MINUTES OF THE MEETING OF THE LEGISLATIVE COMMITTEE FOR THE FUNDAMENTAL REVIEW OF THE BASE BUDGETS OF STATE AGENCIES (NRS 218E.440)

December 2, 2010

The meeting of the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies (NRS 218E.440) was held at 9:00 a.m. on Thursday, December 2, 2010, at the Grant Sawyer State Office Building, 555 East Washington Avenue, Room 4401, Las Vegas, Nevada, and videoconferenced to the Legislative Building, 401 South Carson Street, Room 2134, Carson City, Nevada.

COMMITTEE MEMBERS PRESENT:
Senator Joyce Woodhouse, Chair
Senator Valerie Wiener
Assemblyman Marcus Conklin
Assemblyman Pete Goicoechea
Assemblywoman Debbie Smith

COMMITTEE MEMBERS ABSENT:
Senator William J. Raggio

STAFF:
Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division
Rex Goodman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division
Brenda Erdoes, Legislative Counsel, Legal Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Tracie Battisti, Secretary, Fiscal Analysis Division

EXHIBITS:
Exhibit A Meeting Packet and Agenda.
Exhibit B Attendance Record.
Exhibit C Letter Dated December 2, 2010, from Dr. Hatice Gecol, Nevada Energy Commissioner
Exhibit D Memorandum on the subject of Fiscal Impact of Supplemental Nutrition Assistance Program (SNAP) Trusted Partner Outreach Program and Fiscal Impact of SNAP Participation (FY 2008-2010) provided by the Food Bank of Northern Nevada.
Exhibit E Memorandum on the subject of Base Budget of the Substance Abuse Prevention and Treatment Agency (SAPTA) in the Division of Mental Health and Disability Services (MHDS), December 2, 2010.

I. ROLL CALL.

Senator Joyce Woodhouse, Chairwoman, called the meeting of the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies to order at 9:05 a.m. Senator Woodhouse, Senator Wiener, Assemblywoman Smith and Assemblyman Conklin were present in Las Vegas. Assemblyman Goicoechea attended the meeting in Carson City. Senator Raggio was excused.

II. APPROVAL OF MINUTES OF THE JULY 7, 2010, MEETING.

ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE MINUTES OF THE JULY 7, 2010, MEETING OF THE LEGISLATIVE COMMITTEE FOR THE FUNDAMENTAL REVIEW OF THE BASE BUDGETS OF STATE AGENCIES.

SENATOR WIENER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

III. APPROVAL OF MINUTES OF THE SEPTEMBER 15, 2010, MEETING.

ASSEMBLYMAN CONKLIN MOVED TO APPROVE THE MINUTES OF THE SEPTEMBER 15, 2010, MEETING OF THE LEGISLATIVE COMMITTEE FOR THE FUNDAMENTAL REVIEW OF THE BASE BUDGETS OF STATE AGENCIES.

SENATOR WIENER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

IV. OPENING REMARKS.

Chairwoman Woodhouse indicated that the meeting would include a work session to discuss Agenda Items V and VI.

V. DISCUSSION AND CONSIDERATION OF COST SAVINGS AND EFFICIENCY MEASURES FOR STATE GOVERNMENT.

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), directed Committee members to Section V (page 67, Exhibit A), which listed potential cost savings and efficiency measures. He said when the measures were presented at the October 28, 2010, meeting of the Committee, Fiscal staff had limited information from which to analyze and provide recommendations. Since that time, Fiscal staff had an opportunity to review and discuss recommendations with agencies. He noted that the new information was identified in the shaded text throughout

Section V in the meeting packet (Exhibit A). Ultimately, the Committee would provide the Interim Finance Committee (IFC) with its recommendations of proposals to be presented to the money committees for further discussion during the 2011 Legislative Session.

Chairwoman Woodhouse noted that any Committee member interested in pursuing a particular recommendation could make a motion following discussion of the item.

Reforms to State Government Functions

Mr. Krmpotic said item 1, under the section titled *Reforms to State Government Functions*, considered a merger of the Office of Homeland Security (Office) with the Division of Emergency Management (DEM) within the Department of Public Safety (page 67, Exhibit A). As previously noted by Fiscal staff, the two entities were already merged from an operational standpoint. Mr. Krmpotic said Fiscal staff had previously identified the opportunity to eliminate positions. In further discussions with the agency, Fiscal staff learned that the agencies, through their own analysis, identified the opportunity to eliminate one position; however, through the operational merger, federal funds could be allocated to support some of the position costs in lieu of General Funds while still achieving approximately the same amount of savings identified by Fiscal staff. Mr. Krmpotic said it appeared the merger would move forward and that a majority of the positions would remain intact, but would be funded through other means while reducing General Funds by the same amount. Staff thought the proposal still appeared feasible.

Assemblywoman Smith noted that all of the Committee's recommendations would be considered for further discussion by the money committees during the 2011 Legislative Session.

In response to a question from Assemblyman Goicoechea, Mr. Krmpotic replied that the state agencies involved in the proposals were aware of the prospective mergers. He said in many cases staff discussed the proposals with the agencies directly and the agencies provided information to staff.

Assemblyman Goicoechea asked if it would be appropriate for legislators to discuss the mergers with the various departments to obtain feedback and determine the possible impact of the merger on the departments involved. Mr. Krmpotic said he anticipated there would be considerable discussion between legislators, agencies and staff concerning the mergers. He indicated there may also be discussion at formal committee hearings at a later date.

In response to a question from Senator Wiener, Chairwoman Woodhouse said it would be expeditious to make recommendations as each proposal was discussed.

> SENATOR WIENER MOVED TO APPROVE ITEM 1, CONSIDERATION OF THE MERGER OF THE OFFICE OF HOMELAND SECURITY WITH THE DIVISION OF EMERGENCY MANAGEMENT.
>
> ASSEMBLYMAN CONKLIN SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

Mr. Krmpotic requested that the Committee hear item 2, under the section titled *Government Efficiency and Waste Elimination*, out of order, because the Department of Corrections (NDOC) was present to answer questions concerning minimum custody inmate populations.

Mr. Krmpotic said item 2 evaluated the available housing for minimum custody inmate populations. He said staff previously identified a surplus capacity of minimum custody housing facilities compared to projected population levels. Minimum custody facilities were primarily camps and restitution centers, such as Casa Grande Transitional Housing (page 93, Exhibit A).

Mr. Krmpotic said staff previously identified the potential to close a couple of minimum custody facilities over the biennium to more closely align the housing capacity with the projected population levels; however, one of the drawbacks to closing minimum custody facilities was the impact on the state's firefighting capacity. He explained that minimum custody camps throughout the state staffed forestry crews in addition to performing billable and non-billable work throughout the state. The NDOC identified the Wells Conservation Camp as a potential camp to close. It was in close proximity to the Carlin Camp; therefore, the Carlin Camp could assume the firefighting duties.

Mr. Krmpotic recalled a question at a prior meeting about using a professional firefighting crew rather than inmates. He referenced information provided during the 2009 Legislative Session that compared the state cost to use minimum custody crews to an equivalent professional firefighting crew (page 94, Exhibit A). Mr. Krmpotic said the information and analysis that was provided to staff was from 2006 to 2008 and the amounts varied due to the number of fires and fire activity during those years. He said there was a significant amount of federal land within Nevada and the state received reimbursement from the federal government regardless of who fought the fire. Mr. Krmpotic noted that the state received a benefit to the General Fund if minimum custody crews fought a fire, because the cost was billed at a higher rate. He said a fire that began on federal land could spread to private, county or state-owned property and minimum custody crews provided a more expeditious way of addressing the fires. Also, minimum custody crews were in various locations throughout the state.

Mr. Krmpotic said closing a conservation camp would generate savings; however, based on staff's review and analysis, the Legislature should tread carefully given the firefighting capacity. If the Committee chose to pursue the proposal, he said careful consideration should be given regarding which camps to close.

Assemblyman Goicoechea recalled debating the issue extensively during the 2009 Legislative Session when there were other conservation camps recommended for closure, specifically the Pioche and Tonopah Conservation Camps. He noted that conservation camps also performed various other work across the state for both the private and public sectors. Ultimately, the amount charged by the conservation camps reverted to the General Fund. Assemblyman Goicoechea said conservation camps were more cost effective than minimum custody facilities. He said facilities such as the Stewart Conservation Camp and Three Lakes Valley Conservation Camp were not recommended for closure even though they were housed near prisons. Assemblyman Goicoechea asked NDOC staff why those conservation camps should be maintained.

Jeff Mohlenkamp, Deputy Director, NDOC, replied that NDOC was not solely responsible for selecting which conservation camps to close. He explained that the camps were selected in consultation with the Division of Forestry (NDF) based on the needs of the NDF.

Senator Wiener asked if the conservation camps provided other revenue-generating community services. Mr. Krmpotic replied that the conservation camps performed both billable and non-billable work, which varied by camp. He said the Nevada Department of Transportation (NDOT) provided reimbursement to the NDF crews for highway trash pickup. Crews performed other tasks as well, such as maintenance at the Veterans' Cemetery and tasks at the NDF nursery.

Don Helling, Deputy Director of Northern Operations, NDOC, said that during his time as the Rural Camp Warden he frequently toured the remote conservation camps. The services provided by the conservation camp crews to the community were extremely valuable. The conservation camp crews provided local communities access to a low-cost labor force to perform tasks such as cleaning parks, repairing fences and constructing buildings. The conservation camp crews also shoveled snow for the elderly and performed other community service work. Mr. Helling recalled that conservation camp crews had assisted in the construction of the Rural Mental Health Clinic in Carlin, Nevada. He said the local communities had come to depend on the services provided by conservation camp crews.

