MINUTES OF THE DECEMBER 15, 2011
MEETING OF THE
INTERIM FINANCE COMMITTEE
LEGISLATIVE COUNSEL BUREAU
Carson City, Nevada

Chairwoman Debbie Smith called a regular meeting of the Interim Finance Committee (IFC) to order at 9:14 a.m. on December 15, 2011, 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:

Assemblywoman Debbie Smith, Chairwoman
Senator Steven Horsford, Vice Chair
Senator Barbara Cegavske
Senator Moises Denis
Senator Ben Kieckhefer
Senator Sheila Leslie
Senator David Parks
Senator James Settelmeyer for Senator Rhoads
Assemblyman Paul Aizley
Assemblyman David Bobzien
Assemblywoman Irene Bustamante Adams for Assemblyman Atkinson
Assemblywoman Maggie Carlton
Assemblyman Marcus Conklin
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph Hogan
Assemblyman Randall Kirner
Assemblywoman Marilyn Dondero Loop for Assemblyman Oceguera
Assemblywoman April Mastroluca

COMMITTEE MEMBERS EXCUSED:

Assemblyman Kelvin Atkinson
Assemblyman John Oceguera
Senator Dean Rhoads

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN LAS VEGAS:

Lorne Malkiewich, Director, Legislative Counsel Bureau
Brenda Erdoes, Legislative Counsel
Rick Combs, Fiscal Analyst, Assembly
Mark Krmpotic, Fiscal Analyst, Senate

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT IN CARSON CITY:

Mike Chapman, Principal Deputy Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Sherie Silva, Interim Finance Committee Secretary
Tracie Battisti, Fiscal Analysis Division Secretary

A. ROLL CALL

Lorne Malkiewich, Director, Legislative Counsel Bureau, and Secretary, Interim Finance Committee, called the roll and announced a quorum of both houses was present.

Chairwoman Smith greeted Committee members and welcomed the public.

B. APPROVAL OF MINUTES OF THE AUGUST 31, 2011, MEETING.

SENATOR HORSFORD MOVED FOR APPROVAL OF THE AUGUST 31, 2011, MEETING MINUTES.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

C. ALLOCATIONS OF BLOCK GRANT FUNDS THAT REQUIRE A PUBLIC HEARING PURSUANT TO NRS 353.345.

1. **Office of the Governor - Office of Energy - Energy Conservation - FY 2012** - Addition of $191,783 in Energy Efficiency Conservation Block Grant (EECBG) Reimbursement funds to receive and reallocate unused grant funds. **Requires IFC approval since this involves the allocation of block grant funds and the agency is choosing to use the Interim Finance Committee meeting for the required public hearing pursuant to NRS 353.345. Work Program #C22676**

2. **Department of Agriculture - USDA Specialty Crop Grant-Non-Exec - FY 2012** - Addition of $98,125 in federal U.S. Department of Agriculture Specialty Crop Block Grant - Farm Bill Receipts to enhance competitiveness of Nevada specialty crops. **Requires IFC approval since this involves the allocation of block grant funds and the agency is choosing to use the Interim Finance Committee meeting**

for the required public hearing pursuant to NRS 353.345. RELATES TO ITEM 3. Work Program #C22560

3. **Department of Agriculture - Pest, Plant Disease, and Noxious Weed Control - FY 2012** - Addition of $20,000 in Transfer from Specialty Crop Grant non-Executive budget account and deletion of $2,049 in U.S. Department of Agriculture Specialty Crop Block Grant - Farm Bill, $25,000 in U.S. Department of Agriculture Bark Beetle funds, and $24,000 in U.S. Department of Agriculture Light Brown Apple Moth funds to enhance the competitiveness of Nevada specialty crops. **Requires Interim Finance Committee approval since this involves the allocation of block grant funds and the agency is choosing to use the Interim Finance Committee meeting for the required public hearing pursuant to NRS 353.345. RELATES TO ITEM 2. Work Program #C22561**

4. **Department of Health and Human Services - Health Division - Maternal Child Health Services - FY 2012** - Addition of $10,707 in Chronic Disease Prevention and Health Promotion Grant funds and deletion of $10,707 in Preventative Health and Health Services Block Grant funds to align funding with the actual workload for current programs and to build a coordinated organizational structure for the Chronic Disease Prevention and Health Promotion Section. **Requires Interim Finance Committee approval since this involves the allocation of block grant funds and the agency is choosing to use the Interim Finance Committee meeting for the required public hearing pursuant to NRS 353.345. Work Program #C22678**

Chairwoman Smith explained items C-1 through C-4 required a public hearing pursuant to *Nevada Revised Statutes* (NRS). She asked whether anyone in the audience wished to provide public testimony. There was no public testimony, and there were no questions from Committee members.

ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF AGENDA ITEMS C-1 THROUGH C-4.

SENATOR LESLIE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

D. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS AND POSITION CHANGES IN ACCORDANCE WITH CHAPTER 353 OF NRS.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, announced that testimony would be heard on the following items in Agenda Item D: items 5 and 6 would be heard together; items 10 and 11 would be heard together; item 48; item 54; item 61; items 70 and 71 would be heard together; item 92; and items 96, 97, 99, 102, 106, 109, and 110 would be heard together.

Mr. Combs added that testimony had also been requested on reclassification requests for position numbers 0495 and 0310, Nevada Highway Patrol, Department of Public Safety.

Mr. Combs noted that items 30, 58, 59, and 75 had been withdrawn.

Chairwoman Smith asked whether Committee members wished to hear testimony on additional items in Agenda Item D.

Assemblywoman Mastroluca requested that testimony be received on items 56 and 57.

Senator Kieckhefer requested further information on items 51 and 52.

Chairwoman Smith asked for public testimony on the remaining work programs and reclassifications in Agenda Item D; there was none.

> ASSEMBLYMAN GRADY MOVED FOR APPROVAL OF THE REMAINING WORK PROGRAM REVISIONS AND POSITION RECLASSIFICATIONS IN AGENDA ITEM D.
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> SENATOR DENIS SECONDED THE MOTION.
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> THE MOTION CARRIED UNANIMOUSLY.

Work Programs

1. **Office of the Governor – State Fiscal Stabilization Account - FY 2012 -** Addition of $1,227,915 in federal EduJobs supplemental grant funds to assist local education agencies in saving or creating education jobs and helping to ensure that America's students are prepared to succeed in college and careers. Requires Interim Finance approval since the amount added to the EduJobs category exceeds $75,000. **RELATES TO ITEM 19**. **Work Program #C22807**

   Refer to motion for approval under Agenda Item D.

2. **Office of the Governor – Office of Economic Development - FY 2012 -** Addition of $250,000 in Department of Employment Training and Rehabilitation Employment Security Division funding to support the state's Train Employees Now program. Requires Interim Finance approval since the amount added to the Train Employees Now category exceeds $75,000. **Work Program #C22734**

   Refer to motion for approval under Agenda Item D.

3. **Office of the Governor – Office of Economic Development – Rural Community Development - FY 2012 -** Transfer of $74,052 from the Reserve category to the Revolving Loans category to provide ongoing funding for the Revolving Loans

program. Requires Interim Finance approval since the amount transferred to the Revolving Loans category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22531**

Refer to motion for approval under Agenda Item D.

4. **Office of the Governor – Office of Energy – Energy Conservation - FY 2012 -** Transfer of $900,000 from the ARRA State Energy Program (SEP) category to the Revolving Loan category to provide additional funding for qualified loan applicants. Requires Interim Finance approval since the amount added to the Revolving Loan category exceeds $75,000. **RELATES TO ITEM 8**. **Work Program #C22672**

   Refer to motion for approval under Agenda Item D.

Chairwoman Smith announced that items 5 and 6 would be heard together.

5. **Office of the Governor – Office of Energy – Energy Conservation - FY 2012 -** Addition of $319,317 in State Energy Program (SEP) competitive grant funds to enhance commercial building retrofits through streamlined standards and policy. Requires Interim Finance approval since the amount added to the SEP Competitive Grant category exceeds $75,000. **RELATES TO ITEM 6. Work Program #C22434**

   Refer to testimony and motion for approval under Agenda Item D-6.

6. **Office of the Governor – Office of Energy – Energy Conservation - FY 2013 -** Addition of $358,069 in State Energy Program (SEP) competitive grant funds to enhance commercial building retrofits through streamlined standards and policy. Requires Interim Finance approval since the amount added to the SEP Competitive Grant category exceeds $75,000**. RELATES TO ITEM 5. Work Program #C22712**

Stacey Crowley, Director, State Office of Energy, Office of the Governor, explained items 5 and 6 involved a State Energy Program (SEP) competitive grant that was offered by the U.S. Department of Energy to all energy offices in the country. Nevada was one of five states that received funding to review energy policy and economic development policy regarding commercial building energy retrofits, as well as to look at innovative options for financing for projects that were outside of subsidies and incentives. Ms. Crowley noted that item 5 reflected the grant award amount for fiscal year (FY) 2012, and the amount in item 6 was for FY 2013.

