

MINUTES OF THE JUNE 16, 2004
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 Wednesday, June 16, 2004, at 8:27 a.m. in Room 4100 of the Legislative Building. Exhibit A is the agenda. Exhibit B is the guest list. 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 Barbara Cegavske
Senator Bob Coffin
Senator Bernice Mathews
Senator Raymond D. Rawson
Senator Dean A. Rhoads
Senator Sandra Tiffany
Assemblyman Walter Andonov
Assemblyman Kelvin Atkinson, Sitting as an Alternate for Assemblyman Perkins
Assemblyman Bob Beers
Assemblywoman Vonne Chowning
Assemblywoman Dawn Gibbons
Assemblywoman Christina R. Giunchigliani
Assemblyman Joe Hardy, Sitting as an Alternate for Mr. Griffin
Assemblyman Lynn Hettrick
Assemblywoman Sheila Leslie
Assemblywoman Kathy McClain
Assemblyman John Marvel
Assemblyman David Parks

COMMITTEE MEMBERS EXCUSED:

Assemblyman David Goldwater
Assemblyman Richard Perkins
Assemblyman Josh Griffin

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda J. Erdoes, Legislative Counsel
Scott G. Wasserman, Chief Deputy Legislative Counsel

Mark W. Stevens, Fiscal Analyst, Assembly
Steve J. Abba, Principal Deputy Fiscal Analyst
Gary L. Ghiggeri, Fiscal Analyst, Senate
Robert Guernsey, Principal Deputy Fiscal Analyst
Connie Davis, Recording Secretary
Sherie Silva, 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.

***B. APPROVAL OF MINUTES FROM THE APRIL 8, 2004 MEETING.**

ASSEMBLYMAN MARVEL MOVED APPROVAL OF THE MINUTES FOR THE APRIL 8, 2004, MEETING.

ASSEMBLYWOMAN CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, Assemblywoman Giunchigliani, Senator Cegavske and Senator Coffin were not present for the vote. Assemblyman Perkins, Assemblyman Goldwater, and Assemblyman Griffin were excused.)

C. APPROVAL OF WORK PROGRAMS BY THE GOVERNOR DUE TO AN EMERGENCY PURSUANT TO SECTION 5(A) OF NRS 353.220.

DEPARTMENT OF CORRECTIONS – STEWART CONSERVATION CAMP FY 04 – An addition of \$21,000 in a budgetary transfer from the Southern Nevada Women's Correctional Facility to fund the emergency repair of the alarm and security alarm system at the Stewart Conservation Camp. The current fire alarm and security alarm system is not operational, and correctional officers are not able to control unauthorized traffic in and out of the housing units, which creates safety and security hazards. Therefore, the Governor deemed an emergency exists and approved the work programs for immediate replacement of the alarm and security systems.

Item C was listed for informational purposes only.

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

1. **Department of Corrections – Lovelock Correctional Center - FY 04 –** Addition of \$49,500.00 in Budgetary Transfer to fund the replacement of the evaporative cooling media to avoid potential mold and bacteria growth in the HVAC system. Requires Interim Finance approval since the amount added to the Maintenance of Buildings and Grounds category exceeds \$50,000.00.
2. **Department of Human Resources – Child and Family Services – Nevada Youth Training Center – FY 04 –** Transfer of \$89,704.00 from the Personnel Services category to the Maintenance of Buildings and Grounds category to replace a chiller at the Independence High School building of the Nevada Youth Training Center. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds \$50,000.00.

The Items under D were listed for informational purposes only.

***E. 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 requested testimony on work program items 5, 6, 7, 9, 10, 24, 26, 27, 28, 29, 30, 31, 45, 47, 52, 57, 58, 60, and 61 required a public hearing, 63 and 65 required a public hearing, 66 and 71 required a public hearing, 72 and 73 required a public hearing, 81 required a public hearing, 108, 119, 120, 121, 122, 123, 138, 160, 163, 164, 166, 181, 182, 183, 197, 198, and 199. Work program items 3, 4, 49, and 165 were withdrawn.

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

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske, Senator Coffin, Assemblyman Andonov, and Assemblywoman Giunchigliani were not present for the vote. Assemblyman Perkins, Assemblyman Goldwater, and Assemblyman Griffin were excused.)

I. Work Program Revisions Requiring Interim Finance Committee Review.

1. **Office of the Attorney General – Administrative Account- FY 04 –** Transfer of \$22,376.00 from the Operating category to the In-State Travel category, \$21,996.00 from the Operating category to the Equipment category and \$45,932.00 from the Operating 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 from the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

2. **Office of the Secretary of State – FY 04** – Addition of \$40,936.00 in Transfers from the Special Services account to cover contract expenses for scanning and imaging through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Micro Graphics category exceeds \$50,000.00.

Refer to motion for approval under Item E.

3. **Office of the Secretary of State – Help America Vote Act (HAVA) Elections Account – FY 04** – Addition of \$546,052.00 in Transfers from the Special Services account and \$5,466,810.00 in federal HAVA grant funds to cover the anticipated costs associated with the Help America Vote Act. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00, and pursuant to NRS 225.140, Section 3. WITHDRAWN – JUNE 7, 2004.

Item 3 was withdrawn June 7, 2004.

4. **Office of the Secretary of State – Help America Vote Act (HAVA) Elections Account – FY 04** – Addition of \$4,493.00 in Transfers from the Special Services account to cover the 5% state match associated with the Help America Vote Act. Requires Interim Finance approval pursuant to NRS 225.140, Section 3. WITHDRAWN – JUNE 7, 2004.

Item 4 was withdrawn June 7, 2004.

Chairman Arberry announced that Items 5, 6, and 7 would be considered simultaneously.

5. **Office of the Secretary of State – Help America Vote Act (HAVA) Elections Account- FY 05** – Addition of \$10,381,400.00 in Federal HAVA grant funds and \$546,062.00 in Transfer from the Special Services Account to cover the anticipated costs associated with the Help America Vote Act. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00 and pursuant to NRS 225.140, Section 3.

Bill Reinhard, Administrative Services Officer, Office of the Secretary of State, identified himself for the record and introduced Peter Harrington, Chief Accountant, Office of the Secretary of State.

In a brief background presentation, Mr. Reinhard said the Help America Vote Act (HAVA) “was a federal act designed to dramatically change the way elections and voting systems work” within the United States. Additionally, Mr. Reinhard indicated

that statewide election officers, representing all Nevada counties, had gathered together in the Secretary of State's Office to assist in the planning needed for a successful election process. Consistent with their effort, Mr. Reinhard indicated he was before the committee to request the necessary resources to ensure a successful election result.

Mr. Reinhard identified Items 5 and 6 as requests for transfer of \$546,062 and \$4,493 respectively from the Special Services Fund needed to fulfill a state-matching requirement to accept \$10,381,400 in Federal HAVA grant funds. Mr. Reinhard commented that the funds were so important that the Office of the Secretary of State (SoS), pending approval from the committee, had elected to transfer the resources from the Secretary of State's Special Services Fund.

In response to questions Chairman Arberry had concerning the time line for receipt of federal dollars, Mr. Reinhard anticipated a portion of the federal funds would be received in June 2004 and \$10 million in perhaps July and September.

Chairman Arberry also questioned when expenditures would begin.

Mr. Reinhard responded that funds were currently being expended, and planning required the continuation of resources vital to ensuring a successful election. In view of their "pioneering efforts" and with "the nation's eyes" upon them, Mr. Reinhard requested approval of work program requests 5, 6 and 7.

Assemblywoman Giunchigliani recalled the original lump sum budget proposal that eliminated some legislative oversight was not approved during the 2003 Legislative Session. Not wishing to slow progress, Ms. Giunchigliani suggested establishment of additional categories in order to better monitor receipt and expenditure of funds. Ms. Giunchigliani further suggested holding the request until the SoS staff representatives could meet with the committee's staff concerning establishment of additional budget categories.

Ms. Giunchigliani also questioned whether the funding in the Special Services Fund was sufficient for a full match.

Mr. Reinhard responded that the Special Services Fund held adequate resources for the matching requirement, and the Secretary of State had no plans to appear before the 2005 Legislature with a request for a supplemental appropriation.

In response to additional questions from Ms. Giunchigliani, Mr. Reinhard confirmed that \$546,062 and \$4,493 were being requested from the Special Services Fund.

Ms. Giunchigliani reiterated the need for legislative oversight to track expenditures and her preference for establishment of additional categories.

Mr. Reinhard said the Secretary of State's office was not "looking for a blank check on the Treasury" and pointed out, given the time constraints associated with the election process, staff would not have an opportunity to reappear before the committee to request a budgetary augmentation if the expenditure of funds was inappropriately projected.

Ms. Giunchigliani suggested a motion for approval could include a 15-day expeditious action clause in the event work program approval was required before a meeting of the IFC.

Senator Raggio also expressed concern that the requested transfers from the Special Services Fund would impact revenue to the General Fund. While not wanting to prevent the goal from being reached, Senator Raggio agreed that expenditures had to be monitored.

In consideration of the required state match, Senator Raggio questioned whether the full amount of federal HAVA funds had to be acquired at one time. In an effort to reduce the state match and the transfers from the Special Services Fund, Senator Raggio questioned whether those counties that already had voting machines could upgrade rather than purchase new equipment.

Mr. Reinhard indicated he could not address the question concerning the need for all of the funding and deferred to Chief Deputy Parker's request for the entire amount.

In response to the question concerning the impact to the Special Services Fund, Mr. Reinhard discussed previous appearances before the IFC with E-Government initiative requests. While the requested funding transfers were expected to impact the Special Services Fund, Mr. Reinhard explained that the use of instantaneous electronic filing would reduce the need for personnel and dramatically increase revenues in the Secretary of State's office, which would flow through to the General Fund. Mr. Reinhard pointed out that when individuals could log on to the SoS website and file any corporation electronically and instantaneously, they would no longer be charged a fee for deposit to the Special Services Fund to expedite their transaction. Mr. Reinhard said the General Fund should increase dramatically as a result of the E-Government initiative, while fewer funds would be deposited to the Special Services Fund.

In response to questions from Senator Raggio, Mr. Reinhard confirmed that revenue deposited to the Special Services Fund were fees charged for expeditious action, and that the fund would eventually be eliminated because of instantaneous electronic filing. Mr. Reinhard added that only "those captured in a paper-based world" would not take advantage of electronic filing.

Senator Coffin pointed out that Clark County had been ahead of the federal government in purchasing voting equipment but would need funding to retrofit their machines.

Mr. Reinhard indicated that approximately \$4 to 6 million in retrofit expenditures would be required for Clark County.

In response to questions from Senator Rhoads, Mr. Reinhard advised that rural counties would be provided with the same equipment as the urban areas as well as early voting privileges and absentee ballots.

In response to Senator Raggio's earlier question concerning receipt of the entire grant and the required state match, Mr. Reinhard indicated it was his understanding the entire amount of the funding and match were required for the purchase of the voting machines and retrofitting.

Dan Musgrove, Intergovernmental Relations Director, Clark County identified himself for the record. Mr. Musgrove discussed Clark County's current 4,000 Sequoia voting machines that he said could not meet the paper trail standard. Mr. Musgrove indicated there would be "a tremendous cost" involved in retrofitting the current equipment, if even possible, and 4,000 new voting machines at \$3,000 each would also be costly. Mr. Musgrove strongly supported approval of the funding request and pointed out, from Clark County's perspective, that having the equipment in place prior to September was crucial.

Ms. Giunchigliani shared some of Senator Raggio's concerns and indicated that establishment of separate categories would provide information on the expenditures. Additionally, Ms. Giunchigliani indicated the match would be contained with the Special Services Fund and would not be requested from the Contingency Fund. Ms. Giunchigliani pointed out, that because of the standard that required a paper trail, the process should not be restricted, especially in consideration of early voting. Ms. Giunchigliani asked the Chairman if it would be acceptable to postpone the vote until the committee's staff could meet with Secretary of State staff to establish separate categories for expenditures.

Chairman Arberry agreed that staff should meet and return to the committee with a proposal for separate categories.

Senator Raggio asked that before the committee took action on the request an answer be provided on the feasibility of retrofitting the 4,000 Sequoia machines in Clark County.

Mr. Musgrove indicated he would contact Larry Lomax, Registrar of Voters in Clark County, concerning the retrofit issue. Mr. Musgrove explained that Clark County's voting machines had been purchased before implementation of the paper trail standard, and county officials were working with Sequoia to ensure that Clark County's machines could "meet or exceed that standard."

Senator Raggio indicated that spending taxpayers' money to replace 4,000 machines at \$3,000 a piece should be avoided if it was possible to retrofit the machines.

Mr. Musgrove agreed and said they were "working very, very hard with Sequoia to make sure that retrofit was going to happen."

Mark Stevens, Assembly Fiscal Analyst, identified himself for the record. After a meeting with the staff from the Office of the Secretary of State and the Fiscal Analysis Division and pending approval of the committee, Mr. Stevens proposed:

- The \$10,927,462 currently held in Category 16 would be redistributed into three separate categories.
- Category 11, Voting Machine Replacement would be established with funding of \$7 million.
- Category 15, Statewide Voter Registration, would be established with funding of \$3,927,462. Work Program Item 6 would actually show \$967,278.
- Category 16, Administration of Elections, would be established with funding changed from \$6,089,723 to \$5,107,185.

As discussed earlier in the meeting, Mr. Stevens indicated the Secretary of State would be required to return to the IFC if the authority in any of the categories was exceeded. Additionally, if a situation arose that could not wait until the IFC met, expeditious action could be requested which would approve a work program within 15 days of receipt.

Senator Coffin questioned which category would be accessed for the retrofitting of machines.

Ms. Giunchigliani responded that retrofit funds would be accessed from Category 11, Voting Machine Replacement and/or refurbishment, based on Senator Raggio's questions concerning Clark County's Sequoia machines and the intent to upgrade the equipment unless upgrades proved to be more costly than replacement. Ms. Giunchigliani indicated there were at least 700 Sequoia machines that only required an attachment, and the new Category 11 contained "over \$7 million."

Senator Raggio questioned the resale value of Clark County machines that needed to be replaced and whether any benefit from a resale could be returned to the state to replace the required state match money.

Mr. Musgrove explained that Clark County had 2,100 machines that were mid-1990s technology and 740 new AVC Edge machines that could be upgraded to meet the paper trail requirement. Mr. Musgrove added that the state was purchasing the newest AVC Edge model.

Mr. Musgrove explained that the Clark County machines were purchased with Clark County General Fund dollars, and the HAVA funding would not be sufficient to retrofit or replace the machines. Thus, Mr. Musgrove indicated that Clark County officials were hoping to receive an augmentation on what Clark County taxpayers had already expended.

In response to a question from Senator Raggio concerning whether the state should benefit from any salvage of the machines, Mr. Musgrove said that if the machines were salvageable, they would look at doing whatever they could “for the benefit of the system.”

Senator Raggio said it would be only fair that any salvage value should go back to the state for replacement of the required match.

Assemblyman Beers pointed out there would be a small market for machines that were non-compliant with the requirements of the HAVA. Mr. Beers suggested that perhaps the Sun City Homeowners’ Association or the Summerlin Homeowners’ Association might be interested in the older voting machines since they held elections not required to meet the HAVA standards.

In response to a question from Ms. Giunchigliani concerning Washoe County’s voting machines, Rhonda L. Moore, Deputy Secretary for Elections, reported that Washoe County had optical scan machines that could be modified to meet the new standards.

MS. GIUNCHIGLIANI MOVED TO AMEND WORK PROGRAM ITEMS 5, 6 AND 7 TO REFLECT THE ESTABLISHMENT OF THREE NEW CATEGORIES, CATEGORY 11, VOTING MACHINE REPLACEMENT; CATEGORY 15, STATEWIDE VOTER REGISTRATION; AND CATEGORY 16, ADMINISTRATION OF ELECTIONS. THE SECRETARY OF STATE WOULD BE REQUIRED TO RETURN TO THE IFC IF AUTHORITY IN ANY OF THE NEWLY ESTABLISHED CATEGORIES WERE EXCEEDED AND, IF NEEDED, EXPEDITIOUS ACTION COULD BE REQUESTED TO APPROVE A WORK PROGRAM WITHIN 15 DAYS OF RECEIPT OF THE REQUEST.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 6. Office of the Secretary of State – Help America Vote Act (HAVA) Elections Account- FY 05 – Addition of \$299,820.00 in General Fund Appropriation, \$5,785,410.00 in Federal HAVA grant funds, and \$4,493.00 in Transfer from**

the Special Services Account, and deletion of \$142,020.00 in Balance Forward Authority and \$2,700,000.00 in Federal HAVA Grant Balance Forward Authority to transfer General Fund Appropriation and Federal Authorization to fiscal year 2005 to cover the anticipated costs associated with the Help America Vote Act. Requires Interim Finance approval pursuant to Section 32 of AB 553, 2003 Legislature and pursuant to NRS 225.140, Section 3.

Refer to narrative under Item 5.

7. **Office of the Secretary of State – Help America Vote Act (HAVA) Elections Account- FY 04** – Deletion of \$299,820.00 in General Fund Appropriation and \$5,700,000.00 in federal HAVA grant funds to transfer General Fund Appropriation and Federal Authorization to fiscal year 2005 to cover the anticipated costs associated with the Help America Vote Act. Requires Interim Finance approval pursuant to Section 32 of AB 553, 2003 Legislature.

Refer to narrative under Item 5.

8. **Office of the Secretary of State – FY 04** – Addition of \$25,000.00 in Training Charge to cover costs for additional Notary Training Classes to State employees in this fiscal year. Requires Interim Finance approval since the amount added to the Notary Training category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

9. **Office of the Treasurer – Unclaimed Property – FY 04 FY 05** – Addition of \$159,783.00 in Unclaimed Property Receipts to upgrade the current business application, the implementation of an imaging solution, the microfilming of documents, and a reorganization of the current filing system. Requires Interim Finance approval since the amount added to the Information Services category exceeds \$50,000.00.

Kathryn Besser, Assistant State Treasurer, identified herself for the record. Ms. Besser introduced Janet Murphy, Management Analyst, and Tony Marcin, Manager, Information Systems.

Ms. Besser requested the committee's approval for the addition of \$159,783 in Unclaimed Property Receipts to upgrade the office's computer system and to implement a new imaging system.

Ms. Giunchigliani noted that the proposed computer upgrade would be funded with General Fund dollars.

Ms. Besser advised that while General Fund monies would be used to pay for the upgrade, the Office of the State Treasurer would revert \$20 million to the

General Fund. Providing additional detail, Ms. Besser explained that over the biennium an additional \$13 million above what the Economic Forum projected would be deposited to the General Fund, and, if approved, approximately 1.3 percent of those funds would be used for the upgrade.

Ms. Giunchigliani questioned why the improvements should be implemented in fiscal year 2005, rather than requested in the next budget for consideration by the 2005 Legislature.

Ms. Besser advised that while the proposed upgrade was not included in the 2003-05 biennium budget, the improvements were recommended for inclusion. Additionally, Ms. Besser provided justification for the upgrade, which included:

- Increased workload that occurred in Unclaimed Property since the Legislature moved the office to the Treasurer's Office in July 2001.
- The necessity to serve constituents more efficiently.
- "Significant" down time because of the crashes that occurred when more than three users accessed the database at the same time.
- Database security.
- Reduction of "significant staff overtime" incurred with the current system.

In response to a question from Ms. Giunchigliani, Ms. Besser confirmed that the Department of Information Technology (DoIT) had projected ongoing costs of \$30,000 annually.

In response to additional questions from Ms. Giunchigliani concerning the ongoing cost, Mr. Marcin said the \$30,000 covered maintenance of the software and database systems. Additionally, Mr. Marcin said that, if approved, the current application, Wager's UPMS, would be upgraded to Wager's UPS2000. Mr. Marcin advised that the Office of the State Treasurer had a maintenance contract with the vendor, Wagers & Associates, Inc., and the \$30,000 would provide assistance with database management, software upgrades, as well as any additional components that might be required.

In response to a question from Ms. Giunchigliani, Ms. Murphy advised that the current maintenance contract cost was \$12,500.

In response to additional questions from Ms. Giunchigliani, Mr. Marcin advised that the current contract provided the same services, but for an older application. The new application would be upgraded from the current Unified Process Management System (UPMS) to a Microsoft SQL Server database, which required more maintenance.

Ms. Giunchigliani indicated that while she believed the upgrade was needed, it was unfortunate the request was not brought forth in a timely manner for consideration by the entire Legislature. Ms. Giunchigliani said that too many requests were brought before the Interim Finance Committee that should be considered by the full body. Even though current revenues were above the Economic Forum's projections and could be reapplied, Ms. Giunchigliani expressed some concern with respect to a future revenue downturn.

In response to questions from Senator Raggio concerning the Economic Forum's projections, Ms. Besser clarified it was anticipated that a total of \$20 million would be received for fiscal year 2004, and the 2005 projection was increased from \$13.7 million to \$19.6 million.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM 9.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 10. Department of Administration – Information Technology Division – FY 05**
– Addition of \$38,600.00 in funds transferred from the Employment Security Division, \$38,600.00 in funds transferred from the Department of Taxation and \$38,600.00 in funds transferred from the Department of Motor Vehicles to fund an Enterprise Electronic Payment System initiative. Requires Interim Finance approval since the amount added to the Information Technology Projects category exceeds \$50,000.00.

Dave McTeer, Chief, Information Technology Division, identified himself for the record and introduced Chuck Chinnock, Director, Department of Taxation, Birgit Baker, Director, Department of Employment, Training and Rehabilitation, and Ginny Lewis, Director, Department of Motor Vehicles.

Speaking on behalf of the group, Mr. McTeer requested approval to transfer \$38,600 from each of the three departments, a total of \$115,800, to the Department of Administration to fund an Enterprise Electronic Payment System initiative. Mr. McTeer explained that the initiative was to select a vendor to provide a system, or Electronic Payment Engine, that would enable multiple state agencies to process and accept electronic payments through client service devices. Mr. McTeer explained that the three departments, before the committee, had a short-term need and available funding for the initiative and, if the transfer of funds was approved, would be the first users of the payment engine.

Mr. McTeer pointed out that Item G.7.c., Consultant Costs For Vendor Selection – E-Payment Initiative, requested an allocation from the IFC Contingency Fund for the Department of Taxation's part of the work program initiative.

Mr. McTeer provided the following itemization of the requested funding:

- \$105,800 –Cost to hire a consultant to assist in the selection of a vendor and with the implementation of the E-payment Engine for the first three users.
- \$10,000 – Cost for travel related to the RFP and subsequent implementation of the engine.

Mr. McTeer said the Department of Motor Vehicles and the Department of Taxation faced "time constraints," which presented "a narrow window of opportunity to provide an enterprise solution for the state." Additionally, Mr. McTeer explained that the E-payment solution would offer more payment options at an overall reduced cost while providing reconciliation of electronic transactions. Other state agencies were in the process of evaluating their participation in the initiative, and Mr. McTeer said the use of the Enterprise E-payment Engine by other agencies would be pursued.

Mr. McTeer indicated the State Information Technology Strategic Planning Committee, comprised of Executive Branch department directors, endorsed the initiative. Additionally, Mr. McTeer credited Patrick Foley, Senior Deputy State Treasurer, Office of the State Treasurer, and Dennis Colling, Administrative Services Officer, Department of Motor Vehicles, for their work on the initiative and indicated their availability to answer questions from the committee.

Mrs. Chowning questioned the recommendation to sole source the contract, and why the recommended vendor was so uniquely capable to perform the service.

Mr. McTeer responded that a Request for Proposal (RFP) was being developed for the E-payment Engine for which there were many vendors. Mr. McTeer explained that approval had been provided by the State Purchasing Division to sole source the hiring of an experienced consultant who provided a similar initiative with the City of Seattle.

In response to a question from Mrs. Chowning, Mr. McTeer indicated he was not aware of any other consultants in other states or cities that had provided the same service.

Mrs. Chowning expressed concern with respect to the selection of one consultant and asked that information be provided on why the Purchasing Division approved the selection.

Patrick Foley, Senior Deputy State Treasurer, Office of the State Treasurer, identified himself for the record. In response to Mrs. Chowning's question, Mr. Foley

said that information on RZ & Associates' past experience had been provided to the State Purchasing Division. Mr. Foley pointed out that RZ & Associates' specialization in the financial review of Electronic Payment Engines with several financial institutions, and their work with the City of Seattle "uniquely qualified" them as a consultant to help support development and issuance of the RFP and implementation after selection of the vendor. Mr. Foley further indicated that RZ & Associates had the ability to provide government agencies the opportunity for a smooth transition to an E-payment engine and development to constituents on an ongoing basis.

In comparison, Mr. Foley indicated the states of Michigan and Maryland created departments specialized in electronic payment engines rather than utilizing a company that specialized in their review. Mr. Foley advised that once the RFP was developed, and implementation completed for the three departments, the contract with RZ & Associates would be completed.

It was Mrs. Chowning's opinion that the committee would prefer a wider selection of companies to choose from.

Mr. Beers announced that after reviewing RZ & Associates' background via the Internet, and given the relatively small size of the contract, he would be comfortable in voting in favor of the request. Mr. Beers indicated his concern was whether transaction fees would be passed on to users or absorbed within agency budgets.

Mr. McTeer indicated the question of determining who would pay for transaction fees would most likely be addressed by the 2005 Legislature. Mr. McTeer indicated the primary objective was to reduce overall costs no matter who paid for the transactions.

Mr. Beers addressed the cost of processing a non-E-payment transaction using an example of a one-cent state check he had received. Mr. Beers indicated he presumed "cutting" a one-cent check was an expensive endeavor. Mr. Beers requested information comparing the cost of a conventional payment with an electronic payment and whether it made sense for the state or users to absorb the cost. Mr. Beers requested that the information be provided for use in the 2005 Legislative Session.

Mr. McTeer provided assurance that an average cost of a state-cut check as well as processing a cash receipt could be provided.

MR. MARVEL MOVED APPROVAL OF ITEM 10.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (Mrs. Chowning voted nay, Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 11. Department of Administration – Motor Pool – FY 04** – Transfer of \$92,525.00 from the Reserve category to the Vehicle Operation category to allow for projected vehicle maintenance and increased fuel costs for the Motor Pool fleet through the end of the fiscal year. Requires Interim Finance approval since the amount transferred to the Vehicle Operation category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 12. Department of Administration – Purchasing Division – Commodity Food Program – FY 04** – Addition of \$63,750.00 in Federal Family Feeding Program and Transfer of \$23,793.00 from the Reserve category to the Equipment category and \$8,536.00 from the Reserve category to the Shipping category to purchase a tractor to be used for United States Department of Agriculture (USDA) food deliveries and to cover increased expenditures related to shipping USDA food products throughout the State of Nevada. Requires Interim Finance approval since the amount added to the Food Distribution on Indian Reservations category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 13. Department of Administration – Purchasing Division – Commodity Food Program – FY 04** – Transfer of \$15,592.00 from the Reserve category to the Commercial Feed Products category to allow for the payment of a stale claim expenditure from fiscal year 2003. Requires Interim Finance approval since the amount deducted from the Reserve category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 14. Department of Administration – Buildings and Grounds – Marlette Lake – FY 05** – Addition of \$79,151.00 in Water Pumping Revenue to allow for a seasonal position and operating costs related to pumping water from Marlette Lake to Carson City. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under Item E.

- 15. State Public Works Board – Inspections – FY 04** - Transfer of \$15,000.00 from the Personnel Services category to the In-State Travel category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to In-State Travel category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 16. Department of Taxation – FY 04** – Transfer of \$240,000.00 from the Personnel Services category to the Operating category, \$246,500.00 from the Information Services category to the Operating category and \$3,500.00 from the Information Services category to the In-State Travel category to cover the costs associated with the implementation of new taxes 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 E.

- 17. Department of Personnel – FY 04** – Transfer of \$61,808.00 from the Reserve category to the Operating category to cover the costs associated with an increase in the number of hours hearing officers require to resolve appeals for disciplinary actions and involuntary transfers. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 18. Department of Education – Education State Programs – FY 05** – Transfer of \$30,300.00 from the Personnel Services category to the Transfer to Education Staffing Services category to combine a .50 FTE position in the Education State Programs budget account with a .50 FTE position in the Teacher Education and Licensing budget account; the duties and the funding for the positions will remain as budgeted. Requires Interim Finance approval since the amount added to the Transfer to Nevada Department of Education Staffing Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 19. Department of Education – Other State Education Programs – FY 04 –** Transfer of \$71,875.00 from the Reserve category to the System for Accountability Information in Nevada (SAIN) School District Support category to allow for fourth quarter payments to school districts for SAIN staffing. Requires Interim Finance approval since the amount transferred to the SAIN School District Support category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 20. Department of Education – Distributive School Account – FY 04 –** Transfer of \$33,948.00 from the Aid to Schools category to the Transportation category to allow for reimbursement of the cost for pupil transportation expenditures for Wadsworth-Nixon and Schurz area students from March 1, 2004 through the remainder of the school year. Requires Interim Finance approval since the amount transferred to the Transportation category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 21. Department of Education – Teacher Education and Licensing – FY 05 –** Addition of \$30,300.00 in Transfer from Education State Programs to combine a .50 FTE position in the Education State Programs budget account with a .50 FTE position in the Teacher Education and Licensing budget account; the duties and the funding for the positions will remain as budgeted. Requires Interim Finance approval since the work program includes new staff.

Refer to motion for approval under Item E.

- 22. Department of Education – Discretionary Grants Restricted – FY 04 –** Addition of \$45,000.00 in Federal Refugee Children School Impact Grant Funds and \$40,720.00 in Federal Reading Excellence Act Grant Funds. Transfer of \$16,000.00 from the English Language Acquisition Aid to Schools category to the Personnel Services category to cover projected payroll expenditures through the end of the fiscal year and to align revenue authority with funding levels approved by the federal government grant funds for refugee children and reading excellence education programs. Requires Interim Finance approval since the amount added to the Reading Excellence Act Aid to Schools category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 23. Department of Education – Improving America's Schools Act, Title II – FY 04 –** Transfer of \$79,157.00 from the Teacher Quality Aid to Schools category to the Teacher Quality Administration and Technical Assistance category to cover projected operating, payroll, indirect costs and sub-grant

payments for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Teacher Quality Administration and Technical Assistance category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 24. Department of Education – Child Nutrition – FY 04** – Addition of \$733,488.00 in School Breakfast Federal Grant, \$1,223,691.00 in School Lunch federal grant and deletion of ~~\$511,233.00~~ **\$511,223.00** in Summer Food Service federal grant to adjust revenues to projected funding levels approved by the federal government for child nutrition programs. Requires Interim Finance approval since the amount of the grant to the National School Lunch Program category exceeds \$100,000.00.