Assemblyman Goicoechea added that the NDF crews constructed the Carlin Branch Library and multiple firehouses across the state. He thought the Committee should review the billable rate and which services should be billable, rather than considering the closure of certain camps.

ASSEMBLYMAN CONKLIN MOVED TO APPROVE ITEM 2, CONSIDERATION OF CLOSURE OF CONSERVATION CAMPS, AND REVIEW THE TYPES OF SERVICES AND RATES CHARGED FOR BILLED SERVICES.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Returning to the section *Reforms to State Government Functions*, Mr. Krmpotic said item 2 concerned the potential consolidation of the Department of Information Technology (DoIT) into the Department of Administration (DOA) and the merger of the DOA's Information Technology Division into DoIT's structure. After meeting with the agencies and the Budget Office, Fiscal staff agreed that the identified cost savings would be feasible if the two agencies merged. Mr. Krmpotic said it seemed logical to merge the two agencies based on the functions each agency currently performed.

Mr. Krmpotic said one of the complicating factors of the merger was that DoIT was a fully cost allocated agency. He said DoIT's cost allocation was based on different cost pools, allocation methods and assessments. He said DoIT's funding mechanism would have to be examined more carefully in conjunction with the merger. Mr. Krmpotic said it may be prudent to delay the merger until the fall of 2011 or the second year of the biennium to ensure that everything was in place with respect to the cost allocation of DoIT. He said, overall, it appeared the recommendation was worth pursing from an operational standpoint.

Senator Wiener asked if there were any agencies, such as the Office of the State Treasurer or the Office of the State Controller, that could be independent of DoIT's review and supervision for security purposes.

Mr. Krmpotic replied that staff did not examine, from a security standpoint, whether it would be best for DoIT to remain a separate agency. He said there were certain agencies and branches of government that were exempt from DoIT's review and oversight, which could be related to security or separation of powers. As far as DoIT and the agencies it served, Mr. Krmpotic noted that the DOA served those same agencies through its Budget Office, Motor Pool Division, Purchasing Division, etc. He expected that DoIT would continue to maintain its own security function with respect to firewalls and access to information, regardless of the merger.

Senator Wiener remarked that her concerns were probably being addressed under current policies and practices based on the fact that there were exemptions in place.

ASSEMBLYMAN CONKLIN MOVED TO APPROVE ITEM 2, CONSIDERATION OF THE CONSOLIDATION OF THE DEPARTMENT OF INFORMATION TECHNOLOGY INTO

THE DEPARTMENT OF ADMINISTRATION AND MERGE THE DEPARTMENT OF ADMINISTRATION'S INFORMATION TECHNOLOGY DIVISION INTO THE DEPARTMENT OF INFORMATION TECHNOLOGY'S STRUCTURE.

SENATOR WIENER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Krmpotic said item 3, under the section titled *Reforms to State Government Functions*, considered the transfer of the pre-sentence investigation function within the Division of Parole and Probation (DPP) to the District Courts. He recalled considerable discussion at a previous meeting of the Committee regarding the possible transfer of the pre-sentence investigation function. Committee members expressed concern regarding the loss of independence that would occur if the District Courts performed pre-sentence investigations rather than the DPP. Mr. Krmpotic said there were also potential ethical concerns about the District Courts processing the pre-sentence investigations. Based on discussion with the DPP, staff revised its projected cost savings. He said staff identified 79 positions, rather than 73 positions, for a total cost savings of $11.3 million over the biennium. Staff recommended further discussion with the agency and the District Courts to determine whether the transfer of the pre-sentence investigation function was feasible. Mr. Krmpotic thought the recommendation would require significant examination during the 2011 Legislative Session.

In response to a question from Assemblyman Goicoechea, Mr. Krmpotic replied that the $11.0 million would revert to the counties if the pre-sentence investigation function was transferred to the District Courts.

Assemblyman Conklin said he and Senator Raggio previously expressed concern about the transfer of the pre-sentence investigation function to the District Courts. From a fundamental viewpoint, he thought the framers of the Nevada Constitution and the U.S. Constitution separated investigation and law enforcement from the Judiciary Branch to provide independence of judgment. He said if the activities were combined it would allow the ethics of the District Courts to impact how investigations were conducted. Assemblyman Conklin thought that keeping investigation and law enforcement separate from the Judiciary Branch offered civil liberty safeguards to Nevada's citizens. He said it was important for the individual liberties and rights of citizens to be protected from a potential tyranny that could take place when executive and judicial authorities were consolidated. That being said, a savings of $11.0 million was worth serious consideration. Assemblyman Conklin said he would not stand in opposition if the Committee chose to move forward with the recommendation; however, he thought the points he made should be addressed prior to making a final decision.

In response to a question from Assemblyman Goicoechea, Chairwoman Woodhouse replied that any proposal without action would be excluded in the final report. She

indicated that she would like item 3, the transfer of the pre-sentence investigation function to the District Courts, to move forward, with the understanding that further examination was necessary. Assemblyman Goicoechea agreed with Chairwoman Woodhouse. He added that most of the recommendations were worthy of consideration given the current fiscal condition of the state.

Assemblywoman Smith agreed that all of the recommendations should be considered. She thought the research performed by staff was beneficial, because it raised questions for the Committee that would help frame the recommendations to the money committees. Assemblywoman Smith suggested the Committee discuss the recommendations that were likely to be excluded from the final report.

Assemblyman Conklin agreed that the Committee should focus on the items that would most likely be excluded from the final report.

Assemblyman Conklin stated that he would not try to prohibit the recommendation to transfer the pre-sentence investigation function to the District Courts from moving forward, because the cost savings was substantial. However, he also wanted to avoid putting a price on something that was priceless, such as civil liberties and rights.

Assemblyman Goicoechea thought the recommendation to transfer the pre-sentence investigation function to the District Courts should remain on the list for further consideration. He suggested incorporating Assemblyman Conklin's comments in the final report.

Mr. Krmpotic said item 4, under the section titled *Reforms to State Government Functions*, pertained to the prospective transfer of Elder Protection Service (EPS) investigations from the Aging and Disability Services Division (ADSD) to the counties, or as an alternative, assess the counties for the cost to the state to perform the investigations. Staff identified an approximate General Fund savings of $200,000 in the current biennium and approximately $1.0 million per year going forward if the proposal was adopted.

Mr. Krmpotic said there were two issues to discuss regarding the recommendation concerning EPS investigations. One issue was whether to transfer the function to the counties or assess the counties for support of the function. The second issue for discussion was a proposal by ADSD to increase staffing to reduce the ratio of EPS cases per Social Worker. He indicated that ADSD proposed a target ratio of 40:1 based on a national standard; however, varying ratios were included in the meeting packet for cost comparison purposes (page 70, Exhibit A). Mr. Krmpotic referred Committee members to page 70 of the meeting packet, which provided a layout of the distribution of staff among the counties based on monthly average caseloads by county (Exhibit A). He said it appeared more feasible to assess the counties rather than transfer the function back to the counties themselves. Staff identified cost savings in two ways. One method of cost savings would be to offset the level of General Funds to support EPS investigations. Mr. Krmpotic said the General Fund support for that function was

approximately 37.6 percent of the total cost. Additionally, Title XX and Healthy Nevada funds supported the EPS investigations function. If those funding sources were offset, they could be reapplied to other areas within the Department of Health and Human Services (DHHS), thereby offsetting the General Funds in other programs.

Mr. Krmpotic said the decision for the Committee to consider was whether to transfer the EPS investigation function to the counties or assess the counties for state support of the function. Additionally, the Committee would want to consider either offsetting General Funds or non-General Funded sources (Title XX and Healthy Nevada) to maximize potential savings that could be realized through this recommendation. Mr. Krmpotic directed Committee members to the tables on page 70 of the meeting packet for an approximate cost of the assessment of the counties (Exhibit A). He noted that the information provided was acquired from the agencies and had not been thoroughly analyzed by staff. Mr. Krmpotic said the ratio of caseloads per Social Worker would be a separate policy decision for the money committees during the 2011 Legislative Session.

Assemblyman Goicoechea asked what the total impact would be on local governments if all the recommendations were implemented. Mr. Krmpotic replied that the total amount of all the recommendations combined would be approximately $50.0 million. He did not know the total impact on the counties specifically; however, that information could be included in the final report to the IFC on December 17, 2010.

Chairwoman Woodhouse thought it would be helpful to evaluate the fiscal impact of the recommendations on both the state and the counties in order to make a sound decision.

Rex Goodman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, LCB, said item 5, under the section titled *Reforms to State Government Functions*, considered the transfer of the licensing function of Emergency Medical Services (EMS) personnel to the counties, with the exception of Clark County, which currently performs the function. Similar to the last item, the function itself could be transferred to the counties, or the state could assess the counties for the cost to support the function.

Mr. Goodman said the licensing function included three levels of Emergency Medical Technicians (EMT) as well as First Responders. He directed the Committee to a breakdown of personnel by county on page 72 of the meeting packet (Exhibit A). Mr. Goodman said there were several issues to consider with regard to transferring the licensing function to the counties:

- Regulations to implement the licensing function would need to be established at the county level.
- Only one regulatory agency per state could work with the National Registry of Emergency Medical Technicians for testing and training standards.
- Counties without full-time professional fire departments may be incapable of handling the licensing function.
- Fee structures would need to be established at the county level.
- Radio system usage would need to be coordinated by the counties.

Mr. Goodman noted that a fee was currently assessed for training administered by the state and those funds would need to be expended or refunded to the individual licensees. He said the other alternative would be to assess the counties for the cost to the state to perform the licensing function.

