

MINUTES OF THE FEBRUARY 6, 2014
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Las Vegas, Nevada

Chairwoman Debbie Smith called a regular meeting of the Interim Finance Committee (IFC) to order at 9:18 a.m. on February 6, 2014, in Room 4401 of the Grant Sawyer Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to Room 4100 of the Nevada Legislative Building, 401 South Carson Street, Carson City, Nevada. [Exhibit A](#) is the Agenda and [Exhibit B](#) is the Meeting Packet. All exhibits are available and on file at the Fiscal Analysis Division of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Debbie Smith, Chairwoman
Assemblywoman Maggie Carlton, Vice Chair
Assemblyman Paul Aizley
Assemblyman Paul Anderson
Assemblyman David P. Bobzien
Assemblyman Andy Eisen
Assemblyman Jason Frierson for Assemblywoman Kirkpatrick
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblyman William C. Horne
Assemblyman Randy Kirner
Assemblyman James Ohrenschall for Assemblywoman Flores
Assemblyman Michael Sprinkle
Senator Moises Denis
Senator Pete Goicoechea
Senator Ben Kieckhefer
Senator David Parks
Senator Michael Roberson
Senator Joyce Woodhouse

COMMITTEE MEMBERS EXCUSED:

Assemblywoman Lucy Flores
Assemblywoman Marilyn Kirkpatrick

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN LAS VEGAS:

Eileen O'Grady, Chief Deputy Legislative Counsel
Mark Krmpotic, Fiscal Analyst, Senate
Cindy Jones, Fiscal Analyst, Assembly
Sherie Silva, Interim Finance Committee Secretary

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY:

Rick Combs, Director, Legislative Counsel Bureau
Alex Haartz, Principal Deputy Fiscal Analyst
Mike Chapman, Principal Deputy Fiscal Analyst
Cheryl Harvey, Fiscal Analysis Division Secretary

Chairwoman Smith greeted Committee members, members of the public attending in Carson City and Las Vegas, and those listening on the Internet. She asked the secretary to call roll.

A. ROLL CALL.

Sherie Silva, Secretary, Interim Finance Committee, called the roll; a quorum was present in both houses.

B. APPROVAL OF MINUTES OF THE OCTOBER 22, 2013, MEETING.

ASSEMBLYMAN KIRNER MOVED TO APPROVE THE MINUTES
OF THE OCTOBER 22, 2013, MEETING.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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

- 1. Department of Health and Human Services - Public and Behavioral Health - Behavioral Health Administration - FY 2014** - Addition of \$533,863 in federal Cooperative Agreements to Benefit Homeless Individuals for States (CABHI) grant funds to enhance/develop infrastructure and service systems for increased capacity to provide accessible, effective, comprehensive, coordinated/integrated, and evidence-based treatment services; permanent supportive housing; peer supports; Community Mental Health Services' funded peer navigators; and other critical services to persons who experience chronic homelessness with substance use disorders or co-occurring substance use and mental disorders. Requires Interim Finance approval since the amount added to the FED CABHI Grant category exceeds \$75,000. **Work Program #C28499**

Mark Krmptic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that Agenda Item C included one work program revision from the Division of Public and Behavioral Health, Department of Health and Human Services. The work program was submitted as a 15-day expeditious action item and had been approved. He said that Fiscal Analysis Division staff had no concerns or questions, and the item was for the Committee's information only.

Chairwoman Smith asked for questions regarding Agenda Item C; there were none.

D. ALLOCATIONS OF FEDERAL GRANT FUNDS FOR WHICH A STATE AGENCY, COMMISSION OR DEPARTMENT HAS REQUESTED A PUBLIC HEARING PURSUANT TO NRS 353.337.

1. **Department of Health and Human Services - Welfare and Support Services - Child Assistance and Development - FY 2014** - Addition of \$3,138 in federal discretionary Child Care and Development Block Grant funds to expedite the purchase of replacement desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing. RELATES TO ITEM 2. Work Program #C28608**
2. **Department of Health and Human Services - Welfare and Support Services - Child Assistance and Development - FY 2015** - Deletion of \$3,138 in federal discretionary Child Care and Development Block Grant funds to expedite the purchase of replacement desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing. RELATES TO ITEM 1. Work Program #C28609**
3. **Department of Health and Human Services - Public and Behavioral Health - Behavioral Health Administration - FY 2014** - Transfer of \$7,081 from the Nevada Safe Schools category to the Community Mental Health Services Block Grant category to reallocate personnel costs with the receipt of the Nevada Safe Schools/Healthy Students grant funds. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing. Work Program #C28700**
4. **Department of Health and Human Services - Public and Behavioral Health - Substance Abuse Prevention and Treatment Agency - FY 2014** - Transfer of \$5,513 from the Strategic Prevention Framework Partnership for Success (SPF/PFS) category to the Block Grant category to reallocate personnel costs with the receipt of the SPF/PFS grant funds. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency**

**is choosing to use the IFC meeting for the required public hearing.
Work Program #C28699**

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained the four work programs in Agenda Item D were submitted to the Committee because they involved the allocation of block grant funds and required a public hearing. He noted that some of the items would also be listed under Agenda Item E because they required Committee consideration pursuant to *Nevada Revised Statutes* (NRS) 353.220.

Mr. Krmpotic said that Fiscal Analysis Division staff had no concerns with the four items in Agenda Item D.

Chairwoman Smith asked for questions from the Committee; there were none. She asked for public comment and hearing none, she called for a vote.

SENATOR KIECKHEFER MOVED TO APPROVE AGENDA
ITEMS D-1, D-2, D-3, AND D-4.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

E. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS
AND POSITION CHANGES IN ACCORDANCE WITH CHAPTER 353
OF NEVADA REVISED STATUTES (NRS).

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reported that Committee members had requested testimony on the following items in Agenda Item E: items 12 and 15, Housing Division, Department of Business and Industry (B&I), would be heard together; items 13 and 14, Housing Division, B&I, would be heard together; item 17, Department of Tourism and Cultural Affairs; items 38 and 39, Division of Public and Behavioral Health, DHHS, would be heard together; item 48, Employment Security Division, Department of Employment, Training and Rehabilitation; item 72, Department of Motor Vehicles; item 76, Division of Parole and Probation, Department of Public Safety (DPS); and item 85, Parole Board, DPS, would be heard with Agenda Item H.2., State Board of Parole Commissioners, DPS.

Agenda Items E-19, Aging and Disability Services Division, DHHS, E-37, Division of Public and Behavioral Health, DHHS, and E-86, Parole Board, Department of Public Safety, had been withdrawn. Mr. Krmpotic noted that Chairwoman Smith had originally withdrawn item E-19, and because the agency also decided to withdraw the item, the work program would not be approved under the 45-day provision in NRS and could be placed on the next meeting's agenda.

Agenda Item E-28, Division of Welfare and Support Services, Department of Health and Human Services (DHHS), included a transfer of \$47,736 in General Fund appropriation from fiscal year (FY) 2015 and addition of \$39 in federal Child Support funds, \$27,151 in federal Temporary Assistance for Needy Families (TANF) funds, and \$22,773 in federal Title XIX funds. The work program had been revised to include a transfer of \$269,800 from the Personnel Services category to the Information Services category for the replacement of XP computers associated with the Microsoft April 2014 deadline to discontinue support of XP.

Mr. Krmpotic noted that Agenda Item E-35, Division of Public and Behavioral Health, DHHS, included Ryan White Care Act federal funds in the amount of \$1,756,778 and \$1,994,191 in Drug Rebate funds. The combined amounts were to be placed in category 24 (Comprehensive Care), but he said that Fiscal and Budget Division staff had agreed to revise the amount of Ryan White funds to \$1,861,781, with a reduction to category 82 (Cost Allocation) in the amount of \$105,003, and the \$1,994,191 in Drug Rebate funds would be placed in category 93, Reserve for Reversion to the General Fund.

Agenda Items E-25, E-26, E-27, E-28, as revised, E-29, E-32, and E-33, Division of Welfare and Support Services, DHHS, required a public hearing for the allocation of block grant funds.

Chairwoman Smith requested that Agenda Item E-41, Southern Nevada Adult Mental Health Services (SNAMHS), Division of Public and Behavioral Health, be pulled for further testimony.

Senator Kieckhefer requested further testimony on item E-106, Division of Public Health, SNAMHS, in conjunction with item E-41.

Assemblyman Sprinkle said he had some questions on items E-79 and E-80, Division of Emergency Management, Department of Public Safety, but he thought that they could be addressed offline. Chairwoman Smith asked Fiscal staff to work with Assemblyman Sprinkle and the Division to address his concerns.

Assemblyman Bobzien requested further testimony on Agenda Items E-93, Department of Conservation and Natural Resources, and E-102, Department of Wildlife.

Assemblyman Ohrenschall requested further information on Agenda Items E-24 and E-105 concerning the Silver State Health Insurance Exchange.

Chairwoman Smith asked for public comment on the remaining items and hearing none, she called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE THE
REMAINING WORK PROGRAM REVISIONS AND REQUESTS
FOR POSITION CHANGES.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Krmptic noted that Committee members had not voiced any concerns with Agenda Items E-25, E-26, E-27, E-28, E-29, E-32, and E-33, Division of Welfare and Support Services, DHHS, which included allocations of block grant funding and required a public hearing.

Chairwoman Smith opened the public hearing on those items including allocations of block grant funding. Hearing no requests for public testimony, she called for a vote.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE AGENDA ITEMS E-25, E-26, E-27, E-28, E-29, E-32, and E-33.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 1. Governor's Office - State Energy Office - Renewable Energy Fund - FY 2014 -** Transfer of \$240,709 from the Transfer to Office of Energy category to the Reserve category to reconcile the transfer of funds necessary to support the operations and activities of the State Office of Energy. Requires Interim Finance approval since the amount added to the Reserve category exceeds \$75,000. **Work Program #C28478**

Refer to motion for approval under Agenda Item E.

- 2. Office of the Attorney General - Medicaid Fraud - FY 2014 -** Addition of \$785,035 in federal funds to carry out the Medicaid Fraud Control Program and align state and federal authority and \$160,839 in Recoveries to meet the match requirement and transfer of \$32,856 from the Equipment category to the Information Services category to properly account for technology purchases. Requires Interim Finance approval since the amount added to federal receipts exceeds \$75,000. **Work Program #C28707**

Refer to motion for approval under Agenda Item E.

- 3. Department of Administration - Enterprise IT Services - Security - FY 2014 -** Addition of \$227,500 in federal State Homeland Security Program grant funds from the Department of Public Safety, Division of Emergency Management, for implementation of the Statewide Cyber Assessment and Continuous Monitoring and Incidence Response project. Requires Interim Finance approval since the amount added to the Cyber Assessment and Monitoring and Incidence Response category exceeds \$75,000. **Work Program #C28760**

Refer to motion for approval under Agenda Item E.

4. **Department of Education - Elementary and Secondary Education Titles II, V, and VI - FY 2014** - Addition of \$8,526,412 in federal Improving Teacher Quality grant funds, \$2,736,311 in federal State Assessments, \$615,515 in federal Math and Science Partners grant funds, and \$6,434,327 in federal Striving Readers grant funds to align federal and state authority for these programs. Requires Interim Finance approval since the amount added to the Striving Readers Aid to Schools category exceeds \$75,000. **Work Program #C28712**

Refer to motion for approval under Agenda Item E.

5. **State Public Charter School Authority - FY 2014** - Transfer of \$107,205 from the Reserve category to the Information Services category to transition State Public Charter School Authorized charter schools to the Infinite Campus student information system. Requires Interim Finance approval since the amount added to the Information Services category exceeds \$75,000. **Work Program #C28631**

Refer to motion for approval under Agenda Item E.

6. **State Public Charter School Authority - FY 2015** - Transfer of \$54,130 from the Reserve category to the Information Services category to continue to support the transition to the Infinite Campus student information system. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28314**

Refer to motion for approval under Agenda Item E.

7. **Department of Agriculture - Nutrition Education Programs - FY 2014** - Addition of \$71,469 in U.S. Department of Agriculture Child Nutrition Discretionary Grant funds for child care health and wellness activities. Requires Interim Finance approval since the amount added to the Wellness Grant category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28472**

Refer to motion for approval under Agenda Item E.

8. **Department of Agriculture - Registration and Enforcement - FY 2014** - Transfer of \$37,725 from the Reserve category to the Pesticide Disposal Fund category to fund previous and future Pesticide Disposal Events in Las Vegas and Reno during state fiscal year 2014. Requires Interim Finance approval since the amount transferred to the Pesticide Disposal Fund category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28313**

Refer to motion for approval under Agenda Item E.

9. **Department of Agriculture - Pest, Plant Disease, and Noxious Weed Control - FY 2014** - Addition of \$152,564 in USDA Aphis Agreements grant funds and deletion of \$20,000 in U.S. Department of Agriculture (USDA) Fire Ants grant funds, \$22,945 in USDA Nursery Pest Survey grant funds, \$23,375 in USDA BIO Control Toadflax grant funds, \$15,300 in USDA Gypsy Moth Survey grant funds, \$32,026 in USDA Cyst Nematode Survey grant funds, \$16,000 in USDA Emerald Ash Borer grant funds, and \$22,918 in USDA Plant Pathology grant funds due to the USDA reorganizing all previously separated projects into one grant award. Requires Interim Finance approval since the amount added to the USDA Pest Detection Core category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28726**

Refer to motion for approval under Agenda Item E.

10. **Department of Agriculture - Pest, Plant Disease, and Noxious Weed Control - FY 2014** - Addition of \$3,484 in a cash carry forward adjustment from the prior year and \$396,062 in U.S. Department of Agriculture, Specialty Crop Block grant funds to continue enhancements to the competitiveness of specialty crops within the State of Nevada. These funds have been accounted for in a non-executive budget account and this request moves them to an existing executive budget account. Requires Interim Finance approval since the amount added to the Specialty Crop Block Grant category exceeds \$75,000. **Work Program #C28690**

Refer to motion for approval under Agenda Item E.

11. **Department of Agriculture - Livestock Inspection - FY 2014** - Transfer of \$45,087 from the Reserve category to the Equine Infectious Anemia (EIA) Testing Expense category to fund an increase in demand for a Trichomoniasis test in cattle. Requires Interim Finance approval since the amount transferred to the EIA Testing Expense category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28676**

Chairwoman Smith announced that Agenda Items E-12 and E-15 would be heard together.

12. **Department of Business and Industry - Housing Division - FY 2014** - Transfer of \$69,461 from the Reserve category to the Housing Database Admin category to provide an on-line affordable housing locator tool for low-income families. Requires Interim Finance approval since the amount added to the Housing Database Admin category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 15. Work Program #C28701**

15. **Department of Business and Industry - Housing Division - FY 2015** - Transfer of \$45,215 from the Reserve category to the Housing Database Admin category to provide an on-line affordable housing locator tool for low-income families. Requires Interim Finance approval since the amount added

to the Housing Database Admin category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 12. Work Program #C28769**

David Heath, Chief Financial Officer, Nevada Housing Division, Department of Business and Industry, explained that *Nevada Revised Statutes* (NRS) 319.143 mandated the Housing Division to create and maintain a statewide low-income housing database. When he joined the Division in May 2013, he was informed that an attempt had been made to hire an economist and develop an internal database tool. An economist was on staff for only a few months, and \$40,000 was spent developing a software system, which was abandoned some time ago.

Mr. Heath said the Division, working with staff of the Department of Business and Industry, had recruited and hired an economist in September 2013, Elizabeth Fadali, who recently completed her doctoral work in economics. After extensive research, a tool called Socialserve.com was found, which was being used by 35 of the housing financing authorities across the country and all of the major states, including California, New York, and Texas.

Mr. Heath explained that Agenda Item E-12 was a request for approval to purchase and implement Socialserve, and within the next six months, the Division's website should include a locator tool that would provide access by residents of Nevada to a database of available low-income housing. He pointed out that the database would meet a majority, but not all, of the NRS requirements, but there were plans to continue to develop the program to comply with the statutes.

Chairwoman Smith asked whether the Division would be able to satisfy the requirements of NRS with the Socialserve software.

Mr. Heath replied the Division was confident that Socialserve would meet the needs, and he reiterated that 35 of the 50 housing financing authorities across the country had been using it for some time. It was a fully developed tool, and the Division had been told by states using it that they were very satisfied. He noted that once Socialserve was implemented, it would be populated with about 250 properties across the state that could be accessed by people seeking affordable housing.

Bruce Johnson, Administrator, Nevada Housing Division, Department of Business and Industry, added that Socialserve would provide a one-stop shop for residents of Nevada to locate affordable housing throughout the state.

Chairwoman Smith asked how the database would assist other partners in the state such as the Aging and Disability Services Division and the 2-1-1 connection to state human services.

Mr. Johnson said the database could be built to provide partners with access to the information. Socialserve could also be contacted by telephone and email blasts to social service agencies throughout the state where citizens did not have access to the Internet.

Assemblyman Anderson affirmed that the requests in Agenda Items E-12 and E-15 totaled approximately \$100,000. He asked what the costs were for Socialserve, whether software and licenses needed to be purchased, and if there would be ongoing maintenance costs.

Elizabeth Fadali, Economist, Nevada Housing Division, Department of Business and Industry, replied that approximately \$46,000 would be paid to Socialserve.com to provide a call center, notify all of the affordable properties across the state about the locator, and involve all of the social service agencies and jurisdictions that might be interested in using the database. She noted that Socialserve was developed over 14 years ago. Because it was an ongoing call-center service, the Division would continue to pay, and the estimate for the following year was about \$42,000, depending upon the usage.

Assemblyman Anderson noted that the service would provide the opportunity for individuals to search approximately 250 available affordable housing units. He asked how that service was provided in the past.

Mr. Johnson replied the service had not been provided in the past. Once Socialserve was up and running, the 250 properties would be specific to what was in the Division's tax credit portfolio. Socialserve would also contact property owners and offer a free service to landlords throughout the state who wanted to list their properties on the website. He said this was the first time that this type of effort had been made by the Housing Division.

Assemblywoman Carlton asked where Socialserve was located.

Ms. Fadali explained that Socialserve was a nonprofit company located in Charlotte, North Carolina. It was open ten hours a day, providing good coverage for the western time zone.

Assemblyman Carlton said she was always apprehensive when a company did not have brick and mortar and a place to physically talk to someone. Ten hours on the east coast would require Nevadans to make calls from 6:00 a.m. to 5:00 p.m., and she noted that there were many shift workers in the state. She did not believe ten hours a day was enough to provide service to Nevada. She also would like to have assurance that the company was a true nonprofit entity.

Mr. Johnson replied that Socialserve was currently being used by 35 other housing finance agencies. The company had made presentations in Carson City and Las Vegas, and the Division felt confident in its service. He added that the call center

would operate ten hours a day, but there would be 24-hour access on the Internet. The majority of the customer service calls would go to Socialserve based on whether the prospective resident needed more information or clarification.

Assemblyman Sprinkle said he was concerned that low-income individuals might not have access to the Internet. He asked whether the Division would be able to meet all of the statutory requirements by contracting with Socialserve.

Ms. Fadali explained that one of the advantages of having the call center, which could not be done in-house, was that people who did not have access to the Internet could access the housing listings through the call center. She said the contract would not meet all of the NRS requirements, but it would address several issues concerning affordable housing. The Division had other plans in place to fully meet the statutory requirements.

Assemblyman Sprinkle asked for clarification of the other plans. Ms. Fadali said several requirements were out of the purview of Socialserve, and the Division was in the beginning stages of developing a system that could be replicated and easily accessed by people in the affordable housing community throughout Nevada. She thought there was overlap between the NRS requirements and the five-year consolidated planning process for the block grant grantees, and she had been contacting the grantees concerning how the Division could best be of service to them.

Assemblyman Sprinkle observed it appeared there were no specifics as to how the requirements of NRS would be fulfilled. He asked what funding might be required in the future.

Ms. Fadali said she had researched the meaning of the requirements and the varied interpretations in the past; some would be relatively easy and should not cost a great deal more. Some complications existed because of the way the NRS provisions were being interpreted. She noted that section 2, subsection (a) of NRS 319.143 had been interpreted to mean development of a census of housing that must be updated at least annually, which would be an ambitious undertaking for the Division that was estimated to cost over \$300,000.

Chairwoman Smith asked whether the Division agreed with Fiscal Analysis Division staff's recommendation to eliminate a Management Analyst position to avoid exceeding the Housing Division's \$175,000 statutory authority limit.

Mr. Heath replied the Division concurred with Fiscal's staff recommendation. The Division would attempt to meet as many of the statutory requirements as possible and stay within the \$175,000 limit. He said if the Division fell short, a cost-benefit analysis of the dollar amount would be required to fully meet the requirements of the statute, which would be provided to the Committee.

Mr. Heath added that the most of the Division staff was new and, in adopting the best practices of the industry, staff would need to have a good understanding of the requirements specified in NRS.

Chairwoman Smith said the Committee appreciated the Division's efforts to get the program operating and to meet the intent of the statute. She asked for public comment and hearing none, she called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE AGENDA ITEMS E-12 AND E-15, INCLUDING THE RECOMMENDATION FROM FISCAL ANALYSIS DIVISION STAFF THAT THE DIVISION ELIMINATE THE NEW MANAGEMENT ANALYST POSITION.

SENATOR DENIS SECONDED THE MOTION.

Mr. Krmptic clarified that approval of the Management Analyst position was not included in Agenda Items E-12 and E-15, but the Division had committed to submitting a subsequent work program to offset the funding for the position.

THE MOTION CARRIED UNANIMOUSLY.

Chairwoman Smith announced that Agenda Items E-13 and E-14 would be heard together.

- 13. Department of Business and Industry - Housing Division - FY 2014** - Transfer of \$8,479 from the Reserve category to the Loan Servicing category to add an Information Technology Professional III position, an Accounting Assistant III position and required software maintenance to provide support for the Loan Servicing Program recently acquired by the Housing Division. Requires Interim Finance approval since this work program includes new positions. **RELATES TO ITEM 14. Work Program #C28705**

Refer to testimony and motion for approval under Agenda Item E-14.

