

MINUTES OF THE SEPTEMBER 15, 2004  
MEETING OF THE  
INTERIM FINANCE COMMITTEE  
LEGISLATIVE COUNSEL BUREAU  
Carson City, Nevada

Chairman Morse Arberry Jr. called the meeting of the Interim Finance Committee (IFC) to order on Wednesday, September 15, 2004, at 8:30 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 Bob Beers  
Assemblywoman Vonne Chowning  
Assemblywoman Dawn Gibbons  
Assemblywoman Christina R. Giunchigliani  
Assemblyman David Goldwater  
Assemblyman Joe Hardy, Sitting as an Alternate for Assemblyman Andonov  
Assemblyman Lynn Hettrick  
Assemblyman William Horne, Sitting as an Alternate for Mr. Perkins  
Assemblywoman Sheila Leslie  
Assemblywoman Kathy McClain  
Assemblyman John Marvel  
Assemblyman David Parks

**COMMITTEE MEMBERS EXCUSED:**

Assemblyman Walter Andonov  
Assemblyman Richard Perkins

**LEGISLATIVE COUNSEL BUREAU STAFF:**

Lorne Malkiewich, Director, Legislative Counsel Bureau  
Scott G. Wasserman, Chief Deputy Legislative Counsel  
Mark W. Stevens, Fiscal Analyst, Assembly  
Gary L. Ghiggeri, Fiscal Analyst, Senate  
Robert Guernsey, Principal Deputy Fiscal Analyst

Connie Davis, Recording Secretary  
Becky Lowe, Secretary, Fiscal Analysis Division

A. ROLL CALL.

Lorne Malkiewich, Director, Legislative Counsel Bureau (LCB) and Secretary of the Interim Finance Committee, reminded the members of the committee photographs were being taken in the hall behind the committee room. Mr. Malkiewich called the roll and advised Chairman Arberry a quorum of each house was present.

\*B. APPROVAL OF MINUTES FROM THE JUNE 16, 2004 MEETING.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF THE  
JUNE 16, 2004, MEETING MINUTES.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Cegavske, Senator Tiffany, Assemblywoman Giunchigliani, Assemblyman Parks, and Assemblywoman McClain were not present for the vote. Assemblyman Andonov and Assemblyman Perkins were excused.)

Chairman Arberry announced that Work Program Items C, D, and E were listed for informational purposes only.

C. WORK PROGRAM REVISIONS APPROVED BY THE GOVERNOR DUE TO AN  
EMERGENCY PURSUANT TO *NRS 353.220(5)(a)*. INFORMATIONAL ONLY.

1. **DEPARTMENT OF HUMAN RESOURCES – SOUTHERN NEVADA ADULT MENTAL HEALTH SERVICES – FY 05** – Transfer of \$100,000.00 from the Division of Emergency Management's Emergency Assistance Account to provide 30 emergency psychiatric beds for persons held on Legal 2000 status to alleviate the overcrowding in the Las Vegas Valley hospital emergency rooms; therefore, the Governor deemed an emergency exists and approved the work program.
2. **DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES – ENVIRONMENTAL PROTECTION – SAFE DRINKING WATER ACT – FY 05** – Transfer of \$433,388.00 from the Reserve category to the Debt Service on Matching Revenue Bonds category to meet the principal and interest payment due on August 1, 2004. The state is mandated to meet its debt service obligations on the specified date; therefore, the Governor deemed an emergency exists and approved the work program.

- D. WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5)(b) INFORMATIONAL ONLY – REQUIRED EXPEDITIOUS ACTION WITHIN 15 DAYS.
1. **Department of Agriculture – Plant Industry – Mormon Cricket and Grasshopper Program – FY 04** – Addition of \$250,842.00 in United States Department of Agriculture Mormon Cricket Grant funds to continue the Rangeland Grasshopper and Mormon Cricket survey and control program, which includes seasonal employees and related operating costs. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.
  2. **Department of Agriculture – Plant Industry – Mormon Cricket and Grasshopper Program – FY 05** – Addition of \$99,158.00 in United States Department of Agriculture Mormon Cricket Grant funds to continue the Rangeland Grasshopper and Mormon Cricket survey and control program, which includes seasonal employees and related operating costs. Requires Interim Finance approval since the amount added to the Grasshopper/Mormon Cricket Program category exceeds \$50,000.00.
  3. **Department of Wildlife – Administration – FY 04** – Transfer of \$5,000.00 from the Diversity category to the Law Enforcement category, \$215.00 from the Diversity category to the Habitat Management category, \$49,785.00 from the Fisheries Management category to the Habitat Management category, \$12,857.00 from the Fisheries Management category to the Administrative Services category, \$23,797.00 from the Game Management category to the Administrative Services category, \$180,874.00 from the Director's category to the Administrative Services category and \$15,196.00 from the Conservation Education category to the Administrative Services category to reallocate and reconcile the special use category funding to address expenses for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred to the Administrative Services category exceeds \$50,000.00.
- E. WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5)(c) and Position Changes in Accordance with NRS 353.224(2). INFORMATIONAL ONLY – REQUIRED ACTION WITHIN 45 DAYS.
1. **Department of Education – Discretionary Grants Restricted – FY 04** – Addition of \$25,000.00 in Limited English Proficiency grant funds and \$282,398.00 in Federal Advanced Placement Fee Payment grant funds to allow for the receipt of a new grant from the Minnesota Department of Education to support a computer-based limited English proficiency ~~listing~~ **listening** and speaking test development project and to add additional Advanced Placement Fee Payment program federal funds. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

2. **Department of Agriculture – Plant Industry – Registration and Enforcement – FY 04** – Addition of \$32,273.00 in Pesticide Registration Fees, \$22,986.00 in Fertilizer Tonnage Fees, \$1,950.00 in Antifreeze Registration Fees, the deletion of \$11,741.00 in Reimbursements from the Health Division for the Environmental Public Health Tracking System and the transfer of \$9,220.00 from the Environmental Protection Agency Grant 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 to the Personnel Services category exceeds 10% of the legislatively approved level for the category.
3. **Department of Business and Industry – Insurance Examiners – FY 04** – Addition of \$500,000.00 in Examination Fees and \$200,000.00 in Administration Fees to cover contractual expenditures for company examinations for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Insurance Company Exams category **exceeds 10% of the legislatively approved level for that category.**
4. **Department of Business and Industry – Mortgage Lending – FY 04** - Transfer of \$130,000.00 from the Reserve category to the Personnel Services category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds 10% of the legislatively approved level for that category.
5. **Department of Human Resources – Mental Health and Developmental Services – Rural Regional Center – FY 04** – Transfer of \$70,000.00 from the Certified Training Centers Jobs and Day Training category to the Non-Certified Training Centers Jobs and Day Training category to cover projected expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Non-Certified Training Centers Jobs and Day Training category exceeds \$50,000.00.
6. **Department of Corrections – Prison Dairy – FY 04** – Transfer of \$22,500.00 from the Retained Earnings category to the Personnel Services category to fund projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the Retained Earnings category exceeds \$50,000.00.
7. **Department of Motor Vehicles – Administrative Services – FY 04** – Transfer of \$14,000.00 from the Registration Printing category to the Printer Ribbons category and \$30.00 from the Registration Printing category to the Training category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the Registration Printing category exceeds \$50,000.00. **WITHDRAWN, AUGUST 11, 2004.**

8. **Department of Motor Vehicles – Information Technology – FY 04** – Transfer of \$25,000.00 from the DoIT Charges category to the Operating category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

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

Chairman Arberry announced testimony would be heard on work program items 2, 3, 4, 5, 7, 10, 11, 13, 14, 16, 18, 19, 22, 31, 33, 34, 35, 48 and 49 required a public hearing, 50 required a public hearing, 51, 52, 57 required a public hearing, 59, 62, 69, 107, 124, and 125.

Work program items 54, 55, 96, 97, 114 and 115 were withdrawn.

Chairman Arberry announced that the Department of Business and Industry, Industrial Relations Division withdrew reclassification of Position 0050 Accounting Assistant to Personnel Technician, and the Department of Human Resources, Division of Child and Family Services withdrew reclassification of Position 0004 Accounting Assistant III to Account Technician II.

ASSEMBLYWOMAN CHOWNING MOVED APPROVAL OF ALL WORK PROGRAM ITEMS AND POSITION CHANGES NOT ENUMERATED BY THE CHAIRMAN.

ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

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

**I. Work Program Revisions Requiring Interim Finance Committee Review.**

1. **Attorney General – Insurance Fraud – FY 04** – Transfer of \$18,000.00 from the Reserve category to the Personnel Services category, \$600.00 from the Reserve category to the Information Services category, \$600.00 from the Reserve category to the In-State Travel category and \$88.00 from the Reserve category to the Training category to cover projected expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the cumulative amount transferred from the Reserve category exceeds \$50,000.00.

Refer to motion for approval under Item F.

2. **Commission on Ethics – FY 04** – Deletion of \$14,741.00 in General Fund Appropriation to transfer unspent fiscal year 2004 General Funds to fiscal year 2005 to be used for investigations of ethic complaints and for paralegal services. Requires Interim Finance approval pursuant to AB 553, Section 32, of the 2003 Legislative Session.

Stacy Jennings, Executive Director, Nevada Commission on Ethics, identified herself for the record. Ms. Jennings was before the committee to request approval to transfer unexpended funds from fiscal year 2004 into fiscal year 2005. Pursuant to the provisions of A.B. 553, 2003 Nevada Legislature, Ms. Jennings requested that \$14,741 be transferred from fiscal year 2004 to fiscal year 2005 Category 15, Investigations.

Ms. Jennings advised the members of the committee that the commission's budget for the 2003-2005 biennium was based on numbers generated from calendar years 2001 and 2002 caseload. During that two-year period, 66 cases were processed, while currently through September 8, 2004, 136 cases were processed, a 106 percent increase in workload with three months remaining in the comparative period.

Ms. Jennings reported a \$15,000 balance in fiscal year 2005 Category 15, Investigations, \$5,000 of which was dedicated to government membership in Lexis-Nexis, a publication that provided "authoritative legal, news, and public records information," leaving \$10,000 for contract investigation services. Ms. Jennings advised that of the commission's three-member staff, she was the only staff member that conducted investigations, and contract services were relied on to provide assistance to keep up with the caseload.

An alternative suggested by Chairman Arberry was to reduce the commission's Contingency Fund request of \$53,113 by the \$14,741 in unexpended funds and to allow the commission to approach the 2005 Legislature for a supplemental appropriation, if additional funding was required.

Ms. Jennings told the members of the committee that Agenda Item H. 1 requested \$53,113 to establish and staff an office in southern Nevada with a full-time paralegal position to assist the commission's attorney who was experiencing an increase in challenged commission cases. Ms. Jennings pointed out that if the committee reduced the Contingency Fund request by the \$14,741, the commission would not be provided the assistance needed in the Investigations' category.

In response to the Chairman's request for the amount needed for investigations, Ms. Jennings explained that investigative time varied depending on the magnitude of a case. Ms. Jennings reported that the commission had experienced a number of "labor-intensive high-profile cases during the current year that had taken an inordinate amount of time."

Chairman Arberry reiterated his earlier suggestion that the commission approach the 2005 Legislature for a supplemental appropriation, if additional funds were required.

Ms. Jennings advised that the commission's 2005-2007 budget request would include a full-time Investigator.

Mr. Marvel asked Ms. Jennings to provide an accounting of what the \$14,741 would buy.

Ms. Jennings explained that independent contracts were released for investigative services at \$24 per hour.

Chairman Arberry asked how much the commission spent on investigations in fiscal year 2004.

Ms. Jennings reported that in fiscal year 2004, the commission spent all but \$1,000 of a \$15,000 budget.

ASSEMBLYMAN MARVEL MOVED TO APPROVE THE  
\$14,741 BALANCE FORWARD AND TO ALLOW THE  
COMMISSION TO APPROACH THE 2005 LEGISLATURE  
FOR A SUPPLEMENTAL APPROPRIATION, IF NEEDED.

Mark Stevens, Assembly Fiscal Analyst, Legislative Counsel Bureau, Fiscal Analysis Division, indicated he understood the motion was to approve the \$14,741 in unexpended funds, which would reduce the Contingency Fund request of \$53,113 by \$14,741 and allow the commission to approach the 2005 Legislature for a supplemental appropriation, if additional funds were needed.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

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

3. **Commission on Ethics – FY 05** – Addition of \$14,741.00 in General Fund Appropriation to accept unspent fiscal year 2004 General Funds to be used for investigations and paralegal services in fiscal year 2005. Requires Interim Finance approval pursuant to AB 553, Section 32, of the 2003 Legislative Session.

Refer to Item F. 2 and H. 1 for narrative and motion.

4. **Department of Administration – Information Technology Division – FY 04** – Deletion of \$1,139,017.00 in General Fund Appropriation, \$1,793,378.00 in

Highway Fund Appropriation, and \$78,861.00 in Medicaid Charges to transfer the remainder of the sums appropriated to various information technology projects to fiscal year 2005. Requires Interim Finance approval pursuant to Section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829.

David McTeer, Chief, Information Technology Division, Department of Administration, identified himself for the record. Mr. McTeer reported that work program Items 4 and 5 related to the following Information Technology Projects in Budget Account 1325:

- Digital Microwave Phase II and Phase III Projects, funded from a Highway Fund appropriation.
- Division of Mental Health and Developmental Services' Avatar Project, funded from both the General Fund and Medicaid charges.
- Division of Child and Family Services' Avatar Project, funded from the General Fund.
- Real Estate Licensing Division, Department of Business and Industry Project, funded from the General Fund.

Mr. McTeer requested the committee's approval to balance forward unspent fiscal year 2004 funds to fiscal year 2005 in order to continue the projects as planned for the biennium.

Senator Raggio noted a revision was required for Items F. 4 and 5 and deferred to Mark Stevens who provided the following adjustment.

Mr. Stevens advised the members of the committee that Item 4 should be revised to reflect a General Fund appropriation of a negative (\$790,257) and a Highway Fund appropriation of a negative (\$2,751,621). Mr. Stevens further advised the work program should be revised to reflect a corresponding negative in Category 10 of (\$790,257) and in Category 12, a negative (\$2,751,621).

Mr. Stevens also advised that work program Item 5, should be revised to reflect a General Fund appropriation of a positive \$790,257 and a Highway Fund appropriation of a positive \$2,751,621 with a balance forward of \$348,760. Mr. Stevens noted that the work program currently held \$78,861 in Medicaid charges that would remain. Mr. Stevens advised that Category 10 expenditures would total \$1,076,243, Category 12 expenditures would total \$2,751,621, and Category 16 expenditures would total \$141,635.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF WORK  
PROGRAM ITEMS 4 AND 5 AS REVISED BY STAFF.



ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

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

5. **Department of Administration – Information Technology Division – FY 05** – Addition of \$1,139,017.00 in General Fund Appropriation, \$1,793,378.00 in Highway Fund Appropriation, and \$78,861.00 in Medicaid Charges to transfer the remainder of the sums appropriated to various information technology projects from fiscal year 2004. Requires Interim Finance approval pursuant to Section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829.

Refer to narrative and motion for approval in Item 4.

6. **Department of Administration – Motor Pool Division – FY 04** – Transfer of \$26,500.00 from the Reserve category to the Vehicle Operations category to allow for increases fuel costs and an increase of 400,000 miles driven in FY 04 compared to the projected number of miles budgeted. Requires Interim Finance approval since the amount transferred to the Vehicle Operations category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

7. **Department of Administration – Motor Pool Division – FY 05** – Transfer of \$75,000.00 from the Reserve category to the Las Vegas Relocation category to allow for a deposit on land the Motor Pool Division and Division of State Lands determined appropriate for a new Las Vegas Motor Pool location. Requires Interim Finance approval since the amount transferred to the Las Vegas Relocation category exceeds \$50,000.00.

Keith Wells, Administrator, Motor Pool Division, identified himself for the record. Mr. Wells appeared before the committee to request the transfer of \$75,000 from Category 86, Reserve to Category 25, Las Vegas Relocation. Mr. Wells said the funding, if approved, would be used as an earnest money deposit for an appropriate parcel of land on which to construct a new Las Vegas Motor Pool facility.

Chairman Arberry asked if there was any assurance the earnest money would be returned to the state if a real estate transaction were not completed.

Mr. Wells indicated a clause for a refundable deposit would be written into the transaction.

In response to questions from the Chairman concerning the problems involved in acquiring a site, Mr. Wells explained that the current lease for the Las Vegas Motor Pool would expire in December 2005. The Motor Pool had to relocate to a site within the airport corridor in an area where land was expensive. In order to attract a contractor to construct a small project, Mr. Wells indicated a parcel of land had to be secured with earnest money.

Chairman Arberry recalled hearing testimony during the 2003 Legislative Session concerning the possibility of the Motor Pool relocating to an existing building.

Mr. Wells indicated that the owner of the facility that was being considered became impatient and after receiving better offers declined to do business with the state. Two options being considered were to find an existing facility to lease or pursue a lease-purchase arrangement.

In response to additional questions Chairman Arberry had concerning the two options, Pam Wilcox, Administrator, State Lands, advised that every option to move forward with the relocation of the Las Vegas Motor Pool had been reviewed.

In reference to the option concerning the acquisition of land, Ms. Wilcox discussed the intent to proceed with a lease-purchase agreement, an arrangement in which a developer would build to suit. Ms. Wilcox reported that discussions had taken place with representatives of the State Treasurer's Office, and an amount that could be financed and repaid with Motor Pool revenue stream had been established.

Ms. Wilcox advised that the most desirable option was for the Motor Pool to relocate to one of the prime parcels of land near the area south of the airport. Ms. Wilcox explained that owning land in the area where rental car facilities were also to be relocated would provide some security for a long-term facility, and the state would not continue to be at the mercy of other landowners on short-term leases. Ms. Wilcox pointed out, however, that the Motor Pool was handicapped because the project had no budget and lacked available funds to make a deposit.

Ms. Wilcox advised that another option being explored was leasing an existing facility in the same area that might provide the infrastructure that was needed.

Chairman Arberry asked about the possibility of purchasing less expensive land at a greater distance from the airport with provisions for a shuttle service.

Ms. Wilcox responded that all possibilities were being explored including parcels of land the state already owned. Ms. Wilcox indicated Mr. Wells had discussed the possibility of a split facility in which a small space near the airport could be used to provide an area to pick-up vehicles while a facility farther away would be used to wash and service vehicles.

In response to Chairman Arberry's question concerning a final resolution of the problem, Ms. Wilcox indicated that without the availability of funding to provide a deposit, there would be nothing specific to bring before the committee.

In response to questions Senator Coffin had concerning state-owned property located near Interstate 215, Ms. Wilcox indicated she was not familiar with the property but would conduct some research.

Senator Coffin asked if it was possible that one of the car-rental companies along the frontage road on I-215, directly south of the airport, might have excess acreage that might be available.

Ms. Wilcox advised that the area Senator Coffin referred to was the location being explored.

It was Mrs. Chowning's opinion the request for a \$75,000 transfer appeared to be an "extraordinary amount" for an earnest money deposit. Additionally, Mrs. Chowning expressed concern that a dispute over earnest money could be held up in court for years if the two parties did not agree on a refund.

Ms. Wilcox advised that the parcels of land being explored were in the \$750,000 range and 10 percent was a typical deposit. Ms. Wilcox further advised that State Lands would negotiate for as small an amount of money as possible and would do everything possible to protect the earnest money for the state.

ASSEMBLYMAN PARKS MOVED APPROVAL OF ITEM F.7

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblywoman Giunchigliani, and Assemblywoman McClain were not present for the vote. Assemblyman Andonov and Assemblyman Perkins were excused.)

8. **Department of Administration – ~~Community Commodity~~ Food Program – FY 04** – Transfer of ~~\$28,893.00~~ **\$30,266** from the Reserve category to the Personnel Services category to cover annual leave and sick leave payoffs. Requires Interim Finance approval since the cumulative amount transferred to the Personnel Services category exceeds \$50,000.00. **REVISED 9/1/04.**

Refer to motion for approval under Item F.

9. **Department of Information Technology – Director's Office – FY 05** – Addition of \$449,300.00 in Federal grant revenue transferred from the Division of Emergency Management to fund a satellite uplink system and Cyber Security Training and Awareness Program. Requires Interim Finance approval since the

amount added to the Emergency Management Grant Funds category exceeds \$50,000.00.

Refer to motion for approval under Item F.

Chairman Arberry announced that Items F. 10 and 11 would be considered simultaneously.

- 10. Department of Education – Other State Education Programs – FY 04 –** Deletion of \$899,375.00 in General Fund Appropriation to transfer unexpended General Funds to fiscal year 2005. Requires Interim Finance approval pursuant to Section 33 of Chapter 327, Statutes of Nevada 2003, at page 1829.

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, Department of Education, identified himself for the record. Mr. Thunder was before the committee to request the transfer of unexpended General Funds from fiscal year 2004 to fiscal year 2005 through work program Items F. 10 and F. 11. Mr. Thunder requested the transfer of unspent appropriations for the following programs:

- |   |           |
|---|-----------|
| ○ Peer Mediation Program                          | \$16,474  |
| ○ New Teacher Signing Bonuses                     | \$402,000 |
| ○ System for Accountability Information in Nevada | \$480,901 |

Mark Stevens, Assembly Fiscal Analyst, pointed out General Ledger 2511, Balance Forward should be revised to General Ledger 2501, General Fund Appropriation.

ASSEMBLYWOMAN LESLIE MOVED TO APPROVE WORK PROGRAM ITEMS F. 10 AND 11 WITH THE REVISION PROVIDED BY STAFF.

ASSEMBLYWOMAN GIBBONS SECONDED THE MOTION.

THE MOTION WAS CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

- 11. Department of Education – Other State Education Programs – FY 05 –** Addition of \$899,375.00 in General Fund Appropriation to transfer unexpended General Funds from fiscal year 2004. Requires Interim Finance approval pursuant to Section 33 of Chapter 327, Statutes of Nevada 2003, at page 1829.

Refer to Item 10 for narrative and motion.

- 12. Department of Education – Teacher Education and Licensing – FY 05 –** Addition of \$200,000.00 in Fingerprint Fees to establish authority for Fingerprint

Fees previously collected by the Department of Motor Vehicles. Fees are now collected by the Department of Education and transferred to the Department of Motor Vehicles on a quarterly basis. Requires Interim Finance approval since the amount added to the Fingerprint Fees category exceeds \$50,000.00.

Refer to motion for approval under Item F.

Chairman Arberry announced that Items F. 13 and 14 would be considered simultaneously.