Mr. Goodman said discussions with the division determined that a savings of approximately $807,000 per fiscal year could be realized by assessing the function instead of transferring it to the counties. He said transferring the function would have several complications and would require a roll-out period of up to an entire biennium to transfer the licensing function. Also, there was the potential that the cost savings would be greatly reduced if the actual function was transferred; whereas, if only the cost for the function was transferred, those savings could be realized as soon as an assessment was made on the counties.

In response to a question from Senator Wiener concerning statutory changes, Mr. Krmpotic replied that further research would be needed to determine if the counties could be assessed within the current statutes. He thought there was authority through the Budget Act or the Appropriations Act, but staff would need to examine the statutes that govern the EMS program.

Senator Wiener said the savings could be realized earlier if statutory authority was already in place.

Assemblyman Goicoechea indicated there would be a number of bills pertaining to EMS during the 2011 Legislative Session. He was sponsoring a bill that pertained to state certification of First Responders. Assemblyman Goicoechea stated that Utah functioned on a state certification and it appeared to work very well.

Assemblyman Goicoechea thought it might be better for the state if EMS licensure was provided to certain zones or regions. Western Nevada, Southern Nevada and Elko could afford to establish a program, which may be better than implementing an assessment to the counties. He thought it was an important statewide issue that needed to be addressed; however, he did not think it would be easy.

With regard to item 6, under the section titled *Reforms to State Government Functions,* Mr. Krmpotic said staff previously identified potential savings of $1.9 million per year if the recommendation to assess rural counties for the cost of child protective services were applied (page 75, Exhibit A). In discussions with the agency, staff determined that Social Workers who performed activities related to child protective services also performed child welfare functions. He said the agency would need a random sampling of caseworkers' duties to accurately identify the amount of time dedicated to child protective services activities. Mr. Krmpotic said the random sampling method was similar to the methodology used by the Division of Welfare and Supportive Services (DWSS) to identify child protective services costs that could potentially be allocated to the counties. He said staff also identified that it would be necessary to amend statute to

allow counties with populations of less than 100,000 to be assessed for the cost of child protective services.

Mr. Krmpotic said item 7, under the section titled *Reforms to State Government Functions,* considered an increase in fees in the Consumer Health Protection (CHP) account to offset General Funds (page 75, Exhibit A). Staff previously identified some of the functions of the CHP account with respect to preventing environmental health hazards and protecting public health in counties outside Clark and Washoe Counties and Carson City through permitting, inspection and enforcement. Mr. Krmpotic said there was a request proposed by the agency to increase fees related to food establishment inspections. He said it appeared the increases in fees would generate approximately $700,000 to $800,000 in overall revenue for the CHP program, which could potentially be used to offset General Funds. Mr. Krmpotic said fee increases would require considerable policy discussion during the 2011 Legislative Session, because generally there was a strong stance concerning fee or tax increases.

In response to a question from Assemblywoman Smith, Mr. Goodman replied that the Health Division indicated it would proceed with the proposed fee increases. The Health Division intended to present regulation changes to the Legislative Commission in early 2011; however, the agency's budget, including the proposed fee increases, would be contingent upon legislative approval.

Mr. Krmpotic said item 8, under the section titled *Reforms to State Government Functions*, recommended limiting the Senior Property Tax Assistance (SPTA) program to seniors below the federal poverty level (FPL). It was staff's understanding that no additional staffing would be required to review eligibility, program or income requirements for the proposal.

Assemblyman Goicoechea said that currently the only qualification for the program was age. He asked if income limitations could be challenged as fair and equal. Brenda Erdoes, General Counsel, LCB, replied that both age and income were subject to be challenged as fair and equal, but generally a challenge of fair and equal would only be related to the actual assessment of the property. Ms. Erdoes said the uniformity clause in Article 10, Section 1 of the *Nevada Constitution* was essentially looking at solely the assessment of the property; however, someone could still challenge program qualifications.

Assemblywoman Smith said that currently the state determined the amount of the refund based on whether an individual was above or below the FPL. She noted that the SPTA program was being recommended for elimination in the proposed budget cuts.

Mr. Krmpotic said item 9, under the section titled *Reforms to State Government Functions*, was a review of the functions of the State Fire Marshal within the Department of Public Safety to determine whether arson investigations, building inspections and plan reviews could be transferred to local governments or other entities (page 77, Exhibit A). Staff would note that the State Fire Marshal's account had been reduced

during the 2009 Legislative Session and 26th Special Session. He said 9 positions were eliminated between the two sessions, which left 26 positions remaining to fulfill the duties of the State Fire Marshal's office. Mr. Krmpotic said the agency proposed the elimination of another 3 positions in its upcoming budget, including a Captain or Deputy position that served as second-in-command for the division.

Mr. Krmpotic said the Fire Marshal currently had authority per *Nevada Revised Statutes* (NRS) to delegate its functions to local governments through an interlocal agreement if the Fire Marshal determined the entity was qualified to perform those functions. Currently, 18 non-state entities were delegated portions of the State Fire Marshal's authority and duties. Mr. Krmpotic said the Fallon Naval Air Station was one such non-state entity that had been delegated authority by the State Fire Marshal for a portion of its function.

Mr. Krmpotic said General Funds that remained in the State Fire Marshal's budget supported functions that could not be transferred to local entities due to lack of qualified staff or because it was best the function remain under the authority of the State Fire Marshal. He said it appeared the Fire Marshal had delegated all possible functions to local agencies based on the entities' capabilities and qualifications. Mr. Krmpotic said the Fire Marshal indicated there were certain cases in which a local entity had failed to carry out a particular function. Staff thought the State Fire Marshal account and functions had been thinned as much as possible in terms of the amount of General Funds that could be collected. Mr. Krmpotic said it appeared the State Fire Marshal had done as much as possible to delegate some of its functions to other entities, including the delegation of fire and life safety inspections to the State Public Works Board. He said the Fire Marshal was continually looking for opportunities to delegate functions, but the capabilities of local entities were limited.

Mr. Krmpotic said item 10, under the section titled *Reforms to State Government Functions*, considered the elimination of the Trust Fund for Public Health (TFPH) and redirection of tobacco settlement funds to offset General Funds in other Department of Health and Human Services (DHHS) program areas. He said there was a potential General Fund savings of $3.8 million that could be offset through the proposal beginning in 2013. Mr. Krmpotic thought there would be policy discussions during the 2011 Legislative Session regarding the future of the TFPH since the Legislature had transferred funds from the account for the 2009-11 biennium and also in previous biennia.

Mr. Krmpotic said item 11, under the section titled *Reforms to State Government Functions*, considered a transfer of the Office of Consumer Health Assistance (OCHA) to DHHS. He noted the proposal was requested by the agency. Mr. Krmpotic said there appeared to be potential General Fund savings in the second year of the biennium. He said DHHS could provide potential benefits to OCHA through additional grant funding opportunities. He said staff previously identified the potential elimination of certain positions; however, the agency had some concern about eliminating positions. Mr. Krmpotic said staff identified the following benefits in transferring OCHA to DHHS:

- Maximize non-General Funded revenue sources through increased grant opportunities;
- Reduce rent costs by reducing office space due to the reduction in OCHA staff; and
- Reduce salaries by reexamining the unclassified salaries for the positions in the OCHA account given their placement under DHHS and responsibilities for the future.

Mr. Krmpotic said item 12, under the section titled *Reforms to State Government Functions*, considered merging the Renewable Energy and Energy Efficiency Authority (REEEA) with the Nevada State Office of Energy (NSOE). He said Committee members received information pertaining to the proposal shortly before the meeting; therefore, staff had not had an opportunity to review the information and provide comments for the members. Mr. Krmpotic recalled that Assemblyman Conklin had some concerns about the varying missions of REEEA and NSOE and whether it made sense to merge the two offices. He said it appeared there was potential to eliminate positions through the efficiencies that would be gained by combining the offices. Mr. Krmpotic noted the American Recovery and Reinvestment Act (ARRA) funds that supported REEEA would be discontinued after 2012 and the General Funds that supported NSOE totaled approximately $200,000 to $300,000 each year. He said there was potential to support a combined entity through property taxes received to support the programs for the future. Mr. Krmpotic said the proposal appeared to be worth further review by the Legislature.

Assemblyman Conklin said he was concerned about proposal items 12 and 14. He thought both recommendations should move forward; however, he thought the proposals should be considered jointly. He said proposal 14 considered merging the Commission on Economic Development and the Commission on Tourism. He said tourism was Nevada's single largest industry and it had far more resources than the state could provide for economic diversification and development. Assemblyman Conklin thought combining the two commissions would mean the elimination of economic development; however, he thought there may be synergies to take advantage of between economic development and energy. He said Nevada had direction and natural resources that could be exploited. Assemblyman Conklin thought both proposals should move forward with the caveat that the state consider combining renewable energy with economic development, or all of energy with economic development. He said the state would not be doing justice to economic development by combining it with tourism.

Chairwoman Woodhouse said Assemblyman Conklin made a valid point.

Assemblywoman Smith said that Dr. Hatice Gecol's letter stated there was redundancy between REEEA and NSOE's responsibilities (Exhibit C). Assemblywoman Smith said it was important to be mindful of the differences between the two agencies. She said often the general public did not know which office to visit for assistance with a particular issue. Assemblywoman Smith said the issue was not limited to cost savings, but also the efficiency of services provided by state government. For those reasons, she

thought it was best to move the proposal forward for further discussion to determine if it was possible to combine the agencies while maintaining clearly defined roles. Assemblywoman Smith added that it was also important for the Committee to examine the impact resulting from the elimination of ARRA funds.

