow to collect receivables as the result of an inoperable billing software program. With funds provided by the 2003 Legislature, and assistance from State Purchasing and DoIT, a new system was purchased, installed, and the collection process implemented. Mr. Bermeosolo indicated the system was purchased for $110,000 rather than the $198,000 that had been projected, and the difference was reverted to the state. Additionally, Mr. Bermeosolo reported that to date nearly all Medicaid and Medicare billings were current. Stale claim billings were being reviewed with assistance from a contracted consultant, and it was anticipated that approximately $20,000 in stale claim billings would be collected.

Mr. Bermeosolo indicated that during the first year of his appointment his focus had been on clinical issues, but with clinical concerns resolved he was currently involved in the reorganization of the NVNH business office and hoped to achieve maximum efficiency by a reassignment of roles.

In reference to positive activities, Mr. Bermeosolo reported that with the increase in private pay rates, it was anticipated the NVNH would begin the current fiscal year in the black. Additionally, assuming qualified nurses could be attracted, Mr. Bermeosolo anticipated the NVNH's strong financial recovery going into fiscal year 2005 would permit opening the third wing in July 2004.

The list of applicants waiting to enter the NVNH continued to grow, and there had been no requests from applicants to remove their name from the waiting list after hearing of the rate increase. Additionally, Mr. Bermeosolo reported that only two residents had left the home since the price increase, one to assisted living and one returned to his own home.

Mr. Bermeosolo advised that while most residents and family members understood the necessity for a private pay rate increase, they were not happy about the change. Additionally, Mr. Bermeosolo indicated that even those who were upset indicated they appreciated the quality of care they received.

With the increase in private pay rates, Mr. Bermeosolo said the home would be in a position to adjust its ancillary charges downward. He explained that current pricing was derived from surveying private for-profit hospitals and health-care facilities, and the NVNH proposed to utilize a straight cost plus 20 percent pricing mechanism.

Mr. Bermeosolo indicated that with the opening of the third wing, the NVNH would be at capacity by the end of the calendar year, and the daily cost of operation was expected to stabilize. However, Mr. Bermeosolo said that in an effort to avoid significant future rate increases, each spring the NVNH's governing board would review medical inflation, long-term care costs, and operating costs to establish an annual cost-of-care adjustment.

Mr. Bermeosolo referred the members of the committee to the progress report (Exhibit Q), which contained an update from each of the NVNH disciplines and could be read at their convenience.

Chairman Arberry extended his appreciation to Mr. Bermeosolo for his testimony and asked for assurance the NVNH residents continued to receive the best possible care during their stay. While he could not commit future funding, Chairman Arberry indicated the Interim Finance Committee should be approached in the event of a shortfall and that under no circumstances were veterans to be displaced.

Mr. Bermeosolo indicated a promise had been made to the families of the resident veterans that no veteran would be asked to leave because they could not pay their bill.

In response to a question from Chairman Arberry concerning the current 19 percent of NVNH residents on Medicaid, Mr. Bermeosolo indicated that a recent survey of western state veterans' homes showed that Medicaid supported 60 to 70 percent of residents in those states. Mr. Bermeosolo anticipated that the NVNH rate increase would be a factor in drawing on residents' assets enabling them to become eligible for Medicaid.

Additionally, Mr. Bermeosolo reiterated an earlier discussion concerning Medicaid patients entering the NVNH who became ineligible for Medicaid because of assistance provided by the Veterans Administration. It was learned that Medicaid officials had informed families members that a veteran returned to the private sector would regain their eligibility for Medicaid.

Mr. Bermeosolo indicated discussions had taken place with Medicaid officials concerning precluding Veterans Administration benefits from being counted which would allow a veteran to reside at the NVNH for $400 or $500 a month instead of a private facility for $5,000 or $6,000 a month dependent upon income.

In response to a question from Ms. Giunchigliani concerning whether Medicaid was willing to consider a rule change, Mr. Bermeosolo advised that it appeared Medicaid officials were receptive and were reviewing the issue.

Mrs. Chowning expressed her appreciation to Mr. Bermeosolo for applying for a rule change with Medicaid officials.

In response to a question from Mrs. Chowning concerning veterans who had left the NVNH, Mr. Bermeosolo said that since the rate increase, one veteran went home and one went to an assisted living space. It was anticipated that an additional three veterans might move to assisted living. However, Mr. Bermeosolo indicated he made a commitment that should a veteran want to return to the NVNH, that veteran would be placed at the top of the waiting list.

Mrs. Chowning agreed with the Chairman's statements that no veteran should be displaced and requested that NVNH representatives continue to provide quarterly reports and updates to the committee.

***M. REPORT ON ACTIVITIES OF THE INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE ON THE SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY.**

Senator Raggio, Chairman of the Interim Finance Committee's Subcommittee on the Southern Nevada Women's Correctional Facility (SNWCF) reported that the subcommittee met and heard testimony on the operation of the SNWCF on March 31, 2004. Chairman Raggio further reported that since the Interim Finance Committee's last meeting on January 28, 2004, Corrections Corporation of America (CCA) indicated their contract to operate the Southern Nevada Women's Correctional Facility would be terminated.

As a result of CCA's intent to terminate their contract, a Request for Proposal (RFP) to operate the SNWCF was released by the Department of Corrections, and the subcommittee would meet again to hear whether any proposals would be accepted.

Ms. Giunchigliani questioned whether a provision existed to allow the Department of Corrections to operate the SNWCF.

Chairman Raggio clarified that the issue before the subcommittee was to examine a modification of the existing agreement that would provide the Department of Corrections with the responsibility of administering medical care at SNWCF. The subcommittee was also charged with looking into the cost of medical care at the SNWCF and to obtain additional information from the CCA on the cost of the care they had provided to inmates. In the meantime, the CCA had given notice they were not interested in continuing operations of the facility and intended to terminate their contract in its entirety.

N. PUBLIC COMMENT.

Bonnie Johnson, a Las Vegas resident, testified that her stepfather was a resident of the Nevada Veteran's Nursing Home. Ms. Johnson expressed her appreciation to Mr. Bermeosolo for his honesty in dealing with the families of the residents and for the positive steps he had taken toward resolving the many problems at the NVNH. Ms. Johnson wanted the committee to know the care at the NVNH was improving on a daily basis.

O. ADJOURNMENT.

Chairman Arberry announced the next meeting of the IFC was scheduled for June 16, 2004. Chairman Arberry adjourned the meeting at 2:45 p.m.

Assemblyman Morse Arberry Jr., Chairman
Interim Finance Committee

Lorne Malkiewich, Director
Legislative Counsel Bureau, and
Secretary, Interim Finance Committee