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 November 26, 2001, at 9:23 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., Vice Chairman
Senator Bob Coffin
Senator Lawrence E. Jacobsen
Senator Bernice Mathews
Senator Joseph M. Neal, Jr.
Senator Raymond D. Rawson
Assemblyman Bob Beers
Assemblywoman Barbara K. Cegavske
Assemblywoman Vonne Chowning
Assemblyman Marcia de Braga
Assemblyman Joseph E. Dini, Jr.
Assemblyman Lynn Hettrick
Assemblywoman Sheila Leslie
Assemblyman John Marvel
Assemblyman David R. Parks
Assemblyman Richard D. Perkins
Assemblywoman Sandra J. Tiffany

COMMITTEE MEMBERS EXCUSED:

Senator William R. O'Donnell
Assemblywoman Christina R. Giunchigliani
Assemblyman David E. Goldwater

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne J. Malkiewich, Director
Brenda J. Erdoes, 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
Connie Davis, Secretary
Sherie Silva, Secretary

A. ROLL CALL.

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

***B. APPROVAL OF MINUTES FROM THE SEPTEMBER 25, 2001, MEETING.**

MR. MARVEL MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 25, 2001, MEETING.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

C. APPROVAL OF WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5)(b). INFORMATIONAL ONLY – REQUIRED EXPEDITIOUS ACTION WITHIN 15 DAYS. (MOVED TO ITEM *E ON 11/13/01.

The work program listed under Item C. was moved to Item E. as it involved block grant funds and required a public hearing. See Item E.

D. APPROVAL OF WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5)(c). INFORMATIONAL ONLY – REQUIRED ACTION WITH 45 DAYS.

1. **Department of Transportation – Bond Construction Account – FY 02 –** Transfer of $10,000,000.00 from the US 95 Project category to the Sinatra Boulevard Project category to transfer $10,000,000.00 in bond authority from the US 95 Project to the Frank Sinatra Boulevard project to avoid a possible arbitrage rebate. Requires Interim Finance approval since the amount transferred to the Sinatra Boulevard Project exceeds $50,000.00.

   Item D. did not require action by the Committee.

At this point, because some members of the Committee had not yet arrived from the airport, the Chairman opted to take the agenda out of order and moved to Item P. Informational Items.

E. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS 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 for further testimony as well as any work programs requested by members of the Committee. The following work program items required testimony:

Items 12, 16, 17, 23, 24, 25, 26, 90, 91, 95, 96, 104, 105, 106, 112, 113, 114, 115, and 116.

Items 30, 77, 80 (portion related to Fleet Management), 82 were withdrawn; and;

Items 32, 34, 35, 37, 55, 60 required a public hearing.

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

MRS. CEGAVSKE MOVED TO APPROVE ALL ITEMS NOT ENUMERATED BY THE CHAIRMAN.

SENATOR MATHEWS SECONDED THE MOTION.

Ms. Leslie asked that the record reflect she would abstain in approving Item 44 on the consent agenda, as she was a volunteer member of the Board of Directors of an agency that would be receiving the grant. Mrs. Cegavske also abstained on Item 44.

THE MOTION CARRIED. (Ms. Leslie and Mrs. Cegavske abstained on Item 44).

The Chairman noted that all of the remaining items not indicated were approved, and those who were in attendance for any of those items were excused

Senator Rawson requested that Agenda Item K.1, which was a change of scope for State Public Works Board Project 01-C30L, be taken out of order. See Item K.1.

1. **Office of the Governor - Nevada Protection Account - FY 02 -** Addition of $1,250,000.00 in Gifts and Donations to supplement State funding concerning federal nuclear repository issues. Requires Interim Finance approval since the amount of gifts exceeds $10,000.00.

   Refer to motion for approval under Item E.

2. **Office of the Attorney General - Victims of Domestic Violence - FY 02 -** Addition of $240,579.00 in the Federal Violence Against Women Grant to enhance grant programs to encourage better arrest policies and enforcement of protection orders by local enforcement agencies. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

   Refer to motion for approval under Item E.

3. **Department of Education - Discretionary Grants - Restricted - FY 02 -** Addition of $98,703.00 in Federal Homeless Children, addition of $235,218.00 in Federal Emergency Immigrant Education, and addition of $196,812.00 in Federal Advanced Placement Fee Payment to align budget with the full federal grant authority available for Education of Homeless Children and Youth, Emergency Immigrant Education, and Advanced Placement Fee Payment. Requires Interim Finance approval since the amount added to the Homeless, Immigrant, and Placement Fee Payment category exceeds $50,000.00.

   Refer to motion for approval under Item E.

4. **Department of Education - Discretionary Grants - Restricted - FY 02 -** Addition of $55,676.00 in Bilingual Federal Grant and addition of $44,577.00 in Federal Byrd Scholarships to align budget with the full federal grant authority available for Bilingual Education Grants and Byrd Scholarships. Requires Interim Finance approval since the amount added to the Bilingual Education category exceeds $50,000.00.

Refer to motion for approval under Item E.

5. **Department of Education - Discretionary Grants - Unrestricted - FY 02 -** Addition of $2,299.00 in Federal Christa McAuliffe and addition of $360,144.00 in Federal Class Size Reduction to align budget with the full federal grant authority available for Christa McAuliffe and Class Size Reduction funds. Requires Interim Finance approval since the amount added to the Class Size Reduction category exceeds $50,000.00.

Refer to motion for approval under Item E.

6. **Department of Education – Discretionary Grants - Unrestricted - FY 02 -** Addition of $268,993.00 in Federal Goals 2000, addition of $915,089.00 in Federal Technology Literacy Challenge, and addition of $44,074.00 in Federal National Community Service to adjust budget to reflect current grant authority. Requires Interim Finance approval since the amounts added to the Goals 2000, Technology Literacy, and National Community Service categories exceed $50,000.00.

Refer to motion for approval under Item E.

7. **Department of Education – Improving American Schools Account Title I Grants – FY 02 -** Addition of $268,565.00 in Federal Migrant Aid, addition of $34,507.00 in Federal Neglected and Delinquent, addition of $218,114.00 in Federal Even Start, addition of $442,997.00 in Federal School Reform Demonstration, and addition of $9,780,903.00 in Federal Basic/Concentration Grants to align the budget with the available federal grant authority for various grant programs. Requires Interim Finance approval since the amount of grant exceeds $100,000.00 and the amount added to the Federal Grant Expenditure Categories exceeds $50,000.00.

Refer to motion for approval under Item E.

8. **Department of Education – Improving America's Schools Act - Title II and Title VI Grants – FY 02 -** Addition of $398,206.00 in Federal Grant Title VI and reduction of $138,705.00 in Federal Eisenhower, Title II to align budget with the full federal grant authority available for Title VI and Eisenhower Title II federal grants. Requires Interim Finance approval since the amount added to the Aid to Schools category and amount deducted from the Math and Science Aid to Schools category exceeds $50,000.00.

Refer to motion for approval under Item E.

9. **Department of Education – Occupational Education - FY 02 -** Addition of $709,109.00 in Federal Vocational Education and reduction of $2,320.00 in Federal Technology Preparation Revenue to align budget with the full federal grant authority available for Occupational Education Programs. Requires Interim Finance approval since the amount added to the Occupational Education Basic Aid To Schools category exceeds $50,000.00.

Refer to motion for approval under Item E.

10. **Department of Education - School Health Education - AIDS - FY 02 -** Addition of $132,351.00 in AIDS Education Grant to align the budget with the full federal grant authority available for AIDS Education Grants. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

Refer to motion for approval under Item E.

11. **Department of Education - Drug Free Schools - FY 02 -** Addition of $175,712.00 in Federal Drug Free Schools to align the budget with the full federal grant authority available for Drug Free Schools. Requires Interim Finance approval since the amount added to the Aid to Schools category exceeds $50,000.00.

Refer to motion for approval under Item E.

12. **Department of Education - Education for Handicapped Act - FY 02 -** Addition of $4,400,907.00 in Federal Handicapped and addition of $230,358.00 in Federal Early Childhood to align budget with the full federal grant authority available for Special and Early Childhood Education Aid to Schools Programs. Requires Interim Finance approval since the amount added to the Special Education Aid to Schools and Early Childhood Education Aid to Schools category exceeds $50,000.00.

Keith Rheault, Deputy Superintendent, Department of Education, identified himself for the record and reported that the Special and Early Childhood funding that the Department of Education would receive from the federal government would be provided as aid to schools.

In response to a question from the Chairman concerning the percentage of funds distributed to the schools, Dr. Rheault advised that the percentage had been modified and introduced Gloria Dopf who provided additional information.

Gloria Dopf, Director, Special Education and Diversity Programs, Department of Education, identified herself for the record. In reference to the Chairman's question regarding the percentage of funds that flowed through to the school districts, Ms. Dopf reported that to attain eligibility, the districts had to be in compliance with complex state and federal laws for which the Department of Education provided oversight.

Ms. Dopf explained that as a result of a reauthorization, the amount of funds for set-aside purposes, which included the administration of the program at the state department level as well as special projects, had been frozen at a level of 25 percent of the 1997 base amount, when the law was reauthorized, and 20 percent of the 25 percent was available for the administration of the funds. Ms. Dopf further explained that as a consequence of the increased award, the 75 percent in FY2002 would increase by percentages and would manifest itself in 84.6 percent of the grant to the district as entitlement, 2.5 for administration and 12.9 for special projects. As a point of comparison, Ms. Dopf indicated that in FY2001 the districts received $22 million of the funds as their entitlement, and this year the districts were entitled to $29 million, a significant increase in the percentage of the entitlement funds.

Ms. Dopf explained that the Department was requesting IFC approval to augment work program authority in the amount of $4 million to match the increased grant award. Ms. Dopf indicated she would be working with Georgia Rohrs, Program Analyst, Fiscal Analysis Division, to prepare a report to the Interim Finance Committee concerning the districts use of entitlement money as well as an update on caseload reduction. Additionally, Ms. Dopf provided the following recap:

- $34.7 million awarded for FY2002;
- 84.6 percent of the grant, or $29,333,568 would be provided to the districts as entitlement money;
- $4 million special projects money; and,
- $800,000 to administer the project.

In response to a question from the Chairman concerning the local districts' utilization of the funds, Ms. Dopf advised that while entitlement funding provided the districts some latitude in utilization, they had to "meet the first priority of direct services." Ms. Dopf explained that the funds could be used "for instructional programs, or the related services providers, all the therapies attached to it, or the psychological assessment services that were part of the mandated evaluation process." Ms. Dopf stated that the additional funds would enable the districts to meet the needs of individual students and tailor the budgets to meet those service needs.

In response to a question from Ms. Cegavske concerning certification of special education teachers, Ms. Dopf advised that federal law required that teachers who provide special education services were qualified and qualified was defined as meeting state licensure requirements. Ms. Dopf explained that within the state any individual serving in a special education unit as a teacher was required to have a license. However, Nevada had an option plan, which allowed teachers, by regulation, to have a license in another area of teaching, such as an elementary credential, with three credits of special education working toward a special education degree within a three-year program, and those teachers were qualified under federal and state law to provide services. Additionally, Ms. Dopf indicated that substitute teachers were also utilized and were qualified under the law to provide the services. Insofar as teacher shortages, Ms. Dopf indicated that there was nothing specific in the law that targeted money toward teacher training or to personnel development needs.

MRS. CEGAVSKE MOVED TO APPROVE THE REQUEST FOR AUGMENTATION.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

13. **Department of Education - Nutrition Education Program - FY 02 -** Transfer of $5,000.00 from the In-State-Travel category to the Out-of-State Travel category and transfer of $10,590.00 from the Information Services category to the Out-of-State Travel category to allow for staff members to attend meetings and conferences considered essential by the United States Department of Agriculture (USDA). Requires Interim Finance approval since the amount added to the Out-of-State Travel category exceeds 10% of the legislatively approved level for that category.
Refer to motion for approval under Item E.

14. **Department of Administration - Purchasing Division - Commodity Food Program – FY 02 -** Addition of $114,158.00 in State Administrative Expense Federal Funding and addition of $45,343.00 in Temporary Emergency Food Assistance Program Funding to provide funding support for equipment purchases already included in the legislatively approved budget for fiscal year 2002 and assist with warehouse and local agency additional costs. Requires Interim Finance approval since the amount added to the Emergency Food Assistance category exceeds 10% of the legislatively approved level for that category.
Refer to motion for approval under Item E.

15. **Department of Agriculture – Plant Industry - FY 02 -** Addition of $107,250.00 in United States Department of Agriculture Saltcedar Control and addition of $12,000.00 in Bureau of Indian Affairs Saltcedar Control for the survey and biological control of Saltcedar in Nevada. Funding will be used for one new intermittent Agriculture Inspector II, operating, equipment, in-state and out-of-state travel. Requires Interim Finance approval since the amount added to the Saltcedar Control category exceeds $100,000.00.

Refer to motion for approval under Item E.

16. **Department of Business and Industry - Real Estate Division - Common Interest Communities - FY 02 -** Transfer of $40,000.00 from the Reserve category to the Operating category to fund reserve study for Common Interest Communities pursuant to NRS 116.31152. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

Mrs. Chowning noted the transfer of $40,000 from the Reserve category and questioned the length of time it would take to complete the study for Common Interest Communities. Additionally, Mrs. Chowning questioned whether the regulations were the same regulations that were to have been completed under the legislation enacted in 1999.

Joan Buchanan, Administrator, Real Estate Division, reported the reserve study requirement approved during the 1999 Legislative Session required every Homeowner's Association Board to have a reserve study prepared. Ms. Buchanan indicated that funding was available in the Reserve category and that a proposal had been received from the University of Nevada Las Vegas, Lied Institute for Real Estate Studies, to conduct the study, which would assist homeowners' associations with financial planning and management. Ms. Buchanan indicated the study would be completed within six months of the execution of the contract and would be available in hard copy and CD Rom.

In response to a question from Mrs. Chowning concerning the transfer and the amount of funding that would remain in the Reserve category, Ms. Buchanan projected there would be $1 million in the Reserve category at the end of the fiscal year and indicated a need for at least four additional employees. Under a program with Workers Compensation, volunteer trainers were currently being used. Ms. Buchanan indicated a return to the IFC was anticipated in January with a work program to request the additional positions.

MRS. CHOWNING MOVED TO APPROVE THE REQUEST TO TRANSFER FUNDS FROM THE RESERVE CATEGORY.

MR. BEERS SECONDED THE MOTION.

THE MOTION WAS UNANIMOUSLY CARRIED.

17. **Department of Employment, Training, and Rehabilitation - Community Based Services – FY 02 -** Addition of $902,612.00 in Federal Related Technology and addition of $655,988.00 in Federal Community Personal Assistant Services to accept two new federal grants, to expand loan availability to people with disabilities at a preferred interest rate by guaranteeing the loan, and to implement a statewide network of consumer-directed personal assistance services. Requires Interim Finance approval since the amount added to the Personal Assistant and Technology Related Assistance category exceeds $100,000.00.

Marty Ramirez, Chief Financial Officer, Department of Employment, Training and Rehabilitation, testified that the work program before the Committee contained two new federal grants that would be placed in the Office of Community Based Services. Mr. Ramirez said the first grant for $902,612 was a significant augmentation to the Assistive Technology Loan Services Program, from which funds were used to provide low interest loans to disabled persons to enable them to make modifications to their houses in order to live at home independently. Additionally, Mr. Ramirez indicated the funds were used to guarantee loans and would be matched by $800,000 from the "Fund a Healthy Nevada" program. After leveraging all of the funds, Mr. Ramirez noted that approximately $3.2 million of additional loan money would be available to disabled individuals.

A second grant in the amount of $655,988 would provide a statewide "network" for personal attendant care. Additionally, Mr. Ramirez said that approval of S.B. 174 ,2001 Legislative Session,created an advisory board to help guide Nevada through its needs for personal attendant care from a programmatic as well as a financial perspective. Mr. Ramirez testified that funding would significantly broaden the scope of S.B. 174 and would place three contract staff, one with Aging Services, one with Medicaid and one under the Office of Community Based Services, and those employees would examine other funding streams, issues related to recruitment, other delivery systems, systems in other states, standards of care, personal attendant care rates, and in addition would develop fiscal standards for operation of the personal attendant care programs and define minimal qualifications for personal attendance care providers.

In response to a question from Mrs. de Braga concerning constituents who objected to obtaining their own personal attendants, Mr. Ramirez advised that S.B. 174 as well as the grant were intended to provide a comprehensive study and analysis of Nevada's needs were and what best served the Nevada citizens who would typically apply for personal attendant care. Mrs. de Braga questioned whether the Department had received complaints from other individuals, and Mr. Ramirez indicated that he was unaware of any other complaints.

SENATOR RAWSON MOVED TO APPROVE ITEM 17.

MS. LESLIE SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

18. **Department of Employment, Training, and Rehabilitation-Community Based Services – FY 02 -** Addition of $41,915.00 in Federal Independent Living and addition of $23,643.00 in Federal Technology Related to realign the State work program authority with unspent federal grant authority by balancing forward work program authority from State Fiscal Year 2001 and adding new work program authority to the Independent Living Grant. Requires Interim Finance approval since the amount added to the Technology Assistance category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

19. **Department of Employment, Training and Rehabilitation - Developmental Disabilities – FY 02 -** Addition of $64,550.00 in Federal Developmental Disabilities to align budget with the full federal grant authority available for the Developmental Disability Grant and to increase In-State Travel to provide for additional direct client services and allow for the program head and Developmental Disabilities Council members to travel on developmental disability related issues. Requires Interim Finance approval since the amount added to the Developmental Disability Grants category exceeds $50,000.00.

Refer to motion for approval under Item E.

20. **Department of Employment, Training and Rehabilitation - Welfare to Work - FY 02 -** Addition of $1,111,973.00 in the Welfare to Work Grant to align budget with the federal funds available for the Welfare to Work Grant. Requires Interim Finance approval since the amount added to the Private Industrial Council Subgrants category exceeds $50,000.00.

Refer to motion for approval under Item E.

21. **Department of Employment, Training and Rehabilitation - Research and Analysis - FY 02 -** Addition of $1,100,000.00 in Federal Administrative Cost Allowance to allow for the receipt of $1,100,000.00 in additional America's Labor Market Information System federal grant funds. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

Refer to motion for approval under Item E.

22. **Department of Agriculture - United States Department of Agriculture Commodity Credit Corporation Funds - FY 02 -** Transfer of $679,303.00 from the Reserve category to the Operating category to conduct numerous projects to promote Agriculture Specialty Crops and to cover costs related to processing, transporting and distributing commodities to entities eligible for the Emergency Food Assistance Program. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.

Refer to motion for approval under Item E.

The Chairman advised that Items 23, 24, 25, and 26 would be reviewed at the same time.

Mr. Dave Kimball, Deputy Commissioner, Transportation Services Authority asked to begin his testimony with Item 26 to which the Chairman agreed. See Item 26 for motion and information related to Items, 23, 24, 25 and 26.

23. **Department of Business and Industry - Transportation Services Authority - FY 02 -** Transfer of $46,543.00 from the Operating, In-State Travel, Vehicle Operation, and Training category to the Personnel Services category to fund two new positions, Administrative Assistant I and Program Officer II; transfer of $1,704.00 from the Operating category to the Equipment category and transfer of $1,928.00 from the Operating category to the Information Technology category. Requires Interim Finance approval since the amount transferred to the Personnel Services category adds new positions. **Relates to Item 24.**

24. **Department of Business and Industry - Transportation Services Authority - <u>FY 03</u> -** Transfer of $8,142.00 from the In-State Travel category to the Personnel Services category, transfer of $57,171.00 from the Operating category to the Personnel Services category, transfer of $12,895.00 from the Vehicle Operation category to the Personnel Services category, transfer of $2,155.00 from the Information Technology category to the Personnel Services category, and transfer of $649.00 from the Training category to the Personnel Services category to provide ongoing funding for two positions, Administrative Assistant I and Program Officer II, and associated costs. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $50,000.00 and adds new positions. **Relates to Item 23.**

25. **Department of Business and Industry - Transportation Services Authority Administration Fines - FY 02 -** Addition of $75,000.00 in Fines to increase authority for the collection of projected fines and to fund enforcement activities previously approved in Budget Account 3922 with the balance to reserve. Requires Interim Finance approval since the amount exceeds 10% of the legislatively approved level for that category. **Relates to Item 26.**

26. **Department of Business and Industry - Transportation Services Authority Administration Fines - <u>FY 03</u> -** Addition of $75,000.00 in Fines to increase authority for the collection of projected fines and to fund enforcement activities previously approved in Budget Account 3922 with the balance to reserve. Requires Interim Finance approval since the amount added to the Operation - Enforcement Activities category exceeds 10% of the legislatively approved level for that category. **Relates to Item 25.**

Mr. Paul Christensen, Chairman, Transportation Services Authority (TSA) reported that

Items 25 and 26 were related work programs that requested approval to use additional fine revenue in each year of the 2001-03 biennium to restore the enforcement expenditures in the TSA Admin Fine budgets that had been reduced in Items 23 and 24 to fund certain costs previously funded in the TSA budget. Mr. Christensen further reported that an opinion from the Attorney General provided the TSA with the authority to use funding from Budget Account 3923 (Fines) for a more efficient operation of the TSA's "enforcement arm." A resolution adopted by the TSA would permit use of funding from Budget Account 3923 within limitations established by the Attorney General's Office.

Dave Kimball, Deputy Commissioner, TSA, responded to a question from the Chairman concerning the TSA's current revenue authority for fines versus projected revenue. Mr. Kimball explained that in an effort to reduce the TSA's punitive approach concerning enforcement, only $45,000 of fine revenue was projected; however, in May 2001, the TSA enforcement staff went to a swing shift in Clark County, and the fine revenue increased. In August 2001, a conservative projection indicated an average of about $10,000 a month and for the first five months of FY2002, Mr. Kimball reported that $94,000, or about $18,775 a month had been collected. Mr. Kimball predicted that he would have to return to the IFC in January with another work program for authority to receive the anticipated revenue for fines since it appeared the projected revenue of $120,000 would be exceeded.

Mr. Kimball provided assurance that while the TSA had been conservative in their projections, there was enough money in the fine account to fund the personnel positions requested in Items 23 and 24. Even if no additional revenue was received, Mr. Kimball indicated there would be enough revenue for FY2002 and FY2003 and enough to carry out to FY2004 and FY2005.

In response to a question from the Chairman concerning funding the two positions requested in Items 23 and 24, Mr. Kimball projected that $56,815 would be needed to cover the two positions for the current year and $85,277 for the following year and that revenue from the fines would be more than sufficient to cover the costs.

Mrs. Chowning posed a number of questions that included why the positions were currently needed, how the duties were being accomplished and whether the positions were being requested as a result of S.B. 576, 2001 Legislative Session, that would have funded the positions had the bill been approved.

Mr. Christensen advised that passage of S.B. 576 would have definitely added impact. However, he explained the TSA's administrative positions had initially been under funded and their professional staff currently had to fill in when their only clerical position was on leave. Additionally, Mr. Christensen indicated that a Program Officer position was needed to perform duties, required by statute, that the current TSA currently had difficulty fulfilling.

In response to a question from Mrs. Chowning concerning the positions, Mr. Kimball clarified that the TSA projected approximately $46,000 for seven months and $85,000 for a full year to fund costs for both employees. Mr. Kimball indicated that while the funding for the positions appeared to be about $42,000 for each, there was a disparity in that one position was a Grade 23 and the other a Grade 33. In support of Mr. Christensen's earlier testimony, Mr. Kimball indicated that the Program Officer position would also be used to maintain the TSA database, which could no longer be kept up by the current staff. Mr. Kimball discussed the information contained in the database and the importance attached to keeping that information current. Additionally, Mr. Kimball indicated the Program Officer would provide assistance with both audits and administration.

Mrs. Chowning requested clarification concerning the necessity of the positions and the fact that they were not approved during the legislative session.

Mr. Kimball responded that the TSA's regulatory duties had increased 25 percent annually from 128 companies in 1997 to 284 companies in 2001. Mr. Kimball advised that the Enforcement side of the TSA needed administrative backup and that while everything had been done to make the organization as efficient and effective as possible, the current staff could not take on additional responsibilities. Additionally, Mr. Kimball advised that the request before the Committee was for a minimum number of two positions and TSA had originally requested six positions.

MR. DINI MOVED TO APPROVE AGENDA ITEMS 23, 24, 25 AND 26.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

27. **Commission on Economic Development - Rural Community Development – FY 02 -** Addition of $124,000.00 in the Federal Housing Urban Development Contract to adjust budget for the actual Fiscal Year 2002 funds awarded for the Community Development Block Grant Program. Requires Interim Finance approval since the amount of grant to the Category 10 Grants category exceeds $100,000.00.

Refer to motion for approval under Item E.

28. **Department of Human Resources - Director's Office - Healthy Nevada Fund Administration - FY 02 -** Addition of $1,238,044.00 in Transfer from State Treasurer (Tobacco Settlement Funds) to align budget authority for Tobacco Settlement revenues with projected program allocations and make minor adjustments to personnel services for salary step increase, In-State travel for at least one site visit per recipient, and operating increases due to Senior RX enrollment changes. Requires Interim Finance approval since the amount added to the Senior RX Payments category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

29. **Department of Human Resources - Health Care Financing and Policy - Medicaid - FY 02 -** Addition of $71,288.00 in Transfer from Stale Claims and addition of $97,465.00 in Federal Title XIX to cover payments of State Fiscal Year 2001 stale dated claims. Requires Interim Finance approval since the amount added to the Stale Claims category exceeds $50,000.00.