Chairwoman Smith asked for specifics concerning how the funding would be used to improve and increase commercial retrofits. Ms. Crowley replied the total grant amount was $746,048, which would be used toward two major tracks of effort. The Office of Energy had partnered with several state entities, including the Business Environmental Program through the University of Nevada, Reno (UNR), which had offices in both the southern and northern parts of the state. The Office had also partnered with and received a generous matching grant from NV Energy and the Associated General Contractors.

Ms. Crowley explained the Office would work with the partners on two components. The first would be to synch the energy policy and the economic development policy as they related to retrofitting commercial buildings, and the second would be to look at innovative financing options for retrofits that would allow people to take advantage of energy savings in the most economical way possible. She added the program was for two years, and the Office would work with the UNR Business Environmental Program to collect data on policy issues and financing. Ms. Crowley said the Office was already working with UNR on the Nevada Retrofit Initiative, which was a residential component to energy retrofits, and good statistics and procedures were in place.

Chairwoman Smith said she assumed the positions funded by the grant would be eliminated when the grant funding was depleted. Ms. Crowley replied the positions would be extended if further grant opportunities became available. Three positions that had been funded through American Recovery and Reinvestment Act (ARRA) funds had been extended, and it was unknown whether they would be continued once the SEP funds were expended.

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

> ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF ITEMS D-5 AND D-6.
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> SENATOR LESLIE SECONDED THE MOTION.
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> THE MOTION CARRIED UNANIMOUSLY.

7. **Office of the Governor – Office of Energy – Energy Conservation - FY 2012 -** Addition of $253,064 in Sure Bet Rebate funds and transfer of $921,821 from the Reserve category to the Renewable Energy and Energy Projects category to fund renewable energy, energy efficiency, and/or energy conservation projects for state-owned properties. Requires Interim Finance approval since the amount added to the Renewable Energy and Energy Projects category exceeds $75,000. **Work Program #C22708**

   Refer to motion for approval under Agenda Item D.

8. **Office of the Governor – Office of Energy – Renewable Energy, Energy Efficiency and Energy Conservation Loans Program - FY 2012 -** Addition of $900,000 in Transfer from Nevada State Office of Energy funds to use existing ARRA State Energy Program funds to engage in loans for renewable energy projects. Requires Interim Finance approval since the amount added to the Energy

Loans category exceeds $75,000. **RELATES TO ITEM 4. Work Program #C22740**

Refer to motion for approval under Agenda Item D.

9. **Office of the Attorney General – Medicaid Fraud - FY 2012 -** Addition of $270,000 in the federal Health Care Fraud Prevention grant funds to expand statewide outreach efforts through training, materials, and volunteer recruitment to detect and address Medicare and Medicaid fraud. Requires Interim Finance approval since the amount added to the Medicaid Fraud Prevention category exceeds $75,000. **Work Program #C22718**

   Refer to motion for approval under Agenda Item D.

10. **Office of the Attorney General – Medicaid Fraud - FY 2012 -** Addition of $390,632 in federal Medicaid Fraud revenues and transfer of $1,265 from the Equipment category to the Medicaid Fraud Control Unit (MFCU) Reserve category to align federal and state authority and add two new positions. Requires Interim Finance approval since the amount added to the Litigation Expenses category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22692**

Keith Munro, Assistant Attorney General, Office of the Attorney General (AG), explained the Attorney General's Medicaid Fraud Unit was charged with investigation of reports of fraudulent activities surrounding the Medicaid system and subsequently prosecuting the individuals involved. The Unit was funded by federal dollars, and the federal government had a different budget cycle than the state, requiring IFC approval for the AG's office to expend the federal funds. Mr. Munro said the AG's Medicaid Fraud Control Unit was recently given federal authority to hire additional staff to prosecute individuals accused of Medicaid fraud. The AG's office was not asking for anything that was not approved by the federal government.

Mr. Munro noted that Nevada used the federal Medicaid system to assist low-income residents in receiving healthcare. Governmental programs that disbursed funds for goods and services attracted scam artists seeking to gain from the system. He said experts estimated abuse of the Medicaid system was between 3 percent and 10 percent of the program's total cost nationwide.

Mr. Munro went on to say that the Division of Health Care Financing and Policy reported in its *Medicaid and Nevada Check Up Fact Book 2011* that over the last five years, the Medicaid recipient population in Nevada had dramatically increased. In 2006, there were 172,000 Medicaid recipients in the state; as of February 2011, there were approximately 240,000 recipients. Current projections by the Nevada Medicaid office estimated an overall increase in the Nevada Medicaid recipient base to more than 311,000 by June 2013.

Mr. Munro said the Nevada Medicaid Fraud Unit had done a lot of good work; Nevada's Medicaid fraud investigations and convictions had not gone unnoticed nationwide. In a recent study, Nevada was listed as fourth in the nation for investigations. There had also been an increase in the volume and complexity of civil False Claims Act cases. In August 2009, the Medicaid Fraud Unit carried 127 False Claim Act cases; in August 2011, the number was 252 cases, and the number was expected to rise to 280 by the end of December 2011. Mr. Munro said the cases were unique because they had already been filed by a secret witness/plaintiff naming Nevada as a co-plaintiff. Therefore, the cases must be addressed in some manner by the Medicaid Fraud Unit, thus creating a demand for the expenditure of additional investigative and legal resources.

Mr. Munro pointed out the Attorney General's office had worked closely with the Committee's Fiscal Analysis Division staff and answered their questions. He respectfully requested approval of the work program and offered to answer questions from the Committee.

Senator Leslie asked why vacant positions in the Medicaid Fraud Control Unit had not been filled. It appeared that two Criminal Investigators, a Management Analyst 3, and an Administrative Assistant 4 were vacant.

Mr. Munro replied the AG's office was recruiting for all vacant positions, and they would be filled as soon as qualified applicants could be found.

Senator Leslie noted one Criminal Investigator position had been vacant since April 2011 and the other had been vacant since June 2011.

Debra Crowley, Chief Financial Officer, Office of the Attorney General, responded that the Management Analyst 3 position had recently been filled; it was vacant at the time the work program was submitted. Recruitment was currently ongoing for the other positions.

Senator Leslie still questioned why the Criminal Investigator positions had been vacant for such a long time. She asked whether the salary was too low.

Mr. Munro said he would get back to the Committee with the information, but he assured Senator Leslie that efforts were being made to fill all vacant positions.

Senator Leslie remarked it was difficult to approve new positions when, for unknown reasons, vacant positions had existed for an extended period of time.

Senator Settelmeyer noted grant funds would be used to fund ongoing employees, and he asked what would happen when the grant funds were expended. He wondered whether there was the ability to generate funds through fees and assessments to continue the positions.

Mr. Munro replied the AG's office worked through the federal authorities, and to the extent that funding from the federal government changed, the number of positions would have to be adjusted.

Senator Cegavske asked whether the Attorney General's office was aware of the funding for the new positions during the 2011 Legislative Session. Mr. Munro replied that, as noted earlier, the federal budget cycle was completed in October 2011, and the AG's office did not have the ability to hire or request approval to expend funds until the federal budget cycle was completed.

Senator Cegavske asked whether the AG's office was aware of the grant and could have discussed the funding and positions with the Legislature during the 2011 Session. Mr. Munro replied the amount of federal authority was not known until the close of the federal budget cycle.

Senator Denis asked how filling the positions would affect caseloads. Mr. Munro replied it was hoped some of the work of existing attorneys would be alleviated to give them the opportunity to litigate more cases.

Assemblywoman Carlton asked whether most of the investigations centered toward the providers. Mr. Munro replied he did not know that specifically; there was both claimant and provider fraud.

Assemblywoman Carlton asked which area was the largest problem; she had been told it was the providers.

Mark Kemberling, Chief, Medicaid Fraud Unit, Office of the Attorney General, testified the main focus of the grant was investigation and prosecution of provider fraud rather than recipient fraud, unless there was proof of collusion with the provider.

Chairwoman Smith asked whether, based on non-supervisory status, a regular Deputy Attorney General (DAG) rather than a Senior DAG would suffice.

Mr. Munro replied the most important purpose of the current request was to receive approval for an additional position. He recalled that Senior DAG positions had previously been requested from IFC by the Division of Environmental Protection and the Real Estate Division in order to recruit the most experienced candidate possible. Mr. Munro said he understood the Committee's concern with a request for another Senior DAG position, but the Medicaid fraud cases were difficult and complex. It was the AG's desire to hire the most experienced attorneys possible, and the level of the positions was approved by the federal government in recognition of the complexity involved in the fraud cases. However, Mr. Munro said, he understood the Committee had to consider other issues, and the AG's office would be agreeable to hiring a regular DAG.

Chairwoman Smith said the Committee was concerned with the problems faced by many of the agencies in trying to recruit, hire, and retain good staff. The Committee also needed to try to monitor how employees were being paid and whether salaries were equitable across the state.