Doug Thunder, Deputy Superintendent Administrative and Fiscal Services, Nevada Department of Education, identified himself for the record. Mr. Thunder was before the committee to request approval to adjust federal revenues to projected funding levels in the Child Nutrition budget account. Mr. Thunder requested approval to increase authority for the School Breakfast Program and the School Lunch Program and to reduce federal funds for the Summer Food Service Program.

Mr. Thunder explained that school districts submitted claims to the department for the number of meals served, and payments were determined based on actual claims.

Additionally, Mr. Thunder advised that with the advent of year-round schools, the Summer Food Program had become available on a year-round basis.

With regard to the reduction in the Summer Food Program, Mr. Thunder said that \$1.25 million was projected for the 2004-05 Summer Food Program based on expenditures for the prior year and on anticipated growth. The reduction was primarily due to previous audits of the Summer Food Program sponsors, which revealed a misuse of funds. Mr. Thunder advised that only two qualified year-round sponsors remained.

Senator Raggio asked for information concerning the steps the department had taken to ensure full compliance with federal regulations and elimination of the misuse of Summer Food Program funds.

Mr. Thunder explained that during the 2001-03 biennium, a combination of audits, undertaken by the regional Office of the Inspector General of the U. S. Department of Agriculture (USDA) and the Department of Education, found several items of non-compliance and some misuse of funds on the part of many of the Summer Food sponsors. Mr. Thunder said that one of providers was being asked to repay about \$550,000.

Mr. Thunder further advised that as long as the department followed the USDA regulations, through legal means, to pursue payment from the provider, neither the department nor the state would be held liable.

Expressing concern that there were only two providers for the Summer Food Program, Assemblywoman Leslie asked what the department was doing to find more vendors to provide services.

In response, Mr. Thunder discussed the difficulty in finding non-profit organizations able to provide the meal service. While several organizations had attempted to provide the service, Mr. Thunder indicated they did not have the “wherewithal” to follow through and meet the necessary requirements. Mr. Thunder further advised that a department staff person in Las Vegas was making every attempt to contact organizations that could provide the service. Additionally, Mr. Thunder indicated the inability to find qualified providers was occurring nationwide and was of real concern to the USDA.

In response to a question from Ms. Leslie concerning the names of the remaining two providers, Mr. Thunder advised that he did not have that information with him but would provide it to her.

In response to questions Ms. Leslie had concerning the audit findings and the repayment of the \$550,000, Mr. Thunder advised that there were several issues in the findings, and a report would be provided to her. Mr. Thunder further advised that the collection and dispute process had been ongoing since the initial audit findings three years ago.

Ms. Giunchigliani indicated it was “reprehensible” that the “Smart Start” program ...took food out of the mouths of kids,” and asked how much of the repayment had been collected thus far.

Mr. Thunder responded that nothing of the amount the “Smart Start” program owed had been collected.

Ms. Giunchigliani questioned if the “Smart Start” program did business as a non-profit with anyone else.

Mr. Thunder responded that a claim had been made for state money for another service. The Controller’s Office was holding that claim, and Mr. Thunder indicated a hearing was scheduled to occur in early July on the issue.

In response to a question from Ms. Giunchigliani, Mr. Thunder advised that Willa and James Cheney owned Smart Start.

Ms. Giunchigliani recalled a 2003 legislative bill that requested funding of \$700,000 for Smart Start, which was not approved, and asked if Smart Start could be barred from attempting to obtain other funding.

Mr. Thunder advised that Smart Start had applied for funding from another program, which could not be provided until the Summer Food Program issue was satisfactorily resolved.

In response to additional questions from Ms. Giunchigliani, Mr. Thunder advised that Smart Start was no longer in business. Additionally, Mr. Thunder reported that the department had intensified monitoring of providers in order that action would occur much earlier if the necessary requirements were not being followed.

Ms. Giunchigliani questioned whether it was possible for school districts to act as providers.

Mr. Thunder responded that some programs were available to school districts to continue providing meals and was one avenue being pursued.

MS. LESLIE MOVED APPROVAL OF ITEM 24.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

25. Department of Education – Continuing Education – FY 05 – Transfer of \$58,668.00 from the Adult Basic Education – Aid to Schools category to the Personnel Services category, \$1,660.00 from the Adult Basic Education – Aid to Schools category to the Out-of-State Travel category, \$2,972.00 from the Adult Basic Education – Aid to Schools category to the In-State Travel category, \$11,756.00 from the Adult Basic Education – Aid to Schools category to the Operating category, \$15,138.00 from the Adult Basic Education – Aid to Schools category to the Indirect Costs category, \$1,532.00 from the Adult Basic Education – Aid to Schools category to the Information Services category, and \$250.00 from the Adult Basic Education – Aid to Schools category to the Training category to provide funding for a position to address additional accountability demands from the federal government. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds \$50,000.00 and includes new staff.

Refer to motion for approval under Item E.

Chairman Arberry announced that Items 26, 27, 28, 29, 30 and 31 would be considered concurrently.

- 26. University and Community College System of Nevada – UNLV Law School – FY 04** – Addition of \$462,456.00 in Student Fees to be used for additional operating expenses, instructional computer equipment and library acquisitions required to meet student enrollment demands. Requires Interim Finance approval pursuant to Subsection 2 of Section 8 of SB 504, 2003 Legislature.

Buster Neel, Vice Chancellor for Finance and Administration, University and Community College System of Nevada (UCCSN), identified himself for the record. Mr. Neel introduced Trudy Larson, Assistant Chancellor, and George Scaduto, Associate Vice President for Finance, University of Nevada, Las Vegas (UNLV).

Mr. Neel requested the committee's approval to expend \$462,456 in student fees to be used for additional instructional and academic support needs for the UNLV law school. Having just completed its sixth year, Mr. Neel defined the law school as a young institution with infrastructure and support needs that were still being developed. Mr. Neel advised that the funding, if approved, would be used for library acquisitions, enhanced technology and computer equipment for student labs, and other support needs for students and faculty.

Ms. Giunchigliani disclosed her status as an employee of the University and Community College System.

Ms. Giunchigliani expressed support for the law school request and indicated that when the state took over operations at the Southern Nevada Women's Correctional Facility (SNWCF), perhaps the law school could provide some pro bono support as they did for other prison institutions.

In response to a question from Mrs. Gibbons, Mr. Scaduto indicated approximately 10 percent of the students at the law school were non-resident students.

Ms. Giunchigliani discussed the Board of Regents' residency policy that resulted in a need for tuition repayment to non-resident students and a plan to utilize the State Claims Fund, funded from the State General Fund, for tuition repayments. Since it appeared the UCCSN had sufficient investment income that could fund the repayments and since the Board of Regents' residency policies had been contrary to state law, Ms. Giunchigliani indicated she did not support approval of General Fund money for repayment of tuition to non-resident students.

Mr. Neel advised that the Board of Regents had closely reviewed the repayment issue, and their concern had been that the UCCSN would be quickly impacted by many claims. However, while non-resident students had three years in which to make a claim, thus far not many claims had been made. Mr. Neel advised that although the Board of Regents suggested requesting repayment through the State Claims Fund, the immediate need would be met with the use of unrestricted investment funds. Mr. Neel advised, that at the Board's direction, the UCCSN would request State Claims funds only if the need arose.

Senator Coffin noted that information based on UCCSN data estimated that repayments could total \$8.1 million.

Mr. Neel advised that after reviewing “every possible student that could come forward and make a claim,” \$8.1 million in repayments was a worst-case scenario that “might not even come close to being that high.”

Senator Coffin discussed the obligation to find the students to whom money was owed and asked how the UCCSN was attempting to locate them.

In response, Mr. Neel indicated some difficulty in locating students since some individuals might attend one of the institutions for a year or two and then leave, not always providing a good forwarding address. However, Mr. Neel indicated the UCCSN was making every effort to contact students, placing information on a web page and through other various forms of advertising. Additionally, Mr. Neel advised that students requesting repayment would be required to provide documentation they had met requirements for residency.

Senator Coffin noted that repayments of \$5.3 million for UNLV and \$2.4 million for the Community College of Southern Nevada (CCSN) totaled \$7.7 million out of the \$8.1 million anticipated worst-scenario and asked why the other institutions abided by the law to a much greater extent.

In response, Mr. Neel indicated that while he could not provide a specific answer to the question, the various institutions had been asked to “to check and double check in terms of who would be eligible or potentially eligible.”

Senator Coffin pointed out that the numbers appeared disproportionately large for the southern institutions and that the liability might be considerably larger than \$8.1 million if the numbers were incorrect.

Mr. Neel advised that each institution had provided assurance on the numbers they provided.

In response to questions from Ms. Giunchigliani concerning tracking alumni, Mr. Neel advised that the UCCSN institutions did a good job in tracking alumni who had graduated. However, difficulties arose in tracking individuals who, for example, matriculated for a semester or a year, departed and had several changes of address.

In response to a question from Ms. Giunchigliani concerning the three-year threshold for repayment, Mr. Neel confirmed that non-resident tuition repayments would be made to qualified students in the three-year time frame after which, students would no longer be entitled to receive a repayment.

It was Ms. Giunchigliani's opinion that the threshold policy might need to be revisited and asked how many students thus far met the requirements for repayment.

In response, Mr. Neel said that none of the institutions had requested funds for repayment from investment income and reiterated that "very few" requests for repayment had been received.

Ms. Giunchigliani suggested that perhaps the outreach was not as "forthright as it should be."

Mr. Neel advised that every UCCSN institution was continuing to work on doing everything they could and would "continue be to very proactive in contacting those institutions."

Assistant Chancellor, Trudy Larson, said, "the Board of Regents was concerned and very interested in making certain that all qualified students had an opportunity to apply for repayment." Ms. Larson indicated that the response thus far had been "fairly slight" but was anticipated to increase.

In response to Ms. Giunchigliani's concern that everything possible be done to make certain that restitution was made to students, Mr. Neel provided his assurance that UCCSN was committed to doing everything they could to reach students.

Senator Raggio asked for information on how the various institutions might be impacted by use of the investment income reserve and for what purpose the income might otherwise have been used.

Mr. Neel explained that investment income reserves accumulated from additional earnings on unrestricted dollars with a 3.5 percent distribution back to the students. Additionally, Mr. Neel explained that earnings above 3.5 percent were placed in the reserve fund. Mr. Neel advised that the reserve was basically a rainy day fund that could be used if projected earnings were not realized. Additionally, Mr. Neel indicated the various campuses had not budgeted for use of the funds.

MR. MARVEL MOVED APPROVAL OF ITEMS 26, 27, 28,
29, 30 AND 31.

SENATOR RAGGIO SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and
Mr. Griffin were excused.)

- 27. University and Community College System of Nevada – Truckee Meadows Community College – FY 04 – Addition of \$24,751.00 in Student Fees to be used for additional teaching assistant and part-time instructors required to meet**

student enrollment demands. Requires Interim Finance approval pursuant to Subsection 2 of Section 8 of SB 504, 2003 Legislature.

Refer to narrative under Item 26.

- 28. University and Community College System of Nevada – Community College of Southern Nevada – FY 04** – Addition of \$299,129.00 in Student Fees to be used for additional part-time instructors required to meet student enrollment demands. Requires Interim Finance approval pursuant to Subsection 2 of Section 8 of SB 504, 2003 Legislature.

Refer to narrative under Item 26.

- 29. University and Community College System of Nevada – Great Basin College – FY 04** – Addition of \$37,134.00 in Student Fees to be used to offset additional instructional operating expenses required to meet student enrollment demands. Requires Interim Finance approval pursuant to Subsection 2 of Section 8 of SB 504, 2003 Legislature.

Refer to narrative under Item 26.

- 30. University and Community College System of Nevada – Western Nevada Community College – FY 04** – Addition of \$20,639.00 in Student Fees to be used for additional part-time instructors required to meet student enrollment demands. Requires Interim Finance approval pursuant to Subsection 2 of Section 8 of SB 504, 2003 Legislature.

Refer to narrative under Item 26.

- 31. University and Community College System of Nevada – Nevada State College – FY 04** – Addition of \$85,354.00 in Student Fees to be used for additional part-time faculty required to meet student enrollment demands. Requires Interim Finance approval pursuant to Subsection 2 of Section 8 of SB 504, 2003 Legislature.

Refer to narrative under Item 26.

- 32. Department of Agriculture – Plant Industry – Pest, Plant Disease and Noxious Weed Control – FY 04** – Addition of \$25,050.00 in United States Department of Agriculture (USDAF) Federal Bio-Control grant funds, \$10,675.00 in USDAF Gypsy Moth grant funds, \$14,000.00 in USDAF Wood Borer grant funds, \$20,805.00 in USDAF Giant Hogweed grant funds, \$40,098.00 in USDAF Pathology project grant funds and \$61,171.00 in USDAF Imported Fire Ants grant funds to continue various programs under the umbrella of the United State Department of Agriculture's Cooperative Agricultural Pest Survey (CAPS) program. Requires Interim Finance approval

since the amount added to the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 33. Department of Agriculture – Plant Industry – Pest, Plant Disease and Noxious Weed Control – FY 05** – Addition of \$163,300.00 in United State Forest Service Federal Weed Management grant funds to continue the Weed Management Program creating and supporting cooperative weed management areas across Nevada and the weed-free hay and forage certification program. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item E.

- 34. Department of Agriculture – Plant Industry – Pest, Plant Disease and Noxious Weed Control – FY 05** – Addition of \$79,600.00 in United States Department of Agriculture Pest Detection grant funds to continue the Pest Detection Program supporting pest surveys, improving the electronic infrastructure to address exotic and other pest finds and the addition of a temporary six-month position and two seasonal positions. 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 E.

- 35. Department of Agriculture – Animal Health – Veterinary Medical Services – FY 04** – Addition of \$25,317.00 in Epidemiology and Laboratory Capacity grant funds transferred from State Health Division to continue the West Nile Virus surveillance, which includes operating, travel and seasonal salaries. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under Item E.

- 36. Department of Agriculture – Animal Health – Veterinary Medical Services – FY 05** – Addition of \$81,245.00 in Epidemiology and Laboratory Capacity grant funds transferred from State Health Division to continue the West Nile Virus surveillance, which includes operating, travel and seasonal salaries. Requires Interim Finance approval since the amount added to the West Nile Virus category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 37. Commission on Mineral Resources – Division of Minerals – FY 04 –** Transfer of \$45,000.00 from the Reserve category to the Personnel Services category to cover projected salary costs 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 E.

- 38. Commission on Mineral Resources – Division of Minerals – FY 05 –** Transfer of \$28,000.00 from the Reserve category to the Abandoned Mines Securing category to purchase a replacement pick-up for the program. Requires Interim Finance approval since the amount transferred to AML Securing category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under Item E.

- 39. Department of Business and Industry – Real Estate Division – FY 04 –** Addition of \$291,522.00 in Testing Fees and \$14,960.00 in Application 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 Service category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under Item E.

- 40. Department of Business and Industry – Dairy Commission – FY 04 –** Transfer of \$38,145.00 from the Reserve category to the Litigation category to provide payment for the settlement of a U.S. Equal Employment Opportunity Commission Conciliation Agreement. Requires Interim Finance approval since the amount added to the Litigation category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 41. Department of Business and Industry – Housing Division – Low Income Housing Trust Fund – FY 04 –** Addition of \$3,600,000.00 in Real Property Transfer Tax to cover projected loan disbursements through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Loan Disbursements category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 42. Department of Business and Industry – Housing Division – Housing Enterprise Fund – FY 04** – Addition of \$350,000.00 in Loan Repayment revenue to fund eligible home projects under the Federal HOME Investment Partnerships Program. Requires Interim Finance approval since the amount added to the Home Program Administration category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 43. Department of Business and Industry – Division of Industrial Relations – FY 04** – Addition of \$28,854.00 in Allocation from Fund to cover projected rent expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 44. Department of Business and Industry – Division of Industrial Relations – Occupational Safety and Health Enforcement – FY 04** – Addition of \$32,000.00 in Federal Grant - Occupational Safety and Health Enforcement grant funds to replace two vehicles and other equipment. Requires Interim Finance approval since the amount added to the Equipment category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 45. Department of Business and Industry – Taxicab Authority – FY 04** – Transfer of \$10,000.00 from the Information Services category to the Operating category and \$48,500.00 from the Reserve category to the Operating category to cover projected operating costs through the end of this fiscal year. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$50,000.00.

Yvette G. Moore, Administrator, Taxicab Authority, identified herself for the record and introduced Kenneth Mangum, Administrative Services Officer. Ms. Moore was before the committee to request approval to augment the Taxicab Authority's Operating category by \$58,500 to cover a budget shortfall with \$10,000 transferred from the Information Services category and \$48,500 from the Reserve category.

Ms. Moore explained that the shortfall resulted from costs associated with the agency's acquisition of 12 surplus vehicles and increased fuel prices. Ms. Moore reported that the Taxicab Authority had begun the fiscal year with a Reserve of \$600,000 and anticipated ending the year with a \$1.2 million Reserve. Further, Ms. Moore indicated revenues in the current year would be exceeded by 8 percent, and total expenditures would be underspent by the same amount.

Chairman Arberry asked if the 12 surplus vehicles had been given to the Taxicab Authority "free of charge."

Ms. Moore advised that it had been the practice of State Purchasing since 1999 to make surplus state equipment available at no cost to all agencies, and the 12 surplus vehicles had been transferred from the Nevada Highway Patrol. Ms. Moore indicated the practice was changed in September 2003 from which time forward surplus vehicles were required to be purchased.

In response to Chairman Arberry's request for an opinion on the issue of the surplus vehicles, Brenda Erdoes, Legislative Counsel, advised that a constitutional provision prohibited the use of vehicles paid for by Highway Funds to be used for purposes other than "construction, maintenance and repair of the public highways." Ms. Erdoes indicated it was Legislative Counsel's opinion the Highway Fund had to be reimbursed for the fair market value of the vehicles.

Chairman Arberry asked Ms. Erdoes to comment on the agency's claim that payment for the vehicles was not required since acquisition took place before September 2003.

Ms. Erdoes advised there were no exemptions pertaining to the acquisition of the vehicles, and the Taxicab Authority was in violation of provisions of the Nevada Constitution.

John P. Comeaux, Director, Department of Administration, advised that S.B.139, approved by the 1999 Legislature, amended *Nevada Revised Statutes (NRS)* 334.040 specifically providing the Purchasing Administrator the authority to transfer surplus property from any state agency to another state agency at no cost. Additionally, if the property were subsequently sold, the proceeds from that sale would go back to the fund from which the property was originally purchased. Mr. Comeaux said that since 1999, the Purchasing Division had transferred dozens of surplus Highway Patrol vehicles to other state agencies at no cost with the proceeds on subsequent sales returned to the Highway Fund.

In response to the Chairman's request for Counsel's comments, Ms. Erdoes advised that the provisions of the statute were generally as Mr. Comeaux indicated. However, Ms. Erdoes clarified that the provisions of the statute applied to vehicles purchased with non-Highway Fund dollars but not to vehicles purchased with restricted dollars from the Highway Fund.

Mr. Comeaux commented that under the provisions of *NRS* 334.040, State Purchasing, in good faith, engaged in the practice of transferring vehicles to other state agencies without cost until receipt of the September 5, 2003, letter of intent. That letter of intent required that Highway Patrol vehicles purchased with Highway Fund dollars could only be sold to state agencies for fair market value. Mr. Comeaux further indicated that all transfers since receipt of the September 5,

2003, letter had been sold to other agencies at a fair market value determined by State Purchasing.

Mr. Comeaux said the Taxicab Authority acquired their vehicles through State Purchasing in August 2003, prior to the receipt of the letter of intent, and within the past few months, had asked State Purchasing whether the Highway Fund needed to be reimbursed. Mr. Comeaux indicated it was the opinion of State Purchasing that, since the vehicles were acquired prior to the September 5, 2003, letter of intent, a reimbursement to the Highway Fund was not necessary.

In response, Ms. Erdoes reiterated there were no exemptions for the transfer of vehicles to an agency that did not use them for the construction, maintenance and repair of the public highways. Ms. Erdoes advised that the amount by which the use of the vehicles diminished their value was the amount that should be reimbursed to the Highway Fund.

Expressing agreement with Legislative Counsel's opinion, Chairman Arberry indicated the Taxicab Authority had to reimburse the Highway Fund.

In what appeared to be both a policy and a constitutional dilemma, Dr. Hardy indicated that perhaps a nexus existed between the Highway Fund and the Taxicab Authority if nothing more than the fact that highways were used. In looking at a loan concept as opposed to a purchase, it was Dr. Hardy's opinion that the constitutional policy should perhaps be expanded. Dr. Hardy asked Counsel to comment on whether a constitutional prohibition existed that would prohibit a loan rather than a purchase.

In response, Ms. Erdoes said "the bottom line" was that whether a loan or a sale took place, the State Highway Fund had to be made whole. Ms. Erdoes indicated that vehicles could be transferred in the form of a loan at a fair market value for the loan of that vehicle by whatever amount the value of the vehicle was reduced.

Dr. Hardy said that if the use of loans were incorporated into the transfer of vehicles, with loan payments being traditionally less than a purchase, funds for the final value of the loan would be returned to the Highway Fund. It was Dr. Hardy's opinion that a "rental" type of arrangement would save money for both the Taxicab Authority and the taxpayers.

While appreciative of Dr. Hardy's comments, Ms. Moore defined the Taxicab Authority as a self-funded agency that would have no problem paying for the value of the surplus vehicles if the work program was approved to transfer additional funding from the Reserve category.

Ms. Moore indicated that, as a self-funded agency, the Taxicab Authority had "significant crossover with the Highway Fund." Ms. Moore explained that the Taxicab Authority had an Interlocal Agreement with the Transportation Services

Authority (TSA), which was funded from both the Highway Fund and the General Fund. Ms. Moore advised that, through the Interlocal Agreement, the Taxicab Authority provided enforcement services for the TSA by patrolling Clark County streets 365 days a year, 24 hours a day, and charged nothing for impounding vehicles, such as limousines. Additionally, Ms. Moore indicated the Taxicab Authority processed fingerprints for the TSA's potential certificate holders without charge, again contributing to a Highway Fund activity.

Ms. Moore indicated that while the Taxicab Authority could pay for the surplus Highway Patrol vehicles, there were many agencies and municipalities that could not. Ms. Moore expressed concern that more money might be spent in tracking down the agencies that had been transferred used cars at no cost than would be reimbursed to the Highway Fund.

As had been previously discussed, Ms. Giunchigliani said constitutional violations had occurred in the transfer of vehicles, and any agency guilty of the misuse of funds would be held accountable at some point.

With respect to the constitutional issue that overrode the 1999 and 2003 dates, Ms. Giunchigliani again indicated the Highway Fund had to be repaid and noted it appeared the Taxicab Authority had the funds for reimbursement.

Ms. Moore clarified that the Taxicab Authority did not share in the fines generated by their activities connected with patrolling the streets and citing, or impounding limousines. Ms. Moore advised that dollars collected from their activities for the TSA went to the Highway Fund.

In response, Ms. Giunchigliani indicated Ms. Moore's concerns were a separate policy issue, while the issue before the committee was reimbursement of \$22,000 to the Highway Fund.

Mrs. Chowning agreed that while the issue was unfortunate, Section 5, Article 9 of the Nevada Constitution precluded the transfer of Highway Patrol vehicles for anything other than use in the construction, maintenance and repair of the public highways. Mrs. Chowning pointed out that "in no way did the Transportation Services Authority or the Taxicab Authority construct, maintain or repair the roads." Thus, Mrs. Chowning said the use of the vehicles was not correct, there was no nexus, and the Highway Fund had to be repaid.

Mr. Comeaux provided clarification that it was the Highway Patrol that had directly transferred used vehicles to some local government entities while, under the provisions of *NRS 334*, State Purchasing transferred used vehicles to other state agencies at no cost.

With respect to the legislation approved in 1999, which had been interpreted to provide the authority for the vehicle transfers, and the September 5, 2003 letter of

intent, Mr. Comeaux indicated that as a practical matter, from September 5, 2003 forward, a fair market value for used cars would be collected as vehicles were transferred. Mr. Comeaux advised that if Purchasing were instructed to review the transfer of vehicles prior to September 5, 2003, a supplemental appropriation would be needed to assist smaller agencies that could not afford to repay the Highway Fund.

Ms. Giunchigliani agreed that the policy concerning restricted dollars and repayment either to the Highway Fund or General Fund needed to be reviewed, and agencies identified as having received used vehicles could appear before the committee. However, Ms. Giunchigliani reiterated that the issue before the committee was the Taxicab Authority's repayment of \$22,000 to the Highway Fund. Ms. Giunchigliani noted that information provided to the committee showed the Taxicab Authority spent \$2,833 per vehicle on painting and overhauling, and she would move to direct them to reimburse the Highway Fund \$22,000 for the vehicles.

Mark Stevens, Assembly Fiscal Analyst, suggested that the motion include that the work program, before the committee, be modified to place \$22,000 from the Reserve category in a separate category of the agency's choosing.

MS. GIUNCHIGLIANI MOVED APPROVAL OF WORK PROGRAM 45 WHICH WOULD BE MODIFIED TO REMOVE \$22,000 FROM THE RESERVE CATEGORY TO BE PLACED IN A SEPARATE CATEGORY FOR REPAYMENT TO THE HIGHWAY FUND.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 46. Department of Gaming Control Board – Administration – FY 04 –** Addition of \$150,000.00 in Investigation Fees to cover increased costs of work permit processing through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 47. Department of Human Resources – Director's Office – Healthy Nevada Fund – FY 04 –** Addition of \$9,258,163.00 in Tobacco Settlement funds transferred from the Treasurer's Office to reconcile the funds available from the State Treasurer's Office for the Senior Rx, tobacco, children's health, and disability programs. Requires Interim Finance approval since the amount added to the Senior Rx Program category exceeds 10% of the legislatively approved level for that category.

Mike Torvinen, Administrative Services Officer, Department of Human Resources, Director's Office, identified himself for the record. Mr. Torvinen appeared before the committee to request approval to increase revenue and expenditure authority by \$9,258,163 for the Senior Rx, Tobacco, Children's Health, and Disability Programs, and to reconcile Tobacco Settlement funds.

Mr. Torvinen advised the members of the committee that in January 2004 staff from the Department of Human Resources met with staff from the Treasurer's Office, the Budget Office, and the Legislative Counsel Bureau's Fiscal Analysis Division and agreed that a work program would be prepared to reflect the available tobacco revenue for fiscal year 2004 to reconcile funds for the Senior Rx Program. Mr. Torvinen further advised that the funding could only be spent for the Senior Rx Program and in accordance with the wishes of the Task Force for a Healthy Nevada. Any unspent revenue would be reconciled with Tobacco Settlement revenue received in fiscal year 2005.

While a professional disagreement existed with the committee's staff concerning the appropriateness of the work program, Mr. Torvinen said he was attempting to provide a complete accounting and "full disclosure" of the available revenue in the budget for the Healthy Nevada Fund. With the committee's approval of Item E-50, which increased revenue and expenditure authority to pay grantees for the Tobacco, Children's Health, and Disability Programs through June 30, 2004, approval of at least \$875,000 would be required.

On the basis of staff analysis, Ms. Leslie agreed with the transfer of \$875,000 to meet the obligations of the Task Force for a Healthy Nevada, but questioned the need to carry forward funding for the Senior Rx Program.

In response, Mr. Torvinen reiterated that staff agreed in January that reconciliation of tobacco funds available for expenditure in fiscal year 2004 and subsequent fiscal years was needed. Mr. Torvinen explained his use of accounting procedures to reconcile revenues and not necessarily to identify projected expenditures.

Based on staff recommendation, Ms. Leslie indicated a preference to amend the work program by eliminating the proposed augmentation of funding for the Senior Rx Program and approve only the necessary transfer to the Tobacco, Children's Health, and Disability Programs by increasing revenue and the Interfund Transfer Category by \$875,000.

In view of a professional disagreement, Mr. Torvinen clarified that he had focused on Tobacco Settlement revenue actually collected and available for fiscal year 2004

MS. LESLIE MOVED TO AMEND THE WORK PROGRAM
TO ELIMINATE THE PROPOSED AUGMENTATION OF
FUNDING FOR THE SENIOR RX PROGRAM AND

APPROVE A TRANSFER TO THE TOBACCO, CHILDREN'S HEALTH, AND DISABILITY PROGRAMS BY INCREASING REVENUE AND THE INTERFUND TRANSFER CATEGORY BY \$875,000.

MR. PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 48. Department of Human Resources – Director's Office – Office of Disability Services – FY 04** – Transfer of \$17,037.00 from the Money Follows the Person category to the Tech-Related Assistant category to reflect the proper funding for the Development Disability Council's housing specialist, freeing up program funds within the Technology- Related Assistance grant. Requires Interim Finance approval since the cumulative amount transferred to Technology Related Assistance category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 49. Department of Human Resources – Director's Office – Office of Disability Services – Developmental Disabilities – FY 04** – Transfer of \$22,000.00 from the Grants category to the Personnel Services category to cover projected salaries for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds 10% of the legislatively approved level for the category. WITHDRAWN – JUNE 7, 2004.

Item 49 was withdrawn on June 7, 2004.

- 50. Department of Human Resources – Director's Office – Grants Management Unit – FY 04** – Addition of \$955,000.00 in Tobacco Settlement funds transferred from the Treasurer's Office to allow for the continued payments to grantees through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Tobacco Grants – Children with Disabilities category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 51. Department of Human Resources – Health Care Financing and Policy – Administration – FY 04** - Addition of \$40,035.00 in Budgetary Transfer and \$40,035.00 in Federal Title XIX Funds to cover projected personnel services costs through the remainder of the fiscal year. Requires Interim Finance approval pursuant to Section 42, AB 553 of the 2003 Legislative Session.

Refer to motion for approval under Item E.

Chairman Arberry announced that Agenda Items E-52, E-57, E-58, E-60, E-61 and Informational Item P. 8-C-2 all related to the implementation of the long-term care provider tax program and would be considered simultaneously.

52. Department of Human Resources – Health Care Financing and Policy – Administration – FY 05 – Addition of \$64,952.00 in Long Term Care Provider Tax funds transferred from the Increase the Quality of Nursing Care budget to support a Management Analyst position for the continuous administration of revenues received from skilled nursing and intermediate care facilities. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00.