Refer to motion for approval under Item E.

30. **Department of Human Resources - Health Care Financing and Policy - Medicaid - FY 02 -** Transfer of $103,505,397.00 from the Medical Payments-First Year category to the Medical Payments-Second Year category and transfer of $10,395,858.00 from the Medical Payments-First Year category to the Medical Payments-Third Year category to cover projected medical payment expenses in both the second and third years from the excess authority budgeted in the first year. Requires Interim Finance approval since the amount transferred to Medical Payments Second and Third years categories exceed 10% of the legislatively approved level for the categories.

The Chairman announced that Item 30 was withdrawn**.**

31. **Department of Human Resources - Health Care Financing and Policy - Medicaid – FY 02 -** Transfer of $300,000.00 from the Medical Payments-First Year category to the Operating category to expand the William Mercer Incorporated contract to include: dental services for the mandatory managed care program, pharmacy rebate review process, development of a primary care case management deliver model to expand the population and geographic area served by managed care and the development of a new request for proposal provision of medical service to Nevada Medicaid recipients. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00

Refer to motion for approval under Item E.

32. **Department of Human Resources - Health Care Financing and Policy - Medicaid - FY 02 -** Transfer of $70,000.00 from the Medical Payments-First Year category to the Operating category to expand Myers and Stauffer contract, which will provide reimbursement rates for the newly developed rate model and assist with the revised upper payment limit rate changes for non-state government owned or operated hospitals to insure compliance with Medicaid. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

The Chairman announced that Item 32 required a public hearing.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, identified himself for the record and reported that the work program before the Committee proposed to increase the

Medicaid budget expenditure authority for a contract expansion with Myers and Stauffer, the Division's current rate and reimbursement contractor. The expanded contract would allow Myers and Stauffer to provide assistance to develop new rate methodologies for reimbursement to nursing facilities and hospitals. The following explanation concerning two key components associated with the contract expansion was provided:

1. The methodology had been negotiated, and the contractor would provide assistance in applying the new rates to each hospital and nursing facility;

2. The contractor would review federal Medicaid regulations that would assist the Medicaid unit in increasing federal payments to public non-state hospitals.

   As an addendum to the second item, Mr. Duarte reported that the Centers for Medicaid Services, formally the Health Care Financing Administration, had recently announced that the Upper Payment Limit (UPL) provisions, which would have allowed Medicaid to pay public non-state hospitals up to 150 percent of Medicare costs, would be revised. Mr. Duarte advised that the federal government issued a notice of proposed rule making in the Federal Register that would limit states to paying public non-state hospitals 100 percent of Medicare costs as opposed to 150 percent. States with long-established existing state plans would have a wind-down period of six to eight years, and states with recent or pending state plans could terminate immediately or wind down during a period of from one to two years.

   Mr. Duarte reported that he was expecting a call from the Baltimore Centers for Medicaid Services to confirm that Nevada might be precluded from actually submitting a state plan to take advantage of the current regulation, which he said, might require a contract revision. However, Mr. Duarte noted that an "hourly agreement" to implement the upper payment limit provisions was developed so that in the event the regulations were rescinded or changed, that part of the contract would not need to be implemented.

The Chairman questioned whether the increased reimbursement rates would be applied to all hospitals or to public hospitals only.

Mr. Duarte responded that the current federal regulation notwithstanding the Federal Register notice allowed payment to public non-state hospitals (county hospitals) up to 150 percent of Medicare costs.

In response to a question from the Chairman, Mr. Duarte advised that state funding would be received through intergovernmental transfers from the county and was considered the source of match. Mr. Duarte confirmed that the state had not placed any general fund money into the program. Additionally, Mr. Duarte indicated the state's benefit would be a portion of the federal funds that were drawn down through the state plan change, which was being negotiated between Clark County and the Governor's office. Mr. Duarte was uncertain as to the status of the negotiations.

In response to a question from the Chairman in reference to the potential impact on the state benefit from federal funds as a part of the disproportionate share hospital program (DSH), Mr. Duarte indicated that Clark County and the University Medical Center (UMC), the primary beneficiary, had been requested in the negotiation process to consider holding the state harmless on the DSH.

The Chairman questioned whether a hold harmless clause could be negotiated.

Mr. Duarte responded that he had not been involved in the direct negotiations between Clark County and the state and could not answer the question.

The Chairman indicated the Committee would not approve an item that might have a detrimental impact on the state and the Medicaid program.

Mr. Duarte responded that with the publication of the notice of "proposed rule making in the Federal Register," he did not believe it would be possible for the state to implement the $20,000 second component of the contract that was contingent on federal approval of the state plan. In response to a question from the Chairman, Mr. Duarte indicated the contract was submitted at a time when the opportunity for implementation still existed and the state hoped to get in "under the wire."

Chairman Raggio questioned whether the item should be withdrawn.

Mr. Duarte asked that the item not be withdrawn and pointed out that because the state was precluded from implementing that section of the contract amendment, the first portion attributable to applying the new rates for nursing facilities and hospitals would be implemented and continued to be necessary.

In response to a request from the Chairman for additional detail, Mr. Duarte explained that $50,000 of the $70,000 request for transfer would assist in implementing the new rates that had been negotiated with nursing facilities and hospitals. The second component of $20,000 was for an hourly contract to assist in the implementation of the upper payment limit provisions.

Mike Willden, Director, Department of Human Resources, provided additional clarification and detail concerning the request. Mr. Willden explained that the request was for a transfer of $70,000, $50,000 of which was to be expended on rate issues and $20,000 on a state plan change to allow the state to implement the upper payment limit process. If the regulations that were published by the federal government were approved in thirty days, the point would become moot and the $20,000 would not be expended. However, Mr. Willden explained that if during the comment period, or if it was determined the state had the ability to move forward with the upper payment limit process, the $20,000 would be spent to employ Myers and Stauffer to develop the state plan change and the necessary work to implement the upper payment limit process.

Additionally, Mr. Willden indicated that negotiations were under way with UMC and other hospitals that might be impacted by the upper payment limit process, and early numbers indicated that it was approximately a $10 million to $11 million issue for the State of Nevada in additional federal funds, primarily benefiting UMC.

Senator Rawson pointed out that the issue under discussion was also one the Committee on Health Care was interested in. Senator Rawson suggested that the Committee on Health Care staff communicate with the Fiscal Analysis Division staff to keep them informed as to what was taking place. Senator Rawson cautioned that if the Committee did not approve the request, the potential existed to lose $11 million. Senator Rawson further indicated that approval was needed for the authority to implement the full contract; however, if the state was not provided the opportunity to develop the state plan change and the necessary work to implement the upper payment limit process, the money would not be spent which he said could be supervised from the interim Committee on Health Care.

In reference to a question from Chairman Raggio concerning the hold harmless clause, Mr. Willden advised that William R. Hale, Chief Executive Officer, UMC, outlined in a recent letter UMC's understanding of the process. Mr. Willden indicated the letter contained language to the effect that UMC would hold harmless any impact that the upper payment limit provision would have on the disproportionate share program.

Chairman Raggio indicated that a motion for approval would need to provide the Division of Health Care Financing and Policy the discretion to implement the contract based upon discussion of the issues by the Committee.

Ms. Leslie commented that she would support a motion that included the Health Committee's supervision as indicated by Senator Rawson. However, Ms. Leslie was of the opinion that it appeared clear that the "loophole" was being closed since 14 states had already been identified as being cut off during the current year.

In response to a question from Senator Neal concerning funding to "other hospitals," Mr. Duarte indicated that current regulations only permitted reimbursement to public non-state hospitals or county hospitals at a higher rate. Mr. Duarte further indicated that while a state benefit could be used to cover Medicaid caseload growth and other Medicaid needs, there had been no discussion concerning use of a state benefit from the initiative.

Senator Neal recalled discussion during the legislative session concerning a portion of the funds being used for various hospitals.

Mr. Duarte explained that the discussion during the legislative session dealt with the disproportionate share hospital program and that while there was a redistribution of additional federal funds received during the current federal fiscal year and for the next federal fiscal year to private hospitals, it was a different program initiative.

In response to an additional question from Senator Neal concerning funding to public and private hospitals, Mr. Duarte indicated that the decision concerning how to use any additional federal revenue benefit that would accrue to the state had not been decided.

In response to a question from Senator Neal concerning when a decision would be made to expend any additional federal revenue benefit, Mr. Willden explained that a determination on how to use the benefit could not be made until the contractor, Myers and Stauffer, helped to determine the amount of the additional benefit. However, Mr. Willden indicated the benefit could be used for caseload growth or for expanded coverage.

In response to a question from Senator Neal concerning the hospitals that would be provided funding, Mr. Willden clarified that all of the county-owned hospitals would participate in the upper payment limit process. Since the state benefit had not yet been determined, Mr. Willden provided an example that should $10 million in new federal funds be received and the state's benefit was $3 million, the $3 million could be used to cover caseload growth, expanded coverage, or rate increases and the other $7 million would go to the hospitals participating in the program.

> SENATOR RAWSON MOVED TO APPROVE THE $70,000 TRANSFER IN ITEM 32 AND TO PROVIDE THE DEPARTMENT OF HUMAN RESOURCES THE DISCRETION TO IMPLEMENT THE PROGRAM BASED UPON THE CONCERNS EXPRESSED BY THE COMMITTEE.

Ms. Leslie asked that the motion include that the extra $20,000 would not be spent if the Federal Government closed the "loophole" on implementing the upper payment limit process and additionally, if the "loophole" was not closed that the disproportionate share hospital program was held harmless and also that the interim Health Committee supervise the process.

Chairman Raggio indicated that imposing a supervisory role on the Health Committee would not be appropriate; however, reports could be furnished.

In response to a request from Senator Neal for clarification concerning the use of the word discretion in the motion, Chairman Raggio responded that the Division of Health Care Financing and Policy would have the discretion to implement the upper limit payment process; however, the Division was not mandated to implement it if the "window of opportunity" closed on the $20,000 component of the contract and that the motion include a hold harmless clause that any impact that the upper payment limit provision would have on the disproportionate share program.

In response to Senator Neal's concern in reference to delegation of authority, the Chairman clarified that the suggestion concerning the Health Committee's supervision, he believed, would be inappropriate.

The motion restated:

> SENATOR RAWSON MOVED TO APPROVE THE $70,000 TRANSFER IN ITEM 32 AND TO PROVIDE THE DEPARTMENT OF HUMAN RESOURCES THE DISCRETION TO IMPLEMENT THE PROGRAM BASED UPON THE CONCERNS EXPRESSED BY THE COMMITTEE INCLUDING A HOLD HARMLESS CLAUSE ON ANY IMPACT THAT THE UPPER PAYMENT LIMIT PROVISION WOULD HAVE ON THE DISPROPORTIONATE SHARE PROGRAM AND THAT THE $20,000 COMPONENT OF THE CONTRACT TO ALLOW IMPLEMENTATION OF THE UPPER PAYMENT LIMIT PROCESS WOULD BE EXPENDED ONLY UPON APPROVAL OF THE REVISED STATE PLAN BY THE FEDERAL GOVERNMENT.
>
> MS. LESLIE SECONDED THE MOTION.
>
> THE MOTION ON THE FLOOR CARRIED UNANIMOUSLY.

33. **Department of Human Resources - Health Care Financing and Policy - Medicaid - FY 02 -** Transfer of $1,602,284.00 from the Operating category to the Utilization Review category to

align expenditure authority for the Health Insight contract and meet the requirements of the additional amount approved by the Board of Examiners at the January 17, 2001 meeting. Requires Interim Finance approval since the amount transferred to the Utilization Review category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

34. **Department of Human Resources - Welfare Division - Temporary Assistance to Needy Families (TANF) - FY 02 -** Transfer of $4,500,000.00 from the Temporary Assistance to Needy Families category to the Cash Assistance category to provide for unanticipated caseload growth and related expenditures that are projected to be higher than budgeted based on projections for the fiscal year. Requires Interim Finance approval since the amount transferred to the Cash Assistance category exceeds $50,000.00. Since this action involves the allocation of block grant funds, it requires a public hearing.

The Chairman noted that Item 34 required a public hearing.

Roger Mowbray, Deputy Administrator, Welfare Division, identified himself for the record and testified that the work program before the Committee requested an increase of $4.5 million in authority to the Cash Assistance category for the Temporary Assistance to Needy Families (TANF) budget. Mr. Mowbray explained that the increase in authority would be accomplished by reducing the TANF reserve, and because the action involved the allocation of federal block grant funds, a public hearing was required.

Mr. Mowbray advised that the proposed work program increased the authority in the Cash Assistance category by 15 percent up to $34 million and decreased the authority in the reserve by 14 percent to a level of $26 million.

Chairman Arberry questioned how workers who were displaced because of the September 11, 2001, incident would be impacted by the request.

Mr. Mowbray responded that the impact on the displaced workers would most likely be the subject of a work program that would be submitted to the following meeting of the Committee. Mr. Mowbray explained that the work program before the Committee had been initiated in late September before the impact of the September 11 incident had been quantified. However, Mr. Mowbray indicated that early indications were that an additional $2.1 million would have to be moved from reserve in the current fiscal year. When the work program was prepared, the Welfare Division had estimated an additional $5.7 million would be needed in the following fiscal year. However, current projections were that $9.3 million would be needed. In summary, Mr. Mowbray stated that the Division's preliminary projection proposed to reduce the reserve, as a result of recent activity, by $15.9 million over the biennium, and the work program as submitted was estimated at $10.2 million over the biennium.

In response to a request for clarification from Chairman Arberry, Mr. Mowbray advised that the work program under discussion requested $4.5 million. Initially the Division had anticipated an additional $5.7 million would be required in the next year of the biennium; however, current projections indicated that the funding that would be required in the next year of the biennium would increase. Mr. Mowbray added that the Division was closely monitoring the situation due to the increased caseload in Las Vegas.

In response to a question from Chairman Arberry concerning funding for displaced workers as a result of September 11, Mr. Mowbray indicated that approximately $5.7 million in additional funding would be required for the biennium. Originally the Division had projected $10.2 million of which the request before the Committee was for $4.5 million. Current projections, however, were that rather than the $10.2 million required for the biennium, an estimated $15.9 million would be required from the reserve.

In response to a question from Ms. Leslie, Mr. Mowbray clarified that the proposed expenditures were related to caseload growth.

Ms. Leslie questioned whether the Division had taken into account unemployment insurance benefits, Mr. Mowbray clarified that the unemployment benefit was "above and beyond" the work program request.

Mike Willden, Director, Department of Human Resources, identified himself for the record, and clarified that the work program before the Committee had been prepared before the Division had an opportunity to look at the impact of the new growth after waiving inclusion of the unemployment benefit on October 1. Mr. Willden further clarified that the work program before the Committee requested $4.5 million as a result of an analysis before October 1. After the October 1 analysis, the biennium cost was projected at approximately $16 million, of which the $4.5 million was included. Additionally, Mr. Willden reported that there was a reserve of $31 million, and current estimates were that $16 million of the $31 million reserve would be drawn down over the biennium leaving a $15 million reserve at the end of the biennium.

Ms. Leslie requested additional comment on the projected additional costs to the Medicaid and Check-Up programs since unemployment insurance benefits would be disregarded for those programs as well.

Mr. Willden responded that TANF, the Child Health Assurance and Nevada Check-Up programs were being closely monitored, and it was determined that the estimated impacts on those programs could be taken care of through funds in the Intergovernmental Transfer Account (ITA) which had a reserve of $26 million.

Ms. Leslie questioned whether there was any indication concerning when the economic crisis might end.

Mr. Willden responded that the Governor wanted the inclusion of unemployment insurance benefits as income waived until the crisis was over, and the decision concerning when the new rules should be "rolled back" would be made by the Governor. However, Mr. Willden added that until the Governor made that decision, the programs would continue to be closely monitored.

Mr. Marvel expressed concern that the reserve would be depleted and questioned how it could be supplemented.

Mr. Willden responded that the reserve, which had grown to over $31 million, had come about as a result of good budget decisions made in 1996; however, he indicated that there was no way to supplement the reserve. Mr. Willden reported that the Department had been block granted over $220 million during the past five years and had set aside about 15 percent of those block grants for a rainy day. Additionally, Mr. Willden pointed out that block grants did not increase unless Congress took action to increase them.

In response to a question from Mr. Marvel concerning the possibility block grants could be eliminated, Mr. Willden indicated that there was some discussion at the federal level concerning population modifiers that provided additional block grant money each year to fast growing states, and Nevada had been identified as one of 17 fast growing states. In a brief background review, Mr. Willden reported that five years ago the Welfare Division had received the block grant knowing that high growth states would receive additional funds, and the Division planned accordingly. However, there was some indication that because the reserve was set aside, the additional funds were no longer needed. Mr. Willden advised that the Welfare Division had been working to convince Congress that the additional funds were necessary and the economic downturn was proof that a reserve was needed. Additionally, Mr. Willden projected that with layoffs of upwards to 14,000 people and the apparent unavailability of jobs, funding would probably be available until "early into the next biennium" depending on caseload growth and the amount of additional benefit paid.

In response to an additional question from Mr. Marvel, Mr. Willden reiterated that $16 million at the current rate would be drawn down from the $31 million reserve by the end of the biennium. Mr. Willden added that caseload growth rates, the unemployment rate and job availability would be closely monitored and that reports could be provided to the members of the Committee.

Chairman Arberry discussed the fact that casinos had rehired some employees and questioned whether the gaming establishments and hotels had used the crisis as a mechanism to eliminate certain employees who would at some point become the state's burden.

While he had no knowledge of the reason some employees had been rehired and some had not, Mr. Willden advised that the Welfare Division was seeing many more clients who were primarily concerned about their health insurance and getting back to work.

Mr. Dini requested an update on any other Medicaid reimbursements that had been increased and also requested information concerning the number of prescriptions that a Medicaid client could obtain.

Debbra J. King, Administrative Services Officer, Department of Human Resources, identified herself for the record. Ms. King reported that during the 2001 Legislative Session, the Division of Health Care Financing and Policy recommended contracting certain prior authorization activities in order to access data that would allow them to make program decisions. Ms. King indicated that some of the authorizations that were subcontracted were both for prescriptions and doctor visits.

After analysis of the data, it was determined that requiring prior authorization for those services was, in fact, detrimental. It was determined that if the authorizations were required, clients used hospital emergency room services which was not the most effective use of the state's resources. Ms. King indicated it was anticipated that by eliminating the prior authorization requirements, costs would actually be decreased.

Senator Neal asked for a more detailed explanation concerning the waiver of unemployment benefits as income for Medicaid and Check-Up program clients.

Mr. Willden reported that the TANF, Child Health Assurance, and Nevada Check-Up programs counted unemployment benefits as unearned income and that a typical unemployment check of $800 or $850 a month would normally disqualify a client applying for assistance from a TANF grant which would preclude a client from receiving Medicaid coverage for the entire family. However, a client could apply to other programs such as Nevada Check-Up or the Child Health Assurance Program for assistance to children or pregnant women. Mr. Willden advised that with the Governor's decision to waive the inclusion of the unearned income benefits provided that those clients applying for assistance would receive full health insurance coverage for the entire family as well as a larger TANF check and would meet eligibility requirements for child care and energy assistance.

In response to a question from Senator Neal, Mr. Willden clarified unearned income specifically disregarded only unemployment insurance benefits.

MS. LESLIE MOVED TO APPROVE THE REQUEST TO TRANSFER $4.5 MILLION FROM THE TANF RESERVE CATEGORY TO THE TANF CASH ASSISTANCE CATEGORY.

MR. PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chairman Arberry turned the microphone back to Chairman Raggio.

After a request for public comment and hearing none, Chairman Raggio indicated the vote on the motion would stand.

35. **Department of Human Resources - Welfare Division - Child Care Assistance and Development - FY 02 -** Addition of $11,656,496.00 in Child Care Development Fund Mandatory and Matching Fund to provide for increased child care scholarships and expanded childcare provider services (especially infant care), and to enhance outreach efforts via public service announcements, partner with Nevada Check-Up program in order to serve an increased number of children, and provide training for the early childhood specialist positions. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman announced that a public hearing was required for Item 35.

There were no questions from the members of the Committee nor any testimony concerning the public hearing.

MS. LESLIE MOVED APPROVAL OF ITEM 35.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

36. **Department of Human Resources - Welfare Division – Welfare Administration - FY 02 -** Addition of $356,572.00 in Federal United States Department of Agriculture Food Stamp Program to implement Nevada's Food Stamp Nutrition Education Program for Fiscal Year 2002. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

Refer to motion for approval under Item E.

37. **Department of Human Resources - Mental Health – Administration - FY 02 -** Acceptance of $100,000.00 in the Federal Data Infrastructure Grant to fund the development of a new and required management information system. <u>Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.</u>

The Chairman announced that a public hearing was required for Item 37.

There were no questions from the members of the Committee or any testimony concerning the public hearing.

CHAIRMAN ARBERRY MOVED APPROVAL OF ITEM 37.

SENATOR NEAL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

38. **Department of Human Resources - Health Division - Health Administration - FY 02 -** Addition of $99,945.00 in Federal Tobacco Prevention and acceptance of $15,624.00 in Federal Diabetes Grant to continue funding for Washoe and Clark County Tobacco Prevention Control Programs. 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 E.

39. **Department of Human Resources - Health Division - Health Alert - FY 02 -** Addition of $475,973.00 in Bioterrorism Federal Grant to fund one new position, support costs and aid to counties to assist in recognition and response to bioterrorism. Requires Interim Finance approval since the amount added to the Operating category exceeds $50,000.00.

Refer to motion for approval under Item E.

40. **Department of Human Resources - Health Division - Health Alert Network - FY 02 -** Addition of $300,076.00 in the Federal Infectious Disease Grant to continue the Health Alert Programs of surveillance and control of hepatitis, influenza, and other diseases. Requires Interim Finance approval since the amount added to the Epidemiology category exceeds $50,000.00.

Refer to motion for approval under Item E.

41. **Department of Human Resources - Health Division - Immunization Program - FY 02 -** Addition of $705,529.00 in Federal Immunization Grant to fund travel, operating, and vaccines in the Statewide Immunization Program. Requires Interim Finance approval since the amount added to the Immunizations category exceeds $50,000.00.
Refer to motion for approval under Item E.

42. **Department of Human Resources - Health Division - Maternal Child Health - FY 02 -** Addition of $500,000.00 in Temporary Assistance to Needy Families to fund In-State travel and contracts for marketing campaigns statewide to reduce teen pregnancies in Nevada. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00.

Refer to motion for approval under Item E.

43. **Department of Human Resources - Health Division - Alcohol and Drug Rehabilitation – FY 02 –** Addition of $65,154.00 in Federal Needs Assessment Grant to align funding for the

University of Nevada needs assessment study of substance abuse statewide with available resources. Requires Interim Finance approval since the amount added to the Needs Assessment category exceeds 10% of the legislatively approved level for that category.
Refer to motion for approval under Item E.

44. **Department of Human Resources - Health Division - Alcohol and Drug Rehabilitation – FY 02 -** Acceptance of $46,980.00 in Federal Community Prevention Grant to fund grants to various organizations to develop coalitions on drugs and alcohol prevention. Requires Interim Finance approval since the amount added to the Community Prevention category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

45. **Department of Human Resources - Health Division - Communicable Disease - FY 02 -** Addition of $15,703.00 in Federal Diabetes Grant and addition of $17,424.00 in Federal Tobacco Grant to fund two existing positions and contract costs for the Statewide Diabetes Program. Requires Interim Finance approval since the amount added to the Diabetes Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

46. **Department of Human Resources - Health Division - Sexually Transmitted Disease - FY 02 -** Addition of $944,416.00 in the Federal Ryan White Aids Grant to continue the existing positions, support costs, and grants to local government and organizations for treatment of AIDS. Requires Interim Finance approval since the amount added to the Comprehensive Care category exceeds $50,000.00.

Refer to motion for approval under Item E.

47. **Department of Human Resources - Child and Family Services - Child Abuse and Neglect – FY 02 -** Addition of $155,164.00 in Federal Children's Justice Grant to continue program to improve the handling, investigation and prosecution of child abuse and neglect cases. Requires Interim Finance approval since the amount added to the Children's Justice category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

48. **Department of Human Resources - Child and Family Services - Community Juvenile Justice Program - FY 02 -** Addition of ~~$146,000.00~~ $146,200.00 in the Federal Title V Grant to reduce delinquency and youth violence by supporting communities in providing their children, families, neighborhoods, and institutions with the knowledge, skills, and opportunities necessary to foster a healthy and nurturing environment. Requires Interim Finance approval since the amount added to the Local Prevention Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

49. **Department of Human Resources - Child and Family Services - Children, Youth and Family Administration - FY 02 -** Addition of $643,695.00 in the Federal Family Violence Grant to support programs for shelter and related services for victims of family violence. Requires Interim Finance approval since the amount added to the Family Violence category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

50. **Department of Human Resources - Child and Family Services - Children, Youth and Family Administration - FY 02 -** Addition of $250,000.00 in Building Analytical Capacity Grant to compile, analyze, and distribute accurate and timely data for program planning, reporting, and decision making. Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

Refer to motion for approval under Item E.