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

> ASSEMBLYWOMAN CARLTON MOVED FOR APPROVAL OF ITEM D-10.
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> SENATOR DENIS SECONDED THE MOTION.
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> THE MOTION CARRIED UNANIMOUSLY.

11. **Office of the Attorney General – Consumer Advocate - FY 2012 -** Addition of $1,257,998 in Morgan Stanley Settlement revenues to establish a foreclosure fraud civil enforcement unit to prosecute civil housing and foreclosure cases. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $75,000. **Work Program #C22739**

Keith Munro, Assistant Attorney General, Office of the Attorney General (AG), testified the foreclosure crisis had caused considerable difficulties for the State of Nevada. Over the past two legislative sessions, the Office of the Attorney General had worked with the Legislature on legislation responding to the crisis. The AG's office had appeared before the Interim Finance Committee (IFC) in fiscal year (FY) 2011 seeking assistance with the foreclosure crisis and prosecution of mortgage fraud cases. The AG's office had applied for a grant from the Federal Department of Justice to hire staff, and IFC approved the request to accept the grant. Mr. Munro said the grant funding was now making a difference in holding offenders criminally accountable for their actions.

Mr. Munro explained the Office of the Attorney General had a separate group of attorneys tasked with pursuing civil litigation related to the foreclosure crisis. The state's current litigation against the Bank of America was one such case, and the civil unit had also successfully pursued action against Morgan Stanley for purchasing and securitizing approximately 3,000 sub-prime mortgages in Nevada. A portion of the settlement required Morgan Stanley to pay $7.2 million to the State of Nevada to be used by the Attorney General for mortgage fraud and foreclosure prevention in similar programs. Mr. Munro stated item 11 was a request to approve a portion of the Morgan Stanley settlement funds.

Continuing, Mr. Munro said there was considerable work yet to be done in pursuing civil litigation on behalf of the state. The work program in item 11 requested utilization of only 20 percent of the Morgan Stanley settlement funds to help the AG's office pursue necessary civil investigations and possible civil litigation; there were more investigations pending that could result in civil litigation. Mr. Munro said the Attorney General needed the Committee's assistance with the foreclosure crisis. The Committee had been provided with the data related to the positions and the related costs. The situation was troubling; one expert had stated publicly that, "Sadly, Las Vegas is nowhere near finished with foreclosures. In all likelihood, another 100,000 foreclosures are on the way, and at the current rate, that process will continue for another four to five years."

Mr. Munro reiterated the AG's office was seeking to use only 20 percent of the Morgan Stanley settlement funds, which would be directed toward alleviating the effects of the foreclosure crisis. He said the office wanted to partner with the Legislature, its committees, and others to determine how to best utilize the remaining 80 percent of the settlement funds. The AG's office had met with Governor Sandoval's Chief of Staff, Heidi Gansert, and Department of Business and Industry Director, Terry Johnson, concerning possible uses of the settlement money in an effort to improve the work of the Mortgage Lending Division.

Mr. Munro said the Office of the Attorney General had also partnered with the California Attorney General's office to join forces and share efforts where possible. He remarked the joint efforts highlighted the unique situation both states were facing because of the foreclosure crisis. Mr. Munro respectfully requested approval of the work program.

Assemblyman Conklin noted that two Senior Deputy Attorney General (DAG) positions were being requested, and he asked whether a senior-level position was needed.

Mr. Munro replied his answer was the same as it was in a previous request for a Senior DAG position: The AG's office wanted to hire the most experienced attorneys possible. However, Mr. Munro said he understood the Committee had to consider other issues, and the AG's office would be agreeable to hiring a regular DAG.

Chairwoman Smith stated one of the concerns regarding the request was there were existing positions on the criminal side that were not at the senior level, and she questioned the equity of requesting new senior-level positions for the civil unit.

Mr. Munro replied because of constitutional protections and different rights involved, the Attorney General's office had two distinct units working on the foreclosure crisis: one criminal in nature and one civil. In December 2010, discussion had taken place concerning the criminal prosecutions, and those efforts had been reported in the news media. Mr. Munro said the current request involved the civil unit, and his answer was the same with respect to the Senior Deputy Attorney General positions. He noted the Bank of America and Morgan Stanley attorneys would blush at the salaries being paid the state DAGs, but the AG's staff was providing a public service.

Continuing, Mr. Munro reiterated the AG's office wanted to attract the most experienced employees possible, but if the Committee was concerned, a Deputy Attorney General would be acceptable. However, he emphasized again, the cases were very tough, the banks were hiring experienced attorneys, and the AG's office was attempting to hire the most experienced attorneys possible.

Chairwoman Smith replied she understood, but she was concerned with the fact that the two positions in the criminal unit were not senior positions. She asked whether the civil side was more difficult because of the existence of corporate attorneys. She wanted assurance that there was equity and balance.

Mr. Munro replied the complexity of all of the cases warranted salaries much higher than the attorneys could receive. He would like to also be requesting that the attorneys in the criminal unit be elevated to senior positions, but it was necessary to be practical. Mr. Munro again noted there would be more investigations and potential litigation in the future, and it was necessary to have the most qualified individuals possible.

Assemblyman Conklin asked whether senior positions were generally reserved for supervisory roles and if there was a need for a supervisory role in the mortgage fraud unit. He questioned whether the request for senior positions was a matter of being competitive.

Mr. Munro replied for these particular positions, the request for Senior DAGs was a matter of being competitive.

Assemblyman Conklin asked whether the Attorney General's office had determined how much of the unencumbered Morgan Stanley settlement funds would revert to the General Fund to reimburse the state for the cost of the investigations.

Debra Crowley, Chief Financial Officer, Office of the Attorney General, replied currently the unencumbered amount of the settlement funds, approximately $5.7 million, was in the reserve account until it was determined how the funds would be used.

Assemblyman Conklin asked whether the total amount was available for the purpose of investigations.

Ernest Figueroa, Chief Deputy Attorney General, Office of the Attorney General, responded that the unencumbered amount of approximately $5.7 million would be available for allocation at the Legislature's discretion.

Assemblyman Conklin asked whether the Attorney General's office had a plan for use of the settlement money.

Mr. Figueroa replied the only plan at this point was to allocate 20 percent for the work program in item 11. He said the AG's office was currently working with the Governor's staff and would welcome any legislative input to determine how to allocate the rest of funds.

Assemblyman Conklin remarked it would be helpful if the Committee could receive an accounting of the costs of the investigations in order to understand how the funds were being spent. Mr. Figueroa responded he would provide the requested information to the Committee.

Senator Kieckhefer said his information indicated that as part of the settlement, the Attorney General's office had paid $3.6 million to outside counsel to negotiate the civil litigation. He asked why a Senior DAG was necessary for litigation when $3.6 million was being paid to outside counsel.

Mr. Figueroa replied the use of outside counsel was specific to the Morgan Stanley investigation; outside counsel would not be necessary in future civil litigation. He said outside counsel was hired on a 15 percent contingency fee basis based on the fact that the Morgan Stanley settlement in totality represented a settlement in the range of $21 million to $40 million on behalf of the state and its residents.

Senator Kieckhefer asked the name of the firm hired to provide outside counsel and what process was used to select outside counsel. Mr. Figueroa replied the firm was Cohen Milstein, and it was selected through a request for proposal (RFP).

Senator Kieckhefer asked how often the AG's office hired outside counsel and whether it was a regular or occasional occurrence. Mr. Figueroa replied he believed the last selection of outside counsel was approximately two years ago, and use of outside counsel was on an occasional basis.

Senator Kieckhefer asked whether legislative approval was required to hire outside counsel. Mr. Figueroa replied the office had reviewed the *Nevada Revised Statutes* (NRS) and determined that the appropriate process was to issue an RFP and seek approval from the Board of Examiners. He could not recall the specific statute, but he would provide the information to the Committee.

Senator Denis asked whether the Office of the Attorney General budgeted funds for outside counsel or whether funds were made available on an as-needed basis. Ms. Crowley replied funds were budgeted on an as-needed basis.

Senator Denis asked Ms. Crowley to explain the process for funding of outside counsel. Ms. Crowley replied the Attorney General's office accessed the Reserve for Statutory Contingency Account for the majority of outside counsel needs, but in this particular case, as the investigations arose, the need for outside counsel would be factored in and budgeted.

Chairwoman Smith asked for other questions from the Committee. She then asked for public comment; seeing none, she called for a motion.

SENATOR LESLIE MOVED FOR APPROVAL OF ITEM D-11.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

Assemblyman Goicoechea asked whether he understood correctly that there was currently approximately $6 million in reserve from the Morgan Stanley settlement that could be used either with or without legislative approval.

Mr. Munro replied he was incorrect. The Attorney General's office was currently seeking Committee approval to expend 20 percent of the settlement funds; no further expenditures would be made without legislative approval.

> THE MOTION CARRIED. (Senator Parks was not present for the vote.)