Mike Willden, Director, Department of Human Resources, identified himself for the record and introduced Debra King, Administrative Services Officer, Division of Health Care Financing and Policy (HCFP).

Beginning with Informational Item P.8-C-2, a report on the provider tax compliance problems, Mr. Willden advised that A.B. 395, approved by the 2003 Legislature, required the HCFP to establish a facilities provider tax program taking into account all “freestanding” nursing facilities.

Mr. Willden provided the following information:

- A.B. 395 required the HCFP to establish a uniform rate per non-Medicare patient day equivalent to 6 percent of total annual gross revenue for services provided to patients of all Nevada licensed nursing facilities.
- A.B. 395 required the HCFP to assess each licensed nursing facility a fee to increase the quality of nursing care. A separate budget account was established for the deposit of the assessment with 1 percent for administration and the remainder “to increase the rates paid to nursing facilities for providing services pursuant to the Medicaid Program” and to improve quality of nursing care.
- A.B. 395 directed the HCFP to assess fees effective July 2003, but language in the bill indicated the nursing facilities did not actually owe the assessed fees until the state plan was approved, and rate increases were provided to the nursing facilities.

Mr. Willden advised that a state plan amendment was required in order to implement the long-term care provider tax program and increased rates paid to nursing facilities. The amendment was submitted to the Centers for Medicare and Medicaid Services (CMS) in July 2003 with a subsequent response on October 1, 2003 that indicated additional information concerning Nevada’s provider tax would be required. The HCFP staff provided a response in December and after a series of

communications, a state plan amendment was resubmitted in May. However, Mr. Willden advised that as of the current date, the HCCP did not have an approved state plan.

Additionally, Mr. Willden addressed the necessity of a waiver to implement the long-term care provider tax program since federal law required health-care related taxes to be broad based. Mr. Willden explained that during development of the provider tax, staff initially believed a waiver would not be necessary. However, after discussions with industry and staff consultants, it was determined a waiver would be needed based on the establishment of a uniform rate per non-Medicare patient days.

Mr. Willden further advised that the provisions of A.B. 395 excluded Nye Regional, Boulder City, and Washoe South Meadows' hospital-based nursing beds from the provider tax calculations for which the CMS also required a waiver. The waiver was submitted on May 17, 2004.

Mr. Willden reported that early indicators showed the quality of care in nursing facilities had improved. In southern Nevada, Mr. Willden said the Bureau of Licensing and Certification, whose job it was to inspect and follow up on nursing complaints, had no substandard care findings and no follow-up reviews in any southern Nevada facility during the last year.

Mr. Willden discussed the following options:

- On June 8, 2004, the HCFP proposed to cancel the tax for the first three quarters of fiscal year 2004, re-tax in the fourth quarter and return to normal in fiscal year 2005. That plan was rejected.
- A second proposal was to fund the non-federal share of the rate increases in fiscal year 2004 with General Funds, and tax the industry at a rate higher than 6 percent in fiscal year 2005 to repay the General Fund and then return to a normal rate. That proposal was also rejected.
- One solution provided by the CMS was to cancel out the entire package, lower the rates retroactively, return the provider taxes and begin again, which Mr. Willden indicated was unacceptable.
- A proposal by the CMS, currently under discussion, was to approve the state plan amendment retroactive to July 2003 as well as the April and May 2004 waiver requests, and to tax Nye Regional, Boulder City, and Washoe South Meadows hospital-based facilities. Mr. Willden indicated the last proposal appeared to be the "go forward" resolution.

In response to questions from Ms. Giunchigliani concerning the Nye Regional, Boulder City, and Washoe South Meadows' facilities, Mr. Willden indicated he believed the three hospital-based facilities had been initially exempted when it was

determined they were not in the same class as other freestanding facilities. However, as previously indicated, Mr. Willden said the facilities would be exempted when the HCFP obtained a waiver to do so.

It was Ms. Leslie's understanding that although there was a potential the state would not be able draw approximately \$14 million in federal match funds for the unallocated portion of provider taxes already collected, the General Fund would be impacted for \$100,000 or less.

Mr. Willden confirmed Ms. Leslie's understanding, but also indicated an alternative was being worked on with the intention that there would be no impact to the General Fund. Mr. Willden indicated a report would be forthcoming on what that alternative would be.

Ms. Leslie asked if a lesson had been learned that the HCFP should have waited for CMS agreement to the amendment before proceeding with implementation of the provider tax.

Mr. Willden responded that while a lesson had been learned, industry consultants provided information that there was "solid legal ground" to move forward to do what was right for health care and Nevada citizens. Mr. Willden further advised that industry consultants continued to maintain the existence of "solid legal ground," which would be an issue that would be brought up in negotiations with the CMS.

Ms. Leslie noted earlier comments concerning nursing home improvements in southern Nevada and asked if mention of northern Nevada had been avoided because of a problem in Carson City. Additionally, Ms. Leslie asked what assurances could be provided that the serious problems being experienced in Carson City were being addressed.

Mr. Willden advised that staff were focused on the problems that had occurred in the Carson City facility.

Dr. Hardy recalled discussion during the 2003 Legislative Session concerning the fiscal viability of nursing homes and a debate to extend the payroll tax to nursing homes. Dr. Hardy indicated comments were made on the record that nursing homes did not require exemption from part or all of the payroll tax because of the provisions of A.B. 395.

Mr. Willden advised that the three facilities were aware of their liability with the largest share of the liability in the Boulder City hospital followed by Nye Regional. Washoe South Meadows had limited liability because of only a two-month window to which the taxing provision would apply. Mr. Willden further advised that while the final numbers were not yet available, the division was working with the industry to find the appropriate mechanism to make the provider tax system whole.

In response to questions from Dr. Hardy concerning whether the three facilities had agreed to the provider tax, Mr. Willden advised that the facilities were aware of a potential for being taxed. Mr. Willden advised that the CMS had indicated that by process of moving ahead, the three facilities would be taxed.

Dr. Hardy indicated that it appeared the financial stability of nursing homes was a problem that perhaps had to be looked at with a different agenda item.

In conclusion, Mr. Willden reiterated that there were financial and legal issues in connection with A.B. 395 that placed moving forward with implementation of the program between state law and federal law.

Debbra King, Administrative Services Officer, Division of Health Care Financing and Policy, identified herself for the record. Ms. King provided the following information on work programs E-52, 57, 58, and 60.

- E-52 brought the administrative portion of the provider tax into the Division of Health Care Financing and Policy's Administration budget to fund one position and related operating costs.
- E-57 was a fiscal year 2004 "true up" for the actual projected tax collections and the interest earned from the Treasurer's Interest allocation.
- E-58 established the collections and expenditure of the funds in fiscal year 2005 so that the rates paid to the long-term care facilities would continue as specified in the state plan amendment.
- E-60 "trued up" the tax account for the projected collections and interest received.
- E-61 brought the long-term care provider tax into a fund to increase the quality of nursing care for fiscal year 2005.

MS. GIUNCHIGLIANI MOVED APPROVAL OF WORK PROGRAM ITEMS E-52, 57, 58, 60, and 61 ALL RELATED TO INFORMATIONAL ITEM P.8-C-2.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (Dr. Hardy voted nay. Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

- 53. Department of Human Resources – Health Care Financing and Policy – Administration – FY 05** – Transfer of \$26,500.00 from the Covering Kids and Families Grant category to the Personnel Services category to cover salary costs of a position approved at the September 2002 Interim Finance Committee

meeting that was inadvertently omitted from the fiscal year 2004 and 2005 legislatively approved budget. 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 E.

- 54. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 04** – Addition of \$9,000,000.00 in Federal Title XIX Funds to pass-through Medicaid administrative claiming funds to the Clark County School District. Requires Interim Finance approval since the amount added to the Clark County School-Based Claims category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 55. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 04** – Addition of \$500,000.00 in Federal Ticket to Work grant funds to provide program support for the new NOMADS aid code system and the development of the premium collection system. Requires Interim Finance approval since the amount added to the Ticket to Work category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 56. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 04** – Deletion of \$40,035.00 in Budgetary Transfer and \$40,035.00 in Federal Title XIX Funds to transfer unused salary costs to the Health Care Financing and Policy's administrative budget. Requires Interim Finance approval pursuant to Section 42, AB 553 of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 57. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 04** – Addition of \$1,271,106.00 in Federal Title XIX Funds and \$925,000.00 in Transfer Long Term Care (LTC) Provider Tax Assessment from the Increase Quality of Nursing Care budget to provide for the continued improvement to the quality of nursing care in Nevada. Requires Interim Finance approval since the amount added to the Medical Assistance to the Aged, Blind and Disabled category exceeds \$50,000.00.

Refer to narrative under Item 52.

- 58. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 05** – Addition of \$17,041,743.00 in Federal Title XIX Funds and \$13,537,376.00 in Long Term Care Provider Tax funds transferred from the

Increase the Quality of Nursing Care budget to proportionately reflect the federal match for those assessments to be received by the skilled nursing and intermediate care facilities as authorized in NRS 422.3755. Requires Interim Finance approval since the amount added to the Medical Payments-Current Year category exceeds \$50,000.00.

Refer to narrative under Item 52.

- 59. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 05** – Transfer of \$252,607,484.00 from the Med Payments Current Year category to the MAABD category, \$61,327,705.00 from the Med Payments Current Year category to the Waiver category, \$116,218,838.00 from the Med Payments Current Year category to the Offline category, \$5,575,451.00 from the Med Payments Current Year category to the Pass-Through to Local Government category, \$604,735.00 from the Med Payments Current Year category to the Division of Health category, \$395,265.00 from the MH/MR Medical Payments category to the Division of Health category, \$3,018,071.00 from the DCFS Payments category to the County Indigent Program category and \$13,286,440.00 from the DCFS Program category to the DCFS Medical Payments category to revise the budget structure to conform with the new Medicaid Management Information System (MMIS). Requires Interim Finance approval since the amount transferred from the Med Payments-Current Year category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 60. Department of Human Resources – Health Care Financing and Policy – Increase Quality of Nursing Care – FY 04** – Addition of \$1,000,000.00 in Long Term Care Provider Tax Assessment and \$65,000.00 in Treasurer's Interest Distribution to transfer higher than anticipated collections to the Medicaid program for the continued improvement to the quality of nursing care in Nevada. Requires Interim Finance approval since the amount added to the Transfer to Medicaid Program category exceeds \$50,000.00.

Refer to narrative under Item 52.

- 61. Department of Human Resources – Health Care Financing and Policy – Increase Quality of Nursing Care – FY 05** – Addition of \$13,674,117.00 in Long Term Care (LTC) Provider Tax Fees and \$113,000.00 in Treasurer's Interest Distribution to provide for an assessment fee (NRS 422.3755-379) for certain intermediate care and skilled nursing facilities, which will be distributed to Medicaid providers through enhanced rates. Requires Interim Finance approval since the amounts added to the Transfer to Medicaid Program category exceeds \$50,000.00.

Refer to narrative under Item 52.

- 62. Department of Human Resources – Mental Health and Developmental Services Administration – FY 05** – Addition of \$65,460.00 in Human Resources Service Administration (HRSA) Bioterrorism Hospital Preparedness grant funds transferred from the Health Division to continue establishment of 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 Bioterrorism HRSA Grant category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

Chairman Arberry announced that Items 63, 65, and 66 required a public hearing and would be considered simultaneously.

- 63. Department of Human Resources – Mental Health and Developmental Services Administration – FY 05** – Addition of \$2,770,597.00 in Federal Community Mental Health Services (CMHS) Block Grant funds to continue providing mental health services to clients in community based programs. Requires Interim Finance approval since the amount added to the CMHS Transfer to the Division of Child and Family Services category exceeds \$50,000.00 and this action involves the allocation of block grant funds and requires a public hearing. Relates to Items 65 and 66.

Jennifer Kizer, Administrative Services Officer, Division of Mental Health and Developmental Services, identified herself for the committee. Ms. Kizer requested approval of Items 63, 65, and 66, which reconciled federal fiscal year 2004 Community Mental Health Services Block Grant funds to the Legislatively approved fiscal year 2005 budget.

Ms. Kizer advised that the funding would continue existing programs and positions. The positions included 2.5 positions for Northern Nevada Adult Mental Health Services - 1.5 positions for the Pact Team; and a Substance Abuse Counselor; 2.0 positions for Southern Nevada Adult Mental Health Services - 1 for the Pact Team and a Substance Abuse Mental Health Counselor; a Clinical Program Planner for the Administrative Office; 8 Consumer Service Assistants; a .50 Administrative Assistant; a .50 Accounting Assistant, and funding for the Statewide Annual Services Coordinator Conference. Additionally, a transfer of approximately \$1.8 million would be provided to the Division of Child and Family Services for children with mental illnesses, and funding would also be provided for the Mental Health Planning and Advisory Conference.

Chairman Arberry opened Items 63, 65 and 66 for testimony by members of the public.

There was no public testimony.

DR. HARDY MOVED APPROVAL OF ITEMS 63, 65, AND 66.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

- 64. Department Of Human Resources – Mental Health And Developmental Services – Northern Nevada Adult Mental Health Services – FY 04 –** Addition of \$298,901.00 in funds transferred from the Medicaid budget to record anticipated payments to Mojave Mental Health Services for the division's Medicaid-eligible clients through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Mojave Payments category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 65. Department of Human Resources – Mental Health and Developmental Services – Northern Nevada Adult Mental Health Services – FY 05 –** Addition of \$149,411.00 in Federal Community Mental Health Services Block Grant funds transferred from Mental Health and Developmental Services Administration and deletion of \$117,537.00 in Federal Community Mental Health Services Block Grant funds to reflect proper funding for the positions paid for by the Community Mental Health Services block grant for fiscal year 2005. Requires Interim Finance approval since this action involves the allocation of block grants funds and requires a public hearing. Relates to Items 63 and 66.

Refer to motion for approval under Item 63.

- 66. Department of Human Resources – Mental Health and Developmental Services –Northern Southern Nevada Adult Mental Health Services – FY 05 –** Addition of \$135,024.00 in Federal Community Mental Health Services Block Grant funds transferred from Mental Health and Developmental Services Administration and deletion of \$119,394.00 in Federal Community Mental Health Services Block Grant funds to reflect proper funding for the positions paid for by the Community Mental Health Services block grant for fiscal year 2005. Requires Interim Finance approval since this action involves the allocation of block grants funds and requires a public hearing. Relates to Items 63 and 65.

Refer to motion for approval under Item 63.

- 67. Department of Human Resources – Mental Health and Developmental Services – Facility for the Mental Offender – FY 04** – Transfer of \$40,000.00 from the Personnel Services category to the Operating category to cover projected shortfall in contracted food service for clients housed at the Lake's Crossing Facility. Requires Interim Finance approval since the cumulative amount transferred from the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 68. Department of Human Resources - Mental Health And Developmental Services Southern Nevada Adult Mental Health Services – FY 04** – Addition of \$2,684,541.00 in funds transferred from the Medicaid budget to record anticipated expenditures for services provided by Mojave Mental Health Services to the division's Medicaid-eligible clients. Requires Interim Finance approval since the amount added to the Mojave category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 69. Department of Human Resources - Mental Health And Developmental Services Southern Nevada Adult Mental Health Services – FY 05** – Addition of \$66,981.00 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 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 E.

- 70. Department of Human Resources – Mental Health and Developmental Services Desert Regional Center – FY 04** – Addition of \$154,691.00 in funds transferred from the Medicaid budget to record anticipated payments to Mojave Mental Health Services for the division's Medicaid-eligible clients. Requires Interim Finance approval since the amount added to the Mojave category exceeds \$50,000.00.

Refer to motion for approval under Item E.

Items 71, 72, 73, and 81 were considered simultaneously.

- 71. Department of Human Resources – Health Division – Office of State Health Administration – FY 04** – Addition of \$28,941.00 in Public Health Preparedness and Response for Bioterrorism grant funds transferred from the Health Alert Network budget to fund an existing position that has been temporarily assigned to manage the Public Health Preparedness and Response for Bioterrorism program, freeing up Substance Abuse Prevention Treatment (SAPT) block grant funds to be used in program areas. Requires

Interim Finance approval since the amount added to the SAPT block grant category exceeds 10% of the legislatively approved level for that category, and this action involves the allocation of block grant funds and requires a public hearing.

Mr. Weyrick requested approval of Health Division work program Items 71, 72, 73, and 81, which involved the reallocation of block grant funds, and required a public hearing.

Chairman Arberry opened Items 71, 72, and 73 for testimony by members of the public.

There was no public testimony.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEMS 71, 72, 73, AND 81.

MRS. GIBBONS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 72. Department of Human Resources – Health Division – Office of State Health Administration – FY 04** – Addition of \$21,239.00 in the Federal Maternal and Child Health Services block grant funds to cover projected in-state travel expenditures through the remainder of the fiscal year and to purchase equipment for staff moving to a new location in the Grant Sawyer Building. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

Refer to motion for approval under Item 71.

- 73. Department of Human Resources – Health Division – Office of State Health Administration – FY 04** – Addition of \$187,264.00 in Federal Substance Abuse Prevention and Treatment (SAPT) Block Grant funds to update the functional requirements of the Electronic Death Certificates project and fire suppression system, and to purchase computer hardware. Requires Interim Finance approval since the amount added to the SAPT Block Grant category exceeds \$50,000.00 and this action involves the allocation of block grant funds and requires a public hearing.

Refer to motion for approval under Item 71.

- 74. Department of Human Resources – Health Division – Office of State Health Administration – FY 04** – Addition of \$56,776.00 in Administrative Charges for indirect costs assessed against federal grants to cover projected

in-state travel, operating and training costs through the remainder of the fiscal year and an increase in the costs for modular furniture for the staff in the Grant Sawyer building. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 75. Department of Human Resources – Health Division – Vital Statistics – FY 04** – Addition of \$53,108.00 in Federal Chronic Disease Prevention and Health Promotion Programs grant funds to conduct a random sample telephone survey to determine the incidence of unhealthy behaviors and chronic diseases. Requires Interim Finance approval since the amount added to the Behavioral Risk category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 76. Department of Human Resources – Health Division – Sexually Transmitted Disease Control – FY 04** – Addition of \$80,711.00 in Federal Comprehensive Care grant funds and \$99,448.00 in Rebates received from Pharmaceutical Companies for the purchase of Aids Drug Assistance Program Pharmaceuticals to provide the level of care necessary for the current caseload. Requires Interim Finance approval since the amount added to the Comprehensive Care category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 77. Department of Human Resources – Health Division – Sexually Transmitted Disease Control Program – FY 04** – Transfer of \$814.00 from the Aids Surveillance and Seroprevalence category to the Personnel Services category, \$814.00 from the Reserve category to the Personnel Services category and \$44,169.00 from the Reserve category to the Comprehensive Care category to continue support of case management activities related to those infected and affected by Aids. Requires Interim Finance approval since the cumulative amount added to the Comprehensive Care category exceeds \$50,000.00 and includes new staff.

Refer to motion for approval under Item E.

- 78. Department of Human Resources – Health Division – Health Facilities – FY 04** – Addition of \$1,012,193.00 in Revenue received from Licenses and Fees to meet projected in-state, out-of-state, operating and equipment costs through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 79. Department of Human Resources – Health Division – Maternal Child Health Services – FY 04** – Transfer of \$38,000.00 from the Personnel Services category to the Oral Disease Prevention category to utilize available salary savings to fund a temporary contract employee to manage the Oral Health Program. Requires Interim Finance approval since the amount transferred to the Oral Disease Prevention category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 80. Department of Human Resources – Health Division – Maternal Child Health Services – FY 04** – Transfer of \$17,000.00 from the Personnel Services category to the Prior Year Medical category and \$36,160.00 from the Medical and Dental Expense category to the Prior Year Medical category to pay medical claims for services provided to program clients in the previous fiscal year. Requires Interim Finance approval since the amounts transferred to the Prior Year Medical category exceed \$50,000.00.

Mr. Weyrick requested approval of Health Division work program Items 81, which involved the reallocation of block grant funds, and required a public hearing.

Chairman Arberry opened Item 81 for testimony by members of the public.

There was no public testimony.

MR. HETTRICK MOVED APPROVAL OF ITEM 81.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 81. Department of Human Resources – Health Division – Maternal Child Health Services – FY 04** – Addition of \$158,440.00 in Federal Maternal Child Health Block grant funds to cover medical claims submitted by health care providers for services on behalf of program clients. Requires Interim Finance approval since the amount includes new staff, and this action involves the allocation block grant funds and requires a public hearing.

Refer to motion for approval under Item 71.

- 82. Department of Human Resources – Health Division – Maternal Child Health Services – FY 05** – Transfer of \$36,325.00 from the Personnel Services category to the State-Based Care Injury Program category and \$33,070.00 from the Personnel Services category to the Rape Prevention and

Education category to consolidate two full-time equivalent grant funded positions into one full-time position and provide additional funds for program expenditures. Requires Interim Finance approval since the amount transferred to the State Based Care Injury Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 83. Department of Human Resources – Health Division – Maternal Child Health Services – FY 05** – Addition of \$100,000.00 in Early Childhood Comprehensive Systems Program grant funds to continue the program to develop a plan to address the integration of services into one comprehensive system that will meet the needs of all young children. 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 E.

- 84. Department of Human Resources – Health Division – Maternal Child Health Services – FY 05** – Addition of \$1,296,193.00 in fees charged to clients for the costs of newborn screening laboratory tests to continue to test newborns within the state to identify metabolic errors of the newborns. Requires Interim Finance approval since the amount added to the Medical and Dental Expense category exceeds \$50,000.00 and includes new staff.

Refer to motion for approval under Item E.

- 85. Department of Human Resources – Health Division – Women, Infants and Children Food Supplement – FY 04** – Addition of \$1,084,867.00 in Rebate funds to continue the program to pay food costs for eligible clients. Requires Interim Finance approval since the amount added to the Aid to Indigent – Rebate category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 86. Department of Human Resources – Health Division – Women, Infants, and Children (WIC) Food Supplement – FY 04** – Transfer of \$216,922.00 from the Personnel Services category to the State Food Support category to utilize available salary savings to operate rural WIC clinics with local organizations. Requires Interim Finance approval since the amount transferred to the State Food Program category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 87. Department of Human Resources – Health Division – Women, Infants and Children Food Supplement – FY 04** – Transfer of \$33,836.00 from the

Reserve category to the Program Income category to offset operating expenses associated with the Women, Infants and Children Program. Requires Interim Finance approval since the amount transferred to the Program Income category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 88. Department of Human Resources – Health Division – Women, Infants, and Children Food Supplement – FY 05** – Transfer of \$311,381.00 from the Personnel Services category to the State Food Support category to contract out WIC services to local organizations and eliminate 7.02 full-time equivalent state positions effective July 1, 2004. Requires Interim Finance approval since the amount transferred to the State Food Program category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 89. Department of Human Resources – Health Division – Women, Infants and Children Food Supplement – FY 05** – Addition of \$571,150.00 in Federal Women, Infants and Children Electronic Benefits Transfer, Electronic Service Delivery grant funds to coordinate the statewide rollout of the electronic benefits transfer program. Requires Interim Finance approval since the amount added to the EBT/ESD category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 90. Department of Human Resources – Health Division – Women, Infants and Children Food Supplement – FY 05** – Addition of \$111,345.00 in WIC Federal Breastfeeding grant funds to improve breastfeeding rates and longer duration of breastfeeding through a peer-counseling program. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item E.

- 91. Department of Human Resources – Health Division – Early Intervention Services – FY 04** – Transfer of \$72,750.00 from the Personnel Services category to the Federal Education of Handicapped Child category to utilize available salary savings to provide for the administrative charge assessed against all federal grants by the Office of State Health Administration budget. Requires Interim Finance approval since the amount transferred to the Federal Education of Handicapped Child category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 92. Department of Human Resources – Health Division – Community Health Services – FY 04** – Addition of \$2,778.00 in Federal Immunization Program grant funds to support a position to monitor immunization activities and

expenditures in the rural nursing clinics. Requires Interim Finance approval since it includes new staff.

Refer to motion for approval under Item E.

- 93. Department of Human Resources – Health Division – Health Alert Network** – Addition of \$1,126,176.00 in Federal Bioterrorism Hospital Preparedness grant funds to continue the program to prepare Nevada's health system to provide medical and public health services in the event of a bioterrorism attack or other public health emergency. Requires Interim Finance approval since the amount added to the Hospital Preparedness category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 94. Department of Human Resources – Health Division – Cancer Control Registry FY 04** – Addition of \$374,074.00 in Federal National Cancer Prevention and Control grant funds and deletion of \$63,687.00 in Federal Department of Energy grant funds to continue to collect data concerning invasive cancer as prescribed by the Centers for Disease Control and Prevention. Requires Interim Finance approval since the amount added to the National Cancer and Prevention Control category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 95. Department of Human Resources – Health Division – Alcoholism and Drug Rehabilitation – FY 04** – Addition of \$45,052.00 in Tobacco Prevention funds to continue the program to complete prevention strategies related to tobacco use among youths in rural Nevada communities. Requires Interim Finance approval since the amount added to the Tobacco Funds category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 96. Department of Human Resources – Welfare Division – Welfare Administration – FY 04** – Addition of \$497,546.00 in the Federal United States Department of Agriculture Food Stamp Program grant funds to pass-through funds to the University of Nevada, Reno for the Food Stamp Nutrition Education Program. Requires Interim Finance approval since the amount added to the Nutrition Education Network category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 97. Department of Human Resources – Welfare Division – Field Services – FY 04** – Transfer of \$100,000.00 from the Personnel Services category to the Operating category and \$50,000.00 from the Personnel Services category to the Utilities category to cover projected expenditures for the remainder of the

fiscal year. Requires Interim Finance approval since the amount transferred from the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 98. Department of Human Resources – Welfare Division – Low-Income Housing Energy Assistance (LIHEA) - FY 04** - Addition of \$2,982,720.00 in Federal Low-Income Housing Energy Assistance funds to continue the program to assist low-income households with their energy bills. Requires Interim Finance approval since the amount added to the LIHEA category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 99. Department of Human Resources – Aging Services Division – Older Americans Act – FY 04** – Addition of \$157,000.00 in Federal Title III-C Program (Congregate Meals and Home-Delivered Meals) to fund projected expenditures for providing meals at congregate sites and home-delivered meals to eligible individuals aged 60 and over. Requires Interim Finance approval since the amount of the grant to Title III-C, Nutrition category exceeds \$100,000.00.

Refer to motion for approval under Item E.

- 100. Department of Human Resources – Aging Services – Tobacco Settlement Fund for a Healthy Nevada – FY 05** – Addition of \$1,463,809.00 in Transfer from Treasurer's Budget 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.

Refer to motion for approval under Item E.

- 101. Department of Human Resources – Child and Family Services – Youth Community Services – FY 04** – Deletion of \$51,064.00 in Federal Title IV-E Funds and \$174,468.00 in Medicaid Rehabilitation funds and transfer of \$200,000.00 from the Child Welfare category to the Mental Health Placements category to cover anticipated expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred from the Child Welfare category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 102. Department of Human Resources – Child and Family Services – Youth Corrections Services – FY 04** – Transfer of \$33,800.00 from the Administrative Reserve category to the Personnel Services category to cover

anticipated expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the Administrative Reserve category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 103. Department of Human Resources – Child and Family Services – Nevada Youth Training Center – FY 04** – Addition of \$30,281.00 in Federal Special Education grant funds transferred from the Department of Education to provide special education services to qualifying youth at the Nevada Youth Training Center. Requires Interim Finance approval since the amount added to the Special Education Grant category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 104. Department of Human Resources – Child and Family Services – Nevada Youth Training Center – FY 04** – Addition of \$27,452.00 in Federal Title I funds transferred from the Department of Education to purchase computer hardware, software and operating supplies for the Test of Adult Basic Education system. Requires Interim Finance approval since the amount added to the Title I category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 105. Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 04** – Addition of \$40,101.00 in Medicaid Rehabilitation, \$301,245.00 in Medicaid Case Management funds and \$479,866.00 in Medicaid Inpatient Non-Custody funds and deletion of \$269,180.00 in Medicaid Outpatient funds and \$377,946.00 in Medicaid Inpatient State Custody funds to cover anticipated operating, maintenance of buildings and grounds training and utility expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 106. Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 04** – Addition of \$566,419.00 in funds transferred from the Medicaid budget to record anticipated payments to Mojave Mental Health Services for the division’s Medicaid-eligible clients through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Mojave Payments category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 107. Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 04** – Addition of \$21,179.00 in Rental Income revenue to cover rent expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 108. Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 04** – Addition of \$505,045.00 in Federal Neighborhood Care Center Project (NCCP) grant funds to continue the integration of mental health services to families and to establish service sites in neighborhoods where children and their families reside. Requires Interim Finance approval since the amount added to the Federal Grant – NCCP category exceeds \$50,000.00.

Jim Baumann, Administrative Services Officer, Division of Child and Family Services (DCFS), identified himself for the record and introduced Dr. Christa Peterson, Deputy Administrator, Division of Child and Family Services, and Karen Harbour, Administrative Services Officer, Southern Nevada Child and Adolescent Services.

Mr. Baumann advised the members of the committee that the work program accepted carry forward funds from the Federal Neighborhood Care Center Project (NCCP) grant. The \$505,045 augmentation represented unspent monies from the previous five federal fiscal years of grant awards.

In a brief address, Dr. Peterson reported that the Neighborhood Care Center grant, one of 13 competitively awarded in 1998, provided funds to develop, implement and evaluate services for seriously emotionally disturbed children and adolescents “at imminent risk for hospitalization or institutionalization.” Dr. Peterson advised that family involvement at all levels of service planning and delivery was a key element of the grant.

Additionally, Dr. Peterson reported that the \$936,346 award for the first year of the grant was renewable through a non-competitive application process for each of the five years following the initial award. Consequently, Dr. Peterson advised that the DCFS had received a total of \$8,066,425 since 1998.

Dr. Peterson said the Neighborhood Care Center project had been successful in achieving positive outcomes and had been recognized as a model of best practice by the Substance Abuse and Mental Health Services Administration (SAMHA) and by the Administration for Children and Families.

In her concluding remarks, Dr. Peterson said the work program provided the authority to receive \$505,045 in federal rollover funds needed to provide continued support of services and activities required under the grant.

Ms. Leslie recalled that the 2003 Legislature appropriated \$507,183 in General Fund support to continue activities and services of the grant in fiscal year 2005. Ms. Leslie indicated, however, that information concerning rollover funds was not presented during committee hearings on the budget. Ms. Leslie asked if the rollover funding could be used to reduce the fiscal year 2005 General Fund appropriation provided to fund the program.

