

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

Chairman William J. Raggio called a regular meeting of the Interim Finance Committee to order on April 10, 2002, at 9:36 a.m., in Room 4100 of the Legislative Building, in Carson City, Nevada. The agenda is Exhibit A. The sign-in sheet is Exhibit B.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman
Assemblyman Morse Arberry Jr., Chairman
Assemblyman Bob Beers
Assemblywoman Barbara K. Cegavske
Assemblywoman Vonne Chowning
Assemblyman Marcia de Braga
Assemblyman Joseph E. Dini, Jr.
Assemblywoman Christina R. Giunchigliani
Assemblyman David E. Goldwater
Assemblyman Lynn Hettrick
Assemblywoman Sheila Leslie
Assemblyman John Marvel
Assemblyman David R. Parks
Assemblyman Richard D. Perkins
Assemblywoman Sandra J. Tiffany
Senator Bob Coffin
Senator Lawrence E. Jacobsen
Senator Bernice Mathews
Senator Joseph M. Neal, Jr.
Senator William R. O'Donnell
Senator Raymond D. Rawson

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne J. Malkiewich, Director
Brenda J. Erdoes, Legislative Counsel
Scott Wasserman, Chief Deputy Legislative Counsel
Gary Ghiggeri, Fiscal Analyst, Senate
Mark W. Stevens, Fiscal Analyst, Assembly
Robert Guernsey, Principal Deputy Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Paul Townsend, Legislative Auditor
Connie Davis, Secretary
Jeanne Peyton, Secretary

A. ROLL CALL.

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

***B. APPROVAL OF MINUTES FROM THE FEBRUARY 5, 2002, MEETING.**

MS. TIFFANY MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 5, 2002, MEETING.

MS. CEGAVSKE SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

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

1. Department of Human Resources – Health Division – Health Alert Network FY 02 – Acceptance of \$1,889,732.00 in Bio-terrorism Preparedness and Response Program (CDC) and acceptance of \$204,827.00 in Bio-terrorism Hospital Preparedness Program (HRSA) to support bio-terrorism infectious diseases, and public health emergency preparedness activities statewide; and to create regional hospital plans to respond in the event of a bio-terrorism attack. Requires Interim Finance approval since the amount exceeds \$100,000.00.

Alex Haartz, Deputy Administrator, State Health Division, identified himself for the record. Mr. Haartz informed the members of the Committee that the Health Division requested permission to establish revenue and expenditure authority to accept two federal grants provided to the state for bioterrorism preparedness.

It was the Chairman's understanding that the authority requested was to accept the Hospital Preparedness for Bioterrorism Grant, which would total \$1,024,136 and the Public Health Preparedness and Response for Bioterrorism Grant, which would total \$9,448,659. The Chairman noted that 20 percent of each of the grants was available to be received immediately through expeditious action, and the balance would be obtained after submission of a comprehensive document on the utilization of the funding to the Centers for Disease Control and Prevention.

In response to a question from the Chairman concerning the status of the plans, Mr. Haartz advised that the State Health Division received notification on February 15, 2002, from the Department of Health and Human Services, through the Centers for Disease Control and Prevention, of the availability of \$9,448,659 for Bioterrorism Preparedness. Notification was also received from the U. S. Department of Health and Human Services, Health Services and Resources Administration of the availability of \$1,024,136 to allow hospitals to be better prepared to handle bioterrorism incidents.

Mr. Haartz explained that each award was divided into 80 percent and 20 percent portions. In order to receive the 20 percent portion, a plan, signed by the Governor, that indicated how the funding would be spent, had to be submitted to the Health Resources and Services Administration by February 25, 2002. In order to receive the balance, or 80 percent of the funding, a plan signed by the Governor that detailed the planned expenditure of the funding had to be submitted to the Office of Health and Human Services by April 15, 2002. Additionally Mr. Haartz explained that while the same requirements were placed on the 20 percent funded through the Centers for Disease Control and Prevention (CDC), a plan was required but did not have to be submitted directly to the federal government. Mr. Haartz pointed out that the plans, Exhibit C, were incorporated within the Committee packets.

Currently, a plan for the 80 percent expenditure or \$819,000 on hospital preparedness, and a plan for approximately \$9 million for public health preparedness and response had been prepared and submitted, through the Governor's Committee on Homeland Security and its Subcommittee on Public Health, to the Governor's Office for review and signature.

Mr. Haartz indicated the plans on expenditures of the 80 percent portions of the grants would be submitted by April 15, 2002.

Mr. Haartz agreed to the Chairman's request that copies of the final documents to be submitted on April 15, 2002, be provided to staff for inclusion in the material for the following meeting of the Interim Finance Committee.

There was no action required by the Committee.

2. **Department of Conservation and Natural Resources – Wildlife – CIP – FY 02** – Transfer of \$72,000.00 from the Reserve category to the Lahontan Water Rights Purchases category and transfer of \$3,100.00 from the Reserve category to the Water Rights Administration category to purchase water rights for the Lahontan Valley Wetlands, Carson Lake, pursuant to Assembly Bill 380. Requires Interim Finance approval since the amount added to the Lahontan Water Rights Purchases category exceeds \$50,000.00.

There was no action required by the Committee.

Chairman Raggio welcomed Assemblywoman Sandra Tiffany's return to the Committee after her recovery from a recent illness.

On behalf of the Committee, as well as the entire Legislature, Chairman Raggio expressed condolences on the recent passing of former Assemblyman George Hawes, Legislative Police Officer Walter McClain, former State Senator Stan Drakulich and Grace Farr, wife of former State Senator Bill Farr. The Chairman indicated each, in their own way, had contributed a great deal to the state and to their respective communities.

***D. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS, ALLOCATION OF BLOCK GRANT FUNDS AND POSITION CHANGES in accordance with Chapter 353, Nevada Revised Statutes (list available upon request).**

Chairman Raggio expressed his intent to call specific work program items that required testimony as well as any work programs requested by members of the Committee. The following work program items required testimony:

Items 1, 2, 3, 4, 6, 9, 10, 11, 12 (revision), 13, 18 and 65, 21 (revision), 32, 38, 39, 126 and K-7, 50, 51, 81, 86, 87, 109, 111, 114 and 124 (revision).

Items 5, 44, 45, were withdrawn; and;

Items 41, 42, 43, 52, 58, 59, 62, 63, 64, 65, F2.b. and K-7, 66, 67, 70, 71 (revision) 73, 76, 77, 78, 79 and 80 required a public hearing.

The Chairman also expressed his intent to request additional information on the Department of Transportation Division of Architecture reclassification items, Positions 56007 and 56009.

The Chairman entertained a motion to approve all other items not specifically indicated.

ASSEMBLYWOMAN CHRIS GIUNCHIGLIANI MOVED TO APPROVE ALL ITEMS NOT ENUMERATED BY THE CHAIRMAN.

MR. PARKS SECONDED THE MOTION.

THE MOTION CARRIED. (Mrs. Cegavske abstained on Item 60.)

The Chairman noted that all of the remaining items were approved, and those who were in attendance for any of those items were excused

In reference to Item K. Informational Items, the Chairman indicated additional information would be heard on Item 7. a. Budget Shortfall Analysis, TANF, Nevada Check-up and Medicaid, Item 12, Public Employees' Benefit Program Status Report, Item 13, Department of Information Technology Report, and Item 14 Report on Status of General Fund Revenue Shortfall in Fiscal Year 2002.

All other Item K informational items were accepted by the members of the Committee, and those in attendance whose items were not called were excused.

In order to accommodate a number of people in the audience, the Chairman moved to Item H. Department of Human Resources' proposal pursuant to S.B. 207, 2001 Legislative Session, to provide medical assistance to certain disabled persons who are employed (Page 83).

***D. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS, ALLOCATION OF BLOCK GRANT FUNDS AND POSITION CHANGES in accordance with Chapter 353, Nevada Revised Statutes (list available upon request).**

Chairman Raggio indicated that Items 1 through 4 would be considered concurrently.

1. **Office of the Attorney General – Attorney General Administration – FY 02** – Addition of \$5,834.00 in the Transfer from Other Budget Account Same Fund to provide additional staff to manage federal grant programs (.75 FTE Grants & Project Analyst I). Requires Interim Finance approval since the amount includes new staff – **Relates to Item 3.**
2. **Office of the Attorney General – Attorney General Administration – FY 03** – Addition of \$35,000.00 in the Transfer from Other Budget Account Same Fund to provide additional staff to manage federal grant programs (.75 FTE Grants & Project Analyst I). Requires Interim Finance approval since the amount includes new staff – **Relates to Item 4.**
3. **Office of the Attorney General – Victims of Domestic Violence – FY 02** – Transfer of \$1,944.00 from the Arrest Policies category to the Transfer to Administration category, transfer of \$1,945.00 from the Rural Domestic Violence category, to the Transfer to Administration category, and \$1,945.00 from the Civil Legal Assistance category to the Transfer to Administration category to provide additional staff to manage federal grant programs. Requires Interim Finance approval since the amount includes new staff in Budget Account 1030 – **Relates to Item 1.**
4. **Office of the Attorney General – Victims of Domestic Violence – FY 03** – Transfer of \$11,666.00 from the Arrest Policies category to the Transfer to Administration category, transfer of \$11,667.00 from the Rural Domestic Violence category to the Transfer to Administration category, and a transfer of \$11,667.00 from the Civil Assistance category to the Transfer to Administration category to provide additional staff to manage federal grant programs. Requires Interim Finance approval since the amount includes new staff in Budget Account 1030 – **Relates to Item 2. Amounts revised to agree with work program document.**

Dorene Whitworth, Grants and Projects Analyst Supervisor, Attorney General's Office identified herself for the record and introduced Kelly Osborne, Grants and Projects Analyst, Attorney General's Office. Ms. Whitworth advised the members of the Committee that she and Ms. Osborne were prepared to answer questions related to Items 1 through 4.

In response to a question from Ms. Giunchigliani concerning whether any General Fund money would be required to fund the 0.75 Grants and Project Analyst I position, Ms. Whitworth advised that the position would be funded entirely through the grants.

In response to a question from Ms. Giunchigliani concerning how funding the position would impact the grants, Ms. Whitworth advised there were three discretionary grant programs and one formula grant program (from the Violence Against Women's Office). Ms. Whitworth explained that 25 percent of the funding would be taken from each of the three discretionary programs to fund the 0.75 position. While it was originally anticipated a full-time position would have provided the flexibility to identify and apply for similar new federal grants and that a portion of that position could be funded through General Fund dollars, ultimately it was determined not to request any General Fund dollars for the position.

Ms. Giunchigliani recalled that during the 1999 Legislative Session, funding was provided to increase the Attorney General's Office Grants and Projects Analyst staff to two full-time positions and questioned why the current staffing level was insufficient to

administer the Office's federal grants.

Ms. Whitworth advised that the Violence Against Women's Office from which the main formula grant was received had greatly increased the responsibility placed on the administration of the formula grant program. The new position would work on the three discretionary grant programs, which would allow one Grants and Projects Analyst to work strictly on the formula grant program.

In response to questions from Chairman Raggio concerning duties assigned to the new position, Ms. Whitworth indicated that duties would include working with and monitoring all of the agencies involved with the discretionary programs.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEMS 1 THROUGH 4 TO TRANSFER FEDERAL GRANT FUNDS TO THE ATTORNEY GENERAL'S ADMINISTRATION ACCOUNT TO FUND A NEW 0.75 GRANTS AND PROJECT ANALYST I.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

5. **Office of the Attorney General - Victims of Domestic Violence - FY 02** - Addition of \$1,291,000.00 in Federal STOP Violence Grant to continue to encourage development and implementation of effective victim-centered law enforcement, prosecution, and court strategies to address violent crimes against women and development and enhancement of victim services in cases involving violent crimes against women. These funds are allocated as follows: 30% victim services, 25% law enforcement and prosecution, 15% discretionary, and 5% to courts. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Item 5 was withdrawn on March 27, 2002 – E-Mail from Budget Division.

6. **Office of the Attorney General - Consumer Protection (Advocate) - FY 02** - Transfer of \$300,000.00 from the Reserve category to the Expert Witness category to meet projected expert witness expenditure requirements for the Fiscal Year related to Nevada Power, Sierra Pacific Power, and Sprint rate cases. Requires Interim Finance approval since the amount added to the Expert Witness category exceeds \$50,000.00.

Tim Hay, Chief Deputy Attorney General, identified himself for the record. Mr. Hay was before the Committee to request a transfer of \$300,000 from the Office of the Attorney General, Consumer Protection Reserve category to the consultant Expert Witness category. Mr. Hay advised that there was an unprecedented series of rate cases being litigated before the Public Utilities Commission through the end of the fiscal year, and the request would fund projected increases in consultant expenses related to those cases. Mr. Hay further advised that the Bureau of Consumer Protection was in the midst of completing work on the Northern Nevada Deferred Energy Case, and because their internal resources had been strained, it was anticipated they would need to return to the Committee before the end of the fiscal year with an additional request.

In response to questions from Chairman Raggio concerning the reserve balance, Mr. Hay advised the Bureau's reserve would be reduced to approximately \$337,000; however, it was expected that the current low reserve would be built back up and the regulatory activity level in the next fiscal year was not expected to approach the level that had been seen in the current fiscal year. Mr. Hay pointed out that the reserve balance had reached a one-time low of \$6,000 in Fiscal Year 2000.

In response to a question from Chairman Raggio, Mr. Hay advised that the mil assessment was currently set at the statutory cap of .75 mils.

While Chairman Raggio indicated he intended to participate in the vote on Item 6, he disclosed that his law firm, Jones Vargas, was involved in the litigation process.

MR. MARVEL MOVED TO APPROVE THE REQUEST TO TRANSFER \$300,000 FROM THE RESERVE CATEGORY TO THE EXPERT WITNESS CATEGORY.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

7. **Office of the Attorney General - Private Investigators Licensing Board - FY 02** - Transfer of \$30,000.00 from the Reserve category to the Operating category to cover the projected cost of temporary investigative services while recruiting for a permanent employee. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category. **This budget was not reviewed by the 2001 Legislature.**

Refer to motion for approval under Item D.

8. **University and Community College System of Nevada - State Health Laboratory – FY 02** - Addition of \$90,000.00 in User Charges to expend additional user fees and associated health test costs. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item D.

Chairman Raggio indicated that Items 9, 10, 11, 12 and 13 would be considered concurrently.

9. **University and Community College System of Nevada - University of Nevada, Reno - FY 02** - Addition of \$610,447.00 in Student Fees to expend additional fees collected from the registration of students, resident or nonresident. Requires Interim Finance approval pursuant to Section 8 of Chapter 586, Statutes of Nevada 2001, at Page 3021.

Refer to motion for approval under Item 13.

10. **University and Community College System of Nevada - University of Nevada, Las Vegas - FY 02** - Addition of \$2,092,452.00 in Student Fees to expend additional fees collected from the registration of students, resident or nonresident. Requires Interim Finance approval pursuant to Section 8 of Chapter 586, Statutes of Nevada 2001, at Page 3021.

Refer to motion for approval under Item 13.

11. **University and Community College System of Nevada - University of Nevada, Las Vegas School of Law - FY 02** - Addition of \$7,814.00 in Student Fees to expend additional fees collected from the registration of students, resident or nonresident. Requires Interim Finance approval pursuant to Section 8 of Chapter 586, Statutes of Nevada 2001, at Page 3021.

Refer to motion for approval under Item 13.

12. **University and Community College System of Nevada - Western Nevada Community College - FY 02** - Addition of \$110,000.00 in Student Fees to expend additional fees collected from the registration of students, resident or nonresident. Requires Interim Finance approval pursuant to Section 8 of Chapter 586, Statutes of Nevada 2001, at Page 3021. **Augmentation request was revised to \$161,093.**

Refer to motion for approval under Item 13.

13. **University and Community College System of Nevada - Community College of Southern Nevada - FY 02** - Addition of \$450,000.00 in Student Fees to expend additional fees collected from the registration of students, resident or nonresident. Requires Interim Finance approval pursuant to Section 8 of Chapter 586, Statutes of Nevada 2001, at Page 3021.

Daniel G. Miles, Vice Chancellor, Finance and Administration, for the University and Community College System of Nevada (UCCSN), identified himself for the record. Mr. Miles pointed out that Item 12 was revised to reflect an augmentation request of

\$161,093 rather than \$110,000.

Mr. Miles advised that the legislatively approved General Authorizations Act required that the UCCSN obtain Interim Finance Committee approval in order to expend student-fee income that exceeded the budgeted amount. Student fee income had been augmented at the University of Nevada Reno (UNR); the University of Nevada Las Vegas (UNLV); the University of Nevada Las Vegas Law School; Western Nevada Community College (WNCC) and the Community College of Southern Nevada (CCSN). Reports on the projections for the additional revenue and planned expenditures from each of the campuses (Exhibit I) were included within each Committee member's packet.

Chairman Raggio noted that the UNLV's request included \$160,106 for strategic enrollment and retention planning and asked University representatives to discuss whether existing staff and graduate students could complete the necessary planning efforts.

Dr. Anthony Flores, Vice President for Finance, UNLV, identified himself for the record and explained that the \$160,106 request from the UNLV would be expended for a special study on strategic enrollment and retention planning. The study had been contracted out to a nationally known consultant to help the UNLV strategize enrollment growth, and Dr. Flores advised that existing staff or graduate students could not accomplish such an undertaking.

In response to questions from Ms. Giunchigliani concerning the expenditure of \$1.8 million for class sections, Dr. Flores advised that the UNLV added 480 class sections as a result of fall and spring enrollment growth.

In response to a question from Ms. Giunchigliani concerning whether the planned expenditures were allowable under the statutory provisions, Mr. Miles explained that while he believed there were no restrictions, the UNLV added over 400 class sections in September and January to establish the classes and sections necessary to meet student need.

In reference to tuition increases, Senator Coffin commented on a forthcoming Board of Regents' agenda item that sought approval to raise tuition for the fall and spring semesters. Senator Coffin questioned how the UCCSN planned to expend the revenue from the proposed tuition increases.

Mr. Miles responded that each spring the Board of Regents set tuition and fees for the next biennial budget cycle so that the fees considered in the spring would go into effect in the fall of 2003 for Fiscal Year 2004 and 2005. Mr. Miles explained that particular cycle corresponded to and was used in the budget building process. Mr. Miles anticipated that the UCCSN would return to the IFC to ask for authority to expend the excess fees, which would then be due to increased enrollments, not, increased rates.

Ms. Giunchigliani discussed the \$1.8 million for the additional 480 classes and the \$1.4 million for equipment, technology, and renovations. Ms. Giunchigliani pointed out that student-generated funds were to be used only for class instruction and not ancillary requests. In view of the budget constraints, Ms. Giunchigliani questioned whether the UNLV would be willing to hold in reserve the \$1.4 million request for equipment.

Dr. Flores responded that the UNLV had been budgeted for a 2.9 percent growth factor for the current fiscal year while actual growth of 9.4 percent was realized. The budget for the following year was also based on a 2.9 percent growth factor, and it was anticipated that an actual growth rate of 9.4 percent would occur.

Ms. Giunchigliani reiterated that student-generated fees were intended to fund instructors and graduate assistants, not equipment, technology, renovations, or other types of strategic planning.

Dr. Flores responded that the increased number of students directly related to the utilization of services as well as to library and information technology expenditures.

While sympathetic to the issue, Ms. Giunchigliani reiterated earlier remarks that student-generated fees were intended for actual instruction and not other programs. In light of an almost \$239 million budget shortfall, Ms. Giunchigliani asked whether the UNLV would be willing to hold in reserve the request for \$1.4 million.

Mr. Miles advised that \$2.09 million request for the UNLV included:

- \$1 million – Additional Part-time Instructors;
- \$260,000 - Additional Grant-in-aid for Graduate Assistants;
- \$486,000 - Wages and Operating for Office of Information Technology;
- \$160,106 - Strategic Enrollment and Retention plan; and,
- \$115,500 - Net Library, Electronic databases, Interlibrary Loan Costs

Mark Stevens, Fiscal Analyst, Fiscal Analysis Division, reported that Brian Burke, Program Analyst, Fiscal Analysis Division, had reviewed the total \$3.3 million request, which included:

University of Nevada Reno

- Equipment, and
- Student services – student wages.

University of Nevada Las Vegas

- Part-time instructors;
- Graduate assistants;
- Library, electronic databases,
- Wages and operating for Information Technology; and,
- Strategic enrollment retention plan.

University of Nevada Las Vegas Law School

- Law School Library acquisitions.

Western Nevada Community College

- Advertising and marketing;
- Fire code compliance equipment,
- Critical Equipment; and,
- A needs assessment study.

Mr. Stevens reported that funding for equipment, technology and renovations for campuses, represented in the request, totaled \$1,480,000 while the amount that would be expended on letters of appointment, graduate assistants and teaching assistants for the UNLV, the CCSN and the WNCC totaled \$1,841,000.

Mr. Miles reminded the Committee that the campuses had to be prepared to accommodate the students whose classes began in September and January and in order to do so had to borrow the funding from other areas including the conversion of full-time positions into part-time positions to create more sections. Mr. Miles indicated that representatives from each campus were prepared to provide individual reports. In the interest of time Ms. Giunchigliani indicated that a report from each campus was not necessary.

The Chairman, however, asked that a response be provided to the issue of whether, in view of the budget shortfall, the request for \$1.4 million could be held in reserve.

Dr. Flores advised that in terms of the UNLV, the \$160,000 request for the strategic enrollment and retention plan could probably be held in reserve. However, the enrollment growth requests, if not approved, would place a burden on the campus.

Ashok Dhingra, Vice President, Finance and Administration, UNR, discussed the fiscal dilemma faced by the UNR and pointed out that budget development flexibility had been provided when UNR was budgeted at approximately 81 percent rather than 100 percent of the formula. Dr. Dhingra advised that the UNR had \$4.8 million to allocate to various functions, all budgeted through the same appropriation for instruction and supported through student fees as well as General Fund dollars. Dr. Dhingra indicated that student fees had always been a part of the total university budget and supported instruction, library, academic support, student services, technology needs, physical plants and institutional support.

Dr. Dhingra explained that when it became apparent enrollment would exceed budgeted growth for the current year as well as the following year, rather than funding only 9 faculty positions and equipment, the \$4.8 million was used to fund 18 new faculty positions, and the expenditure for equipment was delayed. As the positions took six to nine months to fill, the accumulated vacancy savings were used to fund part-time letters of appointment in the fall and spring. However, with the availability of augmented student fees, the UNR was before the Committee to request authority to fund the equipment request that had been put on hold. Dr. Dhingra noted for the record that a similar approach had been used by the UNR in the previous year and had been supported by the Committee.

While it appeared there was no restriction on the use of the funding, the Chairman expressed concern in reference to the budget shortfall and the fact that estate tax funding would no longer be available for the UCCSN.

CHAIRMAN ARBERRY MOVED TO AUTHORIZE FUNDING IN THE AMOUNT OF \$1.84 MILLION TO THE UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA, PURSUANT TO SECTION 8, CHAPTER 586, STATUTES OF NEVADA 2001, AND TO HOLD IN RESERVE \$1.4 MILLION.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED ON THE ASSEMBLY SIDE.

(Mr. Beers, Ms. Cegavske, Ms. Chowning, Mrs. de Braga, Ms. Giunchigliani, Mr. Goldwater, Mr. Hettrick, Ms. Leslie, Mr. Parks, Mr. Perkins, Ms. Tiffany vote aye.

Mr. Marvel voted nay. Mr. Dini was not present for the vote)

THE MOTION FAILED ON THE SENATE SIDE.

(Senator Coffin, Senator Jacobsen, Senator Mathews, Senator O'Donnell, Senator Rawson, Senator Raggio voted nay. Senator Neal was not present for the vote.)

SENATOR O'DONNELL MOVED TO APPROVE FUNDING THE ENTIRE \$3.3 MILLION REQUEST TO THE UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA, PURSUANT TO SECTION 8, CHAPTER 586, STATUTES OF NEVADA 2001.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION FAILED ON THE ASSEMBLY SIDE.

(Mr. Parks, Mr. Hettrick, Mr. Marvel voted aye. Chairman Arberry, Mr. Beers, Ms. Cegavske, Ms. Chowning, Mrs. De Braga, Ms. Giunchigliani, Mr. Goldwater, Ms. Leslie, Mr. Perkins, Ms. Tiffany voted nay. Mr. Dini was not present for the vote.)

THE MOTION CARRIED ON THE SENATE SIDE.

(Senator Coffin, Senator Jacobsen, Senator Mathews, Senator O'Donnell, Senator Rawson and Senator Raggio voted aye. Senator Neal was not present for the vote.)

In view of the fact that enrollment had exceeded projections, and funding for the additional classes had been expended, Senator Rawson expressed uncertainty and concern insofar as to the reason the request had not been approved.

In response to the Chairman's request for a suggestion in view of the deadlock, Mr. Miles asked to be excused while a brief meeting was conducted with UCCSN representatives. The Chairman agreed and indicated the Committee would continue the meeting and return to Items 9 through 13 after the UCCSN meeting was concluded.

The Chairman returned to the University request after the testimony provided on Item 50.

Mr. Miles advised that during their brief meeting, UCCSN staff had been provided a copy of the material that the Committee had been examining which he indicated had raised some questions and issues. Mr. Miles asked that the Committee consider approving the \$1,841,000 portion of the request and direct the UCCSN staff to work with the Committee's staff concerning the remaining issues to resolve any problems, or to come to an agreement on what could be, or should be reverted to the state. Additionally, Mr. Miles asked that the UCCSN be permitted to return to the next meeting of the Committee with their request.

The Assembly Committee members agreed with Mr. Miles' suggestion.