- 14. Department of Business and Industry - Housing Division - FY 2015** - Transfer of \$119,381 from the Reserve category to the Personnel Services category, \$246 from the Reserve category to the Operating category, \$59,290 from the Reserve category to the Cost of Issues-Program category, \$9,680 from the Reserve category to the Loan Servicing category and \$366 from the Reserve category to the Information Services category to continue funding for an Information Technology Professional III position, an Accounting Assistant III position and required software maintenance to provide support for the Loan Servicing Program recently acquired by the Housing Division. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$75,000. **RELATES TO ITEM 13. Work Program #C28766**

David Heath, Administrator, Nevada Housing Division, Department of Business and Industry, said that Agenda Items E-13 and E-14 related to the Division's first-time homebuyer program and the loan servicing thereof. Item E-13 included a request to transfer funds from Reserve for two new positions: an Information Technology (IT) Professional and an Accounting Assistant. He explained that the Nevada Affordable Housing Assistance Corporation (NAHAC) was created in 2010 to manage the Hardest Hit Fund program, and his predecessor had made the decision to also move management of the loan serving function to NAHAC.

Mr. Heath said the Hardest Hit Fund program had resided in NAHAC since it was created, and its primary purpose was to manage the Division's loan portfolio, which had increased from \$20 million in 2010 to \$50 million. He explained the loans were primarily first-mortgage loans provided to first-time homebuyers in Nevada at below-market rates. It increased from \$20 million to \$50 million because of the recession and the state's inability to issue bonds for a period of time, in addition to a change in banks, which forced the Division to warehouse loans internally. He added that the assets under management of first-loan mortgages had increased 150 percent in the last three years, and the Accounting Assistant position was vital to managing the loan servicing function. Mr. Heath pointed out that Nevada was the second-highest state in foreclosures, and second mortgages, which were down-payment assistance loans provided by the state, were running delinquency rates of 25 percent.

Continuing, Mr. Heath said the Division currently had a .25 FTE (full-time equivalent) IT contract position, and the new IT position being requested was essential to bring the loan servicing system in-house. The position would also assist in meeting the statutory requirements of the database discussed in Agenda Items E-12 and E-15.

Mr. Heath noted that he had conducted an online survey of western states and their IT resources. The smallest staff he could find in the west was Wyoming with 1.5 FTE positions, and they served about one-fifth or one-sixth of the population served by Nevada. Montana had 4.0 FTE, Idaho had 6.0 FTE, New Mexico 4.0 FTE, Utah 8.0 FTE, and Oregon 8.0 FTE. He said Nevada was very under-resourced and not leveraging technology, and in addition, there was extensive deferred maintenance. The situation was challenging and would become more so with new complicated software for loan servicing and housing management.

Mr. Heath said the Division would be returning to the Committee with a request for developer application software. Developers around the state who were currently building affordable housing projects had to apply to the Division manually, and the software would automate the process and make it easier for the developers to communicate with the Division.

Chairwoman Smith asked how the loan-servicing functions were funded when they were performed by NAHAC.

Mr. Heath replied the Housing Division was granted federal funding for NAHAC totaling approximately \$700,000 over the previous two-year period, \$400,000 of which was used to purchase a software system, and the remainder was used to support the labor associated with the implementation.

Chairwoman Smith asked why the loan-servicing function was taken over by the Housing Division.

Mr. Heath replied that when B&I Director Bruce Breslow was appointed, he evaluated how to manage the Hardest Hit Fund and negotiated new programs with the Department of Treasury. He decided that it would be best to have a clean separation of the functions by moving all of the housing-related functions back to the Housing Division and using NAHAC as a vehicle to manage only the Hardest Hit Fund program.

Bruce Breslow, Director, Department of Business and Industry, testified that when he became Director, it was determined that the Housing Division needed to be revamped because there was a crossover of state equipment, duties, and employees into a nonprofit entity that was not part of the state. The Department of Labor advised that the state was not managing the program correctly, and a Department of Treasury audit determined that the state needed to clarify what functions belonged in the Housing Division that should not cross over into the nonprofit agency that administered the Hardest Hit Fund.

Mr. Breslow said in an effort to not be sued and to ensure that the state would be in compliance, the programs were moved back into the Housing Division where they belonged. Shifting the programs to NAHAC was not appropriate, and action was taken out of caution and legal advice.

Chairwoman Smith thanked Mr. Breslow for the information. She understood that the function was transferred to the Housing Division in May 2013, and she asked why there was a delay in submitting the work program.

Mr. Breslow replied the Division was in the process of hiring new staff. There were eight vacant key positions in the Division, and recruitment was conducted for individuals with expertise and understanding of the mission of the Housing Division. He said Mr. Heath was the first new staff member hired, and even though he had previously been with the Division, it took some time to be able to grasp the mission, build a plan, and bring it to the Committee. Mr. Breslow said there had been a total leadership vacuum in the Housing Division for at least seven years.

Chairwoman Smith asked for an update on the status of delinquent loans that might have been covered by federal programs and any losses to the Division due to write-offs.

Mr. Heath explained that the vast majority of the first mortgages were insured by the Federal Housing Administration (FHA), which had extensive regulations and procedures that needed to be followed in order to file claims on delinquent or foreclosed properties

to recover loan losses. Just in the last year, the Division had lost two loans totaling about \$150,000 because the state was not complying with FHA procedures.

Mr. Heath said when he took his position in May 2013, there were two vacancies in the loan administration department, which had since been filled. He said an audit was conducted by the Housing and Urban Development (HUD) agency three years before, and the state was given an "F" for its loan administration process and compliance. He surmised that HUD was now reviewing claims from Nevada very carefully.

Mr. Heath added that there were about 2,000 down-payment assistance loans, and the delinquency rate was 25 percent. A lot of money was lost in that particular portfolio, which was probably exacerbated by poor staffing and noncompliance with HUD requirements.

Continuing, Mr. Heath said about 720 first-mortgage loans were currently about 11 percent delinquent, and there had been 44 foreclosures in the past year. He said the housing problem continued to be a challenge, although it was diminishing as the economy began to stabilize.

Assemblyman Sprinkle noted that the requests totaled nearly \$200,000 in Reserve funds. He asked whether Mr. Heath was comfortable with the remaining balance in Reserve and whether other funding would be available in the future to support the program.

Mr. Heath replied that the Division currently had a healthy Reserve base, but he did not like spending Reserve funds. He explained that when the Division funded a first-mortgage loan, the loan would include the loan servicing costs. Additional Reserve funds were also available because of the two vacant positions.

Chairwoman Smith asked whether the Division had a plan to cover costs going forward in the next biennial budget.

Mr. Heath responded that a survey conducted by the National Association of Housing Financing Agencies revealed that Nevada's Housing Division had the lowest budget in the nation and, consequently, it was probably providing the lowest level of service as well. He said the Division might include new programs in its 2015-2017 biennial budget and/or funding to improve current programs. The Division had built a large amount of Reserve funds over the past, and resources were not as much an issue as the level of service to be provided in the future.

Chairwoman Smith said the Committee understood the problem of low resources. She asked Mr. Heath to provide a brief description of the duties of the new IT position.

Mr. Heath noted that shifting the Accounting Assistant from a contract position to a permanent position would save \$16,000 annually. The contract for .25 FTE of an IT position cost approximately \$50,000 because the hourly rate was \$95, which was the

market rate for an IT contractor. A full-time position would cost approximately \$100,000: the expenditure would be doubled, but the resources would be quadrupled. He said 10 hours a week was not sufficient; there was a lot of deferred maintenance, servers were not working well, and the loan servicing system should have been operational a year earlier. Had that been done, more money would have been saved. He added that the position would help to meet the statutory requirements for the state database and automate the process for developer applications into the system.

Chairwoman Smith asked whether a current IT employee could transfer to the position. Mr. Heath replied that the current contractor had expressed interest in the position, and with his institutional knowledge, he would be the best candidate. He said the Division would draw on the expertise of B&I information technology personnel to assist with recruitment.

Chairwoman Smith remarked that she preferred hiring permanent state employees rather than contractors. She asked for public comment and hearing none, she called for a motion.

ASSEMBLYMAN SPRINKLE MOVED TO APPROVE AGENDA
ITEMS E-13 AND E-14.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

15. **Department of Business and Industry - Housing Division - FY 2015** - Transfer of \$45,215 from the Reserve category to the Housing Database Admin category to provide an on-line affordable housing locator tool for low-income families. Requires Interim Finance approval since the amount added to the Housing Database Admin category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 12. Work Program #C28769**

Refer to testimony and motion for approval under Agenda Item E-12.

16. **Department of Business and Industry - Housing Division - Special Housing Assistance - FY 2014** - Addition of \$300,000 in loan assistance reimbursements for the Neighborhood Stabilization Program (NSP) for property that is sold or foreclosed. The reimbursements are redistributed to qualified individuals through the program. Requires Interim Finance approval since the amount added to the NSP Subgrantees category exceeds \$75,000. **Work Program #C28694**

Refer to motion for approval under Agenda Item E.

17. **Department of Tourism and Cultural Affairs - Tourism Development Fund - FY 2014** - Transfer of \$966,157 from the Reserve category to the Promotion and Advertising category to fund an increase in media advertising, promotional tourism

offerings in China and enhancements to the TravelNevada.com website. Requires Interim Finance approval since the amount transferred to the Promotion and Advertising category exceeds \$75,000. **Work Program #C28601**

Claudia Vecchio, Director, Nevada Department of Tourism and Cultural Affairs, explained that Agenda Item E-17 was a request for approval for the Department to transfer \$966,157 from the Reserve category to the Promotion and Advertising category to fund an increase in media advertising, promotional tourism offerings in China, and enhancements to the TravelNevada.com website. The funds would be distributed as follows:

- \$100,000 TravelNevada.com website enhancements. Would involve extraordinary technologies that were above and beyond the scope of work of the Department's development agencies, such as virtual tours to inform visitors of what was available throughout Nevada.
- \$100,000 China Tenth Anniversary. The first marketing office in China was created ten years ago, and the state enjoyed an extraordinary relationship with China. It was an integral part of Nevada's tourism industry, which was estimated to increase by 219 percent this year.
- \$766,157 Additional media buy to supplement approximately \$5 million spent annually on paid media campaigns.

Assemblywoman Carlton asked whether the transfers from Reserve would lower the balance by a month's worth of operating expenses.

Ms. Vecchio replied that the Department tried to maintain a \$2.5 million standard for Reserve. A total of \$3,333,000 was forwarded to Reserve from fiscal year (FY) 2013, which brought the balance above the required Reserve. She said as a performance-based agency, it was critical for the Department to spend the funds on areas that would provide the greatest return on investment. The media buy would provide a 22:1 return on investment.

Assemblywoman Carlton said she did not understand why a large amount of funds was being used to advertise Nevada to Nevadans. Funds would be used for a cable television buy in Nevada, and although she was aware that some contiguous states could access Nevada's cable stations, she noted that there were only two cable companies in the state: Charter and Cox. She asked whether the media buy would also include satellite television.

Ms. Vecchio said the Department would work with the media buying agency to determine the exact amount of buy for the spring-summer campaign. She said the first cable buy was just made with Cox Cable in Las Vegas, which was also viewed in the San Diego and Phoenix markets, and it had been well received.

Ms. Vecchio said that currently 92 percent of individuals traveling in Nevada came from out of state, and only 8 percent were from instate. She said there was an extraordinary opportunity to boost instate travel through commercials that would educate residents about tourism destinations and activities throughout Nevada.

Assemblywoman Carlton said she was not sure why the tenth anniversary of Nevada being in China was being commemorated.

Ms. Vecchio replied that it was an important event. Everything in China was done through government relations, and the ten-year relationship with the Chinese government had laid the pathway for all of the state's marketing and promotional activities. It was an opportunity for Nevada to thank the Chinese government for its assistance. She said no other state had a relationship in China similar to Nevada.

Ms. Vecchio said the celebration of the anniversary would also provide an opportunity to exchange some cultural components of the state. A \$220,000 budget was used in China every year for sales missions and trade shows. She would like to take cowboy singers, Native American dancers, and Las Vegas entertainers to China for a "we bring Nevada to you" cultural experience. It would give the Chinese an opportunity to understand Nevada and why it was an extraordinary destination. She added that the Chinese was a fast-growing group of travelers who were estimated to become second only to Canada in international travelers in 2015.

Assemblywoman Carlton said that Ms. Vecchio had answered her questions, but she was still not supportive of paying for trips to China when people in Nevada were experiencing difficulties.

Assemblyman Ohrenschall noted that \$766,157 was projected to be spent on advertising in the Phoenix area. He asked how many tourists from Phoenix visited Nevada and how many were projected to visit as a result of the investment.

Ms. Vecchio explained that Phoenix was currently one of the state's top five markets, and the state also advertised in San Francisco, Los Angeles, and Sacramento, which were key driver markets. She said \$766,157 was not a large investment for advertising in Phoenix, since it was a very expensive market. The Department conducted a study each time it did a campaign to measure the outcomes of the investment. She would provide the Committee with information on the top ten markets, the number of tourists projected, and the results of the study.

Chairwoman Smith remarked that she did not understand the tenth anniversary commemoration in China either, but she could see the value of the celebration and acknowledging the partnership, particularly in another culture.

Chairwoman Smith asked for public comment and hearing none, she called for a motion.

SENATOR KIECKHEFER MOVED TO APPROVE AGENDA
ITEM E-17.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 18. Department of Health and Human Services - Director's Office - Administration - FY 2014** - Addition of \$62,841 in Transfer from the Department of Administration funds to support a pilot project as required by Senate Bill 486 for a statewide effort to build a comprehensive early childhood education and care system that supports the ability of all children in Nevada to enter kindergarten ready to learn. Requires Interim Finance approval since the cumulative amount added to the Silver State Kids category exceeds \$75,000. **RELATES TO ITEM M.7.a. Work Program #C28782**

Refer to motion for approval under Agenda Item E.

- 19. Department of Health and Human Services - Aging and Disability Services - Home and Community Based Services - FY 2014** - Deletion of \$1,213,514 in Telephone Surcharge Funds collected under NRS 427A.797 and deposited in an "Account for Services for Persons with Impaired Speech or Hearing" from the Public Utilities Commission (PUC) to fund the Hearing Devices Distribution Program, Nevada Relay Services and Deaf Resource Centers in Nevada. This aligns the state budget authority with the program budget approved by the PUC. Requires Interim Finance approval since the amount deleted from the Hearing Devices category exceeds \$75,000. **Work Program #C28745. WITHDRAWN.**

- 20. Department of Health and Human Services - Aging and Disability Services - Home and Community Based Services - FY 2014** - Transfer of \$86,322 from the Personal Assistance category to the Community Services Option Program for the Elderly (COPE) Purchase of Services category to support a higher cost per eligible for COPE services to the elderly population with savings from lower cost per eligible received from Personal Assistance Services. Requires Interim Finance approval since the amount transferred to the COPE Purchase of Services category exceeds \$75,000. **Work Program #C28762**

Refer to motion for approval under Agenda Item E.

21. **Department of Health and Human Services - Aging and Disability Services - Sierra Regional Center - FY 2014** - Addition of \$40,000 in federal funding from the Office of Disability Services, Nevada Governor's Council on Developmental Disabilities to continue membership with the State Employment Leadership Network (SELN), a cross-state cooperative venture of State Developmental Disability agencies, to improve employment outcomes for people with developmental disabilities. Requires Interim Finance approval since the amount added to the SELN Grant category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28667**

Refer to motion for approval under Agenda Item E.

22. **Department of Health and Human Services - Health Care Financing and Policy - Administration - FY 2014** - Addition of \$975,733 in federal Title XXI funds to support the federal portion of Nevada Check Up eligibility workers within the Division of Welfare and Supportive Services (DWSS) budget account. The general fund portion is in the DWSS budget account. Requires Interim Finance approval since the amount added to the Payment to State Agencies category exceeds \$75,000. **Work Program #C28634**

Refer to motion for approval under Agenda Item E.

23. **Department of Health and Human Services - Health Care Financing and Policy - Administration - FY 2015** - Addition of \$1,015,106 in federal Title XXI funds to support the federal portion of Nevada Check Up eligibility workers within the Division of Welfare and Supportive Services (DWSS) budget accounts. The general fund portion is in the DWSS budget account. Requires Interim Finance approval since the amount added to the Payment to State Agencies category exceeds \$75,000. **Work Program #C28714**

Refer to motion for approval under Agenda Item E.

Chairwoman Smith announced that Agenda Items E-24 and E-105 would be heard together, as requested by Assemblyman Ohrenschaal.

24. **Department of Health and Human Services - Welfare and Support Services - Administration - FY 2014** - Addition of ~~\$5,504,287~~ **\$5,107,979** in federal Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchange funds transferred from the Silver State Health Insurance Exchange to implement and fulfill the goals of the legislation for a state-operated Health Insurance Exchange and to accomplish the duties necessary for the Exchange to be self-sustaining by January 2015. Requires Interim Finance approval since the amount added to the Health Care Reform Eligibility Engine category exceeds \$75,000. **RELATES TO ITEM 105. Work Program #C28772. REVISED 1-24-14.**

105. Silver State Health Insurance Exchange - Silver State Health Insurance Exchange - Administration - FY 2014 - Addition of \$7,541,687 ~~\$6,998,685~~ in federal Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchange funds to implement and fulfill the goals of the legislation for a state-operated Health Insurance Exchange and to accomplish the duties necessary for the Exchange to be self-sustaining by January 2015. Requires Interim Finance approval since the amount added to the Health Care Reform Eligibility Engine category exceeds \$75,000. RELATES TO ITEM 24. Work Program #C28777. REVISED 1-24-14.

Assemblyman Ohrenschall asked how soon the addition of nearly \$7 million in federal funds in Agenda Item 105 would be applied and when constituents would start seeing their problems resolved. He was still receiving emails from constituents complaining about the Health Insurance Exchange.

Jon Hager, Executive Director, Silver State Health Insurance Exchange (Exchange), explained that the approximately \$7 million in grant funds were to be used for other purposes. The Division of Welfare and Supportive Services (DWSS) required some of the funds to make changes to its computer system based on recommendations in a security assessment; some change orders were necessary to meet new Centers for Medicare and Medicaid (CMS) requirements; and a portion of the funds would be used to extend the contracts with the independent verification validation vendor that oversaw the project. In addition, some funds would be used for marketing changes, increased advertising and public service announcements, and payment of credit card fees.

Mr. Hager said the funds in Agenda Item 105 would not have an effect on constituents' problems with the Exchange. He understood that Committee members were receiving complaints, and he had prepared a statement to clarify the current status of the Exchange. His verbatim statement follows:

It has been an extremely difficult month. We have had website problems, long wait times at the call center, frustrated partners, frustrated consumers, and low enrollment.

The website, which was working relatively well in early and mid-November, encountered errors in December, just as the Feds announced that healthcare.gov was fixed. The federal announcement, whether completely true or not, caused a huge increase in demand, just as the number of errors in our system increased. Call volume at the call center doubled overnight and average wait times increased from under 20 minutes to about an hour.

Despite these issues, 14,000 Nevadans were able to enroll and pay for health insurance coverage in the commercial market and almost 40,000 people signed up for Medicaid through Nevada Health Link with a January 1 start date. The Medicaid enrollments did not include

enrollments directly through the Division of Welfare and Supportive Services. The enrollment information for over 90 percent of the more than 14,000 people who enrolled in commercial coverage went over to the insurance companies electronically before or immediately after the 1st of January. Unfortunately, an error prevented the transmittal of enrollment information for a portion of the enrolled population and delayed January invoices. Once the error was identified, those enrollments were transmitted electronically to the insurance carriers. There is still some cleanup that is necessary as there is in any big project, but we are working through that to make sure that the carriers get the enrollment information that is necessary. Just this morning, I had an email from one of the insurance carriers who got a call from somebody who said, "I'm supposed to get enrolled." We identified that person and we are sending that enrollment information over right now electronically.

Additionally, in early November, we discovered that some people who were attempting to enroll in Medicaid stopped the application process after the system provided them with a Medicaid predetermination. Even though the language on the predetermination page indicated that the application was not complete and that the individual needs to complete a selection of a managed care organization, they stopped the application process. We found that, in a survey of about 50 people that stopped the enrollment process, approximately 6 percent thought the application was complete.

To ensure that no one was stuck thinking their Medicaid application was complete, we immediately strengthened the language to persuade applicants to complete the application process and, by mid-January, we had completely implemented a 72-hour timer so that any application that received a predetermination for Medicaid would be pushed over to the Division of Welfare and Supportive Services within three days. At one point, there was a backlog of approximately 17,000 of these applications with Nevada Health Link, and by the end of today, we expect that backlog to be about 1,000 applications.

Because of these issues, not only were call volumes and wait times at the call center extremely high, many of you—in fact, I would guess that all of our elected officials, our office, the Welfare office, our insurance carriers, our broker and navigator partners—all of us received many complaints.

And rightfully so. If one Nevadan can't access the services that they need and they can't enroll in health insurance or other medical coverage and can't see their doctor because of the service we are supposed to provide, then we have done a disservice to that individual and the State of Nevada.

As of this past weekend, there are approximately 15,000 Nevadans enrolled in health insurance through Nevada Health Link with full payment. This is well below our original estimate of 118,000 people. So the next question is, who is responsible?

There has been a lot of talk about the performance of Xerox, the vendor hired to create the website and operate the call center. I assure you, we are holding Xerox accountable. We have been pressuring them to not only fix the issues and complete the build, but also to add development resources and call center staff. We have been asked whether we are withholding payment, charging liquidated damages for failure to meet service level agreements, and a whole slew of other options.

First, we have only made payments for deliverables that have been completed and signed off by our independent verification and validation vendor. We have not made payment for those things not yet fully delivered, such as webchat and the website itself. Additionally, every deliverable has a 7 percent holdback that will not be paid until the project is complete.

Second, a third-party auditor is currently reviewing Xerox's operations. That audit will be brought before the board in March or April to discuss service-level agreements and associated financial penalties. We will pursue other options if and when it is appropriate.