Chairwoman Smith requested that the Attorney General's staff continue to work with the Committee's Fiscal staff to determine the costs spent to date on the investigation and reach an understanding as to the plan going forward. Mr. Munro said he would be happy to comply with her request.

12. **Office of the Attorney General – Violence Against Women Grants - FY 2012 -** Addition of $181,420 in the Children Endangered by Violence grant to collaborate with Nevada's counties to aid in the protection and prevention of children under the age of 13 who are exposed to abuse. Requires Interim Finance approval since the amount added to the Children Endangered by Violence category exceeds $75,000. **Work Program #C22596**

    Refer to motion for approval under Agenda Item D.

13. **Office of the Attorney General – Violence Against Women Grants - FY 2012 -** Addition of $872,442 in the federal Services, Training, Officers, and Prosecutors (STOP) grant to fund law enforcement, prosecution, courts and community based projects and programs that benefit victims of domestic, dating, and sexual violence, as well as stalking. Requires Interim Finance approval since the amount added to the Law Enforcement Grant category exceeds $75,000 and the request includes a new federally funded position. **Work Program #C22759**

    Refer to motion for approval under Agenda Item D.

14. **Office of the State Treasurer – Unclaimed Property - FY 2012 -** Addition of $100,000 in Settlement Funds in compliance with an arbitration agreement for advertising services related to unclaimed property. Requires Interim Finance approval since the amount added to the ~~Operating Expense~~ ***Supreme Court Arbitration Agreement*** category exceeds $75,000. **REVISED NOVEMBER 30, 2011**. **Work Program #C22684**

    Refer to motion for approval under Agenda Item D.

15. **Department of Administration – Purchasing – Commodity Food Program-FY 2012 -** Transfer of $40,325 from the Reserve category to the Shipping Expense category to cover temporary services, fuel and equipment repair costs in order to distribute increased commodities from the United States Department of Agriculture. Requires Interim Finance approval since the amount added to the Shipping

Expense category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22704**

Refer to motion for approval under Agenda Item D.

16. **Department of Education – Staffing Services - FY 2012 -** Addition of $39,439 in Cost Allocation Reimbursement to fund one IT Professional III position that was included in the Striving Readers grant program. Requires Interim Finance approval since the request includes a new federally funded position. **Work Program #C22769**

    Refer to motion for approval under Agenda Item D.

17. **Department of Education – GEAR UP - FY 2012 -** Addition of $599,738 in federal GEAR UP grant funds and $44,349 in Transfer from Trust Account funds. This request also transfers $40,643 from the Indirect Costs category to the Operating category to align federal and state authority. Requires Interim Finance approval since the amount added to the GEAR UP Aid to Schools category exceeds $75,000. **Work Program #C22590**

    Refer to motion for approval under Agenda Item D.

18. **Department of Education – Other Unrestricted Accounts - FY 2012 -** Addition of $35,000 in National Governors Association (NGA) Teacher Effectiveness grant funds to develop and implement plans to create state policies that support rigorous evaluation of teachers. Requires Interim Finance approval since the amount added to the NGA - Improve Teacher Effectiveness category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22825**

    Refer to motion for approval under Agenda Item D.

19. **Department of Education – Discretionary Grants - Restricted - FY 2012 -** Addition of $1,227,915 in Education Jobs (EduJobs) program funds transferred from the Governor's Office to accept supplemental grant funds to provide essential resources to assist local education agencies in saving or creating jobs and helping to ensure that students are prepared to succeed in college and careers. Requires Interim Finance approval since the amount added to the EduJobs Aid to Schools category exceeds $75,000. **RELATES TO ITEM 1. Work Program #C22770**

    Refer to motion for approval under Agenda Item D.

20. **Department of Education – Elementary and Secondary Education-Title I-FY 2012 -** Addition of $33,530,833 in federal Title I Basic grant funds; $402,521 in federal Migrant Aid grant funds; $141,701 in federal Neglected and Delinquent Children grant funds; $77,519 in federal Migrant Consortium grant funds; $1,318,460 in federal School Improvement (1003g) grant funds; $14,915 in federal Even Start grant funds; and $25,706 in federal Title I A - ARRA grant funds. This request also transfers $18,764 from the Indirect Costs Transfers category to the

Operating category to align federal and state authority. Requires Interim Finance approval since the amount added to the Title I Basic Aid to Schools category exceeds $75,000. **Work Program #C22636**

Refer to motion for approval under Agenda Item D.

21. Department of Education – Elementary and Secondary Education-Title I-FY 2012 - Addition of $8,995,641 in federal ARRA School Improvement 1003g grant funds to balance forward authority for school improvements. Requires Interim Finance approval since the amount added to the ~~Local Education Agency (LEA) Library Books~~ ***ARRA School Improvement 1003g ATS*** category exceeds $75,000. **REVISED DECEMBER 1, 2011**. **Work Program #C22781**

Refer to motion for approval under Agenda Item D.

22. Department of Education – Elementary and Secondary Education-Titles II, V, & VI - FY 2012 - Addition of $3,997 in federal ARRA Technology grant funds; $4,376,779 in federal Improving Teacher Quality grant funds; $3,288,875 in federal State Assessments grant funds; $903,574 in federal Math and Science Partners grant funds; and $564,941 in federal Technology grant funds; and deletion of $2,263 in federal Striving Readers Initial grant funds. This request also transfers $42,787 from the Striving Readers Formula Grant category to the Math and Science Partnerships Aid to Schools category; $4,598 from the Technology Grants-ARRA-Technical Assistance category to the Educational Technology Aid to Schools category; $159 from the Technology Grants ARRA State Admin category to the State Assessments Aid to Schools category; $7,150 from the Technology Grants-ARRA category to the State Assessments Aid to Schools category; and $20,008 from the Education Technology Admin category to the Education Technology Aid to Schools category to align federal and state authority for various programs. Requires Interim Finance approval since the amount added to the Teacher Quality-Aid to Schools category exceeds $75,000. **Work Program #C22697**

Refer to motion for approval under Agenda Item D.

23. Department of Education – Career and Technical Education - FY 2012 - Addition of $1,922,196 in federal Perkins Vocational Education grant funds and transfer of $24,207 from the Indirect Cost category to the Operating category to align federal and state authority. Requires Interim Finance approval since the amount added to the Career and Technical Education Basic Aid to Schools category exceeds $75,000. **Work Program #C22639**

Refer to motion for approval under Agenda Item D.

24. Department of Education – Individuals with Disabilities Act (IDEA) - FY 2012 - Addition of $29,849,982 in federal Special Education grant funds; $1,439,124 in federal Early Childhood grant funds; and $143,112 in federal Project Promises grant funds. This request also transfers $3,315 from the ARRA-Administration category to the Operating category. Requires Interim Finance approval since the amount added to the Special Education Aid to Schools category exceeds $75,000. **Work Program #C22686**

Refer to motion for approval under Agenda Item D.

25. **Nevada System of Higher Education (NSHE) – University of Nevada, Reno - FY 2012 -** Addition of $1,307,516 in Registration Fees, $188,829 in Student Surcharges, and $3,902,660 in Non-Resident Tuition; and deletion of $163,000 in Miscellaneous Student Fees to align revenue projections and to fund deferred maintenance, computer replacement, classroom renovations, project matches and debt service. This request also includes the addition of $33,233 in Student Surcharges to be booked in the NSHE self-supporting budgets for student financial aid. Requires Interim Finance approval pursuant to Senate Bill 503, Section 8, Chapter 372 of the 2011 Legislature. **Work Program #C22731**

    Refer to motion for approval under Agenda Item D.

26. **Nevada System of Higher Education (NSHE) – School of Medical Sciences - FY 2012 -** Addition of $81,990 in Non-Resident Tuition and deletion of $1,990 in Registration Fees to fund student scholarships. Requires Interim Finance approval pursuant to Senate Bill 503, Section 8, Chapter 372 of the 2011 Legislature. **Work Program #C22728**

    Refer to motion for approval under Agenda Item D.

27. **Nevada System of Higher Education (NSHE) – Dental School – UNLV - FY 2012 -** Addition of $7,000 in Miscellaneous Student Fees and $218,170 in Non-Resident Tuition to fund part-time instructors. Requires Interim Finance approval pursuant to Senate Bill 503, Section 8, Chapter 372 of the 2011 Legislature. **Work Program #C22729**

    Refer to motion for approval under Agenda Item D.

28. **Nevada System of Higher Education (NSHE)–Nevada State College-Henderson - FY 2012 -** Addition of $52,733 in Student Surcharges and $83,910 in Non-Resident Tuition to fund part-time instructors and other instruction related support. This request also includes the addition of $9,305 in Student Surcharges to be booked in the NSHE self-supporting budgets for student financial aid. Requires Interim Finance approval pursuant to Senate Bill 503, Section 8, Chapter 372 of the 2011 Legislature. **Work Program #C22730**

    Refer to motion for approval under Agenda Item D.