- 13. Department of Education – Proficiency Testing – FY 04 –** Deletion of \$262,601.00 in General Fund Appropriation to transfer ~~unexpected~~ **unexpended** General Funds to fiscal year 2005. Requires Interim Finance approval pursuant to Section 33 of Chapter 327, Statutes of Nevada 2003, at page 1829. **REVISED 8/24/04.**

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, Department of Education, identified himself for the record. Mr. Thunder was before the committee to request the transfer of unexpended General Funds from fiscal year 2004 to fiscal year 2005 through work program Items F. 13 and F.14. Mr. Thunder pointed out a change in the amount to be transferred from \$262,601 to \$262,621. The transfer of unexpended appropriations to fiscal year 2005 were requested for the following programs:

- State Norm-Referenced Examination
- High School Proficiency Examination
- Criterion-Referenced Examination
- State Writing Program

Mark Stevens, Assembly Fiscal Analyst, noted the \$20 revision pointed out by Mr. Thunder and indicated the unspent amount in Category 19 was \$2,909 not \$2,889, which revised the total funding to be balanced forward to \$262,221. An additional adjustment recommended by staff was in Item F. 14 which corrected General Ledger 2511, Balance Forward to General Ledger 2501, General Fund Appropriation.

ASSEMBLYWOMAN GIBBONS MOVED APPROVAL OF  
WORK PROGRAM ITEMS F. 13 AND 14 WITH THE  
REVISIONS PROVIDED BY STAFF.

SENATOR RAGGIO SECONDED THE MOTION.

THE MOTION WAS CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

14. **Department of Education – Proficiency Testing – FY 05** – Addition of \$262,601.00 in General Fund Appropriation to transfer ~~unexpected~~ **unexpended** General Funds from fiscal year 2004. Requires Interim Finance approval pursuant to Section 33 of Chapter 327, Statutes of Nevada 2003, at page 1829. **REVISED 8/24/04.**

Refer to Item 13 for narrative and motion.

15. **Department of Education – Nutrition Education Programs – FY 05** – Addition of ~~\$188,188.00~~ **\$188,118** in Balance Forward Vitamin Settlement Program and \$36,064.00 in Federal Administration Reallocation Funds and the transfer of \$32,314.00 from the Personnel Services category to the Child/Adult Care Audit category to meet the contractual costs associated with the Kyran nutrition program web-based claims payment system and to balance forward unused funding from the Vitamin Settlement, which supports the Breakfast in the Classroom program. Requires Interim Finance approval since the amount added to the Information Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

16. **Department of Education – Improving America’s Schools Act – Title II and Title VI Grants – FY 05** – Transfer of \$44,729.00 from the State Assessment, Administration and Technical Assistance category to the Personnel Services category to provide funding for a position to address statutory requirements addressing reports of testing irregularities and to oversee all activities relative to test security effective October 1, 2004. Requires Interim Finance approval since they are including new staff.

Keith Rheault, Superintendent, Public Instruction, identified himself for the record. Dr. Rheault requested approval to transfer \$44,729 in federal funds from the Administrative category for state assessments to the Personnel category. The transfer, if approved, would provide funding for a new position to address testing irregularities in Nevada’s Proficiency Testing program.

Providing justification for the position, Dr. Rheault reported a 300 percent increase in testing violations since 2001, which was reflected in a September 1, 2004 report to the Legislative Committee on Education. Additionally, Dr. Rheault reported that until just recently, duties associated with testing violation paperwork, follow-up, licensure suspension, and revocation were assigned to various members of the staff.

With a backlog in some cases dating over a year, Dr. Rheault indicated it had become his priority to have the issues resolved and to have a dedicated staff member who would follow-up with the districts, investigations, and if suspension was recommended, the Attorney General or the Superintendent. Dr. Rheault

indicated he and a newly assigned Deputy Attorney General agreed to “actively and aggressively pursue” those individuals who needed to be suspended. During the last four months, Dr. Rheault reported one license was revoked and three others were suspended, one for eighty days, and the other for twenty days. Dr. Rheault indicated the revocation and suspension penalties were expected to send a message and at least reduce the increase in test violations.

Dr. Rheault reported that in addition to testing for Grades 3, 5, and 8, new tests in Grades 4, 6 and 7, as required by the No Child Left Behind Act (NCLBA) would be conducted in the spring. Dr. Rheault reiterated the need for a dedicated staff member to ensure continued progress concerning the establishment of corrective actions.

Chairman Arberry asked if any assurance could be provided that the requested position could reduce the number of security violations that occurred during testing.

Dr. Rheault explained that duties assigned to the new position would be devoted solely to following up on test violation incidents. Since heretofore duties associated with the follow-up on incidents had been parceled out to various members of the staff, corrective action was delayed. With the new position, Dr. Rheault indicated he was hopeful corrective action would be established prior to the next testing cycle.

Chairman Arberry asked for confirmation that if federal funds for the position were no longer available, the position would be eliminated.

Dr. Rheault confirmed that if Title I funds were no longer available, and if there were no other positions to which to move the staff member, the position would be eliminated.

With the “disturbing” increase in testing irregularities, Senator Raggio said “a high priority” should be given to strongly addressing testing violations. A recent news article reported some cell phones and calculators were so advanced, students had access to information while taking tests. Senator Raggio asked whether a “unified approach” was being taken by all of the school districts in controlling such issues.

In response, Dr. Rheault indicated detailed training on test procedures was provided to all administrators and teachers, and each district he had worked with was committed to resolving the issue concerning violations.

Dr. Rheault advised that additional policies concerning the use of cell phones equipped with digital photography or wrist watch calculators would be required to ensure no electronic products were available to students during testing.

Mrs. Chowning also indicated the increase in test violations was disturbing and questioned who was to blame. Mrs. Chowning expressed her appreciation to

Superintendent Rheault for his proactive position concerning the establishment of policies and enforcement of penalties.

Dr. Rheault indicated that ultimately a principal or administrator of a school site after “signing off” on training every teacher in their particular school, would be held responsible for test violations. However, when it could be proven a teacher had ignored the training, the teacher would be held responsible.

Statistically, while only 24 violations occurred in multiple tests administered to over 200,000 students, or about 1/100th of 1 percent, Dr. Rheault indicated the Department of Education was committed to resolving the problem.

In the pursuit of education excellence and accountability, Mrs. Chowning said even a small number of violations was appalling and again expressed her appreciation for the proactive approach being taken.

ASSEMBLYWOMAN CHOWNING MOVED APPROVAL OF  
WORK PROGRAM F. 16.

ASSEMBLYWOMAN GIUNCHIGLIANI SECONDED THE  
MOTION.

THE MOTION WAS CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

Senator Coffin asked for information concerning a group of students whose test scores had been lost.

Dr. Rheault advised that the tests for six students, tested during the summer in the Clark County School District, had not been submitted for scoring. Currently, Department of Education representatives were working with the Clark County School District to determine how the tests, sent to the contractor in Texas for scoring, were lost. Dr. Rheault explained that in exceptional circumstances the Department of Education was authorized to provide an additional administration of a test for the students; the additional administration was scheduled to occur during the current week.

Senator Coffin asked if an apology and a passing grade could be provided to the students based on the ineptitude that had occurred.

Dr. Rheault indicated the department only had authority to test the students again, but that department representatives would work with the district to determine how the tests were lost and to ensure the problem did not happen again.



Senator Coffin expressed concerns that students were being tested on subjects they had not been taught, and test scores would not be readily available unless hand scored.

Paul LaMarca, Director, Assessments, Program Accountability, and Curriculum, Education State Programs, reported the incident was being treated as a testing irregularity and was being investigated. Dr. LaMarca confirmed the tests were being administered during the current week and would be shipped overnight to the Department of Education where they would be hand scored. Dr. LaMarca indicated the students would be notified of their scores within a two to three day period after taking the test.

Senator Coffin asked if any of the six students were denied admission to a university or college as a result of the incident.

Dr. LaMarca advised that one student, who was a scholarship athlete and had a General Equivalency Diploma, was admitted to a college in Colorado. Dr. LaMarca indicated that department representatives were attempting to arrange a special administration at the Colorado site since the student and the department felt it was important she had a Nevada standard diploma.

Before moving on with the agenda, Senator Raggio asked for a status report on the \$7.2 million in unexpended U.S. Department of Education funding for fiscal year 2002. Senator Raggio indicated it was his understanding the funds would be reverted by the close of the year if not obligated by September 30, 2004.

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, indicated some confusion in a Federal Funds Information for States (FFIS) report he had received that morning concerning unexpended funds in fiscal year 2002. Mr. Thunder advised it was unclear whether the article referred to federal fiscal year 2002 or state fiscal year 2003 and clarification was required.

Mr. Thunder reported he believed most of the funding was obligated, but any funds that had to be refunded would, most likely, be from a school district that determined at the last moment they could not appropriately use the funds. Mr. Thunder further indicated he would attempt to provide a more exact report to the committee's staff later in the day.

Senator Raggio expressed concern in reference to unexpended funds in the Federal Reading First program for first through third grades, which he indicated was a high priority.

Mr. Thunder explained that the state's application for the Reading First program was accepted a year after the program began, and if unexpended funds existed, department representatives would attempt to extend the expiration date.

Senator Raggio indicated wanting to avoid criticism that the No Child Left Behind Act (NCLBA) was not providing adequate funding while at the same time available funds were not being expended. Senator Raggio advised that an update to staff later the same day would be appreciated.

17. **Department of Cultural Affairs – Nevada Arts Council – FY 05** – Addition of \$106,600.00 in Federal National Endowment for the Arts (NEA) Grant to accept additional federal grant funds in support of the following Challenge America programs as authorized under the provision of the NEA Grant: Arts in Education Program, Grants Program, Arts Services Program, and the Folk Life Program. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00 in governmental grants.

Refer to motion for approval under Item F.

Acting in his capacity as Chairman while Chairman Arberry was away from the meeting, Senator Raggio announced that Items 18 and 19 would be considered simultaneously.

18. **Department of Agriculture – Administration – FY 05** – Addition of \$38,140.00 in Intra-Agency Transfer funds to create a new grants analyst position to manage grants and subgrants received by the department to be funded through an indirect cost assessment against the federal grant. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff.

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

Mr. Henderson began his presentation with Item 19 and requested committee approval to receive a federal appropriation in the amount of \$4,822,165 from the United States Department of Agriculture (USDA). The grant, secured by Senator Harry Reid and the Nevada Congressional Delegation, would be used to assist the Department of Agriculture in the control of Mormon crickets and grasshoppers.

Chairman Raggio asked for clarification in reference to “why federal funds were not drawn into the USDA Rangeland and Mormon Cricket account immediately when authority was available via expedited work program (Item D.1) on August 5, 2004, resulting in General Funds being used to float the account.”

Rick Gimlin, Administrative Services Officer, Department of Agriculture, explained that the department requested and received pre-award funds in the amount of \$250,000, which had recently been drawn into the USDA Rangeland and Mormon Cricket account. Additionally, Mr. Gimlin advised that the department was currently awaiting another \$100,000 from the USDA, which would correct a negative balance in the USDA Rangeland and Mormon Cricket budget account.

Mr. Gimlin indicated the department expected to receive the \$100,000 before the budget was closed for fiscal year 2004.

In response to additional questions from Chairman Raggio, Mr. Gimlin explained that permission was received from the Budget Division to overspend the account until reimbursement could be provided from the grant funds, which allowed the Department of Agriculture to continue fighting Mormon crickets and grasshoppers while in the process of negotiating an agreement with the USDA. Mr. Gimlin attributed the delay in receipt of the grant funding to a USDA determination on whether the funding would be provided in the form of a grant or a cooperative agreement.

In response to additional questions from Chairman Raggio, Mr. Gimlin advised that the grant was received in the form of a cooperative agreement, and the “no-year funds” could be carried forward into 2008. Mr. Gimlin explained that while the USDA’S Animal and Plant Health Inspection Service (APHIS) was only authorized to enter into four-year agreements, the work plan and financial plan would be renegotiated on an annual basis.

Mr. Gimlin requested approval for the addition of a Grants Analyst position in Item 18. The position, funded through an indirect cost assessment against the USDA Grant, would be used to manage cooperative agreements and subgrants for the Nevada Department of Agriculture. USDA representatives provided confirmation indirect costs received from the grant could be used to fund the position.

Senator Rhoads extended his appreciation to the Department of Agriculture for the “excellent Mormon cricket control” they provided.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEMS  
18 AND 19.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

- 19. Department of Agriculture – Plant Industry – Mormon Crickets and Grasshoppers – FY 05** – Addition of \$4,822,165.00 in United States Department of Agriculture Mormon Crickets Grant funds to expand the Mormon Crickets program by adding two positions, 12 seasonal positions and associated operating and travel costs. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00 and includes new staff.

Refer to narrative and motion for approval under Item 18.

20. **Department of Agriculture – Livestock Inspection – FY 05** – Addition of \$80,991.00 in the Federal Homeland Security Grant funds transferred from the Division of Emergency Management to purchase vehicles and laboratory equipment. Requires Interim Finance approval since the cumulative amount added to the State Homeland Security category exceeds \$50,000.00.

Refer to motion for approval under Item F.

21. **Department of Agriculture – Predatory Animal & Rodent Control – FY 04** – Addition of \$129,260.00 in United States Department of Wildlife Grant funds transferred from the Nevada Department of Wildlife, and a transfer of \$6,640.00 from the Predator Check off category to the Nevada Division of Wildlife Predatory Reduction category to cover costs of seven predatory service projects. Requires Interim Finance approval since the amount added to the NDOW Predatory Reduction category exceeds \$50,000.00.

Refer to motion for approval under Item F.

22. **Department of Business and Industry – Insurance Division – FY 05** – Transfer of \$45,665.00 from the Reserve category to the Personnel Services category, \$4,660.00 from the Reserve category to the Out-of-State Travel category, \$2,642.00 from the Reserve category to the In-State Travel category, \$3,923.00 from the Reserve category to the Operating category, \$3,076.00 from the Reserve category to the Equipment category, and \$3,947.00 from the Reserve category to the Information Services category to provide funding for one new position and associated costs to manage the captive insurance program. Requires Interim Finance approval since the amount transferred to the Personnel Services category includes new staff.

Alice Molasky-Arman, Commissioner, Insurance Division, identified herself for the record and introduced John Orr, Deputy Commissioner, Insurance Division. Ms. Molasky-Arman was before the committee to request authorization to add a new position to manage the division's Captive Insurer Program. "Legislation providing for the licensure and regulation of captive insurers in Nevada was approved by the 1999 Legislature," and became effective January 1, 2000. While the Captive Insurance Program was not funded at that time, Ms. Molasky-Arman indicated she advised the Legislature that "supporting systems" would be needed as the industry grew.

Ms. Molasky-Arman described the Captive Insurance Program as good business "for the economic development of the state of Nevada" and said it had been estimated that every captive insurer established in a state brought in \$250,000 in economic development. Additionally, she said the Captive Insurance Program provided jobs, educational opportunities, and advancement for certified public accountants, attorneys, and actuaries all of whom supported the industry.

Ms. Molasky-Arman discussed the advances achieved in the program since its inception in Nevada. Despite the lack of infrastructure to support the program, Ms. Molasky-Arman pointed out there were currently 24 captive insurers in the state, and it was anticipated another 12 would be established in Nevada by the end of the fiscal year 2005. Ms. Molasky-Arman indicated she was committed to establishing the same support for the program as every other state making strides in the industry.

Chairman Raggio asked how soon the position would be filled if the committee approved the request.

In anticipation of committee approval, Ms. Molasky-Arman advised that a manager was currently being recruited for hire within two to three months.

Chairman Raggio noted that although it appeared the new position was justified, information provided to the committee showed that license and application fees and premium tax revenue in fiscal year 2004 would not support the ongoing costs of the new position.

John Orr, Deputy Commissioner, Insurance Division, explained that the division had reserve-funding resources through fiscal year 2006, and a request to extend the position had been placed in the budget. Additionally, Mr. Orr advised that if revenue projections did not materialize, the position would be eliminated.

ASSEMBLYMAN GOLDWATER MOVED APPROVAL OF ITEM 22.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

Mr. Beers disclosed his involvement in a captive insurance company and indicated he would abstain from the vote.

Senator Coffin disclosed he was an insurance broker but would not abstain.

THE MOTION CARRIED. (Assemblyman Beers abstained; Assemblyman Andonov and Assemblyman Perkins were excused.)

- 23. Department of Business and Industry – Insurance Division – Captive Insurers – FY 05** – Addition of \$6,900.00 in Licenses and Fees, \$5,000.00 in Application Fees, \$41,055.00 in Examination Fees and \$11,407.00 in Insurance Premiums to account for costs associated with the increase in the number of companies requesting to be licensed as Captive Insurers. Requires Interim Finance approval since the amount added to the Program Expenses category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

24. **Department of Business and Industry – Housing Division – DOE Weatherization FY 05** – Transfer of \$1,648,316.00 from the Reserve category to the Universal Energy Charge category to provide for anticipated expenditures for the energy assistance and conservation program for low income housing families. Requires Interim Finance approval since the amount transferred to the Universal Energy Charge category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

25. **Department of Business and Industry – Mortgage Lending – FY 05** – Transfer of \$218,446.00 from the Reserve category to the Personnel Services category, \$9,275.00 from the Reserve category to the In-State category, \$7,502.00 from the Reserve category to the Operating Expenses category, \$14,212.00 from the Reserve category to the Equipment category, \$20,539.00 from the Reserve category to the Information Technology category and \$16,713.00 from the Reserve category to the Training category to provide funding for six new positions and associated costs. Requires Interim Finance approval since the amount added to the Personnel Services category includes new staff.

Refer to motion for approval under Item F.

26. **Department of Business and Industry – Division of Industrial Relations – Occupational Safety and Health Administration – FY 05** – Addition of \$34,396.00 in Department of Labor federal grant funds to replace one vehicle and purchase safety equipment to support inspections and the emergency response team. 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 F.

27. **Department of Business and Industry – Division of Industrial Relations – Occupational Safety and Health Administration – FY 05** – Addition of \$37,349.00 in federal grant funds and \$37,349.00 in allocation from the Worker's Compensation and Safety fund to purchase computers to be compliant with the Occupational Safety and Health Administration Internet Information System. Requires Interim Finance approval since the amount added to the Information Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

28. **Department of Business and Industry – Division of Industrial Relations – Safety Consultation and Training - FY 05** – Addition of \$13,714.00 in

Department of Labor federal grant funds, and \$13,714.00 in an allocation from the Worker's Compensation and Safety fund to purchase computers to be compliant with the Occupational Safety and Health Administration Internet Information System. Requires Interim Finance approval since the amount added to the Information Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

29. **Department of Business and Industry – Division of Industrial Relations – Safety Consultation and Training - FY 05** – Addition of \$28,809.00 in Department of Labor federal grant funds, and \$3,201.00 in an allocation from the Worker's Compensation and Safety fund to purchase computers to be compliant with the Occupational Safety and Health Administration Internet Information System. Requires Interim Finance approval since the amount added to the Information Services category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under Item F.

30. **Department of Business and Industry – Division of Industrial Relations – Mine Safety and Training Section – FY 05** – Addition of \$55,207.00 in U.S. Department of Labor, Mine Safety and Health Administration Grant funds to replace laptop computers, projectors and one vehicle in accordance with the "Provide Assistance to Nevada Mine Operations and Workers through Consultation, Technical Assistance and Training" program. Requires Interim Finance approval since the amount added to the Equipment and Information Technology category exceeds 10% of the legislatively approved level for the categories.

Refer to motion for approval under Item F.

31. **Department of Business and Industry – Taxicab Authority – FY 04** – Transfer of \$28,750.00 from the Reserve category to the Operating category to cover operating costs for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Yvette Moore, Administrator, Taxicab Authority, identified herself for the record and introduced Mr. Brock Croy, Management Analyst, Taxicab Authority.

Chairman Raggio noted the request from the Taxicab Authority was to transfer \$28,750 to fund a shortfall for fiscal year 2004. In an expression of concern regarding the agency exceeding its budget, Chairman Raggio asked for assurances the proper controls had been established to prevent any future overspending of budgetary authority.

Before turning the microphone over to Mr. Croy to respond to the question, Ms. Moore pointed out the Taxicab Authority underspent budgeted expenditures by 12.5 percent or \$580,000 in fiscal year 2004 and overspent the operating budget by \$28,750.

Brock Croy, Management Analyst, Taxicab Authority, identified himself for the record. Providing a detailed explanation concerning the operating category expenditures, Mr. Croy advised that until just recently the Taxicab Authority lacked adequate internal controls over expenditures.

Mr. Croy advised that new formal policy and procedure changes provided:

- A review of all purchase orders by the Administrative Services Officer, or one of two Management Analysts to determine the availability of funds.
- Information from approved purchase orders would be posted to a spreadsheet program by category and general ledger indicating the amount available for each item and deducted from available funding in that area.
- The internal purchase order spreadsheet would be reconciled with information in DAWN (Data Warehouse of Nevada) on a monthly basis.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL  
OF ITEM 31.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Beers abstained;  
Assemblyman Andonov and Assemblyman Perkins were  
excused.)

- 32. Department of Business and Industry – Taxicab Authority – FY 05** – Addition of \$70,000.00 in Fingerprint Fees to provide authority for the payment of fingerprint fees for Taxicab Driver Permit applicants to the Criminal Justice Repository. Requires Interim Finance approval since the amount added to the Transfer – Criminal Justice Repository category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

- 33. Commission on Tourism – FY 05** – Transfer of \$344,424.00 from the Reserve category to the Operating category and \$99,600.00 from the Reserve category to the Promotions and Advertising category to fund increased mailing costs and to support an advertising marketing campaign in China. Requires Interim Finance



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

Bruce Bommarito, Executive Director, Nevada Commission on Tourism (NCOT), identified himself for the record and introduced Steve Woodbury, Operations and Finance Manager, Nevada Commission on Tourism.

Mr. Bommarito was before the committee to request approval to transfer \$344,424.00 from the Reserve category to the Operating category and \$99,600.00 from the Reserve category to the Promotions and Advertising category to fund increased mailing costs and to support an advertising marketing campaign in China.

Beginning his presentation with a discussion on NCOT's increased shipping costs, Mr. Bommarito explained that the size and weight of Nevada tourism publications had increased. In order to accelerate the shipment of requests for Nevada travel information, Mr. Bommarito said that the use of a more expedited method of shipping increased costs by 40 percent. Mr. Bommarito explained that according to the Travel Industry Association of America, 64 percent of past-year travelers or 83.1 million adult U. S. travelers planned at least one of their trips within two weeks of departure. Historically, Mr. Bommarito said the NCOT used the bulk mail method of shipping which provided delivery within three to four weeks of shipment and produced a 30 percent conversion rate. Considering U.S. travelers planned trips within two weeks of departure, Mr. Bommarito indicated the four-to-eight-day method of shipping had increased the conversion rate to 55 percent.

In response to a request from Mr. Beers for information on the request for \$99,600 to begin advertising in China, Mr. Bommarito pointed out that the Peoples Republic of China was the fastest growing international travel market in the world and one that NCOT wanted to capture. More specifically, Mr. Bommarito cited statistics that indicated 100 million Chinese traveled overseas in 2003, 300 million Chinese could afford to travel, and 50 million were considered millionaires by U. S. standards. Additionally, Mr. Bommarito indicated the Department of Commerce reported that the Chinese were considered the highest spending international travelers and doubled the spending of Japanese tourists.