Dr. Peterson responded that the rollover funds were needed to continue the activities required under the grant for the remainder of the federal fiscal year.

Ms. Leslie asked if the rollover funds were needed in addition to the \$507,183 in General Fund support provided by the 2003 Legislature.

Dr. Peterson explained that availability of the funding appropriated by the 2003 Legislature was effective on September 1, 2004, while the rollover funding was requested to continue the activities of the grant through August 31, 2004.

Ms. Leslie asked why the information concerning the rollover funds was not made available to the committees during the 2003 Legislative Session.

Dr. Peterson advised that while the DCFS had the ability each year of the grant to roll funds forward, a savings in the last year of the grant had not been anticipated.

Dr. Peterson explained that unanticipated savings occurred in the last portion of the year after an amendment to the original budget for federal fiscal year 2006 was requested that included completely expending the grant funds.

Ms. Leslie asked how savings were achieved that provided a rollover in the amount of \$505,045.

Dr. Peterson reported that while it was anticipated the entire rollover would be expended in the current fiscal year, the funding authorized by the 2003 Legislature

covered only about half of the total positions funded by the grant with the remaining positions ending August 31, 2004. Dr. Peterson explained that in anticipation of the grant's end, several positions were vacated providing vacancy savings of approximately \$90,000 to \$100,000. Savings were also realized through receipt of Temporary Assistance to Needy Families (TANF) flexible funding for which some families served by the NCCP grant qualified.

Ms. Leslie expressed concern in learning about the sudden availability of a large amount of money that the committees had not been made aware of during the 2003 Legislative Session. Indicating that perhaps a different decision concerning the General Fund appropriation might have been made, Ms. Leslie said the division should be aware of the difficulty the committee had with the request. Ms. Leslie pointed out to the division that even the appearance of hiding money was not the way the committee wanted to conduct business.

Chairman Arberry asked if the work program request could be deferred until the next meeting of the Interim Finance Committee.

Dr. Peterson advised that deferring the request placed the entire amount of the funding in jeopardy and would leave the division unable to carry out requirements of the grant through August 31, 2004.

Indicating that questions from the committee had thus far not been answered satisfactorily, Ms. Giunchigliani requested specific information on the total funding needed to meet the requirements of the grant through August 31, 2004.

Dr. Peterson reported projections indicated that approximately \$250,000 was required to complete grant requirements through August 31, 2004.

Ms. Giunchigliani asked for information on how the agency planned to use the \$507,183, approved by the 2003 Legislature, to continue grant-funded activities of the Neighborhood Care Center Project.

In response, Mr. Baumann explained that the \$507,183 authorized by the 2003 Legislature in Decision Unit E-475, Effectiveness of Family Services, included ten positions and was provided to continue grant funded activities and services for the remainder of fiscal year 2005 after the August 31, 2004 grant expiration date. Additionally, Mr. Baumann explained that the request for a \$505,045 augmentation would cover grant-funded activities and services through August 31, 2004. Mr. Baumann indicated that after expenditures, approximately \$270,436 of unspent funds would remain at the end of August 31, 2004.

Ms. Giunchigliani asked if the \$270,436 could be returned to the General Fund after August 31, 2004.

Mr. Baumann explained that federal approval would be required.

Ms. Giunchigliani asked if the unspent grant funding could be offset with the General Fund support provided by the 2003 Legislature in order to revert the \$270,436 to the General Fund.

Dr. Peterson responded that in order to do so the division would be required to file a “no-cost extension request” with the Substance Abuse and Mental Health Services Administration (SAMSHA) that included a request for funding of other activities not included in the E-475 funding. If approved, Dr. Peterson indicated the funding could be reverted to the General Fund.

Chairman Arberry asked that the Division of Child and Family Services’ staff meet with the committee’s staff, and consideration of the work program would continue after the lunch break.

After the break, Chairman Arberry called Mike Willden, Director, Department of Human Resources, to the witness table.

Mr. Willden provided the following proposal and information:

- An amendment to reduce the work program request from \$505,045 to \$111,823, the amount projected to be needed to complete grant requirements in fiscal year 2004.
- A grant balance of \$393,222 would remain available to be spent in fiscal year 2005.
- The current fiscal year 2005 work program authority of \$248,164 would be covered with funding from the \$393,222 grant balance.
- Request a “no-cost extension” from the SAMSHA on July 1, 2004, 60 days prior to the grant end, for the remaining balance of \$145,058, not yet obligated for expenditure through the grant expiration date of August 31, 2004.
- Of the \$145,058 that could be used to reduce the \$507,103 General Fund support, SAMSHA could require that \$76,000 be spent on requirements of the grant, such as reporting flexible funding and required attendance at national conferences.
- \$69,058 would be available to reduce General Fund support if approval of the “no-cost extension” was received.

Mr. Willden further advised that the division staff would return to the September meeting of the IFC and fully address the remaining \$393,222 grant balance for fiscal year 2005.

DR. HARDY MOVED TO APPROVE WORK PROGRAM
108 AS AMENDED.

MR. MARVEL SECONDED THE MOTION.

It was Ms. Giunchigliani's understanding that division staff had not contacted one of the providers to the Neighborhood Care Center Project concerning their unexpended portion of the fund. Ms. Giunchigliani asked for assurance that providers would not in any way be impacted by the proposed amendment.

Mr. Baumann provided assurance that the proposal, outlined by Mr. Willden, provided for activities and services through August 31, 2004, and the legislatively approved budget of \$248,000 covered providers.

Ms. Giunchigliani indicated it appeared the provider had concerns that the division had taken into account the provider's funds as a portion of the division's rollover projection.

Mr. Willden advised that he would follow-up with the organization, which he assumed was Nevada Parents Encouraging Parents, Inc.

THE MOTION CARRIED. (Mr. Perkins,
Mr. Goldwater, and Mr. Griffin were excused.)

109. Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 04 – Transfer of \$18,944.00 from the Equipment category to the Operating category and \$3,899.00 from the Equipment category to the Information Services category to cover projected expenditures through the end of the fiscal year. Requires Interim Finance approval since the amount transferred from the Equipment category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

110. Department of Human Resources – Child and Family Services – Southern Nevada Child and Adolescent Services – FY 05 – Addition of \$409,981.00 in Rental Income revenue to cover additional lease, utility and maintenance costs associated with the co-location of Child Welfare employees with Clark County employees. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

111. Department of Human Resources – Child and Family Services – Summit View Youth Correctional Center – FY 04 - Transfer of \$20,478.00 from the

Private Contractor category to the Maintenance of Buildings and Grounds category to cover projected costs through 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 E.

- 112. Department of Human Resources – Child and Family Services – Summit View Youth Correctional Center – FY 04** – Transfer of \$39,999.00 from the Private Contractor category to the Maintenance of Buildings and Grounds category to install a concrete security barrier. Requires Interim Finance approval since the cumulative 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 E.

- 113. Department of Employment, Training and Rehabilitation – Career Enhancement Program – FY 04** – Transfer of \$19,500.00 from the Reserve category to the Operating category and \$10,000.00 from the Reserve category to the Client Assistance Program category to fund projected expenditures through the end of the fiscal year. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 114. Department of Employment, Training and Rehabilitation – Information Development and Processing – FY 05** – Addition of \$60,000.00 in Transfer from Employment Security to provide for additional operating costs associated with the acquisition of additional office space. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 115. Department of Employment, Training and Rehabilitation – Employment Security Division – FY 05** – Addition of \$319,702.00 in Federal Admin Cost Allowance grant funds to cover additional costs for Internet Employer Registration and Internet Tax/Wage Reporting to reflect proposed changes in the US Department of Labor Remote Access grants for use in FY 2005. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item E.

- 116. Department of Employment, Training, and Rehabilitation – Employment Security Division – FY 05** – Addition of \$60,000.00 in Federal Administration Cost Allowance to fund costs of Information Development and Processing’s request to acquire additional space at Curry Street. Requires Interim Finance approval since the amount added to the Department Cost Allocation category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 117. Department of Employment, Training, and Rehabilitation – Employment Security Special Fund – FY 05** – Transfer of \$365,078.00 from the Reserve category to the Appeals Replacement and Enhanced Adjudication System (AREAS) category to define the business requirements for an Oracle-based system to replace the Employment Security Division’s existing Appeals and Adjudication Systems. Requires Interim Finance approval since the amount transferred to the AREAS category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 118. Department of Employment, Training and Rehabilitation – Disability Adjudication – FY 05** – Addition of \$290,810.00 in Federal Disability Determination funds to authorize two additional Disability Adjudicator III positions and associated staff costs and purchase 6 modular workstations. Requires Interim Finance approval since the amount added to Personnel Services category exceeds \$50,000.00 and includes new staff.

Refer to motion for approval under Item E.

Chairman Raggio announced that with IFC approval of Item O, Report on the Activities of the Subcommittee for the Southern Nevada Women’s Correctional Facility, work programs 119, 120, 121, 122, and 123, would be considered simultaneously.

Refer to narrative under Item O.

- 119. Department of Corrections – Prison Medical Care – FY 05** – Addition of ~~\$2,011,240.00~~ **\$1,786,351.00** in Transfer from Southern Nevada Women’s Correctional Facility to fund the Prison Medical Care share of the operation of the Southern Nevada Women’s Correctional Facility rather than utilizing the services of a private contractor. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff. **Relates to Agenda Item O. REVISED JUNE 7, 2004.**

Refer to narrative under Item O.

Jackie Crawford, Director, Department of Corrections, expressed her appreciation to Chairman Raggio, the Subcommittee for the Southern Nevada Women's Correctional Facility and to staff for their hard work and support during the transitioning process.

Darrel Rexwinkel, Assistant Director Support Services, Department of Corrections, identified himself for the record.

Mr. Rexwinkel addressed some of the revisions that were made to work programs 119 through 123 after meeting with Fiscal Analysis Division staff. The revisions included:

- Moving a Clinical Social Worker and a Psychiatrist from the Medical budget to the Program's budget, which he said the Department had anticipated accomplishing with assumption of the SNWCF medical operations.
- Elimination of overtime.
- Payroll changes, the elimination of one vehicle, as well as elimination of the America Correctional Association (ACA) accreditation fee, and reduction of training for Correctional Officers by one week.

Mr. Rexwinkel provided additional information that the per-day cost per inmate, on an ongoing basis for all NDOC budgets, excluding medical services was \$48.59 for fiscal year 2005. The inclusion of medical costs at \$13.74 provided a total cost per day per inmate of \$62.33.

Mr. Rexwinkel provided the following comparisons of the NDOC's rate to Vendors A, B, and C, which included NDOC's cost for medical services:

- Vendor A - \$56.59
- Vendor B - \$53.43
- Vendor C - \$53.69

Mr. Rexwinkel advised that the NDOC's dollar amount in excess of Vendor A was \$967,936 in addition to one-time startup costs including medical that amounted to \$633,000. Mr. Rexwinkel attributed the startup costs to salaries since Peace Officer Standards Training for correctional staff was a statutory requirement.

Mrs. Chowning referred to a 1997 article from the *Las Vegas Review Journal*, which addressed the concerns of Ann Golonka, President of the Southern Nevada Chapter of the National Organization for Women. Mrs. Chowning pointed out that Ms. Golonka's concerns in 1997, which related to the location of the facility, 200 feet away from a freeway intersection and 1,700 feet away from

an area containing hazardous material, continued to be of concern in 2004. Additionally, Ms. Golonka expressed concern in reference to institution programs. During a recent SNWCF tour, Mrs. Chowning became aware that there were no counseling programs. Mrs. Chowning also observed that during the last several months, all programs other than Prison Industries had been closed.

Additionally, Mrs. Chowning reported that research information concerning the background of Vendors A, B, and C revealed a poor standing for each that ranged from inappropriate actions and budget concerns to a lack of security.

Mrs. Chowning spoke in support of the recommendation that NDOC assume the operation activities and provision of medical services at the SNWCF and said that the workers, inmates and the taxpayers deserved better than what had been provided to them. It was Mrs. Chowning's opinion the NDOC could provide better service than a private company, and, in the long run, money would be saved.

After reviewing the information provided to the committee, Mrs. Chowning questioned why the warden should be allocated a sedan.

Mr. Rexwinkel advised that the vehicle was for use by the administration staff of the institution and while the warden would have access to the vehicle, it was not for personal use.

Chairman Raggio asked that NDOC representatives address staff concerns that receipt of federal Residential Substance Abuse Treatment (RSAT) funding should "first offset the General Fund costs of the SNWCF therapeutic community." Information provided by staff indicated that the NDOC's proposal for the SNWCF called for a 50-bed unit staffed with two positions, and those positions could be offset by 75 percent with RSAT funds.

Dorothy Nash Holmes, Correctional Programs Coordinator, NDOC identified herself for the record. Ms. Holmes advised that although the SNWCF had a therapeutic community, funding was not provided through RSAT. Ms. Holmes advised, however, that the WINGS Therapeutic Communities at Northern Nevada Correctional Center (NNCC) and Southern Desert Correctional Center (SDCC) were funded by RSAT. Ms. Holmes explained that the NDOC was allocated a set amount for the two programs and, if any part of that funding were used to establish another program, the WINGS programs at NNCC and SDCC would be diminished. Ms. Holmes indicated, however, that the NDOC intended to continue to apply for RSAT grants and agreed to work with the committee's staff concerning a General Fund offset in the event additional RSAT funding was received.

Chairman Raggio asked that NDOC representatives explain the need to acquire video conferencing equipment and any associated cost/benefit.

Ms. Crawford advised that video conferencing equipment had been requested for use by the Parole Board and for the convenience of victims. Ms. Crawford justified purchase of the equipment indicating that the SNWCF was the only major correctional facility located in an urban area. While amenable to delaying the purchase, Ms. Crawford did not wish to delete it.

Chairman Raggio pointed out the committee had concerns that the funding required to run the facility was much greater than had been anticipated. Chairman Raggio indicated that cutting anything not considered essential had to be reviewed.

Ms. Crawford agreed to review the request for equipment.

Assemblywoman McClain pointed out that operating a facility for women had proven more expensive to run essentially because of the "nature of the inmate."

Ms. McClain advised that information provided by Ms. Crawford on women's facilities across the country revealed that NDOC's daily cost per inmate of \$62.33 was lower than California and Colorado, on a par with Oregon, a little higher than Arizona, and much higher than Missouri.

Ms. McClain spoke in support of the subcommittee's recommendation and said that NDOC, whose staff understood the uniqueness of the female inmate, could ensure treatment of female medical needs and could put the inmates on the road again to being good citizens.

Ms. Giunchigliani commended the subcommittee's recommendation for NDOC's assumption of operations and medical services at SNWCF and provided a brief history on prison conditions beginning in the early 1990s. Ms. Giunchigliani said an unannounced visit to a northern Nevada correctional facility in the early 1990s, revealed reprehensible conditions. Although, not in favor of privatization, Ms. Giunchigliani indicated privatization legislation sponsored by Senator Raggio in 1991 was taken advantage of to establish the SNWCF in southern Nevada, home to approximately 87 percent of the female inmates at that time.

Ms. Giunchigliani indicated that on several recent visits to the SNWCF she observed security violations, rude behavior on the part of one of the Correctional Officers, a lack of intake for medical issues, overmedicated inmates, a lack of prenatal care, a lack of vocational programs, and inmates who were not permitted to purchase fruit and only permitted to purchase milk once a day.

In conclusion, Ms. Giunchigliani said the state had an obligation to provide inmates good care, safe conditions, and access to decent food, which currently did not exist.

MS. MCCLAIN MOVED APPROVAL OF ITEMS 119, 120, 121, 122, AND 123.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 120. Department of Corrections – Director’s Office – FY 05** – Addition of ~~\$247,593.00~~ **\$239,136.00** in Transfer from Southern Nevada Women’s Correctional Facility to fund the Director’s Office share of the operation of the Southern Nevada Women’s Correctional Facility rather than utilizing the services of a private contractor. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff. **Relates to Agenda Item O. REVISED JUNE 7, 2004.**

Refer to narrative under Item 119 and Item O.

- 121. Department of Corrections – Southern Nevada Women’s Correctional Facility – FY 05** – Transfer of ~~\$4,905,647.00~~ **\$4,612,533.00** from the Privatization Contract category to the Personnel Services category, ~~\$84,503.00~~ **\$95,228.00** from the Privatization Contract category to the Operating category, ~~\$455,884.00~~ **\$126,522.00** from the Privatization Contract category to the Equipment category, \$21,280.00 from the Privatization Contract category to the Buildings and Grounds Maintenance category, \$13,928.00 from the Privatization Contract category to the Maintenance Contracts category, \$24,995.00 from the Privatization Contract category to the Uniform Allowance category, ~~\$10,900.00 from the Privatization Contract category to the Accreditation category,~~ ~~\$429,464.00~~ **\$434,753.00** from the Privatization Contract category to the Inmate Drivens category and ~~\$388,378.00~~ **\$387,945** from the Privatization Contract category to the Utilities category, **and \$433.00 from Inmate Cremations to the Utilities category** to fund the Nevada Department of Corrections operation of the Southern Nevada Women’s Correctional Facility rather than utilizing the services of a private contractor. Requires Interim Finance approval since the amounts deducted from the Privatization Contract category exceed \$50,000.00 and includes new staff. **Relates to Agenda Item O. REVISED JUNE 7, 2004.**

Refer to narrative under Item 119 and Item O.

- 122. Department of Corrections – Correctional Programs – FY 05** – Addition of ~~\$418,323.00~~ **\$538,890.00** in Transfer from Southern Nevada Women’s Correctional Facility to fund the Correctional Programs share of the operation of the Southern Nevada Women’s Correctional Facility rather than utilizing the services of a private contractor. Requires Interim Finance approval since the

amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff. **Relates to Agenda Item O. REVISED JUNE 7, 2004.**

Refer to narrative under Item 119 and Item O.

- 123. Department of Corrections – Inmate Welfare - FY 05 –** Transfer of \$70,662.00 from the Retained Earnings category to the Personnel Services category, \$362.00 from the Retained Earnings category to the Recreation Program category, \$5,684.00 from the Retained Earnings category to the Satellite TV Costs category and \$25,562.00 from the Retained Earnings category to the Southern Nevada Women’s Correctional Facility Law Library to fund the law library as required by NRS and other services provided by the Inmate Welfare Account when the Nevada Department of Corrections assumes operation of the Southern Nevada Women’s Correctional Facility rather than utilizing the services of a private contractor. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff. **Relates to Agenda Item O.**

Refer to narrative under Item 119 and Item O.

- 124. Department of Corrections – Prison Medical Care – FY 04 –** Addition of \$650,000.00 in Budgetary Transfer to fund projected personnel services expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 125. Department of Corrections – Correctional Programs – FY 04 –** Deletion of \$50,000.00 in Budgetary Transfer to fund projected personnel services expenditures department-wide through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 126. Department of Corrections – Northern Nevada Correctional Center – FY 04 –** Deletion of \$146,609.00 in Budgetary Transfer to fund projected personnel services expenditures department-wide through the end of fiscal year 2004. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 127. Department of Corrections – Southern Desert Correctional Center – FY 04 –** Deletion of \$145,000.00 in Budgetary Transfer to fund projected personnel services expenditures department-wide through the end of fiscal year 2004.

Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 128. Department of Corrections – Ely State Prison – FY 04 –** Deletion of \$375,062.00 in Budgetary Transfer to fund projected personnel services expenditures department-wide through the end of fiscal year 2004. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 129. Department of Corrections – Warm Springs Correctional Center – FY 04 –** Deletion of \$105,873.00 in Budgetary Transfer to fund projected personnel services expenditures department-wide through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 130. Department of Corrections – Pioche Conservation Camp – FY 04 –** Addition of \$7,000.00 in Budgetary Transfer to fund projected personnel services expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 131. Department of Corrections – Indian Springs Conservation Camp – FY 04 –** Addition of \$20,544.00 in Budgetary Transfer to fund projected personnel services expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 132. Department of Corrections – Humboldt Conservation Camp – FY 04 –** Addition of \$10,000.00 in Budgetary Transfer to fund projected personnel services expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 133. Department of Corrections – Jean Conservation Camp – FY 04** – Addition of \$70,000.00 in Budgetary Transfer to fund projected personnel services expenditures department-wide through the end 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 E.

- 134. Department of Corrections – Carlin Conservation Camp – FY 04** – Addition of \$12,000.00 in Budgetary Transfer to fund projected personnel services expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 135. Department of Correction – Tonopah Conservation Camp – FY 04** – Addition of \$25,000.00 in Budgetary Transfer to fund projected personnel services expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 42, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 136. Department of Corrections – Southern Nevada Women’s Correctional Facility FY 04** – Deletion of \$325,018.00 in Budgetary Transfer to fund projected department-wide expenditures through the end of the fiscal year 2004 through a reduction to reserve. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 137. Department of Corrections – Southern Desert Correctional Center – FY 04** – Transfer of \$145,685.00 from the Personnel Services category to the Utilities category to fund projected utility expenditures through the end of the fiscal year. Requires Interim Finance approval since the amount transferred to the Utilities category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 138. Department of Corrections – Ely State Prison – FY 04** – Addition of \$180,023.00 in Budgetary Transfer to fund projected equipment, inmate drives and utilities expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Darrel Rexwinkel, Assistant Director Support Services, Department of Corrections, identified himself for the record. Mr. Rexwinkel was before the committee to request approval to transfer \$180,023 from other department budgets to Category 59 Utilities, and to reallocate \$83,650 from Category 01 Personnel Services for distribution in the amounts of \$2,650 to Category 05-Equipment and \$81,000 to Category 50-Inmate Driven.

Mr. Rexwinkel explained that the \$2,650 transfer to Category 05-Equipment, if approved, would purchase a microwave to heat pre-packaged purchased kosher meals for inmates. Additionally, a portion of the \$81,000 transferred to Category 50-Inmate Driven would be used to purchase kosher foods for inmates who exercised their constitutional right to be provided a kosher diet based on their religious beliefs.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM 38.

MR. PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.

139. Department of Corrections – Stewart Conservation Camp – FY 04 – Addition of \$43,252.00 in Budgetary Transfer and deletion of \$28,000.00 in Client Income to fund projected utilities expenditures through the end of fiscal year 2004 and less than budgeted revenue from Client Income. Requires Interim Finance per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

140. Department of Corrections – Pioche Conservation Camp – FY 04 – Addition of \$14,776.00 in Budgetary Transfer to fund projected utility expenditures through the end of the fiscal year 2004. Requires Interim Finance per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

141. Department of Corrections – Indian Springs Conservation Camp – FY 04 – Addition of \$5,738.00 in Budgetary Transfer to fund projected utilities expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

142. Department of Corrections – Ely Conservation Camp – FY 04 – Addition of \$11,529.00 in Budgetary Transfer to fund projected utilities expenditures

through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 143. Department of Corrections – Jean Conservation Camp – FY 04** – Addition of \$23,863.00 in Budgetary Transfer to fund projected utilities expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 144. Department of Corrections – Tonopah Conservation Camp – FY 04** – Addition of \$5,464.00 in Budgetary Transfer to fund projected utilities expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 145. Department of Corrections – Northern Nevada Restitution Center – FY 04** – Addition of \$3,559.00 in Budgetary Transfer to fund projected utilities expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 146. Department of Corrections – Humboldt Conservation Camp – FY 04** – Addition of \$32,814.00 in Budgetary Transfer to fund projected operating, equipment, building and grounds maintenance and utilities expenditures through the end of the fiscal year. Requires Interim Finance approval per Assembly Bill 553, Section 38, of the 2003 Legislative Session.

Refer to motion for approval under Item E.

- 147. Department of Corrections – High Desert State Prison – FY 04** – Transfer of \$65,000.00 from the Personnel Services category to the Operating category and \$375,000.00 from the Personnel Services category to the Utilities category to fund projected expenditures categories through the end of the fiscal year. Requires Interim Finance approval since the amount transferred to the Utilities category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 148. Department of Corrections – Offender's Store Fund – FY 04** – Addition of \$92,937.00 in Store Sales, \$318,510.00 in Catalog Commissions/Sales, \$9,214.00 in Hobby Craft Sales and \$507,881.00 in Prior Year Refunds and

deletion of \$411,107.00 in Telephone Commissions and \$41,073.00 in Treasurer's Interest to align projected revenues and expenditures for inventory purchases for resale through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Inventory Purchase for Resale category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 149. Department of Corrections – Prison Industries – FY 04 –** Addition of \$136,623.00 in Miscellaneous Sales and \$28,826.00 in Reimbursement to cover costs for additional inmate wages based on projections of wage assessments and the start-up of a new program, The Gambler's Store, at Southern Nevada Women's Correctional Facility. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 150. Department of Corrections – Prison Dairy – FY 04 –** Addition of \$74,000.00 in Farm Sales to recognize projected revenue and corresponding operating expenditures due to the growth of the Prison Dairy operations and the associated costs of that growth through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 151. Department of Motor Vehicles – Administrative Services – FY 04 –** Addition of \$62,316 in Drivers License Photos Revenue to the Driver's License Photos category, transfer of \$6,500.00 from the Registration Printing category to the Operating category, \$50,000.00 from the Registration Printing category to the Credit Card category and \$62,684.00 from the Registration Printing category to the Drivers License Photos category to cover projected operating, credit card and drivers license photo expenditure requirements for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Drivers License Photos category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 152. Department of Motor Vehicles – Administrative Services – FY 05** – Transfer of \$39,789.00 from the Reserve category to the Personnel Services category and \$1,698.00 from the Reserve category to the Operating category to fund the costs associated with additional personnel for improved customer service at the Henderson Office. 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 E.

- 153. Department of Motor Vehicles – Field Services – FY 05** – Transfer of \$835,007.00 from the Reserve category to the Personnel Services category and \$7,231.00 from the Reserve category to the Operating category to fund the costs associated with additional personnel for improved customer service at the Henderson Office. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 154. Department of Motor Vehicles – Central Services – FY 04** – Transfer of \$30,000.00 from the License Plate Factory category to the Data Mailers and Decals category to cover projected costs for the production of vehicle registration data mailers and license plate decals for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Data Mailers and Decals category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 155. Department of Public Safety – Technology Division – FY 04** – Transfer of \$27,000.00 from the Operating category to the Telephone Circuit Charges category to cover projected expenditure requirements for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred from the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 156. Department of Public Safety – Justice Assistance – FY 04** – Addition of \$25,978.00 in Assessment Fees – Safety to establish authority to collect a 4% assessment fee for procurement services provided to local law enforcement agencies by the Falcon's Nest program. Requires Interim Finance approval since the amount added to the Assessment Fees category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 157. Department of Public Safety – Emergency Management Division – FY 04 –** Addition of \$561,320.00 in Federal Emergency Management Agency – Emergency Management Preparedness grant and transfer from various categories to continue to pass through aid to local governments to build and maintain emergency management programs. Requires Interim Finance approval since the amount added to the EMPG – Aid to Locals category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 158. Department of Public Safety – Criminal History Repository – FY 04 –** Transfer of \$877,000.00 from the Reserve category to the FBI Fingerprint category to cover projected Civil Applicant fingerprint processing expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the FBI Fingerprint category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 159. Department of Public Safety – Criminal History Repository – FY 04 –** Transfer of \$14,448.00 from the Intra-Agency Cost Allocation category to the Operating category and \$5,552.00 from the Reserve category to the Operating category to cover projected operating expenditure requirements for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amounts transferred to the Operating category exceed \$50,000.00.

Refer to motion for approval under Item E.

- 160. Department of Public Safety – Highway Patrol – FY 04 –** Transfer of \$103,617.00 from the Intra-Agency Cost Allocation category to the Equipment category to replace up to ten Forensic Mapping System Stations to record measurements and evidence at major traffic accident/incident scenes. Requires Interim Finance approval since the amount transferred to the Equipment category exceeds \$50,000.00.

John Borrowman, Administrative Services Officer, Nevada Highway Patrol Division, identified himself for the record and introduced David Ellison, Administrative Services Officer, Department of Public Safety, and Captain Christopher Perry, Nevada Highway Patrol Division.

Mr. Borrowman was before the committee to request approval to transfer \$103,617 from Category 82-Intra-Agency Cost Allocation to Category 05-Equipment in order to replace LEICA Forensic Mapping equipment. The LEICA equipment, used to map evidence at traffic intersections, increased the accuracy and efficiency of gathering evidence at traffic accident scenes.

In justification of the request, Mr. Borrowman indicated that current equipment had been failing more quickly than expected and was expensive to repair. Mr. Borrowman advised that the used equipment would be moved to the rural areas where it would be utilized less frequently than in urban areas. When no longer functional, the used equipment would be disposed of through the Purchasing Division.

Chairman Arberry asked the division representatives whether assurance could be provided that grant expenditures would be reimbursed prior to the close of the fiscal year in order that state funds were not used to fund expenses under a grant.

Mr. Borrowman advised that the work program request before the committee was a separate issue from another grant in which an accounting error occurred in a previous year. An investigation identified the error and policies were established with Highway Patrol's accounting unit to ensure the error would not be repeated. Controls included restriction of purchases toward the end of the fiscal year to allow for a full accounting of any purchases made with grant funds. Additionally, a reconciliation of the funds drawn on the grant would occur twice a year, once at the end of the state fiscal year, and once at the end of the federal fiscal year.

Chairman Arberry discussed reducing the amount of the work program by \$51,952 and directing the agency to reserve those funds for reversion to the Highway Fund.

Mr. Borrowman indicated it was his opinion that reducing the request by \$51,952 was not a good public policy decision. Mr. Borrowman further advised that if it was the committee's intent to ensure the Highway Fund was reimbursed, doing so in this particular work program would not necessarily be beneficial. Mr. Borrowman said that if the funding were not transferred from Category 82-Intra-agency Cost Allocation, the funds that remained in the Category would be reverted to the Highway Fund. However, Mr. Borrowman pointed out that Category 82 funds were Highway Funds, and there was an expectation that Highway Funds would not be spent to reimburse the Highway Fund. Mr. Borrowman further advised that the Highway Patrol had other categories with substantial savings, and those funds would be just as appropriate to revert to the Highway Fund as any other category.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM 160
WITH A REDUCTION OF \$51,952 TO BE REVERTED TO
THE HIGHWAY FUND.

MRS. GIBBONS SECONDED THE MOTION.

THE MOTION CARRIED (Mr. Perkins, Mr. Goldwater, and
Mr. Griffin were excused).