29. **Department of Tourism and Cultural Affairs – Nevada Arts Council - FY 2012 -** Transfer of $1,956 from the Out-of-State Travel category to the National Endowment for the Arts (NEA) - Administration category; $997 from the In-State Travel category to the NEA - Administration category; $92,170 from the Operating category to the NEA - Administration category; and $6,368 from the Information Services category to the NEA - Administration category to move federal grant authority from standard operating categories to a special use category in order to simplify account reconciliation. Requires Interim Finance approval since the amount transferred to the NEA - Administration category exceeds $75,000. **Work Program #C22715**

    Refer to motion for approval under Agenda Item D.

30. **Department of Health and Human Services – Director's Office – Administration - FY 2012 -** Addition of $40,644 in Private grant funds from the Pyramid Lake Paiute Tribe to perform Youth Outreach, Public Awareness and Training for the Native American community. Requires Interim Finance approval since the amount added to the Inter-Tribal Suicide Prevention category exceeds 10 percent of the legislatively amount for that category. **Work Program #C22536. WITHDRAWN NOVEMBER 28, 2011.**

    Refer to motion for approval under Agenda Item D.

31. **Department of Health and Human Services – Director's Office – Consumer Health Assistance - FY 2012 -** Deletion of $9,610 in federal Affordable Care Act (ACA) - Consumer Assistance Program (CAP) grant funds to accurately align the grant funds. Transfer of $32,002 from the Personnel Services category to the ACA-CAP Grant category and $19,352 from the Personnel Services category to the Reserve for Reversion category to cover grant approved expenditures and revert General Funds for ACA-CAP expenditures that were mistakenly funded with General Funds. Requires Interim Finance approval since the amount transferred from the Personnel Services category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22753**

    Refer to motion for approval under Agenda Item D.

32. **Department of Health and Human Services – Director's Office – Public Defender - FY 2012 -** Addition of $216,580 in John R. Justice federal grant funds to help recently graduated attorneys working in the public sector by paying a portion of their outstanding student loans. Requires Interim Finance approval since the amount added to the John R. Justice Grant category exceeds $75,000. **Work Program #C22411**

    Refer to motion for approval under Agenda Item D.

33. **Department of Health and Human Services – Aging Services – Federal Programs and Administration - FY 2012 -** Addition of $38,868 in Chronic Disease Self Management Program (CDSMP) grant funds to develop the capacity of the state and its communities to systematically deliver evidence based prevention programs that address chronic conditions and other health risks among seniors. Requires Interim Finance approval since the amount added to the CDSMP Grant category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22571**

    Refer to motion for approval under Agenda Item D.

34. **Department of Health and Human Services – Aging Services –Federal Programs and Administration - FY 2012 -** Addition of $71,717 in federal Aging and Disability Resource Center (ADRC) grant funds to increase the number of ADRCs statewide, improve knowledge about and the delivery of Options/Benefits Counseling to elders and individuals with disabilities both in institutions and the community, and develop a five-year operational plan that will sustain growth and quality. Requires Interim Finance approval since the amount added to the ADRC Grant category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22573**

    Refer to motion for approval under Agenda Item D.

35. **Department of Health and Human Services – Aging Services – Federal Programs and Administration - FY 2012 -** Addition of $475,477 in federal Alzheimer's grant funds to develop the evidence based Coping with Caregivers program in support of individuals with Alzheimer's disease and their care providers. Requires Interim Finance approval since the amount added to the Alzheimer's Grant category exceeds $75,000. **Work Program #C22575**

    Refer to motion for approval under Agenda Item D.

36. **Department of Health and Human Services – Aging Services – Community Based Services - FY 2012 -** Addition of $109,496 in federal Lifespan Respite Care grant funds to expand and enhance respite services in the state; improve coordination and dissemination of service delivery; improve access and fill gaps in service delivery; and improve overall quality of respite services currently available. Requires Interim Finance approval since the amount added to the Federal Lifespan Respite Care Grant category exceeds $75,000. **Work Program #C22577**

    Refer to motion for approval under Agenda Item D.

37. **Department of Health and Human Services – Aging Services – IDEA Part C Compliance - FY 2012 -** Addition of $1,570,482 in federal Infants and Families with Disabilities grant funds to monitor Early Intervention services, fund direct Early Intervention services and to enhance the IDEA Part C database used for gathering statistical data for federal and state reporting requirements. Requires

Interim Finance approval since the amount added to the Technology Related Assistance category exceeds $75,000. **Work Program #C22618**

Refer to motion for approval under Agenda Item D.

38. **Department of Health and Human Services – Health Care Financing and Policy – Administration - FY 2012 -** Addition of $29,800 in federal Title XIX funds and transfer of $69,532 from the Reserve for Resident Protection category to the Civil Monetary Penalty Payments category for the continuation of the Health Division's study of Methicillin-Resistant Staphylococcus Aureus (MRSA) infection in Skilled Nursing Facilities which was approved in FY 2011. Requires Interim Finance approval since the amount transferred to the Civil Monetary Penalty Payments category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22356**

    Refer to motion for approval under Agenda Item D.

39. **Department of Health and Human Services – Health Division – WIC Food Supplement - FY 2012 -** Addition of $530,524 in federal Women, Infant, and Children (WIC) Breastfeeding grant funds to support the 8 WIC agencies and 25 clinics that help promote the nutrition of new mothers and their infants who are eligible for the program. Requires Interim Finance approval since the amount added to the WIC Breastfeeding Program category exceeds $75,000. **Work Program #C22605**

    Refer to motion for approval under Agenda Item D.

40. **Department of Health and Human Services – Health Division – Health Facilities Hospital Licensing - FY 2012 -** Addition of $282,994 in federal Data Utilization grant funds to support one new position and the National Background Check Program (NBCP). Funds are intended to support background checks for direct patient access employees of long-term care facilities and providers to further enhance the safety and quality of care of the state's long-term care population, reduce statutory barriers, and increase efficiencies through electronic verification. Requires Interim Finance approval since the amount added to the Background Check Grant category exceeds $75,000**. Work Program #C22607**

    Refer to motion for approval under Agenda Item D.

41. **Department of Health and Human Services – Health Division – Public Health Preparedness Program - FY 2012 -** Addition of $41,189 in federal ARRA Primary Care Office grant funds to strengthen Nevada's efforts to increase the primary care workforce through the National Health Service Corp (NHSC). Requires Interim Finance approval since the amount added to the ARRA Primary Care Office Grant category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22422**

    Refer to motion for approval under Agenda Item D.

42. **Department of Health and Human Services – Health Division – Biostatistics and Epidemiology - FY 2012 -** Addition of $118,263 in federal ARRA Behavioral Risk Factor Surveillance Systems (BRFSS) grant funds to collect baseline and follow-up data for evaluation of the Clark County Communities Putting Prevention to Work (CPPW) Tobacco Initiative project. Requires Interim Finance approval since the amount added to the ARRA Behavioral Risk Factor Surveillance Systems exceeds $75,000. **Work Program #C22547**

    Refer to motion for approval under Agenda Item D.

43. **Department of Health and Human Services – Health Division – Biostatistics and Epidemiology - FY 2012 -** Addition of $22,500 in Alzheimer's Association Private grant funds to incorporate questions about cognitive impairment into the Nevada 2012 Behavioral Risk Factor Surveillance System survey. Nationally, the Alzheimer's Association is gathering data from all 50 states in order to have state-to-state and state-to-national comparisons. Requires Interim Finance approval since this is a non-governmental grant in excess of $20,000. **Work Program #C22562**

    Refer to motion for approval under Agenda Item D.

44. **Department of Health and Human Services – Health Division – Biostatistics and Epidemiology - FY 2012 -** Addition of $113,340 in Healthy Homes Partnership Subgrant funds to coordinate a statewide Healthy Housing and Lead Poisoning Surveillance System (HHLPSS), develop a Healthy Homes Strategic Plan for Northern Nevada, and work with Southern Nevada partners in setting up meetings, trainings and contacts with Northern Nevada interested parties. Requires Interim Finance approval since the amount added to the Healthy Homes Partnership Subgrant category exceeds $75,000. **Work Program #C22666**

    Refer to motion for approval under Agenda Item D.

45. **Department of Health and Human Services – Health Division – Chronic Disease - FY 2012 -** Addition of $486,554 in federal Public Prevention Health Fund grant revenues to fund three new positions to coordinate chronic disease prevention and health promotion efforts statewide and support development, implementation and evaluation of existing Centers for Disease Control and Prevention funded programs to combat these chronic conditions. Requires Interim Finance approval since the amount added to the Chronic Disease Prevention Program category exceeds $75,000**. Work Program #C22463**

    Refer to motion for approval under Agenda Item D.

46. **Department of Health and Human Services – Health Division – Maternal Child Health Services - FY 2012 -** Addition of $289,158 in federal Abstinence Education grant funds to develop and implement an Abstinence Education Program focusing

on high-risk youth. Requires Interim Finance approval since the amount added to the Abstinence Education category exceeds $75,000. **Work Program #C22587**

Refer to motion for approval under Agenda Item D.