Mr. Bommarito told the members of the committee that because of "hard work" on the part of the NCOT, Nevada was the only American state to operate a tourism office in China and the only United States tourism entity to have an office licensed by the Chinese government. Mr. Bommarito said that since the United States government did not have a tourism office in China, the NCOT had convinced Chinese government officials to give the license to Nevada, which allowed the state to have Internet websites and to advertise to bring Chinese tourists to Nevada. Mr. Bommarito indicated it was believed the \$99,600 to conduct an advertising campaign could be the best money the Commission ever spent.

Ms. Giunchigliani asked if the weight of Nevada travel brochures was driving the increased cost of shipping.

Mr. Bommarito provided clarification that the *Nevada Visitors' Guide*, the *Nevada Adventure Guide*, and an open road brochure had increased in size, which had contributed to increased mailing costs.

Ms. Giunchigliani asked how the brochures provided information concerning visitor plans.

Mr. Bommarito explained that tourists who had requested brochures were contacted and interviewed by an outside company concerning whether their decision to travel to Nevada was impacted by the literature they received. The information provided through the use of conversion studies assessed the effectiveness of promotional material and tracked the amount of money spent by visitors. Mr. Bommarito further advised that based on approximately 200,000 packets of information sent out per year, 55 percent of visitors indicated they based their decision to travel to Nevada on the tourism information they requested. Mr. Bommarito indicated there was a great return on the investment considering each adult person traveling to Nevada spent approximately \$1,000.

In response to a question from Ms. Giunchigliani concerning the use of blended mailing rates, Mr. Bommarito said almost all of the shipments that used the blended method were domestic shipments.

Dr. Hardy disclosed he was related to Mr. Woodbury, which he said would not affect his vote.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM 33.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

Chairman Arberry announced Items 34 and 35 would be considered simultaneously.

- 34. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 04 –** Deletion of \$20,000,000.00 in General Funds and [~~\$24,375,416.00~~] **\$17,356,000.00** in Federal Title XIX Funds to restore fiscal year 2005 legislatively approved funding levels based on current cash levels and provider payment totals. Requires Interim Finance approval pursuant to AB 553, Chapter 327, Section 32, from the 2003 Legislature. **REVISED 8/27/04.**

Charles Duarte, Administrator, Division of Health Care Financing and Policy, identified himself for the record and introduced Debbra J. King, Administrative,

Services Officer, Division of Health Care Financing and Policy. Mr. Duarte was before the committee to testify on Items 34 and 35, which related to the movement of \$20 million in General Fund appropriations from state fiscal year 2004 to state fiscal year 2005.

During a special meeting of the Interim Finance Committee on June 3, 2004, the committee approved the transfer of General Fund and related federal funds from federal fiscal year 2005 to 2004 to allow the division to continue to pay claims through the end of fiscal year 2004. During that presentation to the Interim Finance Committee, Mr. Duarte testified that the following assumptions were used:

- Cash balance at May 1, 2004 was \$1.8 million, which included the majority of federal funds for previously recorded expenditures.
- The division anticipated receiving \$52.7 million in additional non-federal funds through the end of the fiscal year.
- The division anticipated paying \$145 million in medical costs, which represented a need of \$61.76 million in non-federal funds.

The actual results for the state fiscal year were as follows:

- Actual cash balance on May 1, 2004 was \$16.23 million. The difference between what was anticipated and what actually occurred was a result of two timing issues:
  - \$7.4 million in Intergovernmental Transfer (IGT) funds were in the process of being transferred between the IGT account and Medicaid Budget Account 3243 on April 30, 2004. The budgetary impact of the transfer occurred on April 30, but the cash did not transfer until May 4. An analysis of the data revealed that as of May 1, 2004, the cash had not posted.
  - \$7 million in federal funds were received to offset previously recorded expenditures. It was assumed the majority of federal funds for previously issued checks had been drawn. Mr. Duarte explained that federal funds for Medicaid checks were drawn when the checks cleared the bank account. The clearance pattern was that most checks cleared by Friday following the check issuance date, an anomaly that had not been repeated.
- A \$3.7 million error was made on the cash flow projection for the end of the fiscal year. The work program approved at the June 3, 2004, IFC meeting increased the amount of Intergovernmental Transfer funds available from the enhanced federal disproportionate share hospital (DSH) allotment, but the cash flow projection did not include the \$3.7 million as available non-federal cash.

- County match cash receipts and drug rebate receipts exceeded projections by \$1 million each for total additional funds of \$2 million.
- Total medical-related expenditures were \$144 million, which was not anticipated. However, \$23.1 million of those payments were to other state agencies who only had federal funds passed through to them. Therefore, only \$58.4 million in non-federal match was required versus the projected \$61.7 million.

Mr. Duarte pointed out that although it might appear the special IFC meeting on June 3, 2004, was not necessary, the check run to pay providers, which was dated July 2, 2004, was for \$32.1 million. Had the systems issues been addressed and claims payment been resolved one week earlier, June 25, 2004, the division would only be returning only \$6.5 million to state fiscal year 2005.

Mr. Duarte indicated the division had amended the work program several times and extended his apologies to the committee, and to the staff of the Legislative Counsel Bureau, Fiscal Division and to the Budget Division for the additional work that had resulted from the amended work programs.

Mark Stevens, Fiscal Analyst, Fiscal Analysis Division, provided an adjustment to Item 34 that revised the expenditures in Category 14 to a negative \$3.6 million and Category 28 to a negative \$7.131 million.

ASSEMBLYWOMAN LESLIE MOVED APPROVAL OF ITEMS  
34 AND 35 AS REVISED BY STAFF.

ASSEMBLYWOMAN CHOWNING SECONDED THE  
MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

- 35. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 05** – Addition of \$20,000,000.00 in General Funds and \$24,375,416.00 in Federal Title XIX Funds to restore legislatively approved funding levels based on fiscal year 2004 cash levels and provider payment totals. Requires Interim Finance approval Pursuant to AB 553, Chapter 327, Section 32, from the 2003 Legislature.

Refer to narrative and motion for approval under Item 34.

- 36. Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 05** – Addition of \$4,400,000.00 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 F.

37. **Department of Human Resources – Health Care Financing and Policy – Medicaid – FY 05** – Transfer of \$4,730,000.00 from the Fiscal Agent Charges category to the Utilization Review category and \$175,000.00 from the Offline category to the Utilization Review category to reflect contract payment modifications for utilization review costs from a flat monthly fee to a per client service fee. Requires Interim Finance approval since the amount transferred to the Utilization Review category exceeds \$50,000.00.

Refer to motion for approval under Item F.

38. **Department of Human Resources - Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 05** – Transfer of \$175,000.00 from the Personnel Services category to the Professional Services category to provide contractual psychiatric services to agency clients until such time as the agency can hire psychiatrists on staff. Requires Interim Finance approval since the amount transferred to the Professional Services category exceeds \$50,000.00.

Refer to motion for approval under Item F.

39. **Department of Human Resources – Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 05** – Addition of \$123,913.00 in receipts from the Eighth Judicial District Court and the Clark County Detention Center to fund three psychiatric caseworkers to provide services to individuals admitted into the Mental Health Court diversionary program in Clark County. Requires Interim Finance approval since the amount added to the Mental Health Court category exceeds \$50,000.00 and includes new staff.

Refer to motion for approval under Item F.

40. **Department of Human Resources – Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services – FY 05** – Addition of \$73,237.00 in Ryan White Title I Subgrant funds from the Clark County Health Department to provide mental health services to individuals infected and/or affected by HIV/AIDS. Requires Interim Finance approval since the amount added to the Ryan White Title I category exceeds \$50,000.00.

Refer to motion for approval under Item F.

41. **Department of Human Resources – Health Division – Consumer Health Protection – FY 05** – Addition of \$17,018.00 in Licenses and Fees, \$1,600.00 in

Board of Health Variance Fees, \$104,300.00 in Plan Review Fees, \$5,513.00 in Home Loan Inspection Fees, and \$22,231.00 in Water Operation Certification Fees to continue the Environmental Health Specialist III position approved at the January 28, 2004 Interim Finance Committee meeting and to reserve excess fees. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item F.

42. **Department of Human Resources – Health Division – Environmental Public Health Tracking System – FY 05** – Addition of \$21,214.00 in Federal Comprehensive Cancer Grant funds to reallocate the funding of an existing position that will be working 25% for the benefit of the grant and freeing existing salary funding for the environmental health program. Requires Interim Finance approval since the cumulative amount added to the Environmental Health category exceeds \$50,000.00.

Refer to motion for approval under Item F.

43. **Department of Human Resources – Health Division – Consumer Health Protection – FY 05** – Addition of \$476,998.00 in funds transferred from Environmental Protection, \$289,380.00 in funds transferred from Environmental Protection to support the costs of the Public Water System Supervision Program. Requires Interim Finance approval since the amount added to the Transfer from NDEP for PWSSP category exceeds \$50,000.00.

Refer to motion for approval under Item F.

44. **Department of Human Resources – Health Division – Health Facilities Hospital Licensing– FY 05** – Addition of \$1,000.00 in Returned Check Fees and the transfer of \$8,274.00 from the Reserve category to the Out-of-State Travel category, \$26,527.00 from the Reserve category to the Medical Lab Inspection category, and \$5,931.00 from the Reserve category to the Information Services category to allow licensing staff to attend out-of-state conferences, purchase a whiteboard and projector and to pay agency indirect costs for the fiscal year. Requires Interim Finance approval since the amount transferred to the Medical Lab Inspection category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

45. **Department of Human Resources – Health Division – Community Health Services – FY 05** – Addition of \$5.00 in the Federal Family Planning Program Grant funds, \$22,407.00 in Federal Immunization Program Grant funds, \$2,086.00 in the Sexually Transmitted Disease Control Grant funds and a deletion of \$81,889.00 in Human Immunodeficiency Syndrome Virus Prevention Service Grant

funds, and \$2,576.00 in HIV/TB Testing Service Grant funds and the transfer of \$661,991.00 from Personnel Services category to various categories to utilize available salary savings to support the cost of temporary contracted nursing and clerical staff in the rural nursing clinics. Requires Interim Finance approval since the amount transferred from the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 46. Department of Human Resources – Health Division – Communicable Disease Control – FY 05** – Addition of \$128,786.00 in Federal Comprehensive Cancer Grant funds to provide public education and awareness regarding the prevention of cancer. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item F.

- 47. Department of Human Resources – Health Division – Health Alert Network – FY 05** - Addition of \$109,856.00 in Office of Domestic Preparedness Homeland Security Grant funds transferred from the Division of Emergency Management to set up an emergency public health command center. Requires Interim Finance approval since the amount added to the Domestic Preparedness category exceeds \$50,000.00

Refer to motion for approval under Item F.

Chairman Arberry announced that Items 48 and 49, which required a public hearing would be considered simultaneously.

- 48. Department of Human Resources – Welfare Division – Administration – FY 05** – Addition of \$1,229,707.00 in General Funds transferred from the Temporary Assistance to Needy Families budget, \$546,916.00 in the Federal United States Department of Agriculture Food Stamp Program Grant funds, \$527,670.00 in Federal Child Support Program Grant funds, \$817,478.00 Federal TANF Block Grant funds, \$915.00 in Child Care Development Grant funds, \$251,451.00 in Federal Title XIX funds, and \$14,231.00 in Intra-agency Administration Cost revenue to implement the Notices and Forms Solution Technology Project. Requires Interim Finance approval pursuant to AB 553, Chapter 327, Section 36, of the 2003 Legislature **and since this action involves the allocation of block grant funds and requires a public hearing.**

Nancy Ford, Administrator, Welfare Division, identified herself for the record and introduced the following Welfare Division employees, Roger Mowbray, Deputy Administrator, Administrative Services, Gary Buonacorsi, Deputy Administrator, Information Systems, and Gary Stagliano, Deputy Administrator, Program and Field Operations, and Tom Wolf, Information Systems Manager, Department of Information Technology.

Ms. Ford was before the committee to request the transfer of \$1.2 million in General Funds from the Temporary Assistance to Needy Families (TANF) budget account to the Administrative Services budget account. A transfer of the funding would allow the Welfare Division to correct the notices and forms generated by the Nevada Operations Multi-Automated Data Systems (NOMADS). The current system of NOMADS generated notices printed in upper case type, which were difficult to read and to understand. Ms. Ford proposed a solution to move the notices and forms from a mainframe to a server environment to provide easier management and an opportunity to correct the notices.

Ms. Ford explained that federal agencies working with the division and advocates representing welfare recipients had “expressed a great deal of concern about the NOMADS’ generated notices.” Ms. Ford advised that NOMADS was certified in 2000, and the division had received letters from the Food and Nutrition Service in 2001, 2002, 2003 and 2004 asking that the notices be improved.

Ms. Ford told the members of the committee that the state could face possible federal sanctions and loss of federal financial participation for non-compliance with a federal law that required notices of hearings, hearing rights and case status. Recent complaints concerning the quality of the notices had also been received from advocates representing recipients. Ms. Ford indicated a proactive stance on her part to cost effectively correct the situation in advance of a lawsuit and in order to revise the forms and notices to Welfare Division standards

Ms. Giunchigliani asked for information on what type of sanctions the division would be subjected to if the notices were not improved.

Ms. Ford responded that thus far federal partners had withheld sanctions since being told of the division’s efforts to correct the forms and notices. In response to questions from Ms. Giunchigliani concerning the ongoing cost for maintenance and operation of the server system, Ms. Ford advised that the General Fund portion of the ongoing maintenance and operation was approximately \$600,000.

Ms. Giunchigliani asked if costs could be saved from “shutting down” the portion of the mainframe that generated forms and notices.

Ms. Ford indicated it was believed some cycle costs would be saved in closing down a portion of the mainframe.

Ms. Giunchigliani indicated that any offsetting cost information would be helpful if provided to the committees during the 2005 Legislative Session.

Mr. Beers indicated it was his understanding the cost of running the mainframe was fixed and divided among all state agencies based on usage, and any costs that were saved would be paid by other agencies.



Mark Blomstrom, Deputy Director, Department of Information Technology confirmed that in large part, almost all of the costs under discussion were fixed. Consequently, Mr. Blomstrom indicated that the rate and per unit cost would increase.

Mark Stevens, Fiscal Analyst, Legislative Counsel Bureau, Fiscal Analysis Division, outlined the following revisions to work program Item 49:

- General Ledger 3567, Federal TANF revenue \$1,229,707 revised to \$2,036,685.
- Expenditures, Category 09, Cash Assistance, revised to a negative \$1,229,707.
- Category 93, Reserve for Reversion, revised to a positive \$2,036,685.

Mr. Beers asked the division representatives to identify the potential ramifications of delaying the request until the 2005 Legislative Session.

While a lawsuit was of concern, Ms. Ford advised that approval of the request would provide the opportunity to amend a current contract for the State Collections and Disbursements Unit (SCADU) project and allow work to be completed on the revised forms and notices within fiscal year 2005. Ms. Ford explained that waiting until the 2005 Legislative Session would delay the project by 18 to 24 months as a result of the need to go through the request for proposal process.

Chairman Arberry opened discussion to the public and closed discussion when no response to his request was received.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL  
OF ITEMS 48 AND 49 AS REVISED BY STAFF.

ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

- 49. Department of Human Resources – Welfare Division – Temporary Assistance to Needy Families (TANF) – FY 05** – Addition of \$1,229,707.00 in Federal Temporary Assistance to Needy Families High Performance Block Grant funds; deletion of \$1,229,707.00 in the General Funds transferred to Welfare Administration to implement the Notices and Forms Solution Technology Project within Welfare's Nomads system to utilize available high performance bonus funds from TANF to replace General Funds transferred to the Welfare Administration budget for a technology project. Requires Interim Finance approval pursuant to

AB 553, Chapter 327, Section 36, of the 2003 Legislature **and since this action involves the allocation of block grant funds and requires a public hearing.**

Refer to narrative and motion for approval under Item 48.

Chairman Arberry announced Items 50 and 57 required a public hearing and would be considered simultaneously.

- 50. Department of Human Resources – Division of Child and Family Services – Children, Youth and Family Administration – FY 05 –** Addition of \$280,628.00 in Federal Community Mental Health and Developmental Services Block Grant funds transferred from the Division of Mental Health and Developmental Services to continue providing mental health and related services to eligible youth. Requires Interim Finance approval since the amount added to the CMHS Grants category exceeds \$50,000.00, includes new staff, **and involves the allocation of block grant funds and requires a public hearing.**

Mike Willden, Director, Department of Human Resources, introduced Jone Bosworth, Administrator Division of Child and Family Services and Diane Comeaux, Deputy Administrator, Division of Child and Family Services.

Ms. Bosworth was before the committee to request approval of Items 50 and 57, which related to Federal Community Mental Health and Developmental Services Block Grant funds and required a public hearing.

Ms. Bosworth advised that the subgrant funds covered by the work program under Item 50 would continue statewide training and consultation for mental health professionals and strengthen mental health services for the juvenile justice population. Additionally, the funds would be used to fund one new Clinical Program Planner III who would serve as a Statewide Mental Health Coordinator for the Wrap Around Program, three mental health consortiums, and as liaison for the Mental Health Planning Advisory Council and other state and legislative committees.

Ms. Bosworth advised that the funding covered by the work program under Item 57 was a continuation of the subgrant that would fund outpatient mental health services through the Northern Nevada Child and Adolescent Services' budget, which also funded respite services for parents of children with severe emotional disturbance.

There were no comments from members of the committee.

Chairman Arberry opened the hearing for comments from members of the public.

There was no public comment.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEMS 50 AND 57.

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

Chairman Arberry announced Items 51 and 52 would be considered simultaneously.

- 51. Department of Human Resources - Division of Child and Family Services – Child Welfare Integration – FY 04** – Deletion of \$2,196,192.00 in General Fund Appropriation to balance forward unspent fiscal year 2004 General Fund Appropriation to fiscal year 2005 to pay for increased services to youth in the division's custody and for costs related to the transfer of staff to Clark County. Requires Interim Finance approval pursuant to Section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829.

Diane Comeaux, Deputy Administrator, Division of Child and Family Services (DCFS) identified herself for the record. Ms. Comeaux was before the committee to request authority to balance forward funds from fiscal year 2004 to fiscal year 2005 in the work programs under Items 51 and 52.

Specifically, Ms. Comeaux requested that unexpended General Fund appropriations be balanced forward to accommodate for annual and terminal sick leave payments and retirement buyout for those staff transferring to Clark County effective October 1, 2004.

Additionally, Ms. Comeaux requested approval to balance forward remaining unexpended General Fund Appropriations in both the Clark and Washoe County categories to fiscal year 2005 for those counties to provide increased services to youth.

Chairman Arberry pointed out that according to staff, the division's request lacked justification, explanation, or calculations supporting increased services for youth in fiscal year 2005.

Ms. Comeaux advised that language was included in the 2003 Appropriations Act that allowed any unexpended fiscal year 2004 funds in the Child Welfare Integration Budget Account 3142 to balance forward into fiscal year 2005.

Ms. Comeaux pointed out that Clark County had little experience in drawing down federal revenues. Lacking assurance Clark County could meet the revenue requirements built into the fiscal year 2005 budget, Ms. Comeaux advised that the balance forward funds would provide additional funding in the event their revenue requirements were not met.

While Washoe County had remaining federal revenues, Ms. Comeaux indicated the county would also have access to the funds that were requested to balance forward to fiscal year 2005.

Ms. Leslie indicated that Clark County, when requested to do so, submitted information via the Internet. Upon contacting Washoe County, Ms. Leslie was informed the county had not been requested to provide information concerning justification. Ms. Leslie indicated that subsequent to her call, the information was provided, and Washoe County did justify the funds would be put to good use such as insurance for foster parents.

Ms. Leslie pointed out to the division the Interim Finance Committee had to be informed as to the specific use of any funds balanced forward. Ms. Leslie advised that staff provided three options for the committee's consideration, and she suggested adoption of the option identified as (c) which approved the transfer of funds with the condition the division and the counties return to the IFC with specific information, if the need for additional expenditures materialized.

MS. LESLIE MOVED APPROVAL OF THE REQUEST USING OPTION (C) TO APPROVE TRANSFER OF FUNDS AND PLACE \$1,459,302 IN THE RESERVE EXPENDITURE CATEGORY. THE DIVISION AND THE COUNTIES WOULD BE REQUIRED TO RECEIVE IFC APPROVAL LATER IN FISCAL YEAR 2005 IF THE NEED FOR ADDITIONAL EXPENDITURES MATERIALIZED.

ASSEMBLYWOMAN CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblywoman McClain disclosed that as a Clark County employee she would abstain. Assemblyman Andonov and Assemblyman Perkins were excused.)

In response to a question from Senator Rawson who asked if the funding designated for personnel services had to be brought before the committee again, staff advised that if the need materialized, only the remaining \$1,459,302 required IFC approval later in fiscal year 2005.

Mark Stevens, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, outlined the following technical changes for the work program under Item 52:

- General Fund Appropriation, General Ledger 2511 revised to 2501.

- Federal Title IV-E Revenue, General Ledger 3562 revised to \$167,495.
- Expenditure Category 01 Personnel Services, \$478,557 and Category 32 Retirement Buyout, \$425,828 remained intact.
- The remainder of funds would be placed in the Reserve category totaling \$1,459,302.

Mike Willden, Director, Department of Human Resources, agreed to the amounts stated by Mr. Stevens.

- 52. Department of Human Resources - Division of Child and Family Services – Child Welfare Integration – FY 05** – Addition of \$2,196,192.00 in General Fund Appropriation, and \$953,273.00 in Federal Title IV-E funds for client support payments to accept unspent fiscal youth in the division’s custody and for costs related to the transfer of staff to Clark County under Child Welfare Integration. Requires Interim Finance approval pursuant to Section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829.

Refer to Item 51 for narrative and motion for approval.

- 53. Department of Human Resources – Division of Child and Family Services – Child Welfare Trust – FY 05** – Addition of \$776,904.00 in Balance Forward funds, \$160,685.00 in Individual Support receipts to care for children in Child and Family Custody, and \$7,499.00 in Treasurer’s Interest earned on the Child Welfare Trust, to continue reimbursements from the Children’s Welfare Trust Fund for services provided to children in custody of the state. Requires Interim Finance approval since the amount added to the Refund Social Security Clark County category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 54. Department of Human Resources – Division of Child and Family Services – Youth Community Services – FY 04** – Deletion of \$1,258,663.00 in General Fund Appropriation to balance forward unspent fiscal year 2004 General Funds to fiscal year 2005 to continue providing services to abused and/or neglected children in fiscal year 2005. Requires Interim Finance approval pursuant to Section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829.

Item was withdrawn.

- 55. Department of Human Resources – Division of Child and Family Services – Youth Community Services – FY 05** – Addition of \$1,258,663.00 in General Fund Appropriation, \$235,198.00 in Federal Title IV-E funds, and \$647,880.00 in Medicaid Rehabilitation funds to continue providing adoption services, foster care, emergency shelter care, respite care, independent living, and placement

prevention services to abused and/or neglected children in fiscal year 2005. Requires Interim Finance approval pursuant to Section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829.