Mr. Krmpotic said item 13, under the section titled *Reforms to State Government Functions*, considered the consolidation of the Department of Personnel (DOP) into the Department of Administration (DOA). Similar to the recommendation to consolidate the Department of Information Technology (DoIT) into the DOA, it appeared there could be program efficiencies and budgetary savings with the consolidation of the DOP and DOA. As a result of a previous Committee discussion, it was suggested that the timing of the consolidation be examined more closely, because the DOP was heavily involved in payroll transition shortly after the end of the fiscal year. Mr. Krmpotic said another consideration was that the DOP, like DoIT, was funded through assessments levied to various agencies of state government. He said that funding mechanism would need to be calculated and considered carefully.

Mr. Krmpotic recalled that Assemblyman Goicoechea had asked about the combined savings of the proposals earlier in the Committee's discussions. He said it was difficult to estimate savings, because some of the transitions would be delayed. Historically, agency consolidations, separations or offshoots occurred during the first 3 to 6 months of the new biennium, which reduced the potential for savings.

With regard to the potential merger of the DOP and the DOA, Assemblywoman Smith asked how many agencies had their own personnel staff. She recalled at the Committee's previous meeting, Department of Education representatives indicated that it took a considerable amount of time to hire staff, which was an inefficient way to do business. She was interested in recommendations on how to streamline services, including addressing the redundancy of having an interagency personnel representative in addition to the DOP.

Mr. Krmpotic replied that staff had not performed an analysis, but he indicated that most of the larger agencies had two or more of their own personnel staff. He said there were delegation agreements between the DOP and certain agencies, which listed the required functions of agency personnel. Mr. Krmpotic said staff was aware of the delays in recruitment mentioned by Assemblywoman Smith. He thought the authority delegated to the agencies needed to be reexamined, as well as overlap of agency staff and DOP staff.

Assemblywoman Smith said she was also interested in cross-agency issues. She asked if personnel staff could be shared between agencies for the sake of efficiency, especially during a time of budget cuts and employee layoffs.

Mr. Krmpotic said item 14, under the section titled *Reforms to State Government Functions*, considered the consolidation of the Commission on Economic Development with the Commission on Tourism. Staff reviewed meeting minutes and analysis from

the 2009 Legislative Session and estimated only nominal savings associated with the consolidation of the two agencies. Mr. Krmpotic said it may be more beneficial to consider combining the Commission on Economic Development with REEEA and NSOE.

Assemblywoman Smith agreed with Assemblyman Conklin's earlier remarks concerning the merger of the Commission on Tourism and the Commission on Economic Development. She thought it was important to examine economic development more closely and determine how to enhance the functions to strengthen the Commission on Economic Development. She recommended excluding item 14 from the list of recommendations for the IFC.

> ASSEMBLYWOMAN SMITH MOVED TO DENY FURTHER ACTION ON ITEM 14, CONSOLIDATION OF THE COMMISSION ON ECONOMIC DEVELOPMENT WITH THE COMMISSION ON TOURISM.
>
> SENATOR WIENER SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

Mr. Krmpotic said item 15, under the section titled *Reforms to State Government Functions*, considered implementing or expanding programs to produce savings related to the activities of the Purchasing Division. Staff had the opportunity to speak with the Purchasing Division and found that the Purchasing Division had implemented, or was in the process of implementing, all of the programs (procurement cards, Electronic Procurement, contingency audit, reverse auctions and contract negotiations). He said the Procurement Card program had been implemented and agencies were already using the cards to realize cost savings in their budgets.

Mr. Krmpotic said it was difficult for staff to identify the cost savings associated with the various ideas put forth by the Purchasing Division; therefore, the division would report on the cost savings to the money committees during the 2011 Legislative Session. From staff's perspective, each of the ideas appeared to be viable and have merit in saving money for various state agencies and possibly local government agencies that utilized the Purchasing Division under statute.

Senator Wiener said the pilot for the Procurement Card program appeared successful. She asked why the implementation date for the Electronic Procurement program was estimated for 2012 or 2013.

Mr. Krmpotic replied that the agency would begin the bid process on December 22, 2010. Unless the program involved a multi-state negotiation and contract, he was unsure what would delay implementation.

Senator Wiener said she would like an explanation for the delayed implementation of the Electronic Procurement program, because it appeared to be an inefficient process. She said the delayed implementation conflicted with the state's goal of increasing savings and efficiencies.

Mr. Goodman said the Western States Contract Alliance (WSCA) was doing a request for proposal (RFP) for an Information Technology (IT) solution that would require specialized programming to meet the state's needs. He said the new system would essentially allow agencies to make direct purchases, which would reduce paperwork and human input. Mr. Goodman said a rollout and implementation period would be required, followed by a pilot phase. Overall, he thought the sophisticated nature of the system could cause some delays.

Assemblyman Conklin said he approved of the proposal and thought it should remain on the list. He thought the proposal would create efficiencies, but he noted that with efficiencies there was the potential for abuse. Assemblyman Conklin said when money was more easily accessible, people had a tendency to place a greater value on the delivery time rather than the cost of an item. He said it was important to make it clear that with access should come an incentive for people to spend less to get the best possible price, because in doing so, a cost savings could be recognized in addition to efficiency savings. He said many businesses obtained multiple quotes prior to making purchases. Also, large companies typically had purchasing departments with a set budget and the purchasing department could earn savings depending on how far they came in below that budget, which created a personal incentive to act in a responsible way.

Mr. Krmpotic said item 16, under the section titled *Reforms to State Government Functions*, considered increasing the employee-to-manager ratio to reduce supervisory overhead. Examples of staff-to-supervisor ratios were included on page 85 of the meeting packet (Exhibit A). He said Child Welfare caseworker positions were added to Clark and Washoe Counties at a case worker-to-supervisor ratio of 6:1 in Clark County and 4:1 in Washoe County over the last two biennia. Mr. Krmpotic said DWSS employed an approximate ratio of 10:1 throughout its divisions. He said page 86 of the meeting packet indicated ratios in other states, such as Texas, which had an average ratio of 11:1 throughout its state agencies (Exhibit A). Mr. Krmpotic said when a new position was requested in an agency budget, staff examined the staff-to-supervisor ratio of the agency and made recommendations as appropriate to maintain reasonable levels. He said DWSS used a 10:1 staff-to-supervisor ratio, which appeared to be a reasonable level. It was difficult to gauge the potential impact on the agency if the ratio were to be increased to 11:1. Mr. Krmpotic said that public safety agencies such as the Division of Highway Patrol had a tendency to maintain a lower ratio of 7:1, which made sense considering Highway Patrol troopers were often in the field and did not have quick access to their Sergeant.

Mr. Krmpotic said staff-to-supervisor ratios would be examined in more detail by the money committees. Fiscal staff primarily analyzed larger agencies such as the

Department of Motor Vehicles (DMV) and DWSS. He noted that ratios varied among the smaller agencies. Mr. Krmpotic said rural offices were typically smaller and required fewer staff, but there was generally a supervisory position to oversee staff. He said some of the larger agencies, however, had different levels of supervisors or office managers depending on the size of the office. He said DWSS and DMV had a tendency to use the appropriate level supervisor given the size and responsibilities for that office.

Senator Wiener said there was tracking and information available for DWSS, but she thought it was important to look at the staff-to-supervisor ratios of all state agencies if the state was going to review government efficiencies.

Assemblywoman Smith thought item 16 should move forward; however, it would require a longer review, possibly as an interim study. She thought an interim study could further examine and analyze other agencies and states, as well as the requirements based on different ratios. Chairwoman Woodhouse agreed.

Mr. Krmpotic said item 17, under the section titled *Reforms to State Government Functions*, was a list of potential areas of agency consolidation which may yield General Fund cost savings and reduce the number of cabinet level agencies that reported to the Governor.

Mr. Krmpotic said there were two recommendations by staff at the previous meeting of the Committee, which included transferring the Department of Wildlife (NDOW) to the Department of Conservation and Natural Resources (DCNR) and transferring the Department of Agriculture to the Department of Business and Industry (B&I). Overall, there was not a significant amount of savings associated with the two consolidations. Mr. Krmpotic said NDOW was part of DCNR prior to 2003; however, it was spun off as a cabinet level agency during the 2003 Legislative Session. He thought the spinoff had been in response to testimony from the Wildlife Commission and sportsmen throughout the state.

Mr. Krmpotic said it appeared that the Department of Agriculture was not necessarily a good fit within B&I based on prior Committee testimony. He thought the Governor during the 2003 Legislative Session had advocated the spinoff of the Department of Agriculture back to a cabinet level agency.

Assemblywoman Smith said she could not support the merger of NDOW to DCNR. She said there were limited General Funds in NDOW's budget and it would probably cost more to merge the agency with DCNR.

Assemblyman Goicoechea said the Department of Agriculture was unique and did not directly relate to another department. The Board of Agriculture within NDOW provided immediate policy decisions to the Director in order for the department to remain functional. Assemblyman Goicoechea said if there was an outbreak such as tuberculosis in a neighboring state, the Board of Agriculture could immediately halt

livestock import/export. Additionally, agriculture was a large industry in Nevada, especially in Northern Nevada. He supported the motion to deny, because he did not think the proposals offered true cost savings. He thought both departments were in need of refinements that could result in cost savings measures, but neither merger was justifiable.