51. **Department of Human Resources - Child and Family Services - Children, Youth and**

Family Administration - FY 02 - Addition of $1,041,264.00 in Federal Title IV-B Subpart 2 to continue program to fund community-based family support services that promote the safety and well-being of children and families by enhancing family functioning and child development, and to fund family preservation services for families at risk or in crisis. Requires Interim Finance approval since the amount added to the Title IV-B, Subpart 2 category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

52. **Department of Human Resources - Child and Family Services - Youth Community Services - FY 02 -** Addition of $519,786.00 in Chafee (Independent Living) Grant to promote activities to support youth transitioning from foster care settings toward adult living. Requires Interim Finance approval since the amount added to the Independent Living Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

53. **Department of Human Resources - Child and Family Services - Youth Community Services - FY 02 -** Addition of $158,486.00 in Federal Adoption Now Grant, and transfer of $19,102.00 from the Reserve category to the Adoption Now category to promote more successful adoptions of special needs children. Requires Interim Finance approval since the amount added to the Adoption Now category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

54. **Department of Human Resources - Child and Family Services - Community Juvenile Justice Program - FY 02 -** Addition of $143,630.00 in Office of Juvenile Justice Delinquency Prevention Grant to develop and implement programs that design, test, and demonstrate effective approaches, techniques, and methods for preventing and controlling juvenile delinquency. Requires Interim Finance approval since the amount added to the Office of Juvenile Justice Delinquency Program Grant category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

55. **Department of Human Resources - Child and Family Services - Juvenile Correction Facility - FY 02 -** Addition of $46,148.00 in Transfer from Education, deletion of $30,102.00 in Contract Services Charge, transfer of $1,648,306.00 from the Private Contractor category to the Personnel Services category, transfer of $2,944.00 from the Private Contractor category to the In-State Travel category, transfer of $221,234.00 from the Private Contractor category to the Operating category, transfer of $93,857.00 from the Private Contractor category to the Equipment category, transfer of $28,457.00 from the Private Contractor category to the Maintenance of Buildings and Grounds category, transfer of $121,764.00 from the Private Contractor category to the Medical category, transfer of $42,469.00 from the Private Contractor category to the Clark County School District category, transfer of $55,230.00 from the Private Contractor category to the Information Services category, transfer of $3,000.00 from the Private Contractor category to the Training category, and transfer of ~~$86,230.00~~ $103,251.00 from the Private Contractor category to the Utilities category to assume operations of the Summit View facility from the Private contractor effective January 1, 2002. Adds a total of 84 full-time employees in Fiscal Year 2002. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $50,000.00 and includes new staff.

Mike Willden, Director, Department of Human Resources, identified himself for the record and introduced Willie Smith, Deputy Administrator, Division of Child and Family Services (DCFS), Youth Corrections Services, and Jim Baumann, Administrative Services Officer, DCFS.

In response to the Chairman’s request for a brief overview concerning the proposed state operation of the Summit View Youth Correctional Center located in Clark County, Mr. Willden reported that the DCFS was before the Committee to request permission to transfer approximately $2.2 million from the Private Contractor Payments (category 08) Budget Account 3148 “to various expenditure categories” that included personnel, travel, operating equipment, buildings and grounds, medical, food, etc.

Mr. Willden testified that Summit View Youth Correctional Center, a 96-bed facility in Las Vegas, which housed serious and chronic juvenile offenders, began operation in June 2000 when 30 youth were transferred to the facility. The population was increased in the period from January to February 2001 to about 80 offenders. Mr. Willden indicated that the contractor, Correctional Services Corporation, had experienced numerous problems and the Department of Human Resources, and DCFS had been working with the contractor, under a corrective action planning process, since May 2001. A letter dated September 5 from Correctional Services Corporation served notice they had exercised a clause in the contract that allowed them to terminate services within 180 days, or March 1, 2002.

Mr. Willden reported that Department representatives had evaluated the state's options to continue operations at the facility under a corrective action process if the contractor would permit them to do so, and go out to bid to determine if there were other interested contractors. Mr. Willden indicated that if authorization was received to assume operations and to determine if there were other interested contractors, substantial work on the contract would be required in order to ensure a secure facility. Mr. Willden indicated that it was the Department's position that the state needed to assume the operation in order to restore credibility in the facility, to ensure that the institution functioned as part of the overall correction system, that there was a stable program for the youth, and to ensure that the institution and system was responsive to change when change was required.

The Chairman asked Mr. Willden to comment on Correctional Services Corporation's claim concerning the census.

Mr. Willden responded that the Correctional Services Corporation's letter listed two grounds for termination; the first was their inability to recruit and retain staff, which Mr. Willden indicated could have been accomplished if employees had been paid "a living wage." Mr. Willden added that while the state paid a "living wage," the contractor paid about $10,000 a year less for a front-line worker. While the contractor claimed that census was an issue, Mr. Willden reiterated that the facility started with a population of 30, increased to 80 and now stood at 39. In reference to why youth were not placed at the facility, Mr. Willden reported that seeing the contractor's inability to manage the situation, the Department was reluctant to place youth there.

In response to a question from the Chairman concerning why the Department had not exercised their option to terminate, Mr. Willden explained that the Department was in the midst of a corrective action process when notified by the contractor of their intent to terminate.

The Chairman noted that delinquent youth had previously been sent out-of-state at less cost per day than proposed by a state-run operation and questioned why an option to send youth out-of-state was not considered.

Willie Smith, Deputy Administrator, Youth Corrections Services, identified herself for the record. Ms. Smith confirmed that in the past some troubled youth were sent out-of-state, but at the same time youth were being sent out-of-state, both the Caliente Youth Center and the Nevada Youth Training Center were overpopulated by 10 percent. Young men who were considered serious and chronic offenders and who had failed other state programs were sent to a facility in Texas at a cost of $113 a day. Ms. Smith pointed out that while the state had not placed any youth there in over 15 months, a contract with the Texas facility was still in existence. Ms. Smith explained that cost for the Texas facility was less per day than Nevada's cost because they paid their staff less and also did not offer a year-round school program. Additionally, Ms. Smith indicated that the Texas facility had two rooms and a multi-purpose room and while they had a program manager who coordinated social services through community volunteers, they did not have a dedicated case manager who set up treatment plans for the youth. Ms. Smith also pointed out that the program in Texas was co-located with an adult detention facility.

In response to a question from the Chairman, Ms. Smith reported that Corrections Corporation of America (CCA) operated the institution located in Tennessee and her comments concerning contractor operations applied to the Tennessee facility as well although it was not co-located with an adult facility.

Ms. Smith pointed out that the Texas facility's co-location with an adult detention unit, although sight and sound separated, allowed a sharing of medical costs, which also brought the cost down.

Chairman Raggio noted the Department estimated a daily bed cost of $155 a day for a state-run facility versus $113 a day to send youth to the CCA-run facility in Texas. The Chairman questioned why the state should incur a financial obligation when the offenders could be sent out-of-state at a more reasonable cost.

Mr. Willden indicated it was his personal feeling that the operation needed to be reviewed, not just from an economic standpoint, but because the state needed a system that served the whole continuum of the needs of young offenders.

In response to a question from the Chairman concerning the level of operation and the number of beds that would be filled, Mr. Willden indicated by the end of the fiscal year, they could fill 72 beds.

Ms. Smith pointed out that the facility was on a planned schedule when it "ramped up" to 81 youth in January 2001 from 30 youth in June. It was Ms. Smith's opinion that to do so any more rapidly would have been irresponsible because of the new facility and new staff.

In response to a question from the Chairman concerning the census at the Nevada Youth Training Center and Caliente Youth Center, Ms. Smith indicated both Youth Centers were at capacity.

In reference to a question from the Chairman concerning placement with Rite of Passage, Ms. Smith indicated that Rite of Passage charged $124 per day.

The Chairman reiterated his concern in reference to obligating the state to the high cost of operating a state-run facility.

In reference to placement with Rite of Passage, Ms. Smith indicated that many of the youth at the Summit View facility were seriously and chronically troubled young men who would not be accepted in the Rite of Passage program. Ms. Smith explained that a number of Summit View clients had co-occurring mental health and substance abuse disorders, and a number of them also had sex-related offenses. It was Ms. Smith's opinion that while the serious youth offenders could be sent to Texas to be incarcerated, the state needed to look at programming that would help to keep them out of the adult system at some point in the future.

Mr. Arberry questioned the length of time it would take to phase out the private contractor and phase in a state operation to a level with which everyone was comfortable.

Ms. Smith advised that the private contractor had given the state six months and that time period ended on March 1. Over the past several months, Ms. Smith indicated that members of her staff as well as representatives from other state agencies had been working as a transition team to prepare to move into the Summit View Correctional Center, which she said was necessary whether the state ran the facility or not. Ms. Smith indicated that DCFS was prepared to move in, depending upon personnel recruitment, and operate Summit View at the lower capacity at which it was currently operated and would "ramp the facility up" to about 72 youth by the end of the fiscal year. Additionally, Ms. Smith pointed out that placement of youth depended upon commitments from the various counties. Ms. Smith indicated that over the past several months she had been in communication with representatives of the counties and juvenile justice administrators who had expressed their support for the state's operation of the Summit View Youth Correctional Center.

In response to a question from Mr. Arberry concerning recruitment of qualified staff, it was Ms. Smith's opinion that staff could be recruited and trained. Additionally, Ms. Smith indicated staff from the Nevada Youth Training Center and the Caliente Youth Center had expressed an interest in transferring to Las Vegas in order to attain positions at a higher level. Additionally, arrangements had been made with Clark County Family Youth Services to use their internal POST academy trainers to assist training new employees for Summit View Youth Correctional Center. However, Ms. Smith indicated that it took time to build a correctional program, and the facility, no matter who ran it, would take more than six months to operate efficiently.

In response to a question from Mr. Marvel concerning the cost difference in running the Nevada Youth Training Center and the Caliente Youth Center compared with Summit View, Ms. Smith confirmed that the two institutions operated at a lower cost per day because their resident-to-staff ratio of 1:20 and 1:30 was higher than the national norm. Ms. Smith indicated the state was fortunate that in spite of the higher-than-norm ratios, there had been no major incidents that involved serious injury among the youth or staff. Ms. Smith indicated the institutions were decades old with experienced staff and solid programs which all helped in managing the delinquent youth. Ms. Smith added that the costs did not compare because a lower student-to-staff ratio of 1:8 rather than 1:20 was proposed for Summit View.

In response to a question from the Chairman concerning the lower ratio, Ms. Smith advised that she would recommend a lower ratio at the Nevada Youth Training Center and the Caliente Youth Center as well. However, Ms. Smith indicated the population of troubled youth being sent to Summit View had demonstrated they required a staff ratio of 1:8, which was the national norm. Additionally, Ms. Smith indicated that the proposed ratio was the identical ratio required of the contractor.

Ms. Leslie pointed out that Summit View had been built in order that troubled youth who had been sent out-of-state could be brought home to be closer to their families and at the same time be provided an opportunity for rehabilitation. Ms. Leslie addressed the current situation at Summit View as appalling and expressed confidence in the proposal presented to the Committee. Ms. Leslie indicated the contract for Summit View had created "a great disservice" for the state's troubled youthful offenders. Ms. Leslie specifically questioned the backup situation in Clark County in terms of detention and cited another reason Summit View had been built was to move the most difficult offenders out of county detention and to not place them in Elko.

In response to a question from Ms. Leslie concerning the county detention backup situation in Clark County, Ms. Smith advised that Clark County opened a new detention wing several months ago that provided a population capacity of approximately 220 and were already over capacity. In reference to a question from Ms. Leslie concerning state placement, Ms. Smith responded that between 45 and 50 youth statewide were waiting for state placement.

Mr. Dini questioned whether hard-core youth offenders could be sent to the Texas facility and the less than hardcore offenders to Rite of Passage while a long-term program was being developed. It was Mr. Dini's opinion that the current proposal would find the DCFS back in front of the Committee requesting additional money to run the program which he envisioned would continue to experience problems. Mr. Dini stated it was his belief that a state takeover of the facility would be a mistake.

Ms. Smith responded that the DCFS was committed to living within the budget proposed and that the Committee members would not see the agency asking for additional funds to run the facility. In reference to Mr. Dini's proposal to send offenders who were less than hard core to Rite of Passage, Ms. Smith recalled that in 1997, the Legislature authorized the Community Corrections Partnership Block Grant as well as the Transitional Community Reintegration Program. Funding for those programs was allocated through DCFS to the counties and private providers so that at a local level less than hard-core youth offenders could be diverted from commitment at the state level. Ms. Smith pointed out that the funding for those programs was working and allowed the Division to better manage their institutional beds. Additionally, Ms. Smith indicated that many first offenders recommended for commitment to the Division were placed at the Caliente Youth Center.

Chairman Raggio pointed out that whether or not the state operated the facility, a debt service of $1,300,000 a year was a cost in addition to the operation of the facility.

Mr. Willden confirmed the debt service cost and in response to a question from the Chairman advised that the feasibility of leasing the facility had not been explored.

Senator Neal expressed dismay that privatization of the operation had ended in failure and called upon those who had supported the effort "to step forward and bring forth a system" that would accomplish the services that were required.

Chairman Raggio pointed out that the Veterans' Home in Boulder City under construction by the state had fared no better.

Dorothy North identified herself for the record as the CEO and founder of Vitality Center, a Nevada non-profit corporation with over 30 years experience providing alcohol and drug treatment services to adolescents and adults statewide. Ms. North reported that the clients served by Vitality Center had always had a "heavy involvement in the adult and juvenile justice system."

Ms. North reported that since 1998 Vitality Center had contracted with the State of Nevada to provide an intensive residential substance abuse treatment program for 105 medium security male inmates at the Warm Springs Correctional Center in Carson City, a program known as WINGS (an acronym for Willing Inmates in Nevada Gaining Sobriety). Approximately 500 inmates in WINGS had been treated since 1998, and Ms. North reported that many of the inmates were out of prison on parole living successfully and without further involvement with the criminal justice system.

Ms. North stated that the juveniles committed to the Summit View Youth Correctional Center were entitled to the very best care and could be rehabilitated and returned to their families and the community with the same level of success Vitality Center had in the WINGS Program. In an effort to provide the care and rehabilitation that the youthful offenders required, Ms. North indicated that Vitality Center would partner with Dismas Charities, Inc., a large non-profit agency with a 36-year history of providing quality correctional and community service programs in 13 states.

Ms. North introduced Mr. David Cheveallier, Vice President of the Western Regional Office for Dismas Charities.
Mr. Cheveallier testified that he represented Dismas Charities, Inc and Mr. Raymond Weis, President/CEO.

Mr. Cheveallier indicated he had been engaged in the delivery of human services for over 25 years and that his experience included responsibility for adult and juvenile correctional facilities at the federal, state and local levels.

Mr. Cheveallier pointed out that Dismas Charities was a national nonprofit, human services organization based in Louisville, Kentucky and founded in 1964 by William Diersen, a Roman Catholic priest involved in prison ministry. Mr. Cheveallier indicated that Father Diersen understood that without the necessary survival skills and support structure, individuals tended to revert to a life of crime and inevitably returned to prison.

Mr. Cheveallier reported that Dismas was actively involved in alcohol and drug treatment, job training, homelessness, domestic violence intervention, early childhood development, mentoring to at-risk adolescents and a vast array of other programs and services.

Mr. Cheveallier reported that by the mid-1980s, Dismas Charities was recognized as one of the nation's largest human service providers and had since become a partner with business, government, churches and social service agencies throughout the United States having served more than 75,000 individuals.

Mr. Cheveallier advised that the Honorable Helen Corrothers, former U.S. Sentencing Commissioner, stated several years ago that security was critical to the success of any correctional program, and those sentiments were echoed by each of the directors of Dismas correctional facilities in current operation. Mr. Cheveallier indicated that Dismas was sensitive to the dual role of maintaining security and providing cost-effective rehabilitative programs.

On behalf of Dismas Charities, Mr. Cheveallier asked that the members of the Committee "consider continuing to privatize the operations of Summit View Juvenile Facility with an aim to secure committed, reputable non-profits like Dismas Charities, Inc. and Vitality Center, Inc. as a contract management team."

In response to a question from the Chairman concerning Dismas' experience in operating a facility like Summit View, Mr. Cheveallier advised that Dismas had been operating similar facilities for over 30 years in Kentucky, Texas, New Mexico and Florida. Mr. Cheveallier indicated that while Dismas had not formally proposed to take over the privatized operations of Summit View, they were before the Committee to determine whether it was an option the state wanted to consider.

Ms. North indicated that if the Committee was willing to consider the option, Dismas Charities and Vitality Center, Inc. requested the opportunity to submit a proposal.

In response to a question from the Chairman in reference to operating costs, Mr. Cheveallier referred to Ms. Smith's earlier testimony that the facility operated on an average of $120 a day for chronic, serious, habitual offenders.

The Chairman asked Mr. Cheveallier to comment on earlier testimony that indicated the contractor paid employees less than a "living wage" in order to operate the facility at the lower rate.

Mr. Cheveallier responded that in view of Dismas 35 years of experience in operating extensions of jails in Louisville and lockdown facilities, their credentials were easy to check and confirmed that Dismas was a private non-profit organization.

Mr. Cheveallier continued his presentation and indicated that Dismas was pleased that Dorothy North and Vitality Center, Inc. had agreed to a partnership with them. Mr. Cheveallier credited Vitality Center, Inc. with having a strong local organization, familiarity with existing resources and possessing a high degree of accountability, knowledge and an unblemished reputation. Mr. Cheveallier indicated that Vitality Center and Dismas believed that their partnership provided a track record of operating high quality programs that could "fully address the emotional, spiritual and physical aspects" of their clients. On behalf of Dismas and Vitality Center, Inc., Mr. Cheveallier requested the opportunity "to transfer Summit View into a model program for chronic juvenile offenders."

In response to a question from the Chairman, Mr. Cheveallier indicated his awareness that the inmates at the Summit View facility were considered a high custodial problem.

Continuing his presentation, Mr. Cheveallier indicated that the combined commitment of Vitality Center, Inc. and Dismas' to total contract compliance as well as with the active participation of the appropriate Nevada State officials would ensure the clients of Summit View the critical services they required.

In response to a question from the Chairman concerning the current contractor's legal obligation to operate the facility, Mr. Willden advised that Correctional Services Corporation was obligated to operate the facility until March 1. Additionally, Mr. Willden confirmed that a decision had been made not to look at other private contractors.

In response to a question from the Chairman on whether to look into the proposal offered by Dismas and Vitality Center, Inc., Mr. Willden advised that the operating costs for a correctional facility like Summit View, whether it was $150 a day or $120 a day, were largely in payroll and maintenance. It was Mr. Willden's opinion that if the contract was sent out for bid, bids would be received from organizations who paid their front-line staff $20,000 a year. While Mr. Willden advised that a company's track record was important and would be reviewed, the bottom line came down to paying quality staff and maintenance of the facility.

The Chairman questioned whether there was time to consider the proposal from Dismas Charities and Vitality Center, Inc.

Mr. Willden responded that if it was determined that the DCFS should initiate a Request for Proposal (RFP), a transition plan would have to include first closing and then reopening the facility.

In response to a question from the Chairman on placement of inmates should the facility close, Ms. Smith advised that if Summit View was closed, the DCFS's first preference would be to provide a place for inmates in existing facilities and secondly to determine if any were eligible for parole. Ms. Smith added that in terms of the decision making process, every second counted even if the transition plan included closing the facility. Additionally, Ms. Smith indicated a lot of work would be required to secure the facility even if it was empty.

Senator Mathews expressed concern in reference to the lower wage issue and pointed out that the lower wages paid by companies from southern states needed to be considered if an RFP was initiated.

In response to Senator Mathews, Dorothy North advised that Vitality Center had operated a successful program in Carson City for over three years and paid staff that had earned master's degrees a living wage. Additionally, Ms. North indicated her organization operated at capacity on a "flat contract" and not on a per-day basis.

Chairman Raggio advised that if the motion was to approve the request, staff had recommended and Department and Division representatives agreed to a decrease of $52,569 transferred from Private Contractor Payments (category 08) going from $2,303,491 to $2,250,922. Staff pointed out that the adjustments were specifically listed on page 7 of the Committee highlights (Exhibit M).

For the record, Chairman Raggio indicated he would not support the proposal and that it was his opinion there was an opportunity to look into alternatives, which might even include closing the facility for a period of time, and contracting the inmates to other states. Additionally, the Chairman indicated that Rite of Passage services should be investigated.

Senator Neal indicated he would move for approval of the request based on the fact that placement of inmates had not been determined should the facility be closed. Senator Neal suggested that the agency could take over operations at least temporarily until they could go out to bid again at some point in the future.

Chairman Raggio, however, pointed out that more reasonable alternatives existed and it was his opinion that once the state assumed operation, there would be no way out. However, the Chairman indicated he would take Senator Neal's motion to approve the request with recommended adjustments by staff.

SENATOR NEAL MOVED TO APPROVE THE REQUEST WITH RECOMMENDED ADJUSMENTS BY STAFF.

MS. LESLIE SECONDED THE MOTION.

THE MOTION FAILED TO BE APPROVED BY BOTH THE SENATE AND ASSEMBLY MEMBERS OF THE COMMITTEE.

(Senator Coffin, Senator Neal, And Senator Mathews voted aye.
Senator Jacobsen, Senator Rawson, Chairman Raggio voted nay.
Senator O'Donnell was not present.)

(Mr. Arberry, Mr. Perkins, Ms. Chowning, Ms. Leslie voted aye.
Mr. Beers, Ms. Cegavske, Mrs. De Braga, Mr. Dini, Mr. Hettrick, Mr. Marvel, Mr. Parks, Ms. Tiffany voted nay.
Ms. Giunchigliani and Mr. Goldwater were not present.)

Chairman Raggio suggested that the request should be reviewed before the next meeting of the Committee to determine if any of the other proposals could be worked out.

56. **Department of Human Resources - Child and Family Services - Child Abuse and Neglect – FY 02 -** Addition of $184,112.00 in Federal Child Abuse and Neglect Grant to continue program to provide child protective services training, support the Child Protective Services Citizen Review Panel and fund projects or programs to improve the child protection system. Requires Interim Finance approval since the amount added to the Child Abuse category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

57. **Department of Human Resources - Child and Family Services - Southern Nevada Child and Adolescent Services - FY 02 -** Addition of $71,800.00 in Transfer from Emergency Management to relocate additional staff who have been displaced due to mold contamination. Requires Interim Finance approval since the amount added to the Transfer from Emergency Management category exceeds $50,000.00.

Refer to motion for approval under Item E.

58. **Department of Human Resources - Child and Family Services - Southern Nevada Child and Adolescent Services - FY 02 -** Addition of $76,746.00 in Individuals with Disabilities Education Act Grant (Transfer from Community Connections) to increase direct services to children with developmental delays and disabilities by increasing an existing Public Service

Intern from 51% to full time and adding a full time Developmental Specialist to reduce existing waiting lists. Requires Interim Finance approval since the amount includes new staff.

Refer to motion for approval under Item E.

59. **Department of Human Resources - Child and Family Services - Southern Nevada Child and Adolescent Services - FY 02 -** Transfer of $19,604.00 from the Federal Education Handicapped category to the Personnel category to reduce the waiting list for children with developmental delays and disabilities by increasing two existing 51% positions to 75% and 100%. Requires Interim Finance approval since the amount includes new staff.

Refer to motion for approval under Item E.

60. **Human Resources - Child and Family Services - Northern Nevada Child and Adolescent Services - FY 02 -** Addition of $35,936.00 in the Community Mental Health Services Block Grant to contract for respite services for families or caregivers of children who are severely emotionally disturbed. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

The Chairman announced that Item 60 required a public hearing. There were no comments from either Committee members or the public.

MR. MARVEL MOVED TO APPROVE ITEM 60.

MR. DINI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

61. **Department of Employment, Training and Rehabilitation - Employment Security - FY 02 -** Addition of $900,654.00 in Federal Administrative Cost Allowance to balance forward remaining authority for the North American Fair Trade Agreement, Trade Adjustment Assistance, Trade Re-Adjustment Allowance, Training and Technical Assistance, Initial Claims and Internet Claims grants at State Fiscal Year Ending 2001, June 30, 2001, with no change in purpose. Additionally, this work program aligns authority for the current year Technical Assistance Training grant. Requires Interim Finance approval since the amounts added to the Client Services, Training and Technical Assistance Grant Initial Claims, and Internet Claims categories exceed $50,000.00.

Refer to motion for approval under Item E.

62. **Department of Employment, Training and Rehabilitation - Employment Security - FY 02 -** Addition of $101,978.00 in One-Stop Implementation Grant to provide for a nine-month extension of the third year One-Stop Implementation grant period of performance (July 1, 2001-March 31, 2002). Requires Interim Finance approval since the amount of the grant to the One-Stop Implementation Grant (new) category exceeds $100,000.00.

Refer to motion for approval under Item E.

63. **Department of Corrections - Offender's Store Fund - FY 02 -** Transfer of $145,306.00 from the Retained Earnings category to the Operating category to fund state-owned building rent due to relocation of staff in Building 6 and Building 89 at the Stewart Complex. Requires Interim Finance approval since the amount transferred to the Operating from Retained Earnings exceeds $50,000.00.

Refer to motion for approval under Item E.

64. **Department of Corrections - Prison Industries - FY 02 -** Addition of $495,048.00 in License Plate Charge, addition of $128,520.00 in Miscellaneous Sales, and addition of $36,300.00 in Reimbursement to provide additional authority in Operating due to increased activity/expansion of TJ Wholesale program (card sorting) and to provide authority for storing of finished goods for Clark County Detention Center which will be reimbursed; to increase revenue authority for license plate fees due to plate reissues by the Department of Motor Vehicles. Requires Interim Finance approval since the amount added to the Operating category exceeds $100,000.00.