Xerox needs to fix the issues, but ultimately, I am the director and it is my responsibility to ensure that the system works. And we will.

So the real question is, how are we doing to fix the system?

I have three broad goals:

- Fix the website
- Fix the call center
- Enroll 50,000 people by the end of open enrollment

In December, after a review of the list of bugs and the back-end items that still needed to be built, Xerox tripled the number of developers working on the project. In mid-January, after enrollment issues were identified and some additional frank conversations with Xerox, they added project management and business analyst resources.

The number of people at the call center was increased by 100 on December 20, and today there are 118 customer service representatives available to assist Nevadans, with an additional 132 in training and 12 more in the hiring process. While we expect some attrition from the

262 people in the pipeline, the final number will be well over the 155 we estimate that are currently necessary to meet service-level agreements.

We have expanded the hours of operation of the call center by 5 1/2 hours each day and created a special group of call center reps specifically designed to assist brokers and navigators.

It takes a long time to turn a ship this big—even longer to measure the progress, and we are just starting to see improvements.

The number of issues that are corrected each week have doubled, and sometimes tripled, from the number of fixes that were completed prior to January each week. Communication has improved; the frequency of errors in the website appears to be decreasing. In fact, last night, a fix was implemented to eliminate the “no plans available” error, which should significantly improve the number of people who complete the process.

The average wait time over the past three days was 29, 17, and 8 minutes—still too high, but a significant improvement over the hour-long wait times in January.

We are making progress, but we have a long way to go to get to 50,000 people. A lot of things need to be fixed still. And this is just the beginning. We will not let up the pressure, and we will not rest until every Nevadan has unhindered access to the health insurance they want and deserve. Thank you.

Assemblyman Ohrenschall said it appeared that Xerox Corporation had let the State of Nevada down. He was not concerned with who was to blame; he was glad to hear what was being done to fix the problems. He noted that Mr. Hager had said the backlog had decreased from 17,000 to 1,000, and he asked whether it was known how many people just gave up and if the Exchange was trying to contact those people to help them get into the system.

Mr. Hager replied that it was not known how many people gave up on the process, but staff was working on a “come back to me” campaign. He said the 17,000 people in the backlog were people who got all the way through the single streamlined application and received an eligibility predetermination and, for whatever reason, stopped. He reiterated that 6 percent of those people thought they were done, and the remainder indicated that they had reasons to stop the process.

Mr. Hager said there had been errors in the process, such as the “no plans available” error, which hopefully had been fixed. Some of the applicants may have been stopped on the Medicaid side, but 17,000 Medicaid applications had gone through and been forwarded to DWSS.

Assemblyman Ohrenschall asked whether the Exchange could contact those individuals who had given up on the process. Mr. Hager replied that some individuals entered an address or email address on their applications, and the Exchange could access that information and reach out to them later. The current focus was to fix the errors before applicants returned to complete the process.

Assemblyman Sprinkle recalled that at the October Committee meeting, Mr. Hager had discussed the differences between the State of Nevada's health exchange and the rest of the country and federal government, and he had indicated that the Exchange was going well. Assemblyman Sprinkle said he was surprised and dismayed when he started to hear problems in December and January. He asked whether Mr. Hager was aware of potential problems in October or if he was blindsided by the problems.

Mr. Hager replied he would not say he was blindsided; there were challenges in any major implementation. The significant issue in January was the number of people that did not get covered because the financial system did not credit their tax credits, and the one error caused a major problem, including getting enrollment information to the carriers and the ability to bill.

Mr. Hager said that the Exchange was making progress in October; there were things that still needed to be built, but it was generally doing okay. In late November, when the Spanish portal was added, additional errors started appearing. He said there had been unexpected errors, and Xerox did not have enough staff to deal with both the billing problems and increased errors, which was the reason for adding development staff in December and January.

Mr. Hager added that there were problems behind the scenes, as there were in most of the other states. All of the states were facing the same challenges, and a few states had entered into litigation with their vendors. He reiterated that the Exchange was thought to be doing well in October compared to other states, but the challenges intensified in December and January, and they were more difficult than anticipated.

Senator Kieckhefer affirmed that 15,000 individuals were signed up with the Exchange, and the goal was to enroll 50,000 by the end of the enrollment period. He asked what portion of the per-member per-month fees projected during the 2013 Legislative Session was used to finance the Exchange.

Mr. Hager explained the 118,000 enrollee projection was based on an estimate between the Congressional Budget Office's uptake estimate of 23 percent and the CMS Office of the Actuary estimate of about 77 percent. He said the estimate for Nevada was approximately 43 percent. The fees were based on the number of enrollees, and fees for 2015 would be established in April for the insurance carriers. He added that the Exchange would eventually be fully self-sustaining.

Senator Kieckhefer asked whether the fees being charged for calendar year 2014 had been established. If the Exchange was 68,000 members short, he questioned how that would affect the projected revenue.

Mr. Hager said the intention of the fees for 2014 was to cover the costs of navigators and to build a reserve. The navigator costs were covered, but the reserve would not be as large as initially predicted. The Exchange would work with its financial administrator to adjust the fees to cover the fixed costs with the decreased enrollment and to determine the amount of an appropriate reserve that would be necessary to keep the Exchange self-sustaining.

Senator Kieckhefer surmised there could be a 100 percent increase in the fee levels. Mr. Hager said 100 percent was not anticipated; most of the Exchange's costs were variable. The contract with Xerox was a per-member per-month fee, and lower enrollments would result in lower payments to Xerox for operating and maintenance. He said that currently the anticipated increase would be between 10 percent and 30 percent of the current estimated fees: instead of a \$9 or \$10 fee per-member per-month, the fee might be as high as \$12 or \$13. Mr. Hager pointed out that a \$13 fee would be at about the same level as the federal government was currently charging, which was 3.5 percent of premium, so the state would not be paying significantly higher fees than the federal government.

Chairwoman Smith asked for public comment on Agenda Items E-24 and E-105 and hearing none, she called for a motion.

ASSEMBLYMAN OHRENSCHALL MOVED TO APPROVE
AGENDA ITEMS E-24 AND E-105.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 25. Department of Health and Human Services - Welfare and Support Services - Administration - FY 2014** - Transfer of \$9,477 in General Fund Appropriation from FY 2015 and addition of \$2,196 in federal Child Support funds, \$4,316 in federal Temporary Assistance for Needy Families funds, and \$1,204 in federal Title XIX funds to expedite the purchase of replacement desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing and pursuant to Assembly Bill 507, Section 34 of the 2013 Legislative Session. RELATES TO ITEM 26. Work Program #C28597**

Refer to testimony and motion for approval under Agenda Item E.

- 26. Department of Health and Human Services - Welfare and Support Services - Administration - FY 2015** - Transfer of \$9,477 in General Fund Appropriation to FY 2014 and deletion of \$2,196 in federal Child Support funds, \$4,316 in federal Temporary Assistance for Needy Families funds, and \$1,204 in federal Title XIX funds to expedite the purchase of replacement desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing and approval pursuant to Assembly Bill 507, Section 34 of the 2013 Legislative Session. RELATES TO ITEM 25. Work Program #C28598**

Refer to testimony and motion for approval under Agenda Item E.

- 27. Department of Health and Human Services - Welfare and Support Services - Administration - FY 2014** - Transfer of \$30,100 from the Personnel Services category to the In-State Travel category to cover travel costs associated with the replacement of desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing and since the amount added to the In-State Travel category exceeds 10 percent of the legislatively approved amount for that category. Work Program #C28703**

Refer to testimony and motion for approval under Agenda Item E.

- 28. Department of Health and Human Services - Welfare and Support Services - Field Services - FY 2014** - Transfer of \$47,736 in General Fund Appropriation from FY 2015 and addition of \$39 in federal Child Support funds, \$27,151 in federal Temporary Assistance for Needy Families funds, and \$22,773 in federal Title XIX funds to expedite the purchase of replacement desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing and pursuant to Assembly Bill 507, Section 34 of the 2013 Legislative Session. RELATES TO ITEM 29. Work Program #C28621**

Refer to testimony and motion for approval under Agenda Item E.

- 29. Department of Health and Human Services - Welfare and Support Services - Field Services - FY 2015** - Transfer of \$47,736 in General Fund Appropriation to FY 2014 and deletion of \$39 in federal Child Support funds, \$27,151 in federal Temporary Assistance for Needy Families funds, and \$22,773 in federal Title XIX funds to expedite the purchase of replacement desktop computers and laptops

with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing and pursuant to Assembly Bill 507, Section 34 of the 2013 Legislative Session. RELATES TO ITEM 28. Work Program #C28623**

Refer to testimony and motion for approval under Agenda Item E.

- 30. Department of Health and Human Services - Welfare and Support Services - Child Support Enforcement Program - FY 2014** - Addition of \$1,865,006 in Federal Incentive grant funds for program enhancements that improve the efficiency of the Child Support Enforcement Program resulting in increased service delivery to Nevada families. Requires Interim Finance approval since the amount added to the Federal Incentive Award category exceeds \$75,000. **Work Program #C28450**

Refer to motion for approval under Agenda Item E.

- 31. Department of Health and Human Services - Welfare and Support Services - Child Support Enforcement Program - FY 2014** - Addition of \$91,704 in federal Child Support Enforcement funds and transfer of \$47,242 from the Reserve category to the Information Services category to replace desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. Requires Interim Finance approval since the amount added to the Information Services category exceeds \$75,000. **Work Program #C28531**

Refer to motion for approval under Agenda Item E.

- 32. Department of Health and Human Services - Welfare and Support Services - Child Assistance and Development - FY 2014** - Addition of \$1,218,000 of federal Child Care Development discretionary grant funds to meet the child care needs of low-income families. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the IFC meeting for the required public hearing and since the amount added to the Quality Assurance category exceeds \$75,000. Work Program #C28508**

Refer to testimony and motion for approval under Agenda Item E.

- 33. Department of Health and Human Services - Welfare and Support Services - Energy Assistance Program - FY 2014** - Addition of \$3,346,654 of federal Low Income Home Energy Assistance (LIHEA) block grant funds to provide heating and cooling services to low income families and replace desktop computers and laptops with Windows XP, which will no longer be supported after April 2014. **Requires Interim Finance approval since the work program involves the allocation of block grant funds and the agency is choosing to use the**

IFC meeting for the required public hearing and since the amount added to the LIHEA Payments category exceeds \$75,000. Work Program #C28587

Refer to testimony and motion for approval under Agenda Item E.

- 34. Department of Health and Human Services - Public and Behavioral Health - Consumer Health Protection - FY 2014** - Transfer of \$35,312 from the Reserve category to the Operating category and \$67,643 from the Reserve category to the Division Cost Allocation category to assure safe food and healthful public facilities and institutions in Nevada. Requires Interim Finance approval since the amount added to the Division Cost Allocation category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28566**

Refer to motion for approval under Agenda Item E.

- 35. Department of Health and Human Services - Public and Behavioral Health - Communicable Diseases - FY 2014** - Addition of \$1,756,778 in federal Ryan White Care Act Title II grant funds and \$1,994,191 in Drug Rebate funds received from AIDS Drug Assistance Program (ADAP) purchases to support essential services for individuals in Nevada diagnosed with HIV, including ADAP. Requires Interim Finance approval since the amount added to the Comprehensive Care category exceeds \$75,000. **Work Program #C28526**

Refer to motion for approval under Agenda Item E.

- 36. Department of Health and Human Services - Public and Behavioral Health - Health Facilities Hospital Licensing - FY 2014** - Transfer of \$93,380 from the Reserve category to the Medical Lab Inspection category and \$7,657 from the Reserve category to the Division Cost Allocation category to hire additional contract staff to complete additional workload and inspection backlog attributed to industry growth. Requires Interim Finance approval since the amount added to the Medical Lab Inspection category exceeds \$75,000. **Work Program #C28565**

Refer to motion for approval under Agenda Item E.

- 37. Department of Health and Human Services - Public and Behavioral Health - Public Health Preparedness Program - FY 2014** - Addition of \$90,340 in federal Strengthening Public Health Infrastructure for Improved Health Outcomes grant funds to fund two full-time positions to complete public health accreditation readiness activities and implement performance improvement management practices and systems. Requires Interim Finance approval since the amount added to the Public Health Infrastructure category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28562. WITHDRAWN.**

Chairwoman Smith announced that Agenda Items E-38 and E-39 would be heard together.

- 38. Department of Health and Human Services - Public and Behavioral Health - Marijuana Health Registry - FY 2014** - Transfer of \$54,549 from the Transfer to School Account category to the Personnel Services category, \$4,559 from the Transfer to School Account category to the In-State Travel category, \$19,439 from the Transfer to School Account category to the Operating category, \$29,260 from the Transfer to School Account category to the Equipment category, \$178,161 from the Transfer to School Account category to the Dispensaries category, \$78,186 from the Transfer to School Account category to the Division Cost Allocation category, and \$158 from the Information Services category to the Operating category to support implementation of Senate Bill 374 of the 77th Session of the Nevada Legislature. Requires Interim Finance approval since the amount added to the Dispensaries category exceeds \$75,000. **Work Program #C28659**

Refer to testimony and motion for approval under Agenda Item E-39.

- 39. Department of Health and Human Services - Public and Behavioral Health - Marijuana Health Registry - FY 2014** - Addition of \$265,963 in Licenses and Fees to align authority with projected Medical Marijuana registration fees and associated costs for patient applications through the end of the fiscal year. Requires Interim Finance approval since the amount added to the Operating category exceeds \$75,000. **Work Program #C28770**

Marla McDade Williams, Deputy Administrator, Division of Public and Behavioral Health, Department of Health and Human Services (DHHS), said she would provide the Committee with an overview of the status of the medical marijuana establishments program. She thanked her team, Chad Westom, Joseph Bealy, MSA contractors, Quantam Market, and regulations drafter, Leslie Hamner, who had worked very hard to get the program where it was today. The regulations were at the Legislative Counsel Bureau for review.

Ms. McDade Williams said that in summer 2013, the team had made a presentation to Clark County and the City of Las Vegas concerning the program and had since made regular calls to local governments and others and worked with the Nevada Association of Counties and the Nevada League of Cities to develop the first part of the regulations, which required the Division to be the first level of review of applications. When the ten-day application window was open to accept applications, the Division would review and rank the applicants. Based on their ranking and depending on the number of establishments authorized in any particular jurisdiction, the Division would forward those applications to the local governments.

Ms. McDade Williams said the process had been collaborative with local governments, and they had a very large role in the approval of establishments in their jurisdictions. If necessary, they had the authority to establish stronger rules than those in place at the

state level. Under state law, the Division had the authority to manage the 1,000-foot rule and the 300-foot separation from community buildings, but the local governments had authority to implement their own regulations.

In October 2013, stakeholder meetings were held for three days, during which comments were taken and a draft set of regulations was crafted. A public workshop was held on December 23, 2013, and extensive comments were received at that time. The draft regulations were subsequently amended to accommodate more than 70 changes from individuals who had made comments.

Ms. McDade Williams added that the final draft regulations were submitted to the Legislative Counsel Bureau on January 13, 2014, and she understood that they should be reviewed and returned to the Division within the next 7 to 14 days. Once the regulations were completed, a Hearing for Adoption would be posted by the State Board of Health, at which time the Division would have met its obligation under the law to have regulations in place by April 1, 2014.

Chairwoman Smith asked Ms. McDade Williams to clarify media reports that the Division was unable to comply with the deadlines.

Ms. McDade Williams replied that the headline of the story was incorrect, but the article stated that regulations had to be in place by April 1, 2014. The headline referred to some interpretation or expectation that applications would be accepted by April 1, which could not be done until positions were approved and hired. She said the headline was misleading, but the content of the story was correct; the Division would meet the April 1 deadline for adoption of regulations.

Chairwoman Smith noted that reports indicated that local governments had placed moratoriums on the program, but it was her understanding that they were actually waiting for the state to complete the regulations process before getting involved.

Ms. McDade Williams said that the moratoriums were temporary: they were not permanent bans on any establishments. Some jurisdictions had inactive ordinances that banned establishments, but that was not true in Clark County.

Ms. McDade Williams explained that no significant changes could be made to the regulations at the Board of Health hearing: only changes clarifying the language could be made. The regulations would be submitted to the Legislative Commission for final approval. A majority of the work to date had been in preparation of meeting the April 1, 2014, deadline for medical marijuana establishments.

Ms. McDade Williams recalled that the Committee had approved seven Inspector and Auditor positions at its December meeting. The positions had been going through the review and approval process by the Division of Human Resource Management because they were new classifications. She thought recruitment for the positions could begin by March if not sooner, and hiring could begin by the end of March.

Ms. McDade Williams explained that Agenda Item D-38 included a request for five permanent administrative positions. They should involve existing classifications, but they would also require Division of Human Resource Management review and approval before recruitment could begin. She said the goal was to get the permanent staff in place to be able to solicit applications.

Continuing, Ms. McDade Williams said that now that the regulations had been prepared, the team had turned its attention to getting the programmatic items in place. A physical application had to be developed, forms had to be brought online, and policies and procedures had to be established. She said the work to date had been funded by a General Fund advance, which would have to be paid back to the General Fund by August 31, 2014. The work program in item D-38 did not request any General Fund, because it was anticipated that the Division would be able to solicit applications, at which time revenue would start coming into the program. The revenue gained from applications would be used to pay back the General Fund advance, which was approximately \$600,000.

Ms. McDade Williams noted that the Division of Human Resource Management had been very helpful in working through the process, and she thanked the staff for their efforts.

Chairwoman Smith said she had heard positive remarks on the regulations, which were complicated and required outside assistance.

Assemblyman Sprinkle thanked Ms. McDade Williams for the thorough synopsis of the program; he had also heard good things about her work and that of her team. He said he had heard some concerns about the working relationship between the Division and local jurisdictions, and he asked if she would characterize the relationship as being collaborative. He understood that there was concern and trepidation about the program, which he did not believe to be true. The City of Reno was simply waiting for the Division to complete its portion of the process before taking any action.

Ms. McDade Williams replied she agreed that the relationship had been collaborative. The Division had worked closely with local government representatives and included their input in the regulations as needed. There were some issues with the enabling legislation that appeared to be problematic, but they were simply matters that the Division and local jurisdictions had to work through. She appreciated the relationship with the local governments: they had been very helpful, and she added that the Division often did not understand the responsibilities of the local governments, such as zoning.

Assemblyman Sprinkle said that he had heard that there was some misunderstanding about which department would be moving first on the program. He noted that the statute specifically stated that the regulations had to be adopted at the state level before the application process could begin. He asked whether the process was that the Division would vet the applicants and prepare a specific priority list to submit the local jurisdictions for their review.

Ms. McDade Williams replied she believed that was how the process was intended to occur.

Assemblyman Sprinkle wanted to affirm that the Division was mandated to pay back the advance from the General Fund. He asked whether Ms. McDade Williams was confident that the necessary funds would be generated to replenish the General Fund.

Ms. McDade Williams replied that she was confident that repayment to the General Fund would be completed by August 31, 2014, if the projection of the number of applicants was correct.

Assemblyman Sprinkle remarked that in recent conversations with the City of Reno, the interest appeared to be immense. He asked what would occur if the requested positions were not funded at this meeting.

Ms. McDade Williams responded that if the positions were not funded, the ability of the Division to review the applications within 90 days, as required by statute, would be compromised. The number of positions was based on estimates of workload and required time for application review.

Assemblyman Grady said he understood there would be three different applications: the grower, the processor, and the dispensary. He asked whether Ms. McDade Williams was referring to all three applications when referring to applications.

Ms. McDade Williams replied applications referred to the entire program, including dispensaries, cultivators, production facilities, and laboratories. The Division would have a ten-day window to accept all applications.

Assemblyman Grady said that his county had indicated that it did not want to participate in the program. He asked whether there had been discussions with the local jurisdictions concerning residents of a county purchasing the product from a dispensary in another county and transporting it back to their county.

Ms. McDade Williams replied she understood there would be no legal issues. The local governments needed to understand that if they banned dispensaries in their jurisdiction, a legal cardholder could still grow his own marijuana. Effectively, there would be pockets of areas where people would have the legal right to grow their own marijuana in that jurisdiction if there was no dispensary within a 25-mile radius. Currently there were no issues with cardholders being able to transport marijuana.

Assemblyman Grady asked whether there was a limit on how much marijuana a grower could grow.

Ms. McDade Williams replied the current regulations did not limit the amount that a grower could grow. An individual cardholder would have limits on how much he could grow, which she believed to be 12 plants.

Senator Kieckhefer affirmed that the Board of Health would approve the regulations, which then must be approved by the Legislative Commission. He asked whether the regulations would be legally approved by the Board of Health before or after Legislative Commission approval.

Ms. McDade Williams replied that the legislation required the Board of Health to adopt the regulations by April 1, 2014, and the Legislative Commission's action would be to approve or deny them.

Senator Kieckhefer asked whether the Division had to wait to accept applications until after approval of the regulations by the Legislative Commission.

Ms. McDade Williams said the Division had been authorized in the past to continue to work as if regulations were in place, pending Legislative Commission approval. She said if the Legislative Commission scheduled a meeting prior to the Board of Health, there were processes in place to receive formal prior Commission approval. The Division planned to start accepting applications on April 1, 2014, based on adoption of the regulations by the Board of Health.

Senator Goicoechea remarked that he did not believe the local jurisdictions understood that a cardholder could grow 12 plants anywhere if there was no dispensary within a 25-mile radius.

Assemblyman Anderson said he had reviewed the fiscal notes for Senate Bill (S.B.) 374 (2013 Session), and the Health Division had submitted fiscal notes of zero. He noted that in addition to the \$623,324 General Fund loan approved during the 2013 Legislative Session, the Committee had been approving funds for various phases of the program since the end of Session, and he asked what had changed

Ms. McDade Williams recalled that a fiscal note had been prepared to fund clerical staff positions, primarily on the cardholder side, because an increase in the number of cardholders was anticipated, but she was not sure of its disposition.