> ASSEMBLYWOMAN SMITH MOVED TO DENY FURTHER ACTION ON ITEM 17, THE PROPOSAL TO TRANSFER THE DEPARTMENT OF WILDLIFE TO THE DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES, AND THE PROPOSAL TO TRANSFER THE DEPARTMENT OF AGRICULTURE TO THE DEPARTMENT OF BUSINESS AND INDUSTRY.
>
> ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

Assemblyman Conklin thought the Department of Agriculture required certain changes. For example, he thought petroleum should be handled by the DMV, because the agency had experts in the field of petroleum. Also, he said the Board of Agriculture was an appointed board with political overtones; therefore, some issues would be better handled by staff who were experts in a given field. Overall, he thought efficiencies could be gained by transferring certain responsibilities to agencies that were better equipped to handle those responsibilities in a more efficient manner.

> THE MOTION CARRIED UNANIMOUSLY.

Elimination of Potential Non-Essential Services

Mr. Krmpotic said item 1, under the section titled *Elimination of Potential Non-Essential Services*, pertained to the Agency for Nuclear Projects, which oversees the federal high-level radioactive waste disposal program in the state. Staff provided additional information on the court cases and pending decision before the Nuclear Regulatory Commission on page 87 of the meeting packet (Exhibit A). He said the information was provided from the Office of the Attorney General and the Agency for Nuclear Projects. The efforts of both offices were closely examined during the 26th Special Session and there were some reductions implemented by the Legislature regarding funding for litigation expenses that were included in the Agency for Nuclear Projects. Mr. Krmpotic said there were three court cases being held in abeyance until the Nuclear Regulatory Commission rendered an opinion on whether the Department of Energy could legally withdraw its license application for Yucca Mountain. Staff did not have any suggestions regarding whether the recommendation should move forward. Ultimately, it would be a policy decision by the Legislature.

Mr. Krmpotic said there had been previous discussion about eliminating the Agency for Nuclear Projects and the signal it would send to the federal government in terms of the state's position on the Yucca Mountain Nuclear Waste Repository. Based on the fact

that there were a number of key decisions and cases being held in abeyance, he said the Committee may choose not to pursue the issue. If the Committee did choose to pursue the matter, it would be helpful to examine the level of funding included in both the Agency for Nuclear Projects and litigation funding included in the Office of the Attorney General.

Senator Wiener said in recent years it appeared the construction of the Yucca Mountain Nuclear Waste Repository would not transpire. She said that nothing was definite, however, due to pending litigation and the absence of formal withdrawal of the license. Senator Wiener thought the state needed to stand strong with the message that Nevada did not want the Yucca Mountain Nuclear Waste Repository. She thought moving forward with the proposal would send the wrong message.

SENATOR WIENER MOVED TO DENY FURTHER ACTION ON ITEM 1, AGENCY FOR NUCLEAR PROJECTS.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Krmpotic said item 2, under the section titled *Elimination of Potential Non-Essential Services*, considered the transfer of funding for Student Incentive Grants (SIG) in the Department of Education to the Nevada System of Higher Education (NSHE) and fund the state match with fees and tuition. He said the SIG program provided funding to students attending trade schools, beauty academies, culinary schools, art institutes, etc. The SIG program was funded with a portion of General Funds and two federal grants. Staff would note that there was a proposal in the agency budget request to transfer the SIG program to the NSHE. Mr. Krmpotic said the agency budget request of the Department of Education showed the SIG program as an outgoing transfer; however, it was not indicated as an incoming transfer by the NSHE. He said there was a suggestion to increase tuition and fees within the NSHE to save General Funds; however, Chancellor Klaich indicated the NSHE would not support using student fees and tuition as a match against the grants (page 88, Exhibit A). Mr. Krmpotic said the NSHE could not recommend increasing fees and tuition on NSHE students to provide aid to their peers in private institutions. The NSHE held a similar opinion about the Special Projects account. He said further discussion would be required between the NSHE and the money committees to determine if General Funds could be reduced through increases in student fees and tuition.

Assemblywoman Smith thought the recommendation should move forward, because it involved a significant amount of money. She was interested in exploring the idea of utilizing Workforce Investment Act funds to fund the SIG program. Assemblywoman Smith was concerned about the lack of accountability and effectiveness of the programs and the lack of completion rates, and she wanted to examine those issues during the hearing process.

Assemblyman Conklin agreed with Assemblywoman Smith. He added that there could be efficiencies in consolidating one organization to administer the entire SIG program.

Chairwoman Woodhouse agreed there needed to be further examination of the efficiencies and accountability of the programs if the suggestion moved forward.

Mr. Krmpotic said item 3, under the section titled *Elimination of Potential Non-Essential Services*, included discussion of the Special Projects account within the NSHE that was established by the 1987 Legislature. The activity in the Special Projects budget included the Experimental Program to Stimulate Competitive Research (EPSCoR), which was funded with General Funds. The National Science Foundation and the National Aeronautics and Space Administration (NASA) provided the EPSCoR grants. Mr. Krmpotic said approximately $2.3 million of General Funds provided match for $3.9 million of federal grants. Staff received a response from the NSHE regarding the potential to fund the grants with tuition or other fund sources. He said the NSHE indicated that matching funds must be in cash from non-federal funding sources or non-federal in-kind contributions from third parties such as industry; therefore, student fees and tuition could potentially be used to meet the grant matching requirements. Mr. Krmpotic said Chancellor Klaich indicated that the NSHE did not consider student fees or tuition a viable alternative, so it would be a mandate to terminate the programs. Additionally, the NSHE noted that loss of the federal grants due to lack of matching funds would end various funded research activities, eliminate 103 research students, and cause a partial or complete loss of funding for salaries of 117 research faculty and 11 sponsored programs employees currently working on the projects. Mr. Krmpotic said the NSHE noted the cumulative statewide total of required matching funds was approximately $4.0 million, of which $2.1 million was outside the Special Projects account and met by funding from the institutions' budgets. He said staff received clarification that in some instances, the source of the $2.1 million included General Funds appropriated by the Legislature to other NSHE accounts. He said the NSHE prepared a strong statement regarding its approach to funding the programs if General Funds were not available.

Mr. Krmpotic said page 90 of the meeting packet included two bullet points regarding statewide programs, some of which were tied to the universities' mission of public service and outreach, and the activities funded for the accounts benefitted the entire state (Exhibit A). Again, the Chancellor indicated that a Legislative recommendation to finance the statewide programs with student fees would be a mandate to terminate the programs.

Assemblyman Conklin thought item 3 should move forward, because it involved a substantial amount of money. He thought many of the programs were worthwhile and should not be eliminated, but there was no reason for a special account. Assemblyman Conklin said there was nothing precluding the university system from including the funds as part of its agency budget request, but to assume there should be an account for special projects so students did not have to pay the fees, meant that the cost fell on taxpayers. He reiterated that he was not recommending the programs be

eliminated, but the university system should be required to include the programs in its overall budget.

Mr. Krmpotic said item 4, under the section titled *Elimination of Potential Non-Essential Services*, considered the elimination of funding for the Family-to-Family Connection program within the DHHS. Staff would note that the suggestion to eliminate the Family-to-Family Connection program was included in the agency budget request. Mr. Krmpotic said the agency was not requesting the elimination of all General Funds, instead the agency requested approximately $277,000 per year for the Differential Response program and $194,000 for the Family Resource Centers program, which provided information and referral services to community-based and state social services programs to families. Mr. Krmpotic said the resulting General Fund savings, from the agency's standpoint, was approximately $769,000 per fiscal year. He said staff noted the two programs had potential duplication of services and/or served the same population including the Children's Trust Fund; Community Services Block Grant; Social Services Block Grant; Women, Infants & Children (WIC); DCFS Intensive Family Services; and WE CAN, the Nevada Chapter of the National Committee to Prevent Child Abuse. He said the overall result would be a $1.4 to $1.5 million reduction over the biennium versus the $2.4 million identified by staff.

Senator Wiener said several of the proposals the Committee chose to move forward were already included in the agencies' budgets, which would be considered by the money committees. She said moving those recommendations forward offered a highlight of what would be seen in The Executive Budget. Senator Wiener said the Committee's recommendations would send a message to the money committees that those items were important enough to receive further consideration. With regard to item 4, Senator Wiener thought the recommendation should move forward, because the agency had already addressed the issue in its agency budget request.

Government Efficiency and Waste Elimination

Mr. Krmpotic said item 1 under the section titled *Government Efficiency and Waste Elimination*, was presented to the Committee following a Legislative Audit of the Motor Pool Division. The audit identified a potential General Fund savings of $1.6 million by reducing its fleet of 73 low-use vehicles assigned to state agencies. The audit further indicated that savings would occur if low-use vehicles were eliminated or reassigned and the Motor Pool Division delayed purchase of replacement vehicles. He said the Motor Pool Division indicated that only 50 vehicles, rather than 73 vehicles, could be reduced from under-utilizing agencies, and of those 50 vehicles, only 20, due to age or condition, could be reassigned to other agencies. Overall, Mr. Krmpotic suggested the recommendation be pursued during the review of the Motor Pool Division's budget. He thought a more accurate savings estimate would be made known after the money committees discussed the opportunity with the Motor Pool Division and received staff input based on the Governor's recommended budget.

Mr. Krmpotic said, item 3, under the section titled *Government Efficiency and Waste Elimination*, pertained to subscription and periodical costs. Staff previously identified that $2.2 million was budgeted each year for subscriptions and periodicals. Since that time, staff broke it down further and identified amounts allocated to the Supreme Court's Law Library and several other agencies (page 95, Exhibit A). Mr. Krmpotic thought subscriptions and periodicals was an area worth examining further for potential cost savings.