161. Department of Public Safety – Investigation Division – FY 04 – Transfer of \$4,507.00 from the Intra-Agency Cost Allocation category to the In-State Travel

category, \$3,166.00 from the Intra-Agency Cost Allocation category to the Operating category, \$9,675.00 from the Intra-Agency Cost Allocation category to the Equipment category and \$3,584.00 from the Intra-Agency Cost Allocation category to the Investigative Travel category to cover projected in-state and investigative costs for the remainder of the fiscal year as well as equipment needed for the controlled substances and dangerous drugs programs. Requires Interim Finance approval since the cumulative amount transferred to the Equipment category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 162. Department of Public Safety – Narcotics Control – FY 04** – Transfer of \$14,601.00 from the Drug Purchase category to the Equipment category, \$441.00 from the Information Technology category to the Equipment category and \$6,627.00 from the Intra-Agency Cost Allocation category to the Equipment category to purchase equipment items for drug enforcement programs. 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 E.

Chairman Arberry announced that Items 163 and 164 would be considered simultaneously.

- 163. Department of Public Safety – Parole and Probation – FY 04** – Transfer of \$437,866.00 from the Personnel Services category to the Information Services category to replace computer equipment originally purchased in 1998 and 1999. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds \$50,000.00. Relates to Item 164.

Amy Wright, Chief, Nevada Division of Parole and Probation, identified herself for the record and introduced Mark Teska, Administrative Services Officer. Ms. Wright was before the committee to request consideration of work programs that would reallocate appropriations available in the Personnel Services category. The reallocation of funds would be used to purchase personal computers, printers, and scanners to replace outdated equipment.

Chairman Arberry questioned the impact division vacancies had on the operations of the division.

Ms. Wright said that over the past year, 14 new officers and 15 new civilian staff had been hired. There were currently 24 sworn vacancies and 15.5 civilian staff vacancies. While vacancies were a concern, Ms. Wright provided assurance the division's work was being accomplished. Additionally, Ms. Wright advised that available resources were being allocated on high-risk

offenders who were being supervised efficiently and effectively and that all orders of the court and conditions were monitored and supervised.

Chairman Arberry asked if the per-officer caseload had increased.

Ms. Wright advised that currently the regular supervision officer caseload averaged 84, and a number of candidates scheduled to begin academy training in southern Nevada in August would fill officer vacancies.

In response to a question from Ms. Giunchigliani concerning high-risk caseloads, Ms. Wright advised that intensive supervision caseloads were at a 30:1 ratio, and sex-offender caseloads were at a 45:1 ratio.

MR. MARVEL MOVED APPROVAL OF ITEMS 163 AND 164.

MR. BEERS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 164. Department of Public Safety – Parole and Probation – FY 04** – Transfer of \$92,398.00 from the Intra-Agency Cost Allocation category to the Information Services category to cover projected Public Safety Technology Division, and Department of Information Technology expenditures for the remainder of the fiscal year, as well as the purchase of five scanners, and replacement of computer equipment purchased in 1998. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds \$50,000.00. Relates to Item 163.

Refer to narrative and motion for approval under Item 163.

- 165. Department of Public Safety – Capitol Police – FY 04** – Transfer of \$3,400.00 from the Information Technology category to the Equipment category and \$4,779.00 from the Intra-Agency Cost Allocation category to the Equipment category to purchase laser taser weapons for sworn officers. Requires Interim Finance approval since the cumulative amount transferred to the Equipment category exceeds \$50,000.00.

Item 165 was withdrawn.

- 166. Department of Public Safety – Traffic Safety – FY 04** – Addition of \$182,113.00 in Federal Incentive Grant funds authorized under Section 410 of the Surface Transportation Extension Act to develop strategies to prevent alcohol impaired driving. Requires Interim Finance approval since the amount added to the Incentive Grant category exceeds \$50,000.00.

Bruce Mackey, Education and Information Officer, Department of Public Safety, identified himself for the record and introduced Darlene Roullard, Auditor.

The work program initially requested to increase authority in federal grant funds by \$182,113. On June 10, 2004, the Department of Transportation provided an additional \$45,883, and Mr. Mackey requested committee approval for work program Item 166 in the amount of \$227,996.

SENATOR RAGGIO MOVED APPROVAL TO ACCEPT
\$227,996 IN FEDERAL INCENTIVE GRANT FUNDS.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and
Mr. Griffin were excused.)

167. Department of Public Safety – Highway Safety Plan and Administration – FY 04 – Addition of \$253,000.00 in Federal Incentive Grant funds authorized under Section 157 of the Transportation Equity Act transferred from the Office of Traffic Safety to design innovative strategies encouraging seatbelt usage and for the May seatbelt media campaign. Requires Interim Finance approval since the amount added to the Joining Forces category exceeds \$50,000.00.

Refer to motion for approval under Item E.

168. Department of Public Safety – Highway Safety Plan and Administration – FY 04 – Addition of \$50,577.00 in Federal Incentive Grant funds authorized under section 157 of the Transportation Equity Act Transferred from the Office of Traffic Safety to purchase handheld pocket personnel computers (iPACs) and related equipment so that troopers can input citation and crash reports while in the field. Requires Interim Finance approval since the amount added to the Professional Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 169. Department of Public Safety – Highway Safety Plan and Administration – FY 04** – Addition of \$65,995.00 in National Highway Traffic Safety funds transferred from the Office of Traffic Safety and transfer of \$10,775.00 from the Traffic Records category to the Professional Services category and \$45,000.00 from the Personnel Services category to the Professional Services category to adjust planning and administrative program allowance to administer projects and conduct programs that are designed to reduce traffic fatalities and serious crashes. Requires Interim Finance approval since the amount added to the Professional Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 170. Department of Conservation and Natural Resources – Nevada Natural Heritage Program – FY 05** – Transfer of \$25,665.00 from the Reserve category to the Personnel Services category, \$200.00 from the Information Services category to the Wetlands Ecologist category, \$1,200.00 from the Operating category to the Wetlands Ecologist category and \$1,600.00 from the Reserve category to the Wetlands Ecologist category to extend the Wetlands planner position through October 2004. Requires Interim Finance approval since the amount transferred from the Reserve category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 171. Department of Conservation and Natural Resources – Nevada Natural Heritage Program – FY 05** – Addition of \$59,865.00 in Federal United States Fish and Wildlife Service Biodiversity grant funds and the transfer of \$3,400.00 from the Operating category to the USFWS Biodiversity B category and \$600.00 from the Information Services category to the USFWS Biodiversity B category to reauthorize and extend the Biodiversity Biologist Position in fiscal year 2005. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 172. Department of Conservation and Natural Resources – Division of Environmental Protection – Bureau of Water Pollution Control – FY 05 –** Transfer of \$8,396.00 from the Reserve category to the Water Permit Fees category, \$11,472.00 from the Reserve category to the Transfer to BA 3173 category and \$45,521.00 from the Reserve category to the Personnel Services category to maintain the database required by the United State Environmental Protection agency with respect to the Clean Water Act. Requires Interim Finance approval since the amount transferred from the reserve category exceeds \$50,000.00 and includes new staff.

Refer to motion for approval under Item E.

- 173. Department of Conservation and Natural Resources – Division of Environmental Protection – Bureau of Water Pollution Control – FY 05 –** Addition of \$939,603.00 in Transfer from the Safe Water Drinking Act Account and deletion of \$842,412.00 in Transfer from Health Division. Transfer of \$12,245.00 from the Reserve category to the Wellhead Protection Program category to provide for additional contract authority for public outreach and education for the Wellhead Protection Program. Requires Interim Finance approval since the amount added to the Wellhead Protection Program category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 174. Department of Conservation and Natural Resources – Division of Environmental Protection – Bureau of Water Quality Planning – FY 04 –** Augmentation of \$92,846.00 in Federal 106 Water Pollution Grant funds to cover the anticipated additional contract costs for the clean water program for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to 106 Program category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 175. Department of Conservation and Natural Resources – Division of Environmental Protection – Water Planning – Cap Improvement – FY 05 –** Addition of \$9,657.00 in funds transferred from the Grants to Water Purveyors budget and transfer of \$20,500.00 from the Reserve category to the Personnel Services category to increase an existing half-time position to full-time due to the increased workload in the Water Grants program. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds 10% of the legislatively approved level for that category and includes new staff.

Refer to motion for approval under Item E.

- 176. Department of Conservation and Natural Resources – Division of Forestry – Administration – FY 04** – Transfer of \$15,000.00 from the Reserve for Vehicle Replacement category to the Forest Stewardship category to cover the cost of a vehicle for the stewardship program. Requires Interim Finance approval since the amount transferred from the Reserve for Vehicle Replacement category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under Item E.

- 177. Department of Conservation and Natural Resources – Division of Forestry –Administration – FY 04** – Addition of \$60,000.00 in Humboldt Toiyabe National Forest Fire Assistance funds to provide additional seasonal positions. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 178. Department of Conservation and Natural Resources – Division of Forestry –Administration – FY 04** – Transfer of \$2,000.00 from the Humboldt NF Operating category to the Personnel Services category and \$12,000.00 from the Humboldt NF Operating to the Buildings and Grounds category to provide an additional seasonal position and necessary repairs to the Elko Dispatch Center. Requires Interim Finance approval since the amount transferred from the Humboldt National Forest Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

- 179. Department of Conservation and Natural Resources – Division of Forestry – Administration – FY 04** – Addition of \$121,974.00 in Federal National Fire Plan grant and deletion of \$121,974.00 in Federal State Fire Assistance grant; also transfer of \$44,313.00 from the Reserve category to the Personnel Services category to cover salary costs for ten grant positions 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 E.

- 180. Department of Conservation and Natural Resources – Division of Forestry - Administration FY 05** - Addition of \$344,000.00 in United States Forest Services grant funds to continue the Fuels for Schools biomass feasibility program for heat and energy as well as the Fuels Reduction program reducing hazardous fuels on non-federal lands near National Forest Systems. Requires Interim Finance approval since the amount added to the Fuels Reduction grant category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 181. Department of Conservation and Natural Resources – Division of Forestry – FY 05** – Addition of \$5,123.00 in United States Forest Service Title II Volunteer Fire Assistance, \$13,734.00 in United States Forest Service Forest Health and \$108,980.00 in United States Forest Service State Fire Assistance and deletion of \$34,300.00 in Transfer from the Forestry Inter-Governmental account, \$836.00 United States Forest Service Urban Forestry, \$11,074.00 United States Forest Service Stewardship, \$479,430.00 in United States Forest Service National Fire Plan and \$72,213.00 Federal Funds Balanced Forward from fiscal year 2004; transfer of ~~\$397,303.00~~ **\$397,803.00** from the State Fire Assistance category to various categories to continue the programs of stewardship, urban forestry, conservation education, forest health, volunteer fire department support and statewide fire coordination and prevention. Requires Interim Finance approval since the amounts added to the Personnel Services category exceed \$50,000.00 and includes new staff.

Carol English, Administrative Services Officer, Division of Forestry, identified herself for the record and introduced Bob Ashworth, Forestry Program Coordinator.

Chairman Arberry addressed the Division of Forestry's request to utilize federal grant funding in fiscal year 2004-05 to continue a Natural Resource Advisor position created in the Governor's Office in 2003-04. Chairman Arberry questioned whether department heads or current advisors on the Governor's staff performed any of the position's duties. Additionally, Chairman Arberry asked if the Governor's Office intended to continue the position beyond June 30, 2005.

Ms. English responded that the division requested approval to utilize Federal Consolidated Grant Funding in fiscal year 2004-05 to continue funding received in fiscal year 2003-04 for two new positions, a Statewide Mobilization Coordinator, and an Environmental Program Manager.

John P. Comeaux, Director, Department of Administration, was called to the witness table. In response to the Chairman's questions, Mr. Comeaux advised that various division administrators and other department directors in the Department of Conservation and Natural Resources did inform and discuss natural resource issues with the Governor. Mr. Comeaux said, however, that one of the advantages of the

position being requested was that the Natural Resource Advisor could more efficiently provide the Governor with “cohesive, coordinated information.” Mr. Comeaux indicated that no other division or department personnel provided the same duties, and the position would not be continued beyond June 30, 2005.

SENATOR RAGGIO MOVED APPROVAL OF WORK PROGRAM 181.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

182. Department of Conservation and Natural Resources – Division of Forestry – Fire Suppression and Emergency Response – FY 05 – Addition of \$366,065.00 in Forest Fire Reimbursement to establish a carry forward transfer category to fund the costs of the Central Fire Reporting Unit from fire reimbursements beginning in Fiscal Year 2006. Requires Interim Finance approval since the amount added to the Transfer to Central Fire Reporting Unit category exceeds \$50,000.00.

Carol English, Administrative Services Officer, Division of Forestry, identified herself for the record and introduced Bob Ashworth, Forestry Program Coordinator.

Ms. English advised that committee consideration of work program 182 was requested in response to Division of Forestry concerns that the U. S. Forest Service Consolidated Payment Grant would be subject to future funding decreases. Ms. English explained that six positions, in the Central Reporting Unit, funded through the grant were crucial to division operations and needed to be funded from a more stable funding source. Currently, the General Fund funded one permanent position and one seasonal position, and the U.S. Forest Service Grant funded the other four positions.

Ms. English advised that the Central Reporting Unit was established in response to a 1992 legislative audit that made several recommendations related to the division’s inability to quickly bill for fire costs. The Central Reporting Unit centralized the billing function and established an extensive technology infrastructure that expedited the incident reporting and billing process. Ms. English advised that approval of the work program would provide for the addition of \$366,065.00 in Forest Fire Reimbursement to establish a carry forward transfer category to fund the costs of the Central Fire Reporting Unit from fire reimbursements beginning in Fiscal Year 2006.

In response to a question from Chairman Arberry concerning whether any federal laws, regulations or grant terms prohibited the assessment of fees in fiscal year 2004-05 for costs associated with positions funded by the Federal Consolidated

Payment Grant in fiscal year 2004-05, Ms. English advised that no restrictions were applicable.

SENATOR RAGGIO MOVED APPROVAL OF ITEM 182.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

In response to questions from Mrs. Gibbons, Ms. English advised that Division of Forestry personnel were considered first responders and while application had been made to access Homeland Security funds, approval had not yet been granted for grant awards.

Mrs. Gibbons indicated it was her understanding that meeting the Department of Defense manual criteria provided automatic approval to requests for funding.

Ms. English advised that the division recently responded to an announcement concerning Homeland Security grants but was not selected as one of the grantees.

183. Department of Wildlife – Administration – FY 04 – Transfer of \$77,467.00 from the Reserve category to the Vehicles category to cover projected costs of vehicle maintenance and fuel for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Vehicle Maintenance category exceeds \$50,000.00.

Terry Crawford, Administrator, Nevada Division of Wildlife, asked that the work program, which, if approved by the committee, would transfer \$77,467 from the Reserve to the Vehicle Operations category, be increased by \$64,053 in Wildlife funds. The transfers would be used to cover increased fuel and vehicle maintenance costs.

In response to a question from Senator Raggio concerning the funding in the division's Reserve category, Mr. Crawford said that, with approval of the request, the division expected to balance forward \$1.2 million to fiscal year 2005.

MR. MARVEL MOVED APPROVAL OF ITEM 183 AS AMENDED.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- 184. Department of Wildlife – Administration – FY 04** – Transfer of \$13,935.00 from the Reserve category to the Utilities category to cover projected utility costs 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 E.

- 185. Department of Wildlife – Administration – FY 05** – Addition of \$67,040.00 in funds transferred from the Wildlife Obligated Reserve budget to add one biologist for program administration for the Elk Damage Program. Requires Interim Finance approval since the amount added to Personnel Services category exceeds \$50,000.00 and includes new staff. Relates to Item 189.

Refer to motion for approval under Item E.

- 186. Department of Wildlife – FY 04** – Addition of \$137,821.00 in Federal Pittman Robertson – Wildlife Restoration grant funds and transfer of \$45,940 from the Reserve category to cover anticipated sage grouse contract expenses for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Sage Grouse Conservation category exceeds \$50,000.00. Relates to Item 187.

Refer to motion for approval under Item E.

- 187. Department of Wildlife – FY 05** – Addition of \$26,250.00 in Federal Pittman Robertson – Wildlife Restoration Grant funds, Transfer of \$8,750.00 from the Reserve category to Sage Grouse Conservation category to cover anticipated sage grouse contract expenses for fiscal year 2005. Requires Interim Finance approval since the amount added to Sage Grouse Conservation category exceeds 10% of the legislatively approved level for that category. Relates to Item 186.

Refer to motion for approval under Item E.

- 188. Department of Wildlife – Capital Improvement Project – FY 05** – Addition of protection systems at the Verdi Nature Center and to install signs on sites acknowledging the use of the bond initiative funding to make acquisitions or improvements. Requires Interim Finance approval pursuant to SB 189, section 3(2), 1989 Session.

Refer to motion for approval under Item E.

- 189. Department of Wildlife – Wildlife Obligated Reserve – FY 05** – Transfer of \$46,500.00 from the Reserve category to the Elk Damage Program category and \$67,040.00 from the Reserve category to the Transfer to Wildlife category

to transfer funds to the Administration budget to expand the Elk Damage Program. Requires Interim Finance approval since the amount transferred to the Transfer to Wildlife category exceeds \$50,000.00. Relates to Item 185.

Refer to motion for approval under Item E.

- 190. Department of Transportation –Transportation Administration – FY 04 –** Addition of \$360,000.00 in Sale of Oil and Gas Revenue to cover increased costs associated with the sale of oil and gas to other state agencies for the remainder of this fiscal year. Requires Interim Finance approval since the amount added to Sale of Oil and Gas category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 191. Department of Transportation – Administration – FY 04 -** Addition of \$78,931,006.00 in Highway Fund Authorization and deletion of \$135,000,000.00 in Proceeds from Sale of Bonds to adjust funding levels for land and building improvement projects that were not started as planned in fiscal year 2003. Requires Interim Finance approval since the amount deducted from the Land and Building Improvements category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 192. Department of Transportation – Administration – FY 04 –** Addition of \$1,582,806.00 in Highway Fund Authorization to cover increased costs associated with the purchase of gas and diesel fuel through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item E.

- 193. Department of Transportation – FY 04 –** Addition of \$20,000.00 in Highway Fund Authorization to replace a vehicle that was destroyed in an October 30, 2003 accident. Requires Interim Finance approval since the amount added to the Equipment category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

194. Office of the Military – Adjutant General - FY 04- Transfer of \$55,000.00 from the Utilities category to the Personnel Services category to cover projected 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 E.

195. Office of the Military – FY 05 – Addition of \$13,000.00 in Department of Defense Funds to provide for the federal share of an increase in the airport joint use agreement. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

196. Office of the Military – FY 05 – Addition of \$30,257.00 in Department of Defense Funds to provide additional funds for the lease of a new recruiting office in Las Vegas. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

Chairman Arberry announced that Items 197 and 198 would be considered simultaneously.

197. Office of Veteran’s Services – Nevada Veteran’s Nursing Home – FY 04 – Transfer of \$455,600.00 from the Personnel Services category to the Equipment category and \$65,600.00 from the Personnel Services category to the Computer Hardware/Software category to purchase needed equipment to safely care for residents and to meet the expanding computing needs of the agency. Requires Interim Finance approval since the amount transferred to the Equipment category exceeds \$50,000.00.

Charles Fulkerson, Director, Office of Veterans Services, identified himself for the record and introduced Gary Bermeosolo, Administrator, Nevada Veterans Nursing Home (NVNH), and Darrel Hansen, Administrative Services Officer.

Mr. Fulkerson requested approval of work program items 197 and 198, which would transfer funds to purchase equipment required for residents and to meet the expanded computer needs of the agency. Additionally, authorization was requested to add new positions that would provide appropriate staffing levels needed to “ensure quality care for nursing home residents.” Funds to cover the cost of the positions would be generated by the facility. Mr. Fulkerson pointed out that the

agency would be returning between \$100,000 and \$150,000 to the General Fund for fiscal year 2004.

Chairman Arberry asked agency representatives to more fully explain why the current beds were unsafe and whether those beds could be returned to the manufacturer.

In response, Mr. Bermeosolo advised that the state had purchased 180 beds at \$800 each, while currently beds that met safety standards cost between \$1,500 and \$2,000 each. Mr. Bermeosolo addressed the following problems with the nursing home's current beds:

- Beds were not adjustable into a "trandelenburg" position that raised the head and foot of the bed and provided assistance to some patients with circulatory problems.
- No accommodation for a trapeze bar.
- Beds could not be lowered to the floor to accommodate patients' needs.
- Outdated bed rails did not meet Food and Drug Administration (FDA) safety standards.
- Bed castors did not lock causing beds to move.

Mr. Bermeosolo advised that the company the original beds were purchased from was bankrupt, and parts for the beds were no longer available. Additionally, Mr. Bermeosolo said that because the beds tended to move, forty falls had been registered in the last nine months, three of which could be attributed directly to movement of the beds.

Chairman Arberry asked if the beds had any salvage value.

Mr. Bermeosolo advised that he would do whatever he could to attempt to generate some income from the beds.

MR. MARVEL MOVED APPROVAL FOR ITEMS 197 AND 198.

MR. ANDONOV SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

Ms. Giunchigliani suggested that Howard Skolnik, Assistant Director Industrial Programs, Prison Industries, be contacted to determine whether the beds could be salvaged.

198. Office of Veteran's Services – Nevada Veteran's Nursing Home – FY 05 – Addition of \$466,235.00 in Veteran's Administration Per Diem and \$3,202,066.00 in Reimbursement and deletion of \$355,200.00 in Medicare-Title XVII and \$2,665,742.00 in Medicaid Reimbursement to revise revenue projections based on current operating requirements and to provide funding for the addition of fourteen new positions. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff.

Refer to narrative and motion for approval under Item 197.

199. Department of Human Resources – Mental Health and Developmental Services – Rural Clinics – FY 04 – Transfer of \$42,000.00 from the Personnel Services category to the Indigent Drug Program category to cover anticipated costs through the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Indigent Drug Program exceeds 10% of the legislatively approved level for that category. **Relates to Agenda Item G5.**

Also refer to narrative under G-5 and P-8 A1.

Larry Buel, Director, Rural Clinics, identified himself for the record and introduced Peggy Clark, Administrative Services Officer, Division of Mental Health and Developmental Services, and Rob Forderhase, Administrative Services Officer, Rural Clinics.

Mr. Buel advised that work program item 199 related to a G-5 request from the Contingency Fund for \$483,315 to cover a revenue shortfall. An additional Rural Clinics Informational Item P-8 A1 was a response to a legislative letter of intent.

Mr. Buel requested approval to transfer \$42,000 from the Personnel Services category to the Indigent Drug Program category to cover expenses through the remainder of the fiscal year.

DR. HARDY MOVED APPROVAL OF ITEM 199.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.

II. RECLASSIFICATIONS

Department of Motor Vehicles, Division of Motor Carrier – Request to reclassify Tax Administrator to Department of Motor Vehicles Administrator

Ginny Lewis, Director, Department of Motor Vehicles, identified herself for the record. Ms. Lewis requested approval to reclassify a Tax Administrator within the Division of Motor Carrier to a Department of Motor Vehicles Administrator.

Ms. Lewis discussed a major reorganization of the Department of Motor Vehicles (DMV) in 1999 and subsequent changes pursuant to *NRS 481.051(2)* that provided the director the authority to reorganize the department as deemed necessary. Ms. Lewis indicated she and her administrative team would be remiss if they did not routinely evaluate the organization to ensure the needs of “internal and external customers” were being met.

Ms. Lewis told the members of the committee the department had an opportunity “to fix . . . a flaw in the organization and separate the Division of Motor Carrier from the Compliance Enforcement Division.” Ms. Lewis explained that a current vacancy in the Administrator position over the Compliance Enforcement Division provided the opportunity to recognize the diversity and complexity of the programs within each area.

Providing a brief overview of the programs, Ms. Lewis said the Compliance Enforcement Division conducted “the regulatory and enforcement aspects of the automobile industry and the fraudulent uses of the department’s processes.” The Division of Motor Carrier conducted “the licensing of the motor carrier industry,” and . . . had “the responsibility for the collection and auditing of the special fuel and motor fuel tax.” In fiscal year 2004, the division anticipated collecting and distributing over \$400 million in taxes to the counties.

MR. ATKINSON MOVED APPROVAL OF THE DEPARTMENT OF MOTOR VEHICLES REQUEST FOR RECLASSIFICATION.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

All other requests for reclassification were approved under the motion for approval under Item E.

Agency	Agency/ Account Number	Position Number	Present Class, Code, Grade & Salary	Proposed Class, Code, Grade & Salary
Department of Human Resources	406/3222	0071	Education & Information Officer, 5.160, grade 35, step 1, \$36,038.88, Employer Paid	Health Program Specialist 1, 10.237, grade 35, step 1, \$36,038.88, Employer Paid
Department of Human Resources, Health Care Financing & Policy	403/3243	0221	Health Care Coordinator II, 12.369, grade 34, step 1, \$34,535.52 Employer Paid	Management Analyst II, 7.625, grade 35, step 1, \$36,038.88, Employer Paid
Department of Human Resources, MHDS	408/3162	0289	Driver, Van-Automobile, 3.506, grade 22, step 9, \$29,211.12, Employer Paid	Maintenance Repair Worker II, 9.487, grade 25, step 8, \$31,737.60, Employer Paid
Department of Human Resources, SNAMHS	408/3161	0207	Clinical Program Planner I, 10.129, grade 38, step 1, \$41,029.20, Employer Paid	Management Analyst IV, 7.612, grade 39, step 1, \$42,887.52, Employer Paid
Department of Human Resources, Rural Clinics	408/3648	0115	Clinical Program Planner I, 10.129, grade 38, step 1, \$41,029.20, Employer Paid	Management Analyst IV, 7.612, grade 39, step 1, \$42,887.52, Employer Paid
Department of Human Resources, Health Division	406/3208	0561	Public Service Intern II, 7.653, grade 29, step 1, \$14,311.98, 51% FTE Employer-Paid Retirement	Developmental Specialist III, 10.140, grade 35, step 1, \$18,379.82, 51% FTE Employer-Paid Retirement
Department of Motor Vehicles, Division of Administration	810/4745	0031	Accounting Assistant III, 2.301, grade 27, step 9, \$36,038.88, Employer Paid	Program Officer I, 7.649, grade 31, step 7, \$39,317.04, Employer Paid
Department of Motor Vehicles, Central Services	810/4741	CC4044	Program Officer III, 7.643, grade 35, step 9, \$51,218.64, Employer Paid	DMV Services Manager II, 11.429, grade 37, step 9, \$56,021.04, Employer Paid
Department of Motor Vehicles, Records Search	810/4711	CC3054	Program Officer I, 7.649, grade 31, step 9, \$47,230.56, Employee/Employer Paid	DMV Services Manager I, 11.432, grade 35, step 7, \$51,594.48, Employee/Employer Paid
Department of Motor Vehicles, Central Services	810/4741	CC4059	Program Officer III, 7.643, grade 35, step 7, \$46,854.72, Employer Paid	DMV Services Manager II, 11.429, grade 37, step 7, \$51,218.64, Employer Paid

Agency	Agency/ Account Number	Position Number	Present Class, Code, Grade & Salary	Proposed Class, Code, Grade & Salary
Department of Motor Vehicles, Central Services	810/4741	CC4058	Program Officer III, 7.643, grade 35, step 7, \$51,594.48 Employee/Employer-Paid	DMV Services Manager I, 11.432, grade 35, step 7, \$51,594.48, Employee/Employer-Paid
Department of Motor Vehicles, Division of Motor Carrier	810/4717	CC4065	Tax Administrator II, 7.238, grade 37, step 1, \$39,317.04, Employer Paid Retirement	Department of Motor Vehicles Administrator, 11.400, grade 43, Step 1, \$51,218.64, Employer Paid Retirement
Department of Public Safety	650/4713	0322	Highway Patrol Trooper II, 11.106, grade 37, step 1, \$37,709.28, Employer Paid (Police/Fire Retirement)	Training Officer 1, 7.519, grade 34, step 1, \$34,535.52, Employer Paid
Department of Conservation and Natural Resources, Division of Environmental Protection	709/3186	0509	Administrative Assistant III, 2.211, grade 27, Step 6, \$31,737.60, Employer Paid Retirement	Management Analyst I, 7.637, grade 33, Step 2, \$34,535.52, Employer Paid Retirement
Department of Wildlife	702/4452	0425	Staff I, Associate Engineer, 6.229, grade 35, step 1, \$36,038.88, Employer Paid	State Land Agent II, 7.416, grade 34, step 1, \$34,535.52, Employer Paid
Department of Wildlife	702/4452	0092	Wildlife Staff Specialist, 1.712, grade 38, step 1, \$41,029.20, Employer Paid	Management Analyst III, 7.624, grade 37, step 1, \$39,317.04, Employer Paid
Department of Conservation and Natural Resources, Division of Forestry	706/4195	0054	Forestry Equipment Supervisor, 9.340, grade 34, step 9, \$53,953.92, Employee/Employer Paid Retirement	Conservation Staff Specialist, 1.810, grade 36, step 9, \$58,965.12, Employee/Employer Paid Retirement
Office of Veteran's Services	240/2561	04200	Administrative Assistant III, 2.211, grade 27, step 1, \$25,849.44, Employer Paid	Veteran's Services Representative, 12.437, grade 32, step 1, \$31,737.60, Employer Paid
Office of Veteran's Services	240/2560	0031	Administrative Assistant III, 2.211, grade 27, step 5, \$33,554.16, Employee/Employer Paid	Veteran's Service Representative, 12.437, grade 32, step 2, \$36,498.24, Employee/Employer Paid

F. STATEMENT OF CONTINGENCY FUND BALANCE

Mark Stevens, Fiscal Analyst, Fiscal Analysis Division, advised that if the committee approved each of the items requested for allocation from the contingency fund, the unrestricted balance would be reduced to \$3.3 million.

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

1. Supreme Court of Nevada – Administrative Office of the Courts – Allocation of funds for the costs of conducting a judicial selection\$3,500.00

Judy Holt, Budget Manager, Nevada Supreme Court, identified herself for the record. Ms. Holt represented the Administrative Office of the Courts and requested a \$3,500 allocation from the Contingency Fund. If approved, the funding would support the Court's third judicial selection in fiscal year 2004.

SENATOR RAGGIO MOVED APPROVAL OF ITEM G-1.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

2. NRS 353.266, 353.268, and 353.269 – Department of Administration – Public Works Board – Settlement of Tibesar vs. State of Nevada (Lied Library)\$2,662,903.00

Dan O'Brien, Manager, State Public Works Board, identified himself for the record. Mr. O'Brien was before the committee to request \$2,662,903 from the Contingency Fund for the settlement of the Lied Library litigation.