Item was withdrawn.

- 56. Department of Human Resources – Division of Child and Family Services – Summit View Youth Correctional Center – FY 05** – Transfer of \$28,501.00 from the Private Contractor category to the Maintenance of Buildings and Grounds category to cover anticipated building maintenance costs for the fiscal year. Requires Interim Finance approval since the amount transferred to the Maintenance of Buildings and Grounds category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

- 57. Department of Human Resources – Division of Child and Family Services – Northern Nevada Child & Adolescent Services – FY 05** – Addition of \$138,957.00 in Federal Community Mental Health Services Block Grant funds transferred from the Division of Mental Health and Developmental Services to continue providing mental health services and respite care to children and their families. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 **and involves the allocation of block grant funds and requires a public hearing.**

Refer to narrative and motion for approval under Item 50.

- 58. Department of Human Resources – Division of Child and Family Services – Southern Nevada Child and Adolescent Services – FY 05** – Addition of \$297,820.00 in Federal Safe Schools Healthy Students Grant funds transferred from the Clark County School District (CCSD) to provide mental health and prevention services, under a subgrant from CCSD, to emotionally disturbed children and adolescents from birth through 18 years of age. Requires Interim Finance approval since the amount added to the CCSD Contract category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 59. Department of Human Resources – Division of Child and Family Services – Southern Nevada Child & Adolescent Services – FY 05** – Addition of \$239,688.00 in Federal Neighborhood Care Center Project Grant funds to continue the integration of mental health services in neighborhoods where children and their families reside. Requires Interim Finance approval since the amount added to the Federal Grant Neighborhood Care Center Project category exceeds \$50,000.00 and includes new staff.

Jone Bosworth, Administrator, Division of Child and Family Services (DCFS), advised that during the June 16, 2004, Interim Finance Committee meeting, the division was requested to return to the committee to address concerns in reference to a request for a General Fund contribution for grant-related services.

Ms. Bosworth advised that at the June 16, 2004, meeting of the Interim Finance Committee meeting, the division requested that \$505,000 of the unobligated balance of the Neighborhood Care Center federal grant be approved to pay grant-related services in state fiscal years 2004 and 2005. Ms. Bosworth reported that the work program under Item 59 provided an adjustment that reduced the General Fund contribution of the Neighborhood Project by \$146,585 for reversion and requested acceptance of the remainder of the unspent monies to fund:

- An Intake Coordinator at the North Neighborhood Care Center in Las Vegas.
- Travel to attend mandatory grant meetings.
- Placement prevention services.
- Contract project management and family support services.

Ms. Leslie pointed out that in response to members of the public who had indicated to her during her campaign for reelection that the Interim Finance Committee indiscriminately approved funding requests, the committee did a “good job” of reviewing each of the requested expenditures. Ms. Leslie commended the division for their work involved in saving \$146,000 and indicated the taxpayers would thank them as well.

ASSEMBLYWOMAN LESLIE MOVED APPROVAL OF  
ITEM 59.

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

- 60. Department of Human Resources – Division of Child and Family Services – Child Welfare Trust – FY 04** – Addition of \$887,030.00 in Individual Support receipts from Social Security, Supplemental Security Income, the Veteran’s Administration, and court-ordered child support payments, and \$22,115.00 in Treasurer’s Interest earned on the Child Welfare Trust to reimburse the division for the cost of services provided to children in the division’s custody in Clark County. Requires Interim Finance approval since the amount added to the Refund SS/Client category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 61. Department of Employment, Training and Rehabilitation – Employment Security Special Fund - FY 05** – Transfer of \$99,990.00 from the Reserve

category to the Year 2000 category to comply with the settlement agreement with the Department of Labor on Year 2000 computer conversion costs. Requires Interim Finance approval since the amount transferred to Year 2000 category exceeds \$50,000.00.

Refer to motion for approval under Item F.

Chairman Arberry announced that Items 62 and N.6, Project 01-E01, New Office Building for Employment Training and Rehabilitation would be considered simultaneously.

- 62. Department of Employment, Training and Rehabilitation – Employment Security Special Fund - FY 05** – Addition of \$500,000.00 in Excess Property Sales and the transfer of \$954,947.00 from the Reserve category to the Las Vegas Administration Building category to increase funding necessary for the construction costs of the Las Vegas Administration Building. Requires Interim Finance approval since the amount transferred to the Las Vegas Administration Building category exceeds \$50,000.00.

Marty Ramirez, Administrative Services Officer, Department of Employment, Training, and Rehabilitation identified himself for the record and introduced Billie Tucker, Management Analyst and Special Projects Manager, Department of Employment, Training, and Rehabilitation, and Gus Nunez, Deputy Manager, State Public Works Board.

Mr. Ramirez pointed out that Item 62 related to Item N.6, Project 01-E01 - New Office Building for Employment Training and Rehabilitation. Mr. Ramirez was before the committee to request approval to transfer approximately \$1,454,947 from the Employment Security Special Fund to finance the cost increases associated with the construction of the department's new building in Las Vegas, Nevada.

Mr. Ramirez reported that during the 2003 Legislative Session, approval was received to construct a 60,000 square foot building at a cost of \$16,005,385. As a result of hyperinflation, the building costs had increased to approximately \$17,454,947. Mr. Ramirez indicated that upon completion of construction, the department would be relieved of approximately \$780,000 a year in leased space, which he said would significantly improve the stability of the Unemployment Insurance Division, funded by the Department of Labor.

In response to questions from Ms. Giunchigliani, Mr. Ramirez confirmed the request for a change in scope increased the building size from 60,000 square feet to 62,000 square feet with 5,000 square feet of the space constructed to a "shell-out" state. Mr. Ramirez indicated that the "shell-out" space would be completed at some point in the future to house a resource center.



Ms. Giunchigliani took a dim view of the “shell out” policy she described as being the “new game in town.”

Mr. Ramirez explained that original plans included construction of all the usable space and as a result of the current inflation factor, only 34,000 square feet of usable space could be built for \$16,005,385 with the balance constructed as a shell. After working with the architects and the Public Works Board, Mr. Ramirez said a request had been developed to expand the building size from 60,000 to 62,000 square feet and increase the finished space from 34,000 to 57,000 square feet. As previously addressed, Mr. Ramirez said the remaining 5,000 square feet of building space would be constructed to a “shell-out” state.

Ms. Giunchigliani indicated a need for legislation or regulation that provided the initial design and funding of projects was “in hand” prior to construction.

ASSEMBLYWOMAN MCCLAIN MOVED APPROVAL OF  
ITEM 62.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

- 63. Department of Employment, Training and Rehabilitation – Rehabilitation Division – Blind Business Enterprise – FY 05** – Transfer of \$65,035.00 from the Reserve category to the Health Insurance Benefits to fund anticipated catastrophic leave benefit payments to blind vendors. Requires Interim Finance approval since the amount transferred to the Health Insurance benefits category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 64. Department of Corrections – Director’s Office – FY 04** – Transfer of \$44,275.00 from the Medical and Dental Expenses category to the Personnel Services category to fund a shortfall in Personnel Services for fiscal year 2004 due to terminal leave payments. Requires Interim Finance approval since the amount transferred from the Medical and Dental Expenses category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

- 65. Department of Corrections – Correctional Programs – FY 05** – Addition of \$87,498.00 in Workforce Investment Act Grant funds and \$6,000.00 in Construction Trade Sales to increase grant authority based on the second modification of the grant through Nevada Works and to establish corresponding expenditure authority for the sale of sheds from this grant. Requires Interim

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

Refer to motion for approval under Item F.

- 66. Department of Corrections – Correctional Programs – FY 05** – Addition of \$325,547.00 in Department of Education Youthful Offender Grant funds to receive funding and corresponding expenditure authority for the Youthful Offender grant from the Department of Education. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item F.

- 67. Department of Corrections – Correctional Programs – FY 04** – Addition of \$60,000.00 in a budgetary transfer from the Southern Desert Correctional Center to cover a shortfall in the Personnel Services category. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00. **RELATES TO ITEM 68.**

Refer to motion for approval under Item F.

- 68. Department of Corrections – Southern Desert Correctional Center – FY 04** – Deletion of \$60,000.00 in Budgetary Transfer authority to cover the shortfall in the Personnel Services category of the Correctional Programs budget. Requires Interim Finance approval since the amount deducted from the Personnel Services category exceeds \$50,000.00. **RELATES TO ITEM 67.**

Refer to motion for approval under Item F.

- 69. Department of Corrections – Prison Industries – Capital Projects – FY 05** – Transfer of \$100,000.00 from the Reserve category to the Special Projects category to fund down payment for the 20,000 square foot Allwire, Inc., building at the Southern Nevada Women's Correctional Facility. Requires Interim Finance approval per NRS 209.192, Section 2.

Howard Skolnik, Assistant Director, Industrial Programs, Department of Corrections, identified himself for the record. Mr. Skolnik was before the committee to request approval to transfer \$100,000 from the Reserve category to the Special Projects category, Budget Account 3728, Capitol Projects. The transfer of funds would be used as a down payment by Prison Industries to construct a building at the Southern Nevada Women's Correctional Facility in conjunction with a private-sector company.

The work program reflected construction of a 20,000 square-foot building, which Mr. Skolnik explained would be amended to a 30,000 square-foot building. While the increased size of the building did not affect the \$100,000 down payment,

Mr. Skolnik said the larger building would provide the opportunity to employ 85 women rather than 40 in the non-traditional cable and conduit manufacturing industry.

Mr. Marvel asked if construction of the facility would limit the Department of Corrections' options for addressing growth in the female inmate population.

Mr. Skolnik indicated the area directly behind the cell house that would potentially be used for expansion would still be available.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM 69.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

Mrs. McClain commended Jackie Crawford, Director, Department of Corrections, for her work in providing women inmates meaningful work and the opportunity to learn new skills.

Mrs. Chowning also spoke in support of the proposal and indicated she had toured the Southern Nevada Women's Correctional Facility and heard the inmates ask for more employment training opportunities.

Ms. Giunchigliani asked Mr. Skolnik to elaborate on the \$4,000 per month payments to Allwire, the company that would construct the building.

Mr. Skolnik explained that the rental expense had increased to \$6,000 a month or \$72,000 a year. The rent would be deferred with a 5 percent cap amortized on the outstanding balance until the building was paid off at which time Allwire would begin to pay the state. Mr. Skolnik projected the building would be paid for between 2009 and 2013 depending on the total cost which would not be known until construction was completed.

In response to a question from Senator Raggio concerning a commitment from Allwire, Mr. Skolnik indicated the five-year contract between the state and Allwire had a five-year mutual option for renewal. Additionally, Mr. Skolnik indicated the contract stipulated that if, for any reason, the contract was terminated, or not renewed, monthly payments to Allwire would resume with a subsequent renter.

THE MOTION CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

- 70. Department of Motor Vehicles – Director’s Office – FY 05** – Transfer of \$1,755,000.00 from the Reserve category to the Kiosk Project category to continue providing alternatives for registration renewals and diverting customers away from a window technician. Requires Interim Finance approval since the amount transferred to the Kiosk Project category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 71. Department of Motor Vehicles – Central Services – FY 05** – Addition of \$500,000.00 in Registration Fees to produce greater than projected special license plates including four new special plates approved by the 2003 Legislature. Requires Interim Finance approval since the amount added to the Special Plates category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 72. Department of Public Safety – Justice Assistance Act – FY 05** – Addition of \$142,809.00 in Falcon’s Nest reimbursements to continue procuring equipment for law enforcement agencies statewide. Requires Interim Finance approval since the amount added to the Falcon’s Nest category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 73. Department of Public Safety – Justice Assistance Act – FY 05** – Addition of \$307,861.00 in Bureau of Justice Assistance Crime Control and Safe Streets Act Grant funds and the deletion of \$125,607.00 in Byrne Memorial Formula Grant funds to provide a comprehensive strategic approach to the enforcement of firearm laws. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item F.

- 74. Department of Public Safety – Emergency Management Division – FY 05** – Addition of \$1,769,208.00 in United States Department of Energy Grant funds for the Energy Emergency Preparedness Working Group to build emergency management and emergency response capabilities in the counties located along low level waste transportation routes. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item F.

75. **Department of Public Safety – Criminal History Repository – FY 04** – Transfer of \$123,636.00 from the Reserve category to the FBI Fingerprint category to cover projected expenditure requirements 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 F.

76. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$15,964.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$5,232.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the West Wendover ~~Sheriff's Office~~ **Police Department**. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

77. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$15,001.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$5,064.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the Lyon County Sheriff's Office. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

78. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$15,244.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$5,081.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

79. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$15,001.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$5,000.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the White Pine County Sheriff's Office. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

80. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$19,568.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$6,523.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the Carson City Sheriff's Office. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

81. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$15,571.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$5,190.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the Humboldt County Sheriff's Office. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

82. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$18,998.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$6,333.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the Elko County Sheriff's Office. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

83. **Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$18,998.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$6,333.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the North Las Vegas Police Department.

Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 84. Department of Public Safety – Criminal History Repository – FY 05** – Addition of \$19,568.00 in Byrne Memorial Formula Grant funds transferred from the Office of Criminal Justice Assistance (OCJA) and the transfer of \$6,523.00 from the Reserve category to the OCJA Byrne Grant category to purchase new live scan fingerprinting system equipment for the Washoe County Sheriff's Office. Requires Interim Finance approval since the cumulative amount added to the OCJA Byrne Grant category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 85. Department of Public Safety – Highway Patrol – FY 05** – Addition of \$266,000.00 in Homeland Security Program Grant funds transferred from the Office of Emergency Management to purchase personal protective equipment for first responders within Public Safety. Requires Interim Finance approval since the amount added to the Homeland Security Grants category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 86. Department of Public Safety – Highway Patrol – FY 05** – Addition of \$149,950.00 in Law Enforcement Terrorism Prevention Program funds transferred from the Office of Emergency Management to purchase and install a security system to secure Department of Public Safety facilities. Requires Interim Finance approval since the amount added to the Homeland Security Grants category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 87. Department of Public Safety – Division of Investigations – FY 05** – Addition of \$100,325.00 in Law Enforcement Terrorism Prevention Program Grant funds transferred from the Office of Emergency Management to purchase protective equipment used when responding to a contaminated environment incident. Requires Interim Finance approval since the amount added to the Equipment category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 88. Department of Public Safety – ~~Division of Investigations~~ Technology Division – FY 05** – Addition of \$295,000.00 in Law Enforcement Terrorism Prevention Program Grant funds transferred from the Office of Emergency Management to enhance the current Criminal Justice Information System to allow front line law enforcement officers access to driver's license photographs. Requires Interim

Finance approval since the amount added to the Law Enforcement Terrorism Prevention Program category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 89. Department of Public Safety – Traffic Safety – FY 05** – Addition of \$365,005.00 in National Highway Traffic Safety Administration 163 Incentive Program Grant funds to continue the Nevada Citation and Accident Tracking System project which tracks statewide traffic crash data. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00. **RELATES TO ITEM 90.**

Refer to motion for approval under Item F.

- 90. Department of Public Safety – Highway Safety Plan and Administration – FY 05** – Addition of \$196,754.00 in National Highway Traffic Safety Administration funds transferred from the Office of Traffic Safety to continue the Nevada Citation and Accident Tracking System Project which tracks statewide traffic crash data. Requires Interim Finance approval since the amount added to the 163 Incentive Program category exceeds \$50,000.00 and includes new staff. **RELATES TO ITEM 89.**

Refer to motion for approval under Item F.

- 91. Department of ~~Motor Vehicles~~ Public Safety – Fire Marshal – FY 05** – Addition of \$11,088.00 in Student Fees and \$9,130.00 in Handbook Sales to provide training to state and local firefighters. Requires Interim Finance approval since the amount added to the Rural Training category exceeds 10% of the legislatively approved level for that category. **REVISED AUGUST 20, 2004.**

Refer to motion for approval under Item F.

- 92. Department of Public Safety – Emergency Response Commission – FY 05** – Addition of \$369,300.00 in Certification Fees to establish authority pursuant to NRS 459.735 to transfer a \$60.00 portion of each hazardous material permit fee to the State Fire Marshal's Office. Requires Interim Finance approval since the amount added to the Transfer to State Fire Marshal category exceeds \$50,000.00.

Refer to motion for approval under Item F.



93. **Department of Conservation and Natural Resources – Environmental Protection Administration - Safe Drinking Water Act – FY 05** – Transfer of \$256,914.00 from the Reserve category to the Debt Service on Matching Revenue Bonds category to meet the interest payment due on February 1, 2005. Requires Interim Finance approval since the amount transferred to Debt Service on Matching Revenue Bonds category exceeds \$50,000.00.

Refer to motion for approval under Item F.

94. **Department of Conservation and Natural Resources – Environmental Protection Administration - Bureaus of Waste Management and Corrective Action – FY 04** – Transfer of \$55,226.00 from the Reserve category to the Transfer to State Agencies category to cover the final quarter of fiscal year 2004 distribution of tire dumping revenue to state agencies. Requires Interim Finance approval since the amount transferred to the Transfer to State Agencies category exceeds \$50,000.00.

Refer to motion for approval under Item F.

95. **Department of Conservation and Natural Resources – Environmental Protection Administration - Bureaus of Waste Management and Corrective Action – FY 05** – Addition of \$30,049.00 in Homeland Security Grant funds transferred from the Division of Emergency Management to acquire various emergency response equipment kits. Requires Interim Finance approval since the amount added to Emergency Management category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

96. **Department of Conservation and Natural Resources – Forestry Division – Forest Fire Suppression and Emergency Response – FY 04** – Deletion of \$625,000.00 in General Fund Appropriation to transfer the General Fund Appropriation remaining in fiscal year 2004 to fiscal year 2005 to continue ongoing fire suppression and emergency response activities. Requires Interim Finance approval pursuant to AB 553, Section 32, Appropriations Act, from the 2003 Legislative Session. **WITHDRAWN 9/1/04.**

Item was withdrawn.

97. **Department of Conservation and Natural Resources – Forestry Division – Forest Fire Suppression and Emergency Response – FY 05** – Addition of \$625,000.00 in General Fund Appropriation to continue ongoing fire suppression and emergency response activities. Requires Interim Finance approval pursuant to AB 553, Section 32, Appropriations Act, from the 2003 Legislative Session. **WITHDRAWN 9/1/04.**

Item was withdrawn.

98. **Department of Wildlife – Wildlife Administration - FY 05** – Transfer of authority between various categories to reallocate special category costs including establishing a special engineering category. Requires Interim Finance approval since the amount transferred to the Engineering category exceeds \$50,000.00.

Refer to motion for approval under Item F.

99. **Department of Wildlife – Wildlife Administration - FY 05** – Addition of \$90,161.00 in Habitat Conservation Fees and Upland Game Fees transferred from the Wildlife Obligated Reserve budget to create three new positions to work on projects for the Habitat Rehabilitation and Restoration and the Upland Game Bird Program. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff.

Refer to motion for approval under Item F.

100. **Department of Wildlife – CIP – FY 05** – Addition of \$566,250.00 in United States Fish and Wildlife Service Section 6 Grant funds, \$108,946.00 in United States Bureau of Outdoor Recreation Grant funds, \$4,618,550.00 in funds transferred from the Conservation Bond Account, and transfer of \$108,946.00 from the Reserve category to the Humboldt Wildlife Management Area Recreation Facilities category to acquire the Locke Ranch and develop recreational facilities on the Humboldt Wildlife Management Area. Requires Interim Finance approval pursuant to SB 189, 1989 Session, Question 5 Bonds and pursuant to AB 9, 2001 Special Session, and Question 1 Bonds.

Refer to motion for approval under Item F.

101. **Department of Wildlife – Wildlife Boating Program – FY 05** – Transfer of \$127,500.00 from the Administration category to the Engineering category to establish a special use category for engineering projects and activities. Requires Interim Finance approval since the amount transferred to the Engineering category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 102. Department of Wildlife – Wildlife Obligated Reserve – FY 05** – Addition of \$2,360,350.00 in United States Department of Interior, Bureau of Reclamation Grant funds to make wetlands improvements in the Mason Valley Wildlife area. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item F.

- 103. Department of Wildlife – Wildlife Obligated Reserve – FY 05** – Addition of \$16,059.00 in Cara Lite Federal Grant funds, deletion of \$16,059.00 in Pittman Robertson Federal Aid funds, and \$38,438.00 in revenue received from Gifts and Donations. Transfer of \$411,456.00 from the Reserve category to the Habitat Rehabilitation/Restoration category, \$10,093.00 from the Reserve category to the Habitat Rehabilitation/Restoration category, \$90,161.00 from the Gifts and Donations category to the Transfer to Wildlife category and \$73,707.00 from the Gifts and Donations category to the Upland Game Bird Program category to establish project expenditures for the Habitat Rehabilitation and Restoration, Upland Game Bird Program and increase the transfer to the Wildlife Administration budget. Requires Interim Finance approval since the amount transferred to the Habitat Rehabilitation and Restoration category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 104. Department of Wildlife – Wildlife Obligated Reserve – FY 05** – Addition of \$31,527.00 in Mining Assessment Funds transferred from Wildlife Administration and a transfer of \$170,135.00 from the Reserve category to the Mining Assessment Reserve category and \$63,957.00 from the Reserve category to the Wildlife Mining Program category to implement a number of mining-related wildlife projects and create a Reserve for Mining Assessments separate from other funds. Requires Interim Finance approval since the amount transferred to the Wildlife Mining Program category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 105. Department of Transportation – Administration – FY 04** – Addition of \$25,000.00 in the Sale of Oil and Gas funds to fund higher than anticipated fuel costs for fiscal year 2004. Requires Interim Finance approval since the amount added to the Sale of Oil and Gas category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item F.

- 106. Department of Transportation – Administration – FY 05** – Addition of \$400,000.00 in Miscellaneous Sales to provide authority for the collection of the increased amount for each over-dimensional permit fee transaction and to pay the

vendor for maintaining the permit system. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 107. Department of Transportation – Administration - FY 05** – Addition of \$9,190,477.00 in Highway Fund Authorization to re-establish unexpended FY 2004 budget authority for equipment purchases that were delayed in FY 2004. Requires Interim Finance approval since the amount added to the Equipment category exceeds \$50,000.00.

Jerry Ross, Chief, Financial Management, Nevada Department of Transportation (NDOT), was before the committee to request approval to move budget authority for heavy equipment and truck purchases forward from fiscal year 2004 to fiscal year 2005.

In a brief summary, Mr. Ross explained that several issues contributed to unexpended budget authority in fiscal year 2004 equipment funds. The first issue was the result of problems that occurred after orders placed with State Purchasing were bid, awarded and sent to the assembly plants. Mr. Ross indicated that typically a portion of the orders could not be filled within the same fiscal year in which the allocation occurred.