Mr. Krmpotic said Fiscal staff was currently reviewing base budgets for every agency and budget account in state government. He said the base budget submittals usually included detailed information about subscription costs. Fiscal staff took note of major fluctuations in agency expenditures for subscriptions and periodicals from year to year to ensure that expenses were not increasing. Additionally, Fiscal staff reviewed those expenses to verify that the subscriptions and periodicals related to the mission of the agency. Mr. Krmpotic thought there was limited potential for General Fund savings considering the money had already been allocated and also taking into consideration the funding sources of agencies such as the Colorado River Commission and the Nevada Department of Transportation. Mr. Krmpotic said staff would address potential reductions and cost decreases during the 2011 Legislative Session budget closings if they were not addressed by the Budget Office during base budget reviews.

Mr. Krmpotic said item 4, under the section titled *Government Efficiency and Waste Elimination*, pertained to home storage of state-owned vehicles. He said the Department of Administration reported the home storage of vehicles. According to the Department of Administration, 341 vehicles were authorized for home storage in 2010; although that did not include the Division of Highway Patrol or the Division of Parole and Probation. Mr. Krmpotic said there did not appear to be a tremendous amount of oversight or scrutiny as to which agencies were allowed to store vehicles at home and whether the reasons were justified. He said agencies allowed home storage of vehicles for several reasons. One reason was to prevent vehicle vandalism at the workplace. Another reason was to allow faster response times for agency staff who were called out frequently. In the case of the Division of Forestry, where staff was called out during wildfire season, staff could respond more quickly if a vehicle was stored at home rather than at the workplace. In terms of the Division of Highway Patrol, Mr. Krmpotic said it had been longstanding policy that officers were permitted to store vehicles at home. In the case of the Division of Parole and Probation, officers stored their vehicles at home, because they often visited parolees and probationers after regular workday hours to ensure those individuals were complying with the provisions of their parole or probation.

Mr. Krmpotic said the Legislature had addressed the issue in the past; however, it had not been addressed in recent years. He said it would be difficult to identify cost savings associated with home vehicle storage even if it was examined more carefully. At a minimum however, the Legislature or money committees should examine the policies and justification for home vehicle storage of state-owned vehicles and determine whether there was a need to revisit or redraft those policies.

Mr. Krmpotic said item 5, under the section titled *Government Efficiency and Waste Elimination*, related to per diem reimbursement. He said per diem rates were increased by the 2007 Legislature through the passage of Senate Bill (S.B.) 10, so that state per diem rates were established at the federal General Services Administration (GSA) level. He said in-state travel expenses were budgeted at approximately $11.5 million in FY 2008, $12.0 million in FY 2009, $12.2 million in FY 2010, and $12.3 million in 2011, and those amounts did not include reductions implemented by the 25th or 26th Special Sessions of the Legislature. Mr. Krmpotic said state agency budgets were not increased at the time S.B. 10 was passed and agencies were required to work within their existing travel budgets to the extent possible. He said actual expenditures for lodging and per diem increased in FY 2008 by approximately $418,000 over FY 2007 levels, and in FY 2009 by an additional $804,000 over FY 2008 levels. Mr. Krmpotic said FY 2010 expenditures were less than what was provided in FY 2007. He said staff reviewed utilization of in-state travel in the base budgets and compared the level of expenditures to prior fiscal years to determine whether the expenditures were reasonable. Additionally, staff compared actual expenditures to projected expenditures. Mr. Krmpotic noted that an amendment to NRS 281.160 would be required if the Committee decided to move forward with the proposal concerning per diem and lodging reimbursement rates.

Mr. Goodman said item 6, under the section titled *Government Efficiency and Waste Elimination*, related to the Department of Information Technology (DoIT) and a recommendation by the Spending and Government Efficiency (SAGE) Commission to explore using Voice over IP protocol (VoIP) technology to transmit telephone calls through the state system. The agency indicated its current system supported VoIP technology for approximately 33 percent of current phone users statewide. He said the remaining 67 percent of the system could be converted to VoIP and would not require any statutory changes. Mr. Goodman said staff was unsure of the potential for cost savings with this regard. He said Clark County recently underwent a large-scale conversion to VoIP, but it was markedly different from the state's current phone system; therefore, the conversion to VoIP technology would be a gradual process as existing system hardware and software became outdated and were replaced with VoIP-capable technology. Mr. Goodman said there could be savings in the future, but it would require significant additional analysis with the agency to identify the savings and its potential for the upcoming biennium. He said staff would review any hardware or software phone technology replacements in the upcoming budget and inform the money committees if there was savings to be had by using VoIP technology.

Mr. Goodman said item 7, under the section titled *Government Efficiency and Waste Elimination*, was a recommendation to remove exemptions for certain agencies from using the services and equipment provided by DoIT. *Nevada Revised Statutes* 242.131 included a list of agencies that were exempt from using DoIT's services (page 97, Exhibit A). By removing the exemptions, all new staffing and equipment requisitions would be reviewed to make sure there was not duplication among agencies, where a service or staff member already existed that could perform the service. He said Bill Draft Request 426 was submitted for the 2011 Legislative Session to remove the

exemptions. Mr. Goodman said there were a variety of reasons agencies received exemptions in the past, but during a time of budget cuts and reductions, the Executive Branch wanted to reexamine the exemptions to ensure the reasons were still justified and no inefficiencies could be found.

Mr. Goodman, said item 8, under the section titled *Government Efficiency and Waste Elimination*, discussed converting all state agencies to a common e-mail platform. He said the passage of item 8 would rely, in large part, on the passage of item 7. Mr. Goodman said some agencies currently maintained their own e-mail platform for various reasons. In some cases, an agency's tailored e-mail platform may be more cost effective, but DoIT believed its system was the most efficient. He said a greater savings could be achieved through economies of scale by bringing all agencies on the same system. Mr. Goodman said the analysis to determine the true savings for each applicable agency would be a significant task and Fiscal staff would need to work with each agency individually, assuming the exemptions for certain agencies were removed.

Senator Wiener had concerns regarding the removal of certain agency exemptions due to the sensitive nature of the documentation those agencies secured. She suggested moving items 7 and 8 forward for additional discussion and to allow the agencies to explain why they should retain their exemption from DoIT's services.

Mr. Goodman said item 9, under the section titled *Government Efficiency and Waste Elimination*, was a suggestion to require state agencies to use a common software Web Content Management system to build their agency websites. He said DoIT identified 157 state websites that were hosted by DoIT, but the agency also identified 160 other websites that agencies maintained themselves. Mr. Goodman said each agency that maintained its own website used a different software package and paid a different software license fee and annual maintenance fee. He said cost savings would be realized by bringing all state agencies on to a common Web Content Management system that would be purchased by DoIT and have one enterprise license, which would be more cost effective than all agencies having their own software packages. He said DoIT already purchased the Web Content Management software related to the ARRA tracking website that was created in 2009. He said DoIT's enterprise software was in place and the agency was awaiting a mandate from the Legislature requiring other state agencies to use the Web Content Management system. Mr. Goodman said DoIT believed that a common system would generate a General Fund savings. He noted the implementation of item 9 would also rely on changing NRS 242 to remove exemptions from certain agencies so they would be required to use DoIT's services.

Mr. Krmpotic said item 10, under the section titled *Government Efficiency and Waste Elimination*, pertained to the renegotiation of contracts and leases by state agencies, which was an issue that was examined and discussed during the 26th Special Session of the Legislature. He said the Governor issued an Executive Order on February 11, 2010, asking agencies to reduce their contracts and leases by 15 percent. Mr. Krmpotic said the anticipated savings in FY 2011 was $10.3 million, which would be used to address the budget shortfall for the 2009-11 biennium.

Mr. Krmpotic said staff did not anticipate the actual savings to be significant, because agencies needed time to renegotiate leases and contracts. He said agencies began working to renegotiate leases and contracts in March and April 2010. Mr. Krmpotic directed the Committee to the table on page 99 of the meeting packet, which reflected the total amount budgeted after the 26th Special Session reductions of $269.0 million (Exhibit A). He said actual expenditures totaled $266.0 million, which resulted in approximately $3.0 million in overall contract and lease expense savings in FY 2010. Mr. Krmpotic said the Department of Administration issued an all-agency memo on September 16, 2010, instructing agencies to process work program revisions to transfer General Fund savings associated with renegotiated contracts or leases to the reversion category within individual budget accounts and to report on a quarterly basis the potential savings the agency had realized. He said a total savings of $225,000 in FY 2010 and $825,000 in FY 2011 was realized; however, 61 percent of those funds were savings in non-emergency transportation expenses in the Medicaid and Check Up budgets that were already accounted for by the Legislature. Mr. Krmpotic said approximately $269.0 million was budgeted in contract and lease expenses for FY 2011. He said the agency budget request information for FY 2012 and FY 2013 did not suggest huge reductions in contract and lease expenses; although, there may be other things driving those figures, such as caseload expenses. Ultimately, staff would conclude that the Legislature needed to ensure the savings realized by the agencies was incorporated in the budget for the 2011-13 biennium, and that agencies and the Executive Branch made a concerted effort to reduce contract and lease expenses. Mr. Krmpotic stated that the savings was not really effectual until it was incorporated in the legislatively approved budget. He thought contract and lease expenses was definitely an area to pursue for potential savings. Mr. Krmpotic said the base budget reviews performed by Fiscal staff thoroughly examined contract and lease expenses. He said the money committees would need to decide how much information they wanted to receive during the 2011 Legislative Session.

Assemblywoman Smith wondered if there were additional unseen savings, because she recalled there was a 25 to 45 percent savings from the renegotiation of other types of contracts by the Purchasing Division (page 84, Exhibit A). She thought the Legislature anticipated that smaller leases and contracts would be renegotiated in addition to larger accounts, such as Medicaid contracts. Assemblywoman Smith said there was no accountability and no way to know which agencies made an effort to renegotiate leases and contracts. She thought the state needed to continue exploring the matter, especially during a difficult economic time. During the 2011 Legislative Session, Assemblywoman Smith wanted to reexamine how contracts were renegotiated and the RFP process for contract renewals. Specifically, she was interested in how the state could save money when a contract was due for a renewal or extension.