Chairwoman Smith clarified that the fiscal notes submitted during the legislative session often did not equate to what ultimately happened. New fiscal notes were not submitted as bills changed. However, she said the Legislature was aware of the financial impacts of the program and how it would be funded.

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that as bills were introduced, an original fiscal note was prepared. A bill could be amended, but the fiscal note would not be revised. He noted that another example was the impact of the excise tax on the Department of Taxation;

the bill was amended late in the Session, but a revised fiscal note was not submitted. Mr. Krmpotic said that some of the potential financial impacts were explained when S.B. 374 was heard by the finance committees, and the General Fund advance was granted to provide the agency with the ability to incur expenses prior to the collection of application fees.

Assemblyman Anderson said he recalled other bills that were passed without fiscal notes but were later funded by the Interim Finance Committee. He thought the process was somewhat deceiving to the public, who assumed that the legislators had all of the information when supporting or not supporting legislation. He acknowledged it would be difficult in a 120-day legislative session to have the most recent information, but implementation of S.B. 374 involved millions of dollars. He was not sure that the total cost of the program was thoroughly discussed during the 2013 Session.

Chairwoman Smith said that she had expressed concerns about fiscal notes and had asked Fiscal staff to review the statutes and the processes for them. She offered to discuss Assemblyman Anderson's particular concerns offline; she was open to his suggestions. She noted that S.B. 374 was amended many times, which always involved discussion about the fiscal impacts in the finance committee meetings. The latest and most accurate fiscal impact of a bill was known when the bill was passed. Because of the amendments and ever-changing nature of bills, the process had to be followed throughout. Oftentimes a bill had to be referred to the finance committees even though the fiscal note was removed.

Assemblyman Hardy asked whether a cardholder could grow his own plants in a county with approved dispensaries if the dispensaries were further than 25 miles away.

Ms. McDade Williams said if there was no dispensary within 25 miles, the cardholder would be authorized to grow his own plants. One of the benefits of having a regulated system would be for individuals to have an opportunity to know what they were purchasing from a dispensary.

Assemblyman Horne disclosed that he represented a group seeking licensure as a medical marijuana establishment, which the Committee's Legal Counsel had determined was not a conflict, and he would be voting. He commended Ms. McDade Williams and the Division of Public and Behavioral Health staff for working with the municipalities throughout the process and making themselves available to implement the program.

Ms. McDade Williams thanked Assemblyman Horne and credited her staff.

Chairwoman Smith called for public comment and hearing none, she called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE AGENDA
ITEMS E-38 AND E-39.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Anderson, Grady, Hambrick, Hardy, and Hickey voted no.)

- 40. Department of Health and Human Services - Public and Behavioral Health - Southern Nevada Adult Mental Health Services - FY 2014** - Transfer of \$67,010 from the Medications category to the Information Services category to upgrade the medication dispensing software to the most recent version. Requires Interim Finance approval since the cumulative amount transferred to the Information Services category exceeds \$75,000. **Work Program #C28266**

Refer to motion for approval under Agenda Item E.

Chairwoman Smith announced that Agenda Items E-41 and E-106 would be heard together, as requested by Senator Kieckhefer and Assemblyman Eisen.

- 41. Department of Health and Human Services - Public and Behavioral Health - Southern Nevada Adult Mental Health Services - FY 2014** - Transfer of \$3,606,904 from the Personnel Services category to the Professional Services category, \$917,484 from the Personnel Services category to the Mental Health Technician Services category, and \$214,468 from the Personnel Services category to the General Medicine Services category to fund contracted clinical staff e.g., psychiatrists, nurses, medical laboratory staff, general medicine physicians, etc. to support current agency operations and maintain quality patient care. Requires Interim Finance approval since the amount transferred to the Professional Services category exceeds \$75,000. **Work Program #C28576**

- 106. Department of Health and Human Services - Public and Behavioral Health - Southern Nevada Adult Mental Health Services - FY 2014** - Transfer of \$3,663,482 from the Medications category to the Transitional Housing category to cover a projected shortfall and continue to serve clients receiving housing services. Requires Interim Finance approval since the amount transferred to the Transitional Housing category exceeds \$75,000. **Work Program #C28579. RECEIVED AFTER SUBMITTAL DEADLINE 1-17-14.**

Richard Whitley, Administrator, Division of Public and Behavioral Health, Department of Health and Human Services (DHHS), explained that Agenda Item E-41 requested transfer of funds from the Personnel Services category to the Professional Services, Mental Health Technician Services, and General Medicine Services categories to fund contracted clinical staff at the Rawson-Neal Hospital. Item E-106 requested transfer of \$3,663,482 from the Medications category to the Transitional Housing category to cover a projected shortfall and continue to serve clients receiving housing services.

Senator Kieckhefer noted that item 41 seemed to involve a large amount of vacancy savings, and he asked whether Rawson-Neal Hospital was experiencing a greater problem with retention because of the Hospital's problems over the past several months. With regard to item 106, Senator Kieckhefer asked whether the savings were a result of the closure of the 24-hour urgent care center or from another source, and how the funding would be used.

Mr. Whitley affirmed that Agenda Item E-41 involved a transfer from the State Personnel category to fund contractual positions. He said the Division frequently appeared before the Committee to request transfers of funds from state positions to contractual because of the inability to recruit and retain psychiatrists at state salaries, which was an ongoing problem. He said the Division also had intermittent struggles with nursing and social worker positions because of low salaries. Recruitment for all clinical positions was difficult, particularly for state positions. Mr. Whitley added that in a 24-hour facility, it was not possible to wait for the Division of Human Resource Management to open a position and recruit. Coverage was needed on all shifts, and positions must be filled immediately.

Mr. Whitley noted that in a Statement of Deficiencies for Rawson-Neal Hospital from the Centers for Medicare and Medicaid (CMS), one of the findings related to contractual staff in nursing. He said it was a difficult area to manage when relying on staff coming from a pool of contractors, but it was necessary to provide full coverage at the hospital.

Senator Kieckhefer said he did not question the need for contractual employees. He was interested in whether the problems had been compounded over the past several months. He said the 2015 Legislature should plan to address the staffing problems going forward.

Mr. Whitley said the Division was working on recruitment and retention plans for its 2015-2017 biennial budget. He noted that a two-year budgeting cycle did not keep up with the increasing costs for psychiatrists, which were difficult positions to fill.

With regard to the savings in the Medications category (Agenda Item E-106), Mr. Whitley wanted to acknowledge that staff in the Aids Drug Assistance Program (ADAP) and the Chief Pharmacist, Dr. Costas, had achieved savings in pharmaceuticals, primarily through the management of the pharmacy and the pursuit of rebates. Reversions in the Medications category were typical, and Dr. Costas had assured him that the Division had a three-month supply of medications in inventory, which would be adequate, and the transfer would not create a deficit.

Mr. Whitley explained the purpose of the transfer from the Medications category in item 106 was to offset a projected deficit in housing. He noted that historically, Southern Nevada Adult Mental Health Services (SNAMHS) had reverted funds in the Housing category, but because of changes in leadership at the Hospital and in outpatient services, the program had realized a greater need. Stabilized housing would help to remedy the emergency room waits, the incarcerated mentally ill identified by law

enforcement, and frequent admissions to the psychiatric hospital. He said the more the state could invest in stabilized housing, the more the urgent needs of the population could be addressed.

Mr. Whitley said that currently there was a waiting list of 157 people in southern Nevada, primarily for long-term housing. Crisis housing was more costly, and the intention was to provide an additional 350 housing slots with the transferred funds, which would eliminate the waiting list as well as serve the projected growth. He noted that housing was used by the mental health court, for prisoners with severe mental illness released from jail, and patients discharged from the hospital.

Senator Kieckhefer remarked that was good news, and he thanked Mr. Whitley for the information.

Assemblyman Eisen said he had similar concerns as Senator Kieckhefer with Agenda Item E-41, and he noted that the problem of retaining professional staff had been ongoing for years. He asked what the contractors were paid compared to salaries for full-time staff. It seemed to him that high turnover was always a problem with productivity and patient care.

Mr. Whitley replied that he would prefer to provide the Committee with a matrix by clinical type, because the differences varied significantly for each type. He said that state psychiatrists were underpaid by \$40,000. However, many psychiatrists did not want to work full-time at the hospital, but they were willing to work part-time. Contract nurses were also paid more than state employees, but state employees were paid overtime to provide the staffing ratios. He said he would prepare a breakout of all medical positions and their salaries for the Committee.

Assemblyman Eisen said he would appreciate receiving the information. He noted that it seemed that transfers of funds from state personnel to contract positions were requested at every Committee meeting. He said that the current method of budgeting for state medical personnel positions clearly needed to be reevaluated.

Chairwoman Smith asked for public comment and hearing none, she called for a motion.

ASSEMBLYMAN EISEN MOVED TO APPROVE AGENDA
ITEMS E-41 and E-106.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Horne was not present
for the vote.)

Chairwoman Smith announced the Committee would be in recess at 12:35 p.m. She called the Committee back to order at 1:15.

42. **Department of Health and Human Services - Public and Behavioral Health - Southern Nevada Adult Mental Health Services - FY 2014** - Addition of \$328,604 in federal Department of Housing and Urban Development (HUD) Continuum of Care Program grant funds to provide housing and services to homeless persons with mental illness in Southern Nevada. Requires Interim Finance approval since the amount added to the HUD Pathways Grant category exceeds \$75,000. **Work Program #C28496**

Refer to motion for approval under Agenda Item E.

43. **Department of Health and Human Services - Child and Family Services - Community Juvenile Justice Programs - FY 2014** - Transfer of \$67,419 from the Reserve category to the Enforcement of Underage Drinking Laws (EUDL) Civil Fines category to provide subgrant funds to county law enforcement agencies to be used for needed equipment to support EUDL operations. Requires Interim Finance approval since the amount transferred to the EUDL Civil Fines category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28615**

Refer to motion for approval under Agenda Item E.

44. **Department of Health and Human Services - Child and Family Services - Washoe County Child Welfare - FY 2014** - Addition of \$4,772,484 in federal Title IV-E funds and transfer of \$4,500,000 from the IV-E Washoe County category to the Child Welfare category to support child welfare services for Washoe County. Requires Interim Finance approval since the amount added to the Child Welfare category exceeds \$75,000. **Work Program #C28733**

Refer to motion for approval under Agenda Item E.

45. **Department of Health and Human Services - Child and Family Services - Clark County Child Welfare - FY 2014** - Addition of \$20,441,091 in federal Title IV-E funds and transfer of \$8,867,933 from the IV-E Clark County category to the Clark County On-Going category to support child welfare services for Clark County. Requires Interim Finance approval since the amount added to the Clark County On-Going category exceeds \$75,000. **Work Program #C28606**

Refer to motion for approval under Agenda Item E.

46. **Department of Health and Human Services - Child and Family Services - Southern Nevada Child and Adolescent Services - FY 2014** - Addition of \$1,653 in federal Medicaid Rehabilitation funds, \$6,802 in federal Medicaid Case Management funds, \$3,045 in federal Medicaid Outpatient funds, \$2,132 in federal Desert Willow Treatment Center Acute funds and \$8,530 in federal Desert Willow Treatment Center funds and transfer of \$22,085 from the Mental Health Placements category to the Maintenance of Buildings and Grounds category to

fund unforeseen increased maintenance expenditures at the West Charleston Campus for children's mental health services. Requires Interim Finance approval since the amount added to the Maintenance of Buildings and Grounds category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28522**

Refer to motion for approval under Agenda Item E.

- 47. Department of Employment, Training and Rehabilitation - Vocational Rehabilitation - FY 2014** - Addition of \$124,211 in federal Supported Employment grant funds to align state authority with available federal grant authority in order to enhance the Supported Employment program client outreach and services to individuals who, due to their disabilities, will require long-term support to maintain employment in competitive, integrated employment. Requires Interim Finance approval since the amount added to the Supported Employment category exceeds \$75,000. **Work Program #C28685**

Refer to motion for approval under Agenda Item E.

- 48. Department of Employment, Training and Rehabilitation - Employment Security - Special Fund - FY 2014** - Transfer of \$2,620,146 from the Reserve category to the Unemployment Insurance, Supplemental Unemployment Insurance Funding category to allow for the use of Penalty and Interest reserve funding to continue to support administration of the Unemployment Insurance Program. Requires Interim Finance approval since the amount transferred to the Unemployment Insurance, Supplemental Unemployment Insurance Funding category exceeds \$75,000. **Work Program #C28682**

Chairwoman Smith remarked that the Division had received special recognition, and she asked Renee Olson to share the information with the Committee.

Renee Olson, Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation (DETR), said that she was privileged to be invited to a recent meeting at the White House to launch President Obama's initiative to focus efforts on employing the long-term unemployed. The President had met with several business leaders throughout the country to sign a pledge to ensure that their hiring practices would not discriminate against people who had been unemployed long-term. She said it was announced that the federal government would provide \$150 million for competitive grants to implement innovative programs to reemploy the long-term unemployed. Ms. Olson said the President had signed an agreement stating that the federal government would also ensure that its hiring practices did not discriminate against individuals who had been unemployed for longer than 26 weeks.

Ms. Olson recalled that years earlier in the midst of the recession, the Employment Security Division had implemented a program that combined the reemployment eligibility assessment program, which was currently funded by the federal government,

and the state's reemployment services program, which provided more intensive reemployment services for individuals. The two programs were combined into a more seamless product, and for every \$1 spent on the program, \$4 was saved in getting the unemployed back to work. She said Nevada had been nationally recognized for its efforts, and the state could be very proud.

Ms. Olson explained that the work program in Agenda Item E-48 requested funding from the penalties and interest account to allow the Division to maintain current staffing levels in the Unemployment Insurance (UI) program through the end of the federal fiscal year. Because the Division was aware that funding would begin to constrict, it had started formulating a plan to maintain the program at its current level.

Ms. Olson wanted to clarify that to start the process, the Division laid off eight full-time equivalent (FTE) positions and reduced the hours of intermittent employees working in the call centers to 32 hours a week, which equated to a reduction of about 12 FTE positions. She noted that attrition had also occurred because employees felt insecure after the layoffs. With the combined attrition and layoffs, the Division currently had 30 fewer employees working in the UI program, and the requested work program would use reserve resources in the Penalties and Interest account to maintain the Division's current staffing levels.

Ms. Olson noted that every state had been dealing with uncertainty concerning federal budgets and UI programs. She said the Division had implemented a new program, UInv, in the last quarter of fiscal year 2013. The impact of the new system was not anticipated, and the Division's call centers were overwhelmed.

In addition, Ms. Olson said there were uncertainties concerning the Emergency Unemployment Compensation (EUC) program, which ceased the end of December 2013. The Division made the decision to continue to accept claims in the program through February because there were conflicting reports as to whether the program would be extended. She had just learned that the U.S. Senate had defeated a proposal to extend the benefits for three months.

Chairwoman Smith asked whether claims would continue to be accepted through February in light of the Senate action, and Ms. Olson replied she had not had time to make that determination. She said if the Division stopped taking claims and the program was approved retroactively, the claimants would have to start over with filing their claims, and based on past experience, it was determined that it would be better for the Division and the claimants to continue to take claims, which would be processed naturally if the program were extended.

Ms. Olson said that the Division had been considering when to use the penalties and interest funds. She had stated earlier that the money would be used at the end of the federal year, but she just learned that the Department of Labor would not have authority for the federal funds available to the state until the end of February, which was later than she had anticipated. Because of the inability to draw federal funds to cover

expenses until the end of February, the Division made the decision to fund the positions through a transfer from penalty and interest reserves. She said the \$2.6 million in reserves could be viewed as one month's worth of funding, or as supplemental to each month's expenditures as needed. She would need to look at the long-range projections moving toward the end of the federal fiscal year.

Chairwoman Smith asked for an update on the status of the UInv system implementation for the Appeals and UI Contributions/Tax applications and when the functions were anticipated to go live.

Ms. Olson replied that the Division had been working closely with the contractors, and it was originally anticipated that the appeals and contributions sections of the system would be rolled out in February. The contractors had recommended additional testing and time to ensure the system would roll out with as few problems as possible, and it was now anticipated that the appeals portion would go live in July 2014 and the contributions piece would be rolled out in November. She recalled that there had been difficulties with the benefits portion of the system, and the goal was to not experience those problems again. Ms. Olson said that a lot of progress had been made toward resolving the problems encountered with the benefits section.

Since the new system would not go live as soon as anticipated, Chairwoman Smith asked whether employers would experience problems.

Ms. Olson replied that the Legacy system would still be used until the rollout of the new system, and she did not anticipate any difficulties for employers.

Senator Goicoechea asked whether the Division had made a definite decision concerning the emergency employment program. Ms. Olson said the decision was made to continue taking applications through at least mid-February. She would monitor the news concerning the program.

Chairwoman Smith said that the Committee's Fiscal Analysis Division staff wanted to ensure that any unspent penalties and interest reserves would remain in the Special Fund account at the end of fiscal year 2014.

Ms. Olson said that was correct: any unspent funds would remain in the Special Fund account.

Chairwoman Smith asked for public comment and hearing none, she called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE AGENDA
ITEM E-48.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 49. Department of Corrections - Director's Office - FY 2014** - Deletion of \$124,244 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Transfer of \$45,898 from the Information Services category to the Inmate Transportation category, \$7,426 from the Video Conferencing category to the Employee Drug Testing category, \$2,409 from the Video Conferencing category to the Operating category, and \$25,000 from the Video Conferencing category to the In-State Travel category to cover projected shortfalls. Requires Interim Finance approval since the amount transferred from the Information Services category exceeds \$75,000. **Work Program #C28649**

Refer to motion for approval under Agenda Item E.

- 50. Department of Corrections - Correctional Programs - FY 2014** - Addition of \$2,193 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28666**

Refer to motion for approval under Agenda Item E.

- 51. Department of Corrections - Ely State Prison - FY 2014** - Addition of \$97,047 in Budgetary Transfers and transfer of \$28,695 from the Uniform Allowance category to the Inmate Drivens category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Inmate Drivens category exceeds \$75,000. **Work Program #C28673**

Refer to motion for approval under Agenda Item E.

- 52. Department of Corrections - High Desert State Prison - FY 2014** - Deletion of \$124,263 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Transfer of \$58,714 from the Utilities category to the Inmate Drivens category and \$39,049 from the Utilities category to the Operating category to cover projected shortfalls. Requires Interim Finance approval since the amount transferred from the Utilities category exceeds \$75,000. **Work Program #C28658**

Refer to motion for approval under Agenda Item E.

- 53. Department of Corrections - Northern Nevada Correctional Center - FY 2014** - Addition of \$157,592 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Transfer of \$1 from the utilities category to the maintenance contracts category to cover projected shortfalls.

Requires Interim Finance approval since the amount added to the Utilities category exceeds \$75,000. **Work Program #C28668**

Refer to motion for approval under Agenda Item E.

- 54. Department of Corrections - Southern Desert Correctional Center - FY 2014 -** Deletion of \$49,489 in Budgetary Transfers and transfer of \$57,151 from the Utilities category to the Inmate Drivens category and \$30,485 from the Utilities category to the Operating category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since the amount deducted from the Utilities category exceeds \$75,000. **Work Program #C28656**

Refer to motion for approval under Agenda Item E.

- 55. Department of Corrections - Lovelock Correctional Center - FY 2014 -** Addition of \$100,316 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Transfer of \$133,856 from the Inmate Drivens category to the Utilities category and \$11,517 from the Maintenance Contracts category to the Utilities category to cover projected shortfalls. Requires Interim Finance approval since the amount added to the Utilities category exceeds \$75,000. **Work Program #C28663**

Refer to motion for approval under Agenda Item E.

- 56. Department of Corrections - Warm Springs Correctional Center - FY 2014 -** Addition of \$7,432 in Budgetary Transfers and transfer of \$8,127 from the Utilities category to the Operating category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28650**

Refer to motion for approval under Agenda Item E.

- 57. Department of Corrections-Florence McClure Women's Correctional Center - FY 2014 -** Deletion of \$54,209 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Transfer of \$62,453 from the Inmate Drivens category to the Utilities category and \$17,945 from the Inmate Drivens category to the Operating category to cover projected shortfalls. Requires Interim Finance approval since the amount transferred from the Inmate Drivens category exceeds \$75,000. **Work Program #C28664**

Refer to motion for approval under Agenda Item E.

- 58. Department of Corrections - Casa Grande Transitional Housing - FY 2014 -** Deletion of \$53,698 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Transfer of \$6,977 from the Utilities category to the OPEN Program category, \$3,200 from the Utilities category to the Maintenance of Buildings and Grounds category, and \$1,400 from the Utilities category to the Operating category to cover projected shortfalls. Requires Interim Finance approval since the amount transferred from the Utilities category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28665**

Refer to motion for approval under Agenda Item E.

- 59. Department of Corrections - Northern Nevada Restitution Center - FY 2014 -** Addition of \$17,346 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28652**

Refer to motion for approval under Agenda Item E.

- 60. Department of Corrections - Stewart Conservation Camp - FY 2014 -** Addition of \$29,117 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28669**

Refer to motion for approval under Agenda Item E.

- 61. Department of Corrections - Pioche Conservation Camp - FY 2014 -** Addition of \$12,567 in Budgetary Transfers and transfer of \$4,853 from the Utilities category to the Inmate Drivens category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28670**

Refer to motion for approval under Agenda Item E.

- 62. Department of Corrections - Three Lakes Valley Conservation Camp - FY 2014 -** Addition of \$286 in Budgetary Transfers and transfer of \$3,714 from the Utilities category to the Operating category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28655**

Refer to motion for approval under Agenda Item E.

- 63. Department of Corrections - Wells Conservation Camp - FY 2014** - Addition of \$1,000 in Budgetary Transfers and transfer of \$113 from the Maintenance Contracts category to the Inmate Drivens category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28671**

Refer to motion for approval under Agenda Item E.

- 64. Department of Corrections - Humboldt Conservation Camp - FY 2014** - Addition of \$7,753 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28662**

Refer to motion for approval under Agenda Item E.