The second issue that contributed to the large balance forward was the result of legal action that was taken late in fiscal year 2003 and extended into 2004. Mr. Ross explained that vendors had begun to take exception to NDOT specifications challenging the way they were written. Working in cooperation with State Purchasing, Mr. Ross advised that errors or any areas within NDOT specifications that could create legal issues for the future were being resolved.

Chairman Arberry asked if the department had experienced delays in maintenance projects or a reduction in its fleet of snow removal equipment.

Mr. Ross responded that delays had not been seen in the maintenance projects, but indicated the life of equipment being replaced had to be extended.

Chairman Arberry asked if the equipment maintenance expenses increased as a result of keeping older equipment in service for longer periods of time.

Mr. Ross estimated maintenance expenses of approximately \$1 million for heavy equipment, such as large trucks that could cost up to \$50,000 for engine replacement.

SENATOR RAGGIO MOVED APPROVAL OF ITEM 107.

SENATOR TIFFANY SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

- 108. Department of Transportation – Administration - FY 05 –** Addition of \$200,000,000.00 in Proceeds from Sale of Bonds to provide funding to complete highway projects that are to be partially funded from existing bonds. Requires Interim Finance approval since the amount added to the Land and Building Improvements category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 109. Department of Transportation – Administration - FY 05 –** Addition of \$64,250.00 in Highway Fund Authorization and the Transfer of \$1,020,000.00 from the Land and Building Improvements category to the Consultants category to provide funding to hire staff through the master services agreement for the ongoing safety management system project. Requires Interim Finance approval since the amount transferred to the Consultants category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 110. Department of Transportation – Administration – FY 05 –** Transfer of \$230,000.00 from the Land and Building Improvements category to the Consultants category to provide funds to perform duties in support of the Location Information System and Nevada Pride Bus program. Requires Interim Finance approval since the amount transferred to the Consultants category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 111. Department of Transportation – Administration – FY 05 –** Addition of \$161,901.00 in Highway Fund Authorization and \$140,000.00 in NDOT Logo Program fees to provide funding for the Logo Sign Program in fiscal year 2005. Requires Interim Finance approval since the amount added to the NDOT Logo Program category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 112. Department of Transportation – Administration – FY 05** – Addition of \$362,243.00 in Highway Fund Authorization and \$1,510,353.00 in Federal Aid. Transfer of \$3,146,480.00 from the Paratransit Vehicles category to the Consultants category to fund services provided by an outside consultant performing field audits of motor fuel tax returns and also provide for Federal Transit Authority Programs. Requires Interim Finance approval since the amount transferred to the Consultants category exceeds \$50,000.00.

Refer to motion for approval under Item F.

- 113. Office of the Military – Adjutant General – FY 05** – Addition of \$256,000.00 in Department of Defense Funds to fund additional utility, maintenance, and electronic security improvement projects that are 100 percent federally funded. Requires Interim Finance approval since the amount added to the Logistical Support and Electronic Security categories exceed \$50,000.00.

Refer to motion for approval under Item F.

- 114. Office of Veteran's Services – Nevada State Veteran's Home – FY 04** – Deletion of \$385,733.00 in General Fund Appropriation to transfer the remainder of their general fund appropriation to fiscal year 2005 for professional services relating to the construction of a new dining facility at the nursing home. Requires Interim Finance approval pursuant to section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829. **WITHDRAWN 9/1/04.**

Item was withdrawn.

- 115. Office of Veteran's Services – Nevada State Veteran's Home – FY 05** – Addition of \$385,733.00 in General Fund Appropriation to transfer the remainder of their general fund appropriation from fiscal year 2004 for professional services relating to the construction of a new dining facility at the nursing home. Requires Interim Finance approval pursuant to section 32 of Chapter 327, Statutes of Nevada 2003, at page 1829. **WITHDRAWN 9/1/04.**

Item was withdrawn.

- 124. Department of Motor Vehicles – Director's Office – FY 04** – Deletion of \$155,936.00 in Highway Fund Appropriation to deaugment FY 04 Kiosk Project funding. Requires Interim Finance approval pursuant to Assembly Bill 553, Section 40, of the 2003 Legislative Session.

Mark Stevens, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reported the following technical changes for Items 124 and 125 involved a transfer of Highway Fund dollars:

- Item 124--General Ledger 2512 Balance Forward to New Fiscal Year revised to 2507.
- Item 125--General Ledger 2511 Balance Forward from Previous Fiscal Year revised to 2507

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED APPROVAL  
OF ITEMS 124 AND 125 AS REVISED BY STAFF.

SENATOR RAGGIO SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

- 125. Department of Motor Vehicles – Director’s Office – FY 05 –** Addition of \$155,936.00 in Highway Fund Appropriation to balance forward remaining FY 04 Kiosk Project funding. Requires Interim Finance approval pursuant to Assembly Bill 553, Section 40, of the 2003 Legislative Session.

Refer to narrative and motion for approval under Item 125.

## II. RECLASSIFICATIONS

The Department of Business and Industry, Industrial Relations Division, Position 0050 Accounting Assistant to Personnel Technician, and Department of Human Resources Division of Child and Family Services, Position 0004 Accounting Assistant III to Account Technician II were withdrawn.

Refer to motion for approval under Item F.

Agency	Agency/ Account Number	Position Number	Present Class, Code, Grade & Salary	Proposed Class, Code, Grade & Salary
Attorney General's Office, Accounting Division	030/1030	0188	Legal Secretary II, 2.153, grade 29, step 8, \$38,398.32, Employer-Paid	Program Officer I, 7.649, grade 31, step 8, \$41,843.52, Employer- Paid
Department of Administration, Motor Pool Division	084/1354	0019	Driver- Van/Automobile, 3.506, grade 22, step 9, \$32,823.36, Employee/Employ er Paid	Fleet Service Worker I, 9.337, grade 23, step 9, \$34,222.32, Employee/Employer Paid
Department of Agriculture, Administration Division	550/4546	0102	Administrative Assistant II, 2.212, grade 25, step 8, \$35,642.16, Employee/Employ er-Paid	Program Officer I, 7.649, grade 31, step 4, \$38,795.04, Employee/Employer- Paid
Commission on Economic Development	102/1528	0014	Accounting Assistant III, 2.301, grade 27, step 9, \$36,038.88, Employer-Paid	Account Technician I, 7.143, grade 30, step 8, \$39,317.40, Employer- Paid
Department of Business and Industry, Insurance Division	741/4684 <b>3813</b>	0003	Chief Insurance Examiner, 11.401, grade 42, step 1, \$49,986.72 Employer-Paid	Actuary I, 7.710, grade 39, step 1, \$43,743.60, Employer-Paid



Department of Business and Industry, Industrial Relations Division	742/4680	0050	Accounting Assistant III, 2.301, grade 27, step 9, \$40,486.32, Employee/Employer Paid	Personnel Technician II, 7.535, grade 27, step 9, \$40,486.32, Employee/Employer Paid
Department of Human Resources, Mental Health and Developmental Services Division	408/3167	0002	Administrative Assistant III, 2.211, grade 27, step 9, \$36,769.68, Employer-Paid	Program Officer I, 7.649, grade 31, step 7, \$40,110.48, Employer-Paid
Department of Human Resources, Mental Health and Developmental Services Division	408/3279	0042	Administrative Assistant II, 2.212, grade 25, step 9, \$33,804.72, Employer-Paid	Computer Network Technician I, 7.931, grade 33, step 3, \$36,769.68, Employer-Paid

Department of Human Resources, Division of Child and Family Services <b>WITHDRAWN 9/1/04</b>	409/3179	0004	Accounting Assistant III, 2.301, grade 27, step 9, \$39,692.88, Employee/Employer Paid	Account Technician II, 7.141, grade 32, step 6, \$43,305.12 Employee/Employer Paid
Department of Employment, Training and Rehabilitation, Rehabilitation Division	901/3254	0003	Administrative Assistant III, 2.211, grade 27, step 1, \$26,350.56, Employer-Paid	Management Analyst I, 7.637, grade 33, step 1, \$33,804.72, Employer-Paid
Department of Employment, Training and Rehabilitation, Rehabilitation Division	901/3269	0135	Administrative Aid, 2.221, grade 21, step 1, \$20,921.76, Employer-Paid	Disability Adjudicator III, 12.428, grade 32, step 1, \$32,364.00, Employer-Paid

Department of Employment, Training and Rehabilitation, Rehabilitation Division	901/3265	0170	Administrative Assistant II, 2.212, grade 25, step 9, \$37,229.04, Employee/Employer Paid	Rehabilitation Technician II, 12.443, grade 27, step 9, \$40,486.32, Employee/Employer Paid
Department of Transportation, Safety and Traffic Division	800/4660	016047	Transportation Technician II, 7.715, grade 27, step 6, \$32,364.00, Employer-Paid	Engineering Technician III, 6.313, grade 30, step 5, \$35,224.56, Employer-Paid
Department of Conservation and Natural Resources, Division of Environmental Protection	709/3185	0015	Environmental Scientist II, 10.536, grade 35, step 1, \$36,769.68, Employer Paid	Staff II, Associate Engineer, 6.228, grade 37, step 1, \$40,110.48, Employer Paid
Department of Conservation and Natural Resources, Division of Forestry	0706/4195	0054	Forestry Equipment Supervisor, 9.340, grade 34, step 9, \$53,953.92, Employee/Employer Paid	Conservation Staff Specialist, 1.810, grade 36, step 9, \$58,965.12, Employee/Employer Paid

G. STATEMENT OF CONTINGENCY FUND BALANCE.

A statement of Contingency Fund Balance was not provided.

\*H. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY FUND.

1. Commission Ethics – Establish and staff an office in southern Nevada with a full-time paralegal position. ....\$53,113

Stacy Jennings, Executive Director, Nevada Commission on Ethics, requested \$53,113 from the Contingency Fund to establish and staff an office in Las Vegas with a full-time paralegal position beginning January 1, 2005. Ms. Jennings indicated the commission's 2005-2007 budget request to the 2005 Legislature would include a full-time Investigator for the Las Vegas office. Ms. Jennings cited a 106 percent increase in caseload statistics with 67 percent of the cases occurring in the southern Nevada area as justification for the request.

Ms. Jennings explained that approval of the request would alleviate the travel time she was currently experiencing and would provide an office in southern Nevada for filing complaints and financial disclosure statements.

SENATOR COFFIN MOVED TO APPROVE THE CONTINGENCY FUND REQUEST.

Chairman Arberry asked Ms. Jennings to comment on a reduction of expenses by \$840.

Ms. Jennings explained that the commission's initial request was for \$100,000, which was reduced to \$53,113. After working with staff, projected operating expenses were reduced by \$840.

Senator Raggio asked Ms. Jennings whether a potential site had been selected for the Las Vegas office.

Ms. Jennings advised of the availability of temporary quarters in the Department of Administration's Hearings and Appeals Division located in Las Vegas at Rancho Drive and Sahara Avenue until July 1, 2005. If approved, a permanent location beginning in July 2005 would be funded through the budget process.

SENATOR COFFIN AMENDED THE MOTION TO REFLECT APPROVAL OF THE \$53,113 CONTINGENCY FUND REQUEST REDUCED BY \$14,741 IN UNEXPENDED 2004 FUNDS AND \$840 IN PROJECTED OPERATING EXPENSES.

SENATOR RAGGIO SECONDED THE MOTION.

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

2. University and Community College System of Nevada –  
Desert Research Institute – Weather Modification Program –  
For the operation of the Winter Season Weather Modification  
Program in fiscal year 2004-05. ....\$489,426

Steve Wells, President, Desert Research Institute (DRI), identified himself for the record. Having completed twenty consecutive years of operations with state funding, Dr. Wells extended his appreciation to the committee for their support of the Weather Modification Program. Dr. Wells was before the committee to request an allocation of \$489,426 from the Contingency Fund to continue the Weather Modification Program during fiscal year 2004-05.

In a brief summary concerning seeding operations for the winter of 2003-04, Dr. Wells indicated DRI had provided an estimated snow pack augmentation of 64,000 acre-feet in the five project areas at a net cost of \$8.16 per acre-foot. The ten-year average yield was 65,000 acre-feet at a cost of about \$9.53 per acre-foot. Dr. Wells told the members of the committee that the DRI had requested funding in the amount of \$32,500 from the Walker River Irrigation District for the 2005 Field Season for generator fabrication and installation.

In view of the diminishing balance in the IFC Contingency Fund, Ms. Giunchigliani asked if the DRI request could be reduced by \$32,500 in anticipation of continued support from the Walker River Irrigation District.

Dr. Wells was in agreement with Ms. Giunchigliani's suggestion to reduce the request by \$32,500..

Ms. Giunchigliani discussed a national study concerning cloud seeding projects across the United States that concluded weather modification was not beneficial. Ms. Giunchigliani indicated she would request a review of the Weather Modification Program during the 2005 Legislative Session and asked to be provided with an analysis and justification for the Weather Modification Program versus the findings of the recent study.

Dr. Wells responded that a National Academy of Science study concluded the one area that yielded success was wintertime high elevation production, such as the process used by the DRI. Dr. Wells indicated he would be pleased to follow up and to provide the information requested.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM  
H. 2 REDUCED BY \$32,500.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

3. State Public Works Board – For litigation costs associated  
with the Southern Nevada Veterans' Home (Addison  
Construction vs. State of Nevada).....\$250,000

Dan O'Brien, Manager, State Public Works Board, requested \$250,000 from the Contingency Fund to finance continuing litigation costs associated with *Addison Construction v State of Nevada*, a lawsuit concerning construction of the State Veterans' Nursing Home in Boulder City. A document, *State Public Works Board Request for \$250,000 for Veterans' Home Litigation* (Exhibit D) provided a

summary of the history of the Veterans' Nursing Home litigation and was distributed to the members of the committee.

In a brief background presentation Mr. O'Brien said that in 2001, after years of delays and problems with the contractor, Addison Construction, the Public Works Board discharged the contractor, hired a construction manager and multiple subcontractors to complete construction of the Veterans' Nursing Home in Boulder City. Addison Construction subsequently filed a lawsuit, and the law firm of Santoro, Driggs, Walch, Kearney, Johnson & Thompson was retained to represent the state in the defense of that lawsuit.

Mr. O'Brien introduced Charles Titus, Special Counsel, with Santoro, Driggs, Walch, Kearney, Johnson & Thompson, and Mr. Titus indicated he would answer questions from the members of the committee.

In response to questions Senator Raggio had concerning the amount of Addison Construction's claims, Mr. Titus explained that all parties involved had been directed by the Special Master to provide a detail of their claims by October 15, 2004. Additionally, Mr. Titus explained that although litigation was initiated in 2001, the case was put on hold after Addison Construction appealed to the Nevada Supreme Court over the issue of mandatory arbitration. The Court subsequently issued a decision that required the state to submit to mandatory and binding arbitration.

Mr. Titus indicated that he was encouraging the parties to enter into mediation prior to the mandatory arbitration process in an effort to avoid extended litigation costs. Mr. Titus indicated the Supreme Court's decision was somewhat limited in that the decision required the state to enter into binding arbitration with the contractor while not necessarily requiring the architect to enter into arbitration. Mr. Titus also explained there was a question concerning whether the contractor's bonding company would be required to participate in binding arbitration. Ultimately, Mr. Titus indicated the state might be compelled to seek a stay of the claims against the architect until the arbitration was decided which could result in the need for the state to litigate some of the issues more than once.

Senator Raggio asked if there were any projections concerning the contractor's claims and those by the state.

Indicating he could only speculate, Mr. Titus said Addison had not claimed a specific amount, but rather had indicated the claim was in excess of \$10,000, as required by statute. When the contractor was dismissed, the Public Works Board retained \$1,858,333, which it was assumed the contractor would pursue. Since many of Addison's subcontractors were hired to finish the project, Mr. Titus indicated offsets would occur. Mr. Titus indicated the extent of the state's claims had not been totally determined. To prepare for the submission of claims,

counsel recommended that the state engage the services of a claims and management consultant to review all claims and to prepare a report detailing the defects in performance by the contractor, its subcontractors and the architect for the project.

Senator Raggio discussed a preference to avoid a situation where more money was spent on litigation and mediation than on settling the claim.

After conversing with counsel, Mr. Titus indicated he was aware that there would be delay claims, which he indicated would be blamed on the architect. Mr. Titus reiterated his hope that the parties would enter a mediation process in an attempt to settle.

In response to questions from Mr. Marvel concerning completion of the project, Mr. O'Brien reiterated earlier testimony that the Public Works Board used funds allocated for the construction of the Veterans' Home to hire a construction manager and various subcontractors to complete the project. The facility was completed and was currently occupied.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF THE  
\$250,000 ALLOCATION FROM THE CONTINGENCY FUND.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED. THE MOTION CARRIED.  
(Assemblywoman Giunchigliani, and Assemblywoman  
McClain were not present for the vote. Assemblyman  
Andonov and Assemblyman Perkins were excused.)

4. Department of Business and Industry – Transportation Services  
Authority – To pay for contract services with a consulting firm to  
Develop a regulation system of allocation for limousines in  
Clark County (Highway Funds). .....\$50,000

The request was withdrawn.

5. Department of Taxation – To fund costs associated with the  
Unified Tax System vendor contract and fund resources  
necessary for ongoing implementation of new taxes  
SB 8, Section 185.7 (20<sup>th</sup> Special Session).....\$16,345,366

Chuck Chinnock, Executive Director, Nevada Department of Taxation, identified himself for the record. Mr. Chinnock referenced four documents that had been distributed to the committee, *Accenture* (Exhibit F); *Department of Taxation Unified Tax System Project Overview* (Exhibit G), *Tax and IT Implementation Status Update*, (Exhibit H) and, *IFC Allocation Expenditure Report* (Exhibit I).

Appearing before the committee in accordance with the requirements of A.B. 553 (2003 Legislative Session), and S. B. 8, (20<sup>th</sup> Special Session), Mr. Chinnock requested:

1. Approval of the funding for the contract with Accenture, vendor for the Unified Tax System (UTS) for fiscal year 2005. The original cost submitted to the Legislative Counsel Bureau's Fiscal Analysis Division was \$11,032,540, which was subsequently adjusted to \$10,957,540.
2. Approval of the funding for the Unified Tax System project costs outside of the vendor's contract for 2005. The original cost submitted to the Legislative Counsel Bureau's Fiscal Analysis Division was \$2,669,154, which was subsequently adjusted to \$2,627,176.
3. Approval of the funding for additional costs for 2005 for the implementation of changed and new taxes resulting from legislation approved in 2003. The original cost submitted to the Legislative Counsel Bureau's Fiscal Analysis Division was \$2,643,672 and subsequently adjusted to \$1,586,841.

Mr. Chinnock pointed out that after working with staff from the Legislative Counsel Bureau's Fiscal Analysis Division, the initial Contingency Fund request of \$16,345,366 was adjusted to \$15,171,557.

Mr. Chinnock introduced David Haws, Project Manager, Unified Tax System and Jens Egerland, a Partner with the Accenture Group, Kirk Jacobi, Accenture Project Director, and George Love, Accenture Project Manager.

In a brief overview of the Unified Tax System, Mr. Chinnock referenced the document titled *Unified Tax System Project Overview* (Exhibit F) and began his presentation with information reflected on pages 2, 3 and 4.

Mr. Chinnock described the purpose of the Unified Tax System project as "a complete integration of taxes from collection through distribution," with the addition of "modules for discovery and risk-based auditing."

Additionally, Mr. Chinnock said the UTS would also provide enhanced taxpayer service through online filing and payment.

Pages 5 and 6 reflected a history dating to 1999 when work began on a replacement for the current information technology system, ACES, that had been designed primarily for sales and use tax and business tax. Pages 5 and 6 also reflected milestones the Department of Taxation had achieved to the time a contract for the UTS was signed on August 4, 2004.

Page 7 reflected information on the UTS project schedule, which was designed in four phases. Mr. Chinnock pointed out that the first phase was scheduled for release in March 2005 at which time online registration and profile changes for all tax types and electronic payment for all tax types would be available.

Page 8 reflected information on the implementation phases of the UTS. Mr. Chinnock pointed out that the first phase included implementation of the Business License Fee processing as well as the Modified Business Tax for General Business and the Modified Business Tax for Financial Institutions which had been scheduled for a later phase, but moved up to Phase I after negotiating with Accenture to do so.

Moving to page 9, Mr. Chinnock pointed out some of the highlights of the formal Request for Proposal (RFP) process, including that on July 30, 2004, the Board of Examiners approved a contract with Accenture for a little less than \$28 million. Mr. Chinnock indicated that several weeks had been spent in negotiations with Accenture for a 14 percent cost reduction. At the same time, Mr. Chinnock indicated an understanding of positions and an appreciation for one another was gained. Additionally, Mr. Chinnock pointed out that a long list of safeguards had been built into the contract.

Jens Egerland, a Partner with Accenture, conveyed his thanks and appreciation for the contract award and reinforced Accenture's commitment to make the Unified Tax System a success for the state of Nevada. Mr. Egerland provided assurance that the UTS was a strategic project for Accenture's revenue practice and looked forward to displaying in Nevada that Accenture had "the strongest revenue practice in the industry."

Since time prevented a custom-based solution, Mr. Egerland indicated a solution proven in multiple implementations was requested. Accenture presented a solution implemented in 17 states and running in 25 states across the country in various forms. Additionally, Mr. Egerland indicated Accenture systems annually processed nearly \$100 billion in taxes for various states, local governments, and countries.

Additionally, Mr. Egerland said the project goal was that Accenture delivered the UTS in the time frames requested, and that by the time the solution was implemented, the State of Nevada had the ability to independently run the solution.

Mr. Egerland also discussed the importance of the knowledge transfer that had been built into the project and advised that subcontractors who complemented Accenture included Revenue Solutions Inc., leaders in the discovery and audit field, and Convansys Corporation who currently maintained the Legacy System and provided the necessary continuity between the systems for conversion purposes.



Dave Haws, UTS Project Manager, identified himself for the record and addressed the system costs that had been developed over several months which included the costs related to work that would be performed by Accenture, and work that would be performed internally, such as the Legacy conversion, interface connectivity with other state departments and ongoing maintenance for software and hardware. Mr. Haws explained the budget was prepared to ensure that the majority of the costs associated with the new application were covered.

As previously stated, Mr. Haws advised that Accenture was awarded \$27,978,644 for the contract, which was less than the \$28,000,000 indicated in the RFP not to be exceeded. Over the course of the project, Mr. Haws indicated the state's portion was \$9.3 million for services. Ongoing maintenance through the course of the project was \$3.2 million, for a total state portion of \$12.5 million. Mr. Haws advised that the total cost of the project including Accenture's contract and the state portion was \$40.5 million.

In a closing statement Mr. Chinnock indicated the department representatives had addressed the financial benefits gained by implementation of the UTS and projected the system would pay for itself over five to seven years.

ASSEMBLYMAN GOLDWATER MOVED APPROVAL OF  
ITEM H.5.

Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, indicated the initial amount requested from the Contingency Fund was \$16,345,366. After working with department representatives and utilizing approximately \$419,000 remaining from the fiscal year 2003 allocation, staff recommended the amount requested from the Contingency Fund be reduced to \$14,752,526 in addition to providing for the reductions pointed out by Mr. Chinnock.

Mr. Goldwater expressed his support for the proposal, which he described as thorough and well thought out with adequate safeguards in place for the taxpayers. Mr. Goldwater indicated he would change his motion to reflect staff recommendations.

ASSEMBLYMAN GOLDWATER AMENDED HIS MOTION  
FOR APPROVAL TO REFLECT STAFF  
RECOMMENDATIONS TO REDUCE THE REQUEST FROM  
\$16,345,366 TO \$14,752,526.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

In response to questions from Mr. Marvel concerning the business license tax, Mr. Chinnock advised that the Governor's recommended budget in 2003 requested 55 positions for the Department of Taxation to implement the tax package. As a result of the expanded business license requirement approved by the 2003 Legislature, Mr. Chinnock said the need for additional staffing and resources had become apparent.

Mr. Chinnock recommended the following positions for fiscal year 2005:

- 46 positions for a cost of \$1,586,841
- 17.5 base positions
- 28.5 positions directly related to the new business license tax

Mr. Chinnock explained that a doubling of account load had been projected during the 2003 Legislative Session at which time the department had 80,000 business licenses. Currently there were 150,000 business licenses in the department's database with a potential for 300,000. Mr. Chinnock further explained that there were 246,000 various forms filed with the Internal Revenue Service and 200,000 accounts for various corporations on file at the Secretary of State's Office.

Mr. Chinnock proposed creating a swing shift using the same space, desks, and cubicles as the day shift in order to continue to process business license tax within 14 to 18 months.

- \*I. REQUEST FOR ALLOCATION FROM THE DISASTER RELIEF FUND –  
Request from the Nevada Division of Forestry for \$2,048,000 to provide the 25 percent match required for the FEMA Public Assistance Grant expected to be received to assist the state with the Waterfall Fire suppression and emergency preventative restoration costs. (NRS 353.2705 – 353.2771)

Pete Anderson, State Forester, Nevada Division of Forestry, identified himself for the record and Introduced Carol English, Administrative Services Officer, Nevada Division of Forestry.

Mr. Anderson provided the following overview of the Division of Forestry request for funding from the Disaster Relief Fund and an update on rehabilitation efforts associated with the Waterfall fire:

- July 14, 2004, at approximately 3:00 a.m., the Waterfall fire was reported mid-slope above Kings Canyon Road west of Carson City.
- The Waterfall fire burned approximately 8,799 acres of "critical watershed," 17 homes, 1 commercial building and numerous out buildings and vehicles.

- An inter-agency burn area emergency response team was formed and within a 7-day period developed a plan to address the threat of soil erosion, landslides and contamination of Carson City's drinking water system.
- Upon containment of the wildfire, Nevada Division of Forestry Conservation Camp crews "began the implementation of erosion control measures including the placement of straw wattles and log erosion barriers."
- Carson City crews initiated the construction of earthen berms to protect their water system and to direct flood flows away from residential homes.
- Native and adaptive seed mixes were developed, and 165,000 pounds of seed was purchased through the Division of Forestry's seed bank program and delivered on August 16, 2004.
- Aerial seeding application began on September 15, 2004 through a U. S. Forest Service contract.
- On July 14, 2004, Mr. Anderson requested and received a Fire Management Assistance grant from the Federal Emergency Management Agency (FEMA) for the cost of suppressing the Waterfall fire. The grant was for a 75 percent cost share with a 25 percent match.
- Governor Guinn and the Division of Emergency Management requested a Presidential declaration and assistance from FEMA's Public Assistance Grant program in the amount of \$10,875,000. This request included both the original Fire Management Assistance grant received for fire suppression costs with the addition of the emergency erosion control projects. President Bush approved the request, and a team from FEMA was currently working on the specifics of each of the erosion control measures.

Mr. Anderson indicated he was before the committee to request \$2,048,000 from the Disaster Relief Fund for the 25 percent match associated with the Public Assistance grant. Mr. Anderson pointed out that any unused funding would be returned to the Disaster Relief Fund.

SENATOR RAGGIO MOVED TO APPROVE THE REQUEST  
FOR \$2,048,000 FOR USE AS THE 25 PERCENT MATCH  
TO THE PUBLIC ASSISTANCE GRANT.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

In his capacity as Chairman of the Tahoe Regional Planning Agency (TRPA) Oversight Committee and member of the IFC, Mr. Hettrick congratulated Division of Forestry and Carson City staff for a "great job" in rapidly responding to the Waterfall fire.

Ms. Giunchigliani asked if the Fire Safe Council was funded through the Division of Forestry.

Mr. Anderson explained that the Fire Safe Council of Nevada was a nonprofit coalition of public and private partners across the state, which competed for grant funding from the Nevada Division of Forestry as well as federal agencies.

Ms. Giunchigliani commended the work by the public entities involved in fighting the Mt. Charleston fire in Las Vegas.

THE MOTION CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

- \*J. UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA – Request for approval of operating cost-saving measures at the Western Nevada Community College campus. (NRS 353.550)

Dane Apalategui, Vice President, Finance and Administration, Western Nevada Community College (WNCC), identified himself for the record, and introduced Jay Johnson, a representative of APS Energy Services.

Mr. Apalategui was before the committee to request approval for a cost-saving energy retrofit project for all WNCC campuses funded entirely through energy cost savings and governed under the provisions of *Nevada Revised Statutes (NRS) 333.510*.

In a brief overview, Mr. Apalategui referred to a document titled *WNCC Project Financial Summary (Exhibit J)*, which had been distributed to the members of the committee. The financial summary reflected the following cost information:

- The energy project had a positive cash flow guarantee of \$116,233 over the 15-year life of the contract.
- If the annual projected savings of \$132,937 referred to the first year of the contract, the projected annual average savings for the life of the contract would be \$171,000 per year and would produce a positive cash flow.

A document titled *WNCC Annual Cash Flow Projections (Exhibit K)* reflected the APS Energy Services guaranteed cash flow as well as other projected amounts from an independent third party over the life of the contract. While the guaranteed savings was conservatively projected, Mr. Apalategui also provided an optimistic cash flow projection of \$445,151 over the term of the contract.

Chairman Arberry asked how what appeared to be a negative cash flow for the first eight years of the project would be funded.

Mr. Apalategui responded that existing resources would be reallocated to pay for the first eight years of the project. Additionally, Mr. Apalategui explained that funding for the first year had already been allocated and funding for future years would be included in the budget.

In response to questions from Chairman Arberry concerning the prospect of future funding requests for the project from the legislature, Mr. Apalategui told the members of the committee the University and Community College System of Nevada would “never request an increase in the future” for the project at the Western Nevada Community College.

In response to questions from Ms. Giunchigliani, Mr. Apalategui explained the project was undertaken to save energy and to improve HVAC (Heating, Ventilating and Air Conditioning) including temperature control for all WNCC campuses through a computer in the Carson City office.

In response to additional questions from Ms. Giunchigliani concerning the projected savings over the 15-year period of the contract, Mr. Apalategui affirmed that APS Energy Services would be paid \$1.79 million over 15 years to achieve a guaranteed minimum net savings of \$116,233. Mr. Apalategui further advised that the project would address HVAC infrastructure problems that had not been previously addressed because of a lack of funds for capital projects.

In response to additional questions from Ms. Giunchigliani concerning whether the project had been before the Board of Regents, Mr. Apalategui advised that permission had been received from the University Board of Regents to negotiate with APS Energy Services for the contract. Approval was now requested from the IFC, and a request for approval would also be on the agenda for the October Board of Regents’ meeting.

Ms. Giunchigliani expressed some concern in view of what appeared to be limited savings over the 15-year \$1.79 million contract.

Jay Johnson, a representative of APS Energy Services, identified himself for the record and told the members of the committee that aged mechanical, lighting, and control systems, as well as water conservation measures would all be addressed through reduction in existing utility budgets under the provisions of A.B. 398, 2003 Legislature. The legislation established an alternative procedure pursuant to which certain performance contracts for cost-savings energy measures in buildings occupied by governmental entities were bid. Mr. Johnson explained that guaranteed savings from the upgrades would fund facility improvements. Mr. Johnson further indicated that under the provisions of the legislation, the project would address many items ordinarily submitted in capital budget requests which could now be funded from a reduction in the existing operating budget.

In response to questions from Ms. Giunchigliani concerning the \$1.79 million request, Mr. Johnson advised that APS Energy Services would secure “open-book pricing” for the energy-savings projects through competitive bids, which would create jobs, opportunities and generate new revenue.

In response to questions Ms. Giunchigliani had concerning the guaranteed savings, Mr. Apalategui indicated that in his capacity as Vice President, Finance and Administration, WNCC, he would reduce the utilities’ budget by the amount guaranteed by APS Energy Services. Additionally, Mr. Apalategui explained the change in energy usage would be measured each year until the project was completed to ensure projected energy savings were achieved. Mr. Apalategui indicated that in the first and fifth years of the project major reviews would occur with spot checks in between.

In response to a question from Ms. Giunchigliani concerning the profit that would be earned by APS Energy Services, Mr. Apalategui indicated the 12 percent profit was built into the contract.

In response to a question from Ms. Giunchigliani concerning future construction projects, Mr. Apalategui indicated major construction projects were not anticipated in the near future. Mr. Apalategui said energy-saving measures had been included in the recently completed library project, and his understanding was that all Public Works Board projects now included energy-saving measures.

Robin Reedy, Deputy Treasurer Debt Management, Office of the State Treasurer, identified herself for the record. Ms. Reedy advised the members of the committee that the request before them fell under lease-purchase legislation that required IFC approval. Ms. Reedy further explained that approximately \$2.5 million would be saved from which \$1.79 million would be paid to APS Energy Services. Ms. Reedy pointed out that if the savings did not materialize, payment would not be required over the 14 and a half-year life of the contract.

ASSEMBLYMAN HARDY MOVED APPROVAL OF ITEM J.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

In response to concerns expressed by Chairman Arberry, Mr. Apalategui indicated that if the savings in the first year did not meet projections, APS Energy Services guaranteed they would cover the difference for the entire length of the contract including projected rate increases. Additionally, Mr. Apalategui advised that the selection process included a financial analysis of vendor solvency.

- \*K. DEPARTMENT OF BUSINESS AND INDUSTRY – DIVISION OF INDUSTRIAL RELATIONS – ADMINISTRATIVE SERVICES UNIT – Request to utilize salary savings from the Personnel Services category to fund a new attorney position.

Roger Bremner, Administrator, Nevada Division of Industrial Relations, identified himself for the record and introduced Lori Myer, Administrative Services Officer, Nevada Division of Industrial Relations.

Mr. Bremner was before the committee to request authority to utilize salary savings from the Personnel Services category, through the reclassification of a vacant Management Analyst II position and the elimination of a vacant Legal Secretary position, to fund a new attorney position for the Las Vegas office.

Mr. Bremner advised that the request resulted from the increased workload and the need for legal assistance in the Las Vegas office especially in the Workers' Compensation and Nevada Occupational Safety and Health Administration sections. Mr. Bremner explained that passage of S.B. 168 and A.B.168, 2003 Legislature, resulted in an increased legal appeal caseload concerning benefit penalties and administrative fines. Specifically, Mr. Bremner indicated the caseload had increased from 72 cases in fiscal year 2003 to 165 cases in fiscal year 2004. Thus far in the first two months of fiscal year 2005, 21 cases had been initiated. Mr. Bremner attributed some of the increased activity to the division's education and outreach program, which he said provided employers and workers compensation and injured workers with a better understanding of the appeal process.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM K.

ASSEMBLYMAN BEERS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and Assemblyman Perkins were excused.)

- \*L. DEPARTMENT OF MOTOR VEHICLES – Request for approval to distribute dedicated grants to local government entities from funds equal to one-sixth of the smog certificate sales revenue in the Pollution Control account pursuant to NRS 445B.830 (4)(a).

Dennis Colling, Chief, Administrative Services Division, Department of Motor Vehicles, identified himself for the record. Mr. Colling was before the committee to request approval to distribute dedicated pollution grant funding in the following amounts during fiscal year 2005 to Clark County and Washoe County:

Clark County Department of Air Quality Management.....	\$906,887
Washoe County Department of Air Quality Management.....	\$241,071

ASSEMBLYMAN MARVEL MOVED APPROVAL OF  
ITEM L.

ASSEMBLYWOMAN CHOWNING SECONDED THE  
MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

\*M. DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES –  
DIVISION OF STATE LANDS.

1. Request for approval of a 50-year lease agreement between the Nevada National Guard and Clark County Aviation for 51 acres of vacant land in southwest Las Vegas for the proposed Armory Complex. (NRS 322.007)

The request was withdrawn.

2. Request for approval to renew a lease/easement agreement with Carson City on a portion of the School Grant Land to continue a water recharge project, access road, and six monitoring wells. (NRS 322.007, 322,050)

Pam Wilcox, Administrator, Division of State Lands, identified herself for the record. Ms. Wilcox was before the committee to request renewal of a lease agreement with Carson City to continue a water recharge project on a portion of school trust land in Vicee Canyon to the west of Carson City for ten years to June 30, 2014.

Ms. Wilcox advised that the total 2.25 acres of encumbered land was occupied by a series of water infiltration ponds, an access road to the site, and six monitoring wells. After a reappraisal, Ms. Wilcox indicated the new rental rate was \$1,115 a year, which would be deposited in the Permanent School Fund.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM  
M.2

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

3. Request for approval of additional bond proceeds in the amount of \$17,125,000 to fund eligible projects in the Question 1 program approved by Nevada voters on November 5, 2002.



Robin Reedy, Deputy Treasurer Debt Management, Office of the Treasurer, identified herself for the record. Ms. Reedy was before the committee to request approval of additional bond proceeds under Question 1, the proposal to issue General Obligation Bonds in an amount not to exceed \$200 million. Over \$90 million in General Obligation Bonds had been issued to date, and Ms. Reedy advised that the 2003 Legislature approved an assessment of an extra penny to cover the bond issuance. Ms. Reedy requested approval for an additional \$10,925,000.

ASSEMBLYMAN GOLDWATER MOVED APPROVAL OF  
ITEM M.3.

Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided information that the original request for \$17,125,000 was amended to \$10,925,000.

ASSEMBLYMAN GOLDWATER AMENDED HIS MOTION TO  
REFLECT APPROVAL OF THE REQUEST FOR  
\$10,925,000.

In response to a request from Senator Raggio for additional information on the amendment, Mr. Ghiggeri advised that the agenda as originally posted included \$6.2 million for non-profits, which did not require approval by the Interim Finance Committee.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

\*N. STATE PUBLIC WORKS BOARD.

Dan O'Brien, Manager, State Public Works Board, identified himself for the record and acknowledged the presence of the Chancellor of the University and Community College System as well as the Presidents from the University of Nevada Las Vegas (UNLV), University of Nevada, Reno (UNR), and Nevada State College.

Mr. O'Brien advised the committee that Project 01-C24, New Library Building (UNR) and Project 03-C23, Science and Engineering Complex (UNLV), were currently in the design phase. As a result of the extraordinary increase in the cost of concrete and steel products, Mr. O'Brien said the budgets for both projects had been severely impacted, and he was before the committee to present a recommendation to resolve the cost increase.

Mr. O'Brien reported that University representatives had worked in conjunction with the Public Works Board, architects, and engineers to overcome the increase in cost and to deliver workable projects with a plan for the future. With a reduction in scope and budget for both projects, Mr. O'Brien indicated use of some of the space would

have to wait until additional funding was acquired. Additionally, although furniture, fixtures and equipment (FF&E) had also been deferred, Mr. O'Brien advised that both buildings would be functional.

Assemblyman Goldwater questioned why it appeared so much time elapsed from the time funding was allocated for a project to the time of completion. Mr. Goldwater also asked whether low interest and wage rates provided any offsetting cost benefits to the projects under discussion.

In order to avoid the problems that occurred between funding and construction, Mr. O'Brien said the Public Works Board had proposed advanced planning or design only for many of the projects listed in the new Capital Improvements Program budget. Mr. O'Brien advised that future projects should be viewed in terms of design only since funding a project in concept contributed to the problem of staying within scope and budget. Mr. O'Brien explained that design and development of plans normally took a year or more to complete, and a funding allocation, especially for a large project, could be impacted by inflation during that time.

With respect to the UNR new library project, Mr. O'Brien explained that UNR's master plan had to be completed in order for the building to be correctly sited, which had contributed to some of the delay.

Additionally, Mr. O'Brien indicated that while inherent delays existed, such as the consultant selection and bidding process, the Public Works Board had attempted to streamline their process to avoid delays that added to the cost of large projects.

Mr. O'Brien turned the microphone over to President John Lilley who provided a presentation on Project 01-C24, the New Library Building for UNR.

1. Project 01-C24, New Library Building (UNR). Approval requested to receive and expend additional funds and for a change in scope.

John Lilley, President, University of Nevada, Reno, said, in opening remarks, that the new library was the largest public works project in the history of the state, and construction of the library prepared the University of Nevada, Reno (UNR) to move forward to meet substantial future student body growth.

Dr. Lilley indicated UNR representatives had worked closely with the Public Works Board and extended his appreciation to Dan O'Brien and his colleagues for their assistance and work.

Although the scope of the project had already been reduced to bring it into budget, Dr. Lilley said sudden nationwide hyperinflation that resulted in increased steel and cement costs was unexpected. Dr. Lilley indicated that additional time would be lost if a redesigned building that would not meet UNR's future needs was considered.

Dr. Lilley asked for the committee's understanding with respect to the hyperinflation problem that had impacted construction projects statewide.

Ms. Giunchigliani asked for information concerning the status of the \$22 million that UNR was to contribute in private pledges.

Dr. Lilley indicated the campaign to raise the \$22 million was just being completed and should be of no concern to the members of the committee.

Ms. Giunchigliani expressed strong concerns in reference to university fundraising activities and asked Dr. Lilley specifically how much had been raised thus far.

Dr. Lilley said there were written pledges and commitments for \$19 million.

Noting that \$19 million was pledged but not yet collected, Ms. Giunchigliani pointed out that \$30 million rather than \$22 million might be needed given the current inflationary factors.

Dr. Lilley explained that fundraising pledges would be monetized and provided assurance the \$22 million would be available by June 30, 2005.

Reiterating her comments with respect to inflationary factors increasing the need for more than the \$22 million in pledges, Ms. Giunchigliani asked if it was proposed the state should be obligated for the additional cost.

In order to meet the additional cost, Dr. Lilley advised that additional student fees would be redirected to the project, and FF&E costs would be deferred.

In response to a question from Ms. Giunchigliani concerning student fees, Mr. O'Brien advised that the University of Nevada, Reno had pledged an additional \$8.8 million in student fees.

Ms. Giunchigliani questioned if the funding from student fees had resulted from increases already approved by the University Regents or from fees currently being collected.

Ron Zurek, Vice President, University of Nevada, Reno, explained that the \$8.8 million would be redirected to the project from student fees currently being collected.

With respect to policy issues concerning non-resident fees from campus to campus, Ms. Giunchigliani asked that data concerning collection of student fees identified by resident and non-resident status be provided during the 2005 Legislative Session.

Mr. O'Brien clarified for the record that during the January 28, 2004 IFC meeting, the committee approved the PWB request to defer \$4.8 million to purchase the Automatic Stack Retrieval System (ASRS) equipment until the 2005 Legislative Session.

Mr. O'Brien explained the current request before the committee was to defer \$11.2 million in FF&E costs until the 2007 Legislative Session and \$11.2 million in construction costs to the 2005 CIP. Mr. O'Brien indicated, however, that the \$11.2 million in FF&E costs deferred to the 2007 CIP would be subject to inflation which could increase FF&E costs to \$13 or \$14 million at that time.

With respect to the current economic environment, Mr. Goldwater discussed the possibility that inflation might be curtailed and suggested that perhaps budgeting could be delayed until the next legislative session.

Mr. O'Brien indicated the request before the committee was for a change in scope and explained that the inflationary factor was being monitored. Agreeing that the possibility was good the economic situation would improve during the bidding process, Mr. O'Brien indicated the design process could not be delayed. In order to avoid additional delays, Mr. O'Brien said the issues concerning funding and a change in scope had to be brought before the committee for consideration.

In a strong expression of disapproval concerning a recent increase in the cost of basketball tickets to UNR sports events, Senator Mathews asked where the increase collected from the sale of tickets was being directed.

Dr. Lilley explained that a few months ago, the expectations for scholarship contributions for those who purchased tickets for events held in Lawlor Events Center was raised, and those dollars were directed to the Athletic Scholarship Program. Dr. Lilley further explained it was determined a change was needed to ensure the Athletic Program was properly funded. For those who preferred not to purchase the higher-priced tickets, Dr. Lilley indicated there was an option to move slightly higher in the bleachers.

Speaking on behalf of the community, Senator Mathews reiterated her strong disapproval of the increase and expressed an opinion that patrons should not be forced to fund scholarships.

In response to questions Dr. Hardy had concerning the inflationary impact on deferred FF&E expenses, Mr. O'Brien explained that the \$11.2 million in deferred FF&E expenses was subject to inflationary increases in 2007. Mr. O'Brien pointed out, however, that the shelled spaces would be constructed early with \$11.2 million in construction funds that would be deferred to the 2005 CIP. Mr. O'Brien explained it was anticipated the inflationary impact on the FF&E would be less costly than the impact on construction costs.

For the record, Mr. O'Brien clarified the actual request was for the authority to fund the additional \$20 million in costs by accepting an additional \$8.8 million in funds from UNR and to defer \$11.2 million in construction costs until the 2005 Legislative Session.

Ms. Leslie commended the PWB representatives for their presentation and expressed confidence that private funding would be raised to support the project. Ms. Leslie indicated it appeared the problem was that a policy precedent was being established by the PWB to move construction costs into subsequent legislative sessions.

Mr. O'Brien disagreed that a precedent was being set and explained that deferring construction costs until the 2005 Legislative Session was only a method to solve an existing problem. Additionally, Mr. O'Brien indicated that if the space for the program that was given up was not funded in the next legislative session, the University would have to determine how to fund it. He further indicated the building would be constructed as a "shelled out" space and the possibility existed that it might be completed as blank walls or remain vacant for a while.

Ms. Leslie asked what guarantees could be provided the PWB would not continue to recommend deferring construction costs to subsequent legislative sessions.

Mr. O'Brien advised that the process of due diligence would be the hallmark of the new Capital Improvement Program and would ensure that problems were discovered early in the procedure. Mr. O'Brien also indicated the PWB had established a course of action in which project managers were required to appear before a jury of their peers to answer questions concerning, for example, utility and off-site costs, underground contamination, or possible developments that could cause overruns. Additionally, higher inflation costs were being included in cost projections.

After reviewing correspondence dated September 1, 2004, (Exhibit E) Ms. Giunchigliani asked for clarification concerning whether the \$8.8 million to be provided by the University was from private funds or student fees.