Refer to motion for approval under Item E.

65. **Department of Motor Vehicles - Compliance Enforcement - FY 02** - Deletion of $71,565.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 66.**
Refer to motion for approval under Item E.

66. **Department of Motor Vehicles - Director's Office - FY 02 -** Addition of $71,565.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 65.**

Refer to motion for approval under Item E.

67. **Department of Motor Vehicles - Compliance Enforcement - <u>FY 03</u> -** Deletion of $129,237.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 68.**

Refer to motion for approval under Item E.

68. **Department of Motor Vehicles – Director's Office - <u>FY 03</u> -** Addition of $129,237.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 67.**

Refer to motion for approval under Item E.

69. **Department of Motor Vehicles - Management Services - FY 02 -** Deletion of $35,621.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 70.**

Refer to motion for approval under Item E.

70. **Department of Motor Vehicles - Administrative Services - FY 02 -** Addition of $35,621.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 69.**

Refer to motion for approval under Item E.

71. **Department of Motor Vehicles - Management Services - <u>FY 03</u> -** Deletion of $63,781.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent date August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 72.**
Refer to motion for approval under Item E.

72. **Department of Motor Vehicles - Administrative Services - <u>FY 03</u> -** Addition of $63,781.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 71.**

Refer to motion for approval under Item E.

73. **Department of Motor Vehicles - Field Services - FY 02 -** Deletion of $11,076.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 74.**

Refer to motion for approval under Item E.

74. **Department of Motor Vehicles - Administrative Services - FY 02 -** Addition of $11,076.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 73.**

Refer to motion for approval under Item E.

75. **Department of Motor Vehicles - Field Services - FY 03 -** Deletion of $21,286.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 76.**

Refer to motion for approval under Item E.

76. **Department of Motor Vehicles - Administrative Services - FY 03 -** Addition of $21,286.00 in Budgetary Transfer to complete implementation of Department of Motor Vehicles' portion of split of Department of Motor Vehicles and Public Safety per Letter of Intent dated August 1, 2001. Requires Interim Finance approval per Section 42 of the 2001 Appropriations Act. **Relates to Item 75.**

Refer to motion for approval under Item E.

77. **Department of Motor Vehicles - Field Services - FY 02 -** Addition of $90,000.00 in Agreement Income to establish authority to receive Parking Ticket Program revenue and repay an existing loan amount due to Budget Account 4709 Criminal History Repository. Requires Interim Finance approval since the amount added to the Parking Ticket Program category exceeds 10% of the legislatively approved level for that category. **WITHDRAWN, 11/9/01.**

Item 77 was withdrawn.

78. **Department of Public Safety - Director's Office - FY 02 -** Addition of $42,200.00 in Budgetary Transfer to transfer salary authority to Public Safety Director's Office budget from Highway Patrol to reclassify a position to act as Public Information Officer II for the Department. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act. **Relates to Item 79.**

Refer to motion for approval under Item E.

79. **Department of Public Safety - Highway Patrol Division - FY 02 -** Deletion of $42,200.00 in Budgetary Transfer to transfer salary authority to Public Safety Director's Office budget associated with the transfer of a position to act as Public Information Officer for the Department. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act. **Relates to Item 78.**

Refer to motion for approval under Item E.

80. **Department of Public Safety - Forfeitures - FY 02 -** Transfer of $250,160.00 from the Reserve category to the Nevada Highway Patrol category to provide remote control road spikes, micro cassette pocket tape recorders, and a fleet management system for Nevada Highway Patrol. Requires Interim Finance approval since the cumulative amount transferred to the Nevada Highway Patrol category exceeds $50,000.00.

In response to a question from the Chairman, Mr. Ghiggeri reported that the agency had requested that fleet management system request be deleted and the work program transfer be adjusted from $250,160 to $191,000.

Colonel David Hosmer, Nevada Highway Patrol, identified himself for the record and verified that because of last minute conflicting information, a postponement of the fleet management system portion of the work program until the following IFC meeting was requested.

In response to a question from the Chairman, Colonel Hosmer indicated approval of the remote control road spikes, micro-cassette pocket tape recorders was being requested and that the total request minus the fleet management system was $191,000.

MR. MARVEL MOVED TO APPROVE ITEM 80 AS ADJUSTED.

SENATOR NEAL SECONDED THE MOTION.

In response to a question from Senator Coffin concerning an explanation of the remote control spikes, Colonel Hosmer advised that the Highway Patrol currently used road spikes for stopping people in vehicles who refused to yield. However, the Highway Patrol did not have the remote control, which allowed an officer to stop a vehicle from a safe distance. Colonel Hosmer further explained that the remote control spikes allowed an officer to pick a safe location to roll out the spikes while normal traffic continued. The spikes could then be activated at the moment a suspect's vehicle approached.

THE MOTION WAS CARRIED UNANIMOUSLY.

Chairman Raggio announced that the fleet management system portion of the work program would be deferred until the following meeting of the IFC.

81. **Department of Public Safety - Internal Affairs - FY 02 -** Addition of $26,921.00 in Intra-Agency Administration Cost to increase the cost allocation authority to cover expenditures for rent for office space occupied in Building 107 in the Stewart Complex and the cost of an equipment installation contract. (Note: Transfers will be from Budget Accounts 3740, 3743, 3775, 3816, 4713 and 4721.) Requires Interim Finance approval since the cumulative amount added to the Operating category exceeds 10% of the legislatively approved level for the category.

Refer to motion for approval under Item E.

82. **Department of Public Safety - Motorcycle Safety - FY 02 -** Transfer of $32,100.00 from the Personnel Services category to the Operating category to retain the services of a private contractor to plan, organize, manage and coordinate the daily operations of the Motorcycle Safety Program. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category.

Item 82 was withdrawn.

83. **Department of Public Safety - Emergency Response Commission - FY 02 -** Addition of $44,599.00 in Federal Grants-United States Department of Transportation to receive additional grant funding from the United States Department of Transportation to enable the division to enhance training for public and private sector employees, first responders and volunteers responding to incidents involving hazardous materials. Requires Interim Finance approval since the amount of the grant to the United States Department of Transportation Hazardous Materials Emergency Preparedness Grant category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

84. **Department of Public Safety - Emergency Management Division - FY 02 -** Addition of $30,748.00 in Transfer from Other Budget Account Same-Fund to provide reimbursement of expenses associated with the planning, preparation and oversight of transuranic waste shipments from Nevada Test Site (NTS) to Department of Energy's (DOE) Waste Isolation Pilot Plant Facility in New Mexico. Requires Interim Finance approval since the amount added to the Waste Isolation Pilot Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

85. **Department of Public Safety - Emergency Management Division - FY 02 -** Addition of $805,000.00 in the Federal-Domestic Preparedness Grant to provide funding to select counties for providing assistance for the development, maintenance and enhancement of emergency response capabilities. Requires Interim Finance approval since the amount of the grant to the Department of Energy Aid to Locals category exceeds $100,000.00.

Refer to motion for approval under Item E.

86. **Department of Public Safety - Emergency Assistance - FY 02 -** Transfer of $353,149.00 from the Reserve category to the Emergency Assistance category to make available emergency assistance funds to the State or local governments in the State that are severely affected by natural, technological, man-made or terrorist type disasters for which available resources are inadequate. Requires Interim Finance approval since the amount added to the Emergency Assistance category exceeds $50,000.00.

Refer to motion for approval under Item E.

87. **Department of Conservation and Natural Resources - Division of Environmental Protection Administration - FY 02 -** Transfer of $37,700.00 from the Reserve category to the Training category to address training issues as identified in Department of Information Technology review and analysis of Division of Environmental Protection's computer infrastructure. Requires Interim Finance approval since the amount transferred to the Training category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

88. **Department of Conservation and Natural Resources – Bureau of Waste Management, Corrective Actions, Federal Facilities - FY 02 -** Addition of $46,309.00 in Lust Grant, addition of $278,223.00 in Superfund Grant, and addition of $785,691.00 in Hazardous Waste Fees to continue program operations. Requires Interim Finance approval since the amount added to the Superfund category exceeds $50,000.00.

Refer to motion for approval under Item E.

89. **Department of Conservation and Natural Resources – Bureau of Waste Management, Corrective Actions, Federal Facilities - FY 02 -** Addition of $5,352.00 in Lust Grant, addition of $75,382.00 in Superfund Grant, addition of $23,660.00 in Chemical Hazard Fees, addition of $733,196.00 in Hazardous Waste Fees, addition of $169,526.00 in Petroleum Fees, addition of $9,750.00 in Fines and Penalties, addition of $446,886.00 in B/F Tire Fees, deletion of $30,735.00 in B/F-Department of Energy, deletion of $1,177.400.00 in B/F Fees, and deletion of $23,254.00 in B/F Federal to continue program operations, reconcile Legislative balance forwards with actuals. Requires Interim Finance approval since the amount added to the Solid Waste Category exceeds $50,000.00.

Refer to motion for approval under Item E.

90. **Department of Conservation and Natural Resources - Bureau of Air Quality – Division of Environmental Protection - FY 02 -** Addition of $86,281.00 in Air Pollution Control Grant and transfer of $70,000.00 from the Reserve category to the Salaries category to develop and complete Regional Haze Plan. Requires Interim Finance approval since the amount transferred to the Salaries category exceeds $50,000.00 and includes new staff. **Relates to Item 91.**

See Item 91.

91. **Department of Conservation and Natural Resources - Bureau of Air Quality – Division of Environmental Protection - <u>FY 03</u> -** Addition of $355,707.00 in Air Pollution Control Grant and transfer of $89,081.00 from the Reserve category to the Salaries category to develop and complete Regional Haze Plan. Requires Interim Finance approval since the amount of the grant exceeds $100,000.00 and includes new staff. **Relates to Item 90.**

Alan Biaggi, Administrator, Nevada Division of Environmental Protection, identified himself for the record and introduced Coleen Cripps, Chief, Bureau of Air Quality Planning.

The Chairman noted that Items 90 and 91 would be considered at the same time.

Mr. Biaggi reported that Items 90 and 91 related to regional haze and visibility standards areas defined as Class 1, and of greatest concern in this particular instance, was the Grand Canyon.

Mr. Biaggi reported that the federal government through the Environmental Protection Agency required states to develop programs to attempt to control the formation of regional haze and visibility problems within Class 1 areas. The State of Nevada was obligated to comply with regulations that required state implementation plan development for the identification and control of emissions of the materials within specified time frames. Mr. Biaggi further explained that Items 90 and 91 would allow the Division to hire additional staff to address these concerns. S.B 534, 2001 Legislative Session, requested the positions; however, when S.B. 534 failed, the Division indicated they would appear before the Interim Finance Committee to request the positions.

SENATOR NEAL MOVED TO APPROVE ITEMS 90 AND 91.

MR. ARBERRY SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

92. **Department of Conservation and Natural Resources - Bureau of Air Quality - FY 02 -** Transfer of $11,632.00 from the Reserve category to the Information Services category to acquire necessary technology and equipment for information services pursuant to Department of Information Technology Audit recommendations. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

93. **Department of Conservation and Natural Resources – Bureau of Water Quality/Pollution – FY 02 -** Transfer of $21,696.00 from the Reserve category to the Indirect Costs category, transfer of $102,337.00 from the Reserve category to the Salaries category, and transfer of $105,181.00 from the Reserve category to the Water Pollution 106 category to provide three full-time employees and attendant operating costs for federal storm water and concentrated animal feed operation programs. Requires Interim Finance approval since the amount transferred to the Salaries and Water Pollution 106 categories exceeds $50,000.00 and includes new staff. **Relates to Item 94.**

Refer to motion for approval under Item E.

94. **Department of Conservation and Natural Resources - Bureau of Water Quality/Pollution – FY 03 -** Addition of $53,230.00 in Water Pollution-106, transfer of $42,293.00 from the Reserve category to the Indirect Costs category, transfer of $222,593.00 from the Reserve category to the Salaries category, and transfer of $30,054.00 from the Reserve category to the Water Pollution 106 category to continue funding for three full-time employees and attendant operating costs for federal storm water and concentrated animal feed operation programs. Requires Interim Finance approval since the amount transferred to the Salaries category exceeds $50,000.00. **Relates to Item 93.**

Refer to motion for approval under Item E.

95. **Department of Conservation and Natural Resources - State Lands - FY 02 –** Addition of $22,888.00 in Transfer from the Fund to Protect Lake Tahoe to provide one full-time employee for clerical and accounting support to Tahoe Resources Team Members and attendant equipment, operating, information services and travel expenses. Requires Interim Finance approval because it includes new staff. **Relates to Items 96 and 104.**

See Item 104.

96. **Department of Conservation and Natural Resources - State Lands - FY 03 –** Addition of ~~$47,743.00~~ $41,743 in Transfer from the Fund to Protect Lake Tahoe to continue the one full-time employee for clerical and accounting support to Tahoe Resources Team Members and attendant operating and travel expenses. Requires Interim Finance approval because it includes

new staff. **Relates to Items 95 and 104.**
See Item 104.

97. **Department of Conservation and Natural Resources - Forestry-Intergovernmental- FY 02** -Transfer of $40,000.00 from the Reserve category to the Elko category to facilitate refund to Elko County in lieu of the increase in administrative assessment. Requires Interim Finance approval since the amount transferred to Elko County exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

98. **Department of Conservation and Natural Resources - Forestry - FY 02 -** Addition of $33,210.00 in the Federal Rural Fire Assistance Grant to purchase fire protection equipment and items for Volunteer Fire Departments - Cold Spring, Galena, Washoe Valley, Verdi, Peavine, and Jack's Valley. Requires Interim Finance approval since the amount added to the Rural Fire Protection category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

99. **Department of Conservation and Natural Resources - Fire Suppression and Emergency Response - FY 02 -** Transfer of $500,000.00 in the Fire Suppression Costs category to the Salaries category to adjust the mix of funding between actual fire costs and actual fire salaries. Requires Interim Finance approval since the amount transferred to the Salaries category exceeds $50,000.00.

Refer to motion for approval under Item E.

100. **Department of Conservation and Natural Resources - Wildlife - FY 02 -** Addition of $27,593.00 in the Federal Grant and a transfer of $9,198.00 from the Reserve category to the Operating category to add Non-Game projects inadvertently left out of agency budget request for Fiscal Year 2002. Requires Interim Finance approval since the amount added to the Non-Game category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item E.

101. **Department of Conservation and Natural Resources - Obligated Reserve - FY 02 -** Transfer of $144,107.00 from the Reserve category to the Federal Habitat Projects category to address audit issues with the United States Fish and Wildlife Service by using revenue for operating expenses for Wildlife Management areas. Requires Interim Finance approval since the amount transferred to the Federal Habitat Projects category exceeds $50,000.00.

Refer to motion for approval under Item E.

102. **Department of Conservation and Natural Resources–2001-03 Park Improvements– FY 02** – Addition of $126,250.00 in United States Bureau of Reclamation Federal Grant to provide for water system upgrade at Lahontan Reservoir. Requires Interim Finance approval since the amount added to the Lahontan Dam category exceeds $100,000.00.

Refer to motion for approval under Item E.

103. **Department of Conservation and Natural Resources–2001-03 Park Improvements – FY 02 -** Addition of $295,000.00 in Transfer from Wildlife to provide for boating access projects at Wild Horse and South Fork State Recreation Areas. Requires Interim Finance approval since the amount added to the Wild Horse and South Fork category exceeds $50,000.00.

Refer to motion for approval under Item E.

104. **Department of Conservation and Natural Resources-Fund to Protect Lake Tahoe - FY 02 -** Transfer of $64,631.00 from the Unallocated Interest category to the Transfer to Conservation category to provide one full-time employee for clerical and accounting support to Tahoe Resources Team Members and attendant equipment, operating, information services and travel expenses. Requires Interim Finance approval since the amount transferred to the Conservation

category exceeds $50,000.00. **Relates to Items 95 and 96.**

Pam Wilcox, Administrator, Division of State Lands, identified herself for the record. Ms. Wilcox reported that Items 95, 96, and 104 related to the Tahoe Environmental Improvement Program and pointed out that since 1997, the Division had been implementing Nevada's portion of the Tahoe Environmental Improvement Program along with their partners in California, the federal government, local government and the private sector.

Ms. Wilcox reported that in order to implement Nevada's portion of the Environmental Improvement Program, an interagency team of eight people working out of the same office was set up to carry out the program. When the program was initiated, Ms. Wilcox indicated a commitment was made to implement the program without adding additional support staff. Ms. Wilcox explained that the professional staff was spending too much time on clerical and accounting duties and needed a support position which would be funded with interest earned on the Environmental Improvement Program (EIP) bond sales. Ms. Wilcox reported that funding transfers included:

- A transfer of $64,631 from Budget Account 4204, the Tahoe Bond Fund – (Item 104);
- A transfer of $22,888 to the Operating budget, Budget Account 4173 in FY2002 –(Item 95); and,
- A transfer of $41,743 to the Operating budget, Budget Account 4173 in FY2003 – (Item 96);

In response to a question from Chairman Raggio concerning the future availability of the funding to support a new employee, Ms. Wilcox advised that based on the bonding authority that had been granted, funding availability would continue through FY2005. Ms. Wilcox advised that if the program continued into the future and if additional bonding authority was granted in future sessions of the legislature as currently proposed, the funding would continue.

In response to a question from the Chairman concerning General Fund revenue, Ms. Wilcox advised that there were no General Fund revenues involved in the request and that the funding would be derived from interest earned from the sale of general obligation bonds to fund portions of Nevada's commitment to the Environmental Improvement Program.

MR. DINI MOVED TO APPROVE ITEMS 95, 96, AND 104.

MRS. DE BRAGA SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

105. **Department of Transportation - Administration - FY 02 -** Addition of $208,999.00 in Transfer from Highway Fund to fund five new positions in the Right of Way Division, including an Assistant Chief Right of Way Agent, a Supervisor Right of Way Engineer, a Right of Way Agent III and an Engineering Technician V. In addition, fund a Supervisor III for the District I Permit Section in Las Vegas. These positions are needed due to the increasing workloads of the Right of Way Division and changes in telecommunications laws. Requires Interim Finance approval since the amount added to the Personnel and Equipment category exceeds $50,000.00 and includes new staff. **Relates to Item 106.**

See Item 106.

106. **Department of Transportation - Administration - FY 03 -** Addition of $285,143.00 in Transfer from Highway Fund to continue funding for five new positions in the Right of Way Division, including an Assistant Chief Right of Way Agent, a Supervisor Right of Way Engineer, a Right of Way Agent III, and an Engineering Technician V. In addition, fund a Supervisor III for the District I Permit Section in Las Vegas. Requires Interim Finance approval since the amount added to the Personnel category exceeds $50,000.00 and includes new staff. **Relates to Item 105.**

The Chairman announced that Items 105 and 106 would be heard at the same time.

Jeff Fontaine, Deputy Director, Department of Transportation, identified himself for the record. Mr. Fontaine advised the members of the Committee that the Department of Transportation's work program requests to hire five additional positions to address growth in the Right-of-Way Division and changes in telecommunications laws. Mr. Fontaine advised that four of the positions would be located in the Carson City Right-of-Way Division and would be funded from State Highway Funds. The fifth position would be located in Las Vegas and would be supported from new fees for telecommunication installations supported by the telecommunication industry. The State Transportation Board approved the Department's request to seek IFC approval for the positions at their last board meeting in October.

The Chairman noted that, if approved, Items 105 and 106 would increase the number of new positions for the Right-of-Way Division by 15 full-time-equivalent positions since June 2000.

In response to questions the Chairman posed concerning the right-of-way for the Carson Bypass and U.S. 95 in Las Vegas, Mr. Fontaine reported that while not all of the right-of-way had been obtained for the Carson Bypass, the Department was working on it. In reference to U.S. Highway 95, Mr. Fontaine reported that the right-of-way for U.S. 95 was very significant because of the hundreds of homes and businesses involved. The Department planned, through a request for proposal process, to use consultants to make the offers and assist in the acquisition of the right-of-way for homes and businesses.

In response to a question from the Chairman concerning the qualification of applicants, Mr. Fontaine indicated that the Department had been successful in hiring people for similar positions located in Carson City and expected the same would hold true in Las Vegas.

Senator Coffin questioned why four of the five positions would be located in Carson City when most of the right-of-way problems occurred in Clark County.

Mr. Fontaine responded that most of the work needed for the U.S. Highway 95 right-of-way and other projects in Las Vegas, such as the utility relocation and engineering work was considered a "headquarters operation" and would be accomplished in Carson City.

In response to a question from Senator Coffin concerning whether parties affected by the right-of-way acquisitions had to travel to Carson City to learn about matters related to the issue, Mr. Fontaine advised that the Department had opened a satellite office in the Meadows Mall in Las Vegas with sufficient staff and consultants to assist those who requested information related to the matter.

In response to a question from Senator Coffin concerning the number of right-of-way staff located in the Las Vegas office, Mr. Fontaine deferred to Heidi Mireles, Chief, Right-of-Way Agent.

Ms. Mireles reported that currently a staff of 15 was located in the Las Vegas office for the U.S. Highway 95 project and that with the substantial amount of work to be done, the possibility existed that the firms that would be hired would have a substantial number of employees coming on board. Additionally, Ms. Mireles indicated that the project's time expectations might require hiring multiple companies in order to "get the job done." Ms. Mireles indicated that currently the Right-Way-Division employed 85 employees statewide.

Ms. Mireles reported that of the four positions located in Carson City, one of the positions would act as the assistant to the Chief Right-of-Way Agent, and two positions were in the Right-of-Way Engineering section, which was supported by the Design Division who all worked together.

Speaker Perkins questioned how much of the work relative to the entire program was being accomplished in Las Vegas.

Mr. Fontaine responded that one of the most current work programs approved by the State Transportation Board at their October meeting indicated that approximately 65 percent of new projects were in southern Nevada.

In response to questions from Speaker Perkins concerning the most efficient use of design personnel and travel expenses for those employees located in Carson City, Mr. Fontaine reported that qualified engineers could not be retained in Las Vegas because of salary and the fact that there was "tremendous competition for engineering talent." Mr. Fontaine indicated that engineers could be retained in Carson City because the quality of life in Carson held an appeal and while some members of the staff traveled to Las Vegas on a daily basis, that travel was well managed.

Speaker Perkins indicated that concerns had been brought to his attention in the southern part of the state from those that indicated they sometimes felt "a disconnect" from the Nevada Department of Transportation while they were in the design or engineering phases of their projects which perhaps delayed the time frames in completing those projects.

Mr. Hettrick disclosed that he had one of the parcels on the Carson Bypass that had not yet been acquired and that he would abstain from the vote.

MR. MARVEL MOVED APPROVAL OF ITEMS 105 AND 106.

MR. DINI SECONDED THE MOTION.

THE MOTION WAS CARRIED. (MR. HETTRICK ABSTAINED)

107. **Department of Transportation - Administration - FY 02 -** Addition of $9,000.00 in Transfer from Highway Fund and addition of $135,000.00 in Federal Statewide Airport Systems Planning Grant to align the budget with the anticipated amount received under the Federal Aviation Administration Statewide Airport Systems Planning Grant Program. The grant funds statewide aviation projects, including the evaluation of all of Nevada's paved airports. Requires Interim Finance approval since the amount added to the Administration Consultants/Other Federal Programs category exceeds $100,000.00.

Refer to motion for approval under Item E.

108. **Office of the Military - Adjutant General - FY 02 -** Addition of $32,000.00 in Department of Defense Funds to fund the addition of a Management Analyst II position to support increased Geographic Information System (GIS) program requirements consistent with the National Geographic Information System Initiative. Requires Interim Finance approval since the amount includes new staff. **Relates to Item 109.**

Refer to motion for approval under Item E.

109. **Office of the Military - Adjutant General - <u>FY 03</u> -** Addition of $58,000.00 in Department of Defense Funds to continue funding for a Management Analyst II position to support increased Geographic Information System (GIS) program requirements consistent with the National Geographic Information System Initiative. Requires Interim Finance approval since the amount added to the Salaries category exceeds $50,000.00. **Relates to Item 108.**

Refer to motion for approval under Item E.

110. **Department of Business & Industry - Manufactured Housing Division - Manufactured Housing Education/Recovery Account - FY 02 -** Transfer of $45,000.00 from the Reserve category to the Count Ordered Payments category to provide funding for additional District Court ordered payments. Requires Interim Finance approval since the amount transferred to the Court Ordered Payments category exceeds 10% of the legislatively approved level for that category. **Received November 7, 2001.**

Refer to motion for approval under Item E.

111. **Department of Corrections – Inmate Welfare Account - FY 02 -** Transfer of $43,947.00 from the Retained Earnings category to the Repay General Fund-Stale Claims category to cover anticipated expenditures through Fiscal Year End for Assembly Bill 389/533 Stale Claims. Requires Interim Finance approval since the amount transferred to the Repay General Fund-Stale Claims category exceeds 10% of the legislatively approved level for that category. **Received November 7, 2001.**

Refer to motion for approval under Item E.

112. **Department of Human Resources-Mental Health-Southern Adult Mental Health-FY 02 -** Addition of $16,932.00 in Medicaid Revenue and addition of $68,031.00 in Tobacco Settlement Funds to develop a program in Southern Nevada similar to the existing Senior Mental Health Program in Northern Nevada. Creates two new positions. Requires Interim Finance approval since the amount includes new staff. **Received November 7, 2001. Relates to Agenda Item *F.**

Mr. Ghiggeri reported that the $68,031 displayed in Item 112 was revised to $59,477 in Tobacco Settlement Funds and $8,554 in Title III B funds.