- 65. Department of Corrections - Ely Conservation Camp - FY 2014** - Addition of \$1,000 in Budgetary Transfers and transfer of \$177 from the Utilities category to the Operating category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28672**

Refer to motion for approval under Agenda Item E.

- 66. Department of Corrections - Jean Conservation Camp - FY 2014** - Deletion of \$44,397 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Transfer of \$5,118 from the Inmate Drivens category to the Maintenance Contracts category and \$474 from the Inmate Drivens category to the Operating category to cover projected shortfalls. Requires Interim Finance approval since the amount transferred from the Utilities category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28660**

Refer to motion for approval under Agenda Item E.

- 67. Department of Corrections - Carlin Conservation Camp - FY 2014** - Deletion of \$1,829 in Budgetary Transfers and transfer of \$5,924 from the Inmate Drivens category to the Utilities category to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28661**

Refer to motion for approval under Agenda Item E.

- 68. Department of Corrections - Tonopah Conservation Camp - FY 2014** - Addition of \$18,480 in Budgetary Transfers to fund a projected shortfall within the department for the remainder of the fiscal year. Requires Interim Finance approval since this work program includes a budgetary transfer that balances against other work programs. **Work Program #C28657**

Refer to motion for approval under Agenda Item E.

- 69. Department of Corrections - Offenders' Store Fund - FY 2014** - Addition of \$918,569 in Inmate Store Sales and \$11,253 in Electronic Surcharges to support Offenders' Store Fund activities for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Inventory Purchase for Resale category exceeds \$75,000. **Work Program #C28511**

Refer to motion for approval under Agenda Item E.

- 70. Department of Corrections - Prison Industry - FY 2014** - Addition of \$534,528 in Miscellaneous Sales to fund inmate payroll and reconcile retained earnings. Requires Interim Finance approval since the amount added to the Operating category exceeds \$75,000. **Work Program #C28574**

Refer to motion for approval under Agenda Item E.

- 71. Department of Corrections - Prison Dairy - FY 2014** - Addition of \$362,988 in federal Wild Horse and Burro program funds to continue the cooperative agreement with the Bureau of Land Management for Wild Horse Program activities. Requires Interim Finance approval since the amount added to the Wild Horse Program category exceeds \$75,000. **Work Program #C28507**

Refer to motion for approval under Agenda Item E.

- 72. Department of Motor Vehicles - REAL ID - FY 2014** - Addition of \$436,861 in federal U.S. Department of Homeland Security (DHS), FY 2011 Driver's License Security Grant Program funds to assist Nevada in meeting state and federal laws and DHS regulations. Requires Interim Finance approval since the amount added to the FY 2011 Driver's License Security Grant category exceeds \$75,000. **Work Program #C28653**

Jude Hurin, DMV Services Manager, Management Services and Programs Division, Department of Motor Vehicles (DMV), read the following statement concerning the request in Agenda Item E-72:

The Department is currently working to implement programs that will allow the DMV to verify various Homeland Security and passport documents during the application process. These systems would further assist the Department in validating the applicant's name and date of birth prior to

issuing a driver's license, identification card, or commercial driver's license.

The existing 2011 Driver's License Security Grant that was awarded to the Department will provide the necessary funds to successfully implement these verification systems on or before September of 2014. This particular grant expires on August 31, 2014.

With the implementation of these verification systems, the Department will be in compliance with the majority of the REAL ID Act requirements. Once the last administrative requirements are in place, the Department will be submitting, on or before October 2014, the updated state certification packet to the Department of Homeland Security (DHS).

On December 20, 2013, DHS sent a formal notice to all jurisdictions under high-level enforcement plan for the REAL ID Act. This has been conveyed as a phased-in approach. Phases 1 through 3 focus on non-complying individuals being restricted from DHS headquarters, federal facilities, and nuclear power plants. Each phase will last approximately three months.

By 2016, the final phase of prohibiting individuals to board a commercial aircraft without a REAL ID compliant card will be implemented. At this time, DHS is indicating that individuals without a REAL ID compliant card may board an aircraft with a yet-to-be-defined acceptable second form of identification. With the Department's current work to come into compliance with the REAL ID Act, Nevada will not be negatively impacted by the DHS enforcement plan.

This concludes my opening statement, and I will be happy to answer any questions you may have.

Chairwoman Smith said she had just seen a report about the status of REAL ID Act compliance, and it seemed that states were divided into three categories: compliant, noncompliant, or extension granted. Nevada appeared to be one of the states that was granted an extension until October 10, 2014, and she asked whether the Department anticipated requesting another extension.

Mr. Hurin replied the federal government would not provide any grant extensions. The state's timeline to implement the verification systems was the end of August 2014, but the REAL ID enforcement brief that was sent to the jurisdictions gave certain states, including Nevada, an extension to October 10, 2014, to administratively implement REAL ID. Mr. Hurin was confident that DMV would be in full compliance with the REAL ID Act by the October 2014 deadline.

Chairwoman Smith asked for questions from the Committee, and there were none. She asked for public comment and hearing none, she called for a motion.

ASSEMBLYMAN KIRNER MOVED TO APPROVE AGENDA ITEM E-72.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Bobzien and Horne were not present for the vote.)

- 73. Department of Motor Vehicles - License Plate Factory - FY 2014** - Addition of \$349,084 in Special Plates Cost Allocation revenue to cover higher than budgeted costs for manufacturing specialty plates. Requires Interim Finance approval since the amount added to the Special Plates category exceeds \$75,000. **Work Program #C28607**

Refer to motion for approval under Agenda Item E.

- 74. Department of Public Safety - Forfeitures - Law Enforcement - FY 2014** - Transfer of \$28,000 from the Reserve category to the Nevada Highway Patrol (NHP) Federal Forfeitures category to purchase rifles and accessories for use by the NHP sworn personnel during critical incidents. Requires Interim Finance approval since the cumulative amount transferred to the NHP Federal Forfeitures category exceeds \$75,000. **Work Program #C28641**

Refer to motion for approval under Agenda Item E.

- 75. Department of Public Safety - Highway Safety Grants Account - FY 2014** - Addition of \$925,682 in federal U.S. Department of Transportation, Motor Carrier Safety Administration's (FMCSA) grant funds re-directed from the Nevada Department of Transportation to support the Commercial Vehicle Information and Systems Network (CVISN) to improve commercial vehicle data sharing within states and between states and FMCSA and to improve state regulatory, enforcement, and motor carrier practices by using cost-effective methods and technologies for data streamlining and integration. Requires Interim Finance approval since the amount added to the CVISN-FMCSA grant category exceeds \$75,000. **Work Program #C28602**

Refer to motion for approval under Agenda Item E.

- 76. Department of Public Safety - Parole and Probation - FY 2014** - Addition of \$447,485 in County Reimbursements to provide sufficient authority for the Pre-Sentence Investigation function. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds \$75,000. **Work Program #C28458**

James Wright, Director, Department of Public Safety (DPS), explained that the Division of Parole and Probation had not been able to keep up with the demand for presentence investigation (PSI) reports in Las Vegas and would potentially fall behind in the northern part of the state as shorter turnaround times and higher-than-projected demand continued. He said the situation was critical for the Department, which was why he needed to explain the need for the work program to the Committee. He also hoped to gain the Committee's understanding and support for the actions he had already directed to be initiated to help reduce the PSI backlog and to keep the judicial system running as smoothly as possible within the Department's budgetary means.

Mr. Wright said to understand how the backlog of PSI reports was generated, the Division was directed to conduct a full review of the problem. As a result of this review, multiple factors were discovered that contributed to the problem, and an immediate action plan was initiated to address all factors.

The first major contributor to the situation was the elimination of 11 Parole and Probation (P&P) Specialist positions due to a projected decrease in workload. The JFA (James F. Austin and Associates) projections used to determine the amount of staff needed to meet core service demands had proven to be inaccurate. This staff reduction created an immediate reduction in production of approximately 180 PSIs a month. Mr. Wright said that the projections from JFA had been inaccurate for some time, and the differences ranged from just a few PSIs to over a hundred a month.

A second issue, Mr. Wright continued, was that the Division had previously adopted a practice of using work production, or completed PSIs, as input for the calculation of the JFA projections rather than the referral number, or those cases received by the Division, which actually comprised the workload. In three of the past five fiscal years, the Parole and Probation Division had received more PSIs than were projected.

Mr. Wright said that by reviewing current practices in the commands, it was also discovered that there was no standard for entering PSIs into the offender database, and supplemental PSIs, which were reports of new crimes on top of a current PSI that an offender may have committed, were not being counted as part of the PSI workload. A staffing study conducted in 2008 determined that a PSI took approximately 7.4 hours to complete and a supplemental took about 4.4 hours to complete. No credit had ever been given for work hours devoted to supplemental reports. Mr. Wright said the Division now had a standard practice for capturing all the different PSIs written, and the new data would be shared with the Budget Division, the LCB Fiscal Division, and JFA for purposes of more accurate future caseload projections.

Mr. Wright said that the final item impacting the Division's ability to complete PSIs in a timely manner was the implementation of Assembly Bill 423 passed by the 2013 Legislature. While the staggered implementation dates were helpful, each new timeframe for submitting PSIs to the courts before the sentencing date was a reduction in the total number of days that the Division had to complete the PSI. As of November 2013, the northern urban and rural commands were meeting the

7-day requirements of A.B. 423, but they would soon struggle to meet the 14-day requirement, which would take effect on March 1, 2014. The southern command was complying with the 7-day requirement for in-custody cases, but continuous letters were being sent for out-of-custody cases and as of February 4, the Las Vegas office had a backlog of over 1,200 PSIs.

Mr. Wright emphasized that it was imperative that the presentencing investigations were written and delivered to the District Court in accordance with the timelines outlined in A.B. 423. The Division of Parole and Probation had worked diligently to find internal solutions to the problem and had implemented the following:

- In September, the southern command made a commitment to its stakeholders that no in-custody cases would be continued or calendared for more than 30 days out, and that if a continuance was needed for an in-custody case, a detailed continuance letter would be forwarded to the Court. This situation created a backlog in the Clark County Detention Center, but one of the first priorities of the Division was to eliminate the overcrowding situation in the Detention Center, and the problem had been corrected.
- Overtime and compensatory time were provided to court services staff to ensure that in-custody cases were not continued and that out-of-custody cases would not be continued more than once. An “all hands on deck” approach was taken, and other trained staff, including supervisors who had been trained in writing PSIs, were reassigned to court services to help with the backlog. The supervisors had previously provided overview and review of PSIs, but because they were writing PSIs themselves, the managers stepped in to assume the review process. He added that Las Vegas PSIs were also sent to staff at the Carson City headquarters to help with the backlog reduction.
- The southern command had also asked the District Courts to reduce the number of PSIs for gross misdemeanors and category E felonies until the backlog could be significantly reduced.
- The Division worked with the Budget Division to overlap current positions, basically freezing vacant DPS Officer positions, to fund 21 temporary P&P Specialists to enable the Division to start addressing the backlog of PSIs.

In summary, Mr. Wright said that the work program would not completely solve the PSI staffing shortage, but it would provide a temporary solution for the current fiscal year. He asked Robin Hager to provide an explanation of the work program, after which he would be glad to answer questions from the Committee.

Robin Hager, Administrative Services Officer, Division of Parole and Probation, Department of Public Safety, explained the work program in Agenda Item E-76 proposed to use salary savings from 5 vacant DPS Officer positions to temporarily hire 21 positions to help reduce the PSI backlog, primarily in Las Vegas. Eighteen positions

would be located in Las Vegas, two would be located in Reno, and one would be located in Elko.

Ms. Hager said the Division would return to the Interim Finance Committee in June 2014 to ask for the continuance of the 21 positions through fiscal year 2015. While the Division anticipated using salary savings again to fund the new positions, contingency funds may be needed if the agency was successful in hiring all of the vacant Officer positions.

Assemblywoman Carlton thanked everyone who had worked with her and Assemblyman Horne in drafting A.B. 423 in the 2013 Session. She recalled that funds were not available during the Session to be able to hire new positions, but everyone realized something had to be done to address the PSI problems and A.B. 423 was one of the first steps to achieve that goal. Unfortunately, the JFA report and some of the inconsistencies had caused the elimination of the PSI Specialists. She was glad to hear that 21 temporary employees would be hired to address the backlog, and it could be decided how many positions would be needed in the future once the real workload could be projected.

Assemblywoman Carlton said she was concerned about the five vacant Officer positions. She asked what the impact would be on the administrative banks, which needed to be managed well, and how the officer-to-offender ratios might be affected.

Mr. Wright replied that the Department had been able to put 43 P&P Officers through the academy and on the streets in just over a year. An additional 14 Officers had just started the academy in mid-January, and they would be on the streets in approximately 12 weeks. He said 13 vacant Officer positions remained, and the next academy class would begin in July 2014. He noted that this was the first time in several years that the Division had ever come this close to filling the DPS Officer positions within the Division.

Mr. Wright said the majority of the Officers had been assigned to Las Vegas, and as a result, the administrative banks were down to 865 from thousands. He was proud of the Division's efforts to hire and train Officers and put them on the streets: it was making an impact. He asked Major Madris to address the specific officer-to-offender ratios.

Major Kim Madris, Deputy Chief, Southern Command, Division of Parole and Probation, Department of Public Safety, testified that the current officer-to-offender ratios were as follows:

- Risk Control Unit: 38:1; ideal ratio: 35:1. Recruitment was currently ongoing within P&P staff for Officers who would be interested in moving to the Risk Control Unit.
- Sex Offender Unit: 49:1; ideal ratio: 45:1. Once the trainees were further along in the training process, recruitment would be conducted for two Officers to move into the Sex Offender Unit.

- General Supervision of Parole Unit: 84:1
- Probation Units: 81:1

Major Madris said that there were currently 14 Officers in the training unit whose caseloads would be built to 50:1, which would be increased as their training progressed. Their caseloads would be picking up extra cases from the administrative banks and from General Supervision to bring their caseloads down to where they should be.

Assemblywoman Carlton thanked Major Madris for the information and added that she looked forward to the time when there would be no discussion concerning administrative banks.

Assemblyman Ohrenschall noted there was a letter in the Committee's information that said as of November 30, 2013, the Division had a backlog of over 1,000 PSIs. He asked what the current backlog was and, if the current request was approved, how long it would take to eliminate the backlog.

Major Madris replied that 15 new PSI employees were currently in place, 2 were in the background phase, and recruitment was ongoing for 1 more position. Every month between now and the end of June 2014, as those trainees received more training and assumed more aspects of the PSI reports, their cases would be coming directly off of the backlog. She said that 155 cases were taken off of the backlog and the trainees had returned to normal rotation of cases because, for the time being, the 14-day provision in A.B. 423 had been suspended until the backlog could be reduced.

Additionally, in checking to ensure that there were no in-custody cases in the backlog, another 25 cases were able to be cleared. Major Madris said that staff was actively looking daily at how the backlog could be reduced, and the new staff members would be an important component to bring the numbers down. The projected date for elimination of the backlog was December 2014, but she said the backlog would continue to grow if the 21-day provisions of A.B. 423 were implemented: it could not be avoided.

Assemblyman Ohrenschall noted the projections from JFA were under-projected for Clark County for at least four of the past six years. He asked why the projections were incorrect and whether it was wise to eliminate Officer positions based on the projections.

Mr. Wright replied that the Division's review had determined that the Division had been providing completed cases and not referred case numbers, which resulted in an under-estimate that drove JFA's formula for projections to come in lower as well.

Assemblyman Ohrenschall asked whether it was known during the 2013 Legislative Session that the projections were low.

Mr. Wright said that when the Division had sufficient staffing, it was able to complete the requirements. He recalled that the previous *Nevada Revised Statutes* provided for a 45-day completion time, and because of the workload in Las Vegas, most of the courts had allowed 60 days.

As a personal observation of why the problem surfaced, Mr. Wright recalled that two legislative sessions earlier, there was a review to determine whether the PSI process should be shifted to the counties, and the decision was made for it to stay with the state. In the 2013 Session, there was an initiative to move the parole function from Parole and Probation to the Department of Corrections, which caused a lot of concern. Attention was taken away from the workload problem, even though there had been indicators of a prospective problem.

Assemblyman Ohrenschall affirmed that the grant would not eliminate the backlog. He asked whether Mr. Wright thought the Division could comply with the provisions of A.B. 423 to submit PSIs 21 days before sentencing by October 1, 2014.

Mr. Wright replied that he did not believe the Division would have the capability to meet the 21-day requirement, and it would have to be reviewed in the 2015 Session, at which time the Division should have sufficient experience with the staffing levels to determine what it was capable of doing. If the 21-day requirement was needed, it would drive additional positions, but he believed that an affordable middle-ground solution could be found during the Session.

Chairwoman Smith asked for further questions from the Committee; there were none. She then asked for public comment and hearing none, she called for a motion.

ASSEMBLYMAN FRIERSON MOVED TO APPROVE
AGENDA ITEM E-76.

SENATOR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 77. Department of Public Safety - Division of Investigations - FY 2014 - Addition of \$348,500 in federal Homeland Security Program grant funds transferred from the Division of Emergency Management (DEM) to continue the support of law enforcement and public entities statewide with the collection, analysis, and dissemination of relevant and timely criminal and threat information from the Nevada Threat Analysis Center. Requires Interim Finance approval since the amount added to the DEM 2010 State Homeland Security Program Grant category exceeds \$75,000. **Work Program #C28563****

Refer to motion for approval under Agenda Item E.

- 78. Department of Public Safety - Division of Investigations - FY 2014** - Transfer of \$144,474 from the Personnel Services category to the Reserve for Reversion to the General Fund category to revert the unneeded portion of FY 2014 budgeted buyout costs. Requires Interim Finance approval since the amount transferred from the Personnel Services category exceeds \$75,000. **Work Program #C28564**

Refer to motion for approval under Agenda Item E.

- 79. Department of Public Safety - Emergency Management Division - FY 2014** - Addition of \$568,700 in federal Department of Homeland Security - Homeland Security Grant Program funds transferred from the Department of Public Safety - Emergency Management Assistance Grant account to support Citizens Corp, the Homeland Security Working Group, statewide interoperability, resource management and credentialing, and training and exercise activities. Requires Interim Finance approval since the amount added to the State Homeland Security Program category exceeds \$75,000. **Work Program #C28346**

Refer to motion for approval under Agenda Item E.

- 80. Department of Public Safety - Emergency Management Division - FY 2014** - Addition of \$23,913 in Federal Emergency Management Agency Pre-Disaster Mitigation funds transferred from the Emergency Management Assistance Grant account to support the Cooperating Technical Partners program and the Pre-Disaster Mitigation Program. Requires Interim Finance approval since the cumulative amount added to the Operating category exceeds \$75,000. **Work Program #C28387**

Refer to motion for approval under Agenda Item E.

- 81. Department of Public Safety - Emergency Management Assistance Grants - FY 2014** - Addition of \$3,459,364 in federal Homeland Security Grant Program funds to support homeland security activities. Requires Interim Finance approval since the amount added to the Homeland Security Grant Program category exceeds \$75,000. **Work Program #C28270**

Refer to motion for approval under Agenda Item E.

- 82. Department of Public Safety - Emergency Management Assistance Grants - FY 2014** - Addition of \$50,000 in federal Pre-Disaster Mitigation grant funds for the Cooperating Technical Partners Program to deliver and implement a statewide resilience strategy to reduce risks related to floods across the state. Requires Interim Finance approval since the cumulative amount added to the Pre-Disaster Mitigation category exceeds \$75,000. **Work Program #C28476**

Refer to motion for approval under Agenda Item E.

- 83. Department of Public Safety - Criminal History Repository - FY 2014** - Addition of \$355,000 in federal National Criminal History Improvement Program (NCHIP) grant funds transferred from the Department of Public Safety - Criminal Justice Assistance account to review the completeness of criminal history records. Requires Interim Finance approval since the amount added to the NCHIP Grant category exceeds \$75,000. **Work Program #C28459**

Refer to motion for approval under Agenda Item E.

- 84. Department of Public Safety - Parole Board - FY 2014** - Transfer of \$5,038 from the Operating category to the In-State travel category, \$1,684 from the Operating category to the Information Services category, and \$9,481 from the Operating category to the Training category to cover expenditures for the remainder of the fiscal year. Requires Interim Finance approval since the amount transferred from the Operating category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28622**

Refer to motion for approval under Agenda Item E.

Chairwoman Smith announced that Agenda Item E-85 would be heard in conjunction with Agenda Item H.2.

- 85. Department of Public Safety - Parole Board - FY 2014** - Addition of ~~\$42,816~~ **\$39,273** in Transfer from Interim Finance Committee Contingency Fund and transfer of \$32,000 from the Operating category to the Information Services category to support a new position and associated costs; purchase audio/visual equipment and replace computers, and transfer the network operating system from the Nevada Department of Corrections to the Division of Enterprise Information Technology Services. Requires Interim Finance approval since the request relates to an action item that requires IFC approval and includes the addition of a new position. **RELATES TO ITEM 86 AND AGENDA ITEM H.2. Work Program #C28620. REVISED 1-23-14.**

H. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (GENERAL FUND) PURSUANT TO NRS 353.268.

2. Department of Public Safety – State Board of Parole Commissioners – Request for an allocation of ~~\$42,816~~ **\$39,273** to support one new Management Analyst position and audio/visual and information technology equipment in Fiscal Year 2014. **REVISED 1-23-14.**

Connie S. Bisbee, Chairman, State Board of Parole Commissioners, explained that the work program in Agenda Item E-85 requested approval to transfer \$32,000 from the Operating category to the Information Services and Special Equipment categories as part of the Parole Board's information services' transfer to the state Division of Enterprise Information Technology Services (EITS). She noted that the audio portion of

the Board's videoconferencing equipment was aging out. The Board had surplus funds in Operating, but it was \$20,065 short, which was the amount being requested from the IFC Contingency Account.

Ms. Bisbee had heard concerns about whether the computers being replaced had Windows 7 capability, which was the reason for the replacements. She said the Board has four desktop computers with Windows 7, but they were Hewlett Packard (HP) and would not be supported in a system that was converting to Dell.