Mr. Krmpotic said some of the savings that may be realized by the Purchasing Division may be in commodities contracts that filter out in operating supplies and equipment. He said Fiscal staff only reviewed straight contract service line items for janitorial and various other vendor contracts. He said just because a reduction could not be seen, did

not mean the agency failed to make an effort to renegotiate a lease or contract. For example, the DWSS had a contract with a major financial institution to process and administer the electronic benefit cards used for food stamps and Temporary Assistance for Needy Families (TANF) recipients. He said the agency did realize a savings in its contract expense; however, the cost increased because of the surge in the number of food stamp recipients in the state. Mr. Krmpotic said it was difficult to see an agency's efforts without reviewing all of the details.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, LCB, said item 11, under the section titled *Government Efficiency and Waste Elimination*, concerned the reduction of prescription drug costs for DHHS and NDOC. He said at the previous meeting of the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies questions were raised about the preferred drug list and whether additional classes of drugs could be included. He said additional history and information about the Medicaid preferred drug list was located on page 99 of the meeting packet (Exhibit A). Mr. Combs said the 2003 Legislature required DHHS to develop a list of preferred prescription drugs for Medicaid recipients. Assembly Bill 384 (2009) created a Pharmacy and Therapeutics Committee to designate for each therapeutic class a selection of effective preferred drugs that generally do not require prior authorization. He said the goal of the program was to provide clinically effective and safe drugs to Medicaid recipients at the best available price. The State of Nevada received additional rebates from the manufacturers of drugs that are designated as preferred, which lowered the total expenditures paid by Nevada Medicaid for the pharmacy program. Mr. Combs said S.B. 4, passed during the 26th Special Session, expanded the preferred drug list for Medicaid to include atypical and typical antipsychotic, anticonvulsant and antidiabetic medications.

Mr. Combs said S.B. 4 did not authorize the placement of medications prescribed for the treatment of HIV or AIDS, antihemophilic medications or antirejection medications on the preferred drug list. He explained there were no supplemental rebates for those classes of drugs; therefore, it would not have offered a savings benefit for the Medicaid program. Mr. Combs said the division did not propose adding antirejection medications to the preferred drug list, because the savings would have been minimal.

Senator Wiener said she worked on the measure for S.B. 4. The matter of the preferred drug list had been before the Legislature in the past, but had been unsuccessful. Senator Wiener and others were concerned that patients may have to wait a long time for an appointment to see a doctor to obtain an exception for a medication that was not on the preferred drug list. She thought response time was one of the items tracked by the state.

Mr. Combs said the sunset would need to be removed for S.B. 4 to continue beyond June 30, 2011. He said the committees would follow up during the 2011 Legislative Session to determine the success of S.B. 4 and whether access problems occurred.

Senator Wiener asked if a bill draft request was required to remove the sunset, and Mr. Combs said that was correct.

Mr. Krmpotic said item 12, under the section titled *Government Efficiency and Waste Elimination*, concerned Medicaid fraud and abuse. He noted that staff did not have new information to add from the previous meeting of the Committee.

Chairwoman Woodhouse stated that the Committee had completed Agenda Item V and she called for a motion on the remaining items.

> ASSEMBLYWOMAN SMITH MOVED TO APPROVE THE REMAINING ITEMS FOR AGENDA ITEM V AND INCLUDE ALL APPROVED ITEMS IN THE COMMITTEE'S FINAL REPORT TO THE INTERIM FINANCE COMMITTEE.
>
> ASSEMBLYMAN CONKLIN SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

VI. DISCUSSION OF EXPANDED SCOPE OF REVIEW OF THE EXECUTIVE BUDGET DURING THE 2011 LEGISLATIVE SESSION.

Mr. Krmpotic said the information provided on pages 103 and 104 of the meeting packet was similar to information provided to the Committee on October 28, 2010 (Exhibit A). He noted that the final paragraph on page 104 addressed the concerns of Assemblywoman Smith regarding the money committees' review of large policy issues versus minor or technical issues (Exhibit A). The final paragraph also addressed Assemblywoman Smith's request for staff to review the cost and use of common items across state government, such as computer equipment purchases, vehicles, cell phone service, temporary employment agencies and consultants to ensure that, to the extent possible, agencies were using statewide contracts to obtain the lowest possible cost and that the use of outside services was in line with the mission, goals and objectives of the agency.

Mr. Krmpotic said one of the key points mentioned by Assemblywoman Smith with respect to consultants was that an agency's budget did not provide the money committees with a true picture of the agency's staffing. He thought it was reasonable for the money committees and staff to closely examine the use of temporary employment agencies and consultants. He said agencies, through the use of temporary employment agencies or consultants, may augment their staff for various reasons, such as the need for a certain level of expertise. In the case of some agencies, temporary employment staff were used in lieu of permanent positions to allow the staffing levels to fluctuate based on workload. He said there were also agencies that had seasonal salaries, which were not included in the formal FTE of an agency. For example, the Division of Forestry, Division of State Parks and NDOT used seasonal staff to augment its overall staffing requirements, primarily due to seasonal requirements such as

increased visitation to state parks, snow plowing, etc. Mr. Krmpotic said that type of detailed information provided the money committees with a clearer picture of the agency's staffing.

Mr. Krmpotic said agencies such as DoIT and the Purchasing Division were responsible for contracting for common items such as computer equipment and vehicles. Staff recommended the money committees require testimony from those agencies regarding their efforts to secure the lowest possible cost. He said the Purchasing Division was involved in many different contract negotiations for items used by multiple agencies.

Mr. Krmpotic said staff had previously recommended performance measures as a way of evaluating agency budgets. He said Fiscal staff anticipated there would be a number of recommendations in the Governor's spending proposal to reduce agency budgets that involved services and programs that supported the citizens of the state. To the extent possible, the money committees should have performance measurement indicators that would reveal the impact on those services and the impact on citizens of the state, which would help the money committees make decisions about funding levels and the allocation of budgets among various agencies.

Assemblyman Conklin said he spent many years working for large staffing companies. Staffing companies were a useful tool in business and government and a cost-effective tool if used in the correct way. Assemblyman Conklin said staffing agencies could also be subject to abuse by government agencies; therefore, it was important to have safeguards in place. He said it was critical to negotiate the best possible price and the best consultants. Assemblyman Conklin said consultants were meant for short-term projects, seasonal and other needs, which was less expensive in the long term.

Assemblywoman Smith agreed with Assemblyman Conklin. She wanted to avoid having a system in place that allowed backdoor abuse of hiring, which was an issue that would be addressed during the 2011 Legislative Session. She thought it was important to understand exactly what the staffing numbers meant in regard to the utilization of employees. She thought it was problematic that staffing numbers were not taken into consideration when the Legislature examined the cost of managing the state. Assemblywoman Smith said temporary agencies were not at fault, the real issue was how state agencies were utilizing temporary agencies.

Assemblywoman Smith said prior to the 2009 Legislative Session the money committees focused on budget proposals that increased revenue availability and enhancements to the state budget. Now, in response to decisions made in the 2009 Legislative Session and looming budget cuts, the money committees would be considering spending reductions rather than enhancements, and it compelled the Legislature to look at agency budgets in a different way. Assemblywoman Smith said the money committees needed to be aware of the potential impact of each of the recommendations made by the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies by taking into consideration the priorities of the state. She also wanted to know what the Governor perceived those priorities to be.

She said the current Governor developed a priority project that legislators needed to see, because it was generated from the agency level. Assemblywoman Smith noted that those priorities may change under new administration.

> ASSEMBLYWOMAN SMITH MOVED THAT THE COMMITTEE RECOMMEND THE FOLLOWING GUIDELINES:
>
> 1. Request performance measures from Executive Branch agencies at the beginning of the legislative session that reflect the impact of the Governor's spending recommendations on the services provided by each agency over the 2011-13 biennium. This information should be available to money committee members as subcommittee hearings occur.
>
> 2. Set priorities to determine which services are the most important for the state to carry out in order to drive the decision-making process for the money committees.
>
> 3. Focus on major issues and decision points that require greater deliberation and discussion to ensure that sound decisions are made with respect to those issues while relying on staff to review and provide recommendations on minor or technical issues.
>
> 4. In addition to the review of General Fund expenditures, review proposed expenditures and revenues from all sources including federal funds and fees to evaluate the effectiveness and priorities of each agency budget.
>
> 5. Direct staff to review the cost of common items across state government such as computer equipment, vehicles, cell phone service, temporary employment agencies and consultants to ensure that agencies are using statewide contracts to obtain the lowest possible cost and that the use of outside services is in line with the mission, goals and objectives of the agency.
>
> SENATOR WIENER SECONDED THE MOTION.

Assemblywoman Smith was unsure that everything could be accomplished through the Committee's recommendation; however, legislation could be developed during the legislative session if necessary. She had submitted a bill draft request that pertained to performance based budgeting, and was hopeful there would be a good response from the Governor's Office and the agencies. Although the budget process had already

begun, it was important to discuss performance measures in the setting of the legislative session.

In addition, Assemblywoman Smith thought it was important for the Legislature to focus its time discussing larger policy issues such as Medicaid funding. She thought it would be fiscally prudent, because staff would not have to spend time providing additional information on minor or technical issues to the Legislature. She thought staff should work with agencies to review and provide recommendations on minor or technical issues and allow the Legislature to focus on major issues and decision points.