The Chairman advised that Items 112 and 113 were related to Item F. and that all three items would be heard at the same time.

113. **Department of Human Resources - Mental Health - Northern Nevada Adult Mental Health Services - FY 02 -** Addition of $14,904.00 in Medicaid Case Management Revenue and addition of $104,684.00 in Tobacco Settlement Funds to record Independent Living Grant funds from the Division of Aging Services to establish a Senior Outreach Program in Northern Nevada. Creates one new position. Requires Interim Finance approval since the amount includes new staff. **Received November 7, 2001. Relates to Agenda Item #F.**

Mary Liveratti, Administrator, Division of Aging Services, identified herself for the record and advised the members that the Division of Aging Services was requesting approval to award an independent living grant, in the amount of $164,161 for Senior Mental Health Outreach Services. The grant was to be funded by Tobacco Settlement funds as provided by *Nevada Revised Statutes (NRS) 439.630 and* out of existing budget authority in Budget Account 3140, category 14.

Ms. Liveratti reported that the lack of mental health services for seniors had been a concern to the Division of Aging Services for a number of years. That concern prompted combined efforts between the Division of Aging Services and the Division of Mental Health and Developmental Services to expand services for seniors.

Having recognized the problem, the Commission on Aging included a need for expanded mental health services in the last two state plans of service for Nevada elders. In Fiscal Year 2001, the Division established an Elder Protective Services Roundtable in Washoe County that included state agencies, community organizations and senior services representatives from which subsequently, a subcommittee was formed to deal specifically with mental health issues for Nevada seniors. Ms. Liveratti advised that in 1997 the Division of Aging Services collaborated with the Mental Health Division to develop the Southern Nevada Senior Mental Health Outreach Program, which was funded with federal funds under the Older Americans Act. The Division had hoped to replicate the program in the Reno area; however, due to a lack of federal funding, the program in northern Nevada was not developed.

The Chairman asked Ms. Liveratti to identify where the funding for the program would come from if Tobacco Settlement Funds were not available in the future.

Ms. Liveratti advised that all of the grants that the Division had awarded under the Tobacco Settlement funds were for a two-year period and even the second year of funding was contingent upon funding availability and performance of the grantee.

In response to a question from the Chairman concerning the waiting list, Ms. Liveratti deferred to Laurie Moore.

Laurie Moore, Director, Senior Mental Health Outreach Program, in southern Nevada, identified herself for the record and reported that the wait list in southern Nevada had been reduced to 18 from 30. Ms. Moore reported that while northern Nevada did not currently have a wait list, one was anticipated. Ms. Moore indicated there was a definite need for services, and the more quickly a waiting list was addressed, the more referrals could be received for the program in southern Nevada.

Mrs. Chowning expressed her full support for the services; however, requested clarification concerning the various caseload figures reported in the packet of information prepared for the

Committee.

Ms. Moore reported that the caseload in both southern and northern Nevada was 35:1 and that she had requested a 30:1 ratio. In reference to the 40 to 50 numbers that appeared in the Committee's information, Ms. Moore indicated those numbers referred to the clients that could be served in a specific period of time. Additionally, Ms. Moore reported that the existing services in northern Nevada would be made more responsive to seniors of whom currently less than 1 percent of those over the age of 65 were being served.

Ms. Moore reported that her goal was to integrate services for seniors statewide, and she hoped that some of the individuals from the Senior Mental Health Outreach Program could be transferred to traditional case management.

> MR. PARKS MOVED TO APPROVE ITEMS 112 AND 113 AND ITEM F WITH ADJUSTMENTS IDENTIFIED BY STAFF.
>
> MS. CHOWNING SECONDED THE MOTION.
> THE MOTION WAS CARRIED UNANIMOUSLY.

114. **Department of Human Resources - Health Care Financing and Policy - Nevada Check Up Program - FY 02 -** Addition of $131,685.00 in Federal Title XXI Receipts to provide for the initial planning and administration stage of the electronic application process for the Children's Health Assurance Program (CHAP) and the Nevada Check Up Program pursuant to AB 514 of the 2001 Legislature. Requires Interim Finance approval since the amount added to the Welfare's Electronic Application Process category exceeds $50,000.00. <u>Since this action involves the allocation of block grant funds, it requires a public hearing.</u> Received November 7, 2001. Relates to Contingency Request Item G-2.

The Chairman announced that Items 114, 115, and H. 2 required a public hearing and would be heard at the same time.

115. Department of Human Resources - Health Care Financing and Policy - Medicaid-FY 02- Addition of $70,907.00 in Federal Title XIX Receipts to provide for the initial planning and administration stage of the electronic application process for the Children's Health Assurance Program (CHAP) and the Nevada Check Up Program pursuant to Assembly Bill 514 of the 2001 Legislature. Requires Interim Finance approval since the amount added to the Welfare's Electronic Application Process category exceeds $50,000.00. Received November 7, 2001. Relates to Contingency Request Item G-2.

Debbra J. King, Administrative Services Officer, Department of Human Resources, identified herself for the record. Ms. King reported that Items 114, 115, H. 2 and the allocation under <u>A.B. 514</u>, 2001 Session related to an electronic application the Welfare Division would be developing for Medicaid and Nevada Check-Up programs. Ms. King introduced Gary Stagliano, Deputy Administrator, Welfare Division, who provided additional details.

Mr. Stagliano reported that <u>A.B. 514</u>, 2001 Legislative Session, appropriated $500,000 to the Welfare Division and the Division of Health Care Financing and Policy to establish an electronic application for both the Child Health Assurance Program (CHAP) and the Nevada Check-Up Program. Mr. Stagliano explained that both programs had similar eligibility requirements and pointed out that the federal government had a prerequisite that clients did not qualify for CHAP before being considered for Nevada Check-Up services.

Mr. Stagliano indicated the electronic application would provide a means through which people could use a web site to record pertinent information and through the answers to the questions, the screening device in the web would determine which program was appropriate for them, either the Check-Up Program or the CHAP. Mr. Stagliano explained that determining the appropriate program was important because both the Division of Health Care Financing and Policy and Welfare Division often received applications for other programs and this new application provided a way for applicants to not have to determine for themselves which program was better suited for their situation. Additionally, Mr. Stagliano indicated it was also envisioned the application would preliminarily look at the possibility of eligibility and apprise applicants of whether they were eligible for either program. Use of the new technology would also provide a more efficient way of doing business by storing eligibility and demographic information in the computer and eliminating the need for an employee to enter the information.

There were no questions from members of the public.

SENATOR RAWSON MOVED TO APPROVE ITEMS 114, 115, AND H. 2.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

116. **Department of Human Resources - Welfare Division - Field Services - FY 02 -** Addition of $33,331.00 in Transfer from Division of Emergency Management and transfer of $71,615.00 from the Reserve category to the Office Remediation category to relocate staff and equipment from the Reno district office due to extensive stachybotrys and aspergillus fungi contamination. Requires Interim Finance approval since the amount added to the Office Remediation category exceeds $50,000.00. Since this action involves the allocation of block grant funds, it requires a public hearing.

The Chairman announced a public hearing was required.

There were no questions from members of the public.

MRS. CHOWNING MOVED TO APPROVE ITEM 116.
MR. PARKS SECONDED THE MOTION.
THE MOTION WAS CARRIED UNANIMOUSLY.

II. Reclassification

Refer to motion for approval under Item E.

Agency	Account Number	Position Number	Present Class, Code, EEO-4, Grade & Salary	Proposed Class, Code, EEO-4, Grade & Salary
Department of Motor Vehicles, Field Services Division	810/4735	YY0065	DMV Services Technician II, 11.425, grade 25, step 1, $23,135.04, Employer-Paid	Accounting Assistant II 2.303, grade 25, step 1, $23,135.04, Employer-Paid

Agency	Account Number	Position Number	Present Class, Code, EEO-4, Grade & Salary	Proposed Class, Code, EEO-4, Grade & Salary
Department of Motor Vehicles	810/4711	CC7044 CC7064	Program Assistant I, 2.220, grade 23, step 1,	Department of Motor Vehicles Technician II,

Agency	Account Number	Position Number	Present Class, Code, EEO-4, Grade & Salary	Proposed Class, Code, EEO-4, Grade & Salary
		CC7066	$23,385.60, Employee/Employer-Paid	11.425, grade 25, step 1, $25,306.56, Employee/Employer-Paid
Department of Motor Vehicles	810/4711	CC7005 CC7065	Program Assistant I, 2.220, grade 23, step 2., $24,346.08, Employee/Employer-Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 2, $26,308.80, Employee/Employer-Paid
Department of Motor Vehicles	810/4711	CC7076	Program Assistant I, 2.220, grade 23, step 4, $26,308.80, Employee/Employer-Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 4, $28,522.08, Employee/Employer-Paid
Department of Motor Vehicles	810/4711	CC7071	Program Assistant I, 2.220, grade 23, step 5, $27,373.68, Employee/Employer Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 5, $29,712.24, Employee/Employer-Paid
Department of Motor Vehicles	810/4711	CC7042 CC7075	Program Assistant I, 2.220, grade 23, step 8, $30,944.16, Employee/Employer-Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 8, $33,616.80, Employee/Employer-Paid
Department of Motor Vehicles	810/4711	CC7041 CC7043	Program Assistant I, 2.220, grade 23, step 9, $32,259.60, Employee/Employer-Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 9, $35, 099.28, Employee/Employer-Paid
Department of Motor Vehicles	810/4711	CC7067 CC7070 CC7078	Program Assistant I, 2.220, grade 23, step 1, $21,381.12, Employer-Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 1, $23,135.04, Employer-Paid
Department of Motor Vehicles	810/4711	CC7069	Program Assistant I, 2.220, grade 23, step 5, $25,035.12, Employer-Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 5, $27,164.88, Employer-Paid
Department of Motor Vehicles	810/4711	CC7068	Program Assistant I, 2.220, grade 23, step 9, $29,503.44, Employer-Paid	Department of Motor Vehicles Technician II, 11.425, grade 25, step 9, $32,092.56, Employer-Paid
Department of Motor Vehicles, Field Services Division	810/4735	WF7007	Administrative Assistant III, 2.211, grade 27, step 1, $25,035.12, Employer-Paid	Department of Motor Vehicles Services Technician III, 11.424, grade 27, step 1, $25,035.12, Employer-Paid
Department of Public Safety, Nevada Highway Patrol	650/4713	0939	Nevada Highway Patrol Trooper II, 11.106, grade 37, step 1, $36,268.56, Employer-Paid (Police and Fire)	Public Information Officer II, 7.804, grade 37, step 1, $38,064.24, Employer-Paid
Department of Corrections, Restitution Center	440/3724	0015	Program Officer I, 7.649, grade 31, step 9, $39,546.72, Employer-Paid (Police and Fire)	Correctional Casework Specialist I, 12.565, grade 34, step 8, $43,200.72, Employer-Paid (Police and Fire)
Department of Corrections, Ranch Division	440/3727	0007	Athletic & Recreation Specialist I, 10.616, grade 32, step 9,	Prison Industries Supervisor I, 7.333, grade 33, step 9, $43,200.72,

Department of Conservation and Natural Resources, Environmental Protection Division	709/3187	0225	$41,342.40, Employer-Paid (Police and Fire) Supervisor IV, RPE, 6.207, grade 42, step 1, $47,439.36, Employer-Paid	Employer-Paid (Police and Fire - pending) Environmental Scientist IV, 10.545, grade 38, step 1, $39,734.64, Employer-Paid

***F. DEPARTMENT OF HUMAN RESOURCES – DIVISION FOR AGING SERVICES – Request for approval of grant from Tobacco Settlement funds to the Division of Mental Health and Developmental Services -- $164,161.00.**

Item F was approved under Item E. 112 and 113.

G. STATEMENT OF CONTINGENCY FUND BALANCE.

Mr. Ghiggeri referred to pages 5 and 6 of the meeting packet (Exhibit O) and reported that the available spending authority for the Contingency Fund prior to the Committee's action concerning the request from Desert Research Institute (DRI) was $9,159,619.34. Mr. Ghiggeri further indicated that if the Committee approved the contingency request from the DRI, $8,894,400 would remain in the unreserved balance.

Mr. Ghiggeri noted that the Committee had approved the transfer of $141,815 from the A.B. 514 funding and $358,185 remained under the allocation.

The Washoe County Juvenile Center was originally appropriated $3 million and there was a request before the Committee for $2,021,010,and, if approved, $978,990 would remain under the appropriation.

Additionally, Mr. Ghiggeri advised that the balance for China Springs shown on the Contingency Report was $1,400,642.32; however, the Fiscal Division staff approved a request for $136,265.19, leaving a remaining balance of $1,264.377.13.

Mr. Ghiggeri indicated that the remaining items shown on the Contingency Fund report related to the Health Insurance for School District Employees, S.B. 587; School District Energy Costs, S.B. 8; Agency Energy Costs, S.B. 8; Highway Fund Allocation, S.B. 8 (the Committee approved $12,915 at the September 25, 2001, meeting to the Controller for debt collection); and Nursing Loan Program, A.B. 378; (the Committee approved $95,819 for the Nursing Loan Program during an earlier part of the meeting).

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

1. University and Community College System of Nevada –
   Desert Research Institute – Weather Modification $265,219.00

SENATOR MATHEWS MOVED TO APPROVE THE DRI WEATHER MODIFICATION CONTINGENCY FUND REQUEST.

MR. DINI SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

2. Department of Human Resources/Welfare Division – A.B. 514,
   2001 Session- Electronic Application Process $141,815.00
   See Work Program 115. Item H.2 was approved with Items 114 and 115.

***I. DEPARTMENT OF MOTOR VEHICLES – Request for approval to distribute grant awards to local government entities from the Emission Control Account pursuant to NRS 445B.830:**

1. Clark County Department of Air Quality Management $489,169.00
2. Clark County Department of Air Quality Management $326,113.00
3. Washoe County District Health Department $243,526.00

Total $1,058,808.00

Ginny Lewis, Deputy Director, Department of Motor Vehicles, identified herself for the record and advised the members of the Committee that the request illustrated basic yearly grant awards to the counties. Ms. Lewis reported that the grants were budgeted within the Emission Control account.

In response to a question from the Chairman, Ms. Lewis confirmed that the request was pursuant to NRS 445B.830 and represented one fifth of the amount received for each form.
The Chairman noted that Clark County Department of Air Quality Management would receive the amounts of $489,169 and $326,113 and the Washoe County District Health Department would receive $243,526.

SENATOR MATHEWS MOVED TO APPROVE ITEM I.

MS. TIFFANY SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

See. Item L.

***J. UNIVERSITY AND COMMUNITY COLLEGE SYSTEM OF NEVADA**

1. Approval of Board of Regents' policy for financial support of the program to provide loans to nursing students and distribution of money appropriated from the interest earned on the Trust Fund for Public Health (NRS 439.605) – A.B. 378, 2001 Session.

Chairman Raggio noted that under the provisions of A.B. 378, 2001 Legislative Session, the Board of Regents was to establish a policy for the administration of a loan program for nursing students. The Chairman recalled that the appropriation was 25 percent of the available interest earned on the Trust Fund for Public Health or $250,000; whichever was less, as determined on July 1, 2001. It was the Chairman's understanding that approximately $96,000 was available.

Dr. Jane Nichols, Chancellor, University and Community College System of Nevada (UCCSN), identified herself for the record and introduced Dr. Michael Harter, Coordinator of the UCCSN Health Care Education Programs.

Dr. Nichols reported that the policy developed by the directors of the nursing programs and approved by the Board of Regents provided for the distribution of funds for the loans on a proportionate basis of nursing students who were working toward a Registered Nurse (RN) or Licensed Practical Nurse (LPN) degree. Dr. Nichols indicated the intent was to encourage students who might not otherwise be able to attend school for a career in nursing. As an incentive to stay in Nevada upon receiving a nursing degree, Dr. Nichols indicated the policy defined a loan forgiveness program that would allow licensed graduates to have their loans forgiven for years of service in Nevada, and for a period of five years, the total amount of the loan would be forgiven.

In response to a question from the Chairman, Dr. Nichols confirmed that $95,819 in funding was available for distribution.

Chairman Raggio noted that under the policy that had been determined, the loans could not exceed $1,700 per semester for nursing students enrolled in a community college and $2,000 per semester for the University, and Nevada State College.

Dr. Nichols confirmed the amount of the loans and indicated that while the amounts appeared low, the loans were determined to be sufficient to provide incentive and financial assistance to students.

In response to a question from the Chairman, Dr. Nichols indicated it was the opinion of UCCSN representatives that the method developed to allocate the available funds was fair for entry-level RN and LPN programs.

Dr. Michael Harter, Coordinator of the UCCSN Health Care Education Programs, identified himself for the record and in response to a question from the Chairman concerning the total estimated distribution of funds for each campus reported the following distribution based on funding of $90,000:

- Community College of Southern Nevada (CCSN) - $25,000;
- Great Basin Community College (GBCC)- $3,600;
- Truckee Meadows Community College (TMCC) - $12,000;
- University of Nevada Las Vegas (UNLV) - $27,000;
- University of Nevada Reno (UNR) - $13,500;
- Western Nevada Community College (WNCC) - $9,000; and,
- Henderson Campus - $4,000.

Ms. Leslie commended the UCCSN on developing the policy so quickly and questioned whether the limited funding would be distributed on a "first-come, first-served" basis and whether Nevada residents would have the first opportunity for funding.

Dr. Nichols advised that eligibility for the loan applied only to Nevada residents. In response to the question concerning distribution on a "first-come, first- served basis," Dr. Nichols indicated that all of the campuses were developing policies for distribution, and it was anticipated the first distribution would be available in January. Dr. Nichols further indicated that each campus would find some way to reserve funding for the fall semester 2002 as a recruitment device to reach students who were not currently able to go into nursing and wished to do so. Dr. Nichols concluded by saying that each campus had three semesters in which to expend the funding in a manner they determined would receive the greatest "bang for the buck" for each particular student body.

2. Distribution of funds appropriated by A.B. 378, 2001 Session $95,819.00

MRS. DE BRAGA MOVED TO APPROVE THE POLICY ESTABLISHED BY THE BOARD OF REGENTS AND THE DISTRIBUTION OF FUNDS AS INDICATED.

MRS. CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

The Chairman recessed the meeting at 11:57 a.m. for a thirty-minute lunch break. See K.2.b.

***K. STATE PUBLIC WORKS BOARD**

1. Request for change of scope for 01-C30L, Transitional Bridge Building-UNLV, and 01-C31L, Advance Planning and Site Preparation, Dental School-UNLV.

Senator Rawson clarified that Agenda Item K. 1. was not relative to the certainty of Nevada's future dental school and addressed the fact that the University and Community College System of Nevada (UCCSN) had hired an acting dean, an associate dean, an admissions director, faculty as well as staff and had an "enthusiastic application rate" of over 800 students who had applied for admission to the dental school.

Senator Rawson provided a brief background and reported that the transitional facility had been approved during the 2001 Legislative Session and was intended to bridge existing facilities with future facilities that were being planned and constructed. Senator Rawson further reported that the dental school was on schedule with or without the transitional building and that Agenda Item K. 1., which was a request for change of scope for the project was before the Committee because it was a good business decision.

Senator Rawson indicated there had been a mischaracterization that the $6 million, approved by the 2001 Legislature for the facility, would be better spent on rent relief or extension of unemployment benefits following the September 11th incident. However, Senator Rawson indicated that he believed members of the Committee were well aware that the project was to be funded by general obligation bonds that could not be used for victim disaster relief or other operating budgets and that sale of the bonds to further the dental school facility had already been approved.

Senator Rawson stated again that consideration of the request for a change in scope of CIP 01-C30L and CIP 01-C31L was a good business decision that could save the state millions of dollars, and he pointed out that the Employers Insurance Company of Nevada (EICoN) building was a $24 million facility that could be purchased for $13.8 million, or $72 a square foot. Senator Rawson also noted the building was located on 13 acres of fully landscaped prime land with 750 parking spaces, in the proximity of the University Medical Center and strategic to bus lines which made the facility easily accessible to members of the public seeking dentistry services and those who were perhaps unemployed or affected by the economy. Senator Rawson pointed out that Nevada had the lowest ratio of dentists and the highest per capita rate of dental disease in the country. Additionally, Senator Rawson indicated that the state was currently under a correction order from the Centers for Medicare & Medicaid Services (CMS) to improve dental access in Nevada since only approximately 20 percent of the children who were insured through Medicaid were able to access one of only eight dentists in southern Nevada who would see a Medicaid patient. Senator Rawson further explained the correction order was closely tied in with the state program for improving Medicaid access.

Senator Rawson disclosed that he was a dentist and worked for the UCCSN and asked that the record reflect that he would neither supervise nor work in the dental school nor in any way benefit from the dental school. Senator Rawson requested the Committee's support and indicated approval would meet the needs of the community.

Chairman Raggio indicated the request for a change of scope for the transitional building was deferred at the September 25, 2001 IFC meeting based upon a legal opinion from Legislative Counsel that indicated the Committee did not have the authority to approve the request. Since the September 25, 2001, IFC meeting, the Legal Division had prepared a second opinion, and the Chairman asked Brenda Erdoes, Legislative Counsel, to address the Committee's authority to take the action requested.

Ms. Erdoes reported that two legal opinions had been issued and both stated that the Interim Finance Committee had the authority to approve a change in scope for capital improvement projects so long as the change did not conflict with the text of the bill in which the project was approved or the legislative intent in approving that bill.

Ms. Erdoes reported that when first requested to review the issue, the April 17, 2001, minutes for the Joint Subcommittee on Higher Education/Capital Improvements had been reviewed, and the minutes appeared to reflect that Dr. Harter had stated a specific location for the building; therefore, the Legal Division had first opined that the Committee did not have the legal authority to approve a change in scope. Senator Rawson later asked that the Legal Division reconsider their position on the opinion because he believed the testimony provided to the Joint Subcommittee did not provide an accurate description of the intent of the Legislature.

Ms. Erdoes indicated that the question before the Committee in approving the request for a change in scope would be whether testimony presented at the subcommittee meetings accurately reflected the legislative intent, or whether it was the intent of the Legislature to simply approve the project as a whole and not a specific location. Ms. Erdoes recommended that if the Committee wished to approve the project that the Committee, as a body, should by majority vote, indicate on the record that the Committee had found that the intent of the Subcommittee was to approve the concept of the project and not a specific location.

Chairman Raggio asked Dr. Harter to comment since it was Dr. Harter's testimony that was quoted in the original opinion concerning the location of the dental school.

Dr. Carol C. Harter, President, University of Nevada, Las Vegas testified that the word "transition building" was used in her testimony before the Joint Subcommittee on Higher Education/Capital Improvements to describe a request for funding for the dental school and that the word "transition" was used as "a time word rather than a place word." Dr. Harter clarified that her testimony was about the need to accommodate the first two classes of approximately 150 dental students in a temporary manner before returning to the Legislature to request the funds to build a permanent dental school. Dr. Harter testified that her testimony requesting a transitional facility on the main campus was "merely an illustrative description, and the word transition building meant simply" to provide a facility between the time when students were accepted and the time needed to house them in a permanent and complete clinical facility. Dr. Harter reiterated her intent was to use the word transition as a "time word."

Chairman Raggio questioned whether it was the belief of the UCCSN that the proposed acquisition of the EICoN Building Complex would be the permanent site for the dental school.

Dr. Harter responded that a permanent dental school and all of the other needs that were to be addressed by the transitional facility could be housed at the EICoN property at considerably fewer dollars than it would have taken to build "a transition building" and a full-scale dental school.

Chairman Raggio referenced a letter prepared by Daniel O'Brien dated November 6, 2001, (Exhibit H) which contained the PWB recommendation concerning the request for a change in scope for CIP 01 C30L. The Chairman requested that Mr. O'Brien provide a statement for the record concerning his recommendation.

Daniel O'Brien, Manager, PWB, testified that speaking purely in the project sense, the proposed location was good, and while some remodeling would be needed, it was a "great campus for a dental school."

In response to a request from Chairman Raggio, Dr. Harter agreed to provide a brief introduction to the funding issue before turning the microphone over to Dr. Anthony Flores, Vice President for Finance. Dr. Harter reiterated that the request was to approve funding that had already been appropriated for the transitional building and, if approved, would be used to partially fund the purchase and renovation of the EICoN property. Dr. Harter stated that "part of the purchase and renovation costs" for the 185,000 square-foot facility located on 18 acres would be assumed through University resources that would be generated through revenue bonds which would be funded through new capital improvement fees and "net income" from clinical practices that would include the Medicaid contract earlier referred to by Senator Rawson. Dr. Harter stated that if the request to move the $5 million in construction funding and the $1 million in planning and site preparation through a change in scope was approved, it was believed the project would be "greatly self-funded by the University," as opposed to having to return to the Legislature in the future with "a very large capital request."

In response to a question from Chairman Raggio concerning the total purchase price of the complex, Dr. Harter stated that the purchase price for the EICoN building was $13.5 million, which included three buildings that totaled 185,000 square feet.

In response to additional questions from the Chairman, Dr. Harter confirmed that one of the buildings on the EICoN property was the office building located at 1700 West Charleston and another was the Jean Hanna Clark Rehabilitation Center. Dr. Harter clarified that Building A and a part of Building B were designated solely for the dental school. The remainder of Building B, however, was targeted for other bio-technology and bio-medically related activities such as the Cancer Institute. The possibility of moving the Physical Therapy Program into Building B, which had been originally built as a physical therapy center, was being discussed with a donor. Dr. Harter reported that the University had a number of bio-related programs that could occupy Building B.