Ms. Bisbee wanted to clarify that the Department of Corrections, the Parole Board, and EITS had been very cooperative over the past several months during the switchover.

Senator Denis asked whether the current system was running Windows XP. Ms. Bisbee said yes, and there were two brands and seven different models of old equipment.

Senator Denis asked whether the request would make all of the agency's computers consistent and if the old equipment would be transferred to the Nevada Department of Corrections.

Ms. Bisbee replied that the computers would all be Dell with Windows 7 and supported by EITS. She said two relatively new HP computers and any other usable equipment would be transferred to the Department of Corrections.

Senator Denis clarified that the need for the new equipment was because the agency's information services was being transferred to EITS, which did not support HP.

Ms. Bisbee replied that all of EITS equipment and support was Dell, and EITS did not have the staff to support HP computers. The Dell system would also involve a different imaging program.

Senator Denis asked for more information on the videoconferencing equipment request.

David Smith, Hearings Examiner, State Board of Parole Commissioners, Department of Public Safety, explained that the Board had four hearing rooms in Carson City and Las Vegas to videoconference parole hearings, as well as two portable videoconference systems to use for parole violation hearings at the High Desert State Prison, Florence McClure Women's Correctional Center, and Northern Nevada Correctional Center. He said the equipment was sophisticated, and a record of each hearing was retained for future legal or procedural issues.

Mr. Smith said in October 2013, while replacing two of the audio mixing devices, staff discovered that the FTR (For the Record) software used to record the hearings had to be upgraded with Windows 7. The existing audio mixing equipment was not compatible with the new FTR recording system and would have to be replaced.

Senator Denis said he understood that Microsoft would no longer support Windows XP as of April 2014.

Mr. Smith replied that was true. The system was scheduled to switch to Dell beginning about April 10, which would involve several days of work.

Mark Krmptic, Senate Fiscal Analyst, Fiscal Analysis Division, noted that the amount requested in Agenda Item H.2. was reduced by the Board of Examiners from \$39,273 to \$20,065.

Chairwoman Smith asked for public comment and hearing none, she called for a motion.

SENATOR DENIS MOVED TO APPROVE AGENDA
ITEMS E-85 AND H.2. AS REVISED.

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

86. Department of Public Safety - Parole Board - FY 2015 - Addition of \$37,398 in Transfer from Interim Finance Committee Contingency Fund and transfer of \$50,000 from the Operating category to the Personnel Services category to support on-going costs related to the FY 2014 request. Requires Interim Finance approval since the request relates to an action item that requires IFC approval and includes the addition of a new position. **RELATES TO ITEM 85 AND AGENDA ITEM H.3. Work Program #C28789. WITHDRAWN.**

87. Department of Conservation and Natural Resources - Water Resources - FY 2014 - Addition of \$107,736 in Motorboat Access subgrant funds transferred from the Nevada Department of Wildlife for repairs to the South Fork Dam. Requires Interim Finance approval since the amount added to the South Fork Dam category exceeds \$75,000. **Work Program #C28588**

Refer to motion for approval under Agenda Item E.

88. Department of Conservation and Natural Resources - Water Resources - Las Vegas Basin Water District Non-Exec - FY 2014 - Addition of \$61,000 in federal Bureau of Reclamation grant funds transferred from the Water Resources Cooperative Project account to fund a new Senior Engineering position. This position will be dedicated to the work associated with the Truckee River Operating Agreement. The position will sunset when grant funding terminates, this is currently September 30, 2018, unless a date extension is approved by the Bureau of Reclamation. Requires Interim Finance approval since the request includes new positions that are being funded with federal grant funds. **Work Program #C28481**

Refer to motion for approval under Agenda Item E.

89. **Department of Conservation and Natural Resources - Water Resources - Las Vegas Basin Water District Non-Exec - FY 2014** - Addition of \$600,000 in Federal Bureau of Reclamation grant funds to cover the cost of four new non-classified water commissioner positions, and associated costs that will perform various mapping functions within the scope of work for this grant. Requires Interim Finance approval since the request includes new positions that are being funded with federal grant funds. **Work Program #C28585**

Refer to motion for approval under Agenda Item E.

90. **Department of Conservation and Natural Resources - Forestry - Nurseries - FY 2014** - Addition of \$183,218 in Seed Bank Sales revenue to provide sufficient authority to purchase and provide seed based on projected needs. Requires Interim Finance approval since the amount added to the Seed Bank category exceeds \$75,000. **Work Program #C28713**

Refer to motion for approval under Agenda Item E.

91. **Department of Conservation and Natural Resources - Environmental Protection - State Environmental Commission - FY 2014** - Addition of \$146,700 in Administrative Fines revenue based on current projections for the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Fines/School District Transfers category exceeds \$75,000. **Work Program #C28686**

Refer to motion for approval under Agenda Item E.

92. **Department of Conservation and Natural Resources - Environmental Protection - Water Pollution Control - FY 2014** - Addition of \$305,774 in federal Department of Energy (DOE) grant funds transferred from the division's Environmental Protection Administration account to align available federal funding with state budget authority and continue funding qualifying program related contracts, updates to the state's Exchange Network databases, temporary staff for data entry tasks, software updates, and program related travel. Requires Interim Finance approval since the amount added to the DOE Grant category exceeds \$75,000. **Work Program #C28722**

Refer to motion for approval under Agenda Item E.

93. **Department of Conservation and Natural Resources - Environmental Protection - Waste Management and Federal Facilities - FY 2014** - Addition of \$94,632 in federal Environmental Protection Agency, Underground Storage Tank (UST) grant funds to fund improvements to an existing UST database as well as various training classes, workshops, conferences, seminars, webinars, and/or other training events focused at understanding the design, operation, monitoring, use, and decommissioning of UST systems and related appurtenances. Requires

Interim Finance approval since the amount added to the UST category exceeds \$75,000. **Work Program #C28503**

Assemblyman Bobzien asked for an update on the hazardous material removal at the gas station in Carson City, which was discussed at a recent Interim Finance Committee meeting. He recalled that the negligent property owner of a gas station had vacated the property and refused to address the hazardous waste leakage. The method of addressing ground storage tanks clearly needed to be reviewed, and he assumed that the request for Environmental Protection Agency (EPA) Underground Storage Tank (UST) grant funds would be used to increase training and further develop the database.

Adele Basham, Chief of Administrative Services, Division of Environmental Protection, Department of Conservation and Natural Resources (DCNR), explained that grant funds recently became available from the federal EPA to modify the existing database, which was a different database than discussed at the previous Committee meeting.

Ms. Basham said the existing database would be modified to enable use by inspectors in the field. The inspectors would be able to enter information on their electronic tablets at the time of inspection rather than when they returned to the office, which would save time for the inspectors. The Division had worked with the Division of Enterprise Information Technology Services (EITS), and since it was an existing database, EITS had waived the requirement for a technology investment request (TIR).

Assemblyman Bobzien asked whether the database tracked underground storage tanks similar to those on the property in Carson City.

Ms. Basham said the database was used for field inspections and was narrower than the other database, which tracked claims and status.

Assemblyman Bobzien asked whether between the existing database and the larger database, the Division would be able to produce statistics on the number of USTs in the state, number of incidents, risk assessments, and similar information.

Ms. Basham clarified that the existing databases could produce a lot of that information, but she was not sure about risk assessment information.

Chairwoman Smith asked for public comment and hearing none, she called for a motion.

ASSEMBLYMAN BOBZIEN MOVED TO APPROVE AGENDA
ITEM E-93.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- 94. Department of Conservation and Natural Resources - Environmental Protection - State Revolving Fund - Administration - FY 2014** - Addition of \$409,238 in federal Environmental Protection Agency Drinking Water State Revolving Fund (DWSRF) Administration grant funds to cover qualifying program cost increases within the division's Safe Drinking Water Regulatory Program account. Requires Interim Finance approval since the amount added to the DWSRF 10 Percent Set Aside category exceeds \$75,000. **RELATES TO ITEM 95. Work Program #C28724**

Refer to motion for approval under Agenda Item E.

- 95. Department of Conservation and Natural Resources - Environmental Protection - Safe Drinking Water Regulatory Program - FY 2014** - Addition of \$409,238 in federal Clean Drinking Water - State Revolving Fund (SRF) grant funds transferred from the State Revolving Fund - Administration account to fund increased contract costs associated with the regulation of public water systems in Nevada and to cover projected funding shortfalls in the operating and indirect cost allocation categories. Requires Interim Finance approval since the amount added to the Federal Drinking Water - SRF category exceeds \$75,000. **RELATES TO ITEM 94. Work Program #C28773**

Refer to motion for approval under Agenda Item E.

- 96. Department of Wildlife - Operations - FY 2014** - Addition of \$309,786 in Application Fees transferred from the Wildlife Fund account to fund the costs of the operation, maintenance, and enhancement of the Nevada Wildlife Database System. Requires Interim Finance approval since the amount added to the Nevada Wildlife Database System category exceeds \$75,000. **Work Program #C28719**

Refer to motion for approval under Agenda Item E.

- 97. Department of Wildlife - Conservation Education - FY 2014** - Addition of \$192,218 in federal U.S. Fish and Wildlife Service, Wildlife Restoration grant funds and \$70,052 in Sportsmen Revenue transferred from the Wildlife Fund account to fund enhancements to the department's hunter education program and improvements to four regional shooting facilities. Requires Interim Finance approval since the amount added to the Hunter Education category exceeds \$75,000. **Work Program #C28586**

Refer to motion for approval under Agenda Item E.

- 98. Department of Wildlife - Game Management - FY 2014** - Addition of \$215,526 in Predator Management Fees transferred from the Wildlife Fund account to fund implementation of predator management activities. Requires Interim Finance approval since the amount added to the Predator Management Nevada

Department of Wildlife Projects category exceeds \$75,000.
Work Program #C28584

Refer to motion for approval under Agenda Item E.

- 99. Department of Wildlife - Game Management - FY 2014** - Addition of \$49,850 in federal U.S. Fish and Wildlife, Wildlife Restoration grant funds and \$16,616 in Sportsmen Revenue transferred from the Wildlife Fund account to fund sage grouse conservation projects. Requires Interim Finance approval since the amount added to the Sage Grouse Conservation category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C28594**

Refer to motion for approval under Agenda Item E.

- 100. Department of Wildlife - Game Management - FY 2014** - Addition of \$360,580 in federal U.S. Fish and Wildlife Service (USFWS) Wildlife Restoration W48 grant funds, deletion of \$360,580 in federal USFWS Wildlife Restoration W70 grant funds, and transfer of \$5,000 from the Mule Deer Research category to the Game Administration category, \$40,000 from the Mule Deer Research category to the Veterinarian category, \$85,000 from the Mule Deer Research category to the Big Game category, and \$80,000 from the Mule Deer Research category to the Upland Game category to provide funding to implement the Game Division's game management plan. Requires Interim Finance approval since the amount transferred to the Big Game category exceeds \$75,000. **Work Program #C28723**

Refer to motion for approval under Agenda Item E.

- 101. Department of Wildlife - Fisheries Management - FY 2014** - Addition of \$91,522 in federal Bureau of Reclamation (BOR) grant funds to augment and maintain the native razorback sucker population in Nevada. Requires Interim Finance approval since the amount added to the BOR Razorback category exceeds \$75,000. **Work Program #C28157**

Refer to motion for approval under Agenda Item E.

- 102. Department of Wildlife - Habitat - FY 2014** - Addition of \$19,508 in federal U.S. Fish and Wildlife Service (USFWS) Wildlife Restoration grant funds, \$13,420 in federal USFWS State Wildlife grant funds, \$307,216 in federal Bureau of Land Management grant funds, and \$13,729 in Sportsmen Revenue transferred from the Wildlife Fund account to fund the Nevada Partners for Conservation and Development program for habitat restoration in Nevada. Requires Interim Finance approval since the amount added to the Sagebrush Ecosystem Restoration category exceeds \$75,000. **Work Program #C28632**

Assemblyman Bobzien said he had no concerns with the funding requests in Agenda Item E-102 and he appreciated the partnership. He asked how the project would fit into the overall context of what the state was doing for the protection of the Sage-Grouse and the activities of the Sagebrush Ecosystem Council.

Tony Wasley, Director, Nevada Department of Wildlife (NDOW), explained that the work program was specific to the Nevada Partners for Conservation program, which was a new program to the state modeled after a similar program in Utah. There were many different activities occurring on the landscape and several different sources of funds, and the State of Utah determined that it would be ideal to have all of the funds funnel through a common source to provide consistency in their application on the landscape.

Mr. Wasley said there were some key differences between the Utah program and the program in Nevada, some of which pertained to funding. The work program in Agenda Item E-102 was geared to large purchases for seed: approximately \$100,000 was earmarked for post-fire revegetation in the Elko area and a similar amount for the Bison fire, which was congruous with the bi-state Sage-Grouse area. There were also three different areas targeted for piñon and juniper thinning: Duck Creek, Bass Canyon, and Combs Creek. Mr. Wasley said the projects were all part of the Department's Sage-Grouse habitat efforts, and they fit into the larger context of the Sagebrush Ecosystem Council in that several parts of the process were established by the Governor, including the Sagebrush Ecosystem Council Technical Team, a science workgroup, and a cheat-grass action team, as well as University researchers, United States Geological Survey (U.S.G.S.) researchers, Department of Wildlife experts, and other state agencies. The goal was to have a unified front to approach the problems collectively for the best use of the funds for the landscape.

Assemblyman Bobzien said that members of the Committee had received a letter from Fred Voltz ([Exhibit C](#)), who expressed frustration about the lack of progress on videoconferencing equipment for Wildlife Commission meetings. He asked for an update on the problem.

Patrick Cates, Deputy Director, Department of Wildlife, said the Department's 2013-2015 biennial budget included \$77,000 for a videoconferencing system to record NDOW staff and Commission meetings between Reno and the NDOW district offices in Las Vegas and Elko. He said early in the fall of 2013, the Department began working with the state's vendor, B.T. Conferencing, to develop the system for the Commission meetings.

Mr. Cates recalled that the Department had a six-month capital improvement project at the Reno headquarters, and the conference room where the system was to be installed was not available. The staff had only recently moved back into the headquarters facility, and a group of staff members was formed to work with B.T. Conferencing to develop the design for each of the rooms, which took longer than anticipated.

Mr. Cates added that B.T. Conferencing had tried to push the Department into a more robust conferencing system than was budgeted. There were many valid issues concerning how the room was configured because it was a multi-purpose room, and B.T. Conferencing wanted to develop a robust system that would support a full Commission meeting. He said the system was priced at \$250,000, which was too expensive. Mr. Cates had instructed NDOW staff and B.T. Conferencing to go back to the drawing board to the more scaled-down system originally envisioned. As of the previous week, the preliminary estimate was \$140,000, which was still more than he believed the Department should pay for the system. Staff and B.T. Conferencing were continuing to work on reducing the cost of the system.

Also affecting the delays was that the State Purchasing Division had a good-of-the-state contract for videoconferencing, and unbeknownst to NDOW, the contract had lapsed. Consequently, Mr. Cates said, once a system was developed, the Department would have to go through a procurement process with State Purchasing, which would take about a month.

Also contributing to the delays was an ongoing problem with the state's routers and the Enterprise Information Technology Services (EITS) Division. The routers that directed traffic from state agencies in Reno to Carson City and out to the Internet had been maximized and were causing problems with the Department of Agriculture's videoconferencing system. Mr. Cates said that EITS was working to get the equipment in place to solve the problem.

Mr. Cates recalled that before the Department had requested the videoconferencing equipment, other options had been explored, including using other agencies' equipment. However, every potential solution had some problem. As an example, the Legislature had a very sophisticated system, but staffing on the weekends would be problematic, and the facilities would not be available during legislative sessions. He was hopeful an arrangement could be made with the counties, but they were not equipped to videoconference to different locations.

The University System had videoconferencing systems throughout the state, but the Department was told that dates could not be guaranteed and meetings could be bumped, plus there were reservations about bringing the public on the campuses because parking was a significant issue. He said the System had recently advised the Department that it had locations with rooms large enough for Commission meetings that were not on the two University campuses, and the Department was currently working with the University System to hold the March meeting at its facilities, which would allow more time to implement NDOW's videoconferencing system. Nothing had been finalized, but the prospect looked promising.

Senator Denis asked whether the videoconferencing system would connect all three NDOW locations.

Mr. Cates said he understood the price included the three NDOW regional offices in Reno, Las Vegas, and Elko.

Senator Denis noted that two connections were not difficult, but three connections required additional equipment. He asked whether state equipment would be used for multiple connections or if they would be included in the contract.

Mr. Cates replied he understood that a bridge to connect the three locations was included in the price of the system.

Senator Denis said that \$77,000 first appeared to be a large amount for the system, but he understood the cost if it included a bridge for three locations.

Assemblyman Hardy said he understood that NDOW had recently met with residents of Sunnyside, and he asked whether a resolution to the water problem was getting closer.

Mr. Wasley said a meeting had been held in Las Vegas with the owners of the ranch, wildlife management area staff specialists, and the Habitat Division Administrator, and everyone left the meeting positive about working toward a permanent solution.

Chairwoman Smith called for public comment.

Fred Voltz, private citizen, testified that if the public sector was unable to provide the videoconferencing service for all of the reasons that had been enumerated, he suggested there were private-sector locations to pursue, and he would encourage the Department to explore them if the cost or timing of its own system was too problematic.

Chairwoman Smith thanked Mr. Voltz for his comments and letter to the Committee ([Exhibit C](#)); she asked the Department to take his suggestion under advisement.

Chairwoman Smith asked for further public comment and hearing none, she called for a motion.

ASSEMBLYMAN BOBZIEN MOVED TO APPROVE AGENDA
ITEM E-102.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

103. Department of Transportation - FY 2014 - Addition of \$100,000 in federal grant funds transferred from the Nevada Division of Environmental Protection, Bureau of Water Quality Planning to purchase two bulk spreaders to be used in the Lake Tahoe area. The use of this equipment will improve the water quality of storm water runoff entering Lake Tahoe by implementing a more efficient and controlled method of applying abrasives and de-icing brine on NDOT owned and maintained roadways in the environmentally-sensitive Lake Tahoe Basin. Requires Interim

Finance approval since the amount added to the equipment category exceeds \$75,000. **Work Program #C28743**

Refer to motion for approval under Agenda Item E.

- 104. Department of Transportation - FY 2014** - Transfer of \$1,500,000 from the Equipment category to the Operating category to rebuild existing mobile and fleet equipment as a cost-effective alternative to equipment replacement. Requires Interim Finance approval since the amount transferred to the Operating category exceeds \$75,000. **Work Program #C28744**

Refer to motion for approval under Agenda Item E.

- 105. Silver State Health Insurance Exchange - Silver State Health Insurance Exchange - Administration - FY 2014** - Addition of ~~\$7,541,687~~ **\$6,998,685** in federal Cooperative Agreement to Support Establishment of State-Operated Health Insurance Exchange funds to implement and fulfill the goals of the legislation for a state-operated Health Insurance Exchange and to accomplish the duties necessary for the Exchange to be self-sustaining by January 2015. Requires Interim Finance approval since the amount added to the Health Care Reform Eligibility Engine category exceeds \$75,000. **RELATES TO ITEM 24. Work Program #C28777. REVISED 1-24-14.**

Refer to testimony and motion for approval under Agenda Item E-24.

- 106. Department of Health and Human Services - Public and Behavioral Health - Southern Nevada Adult Mental Health Services - FY 2014** - Transfer of \$3,663,482 from the Medications category to the Transitional Housing category to cover a projected shortfall and continue to serve clients receiving housing services. Requires Interim Finance approval since the amount transferred to the Transitional Housing category exceeds \$75,000. **Work Program #C28579. RECEIVED AFTER SUBMITTAL DEADLINE 1-17-14.**

Refer to testimony and motion for approval under Agenda Item E-41.