THE MOTION CARRIED UNANIMOUSLY.

VII. PUBLIC COMMENT.

Paula Berkley, Food Bank of Northern Nevada (FBNN), appreciated the comments from Assemblywoman Smith regarding looking at the bigger picture before making budget decisions.

Ms. Berkley said between FY 2008 and FY 2010 the FBNN received $139,000 for food stamp outreach from the Fund for a Healthy Nevada grant (Exhibit D). With those funds, the FBNN assisted 5,492 people who acquired benefits of approximately $13.6 million. She said most individuals who received food stamps had to visit a DWSS office twice; therefore, the FBNN reduced the number of people visiting DWSS offices, while providing food stamps to qualified individuals. Ms. Berkley said the fiscal impact was $24.0 million, which was a 9,667 percent return on investment. She said it was important for the Committee to avoid eliminating programs that were helping state government become more efficient and effective, as well as serving the citizens of Nevada.

Ms. Berkley said the state received approximately $129.0 million in annual federal SNAP benefit dollars for FY 2007 and $381.0 million in FY 2010 (Exhibit D). She said the liquor tax, cigarette tax, real property transfer and business tax combined brought in $389.0 million to the state. She noted that all those taxes collectively generated just $6.0 million more than food stamps; therefore, food stamps generated a significant amount of funds for Nevada. Ms. Berkley said $7.0 million from General Funds was spent to receive $381.0 million, which was a significant return on investment. She indicated that the *Fiscal Impact of SNAP Participation* memorandum spanned four years, which may be of assistance to staff to show that performance measures would be very useful to the state (Exhibit D).

Jeff Fontaine, Nevada Association of Counties (NACO), said NACO appreciated the work of the Committee and staff. He thanked Assemblywoman Smith for her comments about looking at the bigger picture with regard to agency budgets and the overall state budget.

Mr. Fontaine hoped the state would take into consideration the relationship between the counties and the state, specifically which level of government should be providing which service to the citizens of Nevada. He said NACO was concerned about the potential cost shift of tens of millions of dollars to the counties. He said the Committee's recommendations, if approved, would have a varying degree of impact on the counties, and the impact would be significant to counties that did not have the means to absorb additional shifts in cost or additional services without additional funding. Mr. Fontaine said NACO recognized that the Committee's recommendations were only the first step in a lengthy process. He hoped that as the process moved forward the counties would have the opportunity to provide input. Mr. Fontaine said the counties understood they were in a partnership with the state and they were willing to work with the Legislature. He said the counties and NACO were committed to finding ways to provide vital services to the citizens of Nevada.

Barry Lovgren, Carson City, Nevada, spoke about the base budget of the Substance Abuse and Treatment Agency (SAPTA) within the Division of Mental Health and Developmental Services (MHDS) (Exhibit E). He said there was no reason for SAPTA to have a base budget, because it did not have a state plan. Mr. Lovgren said a state plan could remedy a number of problems; however, he was primarily focused on issues pertaining to the treatment of pregnant women with substance abuse problems.

Mr. Lovgren said there was a history of SAPTA failing to meet federal block grant requirements, such as the mandate to publicize that all SAPTA-funded treatment programs served pregnant women with substance abuse problems and provided them admissions priority. He thought it was ineffective for SAPTA to offer a service that it did not advertise. Mr. Lovgren said since 2004 the annual number of pregnant women with substance abuse issues receiving treatment in Nevada decreased by half, while the number of live births increased by a quarter. In the meantime, there was no evidence that indicated there was a decreased need for treatment of pregnant women with substance abuse issues. He said SAPTA failed to meet the block grant requirement to assess Nevada's need for treatment of pregnant women. Mr. Lovgren said the decrease of treatment for pregnant women with substance abuse problems was not because of inadequate treatment resources, because pregnant women were provided admissions priority. He stated that additional funding for treatment would not fix the problem.

Mr. Lovgren said in 2000 a LCB audit found that SAPTA had violated federal block grant requirements by delegating its responsibility to publicize treatment and admissions priority to its programs. In response, SAPTA developed a public information plan that appeared online in its administrative manual (Exhibit E); however, Mr. Lovgren said the plan was ignored. He explained that the public information plan called for SAPTA to develop public service announcements in partnership with the drug commission; however, the drug commission dissolved in 2003. He said SAPTA reverted to delegating its publicity requirement instead of implementing its public information plan, which was the problem that led to the 2000 LCB audit in the first place. He said there were methods of advertising that would not cost SAPTA money; therefore, something

else was preventing SAPTA from increasing the number of admissions of pregnant women with substance abuse issues.

Mr. Lovgren said SAPTA's primary publicizing method was its listing of treatment programs used by consumers and referral sources (Exhibit E). He said the listing gave the impression there were few treatment resources for pregnant women, when in fact, there were nearly 50 programs throughout the state that provided pregnant women treatment and admissions priority.

Mr. Lovgren said SAPTA could list its telephone number at no cost. Currently, a pregnant woman looking for a SAPTA-funded treatment program would not be able to find SAPTA in the telephone book. He said it was probably the only state agency with an unlisted telephone number.

Mr. Lovgren said NRS 458.025 required the MHDS to develop a state plan for alcohol and drug abuse that, among other things, specified how it would meet federal requirements such as those for pregnant women. He said the publicity and needs-assessment requirements for pregnant women were not being met, and they needed to be. Mr. Lovgren said he was informed by the MHDS Administrator that the state plan could not be sent to him because it had not been in writing for three years. He said although NRS 458.025 required a state plan, it did not require it to be in writing. Mr. Lovgren said the lack of a written state plan showed a contemptuous disdain for statutory requirements. He thought there was no need for funding if there was not a state plan for alcohol and drug abuse worth putting in writing. Until there was a state plan, Mr. Lovgren thought SAPTA should not have a base budget. He said the state could not afford to fund agencies that ignored statutory responsibilities, and the state certainly could not afford to pay for the lifetime healthcare and other costs associated with babies born with substance-related birth defects like fetal alcohol syndrome. Mr. Lovgren said SAPTA was destroying itself and he hoped the state would correct the issue.

Woody Stroupe said he was testifying as a concerned citizen and taxpayer. As he understood it, the base budget from 2009 to 2011 was projected to increase $1.5 billion. Mr. Stroupe said the approximate cost to transfer services was $15.0 million. As a taxpayer, he did not think that was a budget reduction, because taxpayers would still be funding those services. He said the overall savings was projected at $9.0 million, which was less than 1 percent of the projected budget increase. Mr. Stroupe found it difficult to believe that the Committee could only find a 1 percent reduction in costs.

Mr. Stroupe thought a performance based budget was the appropriate direction for the state. He thought it was important to systematically examine the state's spending to evaluate the need for each expenditure and its effectiveness. Until the state closely examined its budgeting process and approached it in a different way, increases of $1.5 billion would continue. Mr. Stroupe said between revenues and expenditures the state would experience a $3.0 billion shortfall. He said if the recommendations of the Committee were just the beginning then the process was flawed. Mr. Stroupe said it

would require a tremendous amount of work for the state to modify the budget to match revenue.

Chairwoman Woodhouse thanked Mr. Stroupe for his comments. She reminded him that the Committee had a short timeframe to work with, and there was difficulty obtaining all the necessary information, so the recommendations were only the beginning. She said the recommendations would be sent to the Interim Finance Committee followed by the money committees in the 2011 Legislative Session and the process would continue.

Mr. Stroupe reiterated that it was necessary to examine whether funds were being spent effectively. He said it was important to the taxpayers and businesses of Nevada that the state was ensuring that agency expenditures were reasonable.

Assemblywoman Smith thanked Mr. Stroupe for his comments. She said the Legislature had every intention of going through the process in line with what the Committee had discussed. She said the Committee had a different idea when it began several months ago; however, the Committee had not received cooperation from the current administration and agencies were unable to work with the Committee regarding their budgets. The recommendations of the Committee were originated by staff and agencies that staff dealt with outside the purview of the current administration. Assemblywoman Smith said the Legislature would have a balanced budget, because it had a constitutional requirement for a balanced budget. She encouraged Mr. Stroupe to follow the process through the 2011 Legislative Session.

Carole Vilardo, President, Nevada Taxpayers Association, thanked the Committee for its work. She supported the idea of priority budgeting. She said there would be budget cuts going into the 2011 Legislative Session, but there would also be requests for additional programs. Ms. Vilardo said some of the programs may be more cost efficient and necessary to offset the budget, but she encouraged the Legislature to examine whether all funded programs were sustainable in the future.

VIII. ADJOURNMENT.

Chairwoman Woodhouse thought the Committee did an excellent job based on the limited time and information provided. She wished the Legislature well in moving the key elements forward. She agreed with Ms. Vilardo, it was important to consider the sustainability of programs in the future. Chairwoman Woodhouse said it was critical that Nevada's government become more efficient and accountable, and she thought the Committee's recommendations would be of assistance.

Chairwoman Woodhouse thanked Fiscal staff for their efforts. She remarked that the Fiscal Analysis Division staff was one of the most professional teams she had worked with. She noted that staff assisted the Committee while in the midst of preparing for the 2011 Legislative Session. Chairwoman Woodhouse also thanked Committee members for their efforts. She said the Committee had begun the process of budgetary oversight

with an emphasis on efficiency and accountability and that process would continue into the legislative session.

Chairwoman Woodhouse adjourned the meeting at 12:13 p.m.

Respectfully Submitted,

_____
Carla Ulrych, Transcribing Secretary

APPROVED:

_____
Senator Joyce Woodhouse, Chair

Date:_____

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.