In response, Mr. Zurek advised that the UNR would provide the \$8.8 million from student CIP funding, if necessary. Additionally, private fundraising would be continued which was anticipated would reduce the need for funding from student fees.

Ms. Giunchigliani noted that approximately \$3 million to \$4 million in private pledges would also be required to reach the \$22 million private funding goal.

Mr. Zurek confirmed that private funding efforts would continue in order to reach the funding goal.

Sharing Ms. Leslie's concerns in reference to setting policy precedents, Ms. Giunchigliani indicated the University and Community College System projects as well as any other CIP projects had to stay "within their means." Ms. Giunchigliani expressed "discomfort" concerning the fact that the Interim Finance Committee was "constantly being asked" to make decisions on issues voted on during a legislative session which resulted in a perception of obligating future legislative bodies.

Reiterating Mr. O'Brien's earlier comments, Dr. Lilley defined China's domination of the steel and cement markets and the resulting worldwide increase in the cost of those commodities as "extraordinary." Dr. Lilley asked for the committee's understanding that delaying construction or reducing the scope again would run the risk of destroying the integrity of the project.

In an expression of understanding, Senator Raggio indicated the private sector was also struggling with the international hyperinflation phenomenon. Additionally, Senator Raggio expressed agreement with the Public Works Board's proposed policy to initially concentrate on a design only concept for future projects.

Mr. Hettrick discussed funding the initial construction of public buildings and cost overruns with taxpayers' money, and taxpayers ultimately paying for the additional cost of deferrals as well. Mr. Hettrick expressed discontent with the promise of pledges and proposed establishment of a policy on the actual receipt of private funding prior to construction.

Mr. Hettrick also agreed that the Interim Finance Committee should not change funding decisions for projects until the entire process had been deliberated again and voted on by the 63 members of the Legislature. Citing a personal experience, Mr. Hettrick discussed being confronted with the same cost overruns in the construction of a building, but pointed out he did not have the privilege of requesting someone else to pay the cost overrun. Mr. Hettrick indicated the Legislature had a responsibility to the taxpayers to appropriately fund the construction of capital improvement projects.

Mr. Beers expressed support for the design only policy and asked for information on whether statutory changes were required to implement the design of capital improvement projects before funding the construction.

Mr. O'Brien explained that his recommendation for design only on future projects would be provided to the Public Works Board, the Board's final recommendation would be submitted to the Governor, and the Governor's recommendation would be sent to the Legislature.

Mr. O'Brien indicated a significant number of projects could be funded through design development in order to determine a construction budget and also pointed out the option remained for the Legislature to either fund a project for construction or to cut the project.

Chairman Arberry commended the many valid points that had been contributed during discussion but indicated the issue for both the UNR Library Building and the UNLV Science and Engineering Complex had to be brought to a conclusion.

Senator Rawson commended the University's efforts at reaching into their own resources and recommended approval of the requests for both the UNR Library Building and the UNLV Science and Engineering Complex.

Mr. Marvel asked if the committee's approval of the request would in any way obligate the 2005 Legislature for funding.

Scott Wasserman, Chief Deputy Legislative Counsel, Legislative Counsel Bureau, advised that the Interim Finance Committee had the authority to approve a change in scope but approval would not obligate the next Legislature to provide additional funding for the construction costs or any other costs that were deferred.

As an alumnus of the University of Nevada, Reno, Senator Mathews expressed her loyalty to the system and indicated her intent to vote for approval of the motion. However, Senator Mathews reiterated her disapproval of the increased cost of basketball tickets and pointed out it was wrong to force payment of scholarships on people who had been contributing to the University as she had for fifty years.

SENATOR RAWSON MOVED APPROVAL TO CHANGE THE  
SCOPE OF CIP 01-C24 AND TO ACCEPT AN ADDITIONAL  
\$8,800,000 IN FUNDING FROM THE UNIVERSITY OF  
NEVADA, RENO.

ASSEMBLYWOMAN GIBBONS SECONDED THE MOTION.

Senator Cegavske disclosed that one of her children attended the UNLV and the other attended the UNR.

Mr. Beers asked if it might be advisable to consider the five additional Public Works Board requests along with the request under discussion since the problem with the inflation of building materials appeared to be applicable to all five requests. Mr. Beers also suggested that rather than changing the scope or design of the projects, a decision could be made to hold one project and allocate funding for that project to fund the increased costs for the other four.

Chairman Arberry questioned how a determination would be made on which project to delay.

Mr. Beers indicated a vote of the committee would be required to make that determination.

Mr. O'Brien again clarified the request was to receive and expend an additional \$8.8 million from the UNR and a change in scope. Additionally, Mr. O'Brien pointed out the only other project affected by the inflation issue was the UNLV Science and Engineering Complex.

Dr. Hardy indicated the use of funding sources should be reviewed and suggested that if taxes generated more than projected, General Fund monies could be used in a “one-shot effort” for capital improvements. Additionally, Dr. Hardy said that he supported the deferral concept since it appeared the General Fund would be “more than flush” and a “one-shot” effort would not subject the budget to inflationary increases. Additionally, Dr. Hardy expressed support for the Public Works Board design only recommendation.

Concluding his remarks, Dr. Hardy also expressed support for the UNLV Science and Engineering Complex pointing out that Las Vegas’ businesses needed the expertise that would be generated from such a complex.

Chairman Arberry expressed some skepticism concerning increased revenue from tax projections.

In order to avoid confusion, Senator Raggio indicated each request should be discussed and voted on separately.

In response to a request from Senator Raggio to delineate the request again, Mr. O’Brien reiterated that the FF&E for the UNR library project was being deferred to the 2007 Capital Improvement Program and completion of the shell was being deferred to the 2005 Capital Improvement Program.

In response to additional questions from Senator Raggio, Mr. O’Brien confirmed the following:

- Project 01-C24 for the UNR Library had already been reduced in size.
- Currently, the project encompassed 295,000 square feet of building area.
- FF&E costs would be deferred to 2007 CIP.
- Approved funding would be utilized for increased costs that had resulted from hyperinflation.

Additionally, Mr. O’Brien advised that the design development phase for Project 01-C24, UNR Library was only 50 percent completed while the construction drawings for Project 03-C23, the UNLV Science and Engineering Complex were 90 percent completed which he indicated made “the list” for the UNR project less specific than the UNLV project.

In response to a question from Senator Raggio concerning the FF&E, Mr. O’Brien confirmed the FF&E would be deferred until the 2007 Legislative Session. Additionally, Mr. O’Brien identified the “shelled out” areas as an area on Level 5 for computer labs, the Basque Center and Library on Level 3 as well as special projects areas, some system offices, special collection areas, and reduction of the landscaping and site concrete work.



Senator Raggio asked if the UNR representatives were in agreement with Mr. O'Brien's statements.

John Lilley confirmed that Mr. O'Brien's statements concerning the scope of the project were correct.

Senator Raggio suggested that each of the Public Works Board requests be discussed and voted on separately.

Ms. Giunchigliani asked if the \$1.25 million for a fulltime third-party Project Manager, which had not been discussed, was considered a change in scope.

Mr. O'Brien identified scope as construction and indicated the third-party Project Manager was funded as a part of the project. Mr. O'Brien explained the project was large enough to warrant a fulltime person, and the PWB was not staffed to employ one person for the extended project management the UNR project would require.

In response to a question from Ms. Giunchigliani concerning who actually paid the Project Manager, Mr. O'Brien explained that funding for the Project Manager was an increase that was not included in the original budget, but the cost would be shared by the University and the state in the approved funding.

In response to a question from Ms. Giunchigliani concerning when the Project Manager would be employed and for how long, Mr. O'Brien advised the Project Manager would be employed during construction of the project.

Since the project was currently being designed and not yet under construction, Ms. Giunchigliani asked if the \$1.25 million for the Project Manager needed to be a part of the budget.

Mr. O'Brien responded that the \$1.25 million was a part of the total construction project.

In response to a question from Ms. Giunchigliani concerning when payment would begin for the Project Manager, Mr. O'Brien indicated he would have to ask staff for information on the schedule. Mr. O'Brien explained, however, that the funds would not be expended until construction began and the Project Manager was on site. Mr. O'Brien explained again that the committee was being asked to approve a change in scope and to receive and expend additional funds.

Recalling Mr. Hettrick's earlier statements concerning funding from pledges and as a point of clarification even though she did not support the request, Ms. Giunchigliani asked whether Senator Rawson's motion included the fact that funding from pledges, as specified in the Appropriations Act, had to be received before construction could begin.

Mr. O'Brien confirmed that as approved during the 2003 Legislative Session, the funding from pledges had "to be in hand" before the bidding process could begin.

There was no further discussion on the motion, and Chairman Arberry called for the vote.

THE MOTION CARRIED.

(Assemblywoman Chowning, Assemblywoman Gibbons, Assemblyman Hardy, Assemblywoman Leslie, Assemblywoman McClain, Assemblyman Marvel, Assemblyman Parks, Assemblyman Horne, and Chairman Arberry voted yea. Assemblyman Hettrick, Assemblywoman Giunchigliani, Assemblyman Beers, and Assemblyman Goldwater voted nay. Assemblyman Andonov, and Assemblyman Perkins were excused.)

(Senator Coffin, Senator Mathews, Senator Rawson, Senator Tiffany and Senator Raggio voted yea. Senator Rhoads voted nay. Senator Cegavske abstained after disclosing Interim Chancellor James E. Rogers employed her in the private sector.)

Senator Coffin disclosed for the record that although his wife was an employee of the University System and taught at the UNLV, he did not abstain since his vote would not affect the standing of his family in anyway that was different than any other employee of the University.

Mr. Wasserman clarified for the record that the advice to Senator Cegavske was simply to disclose her working relationship with Mr. Rogers, and the Senator decided to abstain to ensure there was no appearance of impropriety on her part.

2. Project 03-C23, Science and Engineering Complex (UNLV). Approval requested for a change in scope.

Dan O'Brien, Manager, State Public Works Board, requested committee approval to change the scope of CIP 03-C23, UNLV Science and Engineering Complex to defer approximately \$6.8 million worth of project expenses to the 2005 Capital Improvement Program. Mr. O'Brien explained that pending approval of the request, the \$6.8 million in deferred expenditures would be included as alternate bid items in the bid for construction of the project. A list of bid alternates (Exhibit F) was provided to the committee.

Mr. O'Brien noted that at the IFC meeting conducted on June 16, 2004, the committee directed UNLV and PWB representatives to reexamine their options and to determine where costs could be reduced in order to stay within the budget. However,

Mr. O'Brien indicated that with construction drawings at 90 percent of completion, the project could not be additionally changed or reduced.

Mr. O'Brien turned the microphone over to Carol Harter, President, University of Nevada, Las Vegas.

Carol Harter, President of the University of Nevada, Las Vegas, identified herself for the record. Dr. Harter discussed differences in the issues concerning the UNR and UNLV projects and reiterated earlier comments that the design of the UNLV Science and Engineering Complex was at 90 percent of completion. With the design so close to completion, Dr. Harter pointed out the ability to "change the makeup of the proposal was much more difficult." Dr. Harter also pointed out the committee was not being requested to obligate a subsequent legislative body to additional funding for the project.

Dr. Harter explained that the request, before the committee, was to temporarily defer \$6.8 million worth of project expenses, which would continue to be included in the design. Dr. Harter told the members of the committee the Science and Engineering Complex was among the three top items on the Board of Regents' approved capital list.

Additionally, Dr. Harter pointed out that the UNLV would provide a \$25 million contribution on December 1, 2004, in order to put the project out to bid in January 2005. Dr. Harter asked for the committee's favorable consideration of the request to change the scope of the project to defer \$6.8 million worth of project expenses to the 2005 CIP and indicated that if the bids were favorable, the alternate items would be completed under the construction contract. If the bids were not favorable, the request would be submitted for consideration during the 2005 Legislative Session.

Ms. Giunchigliani noted that information provided to the committee reflected that \$13.6 million in additional funding was needed to complete the project.

Dr. Harter clarified that while the committee was not being requested to approve additional funding, an additional \$13.6 million for the necessary FF&E would be requested in the 2005 Capital Improvements Program' budget.

As previously indicated, Ms. Giunchigliani said it was irresponsible for the committee to approve requests that resulted in a perception of obligating future legislative bodies. While the need for the legislatively approved project was understood, Ms. Giunchigliani pointed out that additional funding would be needed, which could be blamed, in part, on inflation and, in part, on poor planning. Ms. Giunchigliani indicated the Regents should consider capital improvements by campus rather than by institution in order that smaller projects that were needed were given some consideration.

Dr. Harter pointed out the project had been reduced by 34,000 square feet and several million dollars to bring it into budget “prior to the extraordinary hyperinflation that raised expectations beyond what could be imagined.”

In response to questions from Ms. Giunchigliani concerning the cost for project management services and the number of square feet in the Science and Engineering Complex, Mr. O’Brien advised that the project encompassed 200,000 square feet of space, and the cost for independent Project Manager services was \$960,000.

Senator Rhoads expressed concern about the reason for the increases and asked whether an inflation percentage factor had been included in the original cost projections for the project.

Mr. O’Brien advised that a 5 percent inflation factor was included in the original projections, but the current inflation rate was at more than 10 percent, which had not been anticipated.

Senator Rhoads noted that the UNR project, for which the committee had just approved a change in scope, had increased by 30 percent.

Mr. O’Brien explained that at times the monthly inflation rate reached a 30 percent high point, but on an annual basis dropped to the 10 percent rate.

From a personal perspective, Senator Rhoads indicated his business inflation expenses had not increased 30 percent in the last six months.

Dr. Harter provided the following quote from an article that appeared in the September 15, 2004 Las Vegas Review Journal concerning the cost of extraordinary inflation in construction. “It is pretty interesting what is going on in Las Vegas said Mike Dean, President of M. J. Dean Construction and Chairman of the Contractor’s Association. Materials have shot up; steel and concrete prices affect a lot of other things than just steel and concrete.”

Senator Rhoads pointed out that if 30 percent inflation were added to every project approved during the 2003 Legislative Session, the state would be broke.

Senator Coffin indicated the situation concerning the rise in inflation was unforeseen and that it was unlikely the inflationary impact would affect those who did not use concrete and steel products.

Senator Coffin pointed out that the Legislature had not attempted to limit population growth, and the decision to continue to allow unrestricted growth was driving prices up. Senator Coffin said that although the University had not always spent their funding wisely, they could not be held responsible for the number of people seeking higher education and the resulting need for capital improvements until the Legislature

limited growth. Senator Coffin pointed out the Legislature would most likely never be criticized for providing the funding needed for education.

Senator Rhoads indicated it was his opinion government agencies should probably reduce when the need arose just as the private sector would be required to do.

Chairman Arberry indicated it was his understanding the project had been reduced in scope.

ASSEMBLYMAN PARKS MOVED TO APPROVE THE REQUEST TO CHANGE THE SCOPE OF CIP 03-C23 TO DELETE APPROXIMATELY \$6.8 MILLION AND TO AUTHORIZE THE PROJECT TO MOVE FORWARD WITH THE BID INCLUDING EXPENSES FOR ALTERNATE ITEMS.

SENATOR MATHEWS SECONDED THE MOTION.

Mrs. Chowning asked for clarification on whether the motion was to delete or defer \$6.8 million.

Mr. Parks indicated he was reading from the September 15, 2005 Public Works Board request that stated the Public Works Board was requesting approval to delete \$6.8 million in scope from the base bid for the project for inclusion in a list of bid alternate items. The list of items was provided in the document (Exhibit F) distributed to the committee earlier in the meeting.

THE MOTION CARRIED.

(Assemblywoman Chowning, Assemblywoman Gibbons, Assemblyman Hardy, Assemblywoman Leslie, Assemblywoman McClain, Assemblyman Marvel, Assemblyman Parks, Assemblyman Horne, and Chairman Arberry voted yea. Assemblyman Hettrick, Assemblywoman Giunchigliani, Assemblyman Beers, and Assemblyman Goldwater voted nay. Assemblyman Andonov and Assemblyman Perkins were excused.)

(Senator Coffin, Senator Mathews, Senator Rawson, Senator Tiffany and Senator Raggio voted yea. Senator Rhoads voted nay. Senator Cegavske abstained.)

3. Project 03-C98L, Oral Health Clinic (Great Basin College). Request approval for a change in scope.

Dan O'Brien, Manager, State Public Works Board, was before the committee to request approval to authorize the Public Works Board to pursue the remodel of private leased space for the Oral Health Clinic at the Great Basin Community College.

Mr. O'Brien explained that the scope of the legislatively approved project was somewhat "vague," but the Oral Health Clinic had been originally intended for placement in a building on the campus of the Great Basin Community College. When a number of code issues for the campus building exceeded the budget allocated for the project, a ten-year no-cost lease was secured by the Great Basin Community College. The private space encompassed a 40,000 square foot building, of which 2,000 square feet would be devoted to the Oral Health Clinic and the Smiles for Miles program.

Specifically, Mr. O'Brien requested committee approval for a change in scope that utilized \$250,000 for five dental chairs and a minor remodel to accommodate the dental chairs.

SENATOR RAGGIO MOVED APPROVAL OF THE  
REQUEST FOR A CHANGE IN SCOPE FOR  
PROJECT 03 C98L.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Andonov, and  
Assemblyman Perkins were excused.)

4. Project 01-C25, Academic and Student Services Building for Nevada State College. Approval requested for change in scope.

Chairman Arberry announced that discussion on Item N. 4 would be postponed until the next meeting of the Interim Finance Committee.

5. Project 03-C01, 150-Bed Psychiatric Hospital in Las Vegas. Approval requested for change in scope.

The request for a change in scope for Project 03-C01 was withdrawn.

6. Project 01-E01, New Office Building for Employment Training and Rehabilitation. Approval requested to receive and expend additional funds and for a change in scope.

Refer to narrative and motion for approval under Item F.62.

7. Project 03-P05, Las Vegas Readiness Center. Approval requested for a change in scope.

Gus Nunez, Deputy Manager, State Public Works Board, identified himself for the record. Mr. Nunez was before the committee to request a change in scope for Project 03-P05, Las Vegas Readiness Center, which was funded for design only in the 2003 Capital Improvement Program (CIP) budget.

Mr. Nunez said the request for a change in scope was necessitated by updated design criteria from the National Guard Bureau (Exhibit L), which increased the square footage for the facility from 76,000 square feet to 94,470 square feet.

Ms. Giunchigliani asked why the location for the facility was changed from Bureau of Land Management (BLM) property in Henderson, Nevada to property in Clark County.

Miles Celio, Administrative Services Officer, Office of the Military, identified himself for the record and apologized for General Vanderhoof's absence. Mr. Celio explained that the Las Vegas Readiness Center project was initially planned to be located in Henderson, but it was later learned the property had also been promised to the Federal Aviation Administration (FAA). Mr. Celio said the FAA was nearing the construction phase of their project, and the Las Vegas Readiness Center was still in a design only phase. Mr. Celio indicated that Henderson Airport Authority and Clark County Airport Authority representatives had come forward and offered another property under the jurisdiction of the Clark County Airport Authority in southwest Las Vegas, and the offer was accepted.

Ms. Giunchigliani expressed concern that the state's portion of the costs for construction and site work had increased from \$6.2 million to \$10 million and asked that additional information be provided concerning the increased costs.

Mr. Celio reported that the fifty-acre plus site in Clark County included several parcels of private land in an area zoned industrial, which representatives of the Division of Lands were attempting to secure.

In response to additional questions Ms. Giunchigliani had concerning purchase of the property, Mr. Celio explained that a commitment to the land was required before the National Guard Bureau funding for the design and construction of the project would be available. Initially, Mr. Celio said the Clark County Airport Authority indicated they would swap land with the private landowners for land located on the perimeter of the airport. Since then, however, it had been learned that the land on the perimeter of the airport was under litigation.

Additionally, Mr. Celio explained that department representatives were working with representatives from State Lands to secure a lease for the property owned by the Clark County Airport Authority, and the cost for the private property would be included

as a part of the Capital Improvement Program (CIP) budget that would be submitted to the 2005 Legislature. Additionally, Mr. Celio said federal options to acquire permanent title of the property would be pursued in which case property under state title would be swapped to the private landowners.

Before lending her support to the request for a change in scope, Ms. Giunchigliani requested additional information concerning the private property owners, the fair market value of the property, and how the fair market value affected the Department of the Military.

Pam Wilcox, Administrator, State Lands, identified herself for the record and indicated all of the property owners had been contacted, and all were willing to sell. The properties had been appraised, and the appraisals had been used to "build the budget." Ms. Wilcox indicated the project had been difficult and complex but was currently moving forward with no anticipated problems.

In response to a question from Ms. Giunchigliani concerning the land swap issue, Ms. Wilcox said some of the property owners had expressed a preference to swap rather than sell. Without any land to exchange, Ms. Wilcox indicated that no commitments had been made. However, if land became available in the future, a land exchange could be contemplated. If a future land exchange occurred, Ms. Wilcox indicated IFC approval would be required. As previously indicated, Ms. Wilcox said the cost for acquisition of the properties at the appraised value had been included in the CIP budget.

In response to an additional question from Ms. Giunchigliani concerning the lease, Ms. Wilcox said that initially the Clark County property would be leased in order to access the federal portion of the funding, but a variety of options were being worked on to eventually take title.

Chairman Arberry expressed concerns with respect to the increase in cost of the project from \$6.2 million to \$10 million and how much more the project could increase in cost after being impacted by additional costs related to inflation.

Mr. Nunez reiterated earlier comments that the project had been approved for design only, and funding for construction would be requested in the 2005 Capital Improvement Program (CIP) budget to reflect a facility encompassing 94,170 square feet.

In response to comments from Chairman Arberry with respect to not approving the request, Mr. Nunez advised that if the request for additional space was not approved, some programming would have to be cut since the project was being designed in conformance with National Guard Bureau upgraded design criteria.

Attributing the problems that had developed with the project to location and design changes, Mr. Celio advised that the request for the construction had to assume the



increased square footage for inclusion in the CIP submittal for the 2005 Legislative Session.

In response to questions Ms. Giunchigliani had with respect to the design of the facility and the property, Mr. Celio indicated that even though the private property had not yet been purchased, the designer was asked to design the facility to sit on the leased property rather than the private property. While the facility did not necessarily require construction in that manner, the design could move forward.

In response to an additional concern Ms. Giunchigliani had concerning the lease, Mr. Celio advised that the lease agreement had been sent to the Board of Examiners for consideration.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF ITEM  
N. 7.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblywoman Giunchigliani  
and Chairman Arberry voted nay. Assemblyman Andonov,  
and Assemblyman Perkins were excused.)

8. Project 03-C11, Microwave renovations on mountaintop sites, project status (informational).

Gus Nunez, Deputy Manager, State Public Works Board, reported that Project 03-C11 was approved to renovate four mountaintop sites. A contract was awarded to renovate three of the sites, which were currently under construction. The Department of Information Technology (DoIT) and the Nevada Department of Transportation (NDOT) reevaluated the fourth site, Virginia Peak, due to combining the Nevada Highway Patrol (NHP) and the NDOT radio systems, and an option for a vendor was made available.