CHAIRMAN ARBERRY MOVED APPROVAL OF THE EXPENDITURE OF \$1,841,535 TO FUND ADDITIONAL CLASS SECTIONS, LETTERS OF APPOINTMENT AND GRADUATE ASSISTANTS AND DIRECTED THAT UCCSN STAFF WORK WITH COMMITTEE STAFF ON THE ADDITIONAL \$1.4 MILLION EXPENDITURE REQUEST AND THAT THE UCCSN BE PERMITTED TO RETURN TO THE NEXT MEETING OF THE COMMITTEE WITH THEIR REQUEST.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY. (Senator Rawson disclosed that he was employed by the UCCSN, however, was unaffected by the vote in which he participated.)

14. **Department of Education - Discretionary Grants - Unrestricted - FY 02** - Addition of \$84,892.00 in National Assessment of Educational Progress Federal Grant to allow for the receipt of the National Assessment of Educational Progress Federal Grant effective May 01, 2002. This grant includes funding for a Planning, Research and Evaluation Consultant. Personnel costs for Fiscal Year 2003 are included in the NAEP Task Order category. Requires Interim Finance approval since the amount of grant includes new staff.

Refer to motion for approval under Item D.

15. **Department of Education - Improving America's Schools Act - Title II and Title VI Grants - FY 02** - Addition of \$9,925.00 in Title VI Federal Grant, addition of \$1,045.00 in Eisenhower Title II Federal Grant, Transfer of \$18,790.00 from the Math/Science Aid to Schools category to the Math/Science Administration category, transfer of \$33,858.00 from the Math/Science Aid to Schools category to the Math/Science DEMO Aid to Schools category, transfer of \$3,892.00 from the Math/Science Aid to Schools category to the Personnel Services category, transfer of \$12,364.00 from the Aid to Schools category to the Personnel Services category, and transfer of \$1,322.00 from the Aid to Schools category to the Indirect Costs category to allow for the receipt of Federal prior year refund revenue; computer hardware, software, and indirect costs in Math/Science Administration; projected Math/Science DEMO Aid to Schools obligations; projected Personnel Services expenditures; and indirect costs through June 30, 2002. Requires Interim Finance approval since the cumulative change to the Aid to Schools, Math/Science Aid to Schools, and Math/Science DEMO Aid to Schools categories exceed 10% of the legislatively approved level for the categories. **Refer to motion for approval under Item D.**
16. **Department of Education - Education for Handicapped Act - FY 02** - Transfer of \$42,487.00 from the Special Education Aid to Schools category to the Indirect Costs category to update the authority in Indirect Costs to the actual rate of 17.6%. Requires Interim Finance approval since the amount transferred to the Indirect Costs category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

17. **Department of Education - Child Nutrition - FY 02** - Addition of \$24,644.00 in Summer Program Administration, addition of \$10,000.00 in Commodity/Cash Grants, addition of \$250,000.00 in School Breakfast, addition of \$325,000.00 in Child/Adult Care, addition of \$3,000,000.00 in School Lunch, transfer of \$14,500.00 from the Out-of-State Travel category to the In-State Travel category, Transfer of \$8,694.00 from the Nevada Department of Education Staffing Support category to the Operating category, and transfer of \$8,694.00 from the Nevada Department of Education Staffing Support category to the Information Services category to adjust Federal funds to meet projected In-State travel, Operative, and information service expenditures through June 30, 2002. Requires Interim Finance approval since the amount added exceeds \$100,000.00.

Refer to motion for approval under Item D.

- 18. Department of Administration - Risk Management Division - Insurance and Loss Prevention - FY 02** - Transfer of \$250,000.00 from the Reserve category to the Property Claims category to cover projected maintenance costs related to the correction of indoor air quality problems, including mold contamination and HVAC irregularities at State-owned and occupied buildings. Requires Interim Finance approval since the amount transferred to the Property Claims category exceeds \$50,000.00 – **Relates to SPWB Item G-5.**

The Chairman noted that Item 18 related to State Public Works Board Item G-5 and both items would be considered concurrently.

Sue Dunt, State Risk Manager, identified herself for the record and indicated she was before the Committee to request a transfer of \$250,000 from the Reserve category to the Property Claims category for transfer to the State Public Works Board’ Statewide Indoor Air Quality Fund to correct a variety of problems related to indoor air quality and mold in state-owned buildings.

Ms. Dunt reported that the Division had experienced an increase in the number of requests from Nevada state agencies for investigations of mold and other indoor air-quality problems over the past year. While the Division normally averaged three to five requests a year for indoor air quality investigations, the Division had received 25 requests in the past year for investigations exclusive of the ten buildings currently being remediated for the Division of Child and Family Services. Ms. Dunt reported that investigations had revealed many of the problems were related to maintenance issues, such as improperly or poorly maintained heating, ventilating and air conditioning systems (HVAC). There were also issues related to different levels of mold growth as a result of water intrusion into buildings from chronic leaks that had not been corrected in a timely manner. Ms. Dunt pointed out that the toxic mold problems and associated health effects had been the focus of a lot of media coverage, which was believed had increased awareness and resulted in additional requests for investigations.

Ms. Dunt indicated that funding was not always immediately available to correct the problems and the length of time between identification and resolution of problems had resulted in an increase in worker’s compensation claims. As a result of the somewhat lengthy process, a group of southern Nevada state employees expressed their frustration through a class action lawsuit against the state. The Department of Administration, which included the State Public Works Board, the Budget Office, Risk Management and Buildings and Grounds, developed a short-term and a long-term plan to address the issues. It was determined that the immediate need was to have the necessary money available to correct the problems and not to wait from two to four months while searching for the funding.

In response to a question from Chairman Raggio concerning the adequacy of the requested funding, Ms. Dunt advised that the \$250,000 request would cover the most immediate problems.

In response to a question from the Chairman, Ms. Dunt advised that the UCCSN had discontinued their participation in Risk Management’s self-funded property insurance program. As a result, the UCCSN portion of the funding from the Division’s reserve would be available for transfer to the SPWB.

Insofar as leased properties, the Chairman raised the question of whether issues related to mold problems were the landlord’s responsibility.

Ms. Dunt responded that air quality problems in leased buildings were reviewed on a case-by-case basis. While the problems were generally the responsibility of the landlord, Ms. Dunt indicated that it depended on the landlord and whether the state employees were responsible for causing the mold. While some landlords were cooperative and eager to work with the state, others were non-responsive. Ms. Dunt advised that the state had an obligation to resolve health and safety issues and had to deal separately with landlords.

Ms. Giunchigliani questioned the availability of insurance coverage for those situations in which air-quality problems had not been resolved in a timely manner as a result of simply being unaware that there was a problem.

Ms. Dunt clarified that the property insurance program was intended to cover accidents, or sudden events such as floods or bursts of water pipes and was not intended for situations such as roof leaks or water seeping in through the windows. However, in a modification of policy, Ms. Dunt indicated the Risk Management Division would remediate a mold problem if discovered; however, it would be beyond the scope of the Property Program to correct the cause of the mold, such as a roof-warranty issue.

MS. GIUNCHIGLIANI MOVED APPROVAL OF ITEM 18 AND ITEM G. 5 TO TRANSFER \$250,000 FROM RISK MANAGEMENT’S RESERVE CATEGORY TO THE PROPERTY CLAIMS EXPENDITURE CATEGORY TO PROVIDE THE AVAILABILITY OF A TRANSFER OF FUNDS TO THE STATE PUBLIC WORKS BOARD FOR THE STATEWIDE ASBESTOS, LEAD AND INDOOR AIR QUALITY PROGRAM.

MS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 19. Department of Administration - Purchasing Division - Commodity Food Program – FY 02** - Addition of \$22,292.00 in Federal Receipts - Emergency Food Assistance and addition of \$4,000.00 in Federal Receipts - Indian Family Feeding and transfer of \$38,500.00 from the Reserve category to the Operating category to allow for increased spending for Needy Family programs, Emergency Food Assistance and increased operating costs this Fiscal Year related to contract with Las Vegas Ice and Cold Storage, telephone, postage, and Administration assessment charges. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

- 20. Department of Administration - Buildings and Grounds Division - Clear Creek Youth Center - FY 02** - Addition of \$26,776.00 in Facility Charges, addition of \$73,972.00 in Meal Sales, and Deletion of \$19,727.00 in Rental Income to adjust rental revenue as a result of decreased use by rental groups/tenants and increase in anticipated user groups short term, through the end of this Fiscal Year. Requires Interim Finance approval since the amount added to the User Group Meals category (**\$81,021**) exceeds \$50,000.00.

Refer to motion for approval under Item D.

- 21. Department of Administration - Building and Grounds Division - FY 02** - Transfer of \$415,000.00 from the Reserve category to the Operating category and transfer of \$419,000.00 from the Reserve category to the Utilities category to cover projected costs for janitorial contracts and other operating and maintenance-related contracts, and for electricity and natural gas increases. Requires Interim Finance approval since the amount transferred to the Operating and Utilities categories exceed \$50,000.00.

Mike Meizel, Administrator, Division of Buildings and Grounds identified himself for the record and pointed out that the request for a transfer of \$419,000 from the Reserve category to the Utilities Category was revised to reflect a \$519,100 transfer. Mr. Meizel explained he had originally incorrectly assumed the Rainy Day Fund could be accessed to make up for the utility shortfall. Mary Keating, Administrator, Administrative Services Division was introduced and provided additional detail.

Ms. Keating explained that in order to ensure the full operation of the Division through the remainder of the fiscal year, approval was needed to transfer money from the Reserve to the Operating and Utilities categories to fund the shortfall in both areas and also to transfer money from In-state travel and Building renovation to provide a \$211,100 reduction to the Reserve category.

In response to a question from Chairman Raggio concerning the shortfall in contract services, Mr. Meizel indicated that while the largest deficit the Division had encountered was in the Utilities category, a deficit of \$415,000 had occurred in the Operating category as well. While the request before the Committee totaled more than requests in prior years, Mr. Meizel indicated that the Division’s Category 14-building renovation would not have been accessed had it not been for the utilities shortfall. However, as the next fiscal year was approached, Mr. Meizel explained a transfer of funds to the Reserve was needed to continue many projects including those related to issues such as the Clean Air Act and mold.

While ongoing contract services had remained fairly static, Mr. Meizel indicated some problems had occurred with one-time contracts and money spent in areas not originally intended could probably have been deferred. Mr. Meizel indicated that plans to carpet the Capitol had originally been deferred while discussion took place on whether to turn the Capitol into a ceremonial building. However, the carpeting in the Governor’s Office reception area had become threadbare and necessitated replacement while at the same time, electrical renovation and painting projects were accomplished for about \$150,000 of the \$415,000, and trees were trimmed and renovated at the Stewart Complex for about \$80,000. Mr. Meizel pointed out that the building renovation projects were regarded as one-shot items that would not recur the following year; however, he indicated funding in the Reserve was needed since utilities were projected to increase in the following year.

In response to a question from Chairman Raggio concerning an unpaid water bill, Mr. Meizel explained that a water meter had not been installed at the time water service was connected to the Sawyer Building in Las Vegas. Five years later, the Division was billed for the unpaid water bill, which was negotiated downward based on energy retrofitting that had taken place.

In response to questions from the Chairman, Mr. Meizel confirmed that the Division had elected to defer certain building renovation projects approved for Fiscal Year 2002 (\$700,000) to ensure the Reserve for the account would not be depleted in the first year of the biennium. Mr. Meizel explained that the largest portion of the funding would have been to replace carpeting on the fourth and fifth floors of the Sawyer Building. It was anticipated that perhaps one floor of the Sawyer Building could be carpeted before the end of the biennium. Additionally, Mr. Meizel indicated that most of architectural type of renovations could be deferred.

In response to a question from Chairman Raggio concerning a projected 39.2 percent increase in natural gas consumption in Fiscal Year 2002, Mr. Meizel indicated that it was the natural gas rate that was expected to increase but that he would investigate whether consumption was also expected to increase.

In view of the shortfall and the projected utility cost increases, Chairman Raggio asked whether a rent rate increase would be appropriate in Fiscal Year 2003.

Mr. Meizel responded that while an across-the-board rent increase would not be necessary in Fiscal Year 2003, a significant rent rate increase would be required for the 2003-2005 biennium.

SENATOR JACOBSEN MOVED APPROVAL OF THE TRANSFER OF \$415,000 FROM THE RESERVE CATEGORY TO THE OPERATING CATEGORY AND TRANSFER OF \$419,100 FROM THE RESERVE CATEGORY TO THE UTILITIES CATEGORY.

MR. HETTRICK SECONDED THE MOTION.

Chairman Raggio recalled that the figures had been revised. Mr. Ghiggeri was called upon to provide the revised figures, and the Chairman restated the motion.

SENATOR JACOBSEN MOVED APPROVAL OF THE AMENDED MOTION TO TRANSFER \$415,000 FROM THE RESERVE CATEGORY TO THE OPERATING CATEGORY; TRANSFER \$519,100 FROM THE RESERVE CATEGORY TO THE UTILITIES CATEGORY; TRANSFER \$20,000 FROM IN-STATE TRAVEL AND \$700,000 FROM BUILDING RENOVATION TO THE RESERVE CATEGORY.

MR. HETTRICK SECONDED THE AMENDED MOTION.

THE MOTION CARRIED.

22. **Board of Examiners - Victims of Crime - FY 02** - Transfer of \$725,913.00 from the Reserve category to the Victim's Payments category and transfer of \$6,000.00 from the Reserve category to the Operating category to allow for increased victim's payments through June 30, 2002, and to implement public service announcements per a letter of intent. Requires Interim Finance approval since the amount transferred to the Victim's Payments category from the Reserve category exceeds \$50,000.00.

Refer to motion for approval under Item D.

23. **Department of Administration - Buildings and Grounds Division - Marlette Lake – FY 02** - Addition of \$38,119.00 in Raw Water Sales and addition of \$45,790.00 in Miscellaneous Revenue to allow for increased expenditures due to water pumping activities at this facility as a result of a longer-than-normal summer season during the first part of this Fiscal Year. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

24. **Department of Information Technology - Telecommunications - FY 02** - Addition of \$927,270.00 in Telephone Watts and Tolls to meet projected salaries in Telephone Services, and Telephone Watts and Tolls expenditures through June 30, 2002. Requires Interim Finance approval since the amount added to the Telephone Watts and Tolls category exceeds \$50,000.00.

Refer to motion for approval under Item D.

25. **Department of Information Technology - Mobile Communications - FY 02** - Transfer of \$27,605.00 from the Reserve category to the Utilities category to provide additional authority for Utilities, to cover projected expenses through June 30, 2002. Requires Interim Finance approval since the amount transferred to the Utilities category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

26. **Department of Agriculture – Plant Industry Insect Abatement – FY 02** – Addition of \$47,176.00 in Reimbursement to increase revenue and expenditure authority for the Department's fee based portion of the weed control program with the balance to reserve. Requires Interim Finance approval since the cumulative amount added to the Weed Control category exceeds \$50,000.00.

Refer to motion for approval under Item D.

27. **Department of Agriculture - Livestock Inspection - FY 02** - Transfer of \$15,822.00 from the Reserve category to the EIA Testing category to acquire replacement hood in laboratory, which is not certifiable, and a new digital image microscope to effectively increase diagnosis time frames. Requires Interim Finance approval since the amount added to the EIA Testing category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

28. **Department of Business and Industry - Real Estate Division - FY 02** - Addition of \$162,944.00 in Testing Fees to increase authority for the routine collection of testing fees for contract payments due through the end of the Fiscal Year **(\$108,806)** with the balance reserved for the transfer to the General Fund **(\$54,138)**. Requires Interim Finance approval since the amount added to the Testing Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

29. **Department of Business and Industry – Housing Division – FY 02** – Addition of \$9,890.00 in the Bond Program Income to replace the file server. Requires Interim Finance approval since the cumulative amount added to the Information Technology category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

30. **Department of Business and Industry - Housing Division - FY 02** - Addition of \$54,076.00 in Tax Credits - Audit Fees to increase authority in the tax credit program and information technology categories in response to specific findings in the Legislative Council Bureau audit dated March 5, 2002. Requires Interim Finance approval since the amount added to the Information Services and Tax Credit Program category exceeds 10% of the legislatively approved level for that category – **Relates to Item 31**.

Refer to motion for approval under Item D.

31. **Department of Business and Industry - Housing Division - FY 03** - Addition of \$52,941.00 in Tax Credits-Audit Fees to increase authority in the tax credit program in response to specific findings in the Legislative Council Bureau audit dated March 5, 2002. Requires Interim Finance approval since the amount added to the Tax Credit Program category exceeds 10% of the legislatively approved level for that category – **Relates to Item 30**.

Refer to motion for approval under Item D.

32. **Department of Business and Industry - Financial Institutions - FY 03** - Addition of \$550,000.00 in Agent Registration Renewal to implement the annual registration of mortgage loan agents pursuant to Assembly Bill 324, effective July 1, 2002. Adds three Administrative Assistant II positions and one Administrative Assistant IV. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 and includes new staff. **Includes new category (28) transfer to General Fund (\$357,976)**.

Scott Walshaw, Commissioner, Financial Institutions, identified himself for the record. Mr. Walshaw advised the members of the Committee that the request before the Committee occurred as a result of the passage of A.B. 324 (2001 Legislative Session) which required the annual registration of mortgage loan agents employed by licensed mortgage brokers. Previously a one-time only registration had been required. Mr. Walshaw explained that the process included an annual license renewal for mortgage loan agents as well as a verification process for ongoing continuing education of five credit hours per year, which the Financial Institutions Division was required to verify. The program was intended to pay for itself with a \$125 fee set by statute for initial registration and annual renewals thereafter. Mr. Walshaw advised that currently there were almost 4,000 registered agents, and the Division was receiving 20 to 30 registrations a week.

Chairman Raggio questioned the number of positions requested, and Mr. Walshaw advised that four Administrative Assistant positions were needed based on estimates of the time it would take to administer the licensing process. One of the Administrative Assistant positions would assume supervisory duties.

In response to concerns raised by Chairman Raggio in reference to the Division's two vacant Administrative Assistant II positions, Mr. Walshaw advised that the two vacancies had been recently filled. Mr. Walshaw explained that a recent unexpected resignation had occurred at the same time interviews were being conducted for a transfer out of the Division. Permission was received to simultaneously fill both positions based on the interviews that had recently been conducted.

In response to a question from Chairman Raggio concerning the number of actual registrants, Mr. Walshaw reported that 3,895 mortgage loan agents had been registered.

Chairman Raggio questioned whether the number of positions requested could be reduced, and Mr. Walshaw advised that the two positions that had already been filled were hired to handle existing workload.

In response to whether approval of two Administrative positions and the Supervisory position would be adequate, Mr. Walshaw advised the Chairman that the request was based on 4,000 registered agents.

SENATOR O'DONNELL MOVED APPROVAL OF THE REQUEST TO ADD \$550,000 IN AGENT REGISTRATION RENEWAL TO SUPPORT THE IMPLEMENTATION OF THE ANNUAL REGISTRATION OF MORTGAGE LOAN AGENTS AND THE ADDITION OF THREE ADMINISTRATIVE ASSISTANT II POSITIONS AND ONE ADMINISTRATIVE ASSISTANT IV POSITION.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED. (Chairman Arberry abstained.)

33. **Department of Business and Industry – Transportation Services Authority – FY 02** – Addition of \$60,000.00 in Fines to purchase two police vehicles with the balance to the reserve. Requires Interim Finance approval since the amount added to the Operating Expense category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

34. **Commission on Economic Development - FY 02** - Addition of \$50,000.00 in Gifts and Donations to produce Governor's medallions to be used as souvenirs. Requires Interim Finance approval since the amount of the gift exceeds \$10,000.00.

Refer to motion for approval under Item D.

35. **Commission on Economic Development - Small Business and Procurement - FY 02** - Addition of \$100,000.00 in Federal Grant/Federal and State Technology (FAST) to establish revenue and expenditure categories for the Federal and State Technology (FAST) Grant. This FAST program will assist small businesses in participating in the National Small Business Innovation Research (SBIR) program, which helps businesses increase their business potential. Requires Interim Finance approval since the amount of grant exceeds \$100,000.00.

Refer to motion for approval under Item D.

36. **Department of Human Resources - Health Care Financing and Policy - Administration - FY 02** - Transfer of \$57,320.00 from the Personnel Services category to the Operating category to provide for temporary contract employees to assist with the backlog of work in the accounting and budgeting areas and help with Federal report filings. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item D.

37. **Department of Human Resources - Health Care Financing and Policy - Medicaid – FY 02** - Addition of \$4,400,000.00 in Federal Title XIX Receipts to establish authority to pass through Federal funds for school-based claims for the Clark County School District as provided by Federal Medicaid regulations and in accordance with the inter-local agreement. Requires Interim Finance approval since the amount added to the School-Based Claims - Clark County School District Pass Through category exceeds \$50,000.00.

Refer to motion for approval under Item D.

38. **Department of Human Resources - Health Care Financing and Policy - Medicaid – FY 02** - Transfer of \$22,259,918.00 from the Medical Payments - 1st Year category to the Medical Payments - 2nd Year category and transfer of \$5,188,412.00 from the Medical Payments - 1st Year category to the Medical Payments - 3rd Year category to align budget authority to actual Medicaid payments made during State Fiscal Year 2002 for the Nevada Medicaid program. Requires Interim Finance approval since the amount transferred to the Medicaid Payments - 2nd Year category exceeds 10% of the legislatively approved level for that category.

Chairman Raggio advised the members of the Committee that Items 38, 39, 66 and 126 would be considered concurrently.

Refer to motion for approval under Item 66.

39. **Department of Human Resources - Health Care Financing and Policy - Medicaid – FY 02** - Addition of \$26,688,050.00 in Federal Title XIX Receipts, addition of \$3,232,963.00 in County Reimbursements, and addition of \$21,189,019.00 in Transfer from Department of Human Resources - Director's Office (**Intergovernmental Transfer Account**) to cover projected expenditures primarily related to higher than anticipated caseloads in the Temporary Assistance for Needy Families – Temporary Assistance for Needy Families and disabled institutional eligibility groups as reflected in the current Medicaid Payment Projection Report (MPP). Requires Interim Finance approval since the amount added to the County Indigent Program category exceeds 10% of the legislatively approved level for that category. **Relates to Item 126 – Received March 28. Also, refer to Information Item K-7 for additional information on budget shortfall.**

Mr. Charles Duarte, Administrator, Division of Health Care Financing and Policy, identified himself for the record. Mr. Duarte explained that the work program before the Committee would augment budget authority in Budget Account 3243, the Nevada Medicaid budget, by \$51,110,032. The augmentation would increase authority in the categories that included:

- Fiscal Agent Charges;
- Medical Payments in the Current Year;
- Medical Payments in the Second Year;
- Medical Payments in the Third Year;
- The County Indigent Program;
- Payments to the Mental Health Developmental Services Division; and,
- Utilization Review Contract Services.

Mr. Duarte advised that the shortfalls in the Medicaid budget were primarily related to the higher-than-projected caseloads in the Temporary Assistance to Needy Families (TANF) Program and Child Health Assurance Program (CHAP).

In summary, Mr. Duarte advised that the Division proposed to transfer \$21,189,019 from the Intergovernmental Transfer (IGT) budget to cover the shortfall in the Medicaid budget for Fiscal Year 2002.

In response to a question from Ms. Giunchigliani concerning the number of recipients receiving cash assistance benefits and the number originally recommended to the Legislature, Mr. Duarte advised that in terms of total Medicaid clients, not necessarily just cash assistance, an average approximate enrollment of 122,000 recipients for Fiscal Year 2002 had been budgeted.

In response to a question from Ms. Giunchigliani concerning the TANF caseload included in the original budget, Debbra J. King, Administrative Services Officer, Division of Health Care Financing and Policy indicated that while she was unable to recall the number, she would provide the information.

Refer to motion for approval under Item 66 which required a public hearing (Page 44).

- 40. Department of Human Resources - Health Care Financing and Policy - Medicaid – FY 02** - Addition of \$2,220,323.00 in Federal Title XIX Receipts **with corresponding augmentation to the Medicaid payments category** to reflect Maximus recoveries in excess of budget. Requires Interim Finance approval since the amount added to the Medical Payments - First Year category exceeds \$50,000.00.

Refer to motion for approval under Item D.

- 41. Department of Human Resources - Health Care Financing and Policy - Nevada Check Up - FY 02** - Addition of \$395,120.00 in Federal Receipts Title XXI to provide vaccines under the Vaccines for Children Program (VFC) for Nevada Check Up enrollees. The vaccines will be purchased and administered by the Department of Human Resources - Health Division under inter-local agreement. Requires Interim Finance approval since the amount added to the Immunization category exceeds \$50,000.00 – **Relates to Items 42, 54 and 55.**

The Chairman advised that Items 41, 42, related to Items 54 and 55 and required a public hearing.

Refer to motion for approval under Item 42.

- 42. Department of Human Resources - Health Care Financing and Policy - Nevada Check Up - FY 03** - Addition of \$476,537.00 in Federal Receipts Title XXI to provide vaccines under the Vaccines for Children Program (VFC) for Nevada Check Up enrollees. The vaccines will be purchased and administered by the Department of Human Resources - Health Division under inter-local agreement. Requires Interim Finance approval since the amount added to the Immunization category exceeds \$50,000.00 – **Relates to Items 41, 54 and 55.**

There was no public testimony on Items 41 or 42.

SENATOR RAWSON MOVED TO APPROVE ITEMS 41 AND 42.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 43. Department of Human Resources - Mental Health and Developmental Services - Administration - FY 02** - Addition of \$137,831.00 in Community Mental Health Services Block Grant to fund stipends for non-state council members, administrative expenses for the Mental Health Planning Advisory Council and award subgrants for consumer-focused programs per the Federal Fiscal Year 2002 grant award. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman pointed out that Item 43 was also an allocation of block grant funding in the amount of \$137,831 and required a public hearing.