47. **Department of Health and Human Services – Health Division – Maternal Child Health Services - FY 2012 -** Addition of $93,104 in federal Oral Health grant funds to support the "Get It Done By Age One" campaign to educate parents about oral health care needs for their babies and continue the statewide Basic Screening Survey (BSS). Requires Interim Finance approval since the amount added to the Oral Health category exceeds $75,000. **Work Program #C22681**

Refer to motion for approval under Agenda Item D.

48. **Department of Health and Human Services – Health Division – Office of Health Administration - FY 2012 -** Transfer of $136,064 from the Reserves category to the Information Services category to obtain extended warranty agreements, replace videoconferencing equipment, address power supply equipment failures, purchase additional software licenses for the helpdesk software, and provide for website maintenance. Requires Interim Finance approval since the amount transferred to the Information Services category exceeds $75,000. **Work Program #C22701**

Stacey Johnson, Administrative Services Officer, State Health Division, Department of Health and Human Services (DHHS), explained item 48 was a request to transfer funds from the Reserve category to the Information Technology category for the purchase of unbudgeted software and hardware maintenance contracts, the upgrade of Legacy videoconferencing equipment, and the creation of a website through Ektron Web Content Management. She said the maintenance contracts were requested in the 2011-2013 biennial budget but were removed because price quotes were not available prior to the close of the Division's budget.

Ms. Johnson further explained the maintenance agreements were critical; without them, the Division would be operating at risk and exposed to failures that it may not be able to mitigate. The videoconferencing equipment was over ten years old and the likelihood of critical failure or malfunction was increasing every day. Ms. Johnson said the systems were in regular and frequent use by a large number of people who might otherwise have to travel, which would result in a significantly greater cost to the state. Due to a large turnover in the Administrative Officer positions and the long-term illness of key personnel, the equipment was not requested in the 2011-2013 biennial budget.

Continuing, Ms. Johnson said the contract with Ektron was to be used for the creation of the Health Division's website. In discussions with the Department of Administration's Enterprise Information Technology Services (EITS) Division, the Health Division had been informed that the contract was no longer needed and agreed to withdraw the $30,000 request from the work program.

Assemblyman Bobzien requested further clarification of the withdrawal of the $30,000 for the Ektron contract. He had understood the content management system (CMS) was intended to be a centralized cost center for EITS to develop websites for state agencies. He asked whether the $30,000 was no longer required because it was part of an overall contract with Ektron.

Alan Rogers, Application Development Manager, Enterprise Information Technology Services Division, Department of Administration replied the contract had been discussed over a year before, and at that time, the Ektron CMS was a fairly new product and the EITS Division was still learning how to use it. During the past six months, the Division had been trained in the use and development of the CMS, and pilot websites had been developed.

Mr. Rogers said EITS could move forward with the development of the website for the Health Division concurrently with the priorities it was currently working on, which were the Department of Administration, boards and commissions, and the Department of Public Safety. The only reason EITS would not be able to proceed was the size of its staff and the time involved. The purpose of the Ektron contract initially was to provide additional services to enable the Health Division's website to be developed sooner. However, Mr. Rogers said, with the development of new templates, EITS could begin working with the Health Division almost immediately.

Assemblyman Bobzien remarked essentially the EITS Division was realizing the economy of going forward with a centralized management system after gaining some experience and further knowledge of the system. Mr. Rogers concurred.

Senator Denis asked whether EITS was replacing the seven videoconferencing systems.

Marla McDade Williams, Deputy Administrator, State Health Division, Department of Health and Human Services, replied only equipment that had exceeded its lifespan of beyond ten years was being replaced.

Senator Denis asked what the Division's plan was for replacement equipment moving forward. Ms. McDade Williams said the Division was currently conducting an internal analysis in preparation for the 2013-2015 budget cycle to have all of the information available when the next biennial budget was submitted.

Senator Denis asked whether the Division had other equipment older than ten years that would need to be replaced.

Ms. McDade Williams replied she could not identify any other equipment at the moment, but she was certain other equipment in the Division was at least ten years old. She said the other equipment would be part of the 2013-2015 biennial budget request, but the Division would have to mitigate immediate needs until further budget authority was available.

Senator Denis remarked he hoped the Health Division and other agencies would be proactive concerning equipment needs for the upcoming biennium rather than submitting them late in the legislative session.

Chairwoman Smith asked for further questions from the Committee; there were none.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, clarified the revisions to the original work program in the amount of $136,064: $999 was left out of the original calculation, resulting in a total work program request of $137,063, and with the removal of the $30,000 pursuant to the Health Division's request, the work program amount was reduced to $107,063.

ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL OF ITEM D-48 AS REVISED.

SENATOR DENIS SECONDED THE MOTION.

Chairwoman Smith asked for public comment; there was none, and she called for the vote.

THE MOTION CARRIED UNANIMOUSLY.

49. Department of Health and Human Services – Welfare and Supportive Services – Administration - FY 2012 - Addition of $806,820 in federal Supplemental Nutrition Assistance Program (SNAP) Information Plan funds and $427,662 in federal SNAP Education Plan funds to provide for community partners to conduct a campaign to inform low-income households about the SNAP program and assist them in the application process, as well as provide instruction to SNAP recipients on shopping strategies and applying dietary guidelines for good health. Requires Interim Finance approval since the amount added to the Food Stamp Information Program category exceeds $75,000. **Work Program #C22585**

Refer to motion for approval under Agenda Item D.

50. Department of Health and Human Services – Welfare and Supportive Services – Energy Assistance Program - FY 2012 - Transfer of $185,000 from the Low Income Home Energy Assistance Program (LIHEAP) Payments category to the Operating category to retain temporary staff needed to process the number of applications required to distribute all available LIHEAP and Universal Energy Charge funds to eligible households. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $75,000. **Work Program #C22545**

Refer to motion for approval under Agenda Item D.

Chairwoman Smith announced items 51 and 52 would be heard together, pursuant to Senator Kieckhefer's request.

51. **Department of Health and Human Services – Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services - FY 2012 -** Transfer of $1,337,797 from the Personnel Services category to the Professional Services category to provide the agency flexibility with scheduling, reduce overtime, and allow the agency to meet the critical staffing levels that are needed to ensure patient and staff safety. Requires Interim Finance approval since the amount transferred to the Professional Services category exceeds $75,000. **Work Program #C22083**

    Refer to testimony and motion for approval under Agenda Item D-52.

52. **Department of Health and Human Services – Mental Health and Developmental Services – Southern Nevada Adult Mental Health Services - FY 2012 -** Transfer of $354,734 from the Personnel Services category to the Mental Health Technician Services category to provide the agency flexibility with scheduling, reduce overtime, and allow the agency to meet the critical staffing levels that are needed to ensure patient and staff safety. Requires Interim Finance approval since the amount transferred to the Mental Health Technician Services category exceeds $75,000. **Work Program #C22240**

Paul Ripple, Administrative Services Officer, Southern Nevada Adult Mental Health Services (SNAMHS), Division of Mental Health and Developmental Services (MHDS), Department of Health and Human Services (DHHS), explained that item 51 moved vacancy savings from vacant Psychiatrist positions to the Professional Services category. Mr. Ripple said SNAMHS currently had nine vacant Senior Psychiatrist positions, which were covered by psychiatrists from the JCL Locums medical employment agency.

Mr. Ripple further explained that item 52 moved vacancy savings from vacant Mental Health Technician positions to the Mental Health Tech Services category. He said there were currently 11 vacant positions, which was less than a 10 percent vacancy rate for Mental Health Technician positions.

Senator Kieckhefer recalled that during the 2011 Legislative Session, the Legislature approved contracting for most of the psychiatric services at SNAMHS. He asked whether his understanding was correct.

Stuart Ghertner, Ph.D., Clinical Program Manager, Southern Nevada Mental Health Services, Division of Mental Health and Developmental Services, DHHS, replied there had been a general misunderstanding concerning the policy. In the SNAMHS budget for fiscal year (FY) 2012-13, five Psychiatrist positions were eliminated and filled with internal medicine or family practice doctors to provide medical care at the Rawson-Neal Hospital. Dr. Ghertner said it was determined that between $250,000 and $300,000 could be saved by replacing the internal medicine positions through an outside contract. In conjunction with the State Purchasing Division, a request for proposal (RFP) was issued, and a contract with Wexford Health Sources was approved by the Board of

Examiners on December 14, 2011. Starting January 1, 2012, Wexford Health Sources would be providing general medical services at the hospital at a cost of $800,000; the cost in FY 2011 was $1.1 million. [Note: After the hearing, the Fiscal Analysis Division confirmed with Dr. Ghertner that the 2011 Legislature approved the Governor's recommendation to eliminate two Senior Physicians and three Senior Psychiatrist positions in order to contract for internal medicine services.]

Dr. Ghertner further explained that in order to contract for medical services at the hospital, the five Psychiatrist positions, which were being filled by internal medicine doctors, were eliminated. There were no active Psychiatrist positions eliminated from the medical staff.