Position Changes

Agency	Agency/ Account Number	Position Number	Present Class Title, Class Code, Grade and Salary	Proposed Class Title, Class Code, Grade and Salary
Department of Business and Industry	742/4680	0107	Compliance/Audit Investigator III, Code 11.363, Grade 35, Step 01, Employee/Employer Paid Retirement \$45,560.16	Compliance Coordinator Registered Nurse, Code 10.248, Grade 38, Step 01, Employee/Employer Paid Retirement \$51,865.92
Department of Business and	742/4680	0055	Compliance/Audit Investigator III, Code 11.363, Grade 35,	Compliance Specialist Registered Nurse, Code

Agency	Agency/ Account Number	Position Number	Present Class Title, Class Code, Grade and Salary	Proposed Class Title, Class Code, Grade and Salary
Industry			Step 01, Employee/Employer Paid Retirement \$45,560.16	10.249, Grade 37, Step 01, Employee/Employer Paid Retirement \$49,694.40
Department of Motor Vehicles	810/4740	WF8016	Compliance Enforcement Investigator II, Code 13.257, Grade 39, Step 01, Employee/Employer Paid Retirement \$54,204.48	Compliance Investigator II, Code 11.358, Grade 32, Step 01, Employee/Employer Paid Retirement \$40,110.48
Department of Motor Vehicles	810/4740	WF8031	Compliance Enforcement Investigator II, Code 13.257, Grade 39, Step 01, Employee/Employer Paid Retirement \$54,204.48	Supervisory Compliance Investigator, Code 11.354, Grade 34, Step 01, Employee/Employer Paid Retirement \$43,639.20
Department of Motor Vehicles	810/4740	WF8508	Compliance Enforcement Investigator II, Code 13.257, Grade 39, Step 01, Employee/Employer Paid Retirement \$54,204.48	Supervisory Compliance Investigator, Code 11.354, Grade 34, Step 01, Employee/Employer Paid Retirement \$43,639.20
Department of Transportation	800/4660	930076	Engineering Technician III, Code 6.313, Grade 30, Step 01, Employee/Employer Paid Retirement \$36,915.84	Compliance/Audit Investigator II, Code 11.365, Grade 33, Step 01, Employee/Employer Paid Retirement \$41,906.16
Department of Transportation	800/4660	930409	Engineering Technician III, Code 6.313, Grade 30, Step 01, Employee/Employer Paid Retirement \$36,915.84	Compliance/Audit Investigator II, Code 11.365, Grade 33, Step 01, Employee/Employer Paid Retirement \$41,906.16
Department of Transportation	800/4660	930122	Engineering Technician III, Code 6.313, Grade 30, Step 01, Employee/Employer Paid Retirement \$36,915.84	Traffic Center Technician Supervisor, Code 07.722, Grade 31, Step 01, Employee/Employer Paid Retirement \$38,523.60
Department of Transportation	800/4660	930186	Engineering Technician III, Code 6.313, Grade 30, Step 01, Employee/Employer Paid Retirement \$36,915.84	Safety Specialist Consultation, Code 11.521, Grade 35, Step 01, Employee/Employer Paid Retirement \$45,560.16
Department of Transportation	800/4660	056011	Administrative Assistant IV, Code 2.210, Grade 29, Step 07, Employee/Employer Paid Retirement \$45,560.16	Program Officer I, Code 07.649, Grade 31, Step 07, Employee/Employer Paid Retirement \$49,694.40
Department of Transportation	800/4660	038039	Review Appraiser, Code 07.422, Grade 37, Step 01,	Chief Compliance/Audit Investigator, Code 11.360,

Agency	Agency/ Account Number	Position Number	Present Class Title, Class Code, Grade and Salary	Proposed Class Title, Class Code, Grade and Salary
			Employee/Employer Paid Retirement \$49,694.40	Grade 37, Step 01, Employee/Employer Paid Retirement \$49,694.40
Department of Transportation	800/4660	052005	Program Officer I, Code 07.649, Grade 31, Step 01, Employee/Employer Paid Retirement \$38,523.60	Chief Compliance/Audit Investigator, Code 11.360, Grade 37, Step 01, Employee/Employer Paid Retirement \$49,694.40
Department of Transportation	800/4660	930290	Engineering Technician III, Code 06.313, Grade 30, Step 01, Employee/Employer Paid Retirement \$36,915.84	Management Analyst II, Code 07.625, Grade 35, Step 01, Employee/Employer Paid Retirement \$45,560.16
Department of Transportation	800/4660	052282	Program Officer I, Code 07.649, Grade 31, Step 10, Employee/Employer Paid Retirement \$56,626.56	Compliance Audit Investigator II, Code 11.365, Grade 33, Step 10, Employee/Employer Paid Retirement \$61,950.96
Department of Transportation	800/4660	052007	Program Officer III, Code 07.643, Grade 35, Step 01, Employee/Employer Paid Retirement \$45,560.16	Compliance/Audit Investigator III, Code 11.363, Grade 35, Step 01, Employee/Employer Paid Retirement \$45,560.16

Refer to motion for approval under Agenda Item E.

F. DEPARTMENT OF ADMINISTRATION – STATE PUBLIC WORKS DIVISION.

1. Request to modify the scope of CIP project 13-S08, Statewide Energy Retrofit Program, to expand the solar generation project at the Lovelock Correctional Center, pursuant to NRS 341.145(1)(f), and to increase the authority to receive and expend an additional \$800,000 in energy rebate funds.

Gus Nuñez, Administrator, State Public Works Division (PWD), Department of Administration, explained that Agenda Item F.1. was a request for a change in scope and authority to receive and spend additional funds for Capital Improvement Program (CIP) Project 13-S08, the Statewide Energy Retrofit Program. The request would add 800 kilowatts of solar photovoltaic (PV) installation at the Lovelock Correctional Center (LCC). He said that NV Energy had issued eight incentive allocations (at \$1.00 a watt) at various locations throughout the state valued at \$100,000 each. The proposal was to combine the eight allocations and move all of the reservations to the LCC. He added that NV Energy was in agreement with the request and had actually suggested that the reservations be combined.

Referring to the state's return on investment, Mr. Nuñez explained that it became problematic from a financial perspective to make \$1.00 per watt work at any of the individual existing sites, and NV Energy asked PWD whether combining all eight reservations would work at any facility in the state. It was determined that because of the work being completed at LCC on a previously approved solar PV project, the infrastructure would be in place to support the expansion of the project at \$1 per watt and stay within the criteria being used for all projects.

Mr. Nuñez explained that if the request were approved, the project, which was legislatively approved at approximately \$2 million in state funding and \$1.2 million in rebate funds, would now be funded with \$2 million in state funds and \$4.2 million in leveraged rebate funds [considering this request and an additional \$2.2 million in rebate funds approved at the August 29, 2013, Committee meeting]. He added that at this point, upon completion the program would save the state an estimated \$385,000 per year in energy costs.

Chairwoman Smith asked whether the projects approved for rebate reservations at the other locations would be shifted to Lovelock or if they would just be scaled back.

Mr. Nuñez replied they would be shifted to Lovelock. He explained that the application process was similar to a lottery process: everyone applied and NV Energy randomly selected projects in various categories. The state had received eight applications in the \$1 per watt area at eight different locations, but the feasibility of a project at each location did not pencil out financially. He explained that if the state were to pursue the eight individual projects, it would cost about \$3.00 per watt [\$1.00 per watt in rebate funds and \$2.00 per watt in state funds]. Currently every \$1 per watt the state put into the system resulted in about a 7-year payback; however, the individual projects would result in about a 14-year payback and the Division wanted to stay within a 10-year payback for the projects. He said NV Energy was having a problem finding recipients of the \$1 per watt programs, but the Division had found a workable solution under a 10-year payback by combining the eight incentive allocations. The size and magnitude of the system and the fact that there was existing infrastructure in Lovelock to facilitate the projects made it feasible to proceed.

Chairwoman Smith asked whether the projects would proceed at the Summit View Juvenile Center, Desert Willow Treatment Center, Southern Desert Correctional Center, and Jean Conservation Camp.

Mr. Nuñez replied that 200 kilowatts were installed at Jean in October 2013, and a system of about 1.8 kilowatt hours per year would be completed at Desert Willow by July 2014, in addition to the projects at Southern Desert and Lovelock.

Assemblyman Ohrenschall asked where the Division was in the process of receiving approval from the Public Utilities Commission (PUC) for the proposed consolidation and reallocation of the rebates to the Lovelock Correctional Center project and how likely it was that the PUC would approve the proposal.

Mr. Nuñez replied the request had been submitted to the PUC and a decision was expected within the next two months. He said because NV Energy had approached the PWD with the proposal, PUC approval was very likely. Installation of the additional 800 kilowatts would have to be contracted by June 11, 2014, and completed by December 11, 2014. The reason for requesting Committee approval at this meeting was for the PWD to be able to execute the contract immediately after approval by the PUC.

Assemblyman Ohrenschall asked whether the Division was confident that the deadlines could be met, and Mr. Nuñez replied the deadlines could be met if PUC approval was received within the next two months.

Assemblyman Ohrenschall asked whether the projects at the other locations were producing just enough energy to meet their needs or more than was needed to be consumed on site.

Mr. Nuñez replied one of the criteria of the program was that the demand could not be exceeded: NV Energy would never approve an excess of demand.

Chairwoman Smith asked for public comment and hearing none, she called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE AGENDA
ITEM F.1., CONTINGENT UPON APPROVAL OF THE
PROPOSAL BY THE PUBLIC UTILITIES COMMISSION.

SENATOR GOICOECHEA SECONDED THE MOTION

THE MOTION CARRIED UNANIMOUSLY.

2. Information regarding the Project Exception Report pursuant to NRS 341.100(8)(g).

Chairwoman Smith announced that no further information was required on Agenda Item F.2., and she thanked Mr. Nuñez for his testimony.

G. STATEMENT OF CONTINGENCY ACCOUNT BALANCE.

Mark Krmptic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reported the balances in the Interim Finance Committee Contingency Account (as shown on the Contingency Account balance statement on page 459 of volume II of the meeting packet; copy attached as [Exhibit D](#)), which reflected the following balances for fiscal year (FY) 2014 as of February 6, 2014:

Unrestricted General Fund Balance	\$10,966,950
Unrestricted Highway Fund Balance	\$ 1,690,085
Restricted General Fund Balance	\$ 6,336,897

Mr. Krmpotic said the projected balance of \$10.5 million included the Board of Parole Commissioners' request for FY 2014 of \$39,273 as originally submitted, and the Committee had approved the amount of \$20,065. The FY 2015 Parole Board request was withdrawn by the Budget Division. If the remaining requests were approved by the Committee—the Commission on Judicial Discipline and the Emergency Account allocations—the balance in the General Fund portion of the Contingency Account would be \$10,572,122.

Mr. Krmpotic said there were no changes in the Unrestricted Highway Fund or Restricted General Fund balances.

There were no questions from the Committee.

H. REQUESTS FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT (GENERAL FUND) PURSUANT TO NRS 353.268.

1. Commission on Judicial Discipline – Request for an allocation of \$174,763 for an operating and travel shortfall.

Paul Deyhle, General Counsel and Executive Director, Commission on Judicial Discipline, explained that the Commission had been involved in two very contentious litigious cases involving Judge Steven Jones in Las Vegas. One of the cases had spanned over six years, a disciplinary hearing was held on one of the cases on January 27, 2014, and the costs to the Commission since July 1, 2013, were \$228,000, which represented over 90 percent of the Commission's operating budget of \$240,000.

Mr. Deyhle said the Commission had submitted the Contingency Account request of \$174,763 to pay current operating bills of \$83,000. He had stopped further payments from the Operating category, and the Commissioners' instate travel claims had not been paid for travel to Las Vegas for the liability phase of the hearing. The remaining amount of the request would support the Commission through the end of the fiscal year.

Assemblywoman Carlton asked whether the Commission was allowed to recuperate some expenses when it prevailed in a case.

Mr. Deyhle replied he had just assumed his position, and as far as he knew, the Commission could not recoup expenses.

Assemblywoman Carlton said that was something the Legislature might want to consider in the future. She noted that Judge Jones was on paid leave for a year. She asked whether the Commission had any other funds that could be used, noting that a request from the Contingency Account was usually a last resort.

Mr. Deyhle replied there was \$11,000 to \$12,000 in travel funds, and he would be conducting a tour to meet the various judges around the state at various seminars and training sessions. He said there were funds in the Wages category, and although

he had no objections to moving authority among categories, he would be uncomfortable reducing the Contingency Account request by a like amount because the Commission was out of cash to pay expenses through the end of the fiscal year. Invoices on the Jones case were coming in daily, which made the financial picture bleaker. Mr. Deyhle said if he were to resubmit the request as of today, it would be for \$43,000 more.

Assemblywoman Carlton observed that other funds were available, but Mr. Deyhle hesitated to use them for something else.

Mr. Deyhle replied that was true for the travel funds; the wage funds had not been committed, but they would probably need to be transferred to the Operating category.

Assemblyman Ohrenschall asked why the Commission did not approach the Committee sooner.

Mr. Deyhle replied he did not know the specific reason: he had been in the position for only a few weeks. He said if he had been in the position earlier, he would not have waited.

Assemblyman Horne asked how many cases the Commission was currently working on other than the Judge Jones case.

Mr. Deyhle replied the Commission's cases were based on the calendar year. There were 176 judicial discipline cases in 2013, and as of January 2014, there were 25 cases. It appeared there were be more cases in 2014.

Assemblyman Horne asked how many cases would require travel.

Mr. Deyhle replied that many of the cases would not require travel. The Jones cases were not common. The Commission had not seen a case similar to the Jones case in quite some time. He noted the travel expenses did not just involve Commissioners' travel to Las Vegas; a number of motions were filed with the Eighth Judicial Court and the Supreme Court, which required the Executive Director to travel to Las Vegas a number of times.

Assemblyman Horne asked whether the majority of the Commission's excess expenses were because of the extensive litigation in the Jones cases.

Mr. Deyhle replied that was correct: over 90 percent of the operating budget was depleted solely on the Jones cases.

Senator Kieckhefer noted that Mr. Deyhle had said he would increase the request by \$44,000 if the request were submitted today, and he asked whether the Commission anticipated having to return to IFC for an additional allocation before the close of the biennium.

Mr. Deyhle said he hoped that would not be necessary. The current request consisted of the amounts currently owed and a forecast of how much would be needed through June 30, 2014. He noted that any judicial case could explode like the Jones case did, but it was probably not likely.

Senator Kieckhefer asked whether the Commission had reached consensus with the Fiscal Analysis Division staff on the projected amount of salary savings.

Mr. Deyhle said he had met with Fiscal staff the day before, and the amount of salary savings was between \$39,000 and \$42,000.

Senator Kieckhefer said that the Committee did not usually make an allocation from the Contingency Account that was less than the documented total budget shortfall in actual dollars.

Assemblyman Frierson recalled that Mr. Deyhle had stated that 25 cases had been received so far this year, and he asked what the workload involved, how many cases were summarily dismissed, and whether the 25 cases involved complaints or referrals that would actually result in an investigation.

Mr. Deyhle explained that the Commission was in the process of reviewing the cases received in January. He estimated that in previous months, 75 percent of the cases were summarily dismissed and 25 percent went to investigation, some of which would go to trial.

Chairwoman Smith said she appreciated the Commission's position, especially in light of the fact that Mr. Deyhle was new to his position and inherited the financial situation. She said that the Committee did not customarily allocate funds from the Contingency Account until an agency had no other funds available. The Commission might have to return to the Committee at a later date, but there was a possibility that it would not be necessary.

Senator Kieckhefer asked Mr. Krmpotic to comment.

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said that Fiscal staff had met with Mr. Deyhle and his staff and Budget Division staff the day before. Fiscal staff and Budget Division staff agreed that there were surplus funds in the Salaries category. Fiscal staff had suggested that a portion of the surplus funds be used to address the shortfall in the Commission's Operating category, which Mr. Deyhle said he was hesitant to do.

Mr. Krmpotic said that additional information was provided to Fiscal staff from the Budget Division in an email received that morning, and Fiscal staff had been meeting with Budget Division staff in Carson City during the IFC meeting to look at pending costs. He said at this point, Fiscal staff was unable to either support or refute the information because of lack of time to analyze the new information.

Mr. Krmpotic said that in making recommendations or providing analyses to the Committee, it was typically the practice of the Fiscal Division that if other monies were available in an agency's budget, they were to be used before the Committee allocated funds from the Contingency Account. In this particular case, Fiscal staff did not have the ability to say that higher costs would be coming forward, there was not an ability to reduce the Contingency Account, and the Commission should use other monies available in its budget.

Mr. Krmpotic added that if the Committee wished to approve the allocation of \$174,763 as submitted by the Budget Division and approved by the Board of Examiners, it would be doing so based on the testimony that higher costs were pending that were not originally provided to Fiscal staff and that surplus funds were not available in the Commission's budget.

Assemblywoman Carlton said that she would be reluctant to approve the request knowing that there were salary savings and other avenues available. She suggested that Fiscal staff should be given time to investigate whether the Commission had the opportunity to recoup legal costs and pursue other avenues. She realized that funds might be needed in the future, at which time the Committee could allocate funds from the Contingency Account.

Assemblyman Horne said he had discomfort with the request, and he agreed that recuperating legal costs might be an option. However, the discipline decision had already been made in the Judge Jones case, and it was unlikely that funds could be recouped from that case.

Senator Goicoechea noted that the Commission currently had an additional shortfall of \$43,000 and did not have funds to pay its bills.

Chairwoman Smith replied that he was correct, but the decision was whether to provide the Commission with the ability to pay its bills and revise the amount based on the fact that surplus salary funds were available in the Commission's budget.

Senator Goicoechea said he was concerned about the \$43,000 in bills that were due and payable, and the Commission must continue to operate. He was uncomfortable having a state agency unable to pay its bills.

Chairwoman Smith agreed that the state must pay its bills and the Commission needed funding to do its job, but the Committee's precedent with other agencies had been that they must expend available funds before making a request from the Contingency Account.

Mr. Krmpotic noted that the Commission would have the ability to return to the Committee at least three more times before the end of the fiscal year.

Chairwoman Smith asked for public comment and hearing none, she called for a motion.

ASSEMBLYWOMAN CARLTON MOVED TO REDUCE THE AMOUNT REQUESTED BY \$30,000 IN SALARY SAVINGS, AND IF NECESSARY, THE COMMISSION COULD RETURN TO THE COMMITTEE IN APRIL AND REQUEST FUNDS FROM THE CONTINGENCY ACCOUNT.

SENATOR ROBERSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chairwoman Smith thanked Mr. Deyhle for his testimony.

2. Department of Public Safety – State Board of Parole Commissioners – Request for an allocation of ~~\$42,816~~ **\$39,273** to support one new Management Analyst position and audio/visual and information technology equipment in Fiscal Year 2014. **REVISED 1-23-14.**

Refer to testimony and motion for approval under Agenda Item E-85.

3. Department of Public Safety – State Board of Parole Commissioners – Request for an allocation of \$37,398 to support one new Management Analyst position and information technology expenses in Fiscal Year 2015.

Refer to testimony and motion for approval under Agenda Item E-85.

4. Department of Administration – Request for an allocation of \$200,000 to replenish the Emergency Account established by NRS 353.263.

Jeff Mohlenkamp, Director, Department of Administration, testified that the purpose of the request for an allocation of \$200,000 from the Interim Finance Committee Contingency Account was to replenish the Board of Examiners Emergency Account. He said one of the main water tanks at the Lovelock Correctional Center was leaking badly, and the repair would cost \$240,348. The current balance in the Emergency Account was \$260,765, and with the expenditure of the \$240,000 and some smaller claims, the balance would be reduced to about \$16,000. The request was to bring the balance to a reasonable level to be able to deal with emergencies during the remainder of the biennium.

Smith asked whether a balance of \$200,000 was necessary based on the historical use of the account.

Mr. Mohlenkamp replied it was difficult to predict how much would be needed for emergencies. He was not sure whether historical averages would provide a reliable benchmark for the amount needed. He would prefer to maintain the requested balance.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE AGENDA ITEM H.4.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- I. OFFICE OF THE GOVERNOR – NEVADA STATE OFFICE OF ENERGY – Request for approval to commit money for expenditure from the Account for Renewable Energy, Energy Efficiency and Energy Conservation Loans, pursuant to NRS 701.585(3).

Brita Tryggvi, Deputy Director, Nevada Office of Energy, Office of the Governor, read the following statement:

Today we are requesting your approval to commit money from our office's Account for Renewable Energy, Energy Efficiency and Energy Conservation Loan Program. The applicant is the Truckee-Carson Irrigation District and the TCID, as it is commonly known, is a political subdivision of the state and is chartered to operate the Newlands irrigation project.

The purpose of this request is to obtain a construction loan for a hydroelectric project in Fallon. The request is for a \$1 million loan that will be paid through the NV Energy rebate program, and the TCID does have the reservation for the rebate from NV Energy. The loan is estimated to be paid back to us within a six- to nine-month period.

Our request is to simply have you approve this loan so that we can move forward on what we consider to be a very worthwhile project.

Chairwoman Smith asked for questions from the Committee and there were none. She asked for public comment and hearing none, she called for a motion.

ASSEMBLYMAN GRADY MOVED TO APPROVE AGENDA ITEM I.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Eisen was not present for the vote.)

- J. REQUEST FOR APPROVAL TO ACCEPT GIFTS AND GRANTS, PURSUANT TO NRS 353.335(2)(c) – State Department of Conservation and Natural Resources – Division of State Parks – Request for approval to accept a monetary gift of up to \$50,000, from the nonprofit Tahoe Fund.

Eric Johnson, Administrator, Division of State Parks, Department of Conservation and Natural Resources, explained that the nonprofit Tahoe Fund had been a supporter of various State Parks projects. The Fund had agreed to donate \$35,000 for a water replacement program for Sand Harbor beach access at Lake Tahoe, which would allow that amount to be freed up in state Environmental Improvement Program funds.

Chairwoman Smith asked for questions from the Committee; there were none. She asked for public comment and hearing none, she called for a motion.

ASSEMBLYMAN BOBZIEN MOVED TO APPROVE AGENDA
ITEM J.

SENATOR KIECKHEFER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- K. REQUEST FOR EXTENSION OF PERIOD WITHIN WHICH TO PROVIDE ADDITIONAL DOCUMENTATION REQUESTED BY THE BOARD OF EXAMINERS IN SUPPORT OF A REQUEST FOR A GRANT OR LOAN FROM THE DISASTER RELIEF ACCOUNT PURSUANT TO THE FORMER PROVISIONS OF NRS 353.2755(2) – Department of Public Safety – Division of Emergency Management – For requests related to the Clark County Flood Recovery, September 11, 2012.

Rick Martin, Emergency Management Programs Manager, Division of Emergency Management, Department of Public Safety, explained that Agenda Item K was a request on behalf of Clark County for an extension until June 30, 2014, for submission of its disaster relief application for a grant. Clark County reported that a majority of the actual expenses had been collected, and the County was in the final stages of compiling those costs and completing the application packet.

Chairwoman Smith asked for questions from the Committee and there were none. She asked for public comment and hearing none, she called for a motion.

SENATOR GOICOECHEA MOVED TO APPROVE AGENDA
ITEM K.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

- L. COMMITTEE ON INDUSTRIAL PROGRAMS – Semi-annual report on the status of current and proposed industrial programs for correctional institutions, pursuant to NRS 209.4818.

Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that on November 27, 2013, the Committee on Industrial Programs submitted a semi-annual status report on the Prison Industries Program to the Legislative Counsel Bureau and the Interim Finance Committee ([Exhibit E](#)). She provided the following summary of the report:

- The Prison Industries program generated a net profit of \$432,638 in fiscal year (FY) 2013, primarily because five of the seven state-sponsored Prison Industries programs generated a profit.
- The drapery shop and metal shop had a net loss during FY 2013. The drapery shop had experienced an eight-year consecutive loss since FY 2006. The program had been relocated from Ely State Prison to the Lovelock Correctional Center, and the Department of Corrections hoped that the move would provide a more centralized location for customers.
- Net profits were largely due to the Prison Ranch, which generated a gross profit of \$288,607 in FY 2013. Currently, approximately 1,500 horses could be boarded, and the Ranch was expected to expand the program to approximately 2,000 horses.
- The report included a summary of events that had occurred with Alpine Steel, which defaulted on its balloon payment to the state in June 2013. As a result, the Office of the Attorney General requested and was awarded a summary judgment against Alpine Steel in September 2013 in the amount of \$428,208. As of January 26, 2014, the State Controller's Office reported that Alpine Steel had not made any payments toward the amount owed.
- A letter of intent was issued by the 2013 Legislature's finance committees requesting that the Prison Industries Program provide quarterly reports to the Committee on Industrial Programs regarding Prison Industries' miscellaneous sales and routine earnings. During the 2013 Legislative Session, routine earnings were less than adequate in the projections.
- The Prison Industries Program was anticipating an increase in retained earnings. The projection was that at the end of FY 2014, there would be retained earnings of \$772,140, which was nearly a 200 percent increase over what was approved by the Legislature.
- As of June 30, 2013, there were 503 inmates employed compared to 410 on June 30, 2012.
- Wage assessments collected by the inmates totaled \$608,058 in FY 2013, and of that amount, \$431,810 was collected for room and board.

- There had been no new Prison Industries programs initiated since FY 2009, and since FY 2007, nine private manufacturing companies that operated within the Prison Industries Program had closed.

Assemblyman Ohrenschall asked how the increase in inmate workers compared to the overall inmate population.

Ms. Coffman replied the inmate population had been static over the past year. There had been some increase in the programs provided by Prison Industries, such as an expansion of the card-sorting program and a recommencement of the card-sorting program with Opportunity Village, which boosted the number of inmates employed.

Senator Parks said that he chaired the Committee on Industrial Programs, and he was impressed with Ms. Coffman's work. He noted that the situation with Alpine Steel was taken over by the Attorney General's (AG) Office, and the forbearance agreement with Alpine Steel was negotiated by the AG's Office to the advantage of Alpine Steel. He hoped the situation did not reflect poorly on the overall program.

Senator Parks said that changes were being made to the programs: the drapery shop was being moved to Lovelock and the mattress plant was moving from Lovelock. He thought the changes would result in a better fit for the overall operation of Prison Industries.

Chairwoman Smith thanked Ms. Coffman for her report. She asked for public testimony and there was none.

M. INFORMATIONAL ITEMS.

Mr. Krmptic reported that the Committee was interested in hearing further testimony on the following informational items in Agenda Item M: 1.a., Report regarding the Catalyst Fund, and 1.c., Report regarding the Battle Born Growth Escalator Venture Capital Program, Governor's Office of Economic Development; and M-4., Report Summarizing Class Size Reduction Variances, Department of Education.

Assemblywoman Carlton requested further information on Agenda Items 6.a. and 6.b., Department of Tourism and Cultural Affairs.

1. OFFICE OF THE GOVERNOR – Governor's Office of Economic Development
 - a. Report regarding the Catalyst Fund for the period of November 1, 2012, through October 31, 2013, pursuant to NRS 231.1577.

Steve Hill, Director, Governor's Office of Economic Development (GOED), thanked the Committee for its support in the efforts to seek designation for the unmanned aerial vehicle (UAV) systems. The UAV program was a real opportunity for the state that

would not have occurred without the Legislature's support. He said that Assemblyman Daly had suggested that the GOED conduct informational sessions for legislators in southern Nevada and northern Nevada. Mr. Hill believed it would be beneficial to schedule separate meetings in the north and the south, possibly at one of the test sites.

Mr. Hill recalled that when discussions began concerning the Catalyst Fund during the 2013 Legislative Session, grant funds had been committed to only one project. As of fall 2013, nine additional projects had committed to move to Nevada as a result of Catalyst Fund funding, and subsequent to the report, two more companies had committed to move.

Mr. Hill noted that the original goal of the Catalyst Fund was creation of 2,500 jobs associated with the original \$10 million appropriation. He was glad to report that after \$8 million had been committed, 3,065 jobs had been created, and instead of an average cost of \$4,000 per job, the cost was approximately \$2,600 per job.

Mr. Hill explained that all of the Catalyst Fund contracts to date were performance based and typically ranged between three and five years, although there were two smaller grants for two years. Companies must hire people in Nevada and keep them hired over a period of time in order to receive grant money from the Fund each year of the contract. He said that as a result of the way the Catalyst Fund was structured, no funds would be allocated until the second quarter of 2014.

Mr. Hill went on to explain that each project involved two contracts. A local government, working with the area regional development authority, would submit an application to the GOED Board, and the prospective business must present its plans and application to the Board. The Board would approve the terms and conditions of the contract with the local government, and the local government would enter into a contract with the business.

Mr. Hill said that eight local governments throughout the state had made application to GOED and the Board, and they had to learn how the Catalyst Fund worked, what their responsibilities were, and then enter into a contract with each business. He noted that GOED would not enter into a contract with the local government until the contract between the local government and the business was in place.

Mr. Hill recalled that originally there was some misunderstanding in the process, which the 2013 Legislature had addressed. There were three paragraphs concerning what organizations could apply for Catalyst Funds in *Nevada Revised Statutes* (NRS) Chapter 231, which were not well worded. The 2013 Legislature removed the three paragraphs and replaced them with language specifying that a city or county may apply for a Catalyst Fund grant on behalf of a business.

Mr. Hill said the contracting process was proceeding well in advance of when the contracts had to be completed, which would be the first measurement period for when a business would receive grant funding. Two contracts were approved by local

governments the previous week, and it was anticipated that most, if not all, of the outstanding contracts would be finalized within approximately the next 30 days.

Continuing, Mr. Hill said that as the local governments became more familiar with the process, the process would become much more direct and occur more quickly, but it was important for local governments to take the time to understand and perform the due diligence required. The Catalyst Fund had been exceptionally effective, and he thought that each of the companies would indicate that they would not be in Nevada were it not for the Catalyst Fund.

Chairwoman Smith asked for confirmation that the companies listed under the Catalyst Fund approved since November had not yet received funds, and payments from the Fund were anticipated to be made in the second quarter of 2014.

Mr. Hill replied she was correct: the first payments would begin in the second quarter of the current fiscal year. The contracts were structured such that the companies were measured each year, and if the number of jobs and the wages included in the contract had been created, a portion of the grant funds would be paid on a per-job basis.

Chairwoman Smith asked whether all of the approved companies were performing as they had anticipated they would.

Mr. Hill replied that all of the companies were moving forward in the process, some in a very public way. Two companies were still working through real estate issues and had not yet embarked on hiring in Nevada, but they were anticipated to move forward as planned.

Chairwoman Smith recalled that when a study was conducted on abatements and incentives a few years before, she was surprised to learn that several companies that had been given awards under the old system never applied for the incentives that had been approved. She asked whether there was a consistent methodology to determine how many jobs would be created.

Mr. Hill replied it was the local government's responsibility to provide information to GOED to verify that jobs had been created and the average wages were paid for each company. He added the definition of a new position in the contract was one that had been in place for a minimum of three months.

- c. Report regarding the Battle Born Growth Escalator Venture Capital Program pursuant to the request at the IFC August 2013 meeting ([Exhibit F](#)).

Mr. Hill recalled that in May 2013, the state received an allocation of \$5 million from the U.S. Department of Treasury's State Small Business Credit Initiative (SSBCI) for early-stage capital investments. The Interim Finance Committee approved the

formation of the Battle Born Growth Escalator Venture Capital Program (Battle Born) on August 29, 2013.

Mr. Hill said that GOED had contracted with the Nevada Small Business Development Corporation to operate the program, and an investment advisement committee consisting of professionals in the venture capital field had been created to screen applicants and make recommendations to GOED for investment. He said there had been significant outreach and interest across the state.

Mr. Hill explained that GOED had developed a pipeline of approximately 25 companies that had interest in the funding. About five companies were removed from the pipeline and five were added each month. The investment committee reviewed the pipeline and typically moved one or two of the companies forward for significant due diligence, and at the end of the process, the committee would make a recommendation on funding. Mr. Hill pointed out that the program required that the federal funding be matched with private investment. Typically, GOED and the investment committee were not the lead negotiators on that round of financing: the private partnership negotiated and GOED had the option to participate by investing.

Mr. Hill recalled that when the program was discussed in June 2013, it was GOED's understanding, as well as the Attorney General's, that investments could be made directly in the companies because the program involved federal funds. However, once GOED reviewed the documents for the program, it was decided to take a more conservative approach and work with the Desert Research Institute (DRI) Foundation as the custodial investor of the funding.

Mr. Hill noted that in 2017, the federal government would turn the SSBCI funding over to the state. He would probably recommend to the 2015 Legislature the best way to handle the program once the funding was received by the state.

Mr. Hill pointed out that the program involved a high-risk set of funding opportunities. Typically, a venture capital company would say that 17 of 20 deals would not work out, 2 would provide some sort of return, and 1 in 20 would do really well and provide all of the return for the Fund. There would be some failures as a result of the investments.

Mr. Hill added that the Fund was complimentary to the Silver State Opportunity Fund formed in 2009, which was a private-equity type fund that invested in more advanced and established companies. The Battle Born Fund was for start-up companies that had promise of succeeding.

Chairwoman Smith asked for questions from the Committee and there were none. She thanked Mr. Hill for his presentation and the updated information.

4. DEPARTMENT OF EDUCATION—Report summarizing Class-Size Reduction Variances for the first quarter of the 2013-2014 school year, pursuant to A.B. 2, section 2, subsection 5 (27th Special Session).

Chairwoman Smith recalled that in the 2013 Special Session, the Legislature changed the reporting requirements on class-size reduction, and this was the first report from that legislation.

Julia Teska, Deputy Director, Department of Education, said that the Department had submitted a report on the class-size reduction variances requested by the school districts for the first quarter of the 2013-14 school year. The reports were for the quarter ending November 1, 2013, and all of the variances were approved by the Board of Education at its December 2013 meeting.

Ms. Teska noted that the report submitted to the Committee was in summary format; the entire back-up material was comprised of more than a ream of paper because the reporting requirements were changed to require that class-size reduction variance reports be submitted quarterly, and the reports must be submitted by each school rather than districtwide. She said the report included a summary of the kindergarten variance requests, which were approved at the school district level, and a summary of the requests for first through third grades and alternate programs, which were first through sixth grades.

Assemblyman Kirner asked whether there were any variances exceeding 25 students.

Ms. Teska explained there were some exceptions in the Clark County School District (CCSD) because a different set of rules was established due to the District's constraints preventing a full rollout, but there were no variances for over 25 in kindergarten classes in the other counties. She said that this year Clark County was required to implement half-day kindergarten classes and one-third of their full-day kindergarten classes. The District had exceeded that number of schools based on the first-quarter report; there were still some half-day kindergarten classes that were over 25 because of limitations on facilities, which were supposed to be resolved by the second half of the school year.

Assemblyman Kirner asked whether there were any kindergarten classrooms exceeding 25 students with team teaching.

Lindsay Anderson, Government Affairs Director, Washoe County School District (WCSD), explained that some kindergarten classes were team-taught because there were not enough kindergarten classrooms in some of the buildings. She added that all of the ratios were less than 21:1.

Assemblyman Kirner asked whether there were many kindergarten classrooms with team teaching. Ms. Anderson replied there were as few as possible, given the restrictions of the schools.

Joyce Haldeman, Associate Superintendent, Clark County School District, stated that Clark County did not have team teaching in any of its kindergarten classes. She recalled that the District had used team teaching years before when implementing

class-size reduction, and because it was so difficult to get out of that situation, the District made the decision to not use team teaching.

Chairwoman Smith said the 2013 Legislature knew that the legislation would result in difficult data to study, but it was important to understand exactly what was occurring with class sizes.

Ms. Anderson said that the feedback from parents in the Washoe County School District had been positive. She recalled there had been confusion in the past concerning class-size reductions, but the WCSD now posted school-by-school lists on its website. Based on the second-quarter report, the kindergarten class-size ratio average districtwide was less than 20:1; first grade was 16.3:1; second grade was 17:1; and third grade was 19:1. In terms of waivers, Ms. Anderson said that 8 elementary schools out of 62 were between 21 and 25 students, and 16 schools in first grade, 19 schools in second grade, and 16 schools in third grade were over the school-by-school ratios. She said that a majority of the District's schools were complying with the class-size ratios at the school level, although there were some instances where the ratios were exceeded.

Senator Denis asked how many of the schools with variances were Title I schools. Ms. Anderson said she would have to get that information to the Committee. She noted that in internal conversations about staffing ratios, the emphasis was definitely on keeping the class sizes smaller at the high-risk schools.

Assemblyman Eisen asked why the ratios Ms. Anderson had referenced were different from those in the report submitted to the Committee, whether the District anticipated changes throughout the school year, and what the projections were moving forward.

Ms. Anderson replied that the information in the report submitted by the Department of Education was for the first quarter of the school year, and she was reporting the ratios for the second quarter. She noted that class sizes would change as students entered and left schools throughout the year, and the largest increase was typically between the first and second quarters. She said the ratios were not anticipated to change substantially throughout the school year.

Chairwoman Smith asked whether Ms. Anderson had information concerning class sizes overall outside of the class-size reduction grade levels.

Ms. Anderson said she did not have the information with her for grades 4 through 12, but the numbers in Washoe County were not as large as had been indicated in Clark County. She recalled from the last data that the ratios were generally about 25:1 to 26:1 in grades 4-12. She would provide specific information to the Committee's Fiscal staff.

Ms. Haldeman remarked that Clark County School District appreciated the legislation because it prevented the school districts from hiding under the district average umbrella. Because Clark County had urban, suburban, and rural schools, district averages did not

take into account that small classes in the rural areas would counteract larger class sizes in other areas. She said the school-by-school reporting had been beneficial to the District.

Ms. Haldeman noted that at the same time kindergarten class sizes were being reduced, the Zoom schools were implemented. In addition, since the end of Christmas break in January 2014, CCSD had grown by 900 elementary school students, which was enough for another elementary school. She said that the District's focus was to implement an absolute cap of 25:1, which was being done by staffing at 23:1. Ms. Haldeman said the District faced teacher and space challenges with the influx of new students.

Denise Thistlewaite, Coordinator, Administrative Operations, Clark County School District, testified that she was excited about the District's progress during the first two quarters of the school year. She assumed her position in September 2013, at which time some schools were identified for class-size reduction based on free- and reduced-lunch percentages. She said that full-day and half-day classes with over 25 students were divided into two categories, and those that were free- and reduced-lunch ordered were given additional allocations for class-size reduction to bring the ratios below 25:1. Discussions were held with the Performance Zone principals, who were concerned about class sizes in other kindergarten classes, and they said that their schools had facilities available to be able to implement further reductions, and additional schools were added.

Ms. Thistlewaite said that the District had been able to involve 122 schools since the rollout of class-size reduction, for a total of 136 units. All of the classes that were over 25:1 in the November 1, 2013, report had been remediated through additional positions that became available in November, and there were a number of student teachers available for hire on December 6. Many of the administrators had classrooms created over the winter break, and when students returned from break, they were transitioned into their new classes.

Ms. Thistlewaite added that the District was very excited about the allocation of funding for portable classrooms. One portable unit had been provided every three weeks to accommodate expansion through February.

Senator Roberson asked Ms. Haldeman to update the Committee on how CCSD was handling challenges faced because of limited capacity and what was anticipated going forward.

Ms. Haldeman said the District was facing growth, and she again expressed appreciation for the funds for portables: the District could not have functioned without portable funding from the Legislature. She noted that the District's 1998 bond program was coming to an end. Approximately \$40 million remained, and an elementary school cost \$25 million; over \$5 billion in needed renovations to existing schools had been

identified. The District was concerned about the shortage of facilities caused by growth and aging schools and the fact that the funding cycle was coming to an end.

As neighborhoods continued to experience growth, Ms. Haldeman said that the District was converting several schools to a year-round calendar to meet their needs. She recalled that when the bond proposal was taken to the voters in 1998, the capacity was based on the premise that every elementary school would be on a year-round calendar. She said the District was able to build more schools than originally anticipated and therefore a nine-month schedule was maintained. All of the elementary schools had been taken off the year-round calendars two years earlier, and she said that the District faced many challenges by having multiple calendars.

Ms. Haldeman added that until the District had a successful building program to construct new schools, converting elementary schools to a year-round calendar would be required to accommodate the growth. Overall, the District was 20 percent over capacity in its existing elementary schools, and some schools in crowded areas had 12 to 15 portable units.

Ms. Haldeman said the District had delivered a report to the Clark County School District Board of Trustees, the Hazard Impact Project, which included a study of the major systems in schools, such as heating and air conditioning, that might fail over the next four to six years. If a school had to be closed, it would be necessary to undergo rezoning and bus students to other schools.

Chairwoman Smith affirmed that with the expansion of kindergarten, full-day kindergarten, and class-size reduction in kindergarten, kindergarten students were not placed in the portable classrooms.

Ms. Haldeman replied kindergarteners were never housed in portables. The older grades were placed in the portable units and kindergarteners were moved to a classroom within the school.

Ms. Anderson said that the Washoe County School District was having the same conversations with its Board of Trustees concerning options going forward. Because of the property tax cap, Washoe County did not have the ability to ask voters for additional property tax revenue. She said the District was attempting to find creative ways to address the \$511 million needed for school improvements.

Senator Woodhouse recalled that Ms. Haldeman had said there were 900 new students since the beginning of the year, and she wanted to confirm for the record that Superintendent Skorkowsky had indicated that he could fill 23 new elementary schools at capacity today.

Ms. Haldeman said Senator Woodhouse was correct. Currently there was enough over-capacity in elementary schools to fill 23 new schools.

Senator Woodhouse said she understood that all of the variances were approved by the State Board of Education. She asked what circumstances would cause the Board to not approve a variance.

Ms. Teska replied that she could not speak to how the Board made its decisions, but the Department would not recommend approval of a variance if there was sufficient evidence that the District was not making an effort to comply with the intent of the law. She said that denying a variance would result in reduced funding to the school, which would further increase class sizes.

Senator Denis asked how this year's enrollment compared with the past in both school districts.

Ms. Haldeman replied that Clark County had seen a steady increase. The District had estimated that from the end of school year 2012-13 to the first day of school in August 2013 there would be 1,000 new students, but there were about 3,000. Enrollment had increased by another 1,200 to 1,500 students since the beginning of the 2013-14 school year.

Senator Denis asked what the typical increases were in the past.

Ms. Haldeman recalled that several years ago, enrollment grew by 10,000 to 12,000 a year, and 60 schools had to be built in a year. She said the current growth was not at that level, but if the trend continued, the District would have to take aggressive action.

Ms. Anderson said enrollment in Washoe County had typically grown by 1 percent in the past several years. Enrollment had been flat for three years, but it was starting to increase again.

Chairwoman Smith said the public was probably not aware of the extent of the growth. She was concerned that the districts were falling so far behind.

Assemblyman Eisen asked for information in the future on how many classrooms and students were affected by the variances.

Ms. Teska said that knowing how much time and effort was involved at the state level, she could appreciate the time involved in preparing reports at the district level. Based on the intensity of labor involved, the Department was making it a priority to produce automated reports, and a priority request to automate the process would be forthcoming in the 2015 Legislative Session. She would appreciate hearing from Committee members concerning any additional information that should be included in the reporting process as soon as possible in order to include it in the request.

Chairwoman Smith thanked Ms. Teska and the school districts for their reporting efforts, adding that she agreed that automation was necessary. She knew the reporting had been time and labor intensive, but she noted that the state spent a significant amount of

money on class-size reduction in the K-12 education system, which warranted extended reporting and accountability.

Chairwoman Smith asked whether all 17 school districts were complying with the requirement to post the information on their websites.

Ms. Teska said five of the smaller districts were in the process of entering the information on their websites, but most of them were in compliance.

6. DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS – Division of Museums and History – Report regarding the revenues and associated expenditures from the issuance of the license plates commemorating the 150th anniversary of Nevada’s admission into the Union, pursuant to A.B. 24, Section 1, subsection 6(a)(b) of the 2013 Legislative Session.

Chairwoman Smith noted that Assemblywoman Carlton had pulled Agenda Item M.6. for further questions, and Peter Barton, Administrator of the Division of Museums and History, Department of Tourism and Cultural Affairs, was present to answer questions.

Assemblywoman Carlton said she was concerned that it appeared funds were being commingled, and she requested that more detailed information be provided in future reports. She asked what the proceeds of the license plates sales were being used for.

Mr. Barton said he would have the Sesquicentennial Commission provide the Committee with additional detail at the next Committee meeting. He explained that as the license plate program was structured, the funds came into the Cultural Affairs Foundation and then were transferred directly to the private foundation that was managing the Sesquicentennial. He noted that as of February 1, 2014, 5,143 sets of license plates had been registered, and the Department of Motor Vehicles had reported that there were about 125 to 135 registrations per week. The public response was good.

N. PUBLIC COMMENT.

Chairwoman Smith asked for public comment and there was none. She thanked everyone for their attendance and hard work and announced that the next meeting was scheduled for April 10, 2014, in Carson City.

O. ADJOURNMENT.

There being no further business to come before the Committee, Chairwoman Smith adjourned the meeting at 3:37 p.m.

Senator Debbie Smith, Chairwoman
Interim Finance Committee

Rick Combs, Director, Legislative Counsel
Bureau, and Secretary, Interim Finance Committee

**EXHIBITS
INTERIM FINANCE COMMITTEE
February 6, 2014**

Exhibit	Witness/Agency	Description
A	*****	Agenda
B	*****	Meeting Packet
C	Fred Voltz, Private Citizen	Letter concerning videoconferencing of Wildlife Commission meetings.
D	Mark Krmptic, Senate Fiscal Analyst, Fiscal Analysis Division Legislative Counsel Bureau	Statement of IFC Contingency Account Balance as of February 6, 2014
E	Sarah Coffman, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Committee on Industrial Programs, Semi-Annual Status Report on the Prison Industries Program
F	Steve Hill, Director, Governor's Office of Economic Development	Report regarding the Battle Born Growth Escalator Venture Capital Program