There was no public testimony.

SENATOR RAWSON MOVED TO APPROVE ITEM 43.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 44. Department of Human Resources - Mental Health and Developmental Services - Facility for the Mental Offenders - FY 02** - Addition of \$24,224.00 in Clark County Receipts to provide mental health services at the Clark County Detention Centers and the Las Vegas jails. Requires Interim Finance approval since the amount added to the Personnel Services category includes new staff (5.5 New Positions). **Item 44 was withdrawn.**

- 45. Department of Human Resources - Mental Health and Developmental Services - Facility for the Mental Offenders - FY 03** - Addition of \$293,395.00 in Clark County Receipts to provide mental health services at the Clark County Detention Centers and the Las Vegas jails. Requires Interim Finance approval since the amount added to the Personnel Services category includes new staff (**5.5 New Positions**). **Item 45 was withdrawn.**

- 46. Department of Human Resources - Mental Health and Developmental Services - Southern Nevada Adult Mental Health - FY 02** - Transfer of \$20,646.00 from the Equipment category to the Information Systems category to support connectivity to the Nevada Executive Budget System, Integrated Financial System, and planned State applications. Requires Interim Finance approval since the amount transferred to the Information Systems category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

- 47. Department of Human Resources - Mental Health and Developmental Services - Southern Nevada Adult Mental Health Institute - FY 02** - Transfer of \$67,350.00 from the Salaries category to the Operating category to fund cost of four part-time contract pharmacist due to the difficulty in recruiting for the budgeted permanent positions. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item D.

- 48. Department of Human Resources - Health Division - Administration - FY 02** - Addition of \$127,205.00 in Core Capacity Building for Tobacco Prevention and Control Program Grant to provide tobacco education and surveillance activities throughout Nevada. Requires Interim Finance approval since the amount added to the Tobacco Grant category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

- 49. Department of Human Resources - Health Division - Office of the State Health Administration - FY 02** - Acceptance of \$7,340.00 in Rape Prevention and Education Grant (Indirect Costs), Transfer of \$6,000.00 from the Information Systems category to the Travel category, and transfer of \$44,000.00 from the Information Systems category to the Operating category to cover projected shortfalls in travel and operating expenses. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

- 50. Department of Human Resources - Health Division - Cancer Control Registry – FY 02** - Addition of \$354,896.00 in the Department of Energy Grant and Transfer of \$184,294.00 from the Personnel Services category to the Department of Energy category to provide for sufficient authority for salaries, Department of Information Technology contract services, software and computer hardware to improve the Division's Cancer and Birth Defect Registries. Adds one Health Resource Analyst II, effective June 1, 2002. Requires Interim Finance approval since the amount added to the Department of Energy category exceeds 10% of the legislatively approved level for that category and includes new staff.

Phil Weyrick, Administrative Services Officer, Health Division, identified himself for the record and introduced Tony Stevenson, a representative from the Department of Information Technology, and Mr. Emil DeJan, Bureau Chief, Bureau of Health Planning and Statistics.

Mr. Weyrick reported that the work program was a request to augment the revenue and expenditure authority in Budget Account 3153 to fully utilize a \$1 million Department of Energy Federal Grant. The grant funding would be used to establish the functional requirements and recommendations to develop or enhance Nevada's electronic registration for vital records, registry systems and statistical capacity of the data warehouse.

Mr. Weyrick advised that seven positions were funded by the grant and would facilitate the accomplishment of the data collection and integration. Six positions had been approved at the September 25, 2001, Interim Finance Committee meeting, and Committee approval of the seventh position was being requested at the April 10, 2002 meeting.

In response to questions from Chairman Raggio, Mr. Weyrick advised that one position had been filled and recruitment for the other positions had been initiated. The delay in filling the positions was attributed to the classification process needed to establish the Bio-Statistician and Epidemiologist series of positions. Additionally, there was a delay in the receipt of a list of eligible individuals from the Employers Insurance Company of Nevada (EICO), and difficulty had been encountered in the recruitment for the Technical Bio-Statistician positions. Mr. Weyrick indicated that one of the seven positions was for an Epidemiologist who would assist in the tracking and identification of potential clusters, and he pointed out the last two pages of the material (Exhibit H), provided to the Committee, itemized the various positions and illustrated a summary of the actions taken to fill them.

In response to questions Chairman Raggio raised concerning recent media attention to the Cancer Registry, Mr. Weyrick explained that none of the fifty states had a Cancer Registry that could be identified as "real time." According to Mr. Weyrick, Cancer Registries across the country basically provided a collection of data that had occurred in previous months and met the standard that 95 percent of cancer-related data would be abstracted and in the system within 24 months.

Chairman Raggio raised additional questions concerning mandates to have the information provided, and Mr. Weyrick turned the microphone over to Emil DeJan who had worked with the hospitals and laboratories in an effort to provide more timely information.

Emil DeJan, Bureau Chief, State Health Division, identified himself for the record. Mr. DeJan reported that he had worked with the five pathology laboratories that had cancer samples, and those laboratories were reporting data as of 2001, which had significantly increased the information in the registry. Mr. DeJan also pointed out, as noted in the handout (Exhibit H), a consulting firm had been hired to provide services for the functional requirements of the project and to look through the work processes of the existing Cancer Registry. Additionally, the National Program for Cancer Registries from the Centers for Disease Control had sent a top technical expert to Nevada for a month to work with the consultant's staff. Mr. DeJan reported that Division representatives would be looking at existing software programs in order to establish a more functional web-based Cancer Registry, and it was anticipated the Vital Records Electronic Registration System would also be web based.

In response to questions from the Chairman concerning criticism that the type of information currently collected was not useful, Mr. DeJan responded that the type of information currently collected in Nevada was the same as the information collected by all Cancer Registries throughout the country. Mr. DeJan pointed out that the Registries were criticized for their inability to provide "real time" data and that the data was not even released until six months after the incidents of the first cancer diagnosis occurred. Mr. DeJan explained that the testing procedure over the six-month period was to try to ensure that the correct information was available. Additionally, Mr. DeJan advised that the North American Cancer Registry's certification standards were used to certify 28 of the 48 Registries throughout the country. The issues under review were:

- Timing and the completeness of the data (which was to be ensured); and
- Provision of a web-based system that would provide the ability to review information as it was electronically transmitted from a hospital or laboratory.

In response to a question from the Chairman concerning whether additional authority or legislation was needed to ensure that the collection of data was more effective and useable, Mr. DeJan indicated he did not believe legislation was needed and reiterated that the issue was to develop a system to enable hospitals and pathology laboratories to electronically report data from their facilities which would in turn speed the receipt of data. Additionally, the electronic transmission of data would provide an earlier opportunity for review with the probability of "a completeness ratio" on a yearly basis rather than a two-year basis.

Mrs. de Braga questioned whether the hospitals were being fined for not reporting the data in a timely manner. Mr. DeJan advised that during the past year hospitals had been "brought up to reporting speed." In cooperation with the Attorney General's Office, letters had been sent to all of the hospitals stating the existing law and that fines and even a jail sentence could be imposed for non-compliance. Mr. DeJan advised that all of the hospitals and pathology laboratories had significantly increased their reporting. Pathology laboratories had begun reporting data in 2001, and as the capability to receive it was provided, several laboratories would also provide their 2000 data electronically.

In response to questions from Mrs. de Braga concerning whether the hospitals and laboratories were following the law and whether charges were imposed on them, Mr. DeJan explained that current law provided that if the state abstracted the data, a charge of \$32 a case was imposed. If the hospital abstracted the data and then reported it, a charge of \$8 a case was imposed.

In response to additional questions from Mrs. de Braga, Mr. DeJan affirmed that currently not one Cancer Registry in the country could detect a cancer cluster because there were no "real time" Registries. Additionally, Mr. DeJan explained that most individuals who accessed the data did so because they wanted to validate a cluster when it appeared, which while two years behind was the current nature of the Cancer Registry. Mr. DeJan explained that the Division was trying to break new ground, and if they were successful in having the hospitals and pathology laboratories report their data electronically, the data would become more timely and could create an entirely different situation which was one of the reasons the National Program for Cancer Registries had sent a technical expert to Nevada to work with the consultant's staff. Mr. DeJan also affirmed that a Data Analyst, one of the new positions, would provide quality control and two Cancer Registrars would provide tracking to ensure the data was timely and complete. Mr. DeJan noted that there had been prior understaffing of the Registry because of vacancies and the untimely death of the Program Manager. A new Program Manager had been hired and the Registry was moving through a number of changes.

Senator Rawson discussed the lack of resources during a 15-year effort to build an effective and "real time" Cancer Registry and indicated that there were a number of issues in addition to the cancer cluster that needed to be seen. Senator Rawson supported approval of the work program request and indicated that the DOE Grant offered the first opportunity to place the Registry on a useful basis.

Mr. Beers expressed concern in reference to an earlier statement concerning breaking new technological ground and suggested reconsideration of a strategy that employed new technology.

Mr. DeJan responded that out of 48 states with Cancer Registries, the North American Cancer Registry had certified 28 and that Nevada would establish a system that would be certified. However, Mr. DeJan explained that all of the current certified systems were two-year systems, and his reference to breaking new ground was to attempt to use a web-based reporting system, which would include a Death Registry. Mr. DeJan explained that a Death Registry would prove useful in the event of a bio-terrorism incident. Additionally, Mr. DeJan indicated there were no guarantees in what was being attempted, and the Division would continue to follow the plan for a two-year North American Cancer Registry certification. However, trends, as well as better preliminary and more timely data in the Cancer Registry would be provided if a web-based system was developed. Mr. DeJan concluded his presentation and advised the members of the Committee that the other Registries across the country were also attempting to become web based.

SENATOR RAWSON MOVED APPROVAL OF ITEM 50 TO AUGMENT THE EXPENDITURE AND REVENUE AUTHORITY IN BUDGET ACCOUNT 3153.

MS. CHOWNING SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

The Chairman returned to Items 9, 10, 11, 12 and 13.

- 51. Department of Human Resources - Health Division - Health Facilities - FY 02** - Transfer of \$193,026.00 from the Salaries category to the Operating category, transfer of \$5,924.00 from the Salaries category to the Clinical Laboratory Improvement Amendments Program category, transfer of \$5,499.00 from the Salaries category to the Laboratory Certification category, transfer of \$17,648.00 from the Salaries category to the Board of Nursing category, transfer of \$55,724.00 from the Salaries category to the Federal Minimum Data Set category, transfer of \$40,547.00 from the Salaries category to the HHA - OASIS Automation Program category, and transfer of \$20,698.00 from the Salaries category to the Training category to cover projected expenditure requirements for building rent, indirect cost, travel, operating, contract services, and training. Requires Interim Finance approval since the amount transferred to the Operating, Federal Minimum Data Set, OASIS and Training categories exceed 10% of the legislatively approved level for the categories.
- Alex Haartz, Deputy Administrator, Health Division, identified himself for the record and introduced Phil Weyrick, Administrative Services Officer. Mr. Haartz advised that approval of the work program before the Committee would ensure sufficient expenditure authority for the federal certification activities performed by the Bureau of Licensure and Certification.
- Chairman Raggio requested an update on the proposed fees, timetable for implementation and backlog on facility inspections and response to complaints.
- Mr. Haartz reported that meetings were currently being conducted with representatives from hospitals, skilled nursing facilities, residential group facilities and home health agencies to discuss the Health Division’s plan and proposed fee schedule for the license renewals that would take place in December of the current calendar year. Mr. Haartz advised that for a facility licensure effective January 1, 2003, weekly meetings were taking place to discuss what the Health Division believed the fee should be by facility type and to request suggestions on how those fees might be adjusted or on ways to reduce the Bureau of License and Certification workload.
- In response to a question from Chairman Raggio concerning the proposed fee increase, Mr. Haartz advised that in general the Health Division was looking at a total fee revenue of just over \$2 million, an approximate \$453,000 increase over revenue received in Fiscal Year 2002.
- In response to a question from Chairman Raggio concerning public workshops, Mr. Haartz advised that under the provisions of *NRS 233B*, the Health Division was required to hold public workshops before going to the State Board of Health. Prior to those official workshops, Mr. Haartz reiterated that weekly meetings were being held with various medical and non-medical entities that were required to be licensed under state law. Mr. Haartz advised that the formal public workshops would be held on April 24, and 25 in Reno and Las Vegas and the State Board of Health would meet on June 14, 2002, to act on the revised fee schedule.
- In response to a question from Chairman Raggio concerning the backlog on facility inspections, Mr. Haartz indicated he was unaware of any backlog for the current year.
- Ms. Giunchigliani questioned whether facilities included small group homes.
- Mr. Haartz clarified that when he used the term facility, he meant homes for individual residential care, residential facilities for groups as well as hospitals.
- SENATOR RAWSON MOVED APPROVAL OF ITEM 51.
- MS. LESLIE SECONDED THE MOTION.
- THE MOTION CARRIED UNANIMOUSLY.
- 52. Department of Human Resources - Health Division - Community Health Services – FY 02** - Addition of \$325,900.00 in Prevention Health and Health Services Block Grant to reconcile Legislative approved budget to the balance of the Federal Fiscal Year 2001 grant award and the new Federal Fiscal Year 2002 grant award by deaugmenting salaries (change of funding source for PCN 70 and 71) and augmenting operating, sexual offense and rape prevention categories. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.
- The Chairman noted that Item 52 required a public hearing since the Committee’s action involved the allocation of block grant funding.
- There was no public testimony.
- SENATOR RAWSON MOVED APPROVAL OF ITEM 52.
- MRS. CEGAVSKE SECONDED THE MOTION.
- THE MOTION CARRIED UNANIMOUSLY.
- 53. Department of Human Resources - Health Division - Community Health Services – FY 02** - Acceptance of \$139,460.00 in Rape Prevention and Education Grant to fund 1.5 existing full-time employees for six months (currently funded with Prevention Health and Health Services Block Grant in same budget account), and to support education and prevention programs relating to sexual crimes. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.
- Refer to motion for approval under Item D.
- 54. Department of Human Resources - Health Division - Immunization Program - FY 02** - Acceptance of \$395,120.00 in Agency Services to purchase vaccines and pay shipping expenses for the vaccines for the “Nevada Check-Up” program in accordance with an inter-local contract with the Division of Health Care Financing and Policy. Requires Interim Finance approval since the amount exceeds \$50,000.00 – **Relates to Items 41, 42 and 55.**
- Refer to motion for approval under Item D.
- 55. Department of Human Resources - Health Division - Immunization Program - FY 03** - Addition of \$476,537.00 in Agency Services to purchase vaccines and pay associated shipping expenses for Nevada Check-up children. Requires Interim Finance approval since the amount added to the Agency Services category exceeds \$50,000.00 – **Relates to Items 41, 42 and 54.**
- Refer to motion for approval under Item D.
- 56. Department of Human Resources - Health Division - Women Infants and Children (WIC) Food Supplement - FY 02** - Addition of \$1,666,015.00 in Rebates (Gerber Products Company) and Deletion of \$87,433.00 in United States Department of Agriculture Women Infants and Children Program to balance revenue sources to the legislative approved budget categories; and to support cost of food purchases for clients. Requires Interim Finance approval since the amount added to the Aid to Indigent - Rebate category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
- 57. Department of Human Resources - Health Division - Women Infants and Children Food Supplement - FY 02** - Addition of \$3,439,803.00 in Federal United States Department of Agriculture Women Infants and Children (WIC) Program to reconcile the legislative approved budget to the balance of the Federal Fiscal Year 2001 and the new Federal Fiscal Year 2002 grant awards to fund Operating, Aid to Individuals, State Food Support, the Health Passport program, and Utilities. Requires Interim Finance approval since the amount added to the Aid to Individuals category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
- 58. Department of Human Resources - Health Division - Alcoholism and Drug Rehabilitation - FY 02** - Transfer of \$20,000.00 from the Salaries category to the Operating category, transfer of \$11,429.00 from the Reserve – Federal Data Grant category to the Information Systems category, transfer of \$42,698.00 from the Contingency Reserve SAPT Grant category to the SAPT Block Grant category, and transfer of \$223,999.00 from the State Funded Grants category to the SAPT Block Grant category to pay for contracted temporary employment; fund the new client data system and upgrade Micro Soft system software; reconcile general fund appropriation and the Substance Abuse Block Grant (SAPT) revenues to the appropriate expenditure category; and to fund

substance abuse treatment and prevention programs. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted that Item 58 required a public hearing as the Committee's action involved the allocation of block grant funding.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 58.

MS. LESLIE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 59. Department of Human Resources - Health Division - Alcoholism and Drug Rehabilitation - FY 02** - Addition of \$2,330,174.00 in Substance Abuse Prevention and Treatment (SAPT) Block Grant to reconcile balance of Federal Fiscal Year 2001 and new Federal Fiscal Year 2002 grant awards to the legislative approved budget to cover projected shortfall for position/salaries funded with the grant (\$38,000) and services provided for treatment and prevention programs (\$2,292,174). Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted that Item 59 required a public hearing as the Committee's action involved the allocation of block grant funding.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 59.

MRS. CHOWNING SECONDED THE MOTION. (Mrs. Cegavske abstained.)

THE MOTION CARRIED.

- 60. Department of Human Resources - Health Division - Tax on Liquor Program Account - FY 02** - Transfer of \$420,466.00 from the Reserve category to the Alcohol Program category to meet obligations for treatment programs providing alcohol abuse treatment and civil protective custody as required by Nevada Revised Statute 458.097. Requires Interim Finance approval since the amount transferred to the Alcohol Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D. (Ms. Cegavske abstained in the vote for Item 60.)

- 61. Department of Human Resources - Health Division - Safe Drinking Water Act – FY 02** - Transfer of \$36,486.00 from the Drinking Water Revolving Fund Carry Forward category to the 2% Set Aside-Source Water Protection category and transfer of \$454,395.00 from the Drinking Water Revolving Fund Carry Forward category to the 15% Set Aside-Source Water Protection to provide sufficient authority for anticipated contract expenses. Requires Interim Finance approval since the amount transferred to the 2% and 15% Set Aside-Source Water Protection - Drinking Water Revolving Fund category exceeds 10% of the legislatively approved level for the categories.

Refer to motion for approval under Item D.

- 62. Department of Human Resources - Welfare Division - Administration - FY 02** - Transfer of \$350,000.00 from the Reserve (Temporary Assistance for Needy Families) category to the Operating category to cover a postage shortfall (client notices), which has exceeded projections as a result of an increased caseload. Also, the full deployment of NOMADS has compounded the effect by increasing the number of notices mailed per case. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted that Item 62 required a public hearing as the Committee's action involved the allocation of block grant funding.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 62.

MR. PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 63. Department of Human Resources - Welfare Administration - FY 02** - Addition of \$816.00 in Food Stamps, addition of \$440.00 in Child Support Program, addition of \$4,911.00 in TANF Federal Receipts, addition of \$833.00 in Title XIX Federal Receipts, and addition of \$7,000.00 in Transfer from State Claims to cover the payment of State Fiscal Year 2001 state claims. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted that Item 63 required a public hearing as the Committee's action involved the allocation of block grant funding.

There was no public testimony.

MR. HETRICK MOVED APPROVAL OF ITEM 63.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 64. Department of Human Resources - Director's Office - Community Connections - Purchase of Social Services - FY 02** Addition of \$687,595.00 in Federal Social Services Title XX Grant, Deaumentation of \$634,316.00 in Temporary Assistance to Needy Families Transfer, Transfer of \$1,000.00 from the Salaries category to the In-State Travel category, transfer of \$1,200.00 from the Salaries category to the Operating category, transfer of \$3,072.00 from the Salaries category to the Purchasing Assessment category, and transfer of \$546.00 from the Homemaker category to the Aging Services category to align Federal Fiscal Year 2002 Federal Title XX revenues with the legislatively approved Division of Aging Services expenditures and conversely reduce the Temporary Assistance to Needy Families transfer. Additionally, a transfer of projected vacancy savings is requested to fund anticipated In-State travel, operating expenses and purchasing assessment shortfalls. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted that Item 64 required a public hearing as the Committee's action involved the allocation of block grant funding.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 64.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

65. Department of Human Resources - Welfare Division - Field Services - EY 03 Addition of \$369,624.00 in Federal Food Stamp Program, addition of \$5,854.00 in Child Support Program, addition of \$13,447.00 in Child Care Development, addition of \$1,462,940.00 in Temporary Assistance for Needy Families, addition of \$317,837.00 in Federal Title XIX, addition of \$1,466.00 in LIHEA, and addition of \$15,069.00 in Transfer from Interim Finance Contingency Fund to provide for an additional 84.5 positions as well as associated operating and equipment requirements to handle the increased Temporary Assistance for Needy Families, Food Stamp and Medicaid caseloads subsequent to the economic downturn following the tragic events of the terrorist attack in New York City on September 11, 2001. Requires Interim Finance approval since the amount added to the Salaries category exceeds 10% of the legislatively approved level for that category and includes new staff. Additionally, IFC approval is required since this action involves the allocation of block grant funds and requires a public hearing. **This item also relates to a request from the Contingency Fund (Item F-2) in the amount of \$15,069. Also refer to Information Item K-7 for additional information on budget shortfall.**

The Chairman noted that Item 65 required a public hearing and would be considered concurrently with a request for an allocation from the Contingency Fund, Item F. 2.

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

Ms. Ford advised the members of the Committee that the work program under consideration requested approval for \$15,069 from the Contingency Fund and the addition of 84.5 positions in Fiscal Year 2003 for Welfare District Offices, primarily in the Las Vegas area. Ms. Ford explained that the request for positions was based upon "the surging caseload" the Welfare Division had experienced as a result of the economic downturn that occurred after the events of September 11, 2001. Additionally, Ms. Ford indicated that the work program request was an interim measure until further analysis of caseload trends could be completed. She explained that caseloads had not yet begun to diminish, and the Division was unable to project when they would. If the current trends continued, Ms. Ford indicated the Division would consider a proposal for an additional request for an allocation from the Contingency Fund.

In response to a question from Chairman Raggio, Ms. Ford indicated that the 84.5 positions included:

- 47.5 Eligibility Certification Specialists;
- 13 Employment Training Specialists;
- 3 Social Workers;
- 6 Eligibility Certification Supervisors; and,
- 15 Clerical workers.

In response to questions from Chairman Raggio, Ms. Ford further advised that the positions were requested for funding through the end of March 2003, and while not certain, she believed it would cost an additional \$500,000 to fund the positions beyond the projected March 2003 date.

Mr. Ghiggeri clarified that the cost to fund the positions through the end of Fiscal Year 2003 would be \$224,000 from the General Fund and funding from other sources would make up the difference.

Chairman Raggio indicated that the deferral of the CHAP Assets Test and expedited eligibility programs, to have been implemented on July 1, 2002, would generate some savings. Chairman Raggio further indicated that the 17 new Eligibility Worker positions and their support costs approved for the initiatives would no longer be required as a result of the deferrals. In lieu of maintaining vacant positions and assuming the Committee approved the Division's remaining complement of positions, the Chairman proposed to allow the Division to fill the 17 Eligibility Worker positions and reduce their request for new Eligibility Worker positions to 51.5 positions for an allocation totaling \$496,343.

Ms. Ford indicated she had been made aware of the proposal and agreed with it.

Chairman Raggio noted the additional cost for the positions, if funded through the remainder of Fiscal Year 2003, was clarified by staff as \$244,424 in General Fund dollars, not \$224,000.

Chairman Arberry addressed the use of salary adjustment funds and questioned how the Division proposed to match those funds.

Ms. Ford explained that because the duties assigned to Eligibility Certification Specialists included work on the Food Stamp and Medicaid Programs as well as TANF, salary adjustment funds would be matched with approximately 50 percent federal dollars, 50 percent state dollars for the Food Stamp and Medicaid Programs.

Chairman Arberry called upon Ms. Erdoes, Legislative Counsel, to provide a legal interpretation concerning the use of salary adjustment funds.

Ms. Erdoes referenced *NRS 353.255* and advised that it did not appear that the Committee could approve the use of salary adjustment funds. Specifically, Ms. Erdoes advised that *NRS 353.255* provided that *1. The sums appropriated for the various branches of expenditure in the public service of the state shall be applied solely to the objects for which they are respectively made, and for no others.* Ms. Erdoes further advised that there was no exception for the Interim Finance Committee to move money around in a work program change.

In view of the legal interpretation provided by Legislative Counsel, Chairman Arberry asked the Division representatives what they wanted to do.

Ms. Ford responded that the use of salary adjustments fund was not a part of the work program; however, if the use of those funds was not permitted, the Division would have to increase the request for an allocation of funds from the Contingency Fund to \$258,037.

Chairman Arberry noted that it appeared the Division would be requesting \$496,343 from the Contingency Fund.

Mark Stevens, Fiscal Analyst, confirmed that \$496,343 would be the amount that would be needed from the Contingency Fund with a reduction of 17 positions as previously discussed.

Ms. Ford agreed with the \$496,343 amount.

Senator Rawson noted for the record that the Legislature had never used or formally adopted staffing standards that had been developed by a Division and that approval of the request should not be construed as adoption of the staffing standards developed by the Division.

Public testimony was provided by:

Deborah Frenzi, Eligibility Certification Specialist, Welfare Division, Las Vegas identified herself for the record. Ms. Frenzi appeared before the Committee on behalf of and in support of her co-workers and clients and told the Committee that the Welfare Division client caseload had increased over 79 percent during the past year to provide an extremely stressful and difficult work environment.

Ms. Frenzi expressed the care and concern she and her co-workers felt for their clients; however, she indicated that the increased demands placed upon them by the caseload growth hindered their ability to properly provide service on a timely basis or to ensure their accuracy levels were maintained.

Ms. Frenzi addressed the need for a decrease in worker caseload, which she said could only be accomplished through additional staffing. Ms. Frenzi reiterated her concern for not only the Eligibility Workers and their working conditions but also for their clients whose needs she indicated were not being met in a timely manner.