Chairman Raggio asked Dr. Harter to provide an explanation concerning the auspices under which the bio-related programs operated.

Dr. Harter responded that some of the bio-related programs were federally funded and the University funded others such as the Physical Therapy Program.

Chairman Raggio asked Dr. Harter to comment, for the record, on a concept being circulated that the dental school would be an important part of a medical center which some thought to believe would mean moving the medical school from the campus at the University of Nevada Reno to the UNLV.

Dr. Harter stated that it was her view that the Medical School would continue to operate under the auspices of the University of Nevada Reno and that in no way had it been requested that the Medical School be moved to the UNLV. However, Dr. Harter indicated it was anticipated that the UNLV would engage in multiple partnerships and partner with the Medical School to potentially create an academic medical center with shared facilities and partnerships between the UNR Medical School and the UNLV Dental School as well as the shared Pharmacy School which was both a UNR and a UNLV project.

Moving to the funding portion of the request, Chairman Raggio asked for comments related to the cost of renovation of the EICoN Building as shown on Schedule 1 (Exhibit H[1]) and requested specifically that the testimony be included in the record.

Dr. Harter discussed the following costs as illustrated on Schedule 1 (Exhibit H[1]):

- Acquisition cost for the EICoN Building was $13.5 million;
- Renovation cost for Building "A" to create clinical facilities was $7.5 million;
- Renovation cost for Building "B" for dental facilities was $3.7 million; and,
- Renovation cost for Building "B" largely for the Cancer Institute was $2.7 million.

Dr. Harter clarified that the $2.7 million for the renovation of Building "B" was federal money the University already had in hand to create facilities for the Cancer Institute.

In response to a question from Chairman Raggio concerning whether Mr. O'Brien had analyzed the renovation costs, Mr. O'Brien indicated he had not.

Chairman Raggio asked for comments related to the source of the estimates and questioned whether the $14 million was a realistic acquisition cost and how that cost was determined.

Dr. Harter introduced Juanita P. Fain, Ph.D., Vice President for Administration, who testified that Thomas Hagge, the Associate Vice President for Facilities Management and Planning, and his staff reviewed the site very carefully and determined the estimates for the renovation.

In response to Chairman Raggio's request for specific detail and worksheets related to the determination of costs, Dr. Fain indicated that while she did not have the worksheets with her, she would provide them.

Chairman Raggio requested that the worksheets be provided to Mr. O'Brien and Dr. Fain agreed. Chairman Raggio asked that Mr. O'Brien follow up on the worksheets, and Mr. O'Brien agreed.

Moving on to equipment costs, Dr. Harter testified that the $2 million for equipment costs was the initial cost of the equipment and that the $2 million would be funded from the sale of other University land.

In response to a question from Chairman Raggio concerning the reliability of the $2 million estimate, Senator Rawson advised that as a result of "the dental school" having built and equipped some smaller facilities for outreach practice and revenue generation, very specific cost sheets were available for equipping the operatories. Senator Rawson believed the figures were realistic and indicated the University had been approached by A-dec, Inc., a manufacturer from whom all of the operatory equipment had been purchased and who had expressed an interest in making a major gift or donation. The donation was not reflected on the schedule since it had not yet taken place; however, the cost of the equipment was based on the experience of setting up clinics for outreach practice.

Chairman Raggio indicated he wanted as much on the record as possible in order to provide an accurate basis and understanding for any requests that would be presented during the 2003 Legislative Session.

Dr. Harter clarified that the $2 million was an initial request and that there would be additional future budget requests for the purchase of equipment. In response to the Chairman's question concerning the amount of the future requests, Dr. Harter calculated that approximately "$5 million in each of the next two biennia" would be required for equipment costs. However, Dr. Harter indicated that as discussed by Senator Rawson, donations of dental equipment was a possibility since manufacturers often had dentists try out equipment to determine what they preferred. While costs could be offset by donations, Dr. Harter indicated there would be equipment costs in addition to the $2 million shown in Schedule 1.

Chairman Raggio pointed out that there were many concerns and a lot of criticism concerning future costs, and the Committee needed to determine the extent of the commitment before proceeding so as not to be blind sided in the future.

Chairman Raggio discussed the funding for the acquisition and indicated it was his understanding that if a change in scope was approved, the project would be funded with the $6 million in state funds from CIP 01-C30L and CIP 01-C31L, $2.7 million in federal funds for the Cancer Institute, and $18.75 million from the proceeds of revenue bonds. The Chairman called on Dr. Flores to provide additional information.

Dr. Anthony Flores, Vice President for Finance, UNLV, identified himself for the record and confirmed that the $18.75 million would be generated from the sale of revenue bonds.

In response to the Chairman's question concerning $2 million in unidentified institutional funds, Dr. Harter explained that the $2 million would be the result of a sale of land the University owned in Rainbow Gardens. The sale had been approved by the Board of Regents, and Dr. Harter added that it was the intent of the University "to dedicate the balance of those dollars" from the sale of the land to the project and that "it was a firm commitment."

Senator Neal requested clarification concerning a Las Vegas Review Journal editorial (Exhibit I), that reported that revenue bonds would generate $23 million while Dr. Flores had indicated $18.75 million would be generated.

Dr. Flores explained that the difference between the $23 million and the $18.75 million would be in the event the University did not have access to the $5 million approved by the 2001 Legislature, $23 million would be needed from the sale of revenue bonds. Dr. Flores indicated it was assumed that the request for a change in scope for CIP 01-C30L and CIP 01-C31L would be approved by the Interim Finance Committee and would provide partial funding for the purchase and renovation of the EICoN building. Dr. Flores further explained that if the request for a change in scope was not approved, the funding required from the sale of the revenue bonds would be

$23,750,000.

Senator Neal pointed out that the editorial (Exhibit I) reported the $23 million was in addition to the $6 million that the 2001 Legislature had approved.

For the record, Chairman Raggio noted that Woodrow W. Wagner of Las Vegas had submitted the Review Journal editorial (Exhibit I) under discussion.

It was Dr. Harter's opinion that the editorial dated October 22, 2001 was inaccurate.

Assuming that $18.75 million was the amount that would be required to be generated by the revenue bonds, Chairman Raggio requested that comments be directed to the cost of the debt service.

Dr. Flores reported that three revenue streams had been identified, two specifically for the EICoN facility project. One source of funding was identified as a dedication of new capital improvement fees paid by students, which the Board of Regents had approved. The $2.00 increase was in addition to fees currently paid by the students for capital improvement fees and would generate approximately $900,000 a year. Additionally, Dr. Flores identified funding of $611,000 a year that was expected to result from the "net dental practice revenue."

Chairman Raggio requested a more detailed explanation concerning the potential revenue resulting from the dental clinical practice.

Dr. Harter responded that a contract between the state and the federal government that would provide the University with the ability to offer dental care to Medicaid patients across the state was ready to be signed. Dr. Harter further indicated that $611,000 a year was the net income, conservatively projected from the dental practice, which would be used toward the cost of the debt service.

In response to a question from the Chairman concerning "the likelihood of the agreement," Dr. Harter reported it was her understanding the agreement was "imminent," and that three clinics, two on Sahara Avenue and one on Martin Luther King Boulevard had been established, were staffed and ready to provide dental services to Medicaid patients. While the state and federal government process had been time consuming, Dr. Harter reiterated that the contract was ready to be signed.

Dr. Harter confirmed Chairman Raggio's understanding that the potential revenue from the dental clinical practice was "quite high" because there were only a few dentists who would provide dental services to Medicaid patients.

Dr. Flores confirmed the Chairman's understanding that the bonds would be repaid over a period of thirty years at 6 percent interest. However, Dr. Flores reported that the 6 percent interest rate was an "overly cautious, very conservative figure," and it was anticipated that the interest rate would be closer to 5 percent after the sale of bonds on December 6.

In response to a question from the Chairman concerning analysis of the Operation and Maintenance (O&M) of the facility assuming the property would be acquired, Dr. Flores advised that the O&M had been carefully analyzed and provided the following report:

- December 21, 2001 -- planned acquisition of property;
- January, February, and March 2002 -- EICoN to occupy the building for three months on a free-rent basis as part of the sales agreement;
- April 2002 – the property would be leased back by EICoN for $134,000, and EICoN would have two additional weeks to vacate. Should EICoN not vacate in the allotted time, the University would collect $6,695 a day;
- May 31, 2002 – the property must be vacated; and,
- May/June 2002 – the facility would be under renovation and while utilities would be paid, there would be no "traditional" O&M costs during FY 2002.

Speaking "realistically," the Chairman indicated there would be some O&M costs if the acquisition of the EICoN property was approved and asked that additional details be provided concerning how those costs would be funded during the current biennium.

Dr. Flores responded that the $134,000 that would be collected from EICoN during the month of April 2002 would cover most of the "incidental costs of O&M during that period of time." Additionally, Dr. Flores indicated that after the renovation was completed in December 2002, the dental school would begin to move into the EICoN facility. The cost of O&M for the space that would be occupied would become a part of UNLV's responsibility and would be funded out of the UNLV's current biennial budget. Dr. Flores indicated that beginning in July 2003, the space would be factored into the UNLV's space inventory, and state support would be expected for the O&M.

Chairman Raggio questioned whether the continued cost of the operation of the dental school, once it was established, had been examined.

Dr. Flores advised that operation costs had been examined and that because of transitioning into the building, not all of the space would be occupied immediately. While the occupied portion would require O&M support, Dr. Flores reported that under full occupancy, O&M costs at approximately $7.50 per square foot for the full facility would total $1,426,000 or $108,000 a month; $70,000 per month attributable to the dental portion. In contrast, going forward with a state-funded proposal, Dr. Flores pointed out that the O&M costs that the state would pick up would total approximately $900,000.

Dr. Flores pointed out that without jeopardizing the tax-exempt status of the bonds, the University could lease 10 percent of the space, or 18,500 square feet, to other sources, which would considerably reduce the O&M cost to the state.

In response to a question from Speaker Perkins concerning the original concept of the transitional building to include other science disciplines, Dr. Harter advised that those science disciplines required for dental students would be housed with the dental school in the new EICoN facility.

In response to an additional question from Speaker Perkins concerning the $2.00 increase in student fees, Dr. Harter reported that the $2.00 increase had already been approved by the Board of Regents as a general increase in capital improvement fees for the University's general use.

Speaker Perkins noted that, in effect, every student who would be attending the UNLV would support the EICoN property.

Dr. Harter responded that the students would support the three buildings that made up the EICoN property just as they supported every other building on the campus. Dr. Harter further explained that the $2.00 increase was an increase to the general capital improvement fee for which a portion would be dedicated to the new EICoN property. Dr. Harter further indicated the property, in addition to the dental school, would provide many benefits from which the students might benefit.

Speaker Perkins testified that he supported the dental school, appreciated the fact that the EICoN facility could be purchased at a lower cost than it would take to build a new building, and understood that the problem of Nevada's underserved Medicaid patients needed to be resolved. However, Speak Perkins expressed concern over approving 70,000 square feet of non-dental space for something that the 2001 Legislature had not anticipated during their consideration of the Capital Improvement Program. While Speaker Perkins believed the acquisition of the EICoN building was advantageous over building a new facility; he reiterated his concern over any possible improper action that might take place.

Dr. Harter explained that the University was unaware of the property's availability during the 2001 Legislative Session and that the cost for the facility was so favorable, it appeared as though the extra 70,000 square feet was being obtained at a price normally paid for retail space.

Speaker Perkins added that with so many state priorities, had another entity identified the EICoN building as a prospective state building, they would have been required to wait for approval until the next Legislative Session. Speaker Perkins indicated his appreciation of Senator Rawson's explanatory testimony and added that he anticipated the Capital Improvement bill would be written more vaguely in the future in an effort to anticipate similar situations.

Senator Neal requested additional information concerning Dr. Flores' earlier testimony concerning $134,000 in lease payments from EICoN. Dr. Flores clarified that as negotiations took place over the acquisition of the property, part of the favorable price obtained was if EICoN was permitted to remain in the facility for an expanded period of time. When it was determined that EICoN would remain for only three months, it was also determined that if they needed to stay an additional month they would be expected to pay $134,000 for that month. Further, if EICoN had not vacated by the end of April, they would have an additional two weeks to do so and at that time, their occupancy rate would go up to $6,700 per day or 150 percent of what they would pay in April which was agreed to in the sales and purchase agreement.

Aside from the dental clinic already established on Martin Luther King Boulevard, Senator Neal asked if the University expected to receive additional Medicaid funding.

Dr. Harter responded that there were two fully operational clinics in two areas on Sahara Avenue that would also provide Medicaid services. Dr. Harter further explained that the two clinics were very accessible to persons in the Las Vegas area who were eligible for Medicaid.

In response to a question from Senator Neal concerning whether the Medicaid funds the University would receive for dental care would impact any other services for Medicaid patients, Dr. Harter explained the Enterprise Clinic was next door to other Medicaid related medical services that would be complementary to the dental services that the dental school would provide so that patients would receive multiple services at the Enterprise Clinic.

In response to a request for clarification from Senator Neal concerning his question, Dr. Harter responded that the University would only receive Medicaid funds for dental services.

Senator Neal expressed concern over the fact that the EICoN property had been voted on by the Legislature to be given to EICoN, and EICoN was now in the process of selling the property to the University for $13.5 million.

Mr. Hettrick recalled that the policyholders, not the State of Nevada, owned the EICoN buildings and assets.

Senator Neal questioned why a resolution had been approved by the Legislature to provide EICoN the assets on a tax-free basis.

Robert A. Ostrovsky, President, Ostrovsky and Associates, spoke as a representative of the Employers Insurance Company of Nevada (EICoN). Mr. Ostrovsky testified that the policyholders of what was then the Nevada Industrial Insurance Commission (NIC), later named the State Industrial Insurance Commission (SIIS), had purchased the building and land on which EICoN was located.

Mr. Ostrovsky indicated the assets were purchased with funds paid by those policyholders who paid premiums, and when the Legislature considered privatizing Nevada's workmen's compensation system, one of the issues raised was the taxability of such an event. Estimates were made that up to a $150 million in federal income tax would have to be paid; however, a favorable IRS ruling required that all assets in the constitutional trust fund were to be transferred to a new fund so that policyholders continued to hold the assets after privatization. While he preferred not to revisit the issue concerning the "enormous amount of debt" taken on by EICoN, Mr. Ostrovsky indicated that the privatization of workmen's compensation was structured to get the state out of debt and to create a competitive system, which he indicated proved to be a successful endeavor.

In response to a question from the Chairman, Mr. Ostrovsky confirmed that when the state's workmen's compensation system was privatized, a favorable IRS ruling that required that all assets had to be transferred to the policyholders provided for a non-taxable event.

In response to a question from Senator Neal concerning approval of the legislation that allowed the policyholders to own the assets, Mr. Ostrovsky agreed that the policy was made by the legislature.

Mrs. Chowning reported that she had toured the EICoN buildings and asked that the record reflect that an MAI appraiser (appraisers experienced in the valuation and evaluation of commercial, industrial, residential, and other types of properties) appraised the property at $20 million. After touring the facility and finding Building A in excellent condition, Mrs. Chowning questioned the need for $7.5 million in renovation costs for a building that had been totally refurbished by EICoN less than three years ago.

Dr. Harter explained that while many of the offices, classroom space and lecture halls in Building A would be used as they were, renovation was required to provide the clinical facilities that would be required for dental education. Dr. Harter confirmed that the request for renovation funding totaled $7.5 million in addition to $2 million for equipment.

Mrs. Chowning indicated that a more detailed breakdown of the numbers would have been helpful in trying to comprehend all of the costs involved. In reviewing the UNLV's Dental School Construction Analysis (Exhibit H[1]), Mrs. Chowning noted that the $5 million for the transitional building and the $11 million for the refurbishment totaled $16 million, and capital requests totaled $24 million. It was Mrs. Chowning's understanding that the overall savings would total $8 million.

Dr. Flores clarified that the $5 million was part of the funding plan rather than an additional cost. Dr. Flores referred to the UNLV Analysis sheet (Exhibit H[1]) and noted the point of comparison was $29,450,000 against a potential state supported project of $43,700,000.

Mrs. Chowning pointed out the difficulty in understanding the figures since all of the buildings were included in the comparison and not just the dental school.

Dr. Flores explained that they had attempted to separate the cost of the dental school portion from the cost of the total facility and that information was projected in the square footage costs shown just below the point of comparison. Dr. Flores pointed out that the dental school square footage costs were calculated at $247 a square foot, which compared favorably to the $349 a square foot for a totally new building. Dr. Flores further advised that considering the total cost of the entire 185,000 square feet for the EICoN property, the cost of acquisition regardless of its usage was $159 a square foot versus the $354 cost per square foot for a totally new building.

Rather than using dollars per square foot, Mrs. Chowning asked that Dr. Flores address the cost of the dental school only (in total dollars) versus the estimated cost of a separate building.

Dr. Flores apologized that he did not have that information with him.

Dr. Harter responded that if the EICoN property was not used for the dental school project, a transition building would be built with the $5 million and an additional future request of approximately $36 million would be required to build the full dental school.

In response to a question from Mrs. Chowning, Dr. Harter explained that the $36 million did not include funding a non-dental portion of the facility.

Dr. Flores clarified that the second part of the analysis strictly related to the dental school and the only reason there was a non-dental school portion for Building B was because the EICoN facility included more square footage than was required for the dental school. Additionally, Dr. Flores clarified that the Analysis (Exhibit H[1]) represented the costs calculated in 1999 that would be required for a dental school, which included 120,000 square feet of reconstruction.

In response to an additional question from Mrs. Chowning, Dr. Flores explained that total project costs projected for building a new facility were calculated at $43,700,000 versus total project costs of $29,450,00 for the EICoN project.

Mr. Dini discussed the fact that there were no dentists in his legislative district that provided dental services for Medicaid patients, as was most likely the case in other rural districts across the state. Mr. Dini requested clarification on how Medicaid dental services would reach out to those people in need across the state.

Dr. Harter responded that dental residency programs were being established as a part of a statewide program with clinical availability in the rural districts.

Chairman Raggio asked that information be provided concerning the assurance of Medicaid services in the rural areas.

Senator Rawson responded that a national search had been conducted to place a General Dentistry Residency Director at Truckee Meadows Community College and that the position would be instrumental in taking the dental residency program to the rural areas. While a suitable candidate had not been found, Senator Rawson said the position was being advertised again. Additionally, Senator Rawson indicated the accreditation document for the dental school sent to the American Dental Association included a series of outreach practices for the third and fourth year students that “fairly thoroughly” covered the rural areas.

Ms. Tiffany also expressed concern in reference to statewide dental services and questioned whether provisions for expansion of dental services in remote clinics statewide had been built into the budget.

Dr. Harter responded that dental students would be sent to existing statewide clinical practices to intern and to provide dental services. Dr. Harter said it was anticipated that there would be students graduating from the dental school who would want to pursue a career in the rural districts which would provide a cost advantage to hiring full-time dentists who were already “career oriented.”

In response to questions from Ms. Tiffany concerning the services dental students would provide and billing practices for Medicaid services, Dr. Harter deferred to Senator Rawson.

Senator Rawson indicated that the issues were very complex and could not be fully explored during the meeting; however, he pointed out that $16 million per year was appropriated in the Medicaid budget category to provide dental services, and that provision, he said, would not affect any other Medicaid services.

Senator Rawson indicated that of the $16 million, $6.2 million was for the contract with the dental school in Clark County, and the remainder of the funding for dentistry was distributed through other mechanisms. Dr. Rawson explained that if the dental school was currently “up and running,” Medicaid dental services statewide could be contracted, however, that network was not currently in place. Additionally, Senator Rawson indicated that the Northern Nevada Dental Group would see Medicaid patients and that their services were billed to a central number.

Senator Rawson addressed the fact that providing Medicaid services for those in need was a national problem and that the dental school had some active programs targeted at being able to resolve the situation. With the southern Nevada area under control, Senator Rawson reported that northern Nevada would be the next phase targeted in alleviating the problem.

Senator Rawson expressed his appreciation of Speaker Perkins’ comments and pointed out that minutes referred to earlier in the meeting did reflect that the transitional facilities would be used for faculty offices, laboratory spaces, clinical facilities, classroom and lecture space for dentistry and the basic sciences which he said literally met that need both in spirit and word in considering approval for the change in scope that would provide funds to remodel the EICoN building.

Ms. Leslie recalled Mrs. Chowning’s testimony concerning the appraisal of the EICoN building, and asked to have the record reflect the amount of the appraised value and who conducted the appraisal. Additionally, Ms. Leslie questioned why the EICoN facility was being sold at a cost so much below the appraised value.

Dr. Harter addressed the positive relationship between EICoN and the University and indicated that representatives of the EICoN were interested in and saw the value in having the facility used for the dental school. Additionally, those representatives were currently in discussion with members of the Foundation for a “gift in kind” provision as a result of selling it at a price lower than the appraised value. The EICoN’s donation of equipment connected to the buildings was also under discussion, and such a donation would reduce the need for additional equipment. Dr. Harter reported that two appraisals had been conducted, the first was $21 million and the second was $20 million.

Dr. Flores advised that while he did not have the information concerning the firm that conducted the appraisal with him, he would provide the information requested.

Chairman Raggio asked that a copy of the appraisal be transmitted to staff as soon as possible so that copies could be made available to the members of the Committee.

Dr. Flores agreed to provide the information and in response to a question from the Chairman indicated that the appraisal had been conducted in the last few months. Dr. Flores added that while the appraisals were $20 million and $21 million in the last few months, the list price was $16.5 million.

A copy of a two-page document from Integra Realty Resources (Exhibit J) was distributed. Chairman Raggio reported that the Integra document was one of the appraisals and indicated that the market value of the property as of September 12, 2001, was $20 million.

Senator Neal asked if the $13.5 million collected on the sale of the property would be subject to taxes and, if so, by whom.

Mr. Ostrovsky testified that the EICoN was "a taxpayer under the federal tax rules" and any profits of the company were subject to the federal tax rules.

In response to a question from the Chairman concerning the cost basis, Mr. Ostrovsky indicated that he could not answer the question.

Senator Neal indicated that while he did not have a problem with EICoN paying the tax bill, he did have a problem if the University had to pay the taxes.

Chairman Raggio clarified that not being subject to any profit, the University would not be subject to paying the taxes.

Senator Mathews asked that it be made certain that the dental school did not fall into the same category as the medical school which had also been designed to graduate students who would serve clients in the rural areas and which to date had not occurred on a consistent basis. Senator Mathews requested that the Dean of the Dental School be made aware that it was the obligation of the dental school to send people into the rural areas where a great need existed.

Dr. Harter discussed the University's awareness of the need and "hoped to be able to provide dentists in the rural areas."

Chairman Raggio asked Brenda Erdoes, Legislative Counsel, if the Committee needed to make a finding before taking action on the request.

Ms. Erdoes suggested that if the Committee moved to approve the request, the motion include a finding that the legislative intent of the Committee and, therefore, what was recommended to the legislature as a whole was that the Committee's action was a general approval for the dental school building and not a specific site location.

Chairman Raggio indicated his preference was that the Committee first make the finding and then take the action and asked that Ms. Erdoes state the finding that would be appropriate in the motion.

Ms. Erdoes suggested, the motion include a finding that the Committee by majority vote clarified the intent that was included in the Joint Subcommittee minutes for the item in the CIP bill.

In response to a question from Chairman Raggio, Ms. Erdoes indicated it would be appropriate under the circumstances to approve the change in scope.

SENATOR NEAL MOVED TO APPROVE A FINDING BY THE COMMITTEE THAT CLARIFID THE INTENT INCLUDED IN THE APRIL 17, 2001, JOINT SUBCOMMITTEE MINUTES CONCERNING THE DENTAL SCHOOL IN THE CIP BILL.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

The Chairman entertained a motion to approve the change of scope request to authorize $6 million to be utilized for the acquisition and renovation of the EICoN property on the basis presented to the Committee.

SENATOR NEAL MOVED TO APPROVE THE CHANGE OF SCOPE REQUEST TO AUTHORIZE $6 MILLION TO BE UTILIZED FOR THE ACQUISITION AND RENOVATION OF THE EICON PROPERTY ON THE BASIS PRESENTED TO THE COMMITTEE.

MR. MARVEL SECONDED THE MOTION.

Chairman Raggio indicated, for the record, he had permitted lengthy testimony during the meeting for the purpose of providing a record of what the proposal involved and what was intended. The Chairman noted there had been a number of questions concerning the project and costs, and indicated that he believed the minutes would provide information concerning the Committee's intent for the provision of services to clients in the rural areas and the costs associated with the dental school.

There were no others present who indicated an interest in speaking to the issue.

THE MOTION WAS CARRIED UNANIMOUSLY.

See J.1. and J.2., the next items considered by the members of the Committee.

The Chairman reconvened the meeting at 12:41 p.m. and moved to Agenda Item K.2.b.

*K. 2. Responses to Committee's requests at the September 25, 2001 meeting:

a) 99-C18 - Elko Office and Warehouse, DCNR
There were no questions from the members of the Committee.

b) 99-H1 – NHP Headquarters Building, Las Vegas

Daniel O'Brien, Manager, State Public Works Board, identified himself for the record and addressed concerns brought forth at the September 25, 2001, IFC meeting. Those concerns included the costs per square foot for the Nevada Highway Patrol project in Las Vegas as well as the reduction of square footage to keep the project within budget.