In a brief background address, Mr. O'Brien said:

- In 1997 the Legislature approved CIP Project 97-C15 to construct the Lied Library.
- In 1998 a \$40.4 million contract was awarded to Tibesar Construction Company to construct the Lied Library at the University of Nevada, Las Vegas (UNLV).
- The original completion date was scheduled for October 1999.
- The Library was not opened until January 2001.
- In March 2001, Tibesar Construction filed suit against the state of Nevada.
- In the period since 2001, Tibesar Construction Company and its subcontractors filed claims against the state in excess of \$11 million.

- The state countered with claims for construction defects and was represented by Kirk Williams, with Hilton, English, Burnett and Williams.
- Mr. Williams represented the state during the last six months in a complex mediation process involving 41 parties.

Mr. O'Brien reported that during the past three years the Board as well as management of the Public Works Board (PWB) had changed. After a review of issues "that possibly led to some of the problems" with the project, Mr. O'Brien indicated it was believed that the new Board and new management had solved many of those problems.

Additionally, Mr. O'Brien advised that the PWB improved its performance after addressing and "taking care" of all of the findings of a Legislative audit.

Mr. O'Brien reported that the terms of the Lied Library settlement agreement required the state to pay \$2,662,903 into the settlement fund to satisfy delay and disruption claims against the state. The state would then receive \$600,000 "in satisfaction of its claims for construction defects." The PWB in Agenda Item M-5 requested approval to receive and expend the \$600,000 to correct defects in the roof and floor duct electrical system, both of which were considered life safety items. Mr. O'Brien advised that the PWB intended to move forward on correcting the defects upon the committee's approval to receive and expend the funds.

Mr. O'Brien introduced Sonia Taggart, Senior Deputy Attorney General, Attorney General's Office, and acknowledged the Attorney General's Office support and involvement during the litigation process.

Kirk Williams, Special Counsel, Hilton, English, Burnett and Williams, identified himself for the record and provided a briefing on the mediation process.

- Since January 2004, 15 separate mediations had occurred, several of which lasted two to three days.
- The mediations, involving 41 parties, each represented by two and sometimes three lawyers, were described as difficult, hard fought and acrimonious.
- A final and complete settlement, reached through the mediation process, had been approved by all parties and was subject only to approval by the Interim Finance Committee.

In an explanation of the terms of the settlement, Mr. Williams drew specific attention to the agreement's "comprehensive release provision." Disruptive testing could not be conducted on the public building and with the use of visual inspections only, Mr. Williams said the terms of the agreement provided that the parties to the

settlement agreed “to fully and forever release, acquit and discharge each other” from all claims associated with the project other than unknown claims that could have been discovered only through intrusive testing.

Mr. Williams explained that a girder, for example, that subsequently failed and injured someone and could not have been found through visual inspections would ultimately be the contractors’ responsibility. However, defects such as the roof, which visual inspections revealed was not properly constructed and could cause damage or injury were released.

Mr. Williams recommended the settlement for approval by the committee and advised that Bruce Edwards, the mediator, also recommended approval.

In response to questions from Senator Rawson concerning the state’s legal expenses, Mr. Williams advised that expenses for experts, legal costs and attorneys’ fees totaled over \$1 million.

Sonia Taggert, Senior Deputy Attorney General, Attorney General’s Office, advised that legal expenses thus far totaled \$400,000.

Ms. Giunchigliani asked for information on what lessons had been learned from the experience.

Mr. O’Brien responded that the PWB learned:

- Claims appearing early in a project had to be addressed and resolved immediately, not at the end of the project when memories had faded.
- Policies and procedures of the Public Works Board required strengthening, which had been accomplished.
- Immediate involvement of the Attorney General’s Office in issues of such consequence.
- Full-time project manager representation on large million dollar projects was required.

Mr. O’Brien explained that most PWB project managers had oversight on 9 to 12 projects. However, the new \$75 million UNLV Engineering and Science Building, for example, would require an extended project management team on the job 100 percent of the time. That team would ensure the contractor met the schedule and that requests for information from the architect, for example, were responded to quickly.

In response to questions from Ms. Giunchigliani concerning the contract itself, Mr. O’Brien discussed the qualification of bidders’ process. Qualification of bidders,

which required review of past performance, was approved in 1997 legislation but was not implemented until after the 2001 Legislature. Additionally, the 2003 Legislature added provisions for questioning subcontractors. Mr. O'Brien pointed out that general contractors were only as good as their subcontractors, and two or three subcontractors causing problems and delays could ruin a project. Mr. O'Brien also explained that the qualification process required that a contractor bidding on specialized projects, such as the UNLV Engineering and Science Building, would be required to have work experience based on the volume, value and type of the project.

In response to questions from Ms. Giunchigliani concerning the "design/build" process, Mr. O'Brien advised that "design/build" paired the contractor and architect as a team and while of great assistance to the PWB in those projects to which it was applied, the concept was not applicable to all projects

In response to questions from Ms. Giunchigliani concerning contract language, Mr. O'Brien advised that the contracts contained provisions for liquidated damages. Additionally, Mr. O'Brien indicated it was his opinion that the Certificate of Substantial Completion for the Lied Library was issued by the previous manager in error because the project was not completed.

In response to additional questions from Ms. Giunchigliani concerning the previous Manager, Mr. O'Brien indicated the previous Manager had resigned. Mr. O'Brien explained that the 2001 Legislature provided authority to the Governor to remove the Manager of the Public Works Board rather than for the Manager's removal by the Board.

Additionally, Mr. O'Brien advised that implementation of an "early warning system" provided information that made the Board much more aware of problems and project schedules. Mr. O'Brien advised that a contractor was recently brought before the Board to explain and answer questions concerning a project schedule.

In response to questions from Ms. Giunchigliani concerning strengthening contract language, Mr. O'Brien advised that the Attorney General's Office reviewed language in all PWB contracts.

Mr. Williams pointed out that contracts were required to be followed as written which was more of an issue than the strengthening of language. In the case of the Lied Library, Mr. Williams advised that the 12 points for issuing a notice of substantial completion were completely violated which helped to expose the state's potential liability and the reason a settlement was recommended.

Mr. Williams advised that the qualification of bidders process provided the PWB a "valuable tool" to review and ask "tough questions" concerning the past performance of contractors and subcontractors before problems were encountered.

Ms. Giunchigliani asked for information concerning who held responsibility for not adhering to the 12 required steps in issuing a notice of completion.

In response, Mr. O'Brien advised that ultimately the Manager of the State Public Works Board held responsibility.

Ms. Giunchigliani asked if the person responsible for not following the required steps was penalized.

Mr. O'Brien indicated he believed the penalty would be the Manager's removal.

Ms. Giunchigliani asked if the Board had a procedure in place for the imposition of penalties against a project manager rather than Manager of the Public Works Board.

Mr. O'Brien advised that it was the responsibility of the Public Works Board to remove a project manager who was not performing properly.

Mr. O'Brien advised that a team effort by the PWB Manager, Deputy Manager for Professional Services and Deputy Manager for Administration and Finance currently provided a greater involvement in Public Works Board projects. Mr. O'Brien advised that by carefully watching projects, the team could bring the contractors for any project that was behind schedule before the Board.

Ms. Giunchigliani indicated she continued to see the construction of buildings that were not in compliance with the Americans With Disabilities Act (ADA), and, in fact, had a list.

In response, Mr. O'Brien indicated he would look into the matter if the list were provided to him.

Senator Coffin requested an explanation on why the state was paying more into the settlement fund than was being received for a building he believed was built in a shoddy manner.

Mr. Williams discussed the state's exposure and potential liability in reference to the \$11 million in delay and disruption claims filed against the state, the \$3 million in unpaid subcontractor project costs, and the issue of the notice of substantial completion. Mr. Williams indicated that an adverse judgment in those cases along with attorneys' fees that might be apportioned to the state posed a considerable risk. While Mr. Williams acknowledged that the roof and electrical wiring defects were considered life and safety issues that had to be corrected, he said other issues, such as woodwork and sloping floors were considered visual problems. Additionally, Mr. Williams pointed out that the Lied Library had won awards based on its architecture.

Senator Coffin indicated that the building appeared “shabby from the outside with shabby construction” and questioned the amount of money paid into and out of the settlement fund by the various parties.

Mr. Williams advised that some parties that were not being paid out of the settlement fund did not experience any delay or disruption claims but were paying money on the defects or vice versa.

In response to questions from Senator Coffin concerning the setting aside of destructive testing, Mr. Williams advised that destructive testing was delayed and stayed in order to reach a settlement. Mr. Williams further advised it was projected that \$400,000 to \$500,000 of costs would have been incurred to conduct destructive testing.

Senator Coffin commented on the sloping floors and in view of the fact that the building carried “a tremendous load” questioned potential safety issues and why investigations were not conducted to determine structural defects.

Mr. Williams responded that experts were relied on to determine, through their investigation of documents and plans, visits to the site, and talking to expert witnesses that there was nothing structurally wrong with the floors at the time of their investigation.

In response to a question from Senator Coffin, Mr. Williams confirmed the use of X-rays and other non-destructive tests to determine the floors were structurally sound.

Senator Coffin questioned the availability of a bond from one or all of the contracts that might provide a payment in the event a problem occurred and the contractors involved were out of business.

Mr. Williams advised that the bonding companies and the contractors had been sued on their bond when the state brought the litigation, and money from the insurance carriers and surety parties contributed to the settlement fund.

In response to additional questions from Senator Coffin, Mr. Williams advised that the insurance carriers would be released with the IFC approval of the contingency fund request. However, Mr. Williams provided assurance that no one was released from latent unknown defects that could have only been discovered through destructive testing, bonding companies included.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM G.2,
AN ALLOCATION FROM THE CONTINGENCY FUND IN
THE AMOUNT OF \$2,66,903.

MR. MARVEL SECONDED THE MOTION. (Senator Coffin voted nay. Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

3. AB 286, 2003 Legislative Session – Department of Education – Distributive School Account – Request for allocation to participate in the funding of premiums for group health insurance for 798 retired employees enrolled in the Public Employees’ Program\$2,351,324.00

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, Nevada Department of Education, advised the committee that an initial request for funding from the Contingency Fund was postponed at the April 8, 2004 IFC meeting. Mr. Thunder said the funding, if approved during the current meeting, would provide group insurance subsidies for approximately 1,474 retirees. The latest projections, which included billings for October through June, amounted to \$2,728,835.

Senator Raggio expressed support for the \$2,728,835 allocation, but suggested, for the committee’s benefit, that staff prepare a history concerning the inclusion of school district retirees in the state’s Public Employees’ Benefits Program. Senator Raggio discussed the request for funding being based on a technicality that a fiscal note was not requested from school districts at the time AB 286, 2003 Legislature, was being processed.

Senator Raggio expressed concern that funding the request provided an opening for further requests to the IFC at a time when increasing costs were being experienced in the Public Employees’ Benefits Program, particularly those resulting from the inclusion of retirees from non-state entities.

Senator Raggio also raised concerns that the request before the committee was for only nine months of fiscal year 2004, and, that even limited to the involved entities, requests for fiscal year 2005 might be in the \$6 million to \$7 million range. Senator Raggio pointed out that the Contingency Fund did not have a large enough balance to fund such future requests.

Senator Raggio brought up additional concerns in reference to the other entities that had subsidized health care insurance for their retirees and questioned whether equity would demand that those other entities be reimbursed. Senator Raggio speculated that perhaps cities and counties would also ask for subsidies for their retirees.

Based on the foregoing concerns, Senator Raggio indicated he was prepared to provide a motion to approve the request for the augmented amount with a clear understanding that approval was not to be recognized as a precedent for future action by the IFC. Senator Raggio reiterated that a history, prepared by staff, would perhaps provide an opportunity for the committee to fully understand the problems associated with the funding of group insurance premiums for non-state employees.

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

Mr. Thunder responded that the districts had paid their bills in anticipation of reimbursement, and current year sales tax revenue had provided a source of cash flow to meet those obligations. If funding was not approved, Mr. Thunder said the school districts would experience an equivalent drop in their fund balances, which were not high.

In response to statements from Mr. Marvel concerning the higher than projected sales tax revenue, Mr. Thunder advised that sales tax revenue was used as an offset against the state guarantee, and adjustments would be made at the end of the year to reflect the increased revenue.

Mr. Marvel indicated he would only support the request if assurances were provided that further allocations would not be requested.

Ms. Giunchigliani expressed her appreciation for the motion Senator Raggio was prepared to provide. Ms. Giunchigliani requested that the various language changes and amendments to AB 286 that resulted in part of the discrepancy be included in the history. Ms. Giunchigliani asked that a copy of the history also be provided to the members of the ACR 10 Committee on the Public Employees' Benefits Program of which she and Senator Coffin were the chair and vice chair respectively. Ms. Giunchigliani indicated the ACR 10 Committee was studying the health insurance subsidy to local government employees and discussing recommendations that would be brought before the 2005 Legislative Session.

Senator Raggio indicated it would be helpful for all of the legislative members to receive a copy of the history, since the issue was so large and costly.

SENATOR RAGGIO MOVED APPROVAL OF THE
AUGMENTED REQUEST FOR \$2,728,835 WITH THE
UNDERSTANDING A PRECEDENT WAS NOT BEING SET
FOR FUTURE ACTION BY THE IFC.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and
Mr. Griffin were excused.)

4. Department of Business and Industry – Athletic
Commission – Allocation to cover projected
shortfall in personnel services and to fund a
contract employee.....\$28,719.00

Bill Maier, Administrative Services Officer, Director's Office, Department of Business and Industry, identified himself for the record. Mr. Maier reported that there were two requests for funding under Item G-8a. The first addressed a salary shortfall, the result of the use of annual leave and the reclassification of two of three support positions for fiscal year 2004. The second request was for temporary help in fiscal year 2005 to assist the Commission with the increased number of medical tests associated with athletic events.

Mark Stevens, Assembly Fiscal Analyst, advised that analysis indicated \$1,742 of the requested amount was for the reclassification of two positions within the Athletic Commission's office. Mr. Stevens pointed out that, as advised by counsel, an allocation from the Contingency Fund to finance salary increases was prohibited by statute. Mr. Stevens indicated that in total \$7,842 of the request was in question insofar as whether the Contingency Fund could be used as a funding source.

Brenda Erdoes, Legislative Counsel, identified herself for the record. Ms. Erdoes advised the members of the committee that *NRS 353.269(2)* provided that no allocation from the Contingency Fund could be made by the Interim Finance Committee to effect salary increases for state officers or employees. Ms. Erdoes further advised there was one exception that did not apply to the Athletic Commission's request. It was Ms. Erdoes' opinion the IFC did not have the authority to approve the request to fund reclassifications from the Contingency Fund.

Mr. Maier acknowledged being aware of the statutory prohibition, and while he had not yet had the opportunity to speak to Commission representatives, discussion had taken place at the department level to approach the 2005 Legislature for a supplemental appropriation for fiscal years 2004 and 2005.

Mr. Stevens advised that the Contingency Fund request for \$28,719 would have to be reduced by \$7,842.

SENATOR RAGGIO MOVED APPROVAL OF THE
AMENDED REQUEST FOR \$28,719 TO BE REDUCED BY
\$7,842.

MRS. MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and
Mr. Griffin were excused.)

5. Department of Human Resources – Mental Health and
Developmental Services – Rural Clinics – Allocation to
cover revenue shortfall.....\$483,315.00

Peggy Clark, Administrative Services Officer, Division of Mental Health and Developmental Services, identified herself for the record. Ms. Clark testified that an inaccurate method of projecting outside revenues, used during the last budgetary process, resulted in an over projection of revenue. Ms. Clark advised that the shortfall necessitated a request for \$483,315 in Contingency funding to allow Rural Clinics to continue operations through the end of June 2004.

Ms. Clark reported that outside revenues projected for fiscal year 2004 would be substantially less than the legislatively approved budget. Ms. Clark explained that over projections of outside revenue occurred in the areas of client fees, Medicare, Medicaid and third-party insurance that reduced the amount of revenue that could be generated.

In response to questions from Chairman Arberry, Larry Buel, Director, Rural Clinics, advised that the methodology used in the previous budget was based on revenue generated by full-time equivalency clinical positions, unlike sister agencies that based revenue on caseload combined with source of revenue. Mr. Buel advised that a new method of projecting revenues had been established that would utilize "actual historic revenues received from the four major sources of outside revenues."

MR. MARVEL MOVED APPROVAL OF CONTINGENCY
REQUEST G-5.

DR. HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and
Mr. Griffin were excused.)

6. AB 257, 2003 Legislative Session – Department of
Education – Allocation for unexpected health insurance
costs for school districts\$5,800,000.00

Bill Arensdorf, Director, Fiscal Accountability, Department of Education, identified himself for the record. Mr. Arensdorf represented a committee that included representatives of the Budget Division of the Department of Administration, the Fiscal Analysis Division of the Legislative Counsel Bureau, and the Department of Education. The committee, whose duties included developing policies, procedures and criteria under which proposals for accessing state funds to assist school districts in meeting unexpected health insurance costs would be solicited, was established as a requirement of AB 257.

Mr. Arensdorf advised that AB 257 appropriated \$5.8 million to assist school districts experiencing increased and unexpected costs for their employees'

health insurance. The Board of Examiners and the IFC approved policies and procedures drafted by the committee in December 2003 and January 2004 respectively, and applications were solicited from the districts. The department received applications from 11 school districts and 6 charter schools, which, in total, requested \$20,080,412, far exceeding the \$5.8 million appropriated.

Mr. Arensdorf reported that the committee verified and adjusted the requested amounts and devised a formula that compared the adjusted amounts to the amounts available through the regular legislative appropriation and the projected growth estimates, but that difference also exceeded the \$5.8 million appropriation. Mr. Arensdorf advised that the committee established an allocation system they determined was fair to the districts and the charter schools that had applied for funding.

On behalf of the committee, Mr. Arensdorf recommended the entire appropriation of \$5.8 million be expended in accordance with the schedule (Exhibit I) displayed in Volume VIII of the IFC documents.

In response to questions from Senator Raggio, Mr. Arensdorf advised that all committee members representing the three agencies agreed on the amounts that would be provided to each of the school districts and charter schools that applied for funding. The school districts and charter schools had no objection to the recommended amounts and were aware the entire appropriation would be depleted after the allocations were distributed.

SENATOR RAGGIO MOVED APPROVAL OF THE
\$5,800,000 REQUEST TO FUND UNEXPECTED HEALTH
INSURANCE COSTS FOR SCHOOL DISTRICTS.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and
Mr. Griffin were excused.)

7. AB 553, Section 61, 2003 Legislative Session – Department of Taxation – Request for allocation to fund expenses related to implementation of collection procedures for new taxes:

Chuck Chinnock, Director, Department of Taxation, identified himself for the record and provided a narrative on the requests listed under 7a, b, and c.

- a. Two additional positions and related costs\$65,689.00

Mr. Chinnock advised that after working with Fiscal Analysis Division staff, it was determined the request for \$65,689 could be reduced to \$47,180 and

should be provided from uncommitted funds previously provided from the Contingency Fund.

The two positions included one permanent fulltime Administrative Aid, Grade 21, who would replace an intermittent position in the mailroom, and one halftime permanent Administrative Aid, Grade 23, to maintain records and minutes for the Unified Tax System's Project Management and Quality Assurance teams.

Mrs. Gibbons spoke in support of approving the positions noting that after several personal business transactions, it appeared the department had a shortage of staff.

b. Unified Tax System – first project deliverable\$75,000.00

Mr. Chinnock distributed a document titled, *Unified Tax System IFC Funding Approval, Exhibit J*. The first page of the document reflected a proposed schedule for the Unified Tax System (UTS) that was initially released in a Request for Proposal (RFP) for the UTS.

Mr. Chinnock advised that inquiries were received in response to the RFP from a dozen vendors. Bidders subsequently teamed up with various partners and four complex bids for the UTS were received. The bid was awarded to Accenture, a global management consulting, technology services and outsourcing company. Contract negotiations with Accenture were currently underway, and it was expected the negotiations would be concluded by July 1, 2004.

Mr. Chinnock requested committee approval on a contingency basis to move forward on the project. Once successful negotiations with Accenture were completed and approval received from the Board of Examiners, Mr. Chinnock advised that a full briefing would be provided at the September meeting of the IFC.

In response to Senator Raggio's questions concerning Accenture's past performance, Mr. Chinnock advised that Accenture had implemented the same system in 17 other locations.

Mr. Marvel asked for a status report concerning Business License Tax collections.

Mr. Chinnock said the department currently had a database of approximately 140,000 businesses, which was being matched to the Secretary of State's database of 220,000 businesses. Lacking sophisticated discovery tools, Mr. Chinnock said thus far only 40,000 businesses in the Department of

Taxation's database had been matched to businesses in the Secretary of State's database.

Additionally, Mr. Chinnock said the department had a one-way agreement with the Internal Revenue Service (IRS) for access to their database of 250,000 businesses that declared Nevada their home. While the agreement provided that the IRS share their information with the department, the department did not have to share information with the IRS. Thus far, the department had matched 20,000 current database businesses with the IRS database.

Mr. Chinnock also said department staff would be working with representatives from the state Boards and Commissions to identify the various businesses they served. Additionally, a plan was being established to provide mailings that included notification and educational information to the 200,000 to 300,000 identified businesses in the collective databases.

In response to questions from Mr. Marvel concerning the Business License Tax revenue projections, Mr. Chinnock said the original estimate was \$22 million, and the department had collected less than \$10 million in \$100 fees to date. Mr. Chinnock pointed out there were many other businesses waiting to be personally notified their taxes were due.

Mr. Chinnock referred to the UTS deliverable costs reflected on page 3 of the UTS document (Exhibit J), and pointed out that the first project deliverable (Detailed Project Plan for the life of the UTS project) was scheduled before the next IFC meeting. And, assuming approval was received from the Board of Examiners in July 2004, Mr. Chinnock said Accenture would begin working on three additional project deliverables, scheduled for completion in early October, at an estimated cost of \$1.5 million.

In response to a question from Senator Raggio, Mr. Chinnock clarified that the \$75,000 for the first deliverable would be due before the next IFC meeting.

Senator Raggio asked for clarification concerning whether the committee was being asked approve, in concept, the project deliverables for \$1.5 million to prevent delays and if the committee's approval provided the department a blank check.

Mr. Chinnock advised the funding was contingent on the Board of Examiners' approval of the contract which included "going beyond a ten-day mandatory protest period."

Senator Raggio indicated Mr. Chinnock's answer was appropriate but requested that Legislative Counsel, Brenda Erdoes, also approve the contract.

Mr. Ghiggeri clarified for the record that the Department of Taxation was not requesting an allocation but rather authority to spend existing resources and authority to commit \$1.5 million for deliverables. Mr. Ghiggeri reiterated the only adjustment to the existing resource expenditure was under 7a, which was reduced from \$65,689 to \$47,180, 7b would be \$75,000, and 7c would be \$38,600, all of which would be expended from existing funding.

- c. Consultant costs for vendor selection – E-Payment Initiative.....\$38,600.00

Approved under Item 10. Refer to narrative concerning E-Payment Initiative under Item 10.

CHAIRMAN RAGGIO MOVED APPROVAL OF ITEM 7A, REDUCED FROM \$65,689 TO \$47,180, ITEM 7B FOR \$75,000 AND AUTHORITY TO COMMIT \$1.5 MILLION FOR DELIVERABLES, AND 7C FOR \$38,600. FUNDING WOULD BE EXPENDED OUT OF EXISTING DEPARTMENT RESOURCES. LEGISLATIVE COUNSEL APPROVAL OF THE VENDOR CONTRACT WOULD BE REQUIRED.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

8. AB 544, Sections 3 and 5, 2003 Legislative Session:

- a. Department of Business and Industry, Athletic Commission\$461.00

With respect to legislation approved through the passage of AB 544, 2003 Legislature, the IFC was appropriated funds to effect increases in certain public employees, public officers and retired public employees' group insurance. Mark Stevens, Fiscal Analyst, Fiscal Analysis Division, advised that the \$461 requested by the Athletic Commission was the maximum amount the Commission could receive under the legislation, but only a component of the total amount the Athletic Commission needed through the end of the fiscal year.

- b. University and Community College System of Nevada\$41,384.00

Buster Neel, Vice Chancellor for Finance and Administration, University and Community College System of Nevada (UCCSN), advised that AB 544, provided approximately \$194,000 to the IFC to cover the additional costs for

UCCSN retirees' medical insurance. Mr. Neel reported that the UCCSN provided resources of approximately \$153,000 to cover the medical insurance costs and requested the difference of \$41,384.

SENATOR RAGGIO MOVED APPROVAL OF ITEMS 7A AND 7B.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- *H. DEPARTMENT OF EDUCATION – Allocation of State Remediation Program funds pursuant to Nevada Education Reform Act (NERA) and Senate Bill 8 of the 20th Special Session\$1,098,642.00

Laura Freed, Program Analyst, Fiscal Analysis Division identified herself for the record and introduced Cynthia Orr and Gloria Dopf from the Department of Education.

Ms. Freed presented a brief overview on the request for allocation of funds for state remediation grants. Authority for distribution of grant money was provided pursuant to SB 8, Section 189.46, 20th Special Session in which \$5,179,109 was provided to improve student academic achievement in low-performing schools for fiscal year 2003-2004.

In compliance with SB 8, the request for funding was sent by the Department of Education to the Board of Examiners and approved by the Board at their meeting on June 15, 2004. Ms. Freed advised the members of the committee they were not bound by the Board of Examiners' recommendation.

Ms. Freed advised that representatives of the Legislative Counsel Bureau and the Department of Education would work together to review implementation of the selected programs at schools provided with remediation grants.

SENATOR RAGGIO MOVED APPROVAL OF ITEM H.

MRS. GIBBONS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

- *I. UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA – Request to approve a two-grade salary increase for University Police Officers in accordance with Section 15 of AB 555 of the 2003 Legislature.

Buster Neel, Vice Chancellor for Finance and Administration, University and Community College System of Nevada (UCCSN), identified himself for the record and introduced Carla Henson, Director, Department of Human Resources.

In a brief overview, Mr. Neel advised that AB 555, 2003 Legislature, directed State Personnel to conduct a classification review for University Police Officers (UPO). As a result of that review, State Personnel recommended a one-grade increase for University Police Officers based on existing duties and responsibilities, as well as an additional grade increase based on the "growth, development and expansion of higher education and existing salary inequities."

Chairman Arberry noted that if approved, the UPO salary increases would result in ongoing costs that would be reflected in the 2005-07 base budgets.

Mr. Neel recommended approval of the two-grade increase for the 61 impacted officers based on the various UCCSN institutions plan to cover the \$276,000 cost for fiscal year 2005 in their base budgets.

Additionally, Mr. Neel discussed the difficulties encountered in recruiting and retaining officers due to salary inequities, and the UCCSN's \$25,000 to \$28,000 investment in training for each officer only to have them leave subsequent to their employment for positions in other state agencies.

Dr. Hardy indicated that with the population growth, it appeared more officers were needed and increasing the salary would not necessarily attract more officers.

With the constant loss of officers and shortage of staff, Mr. Neel said the UCCSN would be much more likely to attract officers and retain a full staff with the availability of higher salaries.

In response to questions from Dr. Hardy concerning the 5 percent and 10 percent salary increases, Mr. Neel advised that when the study was initiated, the actual inequity was approximately 25 percent. While the one and two-grade pay increases made a difference, Mr. Neel indicated the problem was not completely addressed.

Chairman Arberry asked what would transpire if the committee did not approve the increase.

Carla Henson, Director, Department of Human Resources, UCCSN, advised that the officers would not receive the two-grade increase. Ms. Henson pointed out that State Personnel's classification study showed the University and Community College Police Officers were the lowest paid officers in a comparison to others.

CHAIRMAN RAGGIO MOVED TO APPROVE ITEM I
BASED ON THE CLASSIFICATION RATIONALE AND

THAT COSTS WOULD BE INCLUDED IN THE BASE BUDGET FOR 2005-07.

MR. BEERS SECONDED THE MOTION.

With no disrespect to the University Police intended, Ms. Giunchigliani argued that the University and Community College Police Officers' duties did not compare to the duties of the Highway Patrol or Las Vegas Metropolitan Police Officers.

Senator Raggio discussed the dangerous positions under which University Police Officers were placed and recalled a recent incident in which an officer was brutally murdered on the UNR campus.

THE MOTION CARRIED. (Ms. Giunchigliani and Mr. Hettrick voted nay, Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused,.)

- *J. DEPARTMENT OF CORRECTIONS – CASA GRANDE TRANSITIONAL HOUSING – Pursuant to Subsection 2 of Section 49 of AB 553, 2003 Legislative Session, request for approval of the Casa Grande Transitional Housing Plan prepared by the Nevada Department of Corrections (NDOC).

Jackie Crawford, Director, Nevada Department of Corrections (NDOC), identified herself for the record and introduced Pam Wilcox, Administrator, State Public Lands; Sonia Taggart, Senior Deputy Attorney General, Attorney General's Office; Robin Reedy, Deputy State Treasurer, State Treasurer's Office; Darrel Rexwinkel, Assistant Director Support Services, NDOC; Glen Whorton, Assistant Director of Operations, NDOC; Irwin Molasky, President, Molasky Companies; Richard Worthington, Vice President, Molasky Companies; David C. Whittemore, Attorney, Molasky Companies; and Dorothy Nash Holmes, Correctional Programs Coordinator, NDOC.

Ms. Crawford, in a presentation address before the committee, reported that development of the Casa Grande Transitional Center was an outgrowth of the 2002 Governor's Study Committee on Corrections. Subsequent to the Governor's study and through passage of Assembly Bill 553 by the 2003 Legislature, a General Fund appropriation was provided to the IFC for allocation to the NDOC to staff and operate a transitional housing center.

Ms. Crawford testified that the Casa Grande proposal involved an "arduous and challenging process" with objectives that included the proper type of housing, an appropriate location, correct and approved zoning, community support, and remaining within the allocation set forth by the 2003 Legislature.

Ms. Crawford indicated it was the opinion of many in the department that Casa Grande would be the single most important project planned and, if approved, would

help to change the culture of the NDOC. Ms. Crawford indicated it was expected that the transitional housing center would reduce recidivism, help to control future prison costs, and would create a safer community in which an individual was released.

Ms. Crawford discussed some of the problems faced by individuals released from prison and anticipated the Casa Grande Transitional Center would provide the assistance that would prevent parole revocation or technical violations of parole. Ms. Crawford explained that oftentimes individuals were released into a community with only \$21, and, with no place to go except a street corner or a homeless shelter, inmates sometimes found themselves in the county jail. Ms. Crawford indicated the “revolving door” was no longer affordable, and building expensive prisons that did little more than warehouse individuals was not the answer either.