Christine Spraggins, Eligibility Certification Specialist, Welfare Division, Las Vegas, identified herself for the record and also spoke on behalf of her co-workers and clients. Ms. Spraggins discussed the "overwhelming influx of applications" that had been received during the past year and of being inundated with phone calls from clients who had questions concerning approval of their benefits. As a result of cases not being approved in a timely manner, Ms. Spraggins described situations in which obstetricians were turning pregnant women away, which she pointed out resulted in increased client medical bills that would ultimately have to be paid for by the county or the state.

Ms. Spraggins concluded her presentation by asking the Committee to take into consideration that, as previously stated by the Governor, state workers had to do more with less, which she indicated especially impacted the entire Welfare Division whose workers were all needed in one aspect or another to provide service to their clients.

Mary Frank, Eligibility Certification Specialist, Welfare Division, Las Vegas, identified herself for the record and extended her thanks to the Committee for providing her the opportunity to speak.

Ms. Frank stated that there were currently 34,300 Food Stamp cases in southern Nevada compared to 9,942 in northern Nevada, and, as previously stated, the Welfare Division client caseload had increased 79 percent since the events of September 11, 2001. With 6,000 people a month moving to Clark County and the caseload increasing, Ms. Frank expressed the concern she and her co-workers felt for the numbers of children, elderly and pregnant women who were being placed at risk.

A typical day, described by Ms. Frank was one in which the Eligibility Workers, who each carried a caseload of over 300, did not have time to respond to the 20 to 30 phone calls from clients who had questions about their benefits or having their benefits expedited. Ms. Frank indicated that while she and her co-workers handled their caseloads to the best of their ability, they had “been pushed to the limit.” Ms. Frank asked for the Committee’s help to provide additional workers, supervisors and support staff to enable the Welfare Division and its workers to serve their clients with dignity and pride.

Judy Privette, Supervisor, Charleston Welfare District Office, and a member of the State of Nevada Employees Association, identified herself for the record and extended her thanks to the Committee for providing the opportunity to speak in support of the Welfare Division staff and clients.

As a supervisor, Ms. Privette indicated she observed on a daily basis how the staff, who were now working in less than ideal conditions, had been impacted by the increased demands placed on them by the excessive caseload. While the Welfare Division was fortunate to have dedicated employees who gave more than 100 percent of their time and energy to meet the needs of their clients, Ms. Privette pointed out that it was not possible to continue to work for a long period of time with an average caseload of 375, which was well above the established standards. Ms. Privette spoke with a sense of urgency when she pointed out that the excessive caseload and working conditions were typical of every Welfare Division unit in the south, and as a result, clients and their children were being placed at risk.

While existing staff should be commended for working under the “stressful and exhaustive conditions” that had been described, Ms. Privette indicated additional staff was needed as well as perhaps paid overtime during the interim. On behalf of the Welfare Division workers and the clients, who “rarely had an opportunity to speak for themselves,” Ms. Privette reiterated her appreciation for the opportunity to speak and expressed confidence that the Division’s request would receive the Committee’s most serious consideration.

On behalf of the Committee, Chairman Raggio extended his appreciation to the employees of the Welfare Division who had come forward to address the issue.

Before taking any action on Item 65, Chairman Raggio asked that the Committee move to Item E, Statement of Contingency Fund Balance (Page 70).

In response to a question from Ms. Giunchigliani concerning the established standard caseload for an Eligibility Worker, Ms. Ford indicated that the number varied depending on the type of caseload being carried and that while the standard was 184 for an “ongoing caseworker,” a “seamless ongoing intake worker” in the rural areas might carry a caseload of 237.

In response to a question from Ms. Giunchigliani in reference to whether the ratios for staffing were the same in the north and south, Ms. Ford explained that while the same standards were used, the caseloads were carried differently because in the larger areas caseloads were segregated so that certain workers handled certain levels. Ms. Ford further explained that in the north, workers could handle a greater number of issues in one case.

In response to additional questions from Ms. Giunchigliani, Ms. Ford indicated that while the same staffing ratios were used, the vast majority of the caseload was in the south, which was where the majority of the new positions would be placed.

Ms. Giunchigliani questioned whether Ms. Ford understood the earlier testimony that indicated salary adjustment dollars could not be used to fund the new positions.

Ms. Ford indicated that while she had not yet spoken to her legal counsel, she assumed, after hearing Legislative Counsel’s interpretation, that salary adjustment dollars could not be used to fund the new positions.

Mr. Perkins spoke about a recent opportunity he had to visit the Welfare Office in Henderson where he was able to witness firsthand that relief was needed to alleviate the overwhelming caseload. Barring another tragic event, Mr. Perkins anticipated a decrease would be seen in the caseloads over time and questioned whether a multi-faceted plan had been established concerning new and part-time employees and payment of overtime so that Division did not have a number of employees who were no longer needed when the caseloads were diminished.

Ms. Ford advised that the Division had exhausted all of their salary savings in payment of overtime costs and the additional positions were needed since the caseload had increased so dramatically. Ms. Ford indicated that the Welfare Division’s workers could not be expected to manage the caseload growth that had occurred and that the positions were needed to address the issues. As caseloads diminished, Ms. Ford said positions would be reduced through attrition if necessary; however, she did not anticipate caseload growth would be reduced dramatically in the near future.

The Chairman pointed out that if the Committee’s action was to use Contingency Fund dollars, Item 65 needed to be revised to fund the request at \$496,343 from the Contingency Fund and not from salary adjustment funding.

SENATOR RAWSON MOVED APPROVAL OF ITEM 65 AND F.2. B. AND TO REVISE THE ALLOCATION FROM THE CONTINGENCY FUND TO \$496,343 AND TO SPECIFICALLY AUTHORIZE 67.5 POSITIONS PLUS THE 17 POSITIONS DEFERRED FROM THE CHAP ASSETS TEST AND EXPEDITED ELIGIBILITY PROGRAMS, AND ADDITIONALLY THAT APPROVAL OF THE REQUEST SHOULD NOT BE CONSTRUED AS ADOPTION OF THE STAFFING STANDARDS DEVELOPED BY THE DIVISION AND THAT SALARY ADJUSTMENT FUNDS COULD NOT BE USED TO FUND NEW POSITIONS.

MS. GIUNCHIGLIANI SECONDED THE MOTION

In response to a question from Ms. Giunchigliani concerning the number of authorized positions, Mr. Ghiggeri clarified that the Welfare Division had originally requested 84.5 positions, which the Committee reduced by 17 to revise the request for positions to 67.5 as correctly stated by Senator Rawson.

THE MOTION CARRIED UNANIMOUSLY.

- 66. Department of Human Resources - Welfare Division - Temporary Assistance to Needy Families (TANF) - FY 02** - Transfer of \$634,316.00 from the Transfer to Title XX category to the Cash Assistance Payments category, transfer of \$699,966.00 from the Division of Child and Family Services Transfer category to the Cash Assistance Payments category, transfer of \$433,338.00 from the Kinship Care Program category to the Cash Assistance Payments category, transfer of \$200,000.00 from the Non-Profit Contracts category to the Cash Assistance Payments category, and transfer of \$5,532,380.00 from the Temporary Assistance to Needy Families Reserve category to the Cash Assistance Payments category to provide for a 62% caseload increase in the number of Temporary Assistance to Needy Families cash assistance recipients as compared to the legislatively approved budget. **Total increase to the Cash Assistance category is \$7.5 million.** The impact is a result of the economic downturn following the tragic events of September 11, 2001. Requires Interim Finance approval since the amount transferred to the Cash Assistance Payments category exceeds 10% of the legislatively approved level for that category. **Refer to Information Item K-7 for additional information on budget shortfall. This item also involves the allocation of block grant funding and requires a public hearing.**

In reference to the TANF deferrals, Ms. Leslie questioned whether Washoe County received their Emergency Assistance funding through the Welfare Division and if they did, how they would be affected.

Nancy Ford, Administrator, Welfare Division, identified herself for the record. Ms. Ford responded that the counties were currently unaffected and would receive their Emergency Assistance funding for Fiscal Year 2002. Evaluation of the caseloads would be continued during Fiscal Year 2003, and if the caseloads continue to increase, Ms. Ford indicated other ways of staying within the budget would have to be explored.

Ms. Leslie expressed some concern about future funding availability.

In response to questions raised by Ms. Leslie concerning eliminating the transfer to support the Child Care Program, Ms. Ford advised that the Child Care Program “had quite a bit of federal money” and did not need a transfer to enhance the program. Thus, Ms. Ford indicated it appeared that for the current fiscal year, the transfer could stay in the TANF account. Ms. Ford further advised that the situation would be closely monitored to ensure that there would be no waiting lists for the Child Care Program and that if the situation changed; the Division’s policy to transfer the funds would be reviewed.

In response to a question from Ms. Leslie, Ms. Ford advised that the transfer of funds was also projected for Fiscal Year 2003; however, she reiterated that the situation would be monitored and would be altered if changes occurred.

In response to questions from Senator Rawson concerning the transfer of funds and whether the federal government matched those funds, Ms. Ford explained that the work program covered TANF federal block grant funding, and that there was a possible \$3.7 million in supplemental funds that could be provided by Congressional action. Ms. Ford explained that Food Stamps and Medicaid were both match programs and were approximately a 50:50 match.

In response to questions raised by Chairman Arberry concerning the total shortfall costs at the end of the biennium, Ms. Ford explained that the work program indicated a shortfall of approximately \$8 million based upon an 18-month linear projection model the Division began using in July 2001. Ms. Ford pointed out that the events of September 11, 2001, skewed the projections to such a level that a new 32-month linear model had to be adopted, which allowed the intake of more data and considered fluctuations in caseload. Currently, Ms. Ford advised that the Division was looking at a \$2.9 million shortfall at the end of Fiscal Year 2003 which could be mitigated by the receipt of TANF supplemental grants in the amount of \$3.7 million depending on Congressional action.

In response to a question from Chairman Arberry concerning a TANF reserve at the end of the biennium, Ms. Ford advised that all TANF reserves were gone.

Chairman Arberry turned the Chairmanship back over to Chairman Raggio.

Chairman Raggio stated that Item 66 required a public hearing and invited members of the public to provide testimony.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEMS 38, 39, 66, AND 126.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 67. Department of Human Resources - Welfare Division - Child Care Assistance and Development - FY 02** - Addition of \$788,458.00 in Child Care Development Fund (CCDF) Federal Receipts and Deaughtmentation of \$1,450,697.00 in Temporary Assistance for Needy Families Federal Receipts to reallocate expenditure authority for the Extended Day Care Program, NEON Child Care Program, Quality Assurance, Child Care Development Block Grant Program, At Risk Child Care Program, and utilities relative to the overall reduction of revenue authority. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted that Item 67 required a public hearing since the Committee's action involved the allocation of block grant funding.

There was no public testimony.

MR. HETTRICK MOVED APPROVAL OF ITEM 67.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- 68. Department of Human Resources - Welfare Division - Assistance to the Aged and Blind - FY 02** - Addition of \$301,552.00 in Appropriation Control to provide for the increased Social Security Administration (SSA) monthly billings for the State's supplemental payments in State Fiscal Year 2002; through February 2002, the monthly billings have increased by approximately 9.1% over State Fiscal Year 2001. Requires Interim Finance approval pursuant to Assembly Bill 672, Section 32, 2001 Session. **Relates to Item 69 – Transfers General Fund appropriation from FY 2003.**

Refer to motion for approval under Item D.

- 69. Department of Human Resources - Welfare Division - Assistance to the Aged and Blind - FY 03** - Deagumentation of \$301,552.00 in Appropriation Control to provide for the increased Social Security Administration (SSA) monthly billings for the State's supplemental payments in State Fiscal Year 2002; through February 2002, the monthly billings have increased by approximately 9.1% over State Fiscal Year 2001. Requires Interim Finance approval pursuant to Assembly Bill 672, Section 32, 2001 Session. **Relates to Item 68 – Transfers General Fund appropriation to FY 2002.**

Refer to motion for approval under Item D.

- 70. Department of Human Resources - Welfare Division - Low Income Housing Energy Assistance - FY 02** - Addition of \$585,253.00 in Federal Grant - Low Income Housing Energy Assistance to provide an average utility payment of \$309.00 for an additional 1,281 families, cover increased administrative costs and reserve approximately \$143,090.00 for next Fiscal Year's obligations. Requires Interim Finance approval since the amount added to the Low Income Housing Energy Assistance Payments category exceeds 10% of the legislatively approved level for that category. This item also involves the allocation of block grant funding and requires a public hearing.

The Chairman noted that Item 70 required a public hearing since the Committee's action involved the allocation of block grant funding.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 70.

MRS. DE BRAGA SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- 71. Department of Human Resources - Aging Services - FY 02** - Addition of \$4,314.00 in Community Food and Nutrition Grant (Transfer from Department of Human Resources) to establish authority for the balance of the Federal Fiscal Year 2001 Grant for Statewide Community Food and Nutrition initiatives to assist unemployed and disadvantaged individuals. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted the Item 71 should be revised and called upon Mary Liveratti, Administrator, Aging Services to state the revision for the record.

Ms. Liveratti clarified that the addition of \$4,314 in the Community Food and Nutrition Grant was to establish authority for the balance of Federal Fiscal Year 2001 Grant for Statewide Community Food and Nutrition initiatives to assist unemployed and disadvantaged **seniors**.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 71.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

72. **Department of Human Resources - Aging Services - Elder Protective Services/Homemaker Programs - FY 02** - Transfer of \$54,000.00 from the Purchase of Services category to the Personnel category and transfer of \$9,000.00 from the Purchase of Services category to the In-State Travel category to fund projected salary and travel requirements for intermittent Homemaker Positions and travel requirements. Requires Interim Finance approval since the amount transferred to the Salaries category exceeds \$50,000.00.
- Refer to motion for approval under Item D.
73. **Department of Human Resources - Child and Family Services - Children, Youth and Family Administration - FY 02** - Deletion of \$102,701.00 in Appropriation Control, deletion of \$8,786.00 in Federal Title IV-B 1, deletion of \$82,813.00 in Federal Title IV-E, and deletion of \$42,513.00 in Temporary Assistance for Needy Families to pay for the ongoing costs relative to 18.53 full-time employees transferring April 2, 2002, to the Child Welfare Integration budget for Washoe County. Requires Interim Finance approval pursuant to Assembly Bill 1, 2001 Special Session – **Relates to Item 79. This item also involves the allocation of block grant funding and requires a public hearing.**

The Chairman noted that Item 73, 77, 78, and 79 required a public hearing since the Committee’s action involved the allocation of block grant funding. Additionally, Items 73, 77, 78, and 79 were considered concurrently.

Jim Baumann, Administrative Services Officer, Child and Family Services, indicated the revisions to Items 77 and 78 had been provided to the Committee’s staff.

Refer to Item 77 for staff comments on adjustments to Items 77 and 78.

Mr. Baumann reported that A.B. 1 of the 17th Special Session transferred certain child welfare services from the Department of Human Resources to Clark and Washoe Counties. Mr. Baumann reported that the work program in Item 73 transferred revenue and expense authority from the Children, Youth and Family Administration budget to the Child Welfare Integration budget to pay salary and operating expenses for 18.53 full-time employees who transferred from the state to Washoe County in Phase I of the operation. The companion work program in Item 79 established revenue and expense authority in the Child Welfare Integration budget to pay Washoe County for Phase I salary and operating costs. Mr. Baumann explained that Items 77 and 78 also transferred revenue and expenditure authority; however, ongoing placement costs were being transferred from the Youth Community Services budget to the Child Welfare budget.

Chairman Raggio asked about the status of the integration effort in Washoe County.

Ed Cotton, Administrator, Division of Child and Family Services, responded that a staff transfer to Washoe County had occurred and that provision of services had begun. Mr. Cotton further advised that the next transfer of employees to Washoe County would occur on January 1, 2003.

The Chairman questioned whether the Division could provide assurance that any General Fund revenue transferred to Washoe County that was not expended in the remaining three months of Fiscal Year 2002 would be returned to the state for carry forward and potential use in Fiscal Year 2003.

Mr. Baumann responded that the Inter-local agreement with Washoe County required a reconciliation of the amounts transferred, and it was the Division’s intention to balance forward any General Fund money not expended in the current fiscal year for use in Fiscal Year 2003.

Chairman Raggio asked that any objection from either the County or the Division concerning the return of unexpended funds for balance forward into Fiscal Year 2003 should be stated for the record.

Mr. Baumann indicated that there were no objections from the Division.

Michael Capello, Director, Washoe County Department of Social Services, identified himself for the record and also indicated his understanding that any unexpended funds were to be balanced forward. Mr. Capello stated that of the \$1.2 million dollars originally appropriated by the Legislature, the County would actually receive slightly over \$1 million, which was a reduction of \$179,000.

Chairman Raggio indicated that assurance was requested only that unexpended excess funds would be balanced forward for use in Fiscal Year 2003. Additionally, Chairman Raggio indicated that the Committee would authorize only the funds requested through the work programs.

Mr. Capello indicated his understanding and provided assurance that any unexpended funds would be returned to the state to be balanced forward for use in Fiscal Year 2003.

Chairman Raggio asked for an update on the funding formula plan for the future provision of child welfare services. Chairman Raggio reminded the Division representatives that the funding formula plan had been one of the grave concerns held by the Legislature when the issue was addressed during the 2001 Legislative Session.

Mr. Cotton advised that meetings on future funding plans had taken place with both Clark and Washoe Counties and while various plans had been “put on the table,” the Division was not yet ready to present those plans. Mr. Cotton further advised that while the funding plan was under development, one meeting had been held and discussion had taken place concerning the “swaps” that might occur. However, no final decisions had been made.

Chairman Raggio reminded the Division representatives that A.B. 1 of the 17th Special Session required that a funding plan had to be submitted to the Committee on Children, Youth and Families by September 15, 2002. The Chairman pointed out that the Interim Finance Committee needed to know what the financial obligations of the state would be relative to Clark and Washoe Counties long before the 2003 Legislative Session took place.

Mr. Cotton reiterated that Division representatives had met with both Clark and Washoe County representatives, and he provided assurance that the funding plan would be developed before the September 15, 2002 meeting date.

Chairman Raggio noted that the Committee on Children Youth and Families, whose next meeting was scheduled for April 22, 2002, had requested an update on the funding plan, and the Chairman asked that an update on the funding plan also be provided to the Interim Finance Committee at their next scheduled meeting.

Mr. Cotton agreed to provide the funding plan at the next scheduled meeting of the Interim Finance Committee.

Ms. Leslie recalled Mr. Capello’s statement that Washoe County would receive \$179,000 less than the amount appropriated by the Legislature and questioned whether the funds in the Placement Prevention category were TANF emergency assistance dollars. Ms. Leslie expressed concern that the Placement Prevention funding would not be used to provide assistance to families that would prevent children from entering foster care as had originally been designated.

Mr. Baumann explained that the TANF money that was cut did not affect the transfers. Additionally, Mr. Baumann provided information concerning a difference of \$5,161 in salaries, personnel and payroll assessments, vacancy savings, and retired group insurance that had already been expended.

Chairman Raggio pointed out that Washoe County paid higher salaries.

Mr. Baumann advised that the larger issue was a mistake concerning \$128,000 from Category 50 in the Youth Community Services Budget Account 3229 in which Title IV-E money was transferred to Washoe County. Mr. Baumann indicated the funding had nothing to do with integration and was mistakenly placed in a column that was used by Washoe County to determine how much funding would transfer. Mr. Baumann further explained that while Washoe County would receive the money, they would receive it from a different budget account.

In reference to an additional question from Ms. Leslie concerning the emergency assistance dollars, Mr. Baumann advised that he had misspoken concerning the two categories that were reduced in Budget Account 3229, Youth Community Services. Mr. Baumann advised that the TANF reduction was in Placement Prevention funds and \$25,532 of that funding that would have gone to Washoe County were dollars that were not included in the work program since TANF has been cut in Item 66 which was approved by the Committee earlier in the meeting.

In response to a question from Ms. Leslie concerning whether or not Washoe County would be affected, Mr. Bauman indicated he did not believe the direct allocation from the Welfare Division to Washoe County would be affected.

Mr. Willden identified three funding streams in TANF emergency assistance funding:

- \$1.8 million from the Welfare Division directly to Washoe County;
- \$3.0 million from the Welfare Division directly to Clark County;
- \$4.0 million from the Welfare Division directly to Child and Family Services.

Mr. Willden advised that each of the three funding streams to the three entities basically were used for case management services for at-risk families and to support substitute care costs. Mr. Willden pointed out that neither the \$1.8 million funding stream to Washoe County nor the \$3 million to Clark County were in danger in the TANF structure. Mr. Willden explained that the reductions that had been discussed earlier in the meeting were transfers to the Division of Child and Family Services (DCFS) that had nothing to do with their ability to earn and the Welfare Division's ability to transfer. Mr. Willden explained that the larger issue in the long-term funding plan was related to the fact that DCFS would receive almost \$4 million in TANF emergency assistance funds and would not be providing child protective services and substitute care in Washoe County or Clark County. Thus, the decision would be to decide how to divide the \$4 million, of which a portion would be used for DCFS in the rural areas and a portion for Washoe and Clark Counties.

In response to an additional question from Ms. Leslie, Mr. Willden explained that less emergency assistance money would be transferred to DCFS, but not to Washoe or Clark Counties.

Noting that there were discrepancies among some of the categories, Ms. Leslie questioned whether Washoe County would be provided some flexibility among the categories during the last quarter of the fiscal year.

Mr. Baumann advised that Washoe County would be provided flexibility and pointed out that the money from Children, Youth and Family Administration, Budget Account 3145 and Youth Community Services, Budget Account 3229 would be placed in Category 14 of Child Welfare Integration, Budget Account 3142 for the county in order that all expenses would be paid from one category. As noted earlier in the meeting by Chairman Raggio, Mr. Baumann indicated reconciliation would have to be provided at the end of the Fiscal Year, and the amounts remaining would be balanced forward to Fiscal Year 2003.

Mr. Cotton confirmed that because the funding was being transferred to one category, the County would be provided some flexibility.

Ms. Leslie indicated she wanted to ensure that any unexpended funds were balanced forward in view of the fact that she had received many complaints from agencies and contractors who were not receiving payment from DCFS as well as the fact that DCFS had overspent in many of their budget accounts.

In response to a question from Ms. Leslie concerning the "draw down" problems, Mr. Cotton, advised that seven DCFS budgets had actually been identified, five of which had already been fixed, one was close to being fixed, and they would work with staff on the remaining budget.

In response to a question from Ms. Leslie concerning payments to the non-profit agencies, Mr. Cotton advised that those agencies would begin to receive their payments on time.

The Chairman noted that Item 73 required a public hearing since the Committee's action involved the allocation of block grant funding.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEMS 73, 77, 78 AND 79 WITH REVISIONS AS SET FORTH BY STAFF FOR ITEMS 77 AND 78.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

74. **Department of Human Resources - Child and Family Services - U.N.I.T.Y. - FY 02** - Addition of \$354,050.00 in Federal Title IV-E to pass through Federal funds to Washoe County for existing costs associated with their participation in this U.N.I.T.Y. Project. The County is responsible for the required matching funds. Requires Interim Finance approval since the amount added to the Washoe County Participation category exceeds \$50,000.00.

Refer to motion for approval under Item D.

75. **Department of Human Resources - Division of Child and Family Services - Youth Community Services - FY 02** - Transfer of \$41,000.00 from the Reserve category to the Pre-Post Adopt category to cover anticipated expenses and contract obligations for adoption services through June 30, 2002. Requires Interim Finance approval since the amount transferred to the Pre and Post Adoption category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

76. **Department of Human Resources - Division of Child and Family Services - Youth Community Services - FY 02** - Deletion of \$699,966.00 in Transfer from Temporary Assistance for Needy Families revenue to eliminate Temporary Assistance for Needy Families revenue to accommodate the increase in the number of Temporary Assistance to Needy Families cash assistance recipients in Budget 3230. **Corresponding reductions are made to the Placement Prevention category (\$465,000) and Child Welfare (\$234,966).** Requires Interim Finance approval since the amount deducted from the Placement Prevention category exceeds 10% of the legislatively approved level for that category. This item also involves the allocation of block grant funding and requires a public hearing.

The Chairman noted that Item 76 required a public hearing since the Committee's action involved the allocation of block grant funding.

Mr. Cotton advised that Item 76 was integrated with Item 66, which the Committee had approved earlier in the meeting.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 76.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

77. **Department of Human Resources - Child and Family Services - Youth Community Services - FY 02** - Deletion of \$305,893.00 in Appropriations, deletion of \$377,386.00 in Federal Title IV-E, deletion of \$6,533.00 in Charges for Services (Title XX Block Grant), deletion of \$3,474.00 in Federal Chafee Foster Care, and deletion of \$319.00 in Federal Adoption Incentive to pay ongoing purchase placement costs for Child Welfare services in the Child Welfare Integration Budget transferring from the State to Washoe County effective April 2, 2002. Requires Interim Finance approval pursuant to Assembly Bill 1, 2001 Special Session. **Relates to Item 78. Amounts revised to align with work program document.** This item also involves the allocation of block grant funding and requires a public hearing.

The Chairman noted that Item 77 required a public hearing since the Committee's action involved the allocation of block grant funding.

There was no public testimony.

Mr. Ghiggeri stated for the record that Item 77 (Exhibit J) was revised to reflect:

- A deletion of \$368,267 from the General Fund Appropriation rather than \$305,893;
- A deletion of \$182,816 from Federal Title IV-E funds rather than \$377,386;
- A deletion of \$3,395 in Title IV-B-I revenue; and,
- Similar adjustments were made as additions to Item 78.

Refer to motion for approval under Item 73.