Mr. O'Brien introduced Richard Romito, KGA Architecture, and Lt. Mark Malloy, representing the Nevada Highway Patrol who would speak to the concerns raised by the Committee. A document in the Committee packet that compared the cost of similar law-enforcement facility projects (Exhibit K) was referenced and would be addressed by Mr. Romito.

Mr. Richard Romito, Director of Operations, KGA Architecture, identified himself for the record and reported that KGA had been requested by the PWB to identify projects that had been recently designed and constructed in southern Nevada that were similar to the NHP facility and to provide "an analysis of the comparative costs of those projects" in order to determine if the current estimates for the cost of constructing the Nevada Highway Patrol facility were appropriate. Mr. Romito testified that the three facilities used in the comparison were ones that KGA designed. The following account was provided:

- The Las Vegas Metropolitan Police Department (LVMPD) Metrocomm 911 Center was built in 1999;
- The LVMPD Academy and Substation was built in 2000;
- The LVMPD Southeast Area Command was currently under construction.

Mr. Romito pointed out that the cost comparisons illustrated critical line items that KGA had isolated which included Equipment Costs (excluded from the analysis because of a wide variable and specific functions) and Fees and Agreements. Mr. Romito indicated that in order to make a direct "apples to apples comparison" a percentage of the cost in those two line items was taken and applied to the other three buildings so that similar comparison points were used on what he indicted were "two relatively intangible numbers."

In reference to the cost for site development and the cost for the building, Mr. Romito pointed out that the figures at the bottom of the sheet (Exhibit K) represented the actual contracted cost for the three buildings. Using a 5 percent inflation factor, (the standard factor used by the PWB in predicting inflationary costs of building construction) Mr. Romito indicated the numbers seen in the remaining balance of the spreadsheet were extrapolated to mid-year 2003, which was anticipated as being the target mid-year construction period for the Nevada Highway Patrol facility.

Moving to site costs per square foot (Exhibit K), Mr. Romito referenced the summary comparison points and building costs per square foot:

- The current estimate for the NHP facility and the estimate on which the current fee analysis was based was approximately $156 per square foot;
- The LVMPD Metrocomm 911 Center cost was approximately $176 per square foot;
- The LVMPD Academy and Substation was approximately $139 per square foot;
- The LVMPD Southeast Area Command would be approximately $183 per square foot in 2003 numbers.

Mr. Romito pointed out that the estimated building costs for the NHP project compared at the mid-point of the three projects.

Additionally, Mr. Romito drew the Committee's attention to the site cost per building square foot and pointed out a substantial difference in the site costs per square foot for the NHP project. Mr. Romito explained that site costs were determined by taking the cost of developing the site and dividing it by the square footage of the building to arrive at the following comparisons:

- The Nevada Highway Patrol Facility at $52 per square foot;
- The LVMPD Metrocomm 911 Center cost at approximately $40 per square foot;
- The LVMPD Academy and Substation at approximately $30 a square foot;
- The LVMPD Southeast Area Command at approximately $36 a square foot.

Mr. Romito explained that the cost for the NHP facility was a slightly higher cost per square foot based on the reality of bringing utilities to the site and the cost of developing the site. Mr. Romito pointed out that when the project was originally funded, the site was unknown.

In summary, Mr. Romito reported that the comparison provided to the Committee (Exhibit K) essentially used combined project costs of approximately $250 per building square foot for the three facilities with which the NHP project was compared. Mr. Romito explained several reasons the LVMPD Academy and Substation was less expensive to develop included the site itself and the bid environment at the time of the bid. Mr. Romito concluded his remarks to the Committee by indicating that KGA had attempted to present what they believed to be a realistic projection of costs for the NHP facility.

Lt. Mark Malloy, Nevada Highway Patrol, referenced the site location for the new NHP facility at the Interstate 15 and Decatur Interchange and discussed the $2 million funded for the property acquisition in the original project. Lt. Malloy indicated that in searching the Las Vegas Valley for a parcel that was large enough to meet the needs of the NHP and possible future expansion, there were only two parcels within the $2 million figure and both were located in the center of an industrial complex.

Lt. Malloy provided a brief background on the process through which the Interstate 15 and Decatur Interchange site was acquired, and reported that the NDOT had also been scouting sites for their new Freeway and Arterial System of Management project. Lt. Malloy reported that NDOT had traded an old right-of-way parcel with McCarran Airport to obtain the parcel and after a lengthy land transfer and appraisal value process, the NHP had joined the NDOT in acquiring the site.

It was Lt. Malloy's opinion that NDOT's freeway management project and the Highway Patrol's job to control traffic on the Interstates and major arterials within the Las Vegas Valley would co-exist very well together. Lt. Malloy discussed the positive advantages to having the NHP located with the NDOT on the site from which the NHP could provide incident management and management of the flow of traffic.

While the, the original project was slated for 40,000 square feet of finished space and 20,000 square feet of unfinished space, Lt. Malloy noted that it appeared in order to stay within budget, the 20,000 feet of shell space would not be provided. Lt. Malloy indicated that the additional space would allow the Highway Patrol room to grow in the future without having to go through a capital improvement project to increase their square footage, and it was an opportunity they would like to take advantage of in the future if at all possible.

In response to a question from the Chairman concerning the shop and communication facility, Lt. Malloy discussed the availability of funding for the shop and communication facility in the session prior to the funding for the new NHP Headquarters building. The original intent was to build a new garage facility at the NHP's current location and then turn over the existing garage facility to the communications shop to meet their increased needs. However, once the request for the new NHP Headquarters building moved to the legislature for approval, the shop and communication facility was put on hold with the intent of taking them to the new headquarters' location. However, due to funding limitations, Lt. Malloy indicated that square footage and costs from the Highway Patrol building would have to be used to build both the garage and the radio shop, which the NHP preferred not to do.

In response to a question from the Chairman, Lt. Malloy clarified that initially it was intended that the garage and communication shops were to have been co-located at the NHP's current facility. An actual bid process had been entered into to build the garage; however, the bids were too high. A redesign was to have begun to bring the shops closer to bid about the time when the request for the new Headquarters building began moving towards the legislative session, and the garage project was put on hold.

In response to a question from the Chairman, Lt. Malloy indicated that some inefficiency would occur as a result of the shop facility being several miles from headquarters. While ideally it would have been more efficient to have the garage and communications facilities at the same location for vehicle and equipment maintenance, Lt. Malloy said the NHP could deal with the facilities staying at their current location.

Mr. O'Brien stated for the record that the item for the NHP Headquarters before the Committee was an informational item only; however, it would be an action item before the Committee at the following meeting.

Additionally, Mr. O'Brien discussed Assemblyman Arberry's concern at the September 25, 2001, IFC meeting regarding the deletion of 20,000 square feet of shell space and wanted to ensure that Mr. Arberry's concerns were addressed and any questions he had were answered.

Mr. Hettrick noted that the Equipment Costs line item for the Highway Patrol Headquarters was listed at $143,324 and questioned whether those costs were included in the total cost of $10 million.

Mr. Romito responded that the $143,324 for equipment was included in the total; however was not in the math used to divide the total cost per square foot.

Mr. Hettrick further noted that the costs in the Fees and Agreements and Total Other Costs line items for buildings similar to the NHP Headquarters were identical; however, the NHP facility was shown at $500,000 higher.

Mr. Romito responded the $500,000 seen for the NHP Headquarters included equipment of $143,000 and a balance of approximately $380,000 in contingency funds. Mr. Romito added that contingency lines were not observed in the other three projects because they had either already been constructed or were under construction.

Mr. O'Brien addressed the concerns brought up at the September 25, 2001, meeting in reference to locating the Motor Pool. A copy of the minutes of the July 13, 2000 Transportation Board Meeting (Exhibit L) was provided to the members in the meeting packet.

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c) 99-M22 – NYTC Gymnasium/Auditorium
There were no questions from the members of the Committee.

d) 99-C20 – Co-Op Parking Garage, Carson City
Mr. O'Brien reported that he had informed the Carson City Manager, Mr. John Berkich, that a meeting was required to discuss the City's intent concerning a parking garage.

Mr. O'Brien referenced a letter dated November 5, 2001, from the Redevelopment Authority (Exhibit N) in which Robin Williamson, Supervisor requested permission to use the $300,000 provided by the 1999 Legislature, A.B. 699 to build a parking facility in downtown Carson City. Mr. O'Brien indicated the request had not been formally proposed to the state and he had requested that the City Manager meet with him to discuss the issue.

In response to a question from the Chairman, Mr. O'Brien confirmed that the City's request was a "significant" change in scope from the original project to build additional parking by the Carson Nugget.

Additionally, Mr. O'Brien noted that a response concerning a meeting had not yet been received from the City Manager. Mr. O'Brien anticipated he would be able to provide a better report at the following meeting of the IFC.

3. Project Status Report.
99-M21 Demolition of Bowling Alley Building at DCFS in Carson City.
Chairman Raggio asked Mr. O'Brien to address the reasons for the delay in demolishing the bowling alley building on the campus of the Division of Child and Family Services (DCFS) located between Stewart Street and Roop Street in Carson City.

Ward Patrick, Deputy Manager, identified himself for the record and reported that the bowling alley was an abandoned building. While there were some safety issue concerns, Mr. Patrick indicated demolition was planned; however, the project was considered a low priority.

Chairman Raggio discussed the increased risk of liability for the state and questioned when the demolition would be completed.

Mr. Patrick indicated he would provide information concerning demolition plans to staff.

The Chairman moved to Item E. 12.

***L. LEGISLATIVE COUNSEL BUREAU – Capitol Apartments – Approval for expenditures (S.B. 199, 2001 Session).**

Lorne Malkiewich, Director, Legislative Counsel Bureau, identified himself for the record. Mr. Malkiewich advised that when the Capitol Apartment property was purchased, $553,000 was set aside for renovation. A legislative letter of intent dated March 7, 2001, required Interim Finance Committee approval prior to proceeding with renovation.

Mr. Malkiewich indicated he was before the Committee to request an overall approval of the plan and to proceed with the first phase of the renovation. The proposal was to demolish the East and West sections of the apartments that were determined to be unsalvageable and to save the two South sections. While the first phase of the project was estimated at $70,000, Mr. Malkiewich anticipated the demolition would be accomplished for less.

The second phase planned for the construction of a 7,200 square foot metal storage building for approximately $355,000. The building would be used for storage and included housing the bill mailroom. However, Mr. Malkiewich proposed to proceed with only the demolition and return to the Committee before construction of the storage building to ensure that the economic situation was stable.

Once the first two phases were completed, Mr. Malkiewich advised the third phase would use the balance of the funding to renovate the two South structures, which would be used primarily for office space.

SENATOR NEAL MOVED APPROVAL WITH THE CONDTION THAT THE DIRECTOR APPEAR BEFORE THE COMMITTEE FOR A REVIEW AFTER COMPLETION OF THE DEMOLITION.

MR. BEERS SECONDED THE MOTION.

THEMOTION WAS CARRIED UNANIMOUSLY.

***M. INTERIM FINANCE COMMITTEE – Request for approval of contractor for certain services related to the financial reporting of school districts and charter schools (S.B. 2, 17th Special Session).**

Mindy Braun, Education Program Analyst, identified herself for the record and advised that S.B. 2 of the 17th Special Session appropriated $304,127 to continue contractual services with Fox River Learning, Inc. for their financial analysis model, In$ite.

Ms. Braun reported that the original contract resulted from the passage of S.B. 466, 1999 Session for a financial analysis program that was implemented during the 1999-2001 biennium. The program was designed to track education expenditures to individual schools and to provide uniformity in financial reporting among the school districts. Ms. Braun advised that the In$ite program met all of the requirements; however, based on testimony during the 2001 Legislative Session, it was noted that in order for the financial program to be more useful at both the district and the state level, the program also needed to include revenue and full-time equivalent staffing information.

In response to a question from the Chairman, Ms. Braun confirmed that the new contract included the revenue and full-time equivalent staffing information.

In response to questions from the Chairman concerning Department of Education participation and charter schools, Ms. Braun advised that the contract development included assistance from the Department of Education financial staff as well as the Budget Division and that seven of the charter schools were included.

Mrs. Chowning pointed out that the reports under the previous contract had not been submitted on a timely basis.

The Chairman indicated his awareness was the reports were not presented timely as a result of Fox Learning, Inc. not having received information from the Department of Education.

Ms. Bruan confirmed that the Department of Education had been late in submitting their information, which was incorrect the first time it was submitted. Ms. Braun advised that after working with the Department of Education, they understood the timelines and the specific information that would be required.

Mrs. Chowning questioned the number of other states that used the In$ite program and questioned as well a proposal to award a $300,000 contract, during an unstable economic period, to an out-of-state company for a specialized data system. Mrs. Chowning asked whether the contract could have been awarded to Nevada companies or at the state level.

Ms. Braun responded that the only response to the proposal was from Fox River Learning, Inc. Ms. Braun further explained that the In$ite program provided a very comprehensive picture of expenditures to school districts and that she was unaware of any other program that compared with the reports received from Fox River Learning, Inc. While Ms. Braun indicated that she would research the number of states using the In$ite program and provide that information, she reported that New Mexico and Rhode Island had implemented the program.

Mrs. Chowning indicated she believed the states using In$ite were Hawaii, Rhode Island, North Carolina Nevada, and New Mexico. It was Mrs. Chowning understanding that the program required training to enter the material in a specialized format which she indicated did not appear to be cost effective. Additionally, Mrs. Chowning indicated that the material from Fox River Learning, Inc. was to have been presented to the members of the Legislature for their use and yet, during the 2001 Session, the material was not prepared in enough time to be useful. Mrs. Chowning objected to the proposal; however, indicated that if the Committee chose to approve the contract, results should be seen to ensure that good decisions were being made for Nevada students.

In response to a question from the Chairman, Ms. Braun confirmed that Fox River Learning, Inc. would provide the training required.

SENATOR RAWSON MOVED TO APPROVE ITEM M.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Mrs. Chowning voted nay).

***N. JAN EVANS JUVENILE JUSTICE CENTER (A.B. 330, 1999 Session) – Request from Washoe County for distribution of funds $2,021,010**

Leonard Pugh, Director, Department of Juvenile Services, Washoe County, identified himself for the record. Mr. Pugh testified that the 2001 Legislature appropriated $3 million to assist in the construction of a new juvenile detention facility in Washoe County. Mr. Pugh reported that significant progress had been made on the project, which was now known as the Jan Evans Juvenile Justice Center.

Mr. Pugh advised that the Washoe County Commission had recently purchased 11.98 acres of land located near Parr Boulevard. The purchase price included additional grading that would allow construction to begin at the "designed subgrade elevation" and included additional on-site storm drainage, backbone duct system, utility service improvements and street improvements. The cost of the property including improvements was $2,021,010.

In response to a question from the Chairman, Mr. Pugh confirmed that the total cost of the project was a little over $25 million.

Chairman Raggio noted that while a $3 million state appropriation had been authorized, one of the requirements was that the county must be able to meet the financial obligations for the construction of the new facility. The Chairman also recalled assurance from the governing body that taxes would not be increased to meet those financial obligations.

Mr. Pugh confirmed the Chairman's understanding of the requirements and advised that a copy of the funding model was included in the packet of information distributed to the Committee (Exhibit P).

Mr. Pugh outlined the identified funding sources, which included:

- Salary Savings $2,500,000
- State appropriation $3,000,000
- Sale of Mill Street property $4,600,000
- Bond proceeds $14,700,000
- Department of Human Resources (AB 598) $250,000
- U.S. Marshall $150,000

In response to questions from the Chairman:

- Mr. Pugh indicated the salary savings had already been accrued and clarified that the funding plan was identified as "pay as you go and debt financing;"
- Mr. Pugh advised that the sale of the Mill Street property was being timed in order not to lose revenue and confirmed that property was appraised at $4.6 million and that there were interested buyers;
- Mr. Pugh confirmed that some bonds were being "paid off" and thus the rates would not be raised;
- Mr. Pugh indicated that the $250,000 appropriation for one-shot construction under A.B. 598 2001 Session would have to be used specifically for the Center's medical unit; and,
- Mr. Pugh explained that the $150,000 funding provided by the U.S. Marshall's office would assist with the construction. The funding was provided with an agreement that the U.S. Marshall's office would have access to two beds for which they would pay a daily rate and was approved by the Board of County Commissioners.

The Chairman noted that the action required by the Committee would be to approve the release of $2,021,010.

In response to a question from Senator Coffin concerning the $2 million the county had, Mr. Pugh advised that initially a budget was developed to put a down payment on the land and pay for some architectural fees. Mr. Pugh further explained that the $2 million was generated through salary savings, and, therefore, the county would be reimbursed for what they had spent.

MS. LESLIE MOVED TO APPROVE ITEM N.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

***O. CHINA SPRING YOUTH CAMP (S.B. 560, 1999 Session) – Reimbursement of expenses $136,265.19.**

Steven J. Thaler, Director, China Spring Youth Camp, requested the approval of the Committee for the reimbursement of $136,265.19.

Staff advised that requirements for reimbursement had been met.

MR. HETTRIC MOVED TO APPROVE ITEM O.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

See comments on Economic Update after Item Q.

P. INFORMATIONAL ITEMS – Reports on Letters of Intent and various reports from agencies (list available upon request).

1. Office of the Governor

a. Agency for Nuclear Projects - Letter of Intent - Quarterly Report on agency contracts.
b. Agency for Nuclear Projects – S.B. 494 (2001) - Letter of Intent - Quarterly Report on expenditures from the Nevada Protection Fund.

The members of the Committee who were present had no questions concerning the quarterly reports prepared by the Agency for Nuclear Projects, and Mr. Loux who represented the agency was excused.

2. Department of Conservation and Natural Resources

a. Division of Wildlife - Letter of Intent - Status Report on new automated Licensing and Boat Registration/Titling System.

There were no questions concerning the status report on the new automated Licensing and Boat Registration/Titling System.

b. Division of Forestry - Status Report on Interim Finance Committee allocations/fire billings/repayment of IFC allocations**.**

Steve Robinson, State Forester, Division of Forestry, identified himself for the record and introduced Pete Anderson, Deputy State Forester, who reported on the fire billings.

Mr. Anderson testified that the Division of Forestry estimated a contingency fund repayment of $1.1 million as of November 5, 2001. Payment for billings in FY2000 had been received with outstanding receivables in the amount of $32,010. Mr. Anderson explained the outstanding receivables for FY2000 represented two instances that involved liability issues, which were under discussion regarding jurisdiction and actual cost.

In response to a question from the Chairman, Mr. Anderson indicated he did not foresee any problems concerning reimbursement.

c. Division of State Lands – Semiannual Report, 1996 Tahoe Bond Act (Q12) and Fund to Protect the Lake Tahoe Basin**.**

Chairman Raggio commended Pamela B. Wilcox, Administrator, Division of State Lands, for the Division's work on the Semiannual Status Report, on the 1996 Tahoe Bond Act. There were no questions from the members of the Committee.

3. Department of Motor Vehicles

a. Letter of Intent - Quarterly Report on creation of new department.

There were no questions from members of the Committee concerning the quarterly report on the creation of the new department.

4. Department of Public Safety.

a. Letter of Intent - Quarterly Report on separate Department of Public Safety**.**

There were no questions from the members of the Committee concerning the quarterly report on the separate Department of Public Safety.

b. Letter of Intent - Quarterly Report on Falcon's Nest Program.

There were no questions from members of the Committee concerning the quarterly report on the Falcon's Nest Program.

c. Letter of Intent (1999) - Appropriation for modular furniture (S.B. 280).

There were no questions from members of the Committee concerning the quarterly report on the appropriation for modular furniture.

d. Division of Emergency Management - Quarterly Report on Emergency Assistance Account as required by NRS 415.135(5). Report covers quarters ending March 31, 2000 through September 30, 2001.

Carol English, Deputy Chief, DMV & PS Administrative Services Division, identified herself for the record. Ms. English reported that while there had been some confusion concerning delivery of the quarterly reports for the Emergency Assistance Account, all of the reports for expenditures on the account had been provided, and future reports would be delivered in a timely manner.

e. Division of Emergency Management - Proposed regulations for the Emergency Assistance Account.

Speaker Perkins questioned the disbursal of funds from the Emergency Assistance Account without approved regulations.

Ms. English reported that Emergency Management officials were attending a conference in Las Vegas, and she had been asked to appear before the Committee. Ms. English testified that preparation of the regulations had been delayed due to work on the development of a comprehensive plan on how the state could fund emergency response more broadly than just the disbursal of funds from the Emergency Assistance Account. Ms. English advised that draft regulations on the Emergency Assistance Account had been delivered to the Legislative Counsel Bureau's Legal and Research Divisions.

Chairman Raggio pointed out the proposed regulations were contained in Volume VII, Pages 106, 107 and 108, (Exhibit C).

Ms. English advised that while the proposfed regulations had been delivered to the Legislative Counsel Bureau, the Division of Emergency Management would continue working with the Administration to develop a total statewide approach to planning and funding emergencies.

Speaker Perkins expressed concern in view of the fact that S.B. 218, 1997 Session, (*Nevada Revised Statute (NRS) 414.135)* specified that the Division of Emergency Management should adopt regulations necessary to administer the Emergency Assistance Account, and after four years the necessary regulations to disburse funds had not yet been approved. It was Speaker Perkins' understanding that the law provided approval of the regulations was required prior to disbursal of the funds.

Additionally, after review of the quarterly reports, Speaker Perkins questioned the criterion used to determine expenditures. Speaker Perkins indicated that while some expenditures appeared appropriate, others did not.

Ms. English responded that two publications, *Financial Management Module of the State Comprehensive Emergency Management Plan* and the *Disaster Relief and Recovery Guide for Local Governments* included guidelines used by local entities for access to the disbursal of funds. Ms. English advised that she would report the Committee's concerns to the Division's program staff who could more appropriately respond to how expenditures listed in the quarterly reports related to the funds in the account.

Speaker Perkins indicated he would appreciate a response to his concerns, and in light of the state's current economic crisis specifically questioned expenditures of $16,118.24 for a Public Information staff member and $1,059.84 for meals.

On behalf of the members of the Committee, Chairman Raggio admonished the Division of Emergency Management on their unsatisfactory performance in reference to approved regulations for the Emergency Assistance Account. Chairman Raggio directed Ms. English to advise the Chief of the Division of Emergency Management that his presence was required at the next meeting of the Interim Finance Committee with the appropriate information concerning obligated but unexpended funds, the criterion used to expend funds from the account as well as information concerning approval of the proposed regulations.

f. Division of Investigations - Use of Division of Investigation positions to investigate department cases.

There were no questions from members of the Committee concerning the use of Division of Investigation positions to investigate department cases.

g. Nevada Highway Patrol - Establishment of cadet positions within the Nevada Highway Patrol.

There were no questions from members of the Committee concerning the Establishment of cadet positions with the Nevada Highway Patrol.

5. Department of Administration

a. Division of Buildings and Grounds – Letter of Intent - Status Report on Armory Building Complex, Carson City.

Chairman Raggio had questions concerning the following areas:

- Plans to sell the Armory Building complex once it was vacated;
- Whether an appraisal had been completed; and,
- Plans concerning the relocation of the Division of Emergency Management who currently occupied the complex.

John P. Comeaux, Director, Department of Administration, identified himself for the record and reported that while plans for the Armory Building had not yet been finalized, the Office of the Military would vacate the building in February 2002 to move to the new Readiness Center. However, the Division of Emergency Management would continue to be housed in the Armory Building until new quarters could be found for them.

Chairman Raggio requested that Mr. Comeaux address the report submitted by Mike Meizel, Administrator, Division of Buildings and Grounds in which Mr. Meizel indicated the possible relocation of the Division of Emergency Management to a new building constructed at the Readiness Center through a Capitol Improvements Project or to leased space.

Mr. Comeaux reported there were some indications concerning the availability of funding assistance to construct a building for the Division of Emergency Management at the new Readiness Center in Carson City. While Mr. Comeaux reported he had not yet seen the funding, he indicated it would be inappropriate to move the Division of Emergency Management into leased space until the availability of funding for a new building at the Readiness Center was determined.

In response to a question from Chairman Raggio concerning when the availability of funding would be determined, Mr. Comeaux indicated he would get back to the Committee very quickly with an answer.

Chairman Raggio pointed out that based on the funding approved in the Division of Buildings and Grounds budget for FY2003, the cost of maintaining the complex would exceed the revenue generated by the complex unless additional tenants were moved into the complex.

In response to a question from the Chairman concerning when a report would be available, Mr. Comeaux indicated a report would be prepared for the Committee's following meeting.

b. Victims of Crime Program - Letter of Intent - Report on domestic violence public service announcements.

There were no questions from the members of the Committee concerning public service announcements on domestic violence.

6. Department of Personnel - Letter of Intent (1997) - Status Report on new payroll/personnel system.

Mrs. Chowning commended the Department of Personnel's status report on the Personnel/Payroll System. Additionally, Mrs. Chowning congratulated the Department's protection of state employees from identify theft by modification of paycheck stubs accomplished at little cost and in a short period of time.

Kim Foster, Chief of Administrative Services, Department of Personnel, identified herself for the record and advised the members of the Committee that employee social security numbers had been removed from payroll stubs. Additionally, the Department anticipated that social security numbers would also be removed from employee timesheets by January 2002.

In response to a question from Mrs. Chowning on the cost of modification of the timesheets, Ms. Foster projected a cost of $54,000 for the programming, functional implementation and changes in the procedure necessary for removal of the social security numbers from the timesheets. Ms. Foster confirmed that the modification to the paycheck stubs was accomplished at "little or no cost."