Ms. Crawford expressed her belief that the Casa Grande Transitional Center had been assessed with honesty and fairness by NDOC staff and all concerned and asked for the committee’s support in approving the proposal.

Glen Whorton, Assistant Director of Operations, discussed the proposal to open the Casa Grande Transitional Center with 200 beds in July 2005 and 200 additional beds by July 2006.

If approved, Mr. Whorton said Casa Grande would be sited on 7.4 acres in Las Vegas on West Russell Road between Wynn Road and Valley View Boulevard, which he said was an important location because of its proximity to jobs and transportation resources. Additionally, Mr. Whorton advised that development of the center included construction of three separate buildings.

Mr. Whorton explained that the NDOC initially proposed leasing an existing property, but with advice from the Attorney General’s office concerning operation issues with potential vendors and non-acceptance of the site by local governments, a determination was made to conduct a sole source process to develop the Casa Grande Transitional Center. Additionally, Mr. Whorton explained that the NDOC had no budgetary authority for the completion of construction drawings that would have been necessary for vendors to base their estimates on in a Request For Proposal (RFP) process.

Mr. Whorton told the members of the committee the targeted population for transition to Casa Grande included only offenders with no history of sexual misconduct, violence or participation in escape from the NDOC. Mr. Whorton advised that inmates, eligible for parole, appeared before the Parole Board four months before release, and those inmates in the four-month window were the targeted population being sought for the Casa Grande Center. Mr. Whorton explained that inmates, pending release, worked toward being released on time and to be successful in the community after release. While some discharged inmates, who also met the necessary criteria during the four to six months prior to their release, might also be

accepted, Mr. Whorton said that primarily inmates pending parole were targeted for transition.

In reference to a legislative letter of intent that requested information on the reentry process, Mr. Whorton explained the reentry process incorporated a release plan that included work and residence. Mr. Whorton explained that the Division of Parole and Probation required that an individual released on parole minimally had a residence and a job. Individuals placed in the transitional living center would be provided with a residence, employment, an opportunity to save funds, purchase tools, uniforms, and whatever was needed for a reasonable job that would sustain them in the community. Additionally, Mr. Whorton explained the local housing authority staff would work with inmates to develop permanent and appropriate homes in the Las Vegas community.

Mr. Whorton advised that the transitional housing center's primary program focus would be for individuals to work, and the center's location, in a light industrial area away from private residences and close proximity to the Las Vegas Strip and transportation, was ideal.

In addressing the question of whether jobs could be provided for the inmates who would be released to the center, Mr. Whorton advised that the department's past experience with employment for both the Northern and Southern Restitution Centers had been positive. Mr. Whorton described the inmates as reliable, sober and desirable employees who arrived to work on time. Additionally, Mr. Whorton indicated that an impressive list of prospective employers (Exhibit E) was provided to the committee in their meeting packet.

Mr. Whorton advised that the pre-release planning would begin immediately, and the NDOC staff would be working with inmates on career development, completion of educational needs, substance abuse treatment as well as a "setup for aftercare in the community," family reunification, and the restoration of entitlements that were lost on entrance into the system. Mr. Whorton explained that treatment would be funded by a \$5 a day assessment for each inmate, and that money would be used to develop a fund to establish a Request for Proposal (RFP) to contract with a vendor to provide the treatments for the inmates.

In closing, Mr. Whorton advised that there were currently 46 groups and agencies in partnership with NDOC on other reentry programs in southern Nevada, and those agencies had indicated a commitment of their continued support. Additionally, Mr. Whorton noted support had been received from the Culinary Union, the AFL-CIO, and the Nevada District Judges Association.

Darrel Rexwinkel, Assistant Director Support Services, requested the committee's approval of the plan to open the Casa Grande Center based on the department's projections. Mr. Rexwinkel advised the members of the committee that a work program for an allocation of funds from the \$2,163,960 appropriation would be

initiated when startup money for advance pay for salaries and supplies was needed. Mr. Rexwinkel indicated there was a possibility that opening the facility might be delayed a month or two beyond the July 2005 date and, if that were the case, a work program in the current fiscal year would not be required.

Mr. Rexwinkel indicated that legislative approval for a start date of October 1, 2004, was based on the premise of leasing an existing facility, which, because of various issues had not occurred. Mr. Rexwinkel reported that the budget for the Casa Grande Transitional Center was estimated based on current costs and a population of 200 inmates beginning July 1, 2005, and an additional 200 inmates beginning July 1, 2006. Mr. Rexwinkel explained that client income, a portion of the funding for the project, was originally proposed at \$14 a day but was currently projected at \$16.35, the same rate paid by inmates at the Northern Nevada Restitution Center.

Mr. Rexwinkel pointed out that the \$900,000 legislatively approved for the lease payment beginning October 1, 2004 was actually for ten months because a facility was needed at least one month prior to opening. Additionally, Mr. Rexwinkel indicated that office space in the Casa Grande Center that would be rented to Prison Industries and the NDOC Administrative staff, the Parole Board, and the Department of Employment, Training and Rehabilitation (DETR) JobConnect staff would provide an additional \$53,676 in rent.

Citing the provisions of *Nevada Revised Statutes (NRS) 353.500 through NRS 353.630*, Mr. Rexwinkel advised that the lease purchase payment for the Casa Grande facility was projected at \$1,065,000 for fiscal year 2006 and \$1,089,000 for fiscal year 2007, well within the \$1,133,000 originally projected to be needed. Additionally, Mr. Rexwinkel explained that projections for utilities and other costs would most likely change by the time the facility was opened, and, once construction plans were completed, utility costs would be re-projected. Mr. Rexwinkel compared the General Fund cost of \$28.20 per day, including the debt service payment, for a population of 200 Casa Grande inmates to the NDOC's average institutional cost of \$39.44 per inmate. The comparison reflected a General Fund savings of about \$221,000 a year. Additionally, Mr. Rexwinkel pointed out 400 residents at \$16.37 resulted in an annual savings of \$3,368,000.

In reference to concern raised about the number of inmates who would gain employment, Mr. Rexwinkel explained that even if no inmates were working, a population of 400 inmates would provide a savings of \$1,600,000 over the average cost to operate an institution.

Mr. Rexwinkel compared the Casa Grande lease-purchase agreement to the Department of Conservation and Natural Resource's lease-purchase agreement for the building currently under construction north of the Nevada Department of Transportation building in Carson City. Mr. Rexwinkel referenced documents (Exhibit F), prepared by Lehman Brothers, which reflected the manner in which lease payments would be used to amortize the issuance of certificates of

participation. Mr. Rexwinkel acknowledged the presence of Bob Campbell, with Lehman Brothers, the underwriter, and John Swendseid, State Bond Counsel.

In response to questions Senator Tiffany raised concerning the actual savings that would be realized, Mr. Rexwinkel compared Nevada's 1990 prison population of 5,641, to the current population of 11,000 offenders. Mr. Rexwinkel pointed out that inmate population continued to increase with the growth of the state population.

Ms. Crawford responded that a reality of savings would be achieved by the implementation of Casa Grande. During recent population projections by a nationally known expert, Ms. Crawford said the department was advised that transitional housing could reduce recidivism by 30 percent. Ms. Crawford pointed out that currently there were approximately 700 to 800 inmates incarcerated at High Desert State Prison and/or Southern Desert Correctional Center for parole violations. Ms. Crawford advised that implementation of Casa Grande was an effort to save money as well as to assist inmates in a successful release.

Senator Tiffany acknowledged recidivism and parole violations would be affected by transitional housing, but asked if savings would be achieved by eliminating the construction of costly buildings for other violators.

Mr. Whorton responded that the NDOC's master plan for "hard beds" was "substantially down the road." Mr. Whorton explained that the NDOC was actively trying to avoid the construction of hard beds by adjusting the prison population through the use of beds at the Southern Nevada Correctional Center and Warm Springs Correctional Center, and the opening of the transition center.

Senator Tiffany questioned how inmates, even if they gained employment in the service or construction industries, could afford the high cost of housing in Las Vegas and whether there was a fallback housing plan.

Dorothy Nash Holmes, Correctional Programs Coordinator, NDOC, identified herself for the record. Ms. Holmes reported an 18 to 22 month waiting list for housing for members of the public who were non-offenders and indicated that Dana Serrata, Reentry Coordinator, for the Going Home Prepared Program, had been working with the various housing authorities to develop a list of rental properties. Ms. Holmes said that in meetings with the Reno/Sparks, Las Vegas, and rural housing authorities, staff associated with the housing authorities were surprised to learn of the changing prison environment and that inmates being released had participated in drug treatment programs, vocational training, and were required to earn a General Equivalency Diploma (GED). Additionally, Ms. Holmes indicated the availability of grant money to pay for rents.

In response to questions from Senator Tiffany concerning group homes as a next step, Ms. Crawford acknowledged the availability of some group homes and "private non-profits" that would take inmates. Ms. Crawford advised that a transition level

with supervision, such as Casa Grande would assist those individuals who had neither the skill nor the knowledge to survive in a community setting.

Assemblywoman Gibbons recalled providing work-related assistance to released inmates during the time she was a business owner in Washoe County. Mrs. Gibbons asked whether federal reentry services funds, she had asked Nevada's congressional delegation to secure, could provide assistance to the state.

Ms. Crawford expressed confidence that the availability of federal funds would assist in placing Nevada as a front-runner among states, especially with Nevada's establishment of a transitional facility. Ms. Crawford recalled that during the 2003 Legislative Session 1,000 additional beds were budgeted for the High Desert Correctional Center and that NDOC staff testified the beds were not needed because there was a better way of managing offenders. Ms. Crawford pointed out that the changing philosophy and direction of managing offenders was beginning to show progress.

Ms. Holmes reported that there were 69 Going Home Prepared Reentry Programs for serious and violent offenders across the country, and Nevada had been selected as 1 of 18 national evaluation sites to determine whether "model best practices" were being developed. Additionally, Ms. Holmes indicated the NDOC was collaborating with the City of Las Vegas whose parallel program, Educational and Vocational Opportunities Leading to Valuable Experience (EVOLVE), was for non-serious, non-violent offenders. Ms. Holmes indicated that collaboration with the City of Las Vegas provided the opportunity to continue reentry services through additional grant funding provided through the efforts of Nevada's congressional delegation.

Assemblywoman Chowning referenced pages 198 and 199 (Exhibit G) in the meeting packet and questioned whether client income and rental income, generated by other agencies, would offset costs for the facility and the space the agencies currently occupied. Additionally, Mrs. Chowning asked for information on cost savings achieved with furniture built by Prison Industries.

Ms. Crawford responded that savings would be achieved by having the furniture constructed by Prison Industries and indicated Darrel Rexwinkel would respond to the questions concerning client revenue and rental income from other agencies.

Mr. Rexwinkel reported being "somewhat conservative" in computing the rental income since an inmate's stay at Casa Grande might range from between four and six months. Mr. Rexwinkel advised that the \$852,538 rental income for 200 inmates and \$1,745,248 for 400 inmates was based on average of an inmate's ability to pay rent within 30 days after arrival and an assumption of a four-month stay. Mr. Rexwinkel indicated four inmates would be working in the culinary and it had not yet been determined whether they would pay rent.

Mr. Rexwinkel reiterated that NDOC Administration and Prison Industries staff at the Maryland Parkway location would be relocated to Casa Grande, which would generate savings. In reference to the furniture, Mr. Rexwinkel advised that the AB 553 appropriation provided \$299,497 for furniture as a part of the project cost. Mr. Rexwinkel pointed out that there was no funding for furniture listed under fiscal years 2006 and 2007 since the furniture would be purchased “on the front end.”

Ms. Leslie commended staff on the Casa Grande plan as the best version of the plan she had seen. In reference to the \$5 a day assessment per inmate, Ms. Leslie asked how many hours an inmate would be involved in treatment programs and how those programs would affect the inmates’ work schedules.

Ms. Crawford advised that life skills, family reunification, GED and substance abuse treatment programs were still in the conceptual stage, since contracting with a vendor depended on approval of the program.

In response to a question from Ms. Leslie concerning the \$5 assessment, Ms. Crawford clarified that the state had designated the \$5 a day assessment for inmate programs.

In response to a question from Ms. Leslie concerning whether the \$5 would be sufficient to provide the services, Ms. Crawford indicated the funding would be supplemented by grant funds.

In response to Ms. Leslie’s question concerning the impact of programming on work schedules, Ms. Crawford advised of the availability of evening and weekend classes.

Senator Tiffany asked how the project would be impacted if the placement of the additional 200 inmates were delayed and whether actual construction of the facility would take place in phases.

Mr. Rexwinkel responded that the facility included three buildings, one of which was an administrative building that contained the culinary and classrooms while the two other buildings were housing units. Mr. Rexwinkel addressed the rise in the cost of steel and other building materials and explained that the plan called for construction of the buildings to be completed in one phase in order to maximize savings.

Senator Tiffany reiterated her question concerning how the project might be impacted by a possible delay of the 200 additional beds.

Mr. Whorton reaffirmed the plan was to build out the entire facility and explained that placing the additional 200 inmates in July 2006 would increase the density of the inmates in the housing area to a full build up.

Mr. Rexwinkel advised that staff from the Treasurer’s office were in the audience and could respond to questions concerning the lease-purchase financing plans.

Mr. Rexwinkel pointed out, however, it was assumed from the annualized lease payment in the appropriation a facility would be acquired that could house 400 inmates, but the program would begin with only 200 inmates.

Ms. Giunchigliani asked whether a plan had been developed for the inmates' educational programming and whether contract services for programming would be competitively bid with non-profit organizations.

Ms. Crawford advised that the \$5 a day per inmate would be used to contract for services through an RFP with a private non-profit organization at which time an outline would be provided on programming services that could be located either on or offsite.

Ms. Giunchigliani indicated the availability of many non-profit organizations and asked for assurance that a program had not been selected since the particular training needs of the inmates had not yet been assessed.

Ms. Crawford confirmed that policy was to contract for services with a vendor through an RFP in order to evaluate a wide range of programs. Additionally, Ms. Crawford indicated that at some point in the future, the NDOC might also explore becoming a provider. Ms. Crawford also mentioned that she had spoken with Mr. Richard Blue, Board Manager, Southern Nevada Workforce Investment Board, who indicated that in conjunction with the Department of Education Training and Rehabilitation's JobConnect program, employment and training assistance would be provided to transitional housing inmates.

Similarly, Ms. Holmes referenced a letter of support (Exhibit H) from the Director of the Department of Employment, Training and Rehabilitation who indicated that in partnership with the Southern Nevada Workforce Investment Board, all Nevada JobConnect resources would be available to Casa Grande participants. Letters of support had been received from the Culinary Workers Union and Nevada State AFL-CIO. Ms. Holmes advised that with the support of employers that currently employed inmates, the NDOC had a "panoply of vocational resources and partners."

In response to questions from Ms. Giunchigliani concerning the necessary paperwork, identification, and reinstatement of civil rights for inmates, Ms. Holmes advised that a process for application of duplicate social security cards, birth certificates and State of Nevada identification was already in place.

Assemblyman Parks commended Director Crawford, her staff and Mr. Molasky for their work on the project and indicated he firmly believed they had hit "one out of the ballpark."

Senator Tiffany also commended the efforts of the department and said, "it was the right public policy."

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM J.

MR. MARVEL SECONDED THE MOTION.

Chairman Arberry expressed his good wishes for the project's success and indicated he hoped department staff would not be back before the committee with a disappointing story to tell.

Ms. Crawford responded that she and her staff would not have spent a year on the project if she had not believed in it. Ms. Crawford expressed her assurance to the committee that the Casa Grande project would be as equally successful as the Northern Nevada Restitution Center.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

*K. DEPARTMENT OF MOTOR VEHICLES – Pursuant to NRS 445B.830, request to distribute \$1,720,000.00 in funds to local government entities from the Emission Control Account.

1. Clark County Department of Air Quality
Management \$1,350,000.00
2. Washoe County District Health Department Air Quality
Management Division..... \$370,000.00

Clay Thomas, Deputy Director, Department of Motor Vehicles, identified himself for the record. Mr. Thomas appeared before the committee at the request of representatives of Clark County, Department of Air Quality Management and Washoe County District Health Department, Air Quality Management Division. On their behalf, Mr. Thomas requested approval to access funds from the Emission Control Account pursuant to *NRS 445B.830* in the amount of \$1,350,000 for Clark County and \$370,000 for Washoe County. The statute provided for the distribution of funds from the Emission Control Account with the approval of the Interim Finance Committee.

Mr. Thomas said that current department projections through fiscal year 2005 indicated the amount requested for Clark and Washoe Counties would not cause funds to drop below the minimum amount required to remain in the account as mandated by statute. In addition, the voting members of the Advisory Board identified in *Nevada Administrative Code (NAC) 445B* reviewed the overall recommendations and recommended approval of the requests.

Mr. Thomas advised that the Department of Motor Vehicles was acting as a conduit to submit the requests to the committee, and individuals from each of the

counties were present to respond to any questions from members of the committee.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM K.

MS. LESLIE SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

*L. DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES –
DIVISION OF STATE LANDS – Pursuant to NRS 323.125 and 321.335:

1. Request to make a direct transfer of state property to the National Park Service in order to resolve title problems with the Lake Mead Fish Hatchery.

Pam Wilcox, Administrator, Division of State Lands, identified herself for the record. Ms. Wilcox requested the committee's approval to transfer 4.92 acres of land, contained entirely with the Lake Mead Fish Hatchery, to the National Park Service, which would correct a longstanding title problem at the hatchery. Ms. Wilcox explained that the National Park Service requested that the parcel be returned to them since they held the deed restriction, of which the state was in violation.

Ms. Wilcox advised that a solution had been negotiated with the National Park Service who would amend the existing agreement to allow the state use of an additional 7.46 acres of National Park Service land needed for expansion of the fish hatchery currently underway. In return, the National Park Service requested that the state quitclaim title to the 4.92 acres back to the federal government.

Ms. Wilcox indicated that years had been spent working on the complex transaction, which had been "thoroughly reviewed by the Attorney General's office." Ms. Wilcox asked for the committee's approval to move forward with the proposal.

MR. HETTRICK MOVED APPROVAL OF ITEM L-1.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

2. Request to dispose of a 1,050 square-foot lot in Tonopah, purchased by the Department of Wildlife in 1952, now excess to the state's needs.

Ms. Wilcox, Administrator, Division of State Lands, identified herself for the record.

Ms. Wilcox requested approval to sell a 1,050 square foot portion of a lot in downtown Tonopah that was managed by the Department of Wildlife. Ms. Wilcox explained that the lot, acquired by the Department of Wildlife in 1952, formerly contained a storage shed that had been removed for safety issues. Ms. Wilcox advised of liability concerns with the vacant property currently being used for casual parking over which the state had no control.

MRS. GIBBONS MOVED APPROVAL OF ITEM L-2.

DR. HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

3. Pursuant to *NRS 322.007* and *NRS 353.550*, request approval of a ground lease and lease-purchase agreement for development of the Department of Corrections' Casa Grande facility. Related to Item J.

Pam Wilcox, Administrator, Division of State Lands, identified herself for the record. Under the provisions of *NRS 322.007* and *NRS 353.550*, Ms. Wilcox requested the committee's approval of a land lease and lease-purchase agreement relative to the Department of Corrections' Casa Grande transitional housing project. The 7.4 acres on Russell Road in Las Vegas would be acquired by the state and leased to the Nevada Real Property Corporation (NRPC). The NRPC would have the improvements built and would lease the improved property back to the state for 35 years. Ms. Wilcox compared the transaction to a similar request approved for the Nevada Department of Conservation and Natural Resources whose new facility was currently under construction.

Ms. Wilcox indicated the land for the Casa Grande facility was being acquired from Clark County Department of Aviation and a private owner, and both owners had approved the transaction. With two of the parcels appraised and the third pending appraisal, the purchase price was estimated at \$3 million.

In response to questions from Chairman Arberry, Ms. Wilcox advised that the land was being purchased, in part, with proceeds from the issue of Certificates of Participation. Ms. Wilcox explained that there was a current agreement to purchase the land, but the sale would not actually close until the securities were sold.

In response to a question from Ms. Giunchigliani concerning the sale of the Certificates of Participation, Robin Reedy, Deputy State Treasurer, indicated the plan was to sell the certificates in September or October depending on the length

of the legal process. Ms. Reedy explained the Treasurer's Office did not want the money any sooner than it was necessary to purchase the land in order to avoid added interest charges.

Ms. Giunchigliani questioned whether approval by the committee would prevent modification of the 35-year lease in the event additional revenue became available.

John Swendseid, the State Bond Counsel, identified himself for the record. Mr. Swendseid explained that the Certificates of Participation were pre-payable but a pre-payment penalty was typically included in order to secure a good interest rate.

MR. MARVEL MOVED APPROVAL OF ITEM L.3.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

*M. STATE PUBLIC WORKS BOARD:

1. CIP project 03-C09 – DMV North Las Vegas Field Services, change in scope.

Dan O'Brien, Manager, State Public Works Board, identified himself for the record.

A change in scope for CIP Project 03-C09, Department of Motor Vehicles, North Las Vegas Field Services, was requested to reallocate funding for the furniture, fixtures, and equipment (FF&E) to construction and also to approve the removal of the Commercial Drivers' License (CDL) course from the project. Mr. O'Brien explained that the City of North Las Vegas indicated they would not approve the project with the inclusion of a CDL course. Additionally, the City of North Las Vegas required that the project be relocated to a different corner of the site, which incurred additional costs for site work and landscaping.

Mr. O'Brien advised that the foregoing costs as well as unanticipated inflation with respect to the increase in steel prices and other construction materials exceeded the project budget. Mr. O'Brien requested the authority to defer the furnishings and equipment costs and to reallocate the \$681,896 authorized for those costs to construction.

In response to a question from Mr. Hettrick concerning the deferral of costs, Mr. O'Brien advised that the Department of Motor Vehicles would request the FF&E funds in the 2005 Capital Improvement Program budget.

MR. MARVEL MOVED APPROVAL OF ITEM M-1.

MR. PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

2. CIP Project 01-C25, Academic and Student Services Building for Nevada State College, change in scope.

Dan O'Brien, Manager, State Public Works Board, requested the committee's approval for a change in scope of CIP Project 01-C25, Academic and Student Services Building, Nevada State College. Mr. O'Brien informed the committee that the project, approved in 2001, and scheduled for construction in 2003 was delayed and construction was currently anticipated to begin in 2005.

A change in scope was requested to reduce the square footage of the building from 100,000 to 86,038 square feet in order to bring the project costs within budget. Mr. O'Brien explained that delays in beginning construction and the rise in inflation, during that period, rendered the current budget insufficient to complete the project's original scope.

Senator Mathews asked for information on the number of students currently enrolled in the Nevada State College.

Buster Neel, Vice Chancellor for Finance and Administration, University and Community College System of Nevada (UCCSN), advised that there were approximately 750 students currently enrolled, and between 1,200 and 1,300 students were expected to be enrolled by the fall semester.

Mr. Neel reported that the Board of Regents had reaffirmed support for the institution which was anticipated would be growing rapidly. Additionally, Mr. Neel said Interim Chancellor, Jim Rogers, was also strongly supportive and anticipated that funding would "be in place during the coming legislative session."

In view of Senator Mathews' concerns, Mr. Neel said there was a commitment at the highest level for the project. Additionally, Mr. Neel advised that a consultant was scheduled to testify on June 17, 2004 before a legislative committee in support of the need for the institution and four-year programs in the state.

Chairman Arberry asked for comments concerning why a change in scope was necessary before construction had even begun.

Mr. O'Brien indicated that while the square footage could be used eventually, the Board was trying to keep the project within budget.

Senator Coffin noted that \$10 million in private funding was to have been raised in the community for the Nevada State College and thus far, only \$1 million had been raised. Senator Coffin discussed his initial opposition to the project and asked if \$10 million in state funding would now be requested to support the project.

Mr. Neel said Interim Chancellor, Jim Rogers, "had raised a lot of money for education" over the years, and that once the first major building was constructed on campus, it would be easier to raise money.

Mr. Hettrick indicated he could not support the request to build a smaller building when construction costs continued to increase. Mr. Hettrick spoke of the apparent futility of changing the scope of the project with construction delayed until 2005 assuming \$10 million had been raised. Although the project was funded by the 2001 Legislature, Mr. Hettrick pointed out that the college was required to provide \$10 million in private funding.

In view of Speaker Perkins' absence, Chairman Arberry announced that the request to reduce the scope of the project would be deferred until the following meeting of the committee.

Senator Mathews discussed her opposition to the project from the beginning and indicated, for the record, that the community college building in Henderson could have been expanded for use as a four-year institution.

Senator Raggio expressed concerns that the private funding would not be realized and that fundraising efforts would be set aside with a proposal to request that the legislature substitute state funding for the private funding that had been envisioned. Senator Raggio indicated the private funding was a selling point for many in the Legislature who had a vote in determining support of the project. Senator Raggio recalled the president of the college, at the time, strongly indicated there would be no problem in raising \$10 million or more in private funding. Additionally, Senator Raggio pointed out that one of the requirements of the legislation was that no state funding would be authorized for the project without availability of the private funding. Senator Raggio suggested that, if the project was to succeed, a concerted effort be made to meet the private funding requirement.

Mr. Neel advised that the Board of Regents would be revisiting the issue on June 28, 2004, and the points made by members of the committee would be shared with the Chancellor and the Board of Regents.

Chairman Arberry reiterated that the request would be deferred to the following meeting of the committee.

3. CIP Project 03-C12, Rehabilitate Fish Hatcheries Phase II, change in scope.

Gus Nunez, Deputy Manager, State Public Works Board, identified himself for the record. Mr. Nunez requested a change in scope for CIP Project 03-C12, Rehabilitate State Fish Hatcheries, to receive and spend \$5,650,000 from the Department of Wildlife. Mr. Nunez explained that \$5,000,000 represented the Department of Wildlife's share of Question 1 money, and \$650,000 was from an award the Department of Wildlife received from the Southern Nevada Public Lands Management Act.

MR. HETTRICK MOVED APPROVAL OF ITEM M-3.

DOCTOR HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

4. CIP Project 03-C23, UNLV Science and Engineering Complex, change in scope.

Gus Nunez, Deputy Manager, State Public Works Board, requested a change in scope for CIP Project 03—C23, UNLV Science and Engineering Complex. Mr. Nunez reported that during the design-development stage of the facility, the project architects worked with Public Works Board representatives and UNLV officials to "value engineer" approximately \$8.5 million from the estimated construction cost of the facility. Since that time, Mr. Nunez explained that inflation increased the price by over \$4 million above the value-engineered estimate, and escalation costs of 3 percent in January and 8 percent in May resulted in a \$6.8 million shortfall. In order to keep the project "on track," and avoid additional design work that would result in additional inflation costs, Mr. Nunez asked to defer the unanticipated cost increases to the 2005 Capital Improvements Program budget and to continue with the project as planned.

Mr. Nunez said the proposed scope of the facility would include 177,500 square feet of finished building space, except for cabinetry, 14,500 square feet of shell space, and 4,000 square feet for a central plant. Additionally, Mr. Nunez said the UCCSN had indicated they would finish out the shell space with their own funds and did not anticipate returning to the Legislature for additional monies. The furniture, fixtures, and equipment costs, and the \$6.8 million would be deferred until the 2005 Capital Improvement Projects budget. In his concluding remarks, Mr. Nunez said the original \$75 million project cost had been increased to \$82.8 million.

In response to a question from Chairman Arberry concerning the deferral to 2005, Mr. Nunez indicated that approval to reduce the scope of the project would

defer the unanticipated costs and furniture, fixtures, and equipment (FF&E) until the 2005 Capital Improvement Program budget by deleting some of the scope from the construction until a later date during construction. Mr. Nunez explained that approval of the request would allow construction to begin early in the spring of 2005 and with a construction period of approximately 21 months, the project would continue, as designed, assuming the FF&E increase was approved in the 2005 CIP.

Chairman Arberry discussed whether to consider simply leaving the Board and the UCCSN to deal with the funding appropriated for the facility.

Mr. Nunez indicated that it would be difficult to reduce the project by \$6.8 million especially after \$8.5 million of value engineering had been achieved during the design-development process. Mr. Nunez explained the only way to remain within the original budget would be to reduce square footage, which would not deliver the building originally envisioned.

Chairman Arberry expressed concerns that deferring costs to the 2005 CIP would obligate the 2005 Legislature to fund the project.

While Mr. O'Brien expressed an understanding of the committee's position, he pointed out the price of steel had increased 65 percent and other building materials had increased as well. Mr. O'Brien indicated that square footage could be reduced, but the request was to defer the increase in the total project by \$6.8 million.

Chairman Arberry reiterated he did not want to obligate the 2005 Legislature to fund the shortfall.

Senator Raggio indicated the project was important and one everyone wanted to see occur. However, he pointed out that while technically the request might be considered a change in scope, a reduction of square footage was normally considered in a change of scope request. Noting the cost for the facility had increased from \$75 million to \$82.8 million, Senator Raggio projected the facility might end up costing well over \$100 million. Senator Raggio indicated that not only would the 2005 Legislature be obligated to provide the funding but other capital improvement projects, that were a priority for the Board of Regents and the Legislature as well, would be impacted.

Mr. Nunez indicated it was his understanding that a request for the \$6.8 million plus the cost for the furniture, fixtures, and equipment out of the 2005 CIP budget would total \$13.7 million.

In response to questions Senator Raggio had concerning the shelled out space, Mr. Nunez advised that UCCSN had provided a commitment, in writing, to the Board that they would not request additional funds to finish out the shell space.

Mr. Nunez indicated that the \$82.8 million plus the cost for the furniture, fixtures, and equipment would bring the total cost of the facility to approximately \$90 million.

Senator Raggio speculated that a \$90 million cost would increase to \$100 million by the end of the 2005 Legislative Session.

Tom Hagge, Associate Vice President, Facilities Management and Planning, University of Nevada, Las Vegas, identified himself for the record. Mr. Hagge indicated the best estimate for the total project less the fourth floor, which the University would cover, was \$82.8 million including the furniture, fixtures, and equipment. Mr. Hagge advised that Dr. Carol Harter, President, University of Nevada, Las Vegas, said, that the University “absolutely” accepted the \$3 million “in today dollars” to build out the fourth-floor shell.

Senator Raggio again questioned the advisability of not reducing square footage to bring the project within budget.