78. **Department of Human Resources - Child and Family Services - Child Welfare Integration - FY 02** - Addition of \$305,893.00 in Appropriation Control, addition of \$377,386.00 in Federal Title IV-E, addition of \$6,533.00 in Charges for Services (Title XX Block Grant), addition of \$3,474.00 in Federal Chafee Foster Care, and addition of \$319.00 in Federal Adoption Incentive to pay the ongoing purchase placement costs for services transferring from the State to Washoe County effective April 1, 2002. Requires Interim Finance approval pursuant to Assembly Bill 1, 2001 Special Session. **Relates to Item 77. Amounts revised to align with work program document. This item also involves the allocation of block grant funding and requires a public hearing.**

- The Chairman noted that Item 78 required a public hearing since the Committee's action involved the allocation of block grant funding.

There was no public testimony.

- Refer to Item 77 for adjustments and motion for approval under Item 73.

79. **Department of Human Resources - Division of Child and Family Services - Child Welfare Integration - FY 02** - Addition of \$102,701.00 in Appropriation Control, addition of \$8,786.00 in Federal Title IV-B 1, addition of \$82,813.00 in Federal Title IV-E, and addition of \$42,513.00 in Temporary Assistance for Needy Families to pay for the ongoing costs relative to 18.53 full-time employees transferring April 2, 2002, to Washoe County. Requires Interim Finance approval pursuant to Assembly Bill 1, 2001 Special Session – **Relates to Item 73. This item also involves the allocation of block grant funding and requires a public hearing.**

- The Chairman noted that Item 79 required a public hearing since the Committee's action involved the allocation of block grant funding.

There was no public testimony.

Refer to motion for approval under Item 73.

80. **Department of Human Resources - Community Connections - FY 02 - Community Services Block Grant** - Addition of \$604,606.00 in Federal Community Services Block Grant to align state budget authority with the federally authorized community service block grant; the additional funds are designated for sub-recipient training, technical assistance, office furniture replacement for the grants program analyst and allocations to sub-recipients based on poverty level. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman noted that Item 80 required a public hearing since the Committee's action involved the allocation of block grant funding.

There was no public testimony.

SENATOR RAWSON MOVED APPROVAL OF ITEM 80.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

81. **Department of Human Resources - Child Welfare Integration - FY 03** - Addition of \$2,650,879.00 in Federal Title IV-E and addition of \$969,790.00 in Medicaid Rehabilitation to claim the Federal portion of ongoing costs associated with the Transfer of Child Welfare Services from the Department of Human Resources to Clark and Washoe Counties, pursuant to Assembly Bill 1, 2001 Special Session. Requires Interim Finance approval since the amount added to the Division of Child and Family Services Regulatory Oversight category exceeds 10% of the legislatively approved level for that category.

Mr. Bauman advised that Section 137, of A.B. 1 of the 17th Special Session appropriated \$1,015,497 in Fiscal Year 2002 and \$5,619,610 in Fiscal Year 2003 to pay salaries and operating costs related to the transfer of Child Welfare Services from the Department of Human Resources to Clark and Washoe Counties.

In response to a question from Chairman Raggio concerning the cost allocation issue, Mr. Baumann advised that Item 81 was an augmentation of federal revenue to match the General Fund appropriation for Fiscal Year 2003.

Chairman Raggio requested an update on the UNITY cost allocation plan submitted by DCFS to the Federal Government in January 2002.

Mr. Bauman reported that while the cost allocation plan had been submitted, it had not yet been approved. He indicated that the first submittal provided changes to the UNITY cost allocation that would allow federal participation in certain costs related to the integration. A second submittal would provide funding to the state as well as Washoe and Clark Counties.

Chairman Raggio noted that no federal funds had been collected from the \$2,551,766 authorized by the Committee at the February 5, 2002 meeting.

Mr. Baumann advised that the federal money that would be provided to the Child Welfare Integration budget would be available in July.

In response to Ms. Giunchigliani who questioned the anticipated date of approval for the cost allocation plan, Mr. Cotton advised that federal regulations provided 90 days to reply.

In response to a question from Ms. Giunchigliani, Mr. Cotton indicated he hoped that by the following IFC meeting, the Committee would have a plan to review.

SENATOR RAWSON MOVED APPROVAL OF ITEM 81.

MRS. DE BRAGA SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

82. **Department of Human Resources - Nevada Youth Training Center - FY 02** - Acceptance of \$136,736.00 in 4219 Forest Fire Reimbursement to pay overtime costs of fire crew supervisors and to reserve the balance for reversion to the General Fund. Requires Interim Finance approval since the amount added to the Salaries category exceeds \$50,000.00.

Refer to motion for approval under Item D.

83. **Department of Human Resources - Child and Family Services - Northern Nevada Child and Adolescent Services - FY 02** - Addition of \$53,164.00 in transfer from other Budget (Individuals with Disabilities Education Act Grant) to continue program for early childhood treatment services to children (ages birth to three-years old) with developmental delays. Requires Interim Finance approval since the amount added to the Individuals With Disabilities Education Act Funded Happy Program category exceeds

\$50,000.00.

Refer to motion for approval under Item D.

- 84. Department of Employment, Training and Rehabilitation - Employment Security – FY 02** - Addition of \$12,164,752.00 in Federal Grant (Workforce Investment Act) to align the Workforce Investment Grant for prior years 1999, 2000, and 2001 (\$6,364,752); and establish authority for a National Emergency Grant (\$5,800,000) awarded to provide employment and training assistance to workers in Clark and Nye Counties who were dislocated from their service industry jobs as a result of the September 11th terrorist attack. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item D

- 85. Department of Employment, Training, and Rehabilitation - Information Development and Processing - FY 02** - Addition of \$26,369.00 in Intra-Agency Administrative Cost to cover the cost of terminal leave and compensation time payoffs for two long-time employees. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00.

Refer to motion for approval under Item D.

- 86. Department of Corrections - Director’s Office - FY 02** - Addition of \$17,283.00 in Budgetary Transfer and Transfer of \$17,331.00 from the Reserves category to the Transportation category to cover anticipated shortfall in Inmate Transportation through Fiscal Year end June 30, 2002. Requires Interim Finance approval since the amount transferred from the Reserves and Budget Account 3761 category exceeds 10% of the legislatively approved level for that category – **Relates to Item 87**.

Darrel Rexwinkel, Assistant Director, Support Services, reported that Item 86 requested additional expenditure authority of \$34,614 for Inmate Transportation projected shortfalls within Budget Account 3710. The funding was requested through a budgetary transfer of \$17,283 from the Southern Nevada Women’s Correctional Facility, Budget Account 3761 (Item 87) and a transfer of \$17,331 from Reserve Category 93 within Budget Account 3710.

Based on the language contained in Section 7 of the Authorizations Act, Chairman Raggio asked Legislative Counsel for an opinion concerning whether the Committee had the authority to approve the transfer of \$17,331 from Reserve for Reversion to Inmate Transportation for expenditure.

It was Ms. Erdoes’ opinion that the Committee did not have the authority to approve the request as Section 7 of the Authorized Expenditures Act provided that if additional funding was more than authorized in the Authorized Expenditures Act, that funding must be credited to reduce the amount of General Fund or Highway Fund money appropriated to the agency.

Mr. Rexwinkel indicated he believed there was some precedent for using Reserve funding. As a former employee of the Division of Child and Family Services, Mr. Rexwinkel recalled that in 1997 additional “Maximus” revenue authority was placed in Budget Account 3150, the Department of Human Resources Director’s Office budget. Mr. Rexwinkel advised that \$150,000 of the money was later transferred out of the reserve to conduct a gaming study and funding was balanced forward to the following fiscal year to address shortfalls in the Child Welfare budgets.

Additionally, Mr. Rexwinkel discussed other reserve funding that had been received, i.e., the Alien Assistance Grant that was \$1.4 million more than budgeted. Mr. Rexwinkel pointed out that the \$1.4 million could be used to address revenue and funding shortfalls in the Department of Corrections’ budget accounts for Fiscal Year 2002. However, even with the availability of \$1.4 million, Mr. Rexwinkel pointed out the Department faced a shortfall of about \$500,000 which he hoped could be made up by “drastic measures” that had been taken to reduce certain areas of expenditures. It was Mr. Rexwinkel’s opinion that the larger issue was whether the Department could use the \$1.4 million additional grant revenue, which was similar to the request to transfer \$17,331 from the Reserve to Inmate Transportation.

In response to a question from Chairman Arberry concerning the availability of other funding, Mr. Rexwinkel advised that, in view of the fact the Department was facing budget shortfalls, there was no other area from which funding could be pulled. Mr. Rexwinkel indicated an overall \$80,000 shortfall was projected for inmate-driven categories and advised that because there were fewer inmates than had originally been projected, an additional \$483,000, could be available excluding cleaning supplies and inmate labor. However, Mr. Rexwinkel pointed out that food initially budgeted at \$2.20 per inmate, cost an additional 30 cents a day (\$2.50 a day per inmate) or in excess of \$1 million a year.

Ms. Giunchigliani pointed out that the budget increase concerning the additional 30 cents a day was impacted by the Department and had not been Legislatively approved. Additionally, Ms. Giunchigliani indicated that in accordance with Legislative Counsel’s opinion, her response would be no to the question concerning the Department’s ability to use the \$1.4 million from the Alien Assistance Grant despite the previous use of Maximus funding, which she did not consider a useful comparison. With reference to Chairman Arberry’s question, Ms. Giunchigliani asked if the Department’s costs could be offset by transferring savings that had been identified within the Southern Nevada Women’s Correctional Facility budget related to the refinancing of the facility construction costs.

Mr. Rexwinkel advised that the Department planned to use the savings from the Southern Nevada Women’s Correctional Facility construction costs to address the various budget shortfalls.

In response to a request from Chairman Raggio, Mr. Ghiggeri advised that the Department could defer the transfer out of Reserve and transfer instead the savings identified from the facility construction costs at the Southern Nevada Women’s Correctional Facility.

Mr. Rexwinkel indicated his preference to use the budgetary transfer money and to defer the transfer out of Reserve and return to the Committee in June to address the remaining shortfall issues. However, Mr. Rexwinkel pointed out that if the \$1.4 million was not accessible, the Department could be looking at a request for an allocation from the Contingency Fund.

Mr. Rexwinkel commented that 2,900 calories was the recommended daily allowance for male inmates from ages 20 to 55, and the Department of Corrections had been below that. Mr. Rexwinkel indicated that there had been many inmate complaints, especially from those on work crews before the caloric count was increased to 2,900 calories.

Senator Rawson pointed out that the Committee did not want to “starve” prisoners to balance the budget and that the Committee was obligated to follow Legislative Counsel’s advise. Senator Rawson suggested that another way be found to address the Department’s needs.

In response to a request from Chairman Raggio for staff assistance, Mr. Ghiggeri suggested Item 86 be revised to delete the reference to the transfer of \$17,331 from the Reserve Category and to leave the \$17,283 budgetary transfer to Inmate Transportation in Item 87 as requested.

Mr. Rexwinkel agreed that Mr. Ghiggeri’s solution would get the Department through the immediate problem and at the Chairman’s suggestion agreed to work with Committee staff to address the Department’s larger budget shortfall.

SENATOR RAWSON MOVED APPROVAL OF ITEM 86 FOR THE ADDITION OF \$17,283 IN BUDGETARY TRANSFER AND TO DELETE THE REFERENCE TO THE TRANSFER OF \$17,331 FROM THE RESERVE CATEGORY.
SENATOR RAWSON MOVED APPROVAL OF ITEM 87 TO TRANSFER \$17,283 IN BUDGETARY TRANSFER TO INMATE TRANSPORTATION.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- 87. Department of Corrections - Southern Nevada Women’s Correctional Facility – FY 02** - Deletion of \$17,283.00 in Budgetary Transfer to cover anticipated shortfall in Inmate Transportation within the Director’s Office Budget through Fiscal Year end June 30, 2002, through a budgetary transfer. Requires Interim Finance approval since the amount transferred from Budget Account 3761 to the Budget Account 3710 category exceeds 10% of the legislatively approved level for that category – **Relates to Item 86**.

Refer to motion for approval under Item 86.

- 88. Department of Corrections - Offender’s Store Fund - FY 02** - Transfer of \$19,000.00 from the Inventory Purchases category to the Operating category to cover projected shortfall in Operating due to unanticipated expenses of upgrading the electrical system in the Coffee Shop at Southern Desert Correctional Center and increased shipping costs; also provide fee for costs associated with immediate funds to released inmates. Requires Interim Finance approval since the amount transferred from the Inventory

Purchases category to the Operating category exceeds \$50,000.00.

Refer to motion for approval under Item D.

89. **Department of Corrections - Inmate Welfare Fund - FY 02** - Transfer of \$45,793.00 in the Retained Earnings category to the Repay General Fund - Stale Claim category to cover anticipated reimbursement to General Fund for Stale Claims through the end of the Fiscal Year. (Assembly Bill 389-533). Requires Interim Finance approval since the cumulative amount transferred from the Retained Earnings to Repayment to General Fund for Stale Claims category exceeds \$50,000.00.

Refer to motion for approval under Item D.

90. **Department of Corrections - Prison Industries - FY 02** - Transfer of \$7,000.00 from the Retained Earnings category to the In-State Travel category to cover anticipated shortfall in In-State Travel through Fiscal Year end June 30, 2002. Requires Interim Finance approval since the amount transferred from the Retained Earnings to In-State Travel category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

91. **Department of Corrections - Prison Dairy - FY 02** - Transfer of \$14,500.00 from the Retained Earnings category to the Operating category and transfer of \$38,550.00 from the Retained Earning category to the Equipment category to purchase equipment and supplies needed to support the Inter-local Agreement with the University of Nevada Reno to harvest alfalfa and grass. Prison Dairy received 50% of the harvest, which will be used by the dairy and the wild horse program. Requires Interim Finance approval since the amount transferred from the Retained Earnings category to Operating and Equipment categories exceed \$50,000.00.

Refer to motion for approval under Item D.

92. **Department of Motor Vehicles - Insurance Verification - FY 02** - Addition of \$375,00.00 in Registration Fees to meet projected operating shortfalls resulting from increased postage costs due to higher than anticipated volumes, and postage rate increases. Requires Interim Finance approval since the amount added to the Registration Fees category exceeds \$50,000.00.

Refer to motion for approval under Item D.

93. **Department of Motor Vehicles - Records Search - FY 03** - Transfer of \$30,000.00 from the Reserve category to the Modular Units category to provide funds for continuation of rental of Modular units and associated expenses for storage of documents to be microfilmed through December 2002. Requires Interim Finance approval since the cumulative amount transferred to the Modular Units category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

94. **Department of Public Safety - Director's Office - FY 02** - Addition of \$290,000.00 in transfer from Traffic Safety to purchase advertising to publicize the States' seatbelt enforcement initiatives. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item D.

95. **Department of Public Safety – Director's Office - FY 02** - Addition of \$89,675.00 in Transfer from Traffic Safety (402 National Highway Traffic Safety Award Grant) to provide for the production of two “2002 Zero Tolerance” seatbelt advertising messages. Requires Interim Finance approval since the amount added to the Office of Traffic Safety Section 402 Public Relations Grant category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

96. **Department of Public Safety – Emergency Management Division – FY 02** – Addition of \$2,500,000.00 in Federal Grant G DOE Appropriation to provide funds for the Nuclear Waste Projects Office for the study of Yucca Mountain as a repository site. Requires Interim Finance approval since the amount of the grant to the DOE Nuclear Project Agency category exceeds \$100,000.00. **Refer to motion for approval under Item D.**

97. **Department of Public Safety - Emergency Management Division - FY 02** - Addition of \$203,110.00 in Federal Terrorism Grant to make available Federal funds for the Committee on Homeland Security planning and training and for required funding to counties on terrorism-related issues. Requires Interim Finance approval since the amount added to the EMPG Terrorism Funds category exceeds \$50,000.00.

Refer to motion for approval under Item D.

98. **Department of Public Safety - Highway Patrol Division - FY 02** - Addition of \$79,000.00 in transfer from Department of Transportation to increase authority in the Dyed Fuel Enforcement Program. Requires Interim Finance approval since the amount added exceeds \$50,000.00.

Refer to motion for approval under Item D.

99. **Department of Public Safety - Highway Patrol Division - FY 02** - Addition of \$115,056.00 in transfer from Traffic Safety to establish authority for transfers from Office of Traffic Safety to Nevada Highway Patrol for Aggressive Driving Apprehension Program Grant. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.

Refer to motion for approval under Item D.

- 100. Department of Public Safety - Forfeitures - FY 02** - Transfer of \$67,490.00 from the Reserve category to the Nevada Highway Patrol State category to upgrade the “Anywhere System” creating an on-line system of fleet management to maintain inventory and cost control for the 550 vehicles and support equipment in the Highway Patrol fleet. Requires Interim Finance approval since the amount transferred to the Nevada Highway Patrol State category exceeds \$50,000.00.
- Refer to motion for approval under Item D.
- 101. Department of Public Safety - Traffic Safety - FY 02** - Addition of \$630,250.00 in Federal Funds - 157 Incentive Grant to continue the State’s seatbelt enforcement initiatives. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.
- Refer to motion for approval under Item D.
- 102. Department of Public Safety – Traffic Safety - FY 02** - Addition of \$220,400.00 in Federal Funds – 157 Incentive Grant to continue the alcohol enforcement/countermeasures program. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.
- Refer to motion for approval under Item D.
- 103. Department of Public Safety – Traffic Safety – FY 02** – Addition of \$514,345.00 in Federal Funds – Traffic Safety Grant to reimburse city, county, and state sub-grantees for highway safety projects. Requires Interim Finance approval since the amount of the grant exceeds \$100,000.00.
- Refer to motion for approval under Item D.
- 104. Department of Public Safety - Motorcycle Safety - FY 02** - Transfer of \$11,550.00 from the Personnel Services category to the Operating category and transfer of \$200.00 from the In-State Travel category to the Operating category to increase contract authority for Chief Instructor of the Motorcycle Safety Program, during nationwide recruitment for the Motorcycle Safety Program Administrator position PCN #0001. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
- 105. Department of Conservation and Natural Resources - Bureau of Waste Management, Corrective Actions, Federal Facilities - FY 02** - Addition of \$112,600.00 in RCRA Grant to provide for database services from Desert Research Institute and acquire seven additional computers and software, per the Department of Information Technology’s recent audit recommendations. Requires Interim Finance approval since the amount added to the RCRA category exceeds \$50,000.00.
- Refer to motion for approval under Item D.
- 106. Department of Conservation and Natural Resources - United States Geological Survey CO-OP - FY 02** - Addition of \$360,200.00 in Reimbursements and addition of \$15,000.00 in Transfers from other Budget Accounts to provide for underground water studies, stream measurement, snow surveys, and investigations into development and use of water resources. Requires Interim Finance approval since the amount added to the Operating category exceeds \$50,000.00.
- 107. Department of Conservation and Natural Resources - Forestry Intergovernmental – FY 02** - Addition of \$74,537.00 in Storey County Receipts to reconcile county approved budget with legislative approved budget. Requires Interim Finance approval since the amount added to the Storey County category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
- 108. Department of Conservation and Natural Resources – Wildlife – FY 02** – Transfer of \$67,000.00 from the Reserve category to the Utilities category to cover projected shortfall in utilities for Fiscal Year 02. Requires Interim Finance approval since the amount transferred to the Utilities category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
- 109. Department of Conservation and Natural Resources - Wildlife - FY 03** - Addition of \$369,504.00 in Transfer from Other Budget Account, deletion of \$11,443.00 in Pittman Robertson, deletion of \$14,436.00 in Dingell Johnson, and transfer of \$378,845.00 from the Reserve category to the Automated Licensing System category to reconcile the actual implementation time frame and attendant costs for the automated licensing system with legislatively approved funds for Fiscal Year 2003. RFP process was delayed six months, which in turn delayed implementation schedule requiring adjustment of funding stream. Requires Interim Finance approval since the amount transferred to the Automated Licensing System category exceeds \$50,000.00 – **Relates to Items 111 and 114.**

The Chairman noted that Items 109, 111 and 114 would be considered concurrently.

Patty Wagner, Program Officer, Nevada Division of Wildlife, identified herself for the record and introduced Joan Lair, Federal Aid Coordinator. Ms. Wagner indicated they were before the Committee to answer any questions concerning Items 109, 111, and 114 which related to the Division’s new Automated Licensing System. Chairman Raggio questioned whether the Division had established performance criteria for the “real-time sales terminal and hand-held devices.”

Ms. Wagner advised that the Division’s contractor had identified the equipment and that performance criteria had been established.

MR. MARVEL MOVED APPROVAL OF ITEMS 109, 111 AND 114.

SENATOR O’DONNELL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- 110. Department of Conservation and Natural Resources - Wildlife - FY 02** - Transfer of \$184,213.00 from the Reserve category to the Salaries category to cover anticipated shortfall in salaries due to unbudgeted terminal annual and sick- leave payouts, as well as overtime. Requires Interim Finance approval since the amount transferred to the Salaries category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
- 111. Department of Conservation and Natural Resources - Wildlife Obligated Reserve – FY 03** - Transfer of \$87,689.00 from the Reserve category to the Transfer to Wildlife category to fund the hand-held devices for the game wardens from Obligated Reserve which addresses part of the shortfall and realignment of expenditures for automated licensing system to meet the awarded contract per RFP Process. Requires Interim Finance approval since the amount added to the Transfer to Wildlife category exceeds \$50,000.00 – **Relates to Items 109 and 114.**
- Refer to motion for approval under Item 109.
- 112. Department of Conservation and Natural Resources - Wildlife - Obligated Reserve – FY 02** - Transfer of \$102,063.00 from the Reserve category to the Elk Damage Program category to provide construction for 20 miles of elk fencing utilizing Nevada Division of Forestry Camp Crews. Requires Interim Finance approval since the amount transferred to the Elk Damage Program category exceeds \$50,000.00.
- Refer to motion for approval under Item D.

113. **Department of Conservation and Natural Resources – Wildlife Boating Program – FY 02** – Addition of \$11,450.00 in Donations to accept a donation from Clark County for FY 02 and reconcile and refund to the county the differences between expenditures and donations for FY 00 and FY 01. Requires Interim Finance approval since the amount added to the Gifts & Grant category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
114. **Department of Conservation and Natural Resources - Wildlife Boating - FY 03** - Transfer of \$281,815.00 from the Reserve category to the Transfer to Wildlife category to reconcile the expenditures for automated licensing system to correspond with new timelines developed from delayed RFP process and realignment of funding sources. Requires Interim Finance approval since the amount transferred to the Transfer to Wildlife category exceeds \$50,000.00 – Relates to Items 109 and 111.
- Refer to motion for approval under Item 109.
115. **Department of Conservation and Natural Resources - Habitat Mitigation - FY 02** - Deletion of \$73,402.00 in Pittman Robertson and transfer of \$20,000.00 from the Reserve category to the Operating category to provide for green stripping in reseeded of Area 6 Emergency Fire Rehabilitation. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
116. **Department of Conservation and Natural Resources - Water Quality and Pollution – FY 02** - Addition of \$63,854.00 in Bureau of Reclamation Grant - Federal to provide operating costs and equipment items associated with Project Wet. Requires Interim Finance approval since the amount added to the Project Wet category exceeds 10% of the legislatively approved level for that category – **Relates to Item 117. Amount revised to agree with work program document.**
- Refer to motion for approval under Item D.
117. **Department of Conservation and Natural Resources - Water Quality and Pollution – FY 03** - Addition of \$53,916.00 in Bureau of Reclamation Grant - Federal to provide operating costs and equipment items associated with Project Wet. Requires Interim Finance approval since the amount added to the Project Wet category exceeds 10% of the legislatively approved level for that category – **Relates to Item 116.**
- Refer to motion for approval under Item D.
118. **Department of Conservation and Natural Resources - Water Quality/Pollution – FY 02** - Addition of \$727,574.00 in Water Permit Fees to provide for additional travel, both In-State and Out-of-State, as well as operating expenses in the Underground Injection Control Program (\$33,000) and reserve the balance (\$694,574). Requires Interim Finance approval since the amount added to the Underground Injection Control category exceeds 10% of the legislatively approved level for that category.
- Refer to motion for approval under Item D.
119. **Department of Transportation - Administration - FY 02** - Addition of \$190,000.00 in Highway Fund Authorization to insure that adequate travel funds are available to pay construction crew per-diem expenses for those employees assigned to monitor active construction projects. Requires Interim Finance approval since the amount added to the In-State Travel category exceeds \$50,000.00.
- Refer to motion for approval under Item D.
120. **Department of Transportation - Administration - FY 02** - Addition of \$331,260.00 in Sale of Oil and Gas to provide for the increased costs of fuel sold to outside agencies. Requires Interim Finance approval since the amount added to the Sale of Oil and Gas category exceeds \$50,000.00.
- Refer to motion for approval under Item D.
121. **Department of Transportation - Administration - FY 02** - Addition of \$69,163.00 in Highway Fund Authorization to allow the Department’s Washington consultant to perform additional work on transportation issues. Requires Interim Finance approval since the amount added to the Washington Consultant category exceeds \$50,000.00.
- Refer to motion for approval under Item D.
122. **Office of the Military - FY 02** - Addition of \$14,500.00 in Department of Defense to allow for the addition of one 100% Federally reimbursed position, effective April 01, 2002, which will be responsible for energy conservation and master planning as well as performing project coordination and plans examination duties from an energy conservation perspective in order to meet new Federal requirements. Requires Interim Finance approval since the amount includes new staff – **Relates to Item 123.**
- Refer to motion for approval under Item D.

123. **Office of the Military - FY 03** - Addition of \$58,000.00 in Department of Defense to allow for the addition of one 100% Federally reimbursed position, which will be responsible for energy conservation and master planning as well as performing project coordination and plans examination duties from an energy conservation perspective in order to meet new Federal requirements. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$50,000.00 – **Relates to Item 122.**

Refer to motion for approval under Item D.