7. Department of Information Technology

a. Letter of Intent - Quarterly Report on status of billing system.

Chairman Raggio questioned whether the contractor's analysis of the Department's billing system had been completed. Additionally, the Chairman questioned the availability of additional information from the contractor since the Fiscal Analysis Division had not received an update on any recent activity.

Shelly Person, Chief, Administration, Department of Information Technology (DoIT) identified herself for the record and advised the Chairman and members of the Committee that the Department had not received the contractor's completed report, which she indicated, was due the early part of November. Ms. Person confirmed the first part of the report was submitted on October 25, 2001.

Chairman Raggio reinforced the Fiscal Analysis Division's need to be provided information concerning the status of the billing system.

Ms. Person indicated there would be no problem in keeping the Fiscal Analysis Division informed.

It was Chairman Raggio's understanding that the Department's billing system required significant modification to bring it into compliance with federal cost recovery regulations and to make it a reliable cost recovery and planning tool for the Department. The Chairman also recalled that the Legislature authorized funding to hire the contractor in 1999 and that the intent of the Legislature's funding was for the Department to assign dedicated personnel who would work with the contractor on system maintenance and modification so that DoIT could eventually take ownership of the system. The Chairman noted that apparently that dedication of personnel had not occurred.

Ms. Person responded that the Department had made progress and had purchased the rate model software application and received training on use of the software application. While the Department had been "somewhat delayed" by the hiring freeze, Ms. Person reported an exemption had been received to fill the Administrative Services Officer (ASO) III position.

The Chairman requested clarification on why the Department had not been able to adequately proceed with the billing system overhaul process.

Ms. Person responded that it was the opinion of staff, the consultant and representatives of the Department of Administration that DoIT did not have sufficient high-level staff to support the "complex rate model process." A reclassification of one position to a higher level was approved during the 2001 Legislative Session to assist in the process.

Terry Savage, Director, DoIT, identified himself for the record and explained that because the complexity of the billing system and rate model development process had been "under scoped," DoIT requested an additional high-level financial position and a specific position dedicated to the capacity planning process for rate establishment. The positions were approved, but were affected by the hiring freeze. Mr. Savage reported that an exemption had been received, and both positions were anticipated to be on board by the first of January 2002.

Additionally, Mr. Savage pointed out that DoIT was on the "leading edge of all of the budget development for information technology for the state." Mr. Savage noted that other departments' information technology budgets would require rates for the next biennium from DoIT in about April or May 2002, and before DoIT could produce the rates, a draft of DoIT's budget would be required before the April or May time frame. Mr. Savage anticipated that an internal draft of the DoIT budget for the next biennium would be completed by late February 2002, and with the two new positions on board in January, the first version of the rate model would be developed and completed in the March/April timeframe.

Chairman Raggio reiterated his earlier request that DoIT provide information to the Fiscal Division on the status of the billing system.

Mr. Savage agreed.

b. Letter of Intent - Quarterly Report on monitoring and managing of MSA contractors.

There were no questions from members of the Committee on monitoring and managing of MSA contractors.

c. Letter of Intent - Quarterly Report on the status of the decentralization of programmers.

Since it appeared the Quarterly Report on DoIT's Decentralization Pilot Program was not current, Chairman Raggio asked Mr. Savage to provide the Committee with an update.

Mr. Savage reported that DoIT currently had a "signed high-level version" of a performance-level agreement, a copy of which was provided to the Fiscal Analysis Division. Additionally, Mr. Savage reported that the next stage of the process, which appeared to be more difficult than initially expected, would be to develop a way to quantitatively measure the performance of the departments that had decentralized Programmers. As an example of one of the problems encountered, Mr. Savage pointed out that turnover was an important measure of informational technology organizational success. Each time a member of the workforce had to be replaced, a cost of 18 months of that position's salary in terms of productivity occurred. Mr. Savage indicated the problem surfaced in a review of the Department of Taxation who only had a small number of positions in the program. A turnover of only one or two of the Department's workforce would significantly affect the statistics. Mr. Savage reported that while the general structure had been developed, DoIT's next step would be to develop the measurable specifics.

In response to a question from the Chairman on the name of the person working on measuring department performance, Mr. Savage advised that Frank Figearo, from DoIT's Quality Assurance unit was working with Madilyn Maire from the Department of Human Resources' U.N.I.T.Y. Project and Stan Gillie, Information Systems Manager for the Department of Taxation.

In an effort to avoid further concern, Chairman Raggio recommended that Mr. Figearo keep in touch with the Fiscal Analysis Division, and Mr. Savage agreed.

8. Department of Education - Letter of Intent - Quarterly Report on the status of the Staffing Services Budget (2719).

There were no questions from members of the Committee on the status of the Staffing Services Budget.

9. Department of Human Resources

a. Community Corrections Block Grant - Letter of Intent (1999) - 2001 Annual Report.
There were no questions from members of the Committee.

b. Family Resource Centers - Letter of Intent - Fiscal Year 2001 Expenditures.
There were no questions from members of the Committee.

c. Welfare Division - Letter of Intent - Quarterly Report on Online Self-Sufficiency Information System (OASIS).
There were no questions from members of the Committee.

d. Welfare Division - Letter of Intent - Report on options for implementing annual federal Supplemental Security Income (SSI) payment increase.

Ms. Leslie reported that she had received complaints from constituents concerning an insufficient personal needs allowance. Ms. Leslie noted the reference to the January 2002 Cost-of-Living Adjustment (COLA) increase for Supplemental Security Income (SSI) in the amount of 2.6 percent and the proposal to split the increase so that recipients would receive $2 and providers would receive $12. Ms. Leslie asked that agency representatives provide information on how it was determined that $2 to recipients and $12 to providers was a correct split. Additionally, Ms. Leslie questioned whether the Division intended to analyze whether individuals should receive a greater percentage of the increase.

Roger Mowbray, Deputy Administrator, Welfare Division, identified himself for the record. Mr. Mowbray reported that the annual increase from Supplemental Security Income was "just" being passed on. Mr. Mowbray indicated that the Division could conduct a study to determine whether the split for the increase was at an appropriate level.

Rather than conducting a study, Ms. Leslie indicated a historical analysis and the rationale used in reference to the split would be sufficient. It was Ms. Leslie's opinion that perhaps the Division was leaning too far to the group-care operators and that she had some difficulty explaining to her constituents why the personal needs allowance was so low.

Mr. Mowbray agreed to provide the information requested by Ms. Leslie.

Chairman Raggio pointed out that information related to the COLA was on pages 58 and 59 of Volume VIII, Packet 2 (Exhibit D). The Chairman also recalled testimony during the 2001 Legislative Session concerning insufficient pay for the operators.

e. Health Division - Letter of Intent - Progress Report on revenue, expenditures and reserve levels for the Health Facilities Licensing Budget.
There were no questions from members of the Committee.

f. Health Division - Letter of Intent (1999) - Report on Statewide Dental Initiative.
There were no questions from members of the Committee.

g. Division of Child and Family Services - Letter of Intent - Quarterly Report on On-Campus Treatment Homes.
There were no questions from members of the Committee

h. Division of Child and Family Services - Report on Out-of-State Placement Returns, 4th Quarter Fiscal Year 2001 and 1st Quarter Fiscal Year 2002.
There were no questions from members of the Committee

i. Division of Health Care Finance and Planning - Creation of Administrative Services Officer.
There were no questions from members of the Committee

j. Division of Mental Health and Developmental Services - Response to September 25, 2001, inquiry-CMHS Grant equipment and One-Shot**.**

There were no questions from members of the Committee

10. **Office of Veterans' Services - Letter of Intent -** Quarterly Report on the operation of the Southern Nevada Veterans' Home.

The Chairman referenced information concerning the Veterans' Nursing Home contained in Volume VIII, Packet 2, pages 97-103 (Exhibit E), and additional information distributed during the meeting (Exhibit F). Chairman Raggio requested that the Director of the Veterans' Nursing Home provide an overview of the material distributed during the meeting.

Jon Sias, Director, Nevada Veterans' Nursing Home, identified himself for the record. Mr. Sias reported that the Veterans' Nursing Home continued to be in the construction phase, and there was no firm projected completion date.

As of October 1, 2001, Mr. Sias reported that the Veterans' Nursing Home had expended 5.5 percent of their FY2002 budget, and he pointed out that once construction of the nursing home was completed, the licensing process would begin which involved the State of Nevada Bureau of Licensure and Certification, Medicare Survey and Certification, and a U.S. Department of Veterans Affairs' Recognition Survey. Additionally, Mr. Sias pointed out that the Veterans Administration required a minimum ninety-day advance notification of a request for a recognition survey, and while the letter had been drafted, it would not be sent until the contractor and State Public Works Board could confidently provide a completion date.

Chairman Raggio requested clarification concerning a reference to the contractor's "best faith estimates" of a projected sixty-to-ninety day period of completion, as well as a refusal to estimate any possible completion date until agreements were reached and workers arrived at the site ready to work.

Mr. Sias explained that while the Attorney General's Office had worked out an agreement to bring subcontractors back to work, as of Wednesday, November 21, 2001, no subcontractors had returned to the job site.

Chairman Raggio requested that the State Public Works Board provide additional information concerning the agreement.

John P. Comeaux, Director, Department of Administration, identified himself for the record. Mr. Comeaux testified that the Public Works Board (PWB) had reported to the Committee on September 25, 2001, that they had encountered a great deal of difficulty in attempting to determine how to resolve the problems associated with the completion of the Veterans' Nursing Home. Mr. Comeaux pointed out that this was the state's first experience in which a prime contractor had to be discharged before finishing the job.

Mr. Comeaux went on to explain that after a great deal of research and work, the PWB and the Attorney General's Office worked out a plan to bring subcontractors back to the site. While many of the subcontractors only needed to complete work they had already begun, some were reluctant to sign the agreement developed by the Attorney General's Office. Mr. Comeaux explained that the agreement provided that the subcontractors would only be paid for work for which the prime contractor had not already been paid. Mr. Comeaux explained that the state did not want to commit to pay subcontractors for work that the state had already paid the prime contractor and for which the prime contractor had neglected to pay the subcontractors. Mr. Comeaux indicated, however, that some subcontractors were willing to sign the agreement and finish the work that they were originally engaged to perform, and the state would pay them whatever additional amounts they were owed.

In response to a question from the Chairman, Mr. Comeaux indicated the case, which involved the state, the architect, the original prime contractor and the subcontractors, was currently in litigation.

In response to a question from Mr. Marvel, Mr. Comeaux advised the state had engaged Metcalf Builders as the new general contractor to complete the project. Additionally, it was Mr. Comeaux's understanding that the state would most probably engage the subcontractors directly.

The Chairman requested information concerning the Veterans' Nursing Home ongoing expenses and whether the Nursing Home had staff who were being paid.

Mr. Sias reported that the Nursing Home had a staff of 22 employees that included senior managers and department heads who were in the process of developing policy and procedure manuals, as well as senior managers for the clinical staff who were also in the process of developing extensive policies and procedures and preparing the documentation necessary for certifications, surveys and inspections.

Chairman Raggio questioned whether the Nursing Home employees were being paid only to ensure that the state did not lose them.

Mr. Sias responded that the employees had been hired in May 2001 in anticipation of a July 2001 opening.

The Chairman questioned whether the employees were currently performing necessary tasks.

Mr. Sias responded that the nursing staff currently did not provide nursing care; however, he said that if the nursing staff had to be discharged, a new recruitment process would be required. Mr. Sias discussed a verbal agreement that had been reached with 13 additional clinical personnel who were to come on board when the first admissions were accepted. Over the interim, however, notification had been received from five of those clinicians that they were unwilling to wait for the opening of the Nursing Home. Therefore, a new recruitment to fill those positions would be required. Additionally, Mr. Sias advised the Chairman that the Veterans' Home hoped to offer a work environment that would attract clinicians from the private sector to state service.

In response to a question from Chairman Raggio, Mr. Sias confirmed that the Veterans' Nursing Home had received 82 applications for admission and that those applicants were currently in other nursing facilities.

Chairman Raggio expressed dismay concerning the project, which he said had once been looked upon so favorably. The Chairman recalled there had been serious concerns in the beginning about the cost and whether the Nursing Home should be contracted out to a private company to build and operate. With many of those concerns now a reality, the Chairman defined the situation as "tragic."

In an expression of concern for those who wanted to be admitted as residents, Ms. Chowning noted that some of the applicants had already passed away and questioned whether prospective applicants had become too discouraged to even bother to apply.

Mr. Sias responded that while applications for admission continued to be received, applicants had become "extremely frustrated" at the delays. Mr. Sias advised that since January 2001, 50 applicants out of 420 had passed away. While the delay in opening the Veterans' Home did not impact the applicants' passing, Mr. Sias indicated the quality of their last days may have been better provided for had the Nursing Home been open. Mr. Sias advised that to date, 371 resident applications had been received that could be processed while an additional 267 applications had been received from other nursing homes in the community. Mr. Sias pointed out that the majority of the 371 applicants did not require skilled nursing care. While less than 5 percent of the applicants required skilled nursing, Mr. Sias pointed out that until the Nursing Home opened, applications from patients who required skilled nursing care could not be processed.

In response to a question from Senator Mathews concerning the projected opening date, Mr. Comeaux indicated it was his understanding that the PWB anticipated the completion of the project at the beginning of the new year.

Chairman Raggio noted that the Veterans' Nursing Home handout (Exhibit F), contained a letter from Mr. Sias to the State Public Works Board Manager, Daniel O'Brien, concerning the licensure and certification delays that could be expected. The Chairman questioned the purpose of the letter.

Mr. Sias responded that the purpose of his letter was to engage Mr. O'Brien in a "hard discussion" concerning a completion date for the Home.

Chairman Raggio recognized Daniel O'Brien.

Mr. O'Brien, Manager, Public Works Board, identified himself for the record, and reiterated earlier testimony that Metcalf Builders had been hired as the new construction manager to complete the Veterans' Nursing Home project. Mr. O'Brien reported that Metcalf Builders had been working to bring the various subcontractors back to the job and that a significant number of those subcontractors had claims against the former general contractor, Addison Incorporated, who had not paid them for their work. Mr. O'Brien explained that since the subcontractors had claims against Addison Incorporated, they were reluctant to sign an agreement that might prohibit them from pursuing their claims against Addison. Mr. O'Brien further explained that a number of the subcontractors had not been paid anything for their work, which in some cases had been entirely completed or close to completed. Mr. O'Brien reported that Metcalf Builders was working with all of the subcontractors and attempting to determine if they had been paid, how much they had been paid and whether any monies could be released to them.

In response to a question from the Chairman in reference to hiring new subcontractors, Mr. O'Brien advised that the PWB had seven or eight contracts out for new subcontractors who had no tie to the original contractor, and as soon as signatures on the contracts were obtained and the contracts executed, the new subcontractors would be working on the job. Additionally, Mr. O'Brien reported that Metcalf Builders had completed all of the work required by the Americans (with) Disabilities Act (ADA).

In response to Senator Mathews' question concerning the opening date, Mr. O'Brien indicated he would try to stay with the January 1 date although, in reality, he believed the date would be closer to February 1 before the PWB would be able to sign off on a certificate of occupancy.

In response to Senator Mathews' request for a projected date of the first admission, Mr. Sias anticipated the first admission would take place approximately six weeks after the State Public Works Board signed off on a certificate of occupancy. Mr. Sias explained that if Mr. O'Brien was "extremely confident" of the February 1 date, he would proceed with mailing the letter of request for the recognition survey to the U.S. Department of Veterans Affairs.

The Chairman indicated the dates would have to be worked out with Mr. O'Brien and that it appeared as though the Veterans' Nursing Home would be an agenda item again for the following meeting of the Interim Finance Committee.

Senator Mathews agreed that the Veterans' Nursing Home should be on the next meeting agenda and strongly expressed her dissatisfaction concerning the 24.5 employees who were currently on paid status while the Nursing Home was not yet in operation. It was Senator Mathews' opinion that the employees should be placed on leave without pay, and if they were not in agreement, a new recruitment should take place.

It was Mr. Sias' view that the comments expressed by Senator Mathews shifted the blame for delay in opening the Nursing Home to the staff and once again reiterated that the employees were hired in May 2001 in anticipation of an opening in July 2001.

Both the Chairman and Senator Mathews agreed that there was no intended implication that the employees were in any way to blame for the delays. Chairman Raggio asked Mr. O'Brien to expedite the project.

Additionally, Chairman Raggio expressed concern that once the Nursing Home was opened, operating the facility would be more costly than originally anticipated.

It was Mr. Sias' opinion that the legislatively approved budget was more than adequate to operate the Nursing Home.

The Chairman indicated that the Nevada Veterans' Nursing Home Quarterly Report dated November 26, 2001 (Exhibit F) would be made a part of the record, and the operation of the Nursing Home would be placed on the agenda for the following meeting.

Ms. Tiffany also expressed her strong opposition to the current Nursing Home employment situation especially in light of the fact that 15,000 people in southern Nevada were without jobs. Ms. Tiffany was of the opinion that the Nursing Home staff should not be exempt from being laid off.

Mr. Sias testified that the Nursing Home administration was "uncomfortable" as well with the staff not being as productive as they could be. However, Mr. Sias advised that laying employees off would further delay the Nursing Home opening.

Ms. Tiffany disagreed with Mr. Sias' opinion that the opening would be delayed even further by laying people off and said that during job fairs in southern Nevada, she had seen people placed in jobs "literally" the following day. Additionally, Ms. Tiffany was of the opinion that there appeared to be a serious problem when the state was paying probably over $150,000 a month for employees who were doing nothing and that it was unfair to the taxpayers of the state as well as to other agencies that would be facing budget cuts. Ms. Tiffany calculated that if the Nursing Home employees were employed for one year with nothing to do, over a $1 million in salaries would be paid, and the Nursing Home administration should have to answer to somebody.

The Chairman indicated the next meeting of the Interim Finance Committee would probably be scheduled for late January and that hopefully a firm opening date would be established by that time. The Chairman also reiterated his request to Mr. O'Brien to put "extra effort" into getting the project completed.

Mr. Sias objected to the characterization that he had people on staff doing nothing, and he pointed out that opening a nursing home and creating policies and procedures involved a great deal of work. Mr. Sias closed his remarks by indicating that while the nursing employees were not currently providing nursing care, it was unfair to characterize their efforts as doing nothing.

11. **Department of Corrections**

a. **Prison Industry Program - Establishment of a garment factory at Lovelock Correctional Center.**
There were no questions from members of the Committee.

b. **Senate Bill 4, 17th Special Session - Letter of Intent -** Quarterly Report on the operation of the program for facility training for correctional officers**.**
There were no questions from members of the Committee.

c. **Senate Bill 463, 2001 Session - Letter of Intent -** Quarterly Report on use of maintenance project funding.
There were no questions from members of the Committee.

d. **Office of the Director - Letter of Intent -** Quarterly Report on use of funds for "extraordinary repairs."

There were no questions from members of the Committee.

e. **Telephone Commissions -** Report from DOC on the commissions earned in fiscal year 2001 and the first two months of fiscal year 2002.
There were no questions from members of the Committee.

f. **Vending Machine Commissions -** Report from DOC on commissions earned in fiscal year 2001 and the first two months of fiscal year 2002.
There were no questions from members of the Committee.

12. **Department of Agriculture -** Response to September 25, 2001 Inquiry - Use of General Fund-supported position in Virginia Wild Horse Management Program in lieu of reverting funds to General Fund.

Mrs. de Braga noted the Department of Agriculture's report (Exhibit G) contained in Volume VIII, Packet 2 stated that an increase in the Virginia Range wild horse population necessitated the implementation of emergency feeding. Mrs. de Braga discussed the fact that there were too many horses for the resources in the Virginia Range, and the horses were in danger of starving. Mrs. de Braga questioned how the feed was being financed and requested information on whether there was a long-range plan for taking care of the problem.

Rick Gimlin, Administrative Services Officer (ASO), Department of Agriculture, identified himself for the record and reported that the Budget Division was approached with a request for funding from the emergency fund. Funds were received to pay for the feed, and the Department contracted to have hay placed at appropriate locations as well as to have hay transported as needed.

In reference to a long-range approach, Mr. Gimlin reported that funding provided by the Legislature had been used to move horses out-of -state onto range areas in South Dakota, and the movement of horses into California was also being investigated. Mr. Gimlin advised that the horses going out-of-state would be held in a protected area in those states and eventually would be adopted. However, Mr. Gimlin anticipated that at some point in the future, horses would have to be removed from the range and sold.

Mrs. de Braga pointed out that the problem was growing and currently horses were moving along the highway. Additionally, Mrs. de Braga pointed out that the wild horse population was becoming so large that they could not all be contained in the holding facility, and the Adoption Program was unable to take care of so many horses. It was Mrs. de Braga's opinion that the horse population had to be managed as though they were a herd of cattle, which meant culling out those that were not going to make it on the range and selling some. While she understood the public's concern over the fate of the horses, Mrs. de Braga suggested immediate action was needed and pointed out a severe winter would only increase the problem. Mrs. de Braga questioned whether the Department had the ability to raise the adoption fee.

Paul Iverson, Director, Department of Agriculture, identified himself for the record and responded that the concerns brought up by Mrs. de Braga would soon have to be addressed.

Mr. Iverson reported:

- Approximately 1,200 animals were currently on the Virginia Range;
- Approximately 200 horses were removed during the summer and fall;
- 80 horses were recently sent to South Dakota; and,
- 75 were currently in a holding facility at a cost of about $275 a day.

Mr. Iverson testified that 300 or 400 horses must be removed from the Virginia Range, which he pointed out, was "completely devastated," and at a maximum should not hold any more than 600 horses. Mr. Iverson also briefly addressed potential problems from private landowners in the Virginia Range. While it was approximated that there were probably about 200 horses moving next to the highway because of a lack of food and water at the top of the range, Mr. Iverson indicated the Department did have funds set aside for emergency feeding during the winter. Additionally, water troughs had been set up, and the horses had been watered every other day for the past several months in Lockwood Canyon.

Mr. Iverson discussed a recent meeting with Marybel Batjer, Chief of Staff, Governor's Office. Ms. Batjer suggested the formation of a legislative committee to develop a broad policy on how to address the wild horse problem. While Mr. Iverson indicated that no one wanted to see horses starve to death or killed on the highway, he indicated that some hard decisions would be required before the state found itself in a position in which millions of dollars had to be spent to take care of the problem. It was Mr. Iverson's opinion that a unified position between the Executive and Legislative Branches was needed to make a decision based on a sound natural resource and financial judgment.

In response to a question from Mrs. de Braga concerning who would make the decision concerning the immediate problem, Mr. Iverson reported that while he was doing everything he could to move horses out of Nevada, the size of the herd needed to be reduced to 500 or 600 before it could be maintained. Mr. Iverson discussed the tremendous emotional dilemma in reference to selling horses because selling horses to 90 percent of the population meant sending them to slaughter. Mr. Iverson clarified that while some horses would not go to slaughter, many of them would.

In response to a question from Mrs. de Braga on whether he could make the decision to sell the horses, Mr. Iverson advised that he could make the decision; however, a decision to sell the horses would probably jeopardize his position.

It was Mrs. de Braga's opinion that selling the horses was a better solution than letting them starve to death during the winter.

Mr. Iverson indicated there was sufficient funding to get the horses through the winter but that a severe winter would necessitate a large sum of money for feed and the possibility that some horses would be lost. Mr. Iverson said a mild winter would dictate dealing with the problem more seriously next winter and that he would request the assistance of a small committee of legislators to meet with him and members of the Executive Branch to develop a "good policy" that everyone could "buy into."

In response to a question from Mr. Marvel concerning the financial responsibility of the counties, Mr. Iverson indicated that all estray animals were the property of the Department of Agriculture and, therefore, the property of the State of Nevada. Mr. Iverson advised that Washoe County had provided the state with at least $50,000 to buy panels for the holding facility, and while there were four counties involved who were willing to help, financially the counties were not in a position to do what the state needed.

13. Tahoe Regional Planning Report/A.B. 511 (2001 Session) - Quarterly Report.

Chairman Raggio noted that while Request for Proposals (RFPs) had been initiated, none of the projects for which funding was allotted under A.B. 511, 2001 Legislative Session had commenced. Therefore, the Chairman requested that a report be presented to the Committee at their next scheduled meeting.

The Chairman excused those in attendance for the informational items listed on the agenda, and moved to Item E. Approval of Gifts, Grants, Work Program Revisions and Position Changes.

Q. PUBLIC TESTIMONY.

There was no public testimony.

Economic Update
In response to a request from the Chairman, Mr. Ghiggeri indicated that staff had distributed a summary, Exhibit Q of the latest information concerning sales and gaming tax collections. Mr. Ghiggeri advised that collections for sales tax in October 2001 for September 2001 business were 8.5 percent lower than the October 2000 collections for September 2000 business. Year-to-date collections for sales tax were up 2.1 percent for the three months ending in October.

In reference to gaming tax collections, Mr. Ghiggeri reported that collections in October 2001 for September 2001 business were down 10.8 percent. Year-to-date collections for the first four months of gaming tax percentage fees were down 2.1 percent.

In response to a question from the Chairman concerning projections, Mr. Ghiggeri advised that growth for gaming tax collections would have to average approximately 6.4 percent for the remainder of the fiscal year to achieve the Economic Forum's projections, and sales tax would have to average 6.6 percent growth to achieve Economic Forum projections.

There being no further business to come before the committee, Chairman Raggio adjourned the meeting at 3:41 p.m.

Senator William J. Raggio, Chairman
Interim Finance Committee

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