Mr. Hagge further advised that deferring costs had been requested in anticipation that bids might be received for less than projected and some of the \$6.8 million in the deferred scope could be replaced. Mr. Hagge said the University’s “second best hope” was that the next Legislature would acknowledge there had been an “unusual unforeseeable run-up in inflation” and provide some assistance. Mr. Hagge indicated the worst-case scenario would be that the Legislature would provide the furniture, fixtures, and equipment but would not agree to appropriate the \$6.8 million, which would leave the University with a \$10 million problem.

Mr. Hettrick addressed the issue as beyond just the UNLV facility and pointed out that there were multiple capital improvement projects encompassing hundreds of millions of dollars worth of construction scheduled to begin at various times for which deferrals could be requested. Mr. Hettrick indicated deferring costs that obligated funding from the University or the Legislature was irresponsible. Additionally, Mr. Hettrick said that the 2003 Legislature approved a budget they could afford to fund, and a change in scope meant working within that budget.

Mr. Hettrick discussed his personal involvement in building a multi-million dollar building and encountering increased construction costs without the luxury to defer costs, which meant a reduction in the size of the building to fit the budget. Mr. Hettrick indicated he believed the square footage of the UNLV Science and Engineering Complex should be reduced which was what the public would expect should be done. Mr. Hettrick pointed out that taxes raised during the 2003 Legislative Session, some of which he did not agree with, funded projects that needed to go forward, and the UNLV project needed to stay within the budget.

Chairman Arberry indicated he did not want to see the building reduced in size.

Mr. Hagge pointed out that a redesign at approximately 50 percent of construction design would involve additional delays subject to inflationary increases possibly adding another \$1.5 million in scope. In reviewing all of the choices, Mr. Hagge indicated the one that provided the most advantage was to defer costs.

Additionally, Mr. Hagge reiterated that depending on the bids received, the possibility existed that the \$6.8 million could be replaced. Without the ability to buy back the \$6.8 million, Mr. Hagge indicated the University would have to approach the 2005 Legislature for the funding, and if the request were not approved, the University would be left with the project.

Chairman Arberry agreed only because he said an overbid meant the deferred costs would be the University's responsibility.

SENATOR COFFIN MOVED APPROVAL THAT THE BUILDING BE CONSTRUCTED BASED ON THE ORIGINAL FUNDING ALLOCATION WITH NO OBLIGATION TO A FUTURE LEGISLATURE FOR ADDITIONAL FUNDING.

MR. PARKS SECONDED THE MOTION.

Dr. Hardy questioned whether the motion was to shell out part of the building and to provide furniture, fixtures, and equipment for the remainder of the building.

Mr. O'Brien clarified that the plan had always been to request the furniture, fixtures, and equipment out of the CIP budget during the 2005 Legislative Session.

In response to questions from Senator Raggio concerning the estimated cost of refinishing the shelled-out fourth floor, Mr. Hagge indicated the cost was approximately \$3 million, plus inflation. Additionally, Mr. Hagge indicated the University was committed to raising the funds and would not request funding from the Legislature.

Senator Raggio asked how the University planned to fund the costs for finishing the shelled-out space.

Mr. Hagge indicated the availability of numerous sources of funds but said the point had not yet been reached that he could disclose the funding sources.

Senator Raggio again indicated that while the project was worthwhile and needed, a change of scope required a reduction in square footage to fit the appropriation. Senator Raggio reiterated previous concerns that deferring costs

would impact other projects in the next session of the Legislature and said he would not support the request for that reason.

Senator Mathews expressed her support for higher education in most instances, but could not support the request based on the information received.

Chairman Arberry called for the vote.

THE MOTION FAILED.

(Dr. Hardy, Mr. Parks, Mr. Atkinson, Senator Coffin, and Chairman Arberry voted aye. Mr. Andonov, Ms. Leslie, Mr. Beers, Mrs. Gibbons, Ms. Giunchigliani, Mr. Hettrick, Mr. Marvel, Senator Tiffany, Senator Mathews, and Senator Raggio voted nay. Senator Rawson, Senator Rhoads, Senator Cegavske, Mrs. Chowning, and Ms. McClain were not present for the vote. Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

In response to a question from Chairman Arberry, Brenda Erdoes, Legislative Counsel, advised that the Public Works Board could return to the next meeting of the Interim Finance Committee and place the request for a change of scope on the agenda again.

In response to a question from Ms. Giunchigliani concerning whether the design-build process could have been used for the UNLV facility, Mr. Nunez, indicated the intricacies of the building and the input from end users did not provide a good use for the design-build process.

Ms. Giunchigliani suggested that in the future perhaps the UCCSN might want to consider a campus-by-campus capital improvement program rather than institution-by-institution. Ms. Giunchigliani indicated the campus-by-campus approach, employed by other states, provided a broader view without competition from projects based on which clientele were being served in various parts of the state. Ms. Giunchigliani indicated that while such a program would not benefit the issue at hand, it could assist the Legislature in making better decisions based on each campus rather than each institution.

5. CIP Project 97-C15, Lied Library Administration, request to receive and spend settlement funds.

Refer to narrative under Item G.2.

MS. GIUNCHIGLIANI MOVED APPROVAL OF M.5. TO
RECEIVE AND EXPEND SETTLEMENT FUNDS.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Coffin voted nay, Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

6. CIP Project 03-M63, Remodel Central Kitchen, Northern Nevada Adult Mental Health, change in scope.

Dan O'Brien, Manager, State Public Works Board, identified himself for the record. During the 2003 Capital Improvement Program (CIP) budget hearings, Mr. O'Brien said legislative approval was received to construct a new kitchen facility rather than remodel the kitchen in Building 10 on the Northern Nevada Adult Mental Health (NNAMH) campus. Mr. O'Brien advised that after a tour and evaluation of the existing building, Public Work Board representatives determined it was in the best interest of the state to construct a new facility.

Mr. O'Brien advised it would cost approximately \$2.5 million to bring the existing facility up to standards and requested committee approval to move forward on construction of the new facility.

Chairman Arberry asked about safety conditions on campus if Building 10 was abandoned and not immediately demolished.

Mr. O'Brien indicated Building 10 would be secured, but the basement would continue to be used since it housed the central cooling plant for other campus buildings. Mr. O'Brien anticipated that at some future date the agency would request approval to demolish some of the boarded and secured buildings on the campus.

Ms. Giunchigliani spoke in support of the request and questioned whether the Public Works Board had the authority to raze other buildings on the NNAMH campus based on a future request.

Mr. O'Brien indicated the Board did have the authority to demolish campus buildings pending a request from the agency.

Mr. O'Brien further advised that the PWB would review the needs of the entire NNAMH campus and possibly recommend building one or two new buildings to replace the existing facilities. While there was one historic building on campus, Mr. O'Brien indicated the other buildings were in poor condition.

Senator Coffin said there was more than one historic building on campus and recommended that the PWB representatives confer with the preservation community in Washoe County. Senator Coffin also spoke in support of the request and said that, when in doubt, it was better to build a new facility than to remodel.

Mr. O'Brien acknowledged that any plans developed for the NNAMH campus would take into account any buildings that would be worth saving.

MS. LESLIE MOVED APPROVAL OF ITEM M-6.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED. (Mrs. Chowning, and Ms. McClain were not present for the vote. Mr. Perkins, Mr. Goldwater and Mr. Griffin were excused.)

7. CIP Project 01-M34, Temperature Control Systems Renovation, Northern Nevada Correctional Center, change in scope.

Item 7 was withdrawn.

8. CIP Project 03-C01, 150 Bed Psychiatric Hospital, change in scope.

Dan O'Brien, Manager, State Public Works Board, requested the committee's approval to change the scope of CIP Project 03-C01 for a 150-Bed Psychiatric Hospital in Las Vegas. Mr. O'Brien requested the addition of 15,000 square feet of shell space for a fourth wing of the 150-bed psychiatric hospital not included as a part of the approved project.

Mr. O'Brien requested authority to use funding originally approved for the land acquisition and explained the original estimate for the purchase of the land exceeded the appraisal. Mr. O'Brien indicated the construction of the shell space, with the excess funding, was requested in an effort to avoid the continued increases in construction costs. Mr. O'Brien explained that, if the change in scope were approved, the structure would be a part of the exterior wall of the hospital, which would be less expensive and would be included as an "add alternate" in the project bid.

Mr. Hettrick asked if the excess funding could be used for furniture, fixtures, and equipment (FF&E) for the three wings of the psychiatric hospital that had previously been approved.

Mr. O'Brien acknowledged that the excess funding could be used to fund the furniture, fixtures, and equipment for the first three wings of the hospital, and the fourth wing could be requested in the 2005 CIP.

Mr. O'Brien confirmed that either way, funding the fourth wing or using the funding for the furniture, fixtures, and equipment, the 2005 Legislature would be approached for additional funds.

Chairman Arberry asked if space would be available to construct the fourth wing if the project was delayed.

Mr. O'Brien confirmed that the area for the fourth wing was defined in the project, but a wall enclosing the compound would have to be designed so that a section could be removed for construction, which would incur costs that would be paid for in a future construction option.

Mr. O'Brien confirmed Ms. Giunchigliani's understanding that the funding under discussion would be enough to provide the furniture, fixtures, and equipment for the first three hospital wings.

Gus Nunez, Deputy Manager, State Public Works Board, indicated he would have to check on the 2005 FF&E request for the hospital. Mr. Nunez said he was uncertain that the funding would meet the entire FF&E requirement, but agreed the funding would probably take care of a sizeable portion of the need.

In response to questions Ms. Giunchigliani had concerning the less than projected appraisal, Mr. O'Brien advised that discussions had taken place with the committee's staff and future appraisals would be conducted in advance of the project.

Ms. Giunchigliani anticipated that conducting such appraisals in advance would become a policy of the Public Works Board.

In response to additional questions from Ms. Giunchigliani concerning the appraisal, Pam Wilcox, Administrator, State Public Lands, explained that an appraisal of the land in 2004 indicated the value was less than the original estimate conducted in 2000 and 2002 that had been based on different comparable sales. Ms. Wilcox indicated the original estimate was considered a good estimate because it was only about a year old and the land was another portion of the same property.

In response to questions from Ms. Giunchigliani concerning establishing a policy to prevent such a future occurrence, Ms. Wilcox indicated the appraisal was believed to be accurate. Ms. Wilcox explained there were no appraisers on her staff, and all appraisals were conducted through the state contract process. Ms. Wilcox explained that an advance appraisal on land value normally took several months plus thirty days for the appraisal completion.

Ms. Giunchigliani indicated an actual appraisal, at a cost of about \$3,000, could be allocated from the agency budget in order to go through the contract process before beginning a project.

In response to Mr. Beers' comments concerning the nearly two-year old appraisal and the appreciation of real estate in Las Vegas, Ms. Wilcox confirmed that

keeping appraisals “fresh” was a continuing problem. Ms. Wilcox advised that a target date had been set for the price estimate in order that the project and the pricing could move forward from that point, and the transaction to clear the land for the hospital was going to occur almost immediately. Ms. Wilcox reiterated earlier comments that the state contract process for an appraisal was normally about three months.

Mr. Parks asked if the general obligation bonds that would provide the funding for the project had been sold and whether there were limitations within the bonds concerning moving forward with the project.

Evan Dale, Deputy Manager, Public Works Board identified himself for the record. Mr. Dale advised that the bonding for the project was being provided over a three-year period, and the first round of funding had already been received. Another round of funding was expected in late July or early August and final funding would be received in approximately one year.

In response to an earlier question concerning funding for the FF&E, Mr. O'Brien indicated the estimate was projected at \$1.7 million in 2002 and escalated to \$2.1 million in 2004.

MS. GIUNCHIGLIANI MOVED TO AMEND THE REQUEST AND TO USE THE EXCESS FUNDING TO PROVIDE FF&E FOR THREE WINGS OF THE HOSPITAL. A REQUEST WOULD BE MADE TO THE 2005 LEGISLATURE FOR THE FOURTH WING BASED ON THE AGENCY'S RECOMMENDATION.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Mrs. Chowning, and Ms. McClain were not present for the vote. Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

9. CIP Project 03-M22 – HVAC System Upgrades at the State Printing Facility, change in scope.

Brenda Erdoes, Legislative Counsel, requested a change in scope for Project 03-M22, Heating, Ventilating, and Air Conditioning (HVAC) System at the State Printing Facility.

Ms. Erdoes requested that the Legislative Counsel Bureau be permitted to take over the management and control of the project pursuant to *NRS 341.158* and to revise the plans for the project.

The current plan for the mechanical rehabilitation project was designed to replace the existing two-zone HVAC equipment configuration. The plan revisions changed the number of zones from two to three, which would provide a physical separation between the printing plant and the front office. Ms. Erdoes advised that the two functions were subject to different environmental conditions and rather than buying one large air handler and one small one, three units of the same size would be purchased for the same funding already provided.

SENATOR RAGGIO MOVED APPROVAL OF ITEM M-9.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Mrs. Chowning, and Ms. McClain were not present for the vote. Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

10. Project Status Report (informational only).

*N. DEPARTMENT OF HUMAN RESOURCES – REQUEST FOR APPROVAL OF GRANTS FROM TOBACCO SETTLEMENT FUNDS IN ACCORDANCE WITH NRS 439.630(6). (Refer to Exhibit C for list of grants.)

Laura Hale, Director, Grants Management Unit, Department of Human Resources, identified herself for the record. Ms. Hale advised that the Department of Human Resources, Grant Management Unit administered grants under the Fund for a Healthy Nevada and were required, by statute, to request Interim Finance Committee approval of grants (Exhibit C) that expanded or augmented state-run programs.

Ms. Leslie expressed disappointment with the grant selection process after being made aware that substance abuse agencies were eliminated for grant awards. Noting that a substantial grant had been awarded to the University of Nevada, Las Vegas NTU Helpline, Ms. Leslie indicated she would not support a motion for approval.

Senator Mathews asked that information be provided on the rationale for eliminating substance abuse agencies.

Ms. Hale advised that 104 applications for funding had been received which far exceeded the available funding. Ms. Hale said that while substance abuse agencies had been funded in the past under the Children's Health Program category, the Task Force for the Fund for a Healthy Nevada, in a difficult decision making process, awarded funding to those applicants that had no state funding sources.

In response to additional questions from Senator Mathews concerning the decision making process, Ms. Hale said the Task Force reviewed guidelines concerning the requests for applications in addition to taking into consideration departmental scores.

Additionally, Ms. Hale said the Task Force considered diversity of services provided, geographic distribution, and, as previously indicated, the availability of other funding sources. Ms. Hale clarified that programs that had other funding sources were not necessarily eliminated.

In response to a question from Ms. Giunchigliani concerning the award to the UNLV Helpline, Ms. Hale advised that under the provisions of *NRS 439.630*, funding had to be provided to programs dedicated to the cessation or prevention of tobacco use. As previously indicated, Ms. Hale said substance abuse agencies had been funded in the past under the Children's Health Program category for which there were nine separate priority areas.

Ms. Giunchigliani asked for additional information on the decision to provide funding to the UNLV Helpline rather than substance abuse agencies.

Ms. Hale explained that substance abuse agencies and the UNLV Helpline were not in direct competition for funding. Ms. Hale advised that funding was provided under one area specifically for tobacco control and prevention and under another for the categories under the Children's Health Program categories, and a third area for disabilities.

Ms. Hale clarified that funding was not transferable between categories. Additionally, Ms. Hale advised that a new funding source had not been created for the UNLV Helpline, which had been funded many times in the past.

Ms. Hale further explained that a change was initiated during the 2003 Legislative Session to separate the funding provided for the categories under the Children's Health Program and disability services. Additionally, Ms. Hale said a slight decrease in tobacco settlement funds received by the state and changes initiated during the 2003 Legislature provided less funding for the categories under the Children's Health Program than had been available in the past.

Ms. Giunchigliani questioned whether the Task Force had an exit plan concerning the eventual end of tobacco settlement funds.

Ms. Hale indicated sustainability was encouraged, and a proposal to further encourage sustainability was currently being developed for presentation to the Task Force during their September meeting.

Senator Raggio asked for information concerning the outcome should the measure not be approved by the IFC.

Ms. Hale advised that three legislators were members of the Task Force for a Healthy and the grant agreements were in process. Ms. Hale explained that under the provisions of the statute, an expansion or augmentation of state programs with grant funds was required to be presented to the IFC with the intent not to expand any

pre-existing state programs with grant funding. Ms. Hale indicated the five grants before the committee continued state projects that had been funded by the Task Force in the past.

Ms. Hale indicated a conflict would exist if the grants were not approved since provisions of the statute required that positive behavior support programs be funded with grant funding within the disability category. Ms. Hale pointed out the only positive behavior support program for developmental disabilities was through the University of Nevada, Reno.

MRS. GIBBONS MOVED APPROVAL OF ITEM N.

DR. HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Ms. Leslie voted nay. Mrs. Chowning, and Ms. McClain were not present for the vote. Mr. Perkins, Mr. Goldwater, and Mr. Griffin were excused.)

*O. REPORT ON ACTIVITIES OF THE INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE ON SOUTHERN NEVADA WOMEN'S CORRECTIONAL FACILITY. (Relates to Work Program Revisions 119, 120, 121, 122, and 123.)

Senator William J. Raggio, Chairman of the Interim Finance Committee's Subcommittee on the Southern Nevada Women's Correctional Facility (SNWCF), reported that at the January 28, 2004 meeting of the Interim Finance Committee, the Department of Corrections presented a proposal to assume responsibility for medical services at the SNWCF effective March 1, 2004. Although the committee took no action on the request, a subcommittee was appointed to further evaluate the proposal and to determine the anticipated cost of medical expenses, if undertaken by the state. Subsequently, the Corrections Corporation of America exercised an option to terminate the entire operating agreement effective October 1, 2004.

Chairman Raggio reported that the following events took place:

- On March 19, 2004, the State Purchasing Division issued a Request for Proposal (RFP) to solicit vendor proposals for custody and medical operations at the SNWCF.
- All prospective vendors responded to an interest in operations and programming at the facility. None of the proposals included a provision for medical services.
- A review committee met on May 14, 2004, and ranked the proposals, which were reported to the subcommittee by the Department of Corrections on June 3, 2004.

- Prior to the receipt of the vendor proposals, the Department of Corrections submitted its plan for operating the facility and providing medical services as well.
- The Interim Finance Committee's Subcommittee on the Southern Nevada Women's Correctional Facility met on June 3, 2004, to consider the proposal submitted by the Department of Corrections in comparison with the proposals from vendors.
- The Governor's Office and the Department of Corrections recommended that the Department of Corrections be authorized to assume responsibility for the full component of medical and custody operations at the SNWCF effective October 1, 2004.

Chairman Raggio more fully explained that during the June 3, 2004 meeting of the subcommittee, the Director of the Department of Corrections provided a report concerning the situation with the current vendor and the results of the RFP. The Director recommended, with the Governor's support, that the Department of Corrections assume the full component of medical and custody operations at the SNWCF with the determining factor that the quality of service from the department was expected to exceed that of any of the vendors.

The Director further indicated that any of the vendors, if selected, would be subject to many operational problems largely due to the disproportionate salary level for staff paid by the vendors.

Chairman Raggio advised that the subcommittee recommended authorizing the Department of Corrections to assume full responsibility for the facility and asked that the Department of Corrections' staff work with the Fiscal Analysis Division staff to identify any cost savings that could be achieved. Chairman Raggio advised that after consultation with the committee's staff, the Department of Corrections had preliminarily agreed to modify their proposal and reduce the fiscal year 2005 costs in excess of \$245,000.

Chairman Raggio pointed out that if work programs 119 through 123 were approved, the Department of Corrections estimated a potential General Fund shortfall in fiscal year 2005 of \$1,176,279. It was the subcommittee's understanding that if the IFC approved the recommended work programs, the Department would approach the 2005 Legislature to request a supplemental appropriation when actual costs for the transition were known, and the department had more experience with the SNWCF inmate population.

MR. MARVEL MOVED TO ACCEPT THE REPORT OF THE
SUBCOMMITTEE ON SOUTHERN NEVADA WOMEN'S
CORRECTIONAL FACILITY.

MR. PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Mr. Perkins, Mr. Goldwater, and Griffin were excused.)

*P INFORMATIONAL ITEMS – Reports on letters of intent and various reports from agencies. (Refer to Exhibit D for a complete list of informational items.)

Chairman Arberry expressed his intent to hear testimony on informational items P-4, 5, P-8A1, P-8C1, and P-8C2.

The Chairman excused members of the audience who were in attendance to provide testimony on informational items not enumerated by the Chairman.

4. WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION (WICHE)
– Mental Health/Federal Match.

Ron Sparks, Executive Director, Western Interstate Commission for Higher Education (WICHE), identified himself for the record. The informational item concerning the expansion of the federal/state matching pilot dental program was approved by the Budget Division and proposed to utilize \$11,000 in unspent state funding allocated for mental health positions to be matched with \$11,000 in federal funds for providers working in the Division of Mental Health and Developmental Services - Rural Clinics.

Chairman Arberry recalled that the money committees, during the 2003 Legislative Session, authorized WICHE to pilot a new Dental Federal Matching Program with the understanding that state funds would be matched with federal funds to establish and maintain two additional dental slots for each fiscal year of the 2003-05 biennium. In that regard, Chairman Arberry questioned WICHE's request to expand the pilot program into the field of mental health.

Mr. Sparks responded that the proposal was provided for information only and that funds had not yet been allocated or spent.

Chairman Arberry pointed out that the 2003 letter of intent directed that WICHE not expand the program.

Noting that the Budget Division approved a proposal in what appeared to be a violation of the 2003 letter of intent, Ms. Giunchigliani asked whether the agency was willing to abandon the proposal to expand the program.

Mr. Sparks advised the members of the committee that WICHE was in position to accept federal matching funds for workers who were needed in difficult to recruit for positions in the rural communities.

Ms. Giunchigliani expressed her intent to hold the agency to the letter of intent directive.

Mr. Hettrick asked if the proposal would impact the state General Fund.

Mr. Sparks responded that the federal funding would be used to retain mental health professionals and would produce state General Fund revenue.

In response to a question from Mr. Hettrick concerning the amount of revenue that would be produced, Mr. Sparks advised that he had worked closely with the Division of Mental Health and Developmental Services on the proposal but did not have the figures.

Mr. Hettrick asked if abandoning the proposal would impact a current employee.

Mr. Sparks responded that the proposal to expand the program into the field of mental health would obligate a mental health professional, currently in the field, to a two-year commitment to the state. Mr. Sparks reiterated the state had a recruitment retention issue concerning mental health positions.

Chairman Arberry stated again his intent to hold WICHE to the letter of intent directive.

John P. Comeaux, Director, Department of Administration, was called to the witness table. Mr. Comeaux advised the members of the committee that the Budget Division did not read the WICHE proposal as a violation of the letter of intent. Mr. Comeaux indicated the proposal was approved by the Budget Division and sent to the IFC as an information item based on a good idea consistent with increasing provider participation in the rural areas.

Chairman Arberry agreed that the idea was a good one in concept but again expressed strong disapproval concerning the manner in which the proposal was handled. Chairman Arberry pointed out the letter of intent addressed only the dental program.

Mr. Sparks discussed the positive issues related to the proposal including the addition of federal funding that would be provided to individuals who had graduated and were licensed, as well as the assistance provided to the Division of Mental Health and Developmental Services with recruitment and retention issues for Rural Clinics.

Mr. Hettrick expressed the support of some members of the committee for the proposal and indicated it did not appear the agency was attempting to circumvent the letter of intent but rather was attempting to provide needed services with an augmentation of federal funding.

Chairman Arberry again expressed disapproval of the manner in which the proposal was approved and indicated the agency should resubmit the proposal as an action item for consideration by the Interim Finance Committee.

Senator Mathews expressed support for the proposal although agreed that the agency appeared to have ignored the letter of intent.

5. DEPARTMENT OF ADMINISTRATION – INFORMATION TECHNOLOGY DIVISION – project status report on the transition of the Department of Public Safety's Radio System.

David L. McTeer, Chief, Information Technology Division, Department of Administration, identified himself for the record and introduced Robert Chisel, Assistant Director for Administration, Nevada Department of Transportation; Mark Blomstrom, Deputy Director, Department of Information Technology; and Captain Christopher Perry, Nevada Highway Patrol Division, Department of Public Safety.

As reported in the June 14, 2004, Project Status Report (Exhibit K), Mr. McTeer advised the members of the committee, the Nevada Highway Patrol Division transitioned to the shared 800 MHz radio system in Las Vegas on June 9, 2004.

While working through initial operational and technical issues associated with the transition, Mr. McTeer reported the project team continued to make progress, although at a slower pace than desired. Mr. McTeer indicated that as the fastest growing metropolitan area in the United States, Las Vegas presented unique challenges in transitioning the radio communications of a major public safety organization along with allied agencies. Mr. McTeer advised that the challenges required a delicate balancing act between moving the transition quickly along, and being mindful of officer and public safety issues.

In response to an inquiry from Chairman Arberry concerning system dead spots or zones in which radio signals were not detectable, Captain Perry confirmed that some dead zones had initially occurred in the system. Captain Perry advised that as with the previous VHF 150 system, it was expected that some of the dead zones, commonly caused by depressions in the terrain or physical structures, could be corrected through engineering while others could not. Captain Perry provided an example concerning an area on I-15 north of Jean, Nevada where a dead zone, attributed to a dip in the road, was solved simply by moving an antenna from the trunk lid of the vehicle to the roof. Captain Perry indicated each zone would have its own unique solution and each of the approximately 15 zones identified in Las Vegas would be separately addressed.

In response to a question from Mr. Beers concerning the number of dead zones that had occurred with the previous system, Captain Perry advised that one area located at 93 and US 95 was also one being experienced with the 800 MHz System. Another large zone along the western front of I-215 was successfully re-engineered with the

realignment of antennas on Mount Potosi. Additionally, Captain Perry indicated there were small zones with the previous system throughout the area that had not been resolved.

Mr. Beers asked for comments in reference to a June 15, 2004, *Las Vegas Review Journal* column by John L. Smith (Exhibit L) concerning random periods of radio down time being experienced by Nevada Highway Patrol Troopers.

Since the week in which his appointment as project manager had occurred, Captain Perry advised he had begun utilization of a check sheet for the troopers in the field to identify problem areas. The problems identified by the troopers would be brought to the attention of representatives of MACOM who were arriving to attend a meeting on June 17, 2004.

In response to a question from Mr. Beers, Captain Perry indicated he did not know if the problems being experienced could be attributed to atmospheric pressures.

In response to questions Senator Coffin had concerning the actual deliverable date, Captain Perry advised that while Las Vegas was currently functioning on the 800 MHz Radio System, the VHF System was also operational.

Robert Chisel, Nevada Department of Transportation, advised that the Highway Patrol was currently engaged in an interim transition to eliminate use of the unauthorized frequencies. Additionally, MACOM compatible dispatch consoles were being placed in the Las Vegas and Reno Highway Patrol offices, which would add features to the radio system and would assist in alleviating problems. Mr. Chisel also indicated that frequencies and mountaintops throughout the state would be re-engineered to provide additional capacity, which would be completed in approximately one year.

Mr. Hettrick asked if the VHF 150 system would continue to be used.

Captain Perry advised that while both systems were operational, the troopers in Las Vegas were using the 800 MHz system, and had been instructed not to use the VHF system unless absolutely necessary. Captain Perry advised that the VHF system had not been used since the transition on June 9, 2004.

8. A1. Rural Clinics' Review of Methodology In Developing Revenue Estimates.

Larry Buel, Director, Rural Clinics, identified himself for the record and introduced Peggy Clark, Administrative Services Officer, Division of Mental Health and Developmental Services, and Rob Forderhase, Administrative Services Officer.

Mr. Buel advised the committee that in response to a September 5, 2003 legislative letter of intent that directed Rural Clinics to investigate their revenue projection methodology, the problem had been corrected.

In response to a question from Ms. Giunchigliani, Mr. Buel explained that the methodology used in the previous budget was based on revenue generated by full-time equivalency clinical positions. Mr. Buel advised that a new method of projecting revenues had been established based on “actual historic revenues received from the four major sources of outside revenues.” Mr. Buel further advised that Rural Clinics was in the process of generating a new budget for the next biennium using the new methodology.

C1. Division of Health Care Financing and Policy - Status Report on Implementation of MMIS System and Payment of Provider Claims.

Debbra J. King, Administrative Services Officer, Division of Health Care Financing and Policy, identified herself for the record and introduced Mel Rosenberg, Information Systems Manager.

Mr. Rosenberg provided the following in brief update on implementation of the Medicaid Management Information System:

- The division staff continued to work with First Health Services and numerous system issues to optimize the claim adjudication rates.
- Key indicators included monthly Medicaid payments by month with a total payment to date of \$519 million.
- Receipt of claims with incomplete information was decreasing and running at or below the established 5 percent goal.

Ms. Giunchigliani advised that a representative of the Nevada Children’s Center had contacted her about not having received payment for a \$155,000 billing.

Mr. Rosenberg indicated he would investigate the Nevada Children’s Center billing.

C2. Report on Compliance Problems with the Provider Tax Program for Nursing Home Facilities.

Refer to narrative under Item 52.

Q. PUBLIC COMMENT.

Gary Wolff, Lobbyist, Teamsters Local 14, complimented the Nevada Highway Patrol’s selection of Captain Perry as Project Manager for the Department of Public Safety’s Radio System and indicated he had complete confidence in Captain Perry’s ability as a Project Manager.

Mr. Wolff expressed concerns in response to the number of calls he had received in reference to officers who were experiencing keying and static problems with their

radios. For the safety of the officers and the public, Mr. Wolff requested that the engineers involved in building the system focus on problems that had been reported.

Captain Perry advised that engineers were currently working on solutions to the dropped call and static problems, some of which were related to mountaintops and some to the console systems in the Las Vegas and Reno Dispatch Centers. Both console systems were being retrofitted to be MACOM compatible, which Captain Perry indicated should alleviate a large percentage of the problems.

Since taking over as Project Manager, Captain Perry advised he had opened a direct line of communication concerning problems from the troopers in the field which were relayed to a technician in the radio shop and then to the Nevada Department of Transportation (NDOT) Project Manager responsible for the project. Captain Perry advised that he also received a description of the problem, which he placed on a spreadsheet. From that point on information concerning solutions and how the problems were being addressed flowed directly from the NDOT Project Manager through Captain Perry back to the troops in the field.

R. ADJOURNMENT.

Chairman Arberry adjourned the meeting at 5:20 p.m.

Assemblyman Morse Arberry Jr., Chairman
Interim Finance Committee

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