124. **Office of Veterans Services - Nevada Veteran’s Nursing Home - FY 02** - Transfer of \$70,000.00 from the Operating category to the Grounds Storage Unit category and transfer of \$69,025.00 from the Operating category to the Information Services category to construct a building to store gasoline-powered equipment as well as other flammable and hazardous materials and to purchase a barcode system for inventory control and resident usage of medical and other supplies. Requires Interim Finance approval since the amount transferred to the Grounds Storage Unit category exceeds \$50,000.00.

Daniel O’Brien, Manager, State Public Works Board (PWB), identified himself for the record and advised the members of the Committee that the PWB had provided a revised budget for the construction of a new grounds building for the storage of equipment and hazardous materials at the Veteran’s Home in Boulder City. Mr. O’Brien explained that the Office of Veterans Services originally requested \$70,000 for an inexpensive residential-type building. However, after reviewing the proposal, the PWB could not support a residential-type structure to store gasoline-powered equipment as well as flammable and hazardous materials. A new budget was developed for a steel building that included project management costs, as well as inspection and testing. Mr. O’Brien advised that the Office of Veterans’ Services was asking to have their request amended from \$70,000 to \$111,233.30.

In response to a question from Chairman Raggio concerning the status of the Veterans’ Nursing Home opening, Mr. O’Brien indicated that they were about three weeks away from having the facility cleaned and that the PWB was working with John Sias, Director, of the Nevada Veterans’ Nursing Home, to ensure certain areas met licensing requirements. Additionally, Mr. O’Brien reported that acoustical paneling to cover cracks in the walls had been installed and proposals had been requested for smoke and fire dampers, a fire pump had been installed, and an electric transfer switch would be delivered the following week.

Chairman Raggio noted that the Nevada Veterans’ Nursing Home quarterly report (**Exhibit K**) dated April 1, 2000 from Mr. Chuck Fulkerson, Executive Director, Nevada Office of Veterans Services, had been distributed to the Committee and would be made a part of the record.

Chuck Fulkerson, Executive Director, Nevada Office of Veterans Services, identified himself for the record and advised the members of the Committee that the second part of the request covered the transfer of \$69,025 from the Operating category to the Information Services category to fund a computerized inventory control pharmacy distribution system. In response to a question from the Chairman, Mr. Fulkerson advised that all of the Federal Veterans Administration Medical Centers had been successfully using the inventory control barcode system, which was used to distribute authorized pharmaceuticals.

In response to a question from Mr. Parks concerning security and the availability of staff on a 24-hour basis, Mr. Fulkerson reported that currently the Veterans’ Nursing Home was operating under limited occupancy and had been “maintaining a 24-hour roving fire watch” since that limited occupancy was put in place during the previous summer. Mr. Fulkerson advised that once a full certificate of occupancy was received, the need for a fire watch would be eliminated and that would occur prior to the time the Nursing Home became a 24-hour facility. When the Nursing Home became a 24-hour facility (from the close of the work day to the beginning of the work day the following morning) there would be no one in the building and no security whatsoever.

Mr. Fulkerson announced a ribbon-cutting ceremony and dedication for the Veterans’ Home was scheduled for June 28, 2002.

MRS. CHOWNING MOVED APPROVAL OF ITEM 124 WHICH REFLECTED THE REVISED AMOUNT OF \$111,233.30.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

125. **Public Employees Benefits’ Program - Retired Employees Group Insurance - FY 02** - Addition of \$917,704.00 in Receipts - Retired Employees to allow for anticipated receipts from agency assessments for this Fiscal Year and increase group insurance premiums as a result of increased premiums in past from previous two Fiscal Years, June liability that was not paid when due. Requires Interim Finance approval since the amount added to the Group Insurance category exceeds \$50,000.00.

Refer to motion for approval under Item D.

126. **Department of Human Resources - Health Care Financing and Policy - Intergovernmental Transfer Fund - FY 02** - Transfer of \$21,189,019.00 from the Reserve category to the Transfer to Medicaid category to fund the projected Medicaid shortfall for Fiscal Year 2002. Requires Interim Finance approval since the amount transferred to the Transfer to Medicaid category exceeds 10% of the legislatively approved level for that category. **Received March 28, 2002 – Relates to Item 39 and 39. Also, refer to Information Item K-7 for additional information on budget shortfall.**

Refer to motion for approval under Item 66.

II. **Reclassification**

Chairman Raggio called upon representatives of the Department of Transportation concerning their request to reclassify two positions within the Department’s Division of Architecture.

Ruedy Edgington, Assistant Director, Operations, Nevada Department of Transportation (NDOT) indicated, in response to a question from the Chairman, that the NDOT did not currently have an approved reorganization plan.

The Chairman indicated that the Committee was reluctant to approve the request based on the lack of a reorganization plan and asked if the Department’s request could be deferred.

Mr. Edgington explained that there were no official plans within the Department to reorganize the Division of Architecture. Additionally, Mr. Edgington indicated that some confusion might have resulted since the Division of Architecture was reviewing ways to make their operation more efficient; however, the reorganization for efficiency was neither initiated nor approved by the Department.

In response to a question from the Chairman, Mr. Ghiggeri advised that staff’s concern was directed toward proposed additional reclassifications within the Division and that all of the reclassifications should be considered at one time by the Committee in order to evaluate the Division’s plan or mission once the reorganization was approved.

In response to a question from the Chairman, Mr. Edgington indicated the remainder of the position reclassifications would occur within the next six months.

The Chairman suggested that the request for the two reclassifications be deferred pending the additional reclassifications and reorganization plan for the Division. Additionally, the Chairman indicated approval of the positions before the Committee would apply retroactively and suggested that NDOT staff work with the Committee’s staff concerning the reclassifications and reorganization plan.

Mr. Edgington agreed.

Refer to motion for approval under Item D on all other reclassification requests.

Agency	Agency/Account Number	Position Number	Present Class, Code, EEO-4, Grade & Salary	Proposed Class, Code, EEO-4, Grade & Salary
Controller’s Office	060/1130	0038	Administrative Assistant III, 2.211, grade 27, step 4, \$28,292.40, Employer-Paid	Publications Editor I, 7.830, grade 31, step 2, \$30,735.36, Employer-Paid

Department of Cultural Affairs, Museums and History Division	331/4216	0019	Administrative Assistant II, 2.212, grade 25, step 1, \$23,135.04, Employer-Paid	Maintenance Repair Worker II, 9.487, grade 25, step 1, \$23,135.04, Employer-Paid
Department of Information Technology	187/1388	0010	Information Systems Specialist III, 7.913, grade 39, step 1, \$41,530.32 Employer-Paid	Communications System Supervisor, 6.976, grade 37, step 1, \$38,064.24, Employer-Paid
Department of Human Resources, Welfare Division	407/4862	0008	Administrative Assistant IV, 2.210, grade 29, step 9, \$38,064.24, Employer-paid	Program Officer I, 7.649, grade 31, step 9, \$41,530.32, Employer-paid
Department of Human Resources, Welfare Division	407/3228	1264	Compliance Audit Investigator III, 11.363, grade 35, step 9, \$54,225.36, Employee/ Employer-paid	Social Welfare Program Specialist III, 12.315, grade 37, step 9, \$59,320.08, Employee/ Employer paid
Department of Transportation	800/4660	101-019	Equipment Operation Instructor, 9.201, grade 31, step 1, \$29,503.44, Employer-Paid	Safety Specialist II, 11.522, grade 32, step1, \$30,735.36, Employer-Paid
Department of Transportation, Division of Architecture	800/4660	56007	Painter II, 9.459, grade 31, step 9, \$41,530.32, Employer-Paid	Construction Project Coordinator I, 6.760, grade 33, step 9, \$45,351.36, Employer-Paid
Department of Transportation, Division of Architecture	800/4660	56009	Electrician II, 9.447, grade 32, step 9, \$47,460.24, Employee/Employer-Paid	Construction Project Coordinator I, 6.760, grade 33, step 9, \$49,610.88, Employee/Employer-Paid

E. STATEMENT OF CONTINGENCY FUND BALANCE.

Chairman Raggio noted that the Committee had thus far, during the meeting, allocated \$1.5 million from the Contingency Fund.

Mr. Ghiggeri advised that prior to the allocation voted on by the Committee during the meeting, there was a total unobligated balance of \$8.8 million in the Contingency Fund. Pending before the Committee were requests for:

- Office of Vital Statistics - \$21,113.00
- Athletic Commission - \$6,873.00
- Welfare Division - *\$15,069.00

*Mr. Ghiggeri pointed out that information presented to the Committee during the meeting revised the Welfare Division’s request to \$496,343, and if approved, would reduce the ending fund balance to approximately \$6.8 million.

The Chairman requested that the Committee return to Item 65 and F. 2. b. for the vote (Page 42).

*F. REQUESTS FOR ALLOCATION FROM THE CONTINGENCY FUND.

1. Department of Business and Industry – Athletic Commission..... \$6,873.00
Bill Maier, Administrative Services Officer, Department of Business and Industry, identified himself for the record. Mr. Maier reported that the Athletic Commission was requesting \$6,873 to cover expenses related to additional events. The request was based on 86 total events, which was an increase over the previous year.

SENATOR O’DONNELL MOVED APPROVAL OF ITEM F.1.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

2. Department of Human Resources
a. Health Division – Building Rent for Vital Statistics..... \$21,113.00

SENATOR RAWSON MOVED APPROVAL OF ITEM F.2.A.

SENATOR O’DONNELL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- b. Welfare Division – Field Services..... \$15,069.00

Refer to motion for approval under D. 65.

3. Allocation of Funds to State Agencies, and the University and

- Community College System for Energy Costs (List available upon Request)
- a. S.B. 8, 17th Special Session – Section 4 – General Fund Energy Costs – **Revised April 1, 2002**..... \$5,124,097.00
 - b. S.B. 8, 17th Special Session – Section 2 – Highway Fund **Revised April 1, 2002**..... \$0

John P. Comeaux, Director, Department of Administration, identified himself for the record. In response to a question from the Chairman, Mr. Comeaux reported that the Budget Division reduced the original recommendation to provide assistance in payment of energy costs to three state agencies and the University and Community College System from \$5,623,653 to \$5,124,097. Mr. Comeaux advised that the \$45,997 originally recommended from the Highway Fund had been withdrawn.

Mr. Ghiggeri advised that staff had reviewed the request and recommended an additional reduction of \$39,637 to \$5,084,461 to allow for the collection of federal funds for the Division of Child and Family Services of \$8,653 and \$30,984 from Prison Industries and the Department of Motor Vehicles for utilities used at the Department of Prisons.

SENATOR O'DONNELL MOVED APPROVAL OF ITEM F.3. REVISED BY STAFF TO REFLECT AN ADDITIONAL REDUCTION OF \$39,637 FOR A TOTAL REQUEST OF \$5,084,461.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

4. Nevada Protection Account – **Added April 2, 2002**..... \$3,000,000.00

Governor Guinn announced he was before the Committee on behalf of Senator Harry Reid and Senator John Ensign to request funding to aid their effort on the floor of the United States Senate against the President's proposal to store nuclear waste at Yucca Mountain. While there was no likelihood that an override could be sustained in the House of Representatives, Governor Guinn advised that both Senator Reid and Senator Ensign believed the possibility for an override did exist in the Senate.

Governor Guinn discussed Senator Reid and Senator Ensign's diligence, whenever called upon, to aid Nevada citizens as well as their ongoing efforts to secure federal funding for state programs. Governor Guinn indicated a special session would have been required to appropriate the \$10 million initially requested by the senators, which was ultimately determined inappropriate in view of the state's economic situation. Rather, the Board of Examiners (*Secretary of State Dean Heller, Attorney General Frankie Sue Del Papa and the Governor*) approved a request for a \$3 million allocation from the Contingency Fund, which was the request now before the Committee for approval.

The Governor explained that the funding would be used in an advertising campaign that would be conducted in other states to provide information on how the transportation of nuclear waste to Yucca Mountain would affect the people and environment of those communities. The Governor pointed out that some Nevada city and county governments were also considering recommendations to provide funding and that private citizens, as well, had come forward with monetary donations. Governor Guinn indicated an uphill battle ahead for Nevada, which, even if lost on the Senate floor, would have to be continued through litigation efforts. Governor Guinn reported that lawsuits had already been filed against the Department of Energy, Secretary of Energy, Spencer Abraham, and the President of the United States, George W. Bush. While the Governor affirmed the state's unwavering patriotism, he indicated sound science would be demanded.

The Governor noted that funding from the Contingency Fund was primarily used for emergency situations, such as wildfires. The Governor reported that both Senator Reid and Senator Ensign had agreed that they would work to ensure expedited reimbursement in the event the state found itself without funding to pay for expenses related to wildfires.

Chairman Raggio indicated the recommendation from the Board of Examiners was to allocate \$1.5 million from the Contingency Fund, and \$1.5 million from the Highway Fund for a total of \$3 million. Additionally, the Chairman indicated the members of the Committee were aware that the initial \$10 million that Senator Reid and Senator Ensign had suggested, while not a guarantee, would have been helpful in dissuading some members of the United States Senate from approving the President's proposal; however, many issues and questions had been raised concerning the proposal.

Chairman Raggio discussed the concerns he had passed along to Senator Reid in reference to the use of the Contingency Fund as well as the federal government's excessive delay in reimbursing the state monies expended for forest fire suppression. In response to the Chairman's concerns, Senator Reid indicated he would guarantee "expeditious reimbursement" for forest fire suppression costs. In view of the fact that some of the Committee members had indicated they could support an allocation from the Contingency Fund for the Yucca Mountain issue if it could be determined the funding would actually make a difference, the Chairman questioned whether the funding would be utilized in a way that could result in the United States Senate support of the state's position. Governor Guinn responded that both Senator Reid and Senator Ensign had indicated that in a past vote, 32 Democrat and 3 Republican Senators voted in favor of holding up the Yucca Mountain vote, and 51 percent, or a simple majority in the House and the Senate was needed in order to sustain a veto of the President's proposal. A number of senators had apparently been persuaded to shift from a pro to a neutral position, and television ads and other programs had been set in motion in certain specific states that would at least expose Yucca Mountain to those citizens who would ask questions of their senate delegations concerning the storage of nuclear waste at Yucca Mountain. The Governor indicated that he and his staff were taking direction from the two senators in whom he had placed his trust.

In response to a question from the Chairman, Governor Guinn advised that Vermont and Oregon, two environmentally conscious states, had been targeted for a media campaign and that many environmental groups across the country had become concerned about the nuclear waste transportation issue.

Chairman Raggio indicated that an allocation not to exceed \$3 million, should the Committee choose to approve the request, would not in itself be effective. The Chairman indicated it would take as much as an additional \$3 million to make an effective use of the funding, and he asked if there were objections that the request be conditioned upon a like amount to be matched by other public or private sectors.

Governor Guinn indicated he had no objections to the Chairman's suggestion.

Senator Rawson expressed his support in favor of the request from Senator Reid and Senator Ensign. However, because Nevada was beginning to mix into the internal politics of other states, Senator Rawson cautioned that the Governor needed to be in communication with the Governors of those states.

Governor Guinn indicated that Senator Rawson's point was well taken and said that for the three years he had been in office, the Governors of California, Arizona, Idaho, Oregon, and Washington had consistently voted against him concerning the nuclear waste issue on the basis that they did not want their rivers and neighborhoods contaminated by the nuclear waste currently being stored in their states. While Utah had been supportive as a neighbor, the Governor said he would continue to work with the other Governors on a professional basis.

Senator O'Donnell questioned who would actually determine the content of the ads and raised the possibility that negative advertising would ultimately prove detrimental to the state.

Governor Guinn advised that Senator Reid and Senator Ensign had enlisted the services of lobbyists John Podesta, Chief of Staff at one time for President Clinton and Kenneth Duberstein, Chief of Staff for President Reagan. Governor Guinn also indicated that funds raised for the campaign would be provided through the Commission on Nuclear Projects, chaired by Brian McKay. Specifically, the Governor indicated that no one individual could create or run an ad and that all ads had to be approved by the two senators.

Senator O'Donnell expressed concern insofar as advertising the negative aspects of the issue and raising public awareness to a level that would impact the state's tourism industry.

Governor Guinn indicated he had learned that the 77,000 tons of high-level nuclear waste designated for storage at Yucca Mountain, if ultimately transported, would be stored above ground for the next thirty years as there was no authority to move it underground. The Governor also explained that the 139 nuclear power plants that were currently producing spent fuel rods would have to hold those rods on site in water tanks for five years before they were cooled down enough for transportation. The Governor pointed out that advertising would make a "tremendous difference" to raise public awareness that nuclear waste would always be stored in their "backyard" and that transportation of spent fuel rods was very dangerous.

Senator O'Donnell questioned whether the public was aware that if the spent fuel rods were not transported, their respective states would have to store the material for 10,000 years.

Governor Guinn indicated that while Senator O'Donnell's points were valid and the issues complex, Nevada's elected officials were elected to represent the wishes of the majority of the people, which was what he had attempted to do. The Governor reiterated that nuclear waste would continue to sit above ground at every nuclear energy power plant in the United States.

Senator Neal discussed several issues, i.e., the Nuclear Waste Policy Act, which he indicated provided any senator the right to take the question of the storage of nuclear waste to a vote on the Senate floor at any time and the position of the Senate's Republican Leader, Senator Trent Lott, who had indicated that sixty senators would vote to transport nuclear waste to Nevada. Senator Neal indicated that Senator Reid, the Senate's Majority Whip, did not have the power to prevent a vote on what appeared to be a foregone conclusion that nuclear waste would be transported to Nevada.

Governor Guinn responded that the issue was a non-partisan one and that Senator Tom Daschle, Senate Majority Leader, indicated he would use his power to keep the vote off the floor. While the legislation was an expedited bill at the time it was passed in 1982, Governor Guinn indicated that historical research had shown that of five expedited bills none had ever been taken to the Senate floor without going through leadership whether that leadership was Republican or Democrat.

Senator Neal argued that the current situation was different because of the Nuclear Waste Policy Act, which had been voted into law and required certain action to take place. Governor Guinn dismissed the concerns as strategies of the chess game being played in Washington, D.C.. Governor Guinn indicated that the Nuclear Energy Waste Policy law was clear in that Yucca Mountain must be determined to be a geological site and a safe place to store nuclear waste material. Governor Guinn pointed out that the Department of Energy had decided Yucca Mountain was not a geological site and had indicated that man-made architecturally designed canisters would be constructed and placed in the tunnels which was an issue that would be used in court to argue Nevada's case. Governor Guinn further advised he had spoken to House Speaker J. Dennis Hastert who could not be convinced to change his vote but had promised the legislation would receive full hearings.

Senator Neal asked how the Governor would answer a question concerning the ongoing transportation of nuclear material to nuclear reactors across the county that had taken place over the past fifty years.

Governor Guinn responded that transportation of nuclear waste material had long been a concern in Nevada and an issue that had been fought during the 2001 Legislative Session and in the 1980's. While sound science for storage was a continued requirement, the letter from Secretary of Energy Spencer Abraham concerning his recommendation to the President focused on the importance of transporting all of the nuclear waste to one spot for storage after the September 11, 2001 incident. The Governor advised it was just as important to look at the transportation issue because the material was safer in a stored place insofar as terrorism was concerned than it was on the roads. Governor Guinn asked for the Committee's favorable support in approving the allocation in response to the request from Senator Reid and Senator Ensign.

Ms. Leslie commended the Governor and Nevada's two senators in their work to prevent the transportation of nuclear waste to Nevada; however, questioned the strategy behind running full-page ads in Nevada newspapers. Additionally, Ms. Leslie questioned whether any consideration had been given to provide Nevada's advocacy group, Citizen Alert, with funding to engage in a grass-roots pressure campaign with their counterparts in key states.

Governor Guinn advised that a grass-roots level campaign was a part of the plan that would be used by Washington lobbyists, John Podesta and Ken Duberstein. Insofar as the Nevada ads, Governor Guinn advised that the campaign was being moved to the national level, and he doubted local ads would be continued.

Speaker Perkins expressed support in favor of the Governor's funding request and indicated that after speaking to the other 49 Speakers of the House in Legislatures across the country, he believed it was still possible to sway the additional twelve votes needed in the Senate. Speaker Perkins indicated that when the public learned that spent fuel rods would always be on site at nuclear reactor power plants no matter how much waste was shipped, the issue would no longer be a Nevada issue but would become America's issue. Speaker Perkins advised that many speakers across the country had written to President Bush and to their congressional delegations expressing their concern. The Speaker was optimistic that the plan would succeed and the twelve votes that were needed in the United States Senate would be found.

Chairman Raggio indicated he remained unconvinced that approval of the funding request would be useful or that results would be guaranteed by the Committee's action. However, he indicated the Committee had been placed in a position, which he felt made it necessary to support the efforts of Nevada's two senators and the Governor's office. The Chairman indicated he was hopeful that the Committee's actions would be a lever for others to come forward and that the effort would prove meaningful.

Chairman Raggio indicated he was prepared to accept a motion to approve the request for \$1.50 million from the Contingency Fund, and \$1.50 million from the Highway Fund. The Chairman suggested that the motion include language to the effect that *the money thus authorized was not to exceed the amount of \$3 million subject to a cash match by either public or private-sector funding*. The Chairman indicated that with a cash match, the funding would amount to at least \$6 million.

MRS. CHOWNING MOVED TO APPROVE AN ALLOCATION OF \$1.50 MILLION FROM THE CONTINGENCY FUND (FUNDED FROM THE GENERAL FUND) AND \$1.50 MILLION FROM THE CONTINGENCY FUND (FUNDED FROM THE HIGHWAY FUND) FOR A TOTAL OF \$3 MILLION TO THE NEVADA PROTECTION ACCOUNT AND THAT THE ALLOCATION THUS AUTHORIZED WAS NOT TO EXCEED THE AMOUNT OF \$3 MILLION CONTINGENT UPON A LIKE AMOUNT FROM THE PUBLIC OR PRIVATE SECTOR.

MR. PARKS SECONDED THE MOTION.

In a request for clarification, Senator Coffin questioned whether the allocation from the Contingency Fund would be authorized to match whatever amount the public or private sector raised if the amount raised was less than \$3 million.

In view of the fact that \$10 million had been initially requested, Chairman Raggio indicated the motion would establish a challenge grant with a \$3 million allocation from the state to be matched by public and private-sector funding.

Senator Coffin questioned whether, on this public health issue, Mrs. Chowning understood the motion was not for \$3 million but possibly for an amount considerably less.

Ms. Chowning indicated she understood the motion as stated and further indicated she was proud to support the bipartisan request from Nevada's national representatives and proud to be a part of an education effort for those states who would be asked to share their highways, railways and waterways to transport toxic waste across the country.

Mrs. Chowning expressed confidence that the \$3 million allocation would be matched by Clark County who had issued a challenge to the state and were waiting to see how the Committee voted on the issue.

Chairman Arberry questioned whether Legislative Counsel foresaw any legal problems with the allocation.

Ms. Erdoes advised that the proposed allocation met the statutory requirements for an allocation from the Contingency Fund; however, clarified that both allocations for \$1.5 million would be authorized out of the Contingency Fund. Ms. Erdoes explained that \$2.0 million was appropriated by the 2001 Legislature to the Contingency Fund from the Highway Fund, and thus the allocation would not be made directly from the Highway Fund. Ms. Erdoes further explained that the allocation would be made pursuant to *Nevada Revised Statutes (NRS) 353.266 through 269*. Ms. Erdoes suggested that if the Committee wished to include the money in the allocation that originated from the State Highway Fund, a factual finding should be made in conjunction with the motion that unequivocally stated that *the Interim Finance Committee found that the proposed use of the portion of the allocation which originated from the State Highway Fund was exclusively for the cost of administration of fees and taxes related to the operation of motor vehicles upon the public highways of the state and or the construction, maintenance or repair of public highways as required by Section 5 of Article 9 of the Constitution of the State of Nevada*.

In response to Chairman Raggio, Mrs. Chowning and Mr. Parks agreed to amend the motion to include the "factual finding" language suggested by Ms. Erdoes.

In response to a question from Senator Mathews, Chairman Raggio clarified that any type of cash match from either the public or private sector would be appropriate under the motion, which would included county, city, or any governmental entities as well as private individuals.

Senator Coffin indicated that the Nevada Constitution required that money from the Highway Fund would be spent in Nevada on Nevada highways. Without a "vetted" legal opinion, Senator Coffin indicated he was troubled that perhaps a legal challenge might take place at some point in the future. Senator Coffin suggested the language in the motion be modified so that if for some reason the \$1.5 million potential match from the Highway Fund failed a test of some kind in the future, the \$3 million allocation would be authorized from the Contingency Fund, as funded from the General Fund.

Chairman Raggio agreed that it would be appropriate to include the suggested language in the motion, which was also agreed to by Mrs. Chowning and Mr. Parks.

MRS. CHOWNING AMENDED THE MOTION ON THE FLOOR TO APPROVE AN ALLOCATION OF \$1.5 MILLION FROM THE CONTINGENCY FUND (FUNDED FROM THE GENERAL FUND) AND \$1.5 MILLION FROM THE CONTINGENCY FUND (FUNDED FROM THE HIGHWAY FUND) FOR A TOTAL OF \$3 MILLION TO THE NEVADA PROTECTION ACCOUNT AND THAT THE ALLOCATION THUS AUTHORIZED WAS NOT TO EXCEED THE AMOUNT OF \$3 MILLION CONTINGENT UPON A LIKE AMOUNT FROM THE PUBLIC OR PRIVATE-SECTOR.