Additionally, Mr. Nunez reported that a problem was recently identified with the tower foundation at the Cave Mountain site, and the State Public Works Board recommended that a portion of the funds that had been designated for the Virginia Peak site be utilized to repair the Cave Mountain tower foundation.

9. Project status report (informational).

There were no questions from members of the committee on the project status report.

O. INFORMATIONAL ITEMS – Reports on letters of intent and various reports from agencies.

Chairman Arberry announced testimony would be heard on Informational Items 1-A and B; 3, 4-A and B; 4-A and B; 6; 13-A2 and A-3. (Refer to Exhibit C to review the entire Informational Item list.)

1. Office of the Treasurer

A. Nevada Prepaid Tuition Program Fiscal Year 2003 Annual Report.

Janice Wright, Deputy State Treasurer, Office of the State Treasurer, appeared before the committee on behalf of State Treasurer Krolicki who was unable to attend the meeting. Ms. Wright extended her apologies to the committee for the Treasurer's absence and provided the fiscal year 2003 Annual Report on the Prepaid Tuition Program.

In a brief overview Ms. Wright reported that beginning in 1998, the Prepaid Tuition Program provided a way to save for college by locking in the cost of tuition, and to date, in excess of 10,500 students were enrolled in the program.

Additionally, Ms. Wright reported that during the first several years of the program, tuition increases did not meet projections while the investment return exceeded projections. However, toward the end of 2000 and the beginning of 2001, market investment return declined, tuition increased, and the state faced "an unfunded liability."

Ms. Wright pointed out the Board of Trustees of the College Savings Plans of Nevada closely monitored both tuition and investment projections and worked for the last several years to ensure that projections were modified. As a result of changing projections for tuition and increasing the investment return, Ms. Wright said the balance in the Higher Education Trust Fund increased by over \$15 million in the last 15 months since the Fiscal Year 2003 Annual Report. Ms. Wright reported that currently the balance in the trust fund was in excess of \$64 million.

Concluding her remarks, Ms. Wright said that on Tuesday, September 7, 2004, the Board of Trustees voted to approve a new open enrollment period for the Prepaid Tuition Program and approved all projections.

In response to a question from Ms. Leslie who asked if the program was solvent beyond 2006, Ms. Wright said the actuarial valuation completed in 2003 showed there was more than sufficient cash to run the program through 2021 assuming no additional contracts were sold. However, Ms. Wright pointed out that additional contracts had been sold because the program was sound.

Additionally, Ms. Wright pointed out that 20 other states had a Prepaid Tuition Program, and of those states, Colorado, Kentucky, Ohio, Texas, Virginia and West Virginia closed their open enrollment period during 2001 and 2002. With an improvement in market conditions, Kentucky and Virginia reopened enrollment. Ms. Wright pointed out that Nevada never intended to close the open enrollment period and planned to continue supporting the program. Currently there were in excess of 635 students who were using the Prepaid Tuition Program to pay their tuition. Ms. Wright further advised that the program was “in good shape” and there were no problems anticipated.

Ms. Leslie asked for an explanation concerning the negative reserve.

Ms. Wright explained that the actuarial consultants prepared their study (Exhibit M) using a stochastic model of future projections and a Monte Carlo simulation technique.

Ms. Leslie asked if it was the Treasurer’s position the program had money because of the statistical model.

Ms. Wright responded that the calculations performed by the actuary anticipated no problems in the cash flow being able to fully satisfy all the tuition obligations through the year 2021, assuming no additional contracts were sold. Ms. Wright pointed out, however, that contracts continued to be sold improving future funding ability.

Ms. Giunchigliani also expressed reservations concerning the negative reserve position and discussed taking some steps, during the 2005 Legislative Session, to protect the 10,500 students who had already paid into the program.

Ms. Wright again pointed out the actuarial report prepared by Milliman USA, Inc. reflected that the cash flow projection was adequate through 2021. Since the time the report was prepared 15 months ago, Ms. Wright said investment returns had doubled and tuition projections had stayed on target. Ms. Wright pointed out that the unfunded liability had been almost eliminated, which would be evident in the new actuarial study due at the end of the year or early in the next year.

Expressing concerns with respect to obligations made to the parents who had invested in the Prepaid Tuition Program, Ms. Giunchigliani indicated assurance had to be provided that the obligation could be properly funded. Ms. Giunchigliani suggested that the committee’s staff work with the State Treasurer’s staff to clarify the program’s long-term viability.

#### B. Report on Financial Status of the Millennium Scholarship Program.

Janice Wright, Deputy State Treasurer, Office of the State Treasurer, apologized for the Treasurer’s absence. Ms. Wright indicated that while she was not prepared to respond to questions from the committee concerning the Millennium Scholarship

Program, she would provide the committee's concerns or questions to the Treasurer for his immediate response.

Chairman Arberry expressed concern with respect to the Treasurer's absence and the lack of a representative who could report on the status of the Millennium Scholarship Program.

Again apologizing for the Treasurer's absence, Ms. Wright advised that Dr. Susan Moore, Executive Director of the Millennium Scholarship Program, had also been unable to attend the meeting.

Mr. Goldwater defined the Treasurer's absence and unresponsiveness to staff's request for information unacceptable. Additionally Mr. Goldwater expressed concerns with respect to apparent references to the legislative body made by the Treasurer to the Board of Regents. Mr. Goldwater indicated the committee should have at least received the information requested for the meeting and an apology from the Treasurer.

Chairman Arberry agreed with the sentiments expressed by Mr. Goldwater and indicated it appeared that the Nevada Assembly had been blamed for mistakes concerning legislation associated with the Millennium Scholarship Program. Chairman Arberry expressed strong reservations concerning the Treasurer's statements in a Board of Regents' meeting, especially since there were no members of the Assembly in attendance to defend their position on the issue.

Ms. Giunchigliani suggested that Chairman Arberry forward a letter to the Treasurer requesting the information on the Millennium Scholarship Program and the Prepaid Tuition Program and that the committee's staff work with the Treasurer's staff to provide "viable information" to the committee for the next meeting.

3. Department of Administration – Project Status Report on the Department of Public Safety Radio Transition.

David 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 (NDOT); Mark Blomstrom, Deputy Director, Department of Information Technology (DoIT); Colonel David Hosmer, Chief, Nevada Highway Patrol Division (NHP), Department of Public Safety; and Captain Christopher Perry, Project Manager, Department of Public Safety Radio Transition System.

Mr. McTeer provided the following status report on the Department of Public Safety Radio Transition:

- August 25, 2004 - the NHP transitioned to the 800 MHz system in Las Vegas.

- September 2, 2004 – the NHP transitioned back to the 150 MHz system.
- M/A-COM, the vendor for the microwave receivers, and the project team were continuing work to resolve remaining issues.
- Set-up validation was being conducted by M/A-COM on consoles, mountaintop site software, and radio personalities or profiles.
- September 16, 2004 - the project team, in conjunction with the Nevada Power Company, Sierra Pacific Power Company, and Washoe County were to perform system wide and site-specific stress testing. Any abnormalities would be reported to M/A-COM for resolution.
- September 20, 2004 - Corrective action to the system infrastructure or software and radio programming would be implemented and tested during the week.
- September 26, 2004 –Transition to the 800 MHz system for the 72-hour test, if problems were resolved.
- At the recommendation of the M/A-COM Project Engineer, the Project Oversight Committee agreed the final transition would be for a 72-hour period after which the NHP would again transition back to the 150 MHz system.
- The project team, in conjunction with M/A-COM, would address any remaining issues and once resolved, plans would be implemented for the final transition to the 800 MHz system.

Chairman Arberry asked if assurance could be provided that officer safety would not be compromised during the transition periods.

In response Mr. McTeer explained that the NHP transitioned back to the 150 MHz system on September 2, 2004 because of issues involving potential officer and public safety which he indicated had been the “primary overriding issue all along.” Mr. McTeer assured the members of the committee that progress was being made in resolving the problems associated with the new system.

Mr. McTeer addressed the NHP Trooper morale problem experienced in transitioning between systems, which he indicated was one of the reasons the next transition was intentionally scheduled for a 72-hour period. During that 72-hour period, any problems being experienced would be resolved before the final transition took place. As previously indicated, Mr. McTeer indicated the 72-hour transition test was scheduled for September 26, 2004.

Mr. Beers asked if there were written specifications for mountaintop sites that addressed antenna structure and installation.

Robert Chisel, Assistant Director for Administration, Department of Transportation advised that currently most of the mountaintop structures were unique buildings depending on the mountaintop. Mr. Chisel indicated the availability of standards for the tower structure and server and router configurations in the “monopole.”

Mr. Beers expressed concern with respect to how the inflated steel and concrete prices would impact the cost of the mountaintop structures.

Mark Blomstrom, Deputy Director, Department of Information Technology (DoIT), indicated that while there was some potential for inflated commodity costs, labor and implementation costs would have the greater impact. Mr. Blomstrom explained that the use of steel would be largely limited to pre-formed metal structures, and while concrete was expensive to transport to mountaintop sites, it was not used in great quantities.

Mr. Beers asked that the committee be kept apprised of the costs involved for the mountaintop structures.

Mrs. Chowning discussed a letter (Exhibit N) that reported on August 31, 2004, a female officer was unable to communicate with her backup officers. Mrs. Chowning pointed out that “the tragedy” awaiting officers who lacked radio communication could not be overlooked. Mrs. Chowning asked what kind of protection could be provided to the officers during the transition.

Colonel David Hosmer, Chief, Nevada Highway Patrol Division (NHP), Department of Public Safety, recalled the incident to which Mrs. Chowning referred along with two others that occurred shortly within the same time frame. Colonel Hosmer told the members of the committee those incidents prompted a decision on his part to immediately return to the 150 MHz system until the problems could be resolved.

#### 4. Department of Taxation

##### A. IFC Allocation Expenditure Report.

Chuck Chinnock, Executive Director, Department of Taxation, introduced Lynne Knack, Administrative Services Officer, and provided a report on expenditures (Exhibit I).

Mr. Chinnock reported that the Department of Taxation had been allocated \$4,327,994 from the Interim Finance Committee for the implementation of taxes and through August 31, 2004, had expended \$3,678,189.68.

##### B. Update on status of new fee and tax collections.

Chuck Chinnock, Executive Director, Department of Taxation, provided an update on the status of new fee and tax collections. Turning to page 3 of the document titled *Tax*

*and IT Implementation Status – Update (Exhibit H)*, Mr. Chinnock began his presentation with a brief summary on the percent of increase above and below projections for fiscal year 2004 revenue collections:

- 2 percent sales tax ..... 13.56%
- Modified Business Tax ..... 4.63%
- Modified Business Tax for Financial Institutions ..... 0.12%
- Cigarette Tax – State Portion ..... a negative 0.66%
- Other Tobacco Tax ..... 5.90%
- Liquor Tax ..... 16.45%
- Real Property Transfer Tax ..... 71.18%
- Excise Tax on Banks ..... 15.84%
- Live Entertainment Tax ..... a negative 84.19%

Senator Mathews asked if department representatives were aware of taxpayer concerns with respect to the Business License Tax on fewer than 12 rental properties.

Mr. Chinnock confirmed concerns had been raised that even one rental required a business license. Mr. Chinnock recalled a proposal in the Governor's original tax package to not require a business license for four or fewer properties. Mr. Chinnock indicated it was his understanding the Legislative Committee on Taxation, Public Revenue and Tax Policy (S.B. 8, 20<sup>th</sup> Special Session) had recommended the same proposal for consideration during the 2005 Legislative Session. Mr. Chinnock also explained that department employees were currently working through various types of distinctions, such as not requiring a business license for a Nevada resident who perhaps inherited a home in another state.

Additionally, Mr. Chinnock indicated it had become apparent after nine months of mailing general notices and press releases that unless notices were personally addressed, individuals would not necessarily be aware of a potential liability. In July 2004, the department began mailing 20,000 to 25,000 personalized notices and as they were handled, another 20,000 to 25,000 notices were mailed, which had generated a number of calls to the Department of Taxation.

Having received many calls from constituents who had businesses in their homes, Senator Cegavske discussed one constituent's concerns in reference to an online business operated from home and his confusion with regard to information he received from the department. Senator Cegavske asked if the Department of Taxation had the manpower to follow up on the notices.

Mr. Chinnock advised that eventually staff would be able to follow up with matches that could be generated by the new Unified Tax System. As provided by S.B. 8, (20<sup>th</sup> Special Session), Mr. Chinnock advised that a home-based business with less than \$22,000 a year net income would not incur a business license tax liability.

While each of the department's mailings included explanations and information, Mr. Chinnock said the second mailing probably provided a better explanation concerning the liability for home-based businesses. Additionally, Mr. Chinnock indicated Department of Taxation staff had become better educated and had the ability to provide more explicit information than they were previously able to do. Mr. Chinnock invited Senator Cegavske to have her constituent call his office for any additional information he needed.

Senator Cegavske indicated her constituent asked that information regarding his concerns be provided in writing.

Mr. Chinnock advised that a complete package of information was available from the department and he would see that it was provided to the constituent.

Mr. Marvel asked if the Legislative Committee on Taxation, Public Revenue and Tax Policy (S.B. 8, 20<sup>th</sup> Special Session) had any recommendations concerning the Live Entertainment Tax.

Mr. Chinnock indicated it was his understanding the Legislative Committee on Taxation, Public Revenue and Tax Policy had recommended language that clarified occupancy and capacity.

In response to questions Chairman Arberry had concerning the recommendation, Gary Ghiggeri, Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised that as indicated by Mr. Chinnock, the committee had forwarded a recommendation for bill draft to clarify the occupancy and capacity for the Live Entertainment Tax. Additionally, Mr. Ghiggeri indicated there was no bill draft to repeal the Live Entertainment Tax.

In view of the fact that Live Entertainment Tax collections fell short of projections, Ms. Giunchigliani asked if the recommended clarifying language addressed the seating capacity for "strip club bars."

Mr. Chinnock recalled that the proposed language would only clarify the difference between seating capacity and maximum occupancy. Mr. Chinnock indicated it was his understanding the provision for an establishment with less than 300 seating capacity would not change. Mr. Chinnock advised that he did not anticipate the clarifying language would affect the revenue collection.

Ms. Giunchigliani asked if information could be provided on who the tax was being collected from for comparison purposes.

Mr. Chinnock advised that the information could be made available within the requirements of providing financial information and confidentiality.

Ms. Giunchigliani asked if any nonprofit businesses were exempted from the tax.



In response, Mr. Chinnock said nonprofit businesses were involved, but with respect to occupancy, regulatory agencies, such as the State Fire Marshal, or a building department would accept a declaration of a smaller occupancy from establishments with occupancy of 350 since the issue related to safety.

6. Department of Education – System of Accountability Information in Nevada (SAIN) Quarterly Report.

Paul LaMarca, Director, Assessments, Program Accountability, and Curriculum, Education State Programs, reported the Nevada Department of Education was required, through a 2003 Letter of Intent, to provide quarterly reports to the Interim Finance Committee concerning the status of the System of Accountability Information in Nevada (SAIN).

Dr. LaMarca indicated the report dated August 20, 2004, provided a summary of required information and progress made in transitioning from the Statewide Management of Automated Record Transfer (SMART) system to the SAIN.

As a part of the contract established with Otis Educational Systems, Inc., the vendor that created the SAIN, Dr. LaMarca advised that the first of three major deliverables, a website, [www.nevadareportcard.com](http://www.nevadareportcard.com), provided Internet access to educational data found in Nevada's Annual Reports of Accountability. The Nevada Department of Education launched the website on August 16, 2004, and Dr. LaMarca advised that the web based report card met the reporting requirements of the No Child Left Behind Act as well as the provisions of S.B. 1, 19<sup>th</sup> Special Session.

Dr. LaMarca reported two additional deliverables were "on track." Identifying the extraction of data to the state level as the most important deliverable, Dr. LaMarca indicated that Otis Ed was developing a method for extracting data from each of four student information systems, used in the school districts, which he identified as SASI, Win School, Power School, and Mac School. Completion of the deliverable was slated for the end of September 2004 with extensive testing in October.

Dr. LaMarca reported the third major deliverable, the Unique Student Identification and Longitudinal Analysis system, was "essentially" ready but could not be put into operation until implementation of the full extract occurred. Dr. LaMarca discussed a three-week delay that occurred as a result of the need to dedicate resources to the report card deliverable and to infrastructure issues that required problem solving and introduction of new hardware.

Dr. LaMarca expressed confidence the Department of Education would meet all of their obligations in connection with the SAIN, which he anticipated would be expanded and fully implemented within fiscal year 2005.

Senator Raggio asked if department representatives were satisfied the method for extraction of the data would be completed by the end of September 2004.

Dr. LaMarca responded that full implementation would most likely occur November 1, 2004 after large scale copying of the SASI, Win School, Power School and Mac School databases occurred.

Senator Raggio questioned when implementation of the Unique Student Identification and Longitudinal Analyses deliverable would be completed.

Dr. LaMarca indicated the identification program would also be implemented by November 1, 2004.

13. Department of Conservation and Natural Resources

A-2. Status Report on Conservation Camp vehicle replacement.

Pete Anderson, State Forester, Nevada Division of Forestry (NDF), provided the following report concerning the status of Conservation Camp vehicle replacement:

- April 8, 2004 - the IFC approved 15 replacement passenger vans, 46 tool trailers and 15 crew carriers for the NDF.
- The passenger vans were received the first week in August 2004.
- The second week in August staff and inmate crews from the Stewart and Silver State Conservation Camps began working on the installation of radios and application of lettering and striping for each van. The in-house installations saved time and funding.
- Currently all vans were operating in the field.
- October 1, 2004 - 46 tool trailers were scheduled to begin arriving.
- The low bidder for the tool trailers was higher than the approved \$5,500 estimate, a result of the inflationary increase in steel prices.
- One assembled tool trailer was purchased for \$7,920, and the balance of the trailers were purchased unassembled. Inmates from the Ely Industrial Camp would assemble the trailers and move them into the field.
- Low bid for 15 crew carriers was higher than the original estimate, which resulted in funding for only 13 crew carriers.
- One option was to fill the shortfall including utilization of the remaining allocation, approximately \$100,000, with the funding borrowed from the fiscal year 2005

budget, approximately \$50,000, and an additional request from the IFC for approximately \$71,000 at some future date.

- A second option would be the acquisition of two used crew carriers from the California Department of Forestry to be refurbished by the NDF. The NDF mechanics inspected the California Department of Forestry crew carriers and found several “in fair” condition. Mr. Anderson estimated \$5,000 to \$10,000 to refurbish and put each of the carriers into service.

In response to questions from Ms. Giunchigliani, Mr. Anderson indicated the original plan called for 15 new crew carriers to be placed into the fleet. Additionally, the NDF would receive a fair return on their investment of \$10,000 to refurbish, and place the two used carriers into service. Mr. Anderson explained that a combination of factors, including the inflationary increase in the cost of steel and changes in bid specifications to accommodate new regulations contributed to the high bids.

### A-3. Status Report on Formation of Lincoln County Fire Protection District.

Pete Anderson, State Forester, Nevada Division of Forestry (NDF), introduced Rhonda Hornbeck and Hal Keaton, Lincoln County Commissioners.

Mr. Anderson provided an overview of activities completed by the Nevada Division of Forestry (NDF) since November 2003 when directed by the Interim Finance Committee to assist Lincoln County with the creation of a fire protection district.

Mr. Anderson advised that the following activities had occurred:

#### January 2004

- PowerPoint presentation encompassing formation, operation and associated costs of a fire district was developed.
- A workshop was conducted in conjunction with Lincoln County officials and numerous issues were identified, discussed, and resolved.

#### February 2004

- NDF staff updated the Lincoln County fire protection assessment originally prepared in March 1981.
- NDF staff developed two alternative proposals for Lincoln County’s participation in an NDF fire protection district.

#### March 2004

- Assessments and alternatives were presented to the Lincoln County Commission, elected officials, volunteer fire chiefs, and the general public on March 15, 2004.

#### June, July, August 2004

NDF staff appeared at Lincoln County Commission meetings in June, July and August to answer questions, provide additional information and revised proposal in response to requests from Lincoln County commissioners to reduce costs.

#### September 2004

Discussions with Lincoln County Commission continued.

Rhonda Hornbeck, Lincoln County, Commissioner, identified herself for the record and provided information on Lincoln County's efforts toward establishing a fire protection district:

- Lincoln County had one volunteer fire district in the process of becoming a *NRS 474*, and one volunteer fire department within Caliente.
- Ms. Hornbeck discussed some of the problems associated with establishing a "wildland fire district" through the NDF and working around boundaries.
- Ms. Hornbeck addressed concerns that included mutual-aid agreements, rate structures, the county's ability to pay the rates, response time to the fires, and the NDF contract agreement.
- Ms. Hornbeck discussed the Mt. Wilson community involvement with the Fire Safe Council. Additionally, with assistance from the Nevada Division of Forestry and the Bureau of Land Management, Ms. Hornbeck indicated a defensible space project was being conducted in the Mt. Wilson area and another project was being planned for the Ursine area.
- Pioche currently had a mutual-aid agreement with the Bureau of Land Management, an agreement that had come about since the large wildfire that occurred in 2002.
- A procedure on a declaration of emergency had been developed and distributed to each Lincoln County Commissioner.
- The Lincoln County Assessor had worked with the commission to determine what the county could actually pay for a fire improvement district.

Ms. Hornbeck asked the committee to be aware that establishing a fire district was not an easily undertaken project considering Lincoln County's small size and the revenue that could be raised through taxes. Ms. Hornbeck pointed out that Lincoln County would have paid the NDF \$84,000 under a regular two-year contract and \$109,000 under an NRS 473 fire district agreement.

Chairman Arberry asked Ms. Hornbeck if an agreement to enter into a fire protection district could still occur.

Ms. Hornbeck advised that the contract, which had recently been presented to the commission, had to be presented to and approved by the fire districts established under NRS 474 and then returned to the commission.

In response to a question from Chairman Arberry concerning a time frame, Ms. Hornbeck indicated a contract could be entered into by December 2004.

Mr. Anderson indicated some uncertainty concerning the total local approval process, but also agreed that several additional months were needed. Briefly reiterating, Mr. Anderson indicated that discussion was continuing, and the NDF had attempted to reduce the cost of the contract and the formation of the district. Mr. Anderson explained that the five-year plan began at \$32,000 a year as a result of the addition of federal grant funding and would transition to \$102,000 a year in five years.

Chairman Arberry indicated the issue would be placed on the agenda for the following IFC meeting.

P. PUBLIC COMMENT.

There was no response to Chairman Arberry's request for public comment.

Q. ADJOURNMENT.

Chairman Arberry adjourned the meeting at 3:21 p.m.

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Assemblyman Morse Arberry Jr., Chairman  
Interim Finance Committee

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