THE PROPOSED USE OF THE PORTION OF THE ALLOCATION, WHICH ORIGINATED FROM THE STATE HIGHWAY FUND, WAS EXCLUSIVELY FOR THE COST OF ADMINISTRATION OF FEES AND TAXES RELATED TO THE OPERATION OF MOTOR VEHICLES UPON THE PUBLIC HIGHWAYS OF THE STATE OF NEVADA AND OR THE CONSTRUCTION, MAINTENANCE OR REPAIR OF PUBLIC HIGHWAYS AS REQUIRED BY SECTION 5, ARTICLE 9 OF THE CONSTITUTION OF THE STATE OF NEVADA. AND, IF FOR ANY REASON THE \$1.5 MILLION PORTION OF THE ALLOCATION WAS NOT AVAILABLE FROM THE HIGHWAY FUND, THE FUNDING WOULD BE AUTHORIZED FROM THE CONTINGENCY FUND (FUNDED FROM THE GENERAL FUND).

MR. PARKS SECONDED THE AMENDED MOTION.

THE MOTION CARRIED ON THE ASSEMBLY SIDE. (Mr. Dini was not present for the vote.)

THE MOTION CARRIED 4 TO 3 ON THE SENATE SIDE. (Senator Jacobsen, Senator Neal and Senator O'Donnell voted nay.)

Senator Neal asked that his remarks be entered into the record.

You don't have to be for or against this particular issue in order to cast a vote in which I have just done. I would like to state for the record that my vote indicates that we would not win this issue whether you agree with it or not. The odds are against us, and it is almost tantamount to sending me into the ring to fight Mike Tyson and supporting me with \$3 million that I am going to win. The chances are that money is going to be lost, and from what I see, there are many other issues that we can deal with.

We could let it skip on down to the courts. As has been indicated in the House, particularly the Senate, there are a number of Senators who are opposed to any action to stop this, and it is going to pass the body. When I read in the paper this morning that Senator Lott said there would be 60 votes that would pass this particular issue, I believe that will be the case.

Based on the research that I have done on this particular issue over the years, it is indicated that we have something like 84 sites scattered throughout the United States in about 35 states. That in itself indicates to me that we cannot win the battle when you have those states having nuclear waste as a part of their energy mix. They are going to vote their interests whether we put this money up or not, they would vote their interest the same as Nevada would do in a similar case.

So I don't think this is money very well spent; it is money that is going to enhance advertisement, and, furthermore, we appropriated \$4 million for which I voted for in the last session. I don't know whether the \$4 million is being added to the \$3 million to make the \$10 million, but I understand that this might be different, we are talking about an additional \$10 million, which would make it approximately \$14 million.

We have many other issues in this state that are pressing. The Governor just mentioned a lot of them. We have a shortfall that we will have to overcome and people are going to be suffering. Now the people who are going to benefit most, not only the two million residents, but also the people who would benefit most from this would probably be our major industries. They have indicated that they are not coming up with the additional bucks. I just read a statement by Steve Wynn who said we could not win this fight, probably that is the only area in which I have been able to agree with him on in recent years. But the point is Mr. Chairman, as one Senator has indicated, and, of course, he is trying to change his mind, that it is like throwing money down a 'rat hole.' And I solely believe that.

Now, if you can tell me that we are going to win, I will be willing to support this, but I don't think we are going to win. Now I have been pretty straight on some of my recommendations and predictions that I have made over the past. You remember during the Session, I brought you the issue about ENRON. None of you all believed me at that particular time, but now we see what is happening. This too would be upon us and those trucks are going to start rolling down the road, and we are going to find ourselves in court spending additional money trying to fight that.

Senator O'Donnell requested that his remarks also be entered into the record.

I, like Senator Neal, believe you can be against storing nuclear waste here in our state and still be pragmatic about the issue. There are two schools of thought regarding this Yucca Mountain issue. One thought is that we have not yet been aggrieved by the federal government, that this project hasn't come to fruition yet. The other school of thought is that it has, that the State of Nevada has already been aggrieved. They are already digging the hole, they are already planning on storing nuclear waste, make no mistake about it.

The Governor and I have differed on this issue for years, but I finally believe that we should be negotiating or at least getting compensation for what has already happened in our state. To try and fool the public into believing that the state has an ability to fight the federal government with \$3 million is ludicrous. What we should have been doing is funding \$3 million to go back to Washington to convince our federal delegates and our colleagues back there that Nevada deserves compensation for what the rest of the country is doing to us, but that will never happen. So my belief here is that by expending this \$3 million we will not only be going in the right direction, we will be going in the wrong direction, and we will be spending \$3 million to get ourselves involved in a fight that will cost us and cost us and cost us and cost us, and once we are done, the shipments will still start.

What we should be doing at this juncture is lobbying our friends to make sure Nevada gets fair and just compensation. Now it is not politically popular to do that. Most Nevadans don't know the issue, most Nevadans don't understand what is going on, and yet we have leaders that are following people who don't know what is going on because they take a poll. Now I am sitting here telling you it is better to get compensation for Yucca Mountain than it is to pick a fight with the federal government and the Congress of the United States. That's why I can no longer and will not support this measure. Thank you.

Chairman Raggio recognized Dorothy Lemelson, a Washoe County resident.

In response to Governor's Guinn's request that Nevada citizens aid in the Yucca Mountain defense effort, Mrs. Lemelson was before the Committee to present a check to the Governor to continue the fight. Mrs. Lemelson stated that the storage of nuclear waste threatened everyone, and in response to the call for help pledged her support and appreciation to the Governor in the campaign to prevent the storage of nuclear waste at Yucca Mountain.

Governor Guinn extended his thanks to Mrs. Lemelson for her contribution of \$75,000. Governor Guinn indicated that recently a senior citizen wrote a \$200 check for the Nevada Protection Fund and that numerous other donations were being received as well from the people throughout Nevada. Governor Guinn again extended his thanks to Mrs. Lemelson for her generous support and indicated he felt certain the money would be spent wisely by Nevada's two United States Senators.

Chairman Raggio also extended his appreciation to Mrs. Lemelson whom he indicated was a highly respected philanthropist and who had contributed in many areas including the University System without seeking publicity.

Chairman Raggio recessed the meeting at 12:34 p.m. The Chairman reconvened the meeting at 1:45 p.m. and moved to Agenda Item D Approval of Gifts, Grants, Work Program Revisions and Block Grant Funding (Page 5).

***G. STATE PUBLIC WORKS BOARD.**

1. Request Approval to Expand the Scope of Work for Project 99-C08, Capitol Complex Conduit System, Phase II.

Daniel O'Brien, Manager, State Public Works Board, identified himself for the record. Mr. O'Brien reported that a change in scope for Project 99-C08, Capitol Complex Conduit System, would allow for the installation of cable and MA-TV service. Mr. O'Brien introduced Mark Blomstrom, Deputy Director, Department of Information Technology (DoIT).

Mr. Blomstrom told the Committee that approval of the change in scope for Project 99-C08 would allow for the construction of a Capitol complex-wide cable television system to provide for the distribution of local news, information, and training channels.

In response to a question from Chairman Raggio, Evan Dale, Deputy Manager, State Public Works Board, stated that the change in scope for Project 99-C08 would not increase the cost of the project. Mr. Dale indicated the original scope of the project had been completed and because the cost was less than estimated, funding was available to expand the scope.

In response to a question from the Chairman, Ms. Erdoes advised that there were no legal issues associated with the change in scope for Project 99-C08.

MR. HETTRICK MOVED APPROVAL OF ITEM G.1.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

2. Request Approval to Accept Federal Grant NV-99-08 for Project #99-C09, Northern Nevada Veterans' Memorial Cemetery Expansion, Fernley, Nevada. **Withdrawn – March 28, 2002.**
3. Request Approval to Receive Additional Funds from the Truckee Meadows Community College and Increase the Scope of Work of Project 01-C22, TMCC Student Development Center. **Withdrawn – March 28, 2002.**
4. Request Approval to Receive Additional Funds from the Nevada Division of Wildlife and Increase the Scope of Work for Project #01-C27, Rehabilitate State Fish Hatcheries. **Withdrawn - March 28, 2002.**
5. Request Approval to accept funds from the Risk Management Division, Property Reserve Fund, for Project 01-S06, Statewide Asbestos, Lead and Air Quality Program, to fund new miscellaneous indoor air quality projects. **Item G. 5 was considered with Item C.18 (see Item C. 18).**
6. Status Reports and Informational Items

CIP 99-C03 - State Command Complex

Mr. O'Brien reported that CIP 99-C03 - State Command Complex in Carson City was 200 days over the contract time and that a certificate of substantial completion had been issued on March 28, which equated to approximately \$450,000 in liquidated damages. Mr. O'Brien indicated there had been a question concerning assessment of liquidated damages; however, he said it was the SPWB's position that liquidated damages would be assessed on the contractor, Camco Pacific who, if they wished, could appeal to the Board.

In response to a question from the Chairman, Mr. O'Brien indicated it appeared the delay was due to the contractor's failure to manage the project.

CIP 01-C4, New Motor Pool Facility, Las Vegas

Mr. O'Brien reported that in the following week he would provide a presentation to the Board of Regents on the new site for the State Motor Pool. Mr. O'Brien indicated he hoped to move forward on the project after hearing comments from the Board of Regents. The site was located on county property, between Swenson and Paradise and leased by the UCCSN.

Special Counsel's Report on Litigation for Lied Library and Veterans' Home

Mr. O'Brien provided the members of the Committee a copy of the Special Counsel's report on the Litigation for the Lied Library and Veterans' Home, which had been presented to the State Public Works Board.

Qualification of Bidders

Mr. O'Brien advised the members of the Committee that any projects that were bid after April 13, 2002 would require a "qualified bidder." Currently out of approximately 70 applications, 13 bidders were qualified, and the 2 that were determined unqualified were appealing the decision.

***H. DEPARTMENT OF HUMAN RESOURCES – Division of Health Care Financing and Policy – Proposal to Provide Medical Assistance to Certain Persons who are Employed and have Disabilities, S.B. 207, 2001 Legislature.**

Mr. Charles Duarte, Administrator, Division of Health Care Financing and Policy identified himself for the record and introduced Mr. John Alexander, Program Manager for the Ticket to Work Medicaid Infrastructure Grant.

Mr. Duarte indicated his testimony was provided in response to the mandates in S.B. 207, 2001 Legislature, which required the Division of Health Care Financing and Policy to submit a cost-neutral proposal to provide Medicaid services/programs to employed people with disabilities. Implementation of an approved program was to occur on a mutually agreed upon schedule developed by the Interim Finance Committee, the Department of Human Resources and the federal government.

Mr. Duarte explained that a cost-neutral program would be limited to those persons currently receiving Medicaid. Current Medicaid recipients receiving Supplemental Security Income (SSI) in Nevada and who wished to re-enter the workforce had the option available to them under a work incentive program administered by the Social Security Administration under Section 1619 of the Social Security Act.

Mr. Duarte indicated that the group that would benefit most from a Medicaid Buy-in program would be recipients of Social Security Disability Insurance (SSDI) payments whose monthly benefits were greater than the income standard to qualify for SSI and, therefore, Medicaid in Nevada.

Mr. Duarte pointed out that Social Security Disability Insurance recipients received Medicare coverage after a two-year waiting period. However, Medicare did not pay for personal care aid services necessary for some people with physical disabilities to return to work.

Mr. Duarte indicated that with the passage of S.B. 207, 2001 Legislature, the Division of Health Care Financing and Policy re-focused Medicaid Infrastructure Grant staff efforts to evaluate the feasibility of a cost-neutral Medicaid Buy-in program to be implemented during the current biennium. However, it was concluded, through the evaluation, that a cost-neutral program was not feasible. Mr. Duarte indicated that although grant funds could be used for start-up operational costs, such as computer system modifications; necessary eligibility personnel, training and office set-up costs, and Medicaid service costs associated with new Buy-in program enrollees required state general funds.

Mr. Duarte explained that the monthly amount of unearned income was the primary determining factor in projecting additional costs and enrollment and that even with monthly unearned income of less than \$400, it was projected eleven enrollments could occur. The total cost of this minimal program would be \$41,239 in the initial year and \$62,140 annually once fully implemented. In view of the need for additional general funds and that existing resources would be used, Mr. Duarte indicated it was recommended not to proceed with the minimal program during the current biennium.

Mr. Duarte provided the Committee a brief overview of the federal legislation – Ticket to Work/Work Incentive Improvement Act of 1999 (TWWIIA). The purpose of TWWIIA was to increase competitive employment opportunities for people with disabilities to raise their level of independence in order for them to more fully participate in the nation's economy. Mr. Duarte explained that it was a 'go to work' effort intended to facilitate re-entry into the workforce for people with disabilities. A person between the age of 16 and 64, previously determined 'disabled' by the Social Security Administration, was eligible to receive a "Ticket" which was essentially a voucher to obtain vocational assessment and rehabilitation services, job training, employment placement services and post-employment services such as job coaching. TWWIIA was consumer-directed and allowed the "Ticket" user to choose the type of training needed from a public or private provider. Mr. Duarte explained that the Social Security Administration announced late in 2001 that people with disabilities who resided in Nevada would be offered a "Ticket" beginning in November 2002. Mr. Duarte indicated that one of the most important factors in helping a person re-enter the work force was their ability to maintain their current health coverage under Medicaid.

In recognition of the importance of health care to a person with disabilities, Mr. Duarte explained that the Ticket to Work/Work Incentive Improvement Act provided states' the option to provide Medicaid coverage to employed people with disabilities. Nevada was awarded Ticket to Work-Medicaid Infrastructure Grant funding by the Center for Medicare and Medicaid Services in October 2000. The purpose of the grant was to provide states' with the incentive to plan, develop and implement a Medicaid Buy-in program. The grant monies could not be used to purchase medical services. The Medicaid Infrastructure Grant Work Plan, originally developed prior to passage of S.B. 207, provided for significant involvement of people with disabilities in the design of the Medicaid Buy-in program. In order to ensure that the program's design accomplished the goal, an Advisory Committee was established. The 13-member Advisory Committee included people with disabilities, advocates of people with disabilities and providers of services to people with disabilities. Nevada's two major urban areas, Las Vegas and Reno/Carson City, had proportional representation in the group. In addition, two members were from rural Nevada communities. The Advisory Committee met monthly since July 2001 and completed their Medicaid Buy-in program design recommendations in January 2002. The Advisory Committee recommended the Medicaid Buy-in program be named HIWA – Health Insurance for Work Advancement.

Medicaid Infrastructure Grant staff members were in the process of completing the cost model for the HIWA program for presentation to the Director of Human Resources and to the Governor for consideration as a part of the budget process. Depending on the unearned income eligibility established and the resulting new Medicaid participants, Medicaid service costs in the initial year of operation were estimated to range from \$1.2 - \$4.7 million dollars in state general funds. Once fully implemented, subsequent annual service costs were estimated to range from \$1.8 - \$7.1 million dollars in state general funds.

Paul Gowins, a representative and spokesman for the Advisory Committee, identified himself for the record and reiterated earlier remarks concerning the Advisory Committee's work with the staff of the Division of Health Care Financing and Policy to develop a cost-neutral program to provide medical assistance to employed persons with disabilities.

Mr. Gowins explained that the Advisory Committee was initiated to ensure that the program was developed, and while the proposed plan reflected staff commitment to the project, the model would not be cost neutral to Nevada. Mr. Gowins discussed the reasons the program could not be recommended which he said were not related to the design of the program but rather to the Medicaid structure as well as to issues in Nevada that differed from other states.

Having recognized the budget shortfall, Mr. Gowins indicated the Advisory Committee supported the recommendation to not implement the program during the current biennium. Several recommendations by the Advisory Committee included:

- Implementation of a 1619 B Program (*Section 1619 B provides for continued Medicaid eligibility when a person's income is too high to qualify for a SSI cash benefit, but not high enough to offset the loss of Medicaid*);
- Streamlining the Medicaid eligibility process to coincide with Social Security Supplemental Security Income (SSI) eligibility to prevent applicants from losing their medical services by becoming lost in a "paperwork shuffle." Mr. Gowins suggested that streamlining the process be investigated and presented to the Legislature for consideration in the next biennium; and,
- Publicize the availability of a new Benefits Counselor position with the Southern Nevada Center for Independent Living. The Benefits Counselor would provide assistance to applicants concerning their benefits.

Jon Sasser, Washoe Legal Services, concurred with remarks by both Mr. Duarte and Mr. Gowins and extended his compliments to both the Division and the Advisory Committee for their hard work. Mr. Sasser understood the program could not be implemented during the current biennium; however, he requested the Committee's cooperation with the Division in the future to have the program brought online during the following biennium.

In response to a question from Ms. Giunchigliani concerning the necessity of bill drafts for the Advisory Committee's recommendations, Mr. Gowins indicated the requests would have to be drafted by Division of Health Care Financing and Policy staff.

Mr. Duarte advised that while the need for additional legislation had not been discussed, it was his opinion it was not necessary and that the requests would be presented as a part of the budget process. However, Mr. Duarte added that additional information would be presented to the Director of the Department of Human Resources and through him to the Governor.

Ms. Giunchigliani specifically questioned whether the recommendation concerning streamlining the Medicaid eligibility process to coincide with Social Security Supplemental Security Income (SSI) eligibility would require a bill draft request.

Mr. Duarte indicated he did not anticipate legislation would be required.

Chairman Raggio indicated that if the budget could accommodate the recommendation, there would be no reason for a separate bill; however, whether or not the budget could accommodate the recommendation depended on the state's financial situation.

In response to a question from Ms. Giunchigliani, the Chairman indicated the Committee would accept the report; however, there was no action required on Item H.

In response to Chairman Raggio's request for comments concerning the recommendations from the Advisory Committee, Mr. Duarte advised that the recommendations were feasible and that the Grants' staff would be working with the Advisory Committee to implement the recommendations during the current biennium.

Mr. Gowins addressed the importance of the program and the fact that costs had been brought down to a more reasonable level than initially projected. Mr. Gowins indicated the proposal was "good sound policy for the future of Nevada" and while state funding would be a part of that policy, for the long term, it would be wise to continue to review how to achieve implementation.

Chairman Raggio pointed out that Senator Rawson introduced S.B. 207 during the 2001 Legislature and commended his efforts and the efforts of those who had supported the concept of the bill. However, Chairman Raggio indicated that many programs including those that currently existed would depend on the availability of state revenues during the 2003 Legislature. The Chairman noted the work of the Governor's Task Force on Tax Policy in Nevada (ACR 1 of the 17th Special Session) and asked that it be kept in mind that any additions to current programming in Nevada would depend on taking a fresh look at state revenues.

Senator Rawson discussed the hard work put into the proposal both during the 2001 Legislative Session and during the interim and indicated that the current financial situation did not necessarily indicate that the concept had to be abandoned.

On behalf of the Committee, Chairman Raggio extended his appreciation to all those who attended the meeting in support of the proposal to provide medical assistance to persons with disabilities and expressed hope that the program could be implemented at some point in the future.

The Chairman called a brief recess at 10:17 a.m. and indicated that when the meeting was reconvened, the Committee would address Item F 4, Requests for Allocation from the Contingency Fund, \$3 million for the Nevada Protection Account.

Chairman Raggio reconvened the meeting at 10:34 a.m. and determined it would be appropriate to hear information on K. 14. Status of General Fund Revenue Shortfall in Fiscal Year 2002 (Page 91) and K. 7. a. Budget Shortfall Analysis, TANF, Nevada Check-up and Medicaid (Page 98).

***I. CHINA SPRING YOUTH CAMP IMPROVEMENT PROJECT (S.B. 560 – 1999 Session) – Report on Funds Disbursed from the February 5, 2002 Allocation in the Amounts of \$547,702.23 and \$183,266.57.**

Steven J. Thaler, Director, China Spring Youth Camp, reported that funds in the amount of \$547,702.23 and \$183,266.57 which were disbursed from the Committee's February 5, 2002, meeting had been utilized.

MR. MARVEL MOVED APPROVAL OF ITEM I.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

***J. DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES**

1. Division of State Lands
 - a. Approval of Sale of State Property to Nevada Department of Transportation Pursuant to NRS 321.335.

Pam Wilcox, Administrator, Division of State Lands, identified herself for the record and requested the Committee's approval for the sale of a parcel of land by the Division of State Lands, held on behalf of the Department of Corrections, to the Nevada Department of Transportation. Ms. Wilcox reported that the parcel, which was needed by NDOT for the freeway bypass in Carson City, would be sold for its appraised value.

SENATOR RAWSON MOVED APPROVAL OF ITEM J.1.A.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- b. Approval of Sale of Elko Division of Wildlife Office Site Pursuant to NRS 321.335.

Ms. Wilcox requested the Committee's approval on the sale of the existing Division of Wildlife Office facility and land in Elko, adjacent to the Elko airport. Ms. Wilcox advised that the new facility being built for the Division of Wildlife should be completed during the summer 2002.

In response to a question from the Chairman, Ms. Wilcox advised that state law required that the facility first be offered to other state agencies and after that to local governments in the City of Elko who might be interested dependent upon the appraisal. If no buyers materialized from either state or local government agencies, the facility and land would be sold at auction and the appraisal would be the minimum bid.

Ms. Wilcox indicated the appraisal would be initiated after IFC approval of the request.

SENATOR RAWSON MOVED APPROVAL OF ITEM J.1.B.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- c. Approval of Lease of State Property – Lease of State Property for Communications Tower Pursuant to NRS 322.007.

Ms. Wilcox requested the Committee's approval for the lease of state property at the Highway Patrol Facility in Reno. The lease to Nevada Bell Wireless would permit expansion of an existing NHP communication tower to enhance cellular telephone use in southwest Reno. Ms. Wilcox recommended approval of the lease for which payment to the state of \$1,250 a month or \$15,000 a year had been negotiated.

SENATOR RAWSON MOVED APPROVAL OF ITEM J.1.C.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

- d. Approval of Acceptance of Gift for Division of State Parks – Van Sickle Easements, Lake Tahoe State Park Pursuant to NRS 353.335.

Ms. Wilcox requested the Committee's approval to accept the donation of the Van Sickle Easements, Lake Tahoe State Park, a gift valued in excess of \$10,000. Ms. Wilcox reported that State Parks had been working for some time to secure the easements, which were located in California and provided the most feasible access to the Park. Ms. Wilcox further advised that Mr. Van Sickle had donated two of the easements and the California Tahoe Conservancy was donating the third.

SENATOR RAWSON MOVED APPROVAL OF ITEM J.1.D.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

K. INFORMATIONAL ITEMS – Reports on Letters of Intent and Various Reports from Agencies (list is [Exhibit D](#)).

7. [Director's Office – Budget Shortfall Analysis – TANE, Nevada Check-up and Medicaid](#). (Refer to Page 97)

12. [Public Employees' Benefit Program](#)

P. Forrest (Woody) Thorne, Executive Officer, Public Employees' Benefits Program, identified himself for the record. Mr. Thorne reported that the Public Employees' Benefits Program had experienced an unexpected increase in claims during the period from October 1, 2001 through January 2002. While there was improvement in claims payout during February 2002, Mr. Thorne indicated a sharp increase was again experienced in March.

Mr. Thorne advised that the Program's Status Report (Exhibit L) provided information on the inventory of claims buildup during the first part of 2001 which lead to slow claims payment on the part of the third-party administrator. Claims processed during the October to January period brought the claims inventory down to normal levels; however, Mr. Thorne indicated there was an unexpected increase in the number and dollar amount of large claims over \$25,000. Mr. Thorne pointed out that such large increases were generally unpredictable and one of the largest variables encountered in attempting to project trends. As the unanticipated claim payout was not in the information available at the time the rates were set for 2002, Mr. Thorne indicated a lower trend rate had been expected than actually developed. As a result, Mr. Thorne told the Committee, the Program's reserve at the end of March 2002 was down to just under \$11 million compared to what should have been \$22 million based on year-end calculations by the program's actuary.

Mr. Thorne advised that in projecting forward, staff had attempted to determine how much of the impact over the last five months had been due to the large claims and bringing the inventory down to appropriate levels. While staff had worked through the inventory, Mr. Thorne advised there was some uncertainty concerning the large claims issue. If medical and pharmacy claims projections of \$10 million a month for April, May and June were realized, Mr. Thorne advised the Program's reserve would be down to just over \$6.4 million. He further elaborated that with the July 1 increase in the state subsidy and projected medical and prescription claims of \$10.5 million a month for the remainder of the plan year, the Program would end the plan year "essentially treading water." However, Mr. Thorne pointed out that the situation was fragile particularly if there was "a swing of between \$8 and \$9 million a month in payments to vendors (non-claim payments) and the timing of receipts. Discussion had taken place with vendors who had agreed to being paid in the last week of the month when the Program received funding from receipts, as opposed to the normal period of payment in the second week of the month.

If there were no "large surprises" such as those seen in the last five months, Mr. Thorne indicated the Program would "survive until the end of the plan year." However, if increased payments above the projected claim payouts occurred, a mid-year rate increase would be necessary.

In response to Chairman Arberry's request for additional detail on how the projected loss would be addressed, Mr. Thorne advised that staff was working with the Program's actuary to produce a "utilization report" that would be ready for the Board meeting the first week in May. Mr. Thorne advised that the utilization report would help determine what was driving the claim cost and any changes that might be needed "from a plan design standpoint." Additionally, Mr. Thorne indicated a Request for Proposal for a statewide HMO/PPO or self-funded plan would be released in the next several weeks in order to determine what the market could provide as well as what they could do for themselves.

On behalf of the Committee, the Chairman extended his thanks to Mr. Thorne for his presentation and indicated the Public Employees' Benefit Program Status Report ([Exhibit L](#)) would be made a part of the record.

13. [Department of Information Technology](#)

Terry Savage, Director, Department of Information Technology (DoIT), identified himself for the record. In reference to the Quarterly Status Report on the Decentralization Pilot Program for the Second Quarter of Fiscal Year 2002, Mr. Savage indicated that one of the issues that had not been considered until the rate model was studied was that decentralizing significant numbers of the programming staff had a noticeable impact on the revenue side of the cost pool and that impact had to be analyzed in consideration of the issues.

In reference to the Quarterly Status Report on Master Service Agreement (MSA) Tracking, Mr. Savage advised that DoIT had a vacant position they would like to fill to provide oversight of MSAs. Preliminary conversations had taken place with the Committee's staff and once the proper charging methodology was determined, the position would be filled.

There were no questions from the Committee. The Chairman accepted DoIT's report ([Exhibit M](#)), which was made a part of the record.

14. [Report on Status of General Fund Revenue Shortfall in Fiscal Year 2002](#).

Chairman Raggio welcomed Governor Guinn to the meeting and expressed his thanks to the Governor for his recent efforts on behalf of the state and his trip to Washington, D.C. to provide a "notice of disapproval" to President Bush on the Yucca Mountain site.

Chairman Raggio noted that staff had provided an analysis of the Potential Budget Shortfall ([Exhibit E](#)) and suggested the document be reviewed with the information that would be provided by the Executive Branch.

Governor Guinn addressed the state's revenue shortfall that had occurred since the events of September 11, 2001 and pointed out that gaming data which provided the basis for analysis was received with a one-month lag time while sales tax data was received, in some cases, with as much as a 45-to-60-day lag. Thus, the Governor explained the difficulty faced by the Administration to make accurate projections to the end of the fiscal year. However, the Governor said a trend had developed that indicated the type of action needed to be taken, and he would provide information during his presentation that would set the tone for the revenue shortfall being experienced by the state.

Beginning with the state's largest General Fund revenue source, the Governor reported that sales tax was off for Fiscal Year 2002 through January by \$24.6 million, as outlined in [Exhibit E](#). The Governor pointed out that the bar graphs in [Exhibit E](#) identified the months from June through January Fiscal Year 2002.

The Governor reported the Budget Office estimated that the total General Fund revenue collections for Fiscal Year 2002 would be \$77 million below the Economic Forum's May 1, 2001 projections upon which the state budget was predicated, and Fiscal Year 2003 would see a \$73 million shortfall. Additionally, the Governor indicated there were some expenditure overruns especially in the Human Services area that affected the state's ability to assist those who were the "most needy."

In addition to the shortfall in General Fund collections, Governor Guinn addressed the state's obligation to make up the shortfall within the Distributive School Account of approximately \$30 million in Local School Support Tax (LSST) collections in Fiscal Year 2002 and \$15 million in Fiscal Year 2003.

Chairman Raggio noted that staff had projected an estimated LSST shortfall of \$35,165,000 based on the status of current revenue. Governor Guinn explained that Executive Branch estimates were based on revenues between the present and June 2002, and projected a total of \$45 million over the current biennium would have to be cut from the state's general operating budget to make up the guarantee for the 17 different local school districts. While the figures could move rapidly either up or down, the Governor indicated it appeared the trend had been set. While the state's economy had shown some improvement, the Governor reported the economy could not recover to the levels projected by the Economic Forum. Thus, the Governor indicated the budget for the next two years would be built on a flat budget basis which in effect he said would be "devastating" to the departments throughout the state that received no increases other than those allocated by formula.

The Governor addressed reversions for Fiscal Year 2003 that had been budgeted at \$81 million and were now likely to be reduced to half resulting in a shortfall of approximately \$42 million which further strained available state resources.

Additionally, the Governor discussed an \$8 million responsibility in Fiscal Year 2002 in enrollment-driven costs, mostly from various hold-harmless provisions within the Distributive School Account.

The Governor reported a shortfall in available state resources of \$115 million in Fiscal Year 2002 and about \$129 million in Fiscal Year 2003 from the budgeted amounts.

The Governor reported offsets to the shortfalls had occurred and explained that in Fiscal Year 2001, the General Fund ending fund balance was approximately \$18 million higher than forecast. At the end of Fiscal Year 2003, the ending balance was projected to be \$21 million higher than the minimum statutory requirement of 5 percent of the total of all appropriations from the General Fund for the operation of all state agencies, departments, and institutions. And provided the option of spending down the fund balance by that amount. Additionally, approximately \$9.8 million from the Department of Motor Vehicles had inadvertently not been transferred to the state General Fund during the 1999-2001 biennium, which provided an additional savings.

The Governor also pointed out that the State Treasurer, Brian Krolicki, had explored strategies in setting forth bonds and interest rates that could generate additional monies for the state. The Governor reported that Mr. Krolicki's action was "entrepreneurial" and "academically well done," and one that the Governor had himself used many times when he was in the private-sector banking and utility business. Mr. Krolicki's action was compared to a refinancing program previously brought to the Legislature which provided approximately \$9.8 million for use by the 1999 Legislature to provide assistance to some of the school districts as well as to issues concerning Truckee River water problems. The Governor indicated that once he signed off on Mr. Krolicki's action, full responsibility would be taken that the action would be a safe and creative way for the state to generate between \$30 and \$40 million to offset the General Fund budget shortfalls for Fiscal Year 2002 and refinancing strategies that could save the General Fund about \$10 million in Fiscal Year 2003.

The Governor advised that currently there was about \$65 million in adjustments to the budgeted General Fund appropriations under consideration for Fiscal Year 2002 and \$78 million in Fiscal Year 2003. The Governor further advised that the adjustments came from a wide variety of programs and covered both one-time and ongoing funding.

The Governor stated that the three branches of state government would all share in the pain involved in the budget cutting process. He further indicated his intent to use his authority to make cuts that did not affect education or health care areas in which improvements had been made over the last four years. The Governor also discussed the additional responsibility current state employees had to take on in the wake of the hiring freeze that had resulted in approximately 1,000 less paychecks per month.

The Governor explained that almost all of the cuts would be made in one-shot areas in order to leave 70 to 75 percent of the regular General Fund budget untouched which he indicated placed "a tremendous hit" on only about 25 to 30 percent of allocations and the reason why everyone had to "step to the plate." For those who did not "step to the plate," the Governor indicated he would cut whatever was needed to prevent cuts in education, state employee salaries and health care.

The Governor addressed new programs related to health care that would have to be delayed and anticipated that as the economy improved those programs could be initiated.

In reference to potential offsets, the Governor explained that \$12 million of the \$65 million in adjustments to legislatively approved appropriations had already been accumulated as a result of the hiring freeze in effect since July 1, 2001. The Governor explained that the savings would have been greater; however, the state's tremendous population growth and economic crisis had increased the unemployment caseload from 400 to 500 clients a day to almost 2,000 a day, which resulted in authorized overtime to handle the caseload.

The Governor referenced the last page of the handout ([Exhibit E](#)) concerning the Fiscal Year 2002 and Fiscal Year 2003 Budget Outlook which reflected the following resources and potential offsets:

- General Fund Revenue Shortfall - \$77 million in Fiscal Year 2002 and \$72 million in Fiscal Year 2003;
- LSST Makeup - \$30 million in Fiscal Year 2002 and \$15 million in Fiscal Year 2003;
- Enrollment-Driven Costs (hold-harmless) obligated payment of \$8 million in Fiscal Year 2002;
- Total Resources Shortfall - \$115 million in Fiscal Year 2002 and \$129 million in Fiscal Year 2003;
- Potential offset of \$18 million in Fiscal Year 2001 ending fund balance in excess of budgeted amount;
- Potential offset of \$21 million in Fiscal Year 2003 ending fund balance in excess of 5 percent;
- State Treasurer's investment strategies revision that could result in \$30 million in Fiscal Year 2002 and \$10 million in Fiscal Year 2003.
- Adjustments to Legislatively approved appropriations under consideration - \$65 million in Fiscal year 2002 and \$78 million in Fiscal Year 2003, \$12 million of which had already been accumulated in Fiscal Year 2002.

In summary, the Governor advised that while the picture was bleak, Nevada was in a better financial position than California with a \$17.2 billion shortfall; Arizona - \$1.6 billion; Ohio - \$2.8 billion and Minnesota - \$1 billion each year for the next three years.

The Governor indicated that moving into the next legislative session, serious thought should be given to protecting the state's "fragile income streams."

Senator Coffin recalled difficult financial periods in 1983, 1991 and 1993 when services were cut and various other solutions were used to balance the budget. Senator Coffin pointed out that the Rainy Day Fund was established for just such a time as the current economic crisis brought on by a weak recession and the events of September 11, 2001.

It was Senator Coffin's opinion that the Rainy Day Fund could eliminate much of the budget shortfall problem without the need to withhold services and the need to "reach for untested strategies" to generate funding which he indicated might be workable but would not adequately cover the need.

While the Rainy Day Fund was established with the idea of taking care of situations such as the current budget shortfall, Senator Coffin indicated language in the law was somewhat arbitrary and probably should be changed to read *5 percent of the budget shortfall, or at the discretion of the Governor, a special session could be called to address the needs of the state budget*. Senator Coffin expressed his opinion that a special session was needed to change the language so that money from the Rainy Day Fund

could be used for the shortfall. While Senator Coffin indicated he understood there was reluctance to call a special session for the Yucca Mountain issue, the budget shortfall issue was just as or more important than the nuclear waste depository. Senator Coffin reiterated his strong support for a special session if the Governor believed it would help.

The Governor responded that while he appreciated the Senator's "generous offer," it was his opinion it would not be a good decision to call a special session to allocate money from the Rainy Day Fund at the present time. The Governor indicated he believed it was more important to get through the end of the current fiscal year. He said, however, that if the economic situation did not improve in Fiscal Year 2003, he would call a special session and go before the entire legislative body to request the needed funding.

Senator Coffin pointed out that denial of budgeted services would be harmful to clients while the fact remained there was well over \$100 million in the Rainy Day Fund that could be accessed. It was Senator Coffin's opinion that funding should be either used or returned to the taxpayers.

The Governor explained that while some services and programs would be affected by budget cuts, it was hoped that the cuts could be made "without extreme pain" to clients. The Governor pointed out the necessity to prioritize and that tapping into the Rainy Day Fund between now and June 30, or even early into the new fiscal year could place future funding in jeopardy for those who received Medicaid, Temporary Assistance to Needy Families, and health care, especially for seniors and for those who had no health care coverage.

In reference to the Treasurer's proposal to manage the Consolidated Bond Interest and Redemption Fund, Mr. Goldwater indicated that while it appeared a brief cash infusion could be realized, it was his opinion that the action could prove detrimental to the state in the long term. Mr. Goldwater pointed out that the proposal would fix the state's earning capacity at 6 percent and limit the ability to earn more during an improved economic environment.

Governor Guinn indicated he could not remember a time when the state had earned more than the 6 percent that could be realized in the Treasurer's proposed action. The Governor recalled that as a private citizen in 1991, he advised state officials that the manner in which state investments were handled should be changed, and now that he was Governor, investment strategy would change. The Governor called upon Mr. Krolicki to provide additional information.

Brian Krolicki, State Treasurer, identified himself for the record and advised that over the past ten years the average interest earned in the General Portfolio had been at about 5.8 percent and the Consolidated Bond Interest Redemption Fund had been only slightly greater than 6 percent. Mr. Krolicki pointed out that with his proposed action the vendors could look at a 10, 15, or 20-year view, match the actual flow of the debt service and invest the monies safely while the state maintained some control.

Mr. Goldwater indicated that while he did not dispute the risk parameters, the Committee needed to understand the state would be limited to a 6 percent rate of return and that a short-term judgment was being made that could affect long-term budgeting in the future.

The Governor explained that the decision concerning the Treasurer's proposal was essential and was not considered a short-term solution. The Governor recalled the \$1.65 billion worker's compensation contingent liability that came about as a result of the state's inability to invest money in the same way it could be invested by the business sector. The Governor advised that when it was privatized, the private sector took \$750 million in cash and invested it at about 22 percent, which was the same concept proposed by the State Treasurer. The Governor reiterated that the decision on whether to implement the Treasurer's proposed action would be his alone and that their appearance before the Committee was a courtesy to provide information on what was being done to address the revenue shortfall.

Mr. Goldwater agreed that the proposal was without risk but maintained that the action would limit the state's future opportunity to earn more than 6 percent on state investments.

The Governor pointed out that state investments had never earned more than 6 percent on a consistent basis and that the Treasurer's proposal guaranteed 6 percent.

Mr. Beers indicated it was his understanding that commensurate with a rise in inflation, a higher rate of return would not provide more spending power because expenses would also increase.

Mr. Krolicki agreed and explained that the state was locking into the concept that *money was never lost by taking a profit*. Mr. Krolicki pointed out that the state might be able to earn a higher return on average over a long period of time if interest rates were high, which he pointed out was not the usual situation, noting that the federal funds rate was currently at a 40-year low of 1.75 percent.

Chairman Raggio pointed out that, by statute, the state had limited its capability of the types of investments that could be made even though there had been some "good suggestions" that had been rejected by the Legislature concerning other investments that should be authorized.

Ms. Giunchigliani recalled a securitization presentation by Mr. Krolicki during the 2001 Legislative Session for which legislative authority was requested but not provided. Ms. Giunchigliani questioned the Treasurer's authority to act on a proposal to give state money to a vendor to invest without legislative authority. While Ms. Giunchigliani indicated it appeared the investment process had merit, it was her opinion the authority to use that process did not exist.

In response to a question from the Chairman concerning Ms. Giunchigliani's concern, Mr. Krolicki indicated that the tobacco securitization proposal presented during the 2001 Legislature was "clearly in need of legislative approval." However, in reference to the current issue, bond counsel opinion provided that the Treasurer had the ability to enter into a contract with a private sector firm to engage in activities related to the Treasurer's office. Mr. Krolicki explained that the proposal was looked at essentially as a contract to change the state's debt service payment process. Additionally, Mr. Krolicki explained the process would send the debt service, not to just the paying agent firm that paid the bond holders, but to another firm that paid the trust agent that paid the bond holder.

While Ms. Giunchigliani expressed her appreciation for the clarification, she maintained that an opinion from the Legislative Counsel was needed.

In response to a question from Chairman Raggio on whether she was prepared to respond, Ms. Erdoes, advised that she was not prepared to provide an immediate response. Ms. Erdoes explained that additional details were required after which the questions raised during the meeting would be reviewed.

Chairman Raggio asked that Ms. Erdoes explore the issue, confer with the State Treasurer and provide the information to the Committee.

Governor Guinn advised that the matter should be looked into quickly as the Executive Branch was prepared to immediately move on the Treasurer's proposal.

Mr. Krolicki advised that he had briefed the Committee's staff and Ms. Erdoes on the proposal.

In reference to the Governor's declaration concerning the timeliness of the legal opinion, Mr. Goldwater asked if a vendor had already been chosen through a competitive process.

The Governor responded that the competitive process to select a vendor for this particular issue had been unnecessary and reiterated that the Executive Branch was not before the Committee to request approval for the proposal. In response to additional questions from Mr. Goldwater concerning the use of requests for proposal (RFP), the Governor indicated that many times in the "financial world" an RFP was not used.

Chairman Raggio called upon John P. Comeaux to present his comments concerning the status of the General Fund revenue shortfall in Fiscal Year 2002.

John P. Comeaux, Director, Department of Administration, identified himself for the record and explained that in view of the Governor's thorough presentation of the General Fund revenue shortfall, he would provide only a brief summary.

Mr. Comeaux addressed the state's current economic situation, described as unique, and the complexities involved in attempting to reforecast revenues. With more confidence expressed in the projections for Fiscal Year 2002 than Fiscal Year 2003, Mr. Comeaux advised that henceforth the revenues would be analyzed on a monthly basis.

Mr. Comeaux reported revenues for Fiscal Year 2002 would come in at \$77 million less than forecast by the Economic Forum and the make-up for the Local School Support Tax collections shortfall and increased enrollment-driven costs from hold-harmless provisions would require \$38 million from the state General Fund.

Mr. Comeaux addressed the offsets, which included that the Fiscal Year 2001 ending General Fund balance was \$18 million more than projected and that vacancy savings and the proposed action by the State Treasurer could generate \$30 million in additional revenue. Mr. Comeaux further indicated that several other areas were being explored that could generate another few million dollars.

Additionally, Mr. Comeaux advised that the Governor had put state agencies on notice concerning certain one-time expenditures that would have to be postponed until decisions on budget cuts were made. Mr. Comeaux noted that without taking the necessary precautions, the fund balance could be spent down to somewhere between \$50 and \$55 million in the current fiscal year which although could be survived would present cash flow problems.

While the real problem would occur in Fiscal Year 2003, Mr. Comeaux reiterated the Governor had other areas and ideas that were under consideration and were being explored.

In reference to Mr. Comeaux's statement concerning cash flow problems, Governor Guinn addressed the state's commitments to the counties, cities and school districts and the fact that in some instances payments were behind. The Governor emphasized that the \$30 million transaction by the Treasurer's Office was crucial to help alleviate the state's current cash flow problems.

The Chairman called upon Mike Willden to deliver his presentation concerning the Department of Human Resources' caseload impact on the General Fund.

7.a. Director's Office – Budget Shortfall Analysis TANF, Nevada Check-up and Medicaid.

Mike Willden, Director, Department of Human Resources, identified himself for the record and referred to a document ([Exhibit G](#)) that contained graphs and charts concerning the Department of Human Resources' status since the September 11, 2001 event.

The first chart in the handout illustrated a caseload history of the Temporary Assistance to Needy Families (TANF) program, which indicated a high point of 42,703 TANF recipients in March 1995. After implementation of an aggressive Welfare Reform program, the TANF caseload was at its lowest point in March 2000 with 15,487 recipients. Since September 11, 2001, Mr. Willden noted an "almost straight-up climb" in the number of recipients.

The second chart illustrated the actual number of TANF recipients through March 2002 and the steep incline that occurred after September 11, 2001 as well as the legislatively approved statistics for a caseload that had been expected to remain flat over the biennium.

The third chart illustrated a summary of the actual caseload numbers for recipients of the TANF Grant, Food Stamps and Medicaid through March 2002. Mr. Willden advised that the TANF caseload was at 34,148 and climbing and the Food Stamp caseload, while not a General Fund need issue, was illustrated simply as a barometer and one of the other major programs being dealt with. Mr. Willden reported the most concern was focused on the total Medicaid caseload, which was originally budgeted at about 124,000 recipients for Fiscal Year 2002 and 133,000 for FY 2003 and had already climbed to 150,000 recipients through March 2002.

The fourth chart was highlighted to illustrate key indicators and as previously indicated during the February 2002 IFC meeting, Mr. Willden explained that the caseload growth was seen primarily in health programs related to families and children.

In summary Mr. Willden advised that actions being implemented to manage the current financial situation included:

- Reduced Title XX transfer. Higher than budgeted Title XX block grant funding permitted withholding TANF dollars and use of Title XX funding;
- Caseload mix and cost allocation changes were projected to save significant TANF dollars, however, a \$2.6 million General Fund cost was expected to occur in Fiscal Year 2003;
- Program deferrals that included payments to ill and incapacitated households. Although current calculations were based on a full-year deferral, Mr. Willden indicated that if the economic situation improved, the program for payments to ill and incapacitated households would be implemented at the earliest opportunity.
- Reduction in transfers to sister agencies; and,
- Reduction in contracts.

Mr. Willden reported that while Fiscal Year 2002 was expected to end with an \$18.6 million surplus in TANF expenditures, Fiscal Year 2003 was projected to end with a \$2.9 million deficit which he indicated was potentially manageable depending on Congressional action concerning TANF supplemental grants (population modifier funding). While a \$4.7 million payment was expected in the current year, only \$3.7 million had actually been received. Additionally, the possibility existed that a \$6.2 million payment could be received in Fiscal Year 2003; however, the payment had not yet been determined. Depending on Congressional action and occurrences within the various budget scenarios, Mr. Willden indicated that the state might receive a TANF payment somewhere in the neighborhood of \$2.8 to \$4.8 million that was not currently in the budget. Mr. Willden further advised that the caseload would be closely monitored and appropriate decisions would be made as time went on.

In reference to the chart concerning the Medicaid budget shortfall, Mr. Willden pointed out that a shortfall of \$51,110,032 was projected for Fiscal Year 2002, of which \$21,189,019 was state General Fund need. The shortfall for Fiscal Year 2003 was projected at \$71,251,268, of which \$27,243,808 was General Fund need.

Mr. Willden advised that the Fiscal Year 2002 Medicaid shortfall (General Fund) could be resolved by the Committee's approval of work programs transferring funds from the Intergovernmental Transfer Fund to the Medicaid budget.

Mr. Willden advised that the Fiscal Year 2003 Medicaid shortfall would be addressed by implementation of deferrals of new/enhanced programs (General Fund) and indicated that three deferrals and one other major component had already been calculated into the \$27,243,808 projected shortfall. Those deferrals had previously been discussed with the Committee and included:

Program deferrals included in the Medical Payments Project Analysis

- CHAP Assets Test;
- Expedited eligibility for children and pregnant women; and
- Discretionary rate increases to Medicaid providers.

Mr. Willden advised that calculations also included revised federal matching percentages on Medicaid. If an improvement in the economic situation occurred, Mr. Willden indicated important programs such as the CHAP Assets Test, expedited eligibility and the discretionary rate increases would be implemented.

Mr. Willden also reported that the \$27,243,808 General Fund shortfall projected for Fiscal Year 2003 could be additionally addressed by three other items which included additional Intergovernmental transfers estimated at \$4 million in Fiscal Year 2003 as well as changes to the managed care capitation rates and pharmacy acquisition costs which could reduce the shortfall of \$27,243,808 to approximately \$22 million.

While deferrals in programs such as the physically disabled waiver, Community Home-Based Initiatives Program (CHIP) waiver and adult group waiver had been evaluated, Mr. Willden indicated it was his opinion that in view of the Olmstead decision (*requirement that states administer services, programs and activities "in the most integrated setting appropriate to the needs of qualified individuals with disabilities"*) as well as several other issues, it would be inappropriate to consider deferrals in the waiver programs.

In reference to the Nevada Check-Up Program, Mr. Willden indicated that data had been presented during the February 2002 Interim Finance Committee meeting concerning the rising need in the program which provided health care insurance benefits to children under 200 percent of poverty. Current enrollment through March 2002 was 23,389 versus the 21,301 budgeted. Projections for Fiscal Year 2003 indicated an average enrollment above that which was budgeted so that in addition to making up the \$1.3 million that had been moved to Fiscal Year 2002 (from Fiscal Year 2003), additional projected recipients could cost \$1.45 million in general funds and could result in a total \$2.75 million general fund shortfall in Fiscal Year 2003.

In reference to the dramatic decrease in gaming and sales tax revenues, and the rise in unemployment and TANF caseload growth, Senator O'Donnell questioned the change in the criteria used to determine TANF eligibility.

Mr. Willden responded that the Governor had approved a waiver of the value of unemployment compensation in calculating cash assistance and health program benefits.

In response to a question from Senator O'Donnell, Mr. Willden advised that the unearned income component of the eligibility for TANF was deleted only for unemployment compensation benefits.

Senator O'Donnell had a number of questions that included whether the deleted eligibility criteria had increased the TANF caseload, if projections indicated the caseload would continue to increase, and when it was expected the requirement would be reinstated.

Mr. Willden responded that the policy decision to waive the value of the unemployment income had been closely monitored, and that in the month of February about 650 cases had benefited from the waiver of the unemployment insurance. However, Mr. Willden reported that since the September 11, 2001 incident, 94 percent of the increase had nothing to do with the policy decision to waive the value of the unemployment benefit.

In reference to the waiver, Governor Guinn reported that the \$647,000 that had been spent thus far had been a "life saver" to those families who had received the benefit. The Governor explained that \$301 per week was the maximum unemployment benefit that could be received, and the average in Nevada was \$268. The waiver allowed families to receive food stamps, retain health and insurance benefits and use the cash benefit for rent. The Governor indicated there had been some discussion among the nation's governors to implement the policy across the country.

In response to Senator O'Donnell's additional observations concerning the policy and low caseloads prior to September 11 and the waiver, increased unemployment, TANF and Medicaid caseloads after September 11, Governor Guinn indicated 650 families, some of whom had been in unique circumstances, were placed on TANF assistance because of the policy change.

Ms. Giunchigliani requested clarification concerning whether the \$22,093,266 shortfall in Medicaid after adjustments in Fiscal Year 2003 and the \$2.75 million shortfall in the Nevada Check-Up Program should also be included in the total resources shortfall of \$115 million for Fiscal Year 2002 and \$129 million for Fiscal Year 2003.

Mr. Comeaux responded that Mr. Willden's forecasts dealt with expenditures, and the figures for the budget outlook were revenues; however, if the expenditure projections proved to be correct, the General Fund shortfall would increase in Fiscal Year 2003.

Senator Neal attributed the TANF caseload increase to large employee layoffs by the hotel and gaming establishment and commented on the huge bonuses provided to hotel management after September 11, 2001. Senator Neal questioned whether the time was now appropriate to increase gaming taxes.

Governor Guinn responded that the Governor's Task Force on Tax Policy in Nevada was in the process of exploring many areas of tax policy through the business communities, individual corporations and gaming. It was the Governor's opinion that one of the reasons that state found itself in its current economic situation was because of the lack of a long range, well thought-out program that could keep up with the current growth of services. The Governor noted that even before September 11, 2001, the state was in an economic downward spiral. Governor Guinn indicated he was hopeful that by the next Legislative Session in 2003, "a format and template" would be available to initiate the necessary action for the state to begin accumulating some wealth and capital to help its fragile economic situation.

With a large agenda remaining before the Committee, Chairman Raggio moved to Item F 4, the request for \$3 million for the Nevada Protection Account (Page 71).

L. PUBLIC TESTIMONY.

There was no public testimony.

With no further business before the Committee, Chairman Raggio adjourned the meeting at 4:49 p.m.

—

Senator William J. Raggio, Chairman
Interim Finance Committee

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