Senator Kieckhefer asked whether SNAMHS always had internal medicine physicians on staff. Dr. Ghertner replied it did.

Senator Kieckhefer asked how the psychiatric services were backfilled when the Psychiatrist positions were replaced with internal medicine physicians.

Dr. Ghertner explained SNAMHS was currently allocated 35 full-time-equivalent (FTE) Psychiatrist positions, and 40 FTE were previously allocated, 5 of which were filled with internal medicine physicians. Forty Psychiatrist positions were not needed because even though the demand had increased over the past several years, the agency and the hospital had become much more efficient in terms of productivity, both on an out-patient and in-patient basis. Dr. Ghertner said once the productivity of the Psychiatrists was improved and they could see more patients over the course of the day, the vacant positions were unnecessary to meet the demand.

Senator Kieckhefer surmised that his recollection that psychiatric services were going to be contracted out was not accurate. General internal medical services were being contracted out.

Dr. Ghertner replied that was true. He reiterated that no Psychiatrists were laid off; the positions previously filled with internal medical physicians were replaced with contract services through Wexford Health Sources. He noted that SNAMHS was down to 35 FTE Psychiatrists in the entire agency; 8 positions, or about 25 percent, were vacant. Dr. Ghertner said the agency had experienced difficulty filling all of the positions because the salaries were not competitive for the region. In the western/southwestern region, public health psychiatrists were earning in the vicinity of $185,000, and with the reductions in the agency's budget, Senior Psychiatrists at SNAMHS were paid $172,000. [Note: The Fiscal Analysis Division confirmed with Dr. Ghertner that the number of Senior Psychiatrists authorized for SNAMHS decreased in total from 43 positions (40.54 FTE) to 33 positions (31.05 FT), as recommended by the Governor and approved by the 2011 Legislature.]

The second problem, Dr. Ghertner continued, was the economy. It was difficult to recruit applicants into southern Nevada because psychiatrists living elsewhere had the same problems with housing that Nevadans had. If the salaries were not attractive, it was not feasible for an applicant to leave an area and lose money on his house to move to an area where he would make less.

Senator Kieckhefer asked whether the same problems existed with nursing positions and Psychiatric Technicians. Dr. Ghertner replied no; the vacancy rates in nursing and technician positions were not high. The problem with those positions was call-offs; a number of nurses and Mental Health Technicians called in sick or were on family medical leave, and the staffing pattern in a hospital did not account for call-offs. Because of it, there were vacancies, which were in a flow pool, but without the vacancies, the agency was forced to use outside employment agencies to fill the positions. The same was true with the Locums agency psychiatrists, but the good news was that the Locums employees had been attracted to the agency, there was no trouble recruiting them, and they stayed for at least six months, which was a requirement. The continuity and quality of care utilizing Locums, while not optimum, actually solved a problem for SNAMHS.

Senator Leslie noted that Locums employees were paid a higher rate, and she asked whether it was financially beneficial for those employees to stay with Locums rather than take full-time employment with SNAMHS.

Dr. Ghertner said one or two Locums employees had moved to the area and accepted employment at SNAMHS. The problem was that a number of Locums employees liked to work in southern Nevada in the winter and somewhere else in the summer, and many were not interested in permanent work.

Dr. Ghertner went on to say that the agency had recently contracted with three local young psychiatrists as opposed to paying them through employment. He explained that it cost the state approximately $220,000 per year per psychiatrist when all employer-related expenses were considered. He and Mr. Ripple had established a program whereby the young psychiatrists were paid $120 per hour with no benefits, which equated to $220,000 per year.

Senator Leslie asked whether the Medical Director position had been filled. Dr. Ghertner replied interviews had recently taken place and Dr. Green, the current Interim Medical Director, was on the interview panel. She and Mr. Whitley, the Interim Director of the MHDS Division, would make a final selection before the end of the year.

Senator Leslie said she was concerned about the supervision of the doctors and the recent audit findings. Her recollection of action taken by the 2011 Legislature was the same as Senator Kieckhefer's, and she asked that discussion continue after the meeting to clarify the contractor services.

There being no further questions from the Committee, Chairwoman Smith asked for public comment; there was none, and she called for a motion.

SENATOR KIECKHEFER MOVED FOR APPROVAL OF ITEMS D-51 AND D-52.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

53. Department of Health and Human Services – Child and Family Services – Children, Youth and Family Administration - FY 2012 - Transfer of $50,000 from the Reserve category to the Casey Family Programs category to reduce the number of children placed in foster care by providing training and services to children and families. Requires Interim Finance approval since the amount transferred to the Casey Family Programs category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22431**

Refer to motion for approval under Agenda Item D.

54. Department of Health and Human Services – Child and Family Services – UNITY/SACWIS - FY 2012 - Transfer of $18,965 from the Information Services category to the Training category to enhance the skills of an existing employee to perform the database administrator functions essential to the administration of the UNITY system. Requires Interim Finance approval since the cumulative change to the Information Services category exceeds $75,000. **Work Program #C22626**

Danette Kluever, Deputy Administrator, Supportive Services, Division of Child and Family Services (DCFS), Department of Health and Human Services (DHHS), introduced Paul Bowen, Information Services Manager, DCFS.

Ms. Kluever testified item 54 requested approval of a transfer from the Information Services category to the Training category to enhance the skills of an existing employee to perform the database administrator functions essential to the administration of the UNITY (Unified Nevada Information Technology for Youth) system, which was the SACWIS (Statewide Automated Child Welfare Information System) compliant system.

Chairwoman Smith asked whether the training could be done online rather than expending travel funds.

Ms. Kluever replied the Division had worked with Fiscal staff on the training expenses, and it was determined that two of the four training sessions could be conducted as instructor-led online training. The work program was revised to reduce the travel expenses by approximately $4,200. The original work program was for $18,965, and the two online training sessions would reduce the amount to $14,762.

Chairwoman Smith asked whether the training was necessary because the Division had difficulty recruiting for the position. She questioned why the position was so hard to fill.

Paul Bowen, Information Services Manager, DCFS, Department of Health and Human Services, responded that the market for a database administrator was at a significantly higher salary than the Division could pay.

Assemblywoman Mastroluca noted the UNITY system was scheduled to be updated. She asked how much training would be required now versus the amount that would be required after the update.

Mr. Bowen replied the current training was specifically for database administration related to the agency's current technology and web technologies. Although the current training was unrelated to the UNITY upgrades, it would still be applicable to the system.

Chairwoman Smith asked for public comment; there was none, and she called for a motion.

> SENATOR HORSFORD MOVED FOR APPROVAL OF ITEM D-54.
>
> ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Kieckhefer and Assemblyman Conklin were not present for the vote.)

55. **Department of Health and Human Services – Child and Family Services – Rural Child Welfare - FY 2012 -** Transfer of $4,000 from the Pre and Post Adoption category to the Operating category and transfer of $155,728 from the Child Welfare category to the Mental Health Placement category to accurately record expenditures for dues and mental health placements of parental custody youths. Requires Interim Finance approval since the amount transferred to the Mental Health Placement category exceeds $75,000. **Work Program #C22635**

    Refer to motion for approval under Agenda Item D.

Chairwoman Smith announced that items 56 and 57 would be heard together, pursuant to Assemblywoman Mastroluca's request.

56. **Department of Health and Human Services – Child and Family Services – Rural Child Welfare - FY 2012 -** Transfer of $48,450 from the Child Welfare category to the In-State Travel category, $17,584 from the Child Welfare category to the Transportation category, and $5,630 from the Child Welfare category to the Respite category to support required visitation between social workers and placed youth and to meet the emergency needs of current foster parents. Requires Interim Finance approval since the amount transferred to the In-State Travel category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22703**

    Refer to testimony and motion for approval under Agenda Item D-57.

57. **Department of Health and Human Services – Child and Family Services – Transition From Foster Care - FY 2012 -** Transfer of $5,089 from the Reserve category to the Clark County category, $32,055 from the Reserve category to the Washoe County category, and $51,266 from the Reserve category to the Rural category to support awarded subgrants to vendors for services to persons turning 18 while in foster care in Nevada and transitioning from foster care to economic self sufficiency. Requires Interim Finance approval since the amount transferred to the Rural category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22414**

Danette Kluever, Deputy Administrator, Supportive Services, Division of Child and Family Services (DCFS), Department of Health and Human Services (DHHS), explained items 56 and 57 were basically realignment work programs for the Division's Rural Child Welfare budget account. The Division had identified some areas that were running short of projections, including In-State Travel and the Transport of Youth and Respite categories. Ms. Kluever said the Child Placement category was adequate, and the request was to realign funds to support the shortfalls in the other categories.

Assemblywoman Mastroluca asked whether there had been delays or problems in respite care or social worker visitations because the funds were not available.

Ms. Kluever said there had not been any problems, but the request for transfer of funds was being made at this time because it was anticipated the categories would be short soon. There had been more foster parents asking for respite assistance, and it was anticipated that travel funds for youth visitations would be short by the end of the year.

> ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF ITEMS D-56 AND D-57.
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> SENATOR LESLIE SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblyman Conklin was not present for the vote.)

58. **Department of Employment, Training and Rehabilitation–Vocational Rehabilitation - FY 2012 -** Addition of $10,936,819 in federal Section 110 grant funds to cover anticipated operating, client services, strategic planning and information services expenditures through the remainder of the fiscal year. Requires Interim Finance approval since the amount added to the Client Services category exceeds $75,000. **RELATES TO ITEM 59. Work Program #C22644. WITHDRAWN.**

59. **Department of Employment, Training and Rehabilitation – Services to the Blind and Visually Impaired - FY 2012 -** Addition of $64,441 in federal Older American Independent Living grant funds and $2,611,870 in federal Section 110 grant funds to cover anticipated operating, older blind services, client services, and information services expenditures through the remainder of the fiscal year.

Requires Interim Finance approval since the amount added to the Client Services category exceeds $75,000. **RELATES TO ITEM 58. Work Program #C22643. WITHDRAWN.**

60. **Department of Employment, Training and Rehabilitation – Employment Security - FY 2012 -** Transfer of $1.6 million from the Reserve category to the Client Services category to provide funding for the Silver State Works program, the Department of Correction's Purpose, Respect, Integrity, Determination and Excellence (PRIDE) program, the Governor's Office of Economic Development Train Employees Now program, existing incumbent worker contract obligations and other client service-related expenditures. Requires Interim Finance approval since the amount transferred to the Client Services category exceeds $75,000. **Work Program #C22494**

    Refer to motion for approval under Agenda Item D.

61. **Department of Employment, Training and Rehabilitation – Employment Security –Special Fund - FY 2012 -** Addition of $1,185,100 in federal Administration Cost Allowance grant funding to provide Program Integrity and IT Infrastructure funding to assist with the prevention, detection and recovery of improper unemployment insurance benefit payments. Requires Interim Finance approval since the amount added to the Unemployment Insurance Modernization Phase II category exceeds $75,000. **Work Program #C22752**

Renee Olson, Chief Financial Officer, Department of Employment, Training, and Rehabilitation (DETR), explained item 61 was a request for the addition of part of a grant award of $2,150,000. The grant provided funding to add capacity to support prevention, detection, and collection of improper unemployment insurance benefit payments; to improve state performance; and to provide information technology infrastructure to improve program integrity. She said funding for fiscal year (FY) 2012 would cover master services agreement (MSA) costs, servers, hardware costs, and salary for an Employment Security Division employee to provide business program management of the project.

Chairwoman Smith asked how the program differed from the previous fraud reduction project approved by the Interim Finance Committee earlier in the year.

Dave Haws, Administrator, Information, Development and Processing Division, Department of Employment, Training and Rehabilitation (DETR), replied the current grant request was different in that compliance with specific integrity activity incentives was required. He said the two projects did not necessarily overlap. There were seven core integrity activities that needed to be completed in the current grant, and there were seven incentive integrity activities that the state could apply for. Mr. Haws explained that to be eligible for the incentive integrity activities, the seven core integrity activities had to be completed. The Department had demonstrated that four of the seven core activities were already underway, including the National Directory of New Hires, which was used to determine eligibility. As part of DETR's request, the Department applied for grants to help implement the remaining three core activities, which included a claimant message outreach program, interface with a national clearinghouse for separation information, and other state-specific solutions, which were outreach programs as well.

Having met the seven core integrity activities, Mr. Haws said DETR then applied for four of the possible incentive integrity activities, which included worker misclassification; software subscription for the sites; the unemployment insurance (UI) Treasury Offset Program (TOP) interface, which allowed the Department to reclaim overpayments with federal income tax refunds; and a portion of the size, earnings, and wage verification interface.

Mr. Haws said the monies received from the grant went specifically to the different initiatives. The prior grant included improving overpayment detection and prevention features within the federal UI Modernization Project, and those continued to move forward. Since they related to the current project, he would provide a brief update:

The UI Modernization Project continued to move forward on time and within budget. In August, DETR implemented Release 1A, which introduced electronic document imaging to all of UI, and currently there were nearly 2.5 million benefit documents sitting on the imaging repository. Nearly 400,000 images had been newly scanned into the system, 497 internal users were currently using the application, and approximately one-quarter of a million work items had been completed.

Mr. Haws pointed out that an adjustment was being made to the project. A Release 1B was planned, which would allow DETR to bring up a portion of the claimant self-service application. In order to do that, the Department would be required to have links between the Legacy application and the interim portion of the new application. It was since determined that the feasibility of connecting the new application to the Legacy application was far too complex and would run the risk of actually causing the guide Legacy application to fail. As a result, the project was being adjusted to take all the functionality that would have been in Release 1B and roll it into the final release, which would be Release 2 scheduled for the end of calendar year 2013.

Chairwoman Smith said she had recently received complaints from constituents who were asked to pay significant dollars back and then it was determined the requests were made in error. She asked whether the new project would help alleviate those situations as well as the actual incidents of fraud.

Mr. Haws replied he expected the improvements would prevent those types of incidents from occurring. With the addition of some of the new interfaces, the Department would be able to do a better job of verifying when persons were hired and actually separated from employers and provide quick information to claim adjusters and examiners to enable them to make better decisions and prevent those kinds of incidents.

Senator Horsford asked whether any of the information would help identify the types of sectors, skill sets, or past employment of individuals receiving benefits. He wondered whether the system would allow interface with the Commission on Economic Development or the Department of Employment, Training and Rehabilitation.

Mr. Haws replied the databases were available to DETR, and some of those types of information were collected. Currently there were interfaces between the UI benefit information and some of the workforce applications. He would envision that where those synergies might occur, DETR could provide information that would help determine sectors.

Senator Horsford requested that Mr. Haws follow up with Steve Hill, the Director of the Department of Economic Development, and Frank Woodbeck, the Director of the Department of Employment, Training and Rehabilitation, to discuss how DETR might be able to serve as a resource. He remarked the investment was beyond just prevention of fraud, waste, and abuse; it could also be used to enhance the state's economic development strategy and workforce development needs on an ongoing basis.

Mr. Haws said he understood, and he would pursue Senator Horsford's request.

Assemblywoman Carlton said she understood the fraud portion with respect to the claimants, but she asked what was being done to ensure employers were accepting their responsibilities and complying truthfully.

Mr. Haws replied the SIDES (State Information Data Exchange System) application was a national clearinghouse for separation information as well as earnings and wage information. It was designed such that the Department could send transactions to that database specifically to employers and request information back from them to help adjudicate and resolve issues associated with claims on a timely basis. He said the Department was cognizant of the need to work with the employers, and the outreach programs were intended to contact employers and help them understand and comply with the law as well. It was the Department's goal to have quicker turnaround on business transactions coming from employers, which would reduce unnecessary overpayments to claimants.

Assemblywoman Carlton said her main concern was not only that the claimants were complying with the law, but that the employers were paying their full responsibility to the UI Trust Fund. She noted fraud could occur on both sides,

Kelly Karch, Deputy Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation, stated the Division conducted a 2 percent penetration audit of all employers in the state every year, and every time a claim was received with which the claimant disagreed with wages or wages were not reported, the Division was required to investigate. He noted there were several thousand claims a year; the Division received leads on employers who were failing to report properly, and each and every one had to be pursued. Mr. Karch assured Assemblywoman Carlton that the Division followed due process to ensure all employers were reporting and all claimants entitled to unemployment insurance benefits were receiving the same.

Chairwoman Smith asked whether the contract was being fulfilled at the projected cost. Mr. Haws replied the overall scope of work was still intact, the total budget remained the same, and there were no changes to the contract.

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

SENATOR HORSFORD MOVED FOR APPROVAL OF ITEM D-61.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

62. **Department of Corrections – Offenders' Store Fund - FY 2012 -** Transfer $96,000 from the Retained Earnings category to the Transfer to Inmate Welfare Fund category to reimburse medical claims. Requires Interim Finance approval since the amount added to the Transfer to Inmate Welfare Fund category exceeds $75,000. **RELATES TO ITEM 63. Work Program #C22358**

    Refer to motion for approval under Agenda Item D.

63. **Department of Corrections – Inmate Welfare Account - FY 2012 -** Addition of $96,000 in funds transferred from Offenders' Store to reimburse medical claims. Requires Interim Finance approval since the amount added to the A.B. 389/533 Stale Claims Repay (NRS 209.246) category exceeds $75,000. **RELATES TO ITEM 62. Work Program #C22359**

    Refer to motion for approval under Agenda Item D.

64. **Department of Corrections – Prison Industry - FY 2012 -** Addition of $178,985 in Miscellaneous Sales revenue due to an increase in sales at the Metal Shop. Requires Interim Finance approval since the amount added to the Northern Nevada Correctional Center Metal Shop category exceeds $75,000. **Work Program #C22572**

    Refer to motion for approval under Agenda Item D.

65. **Department of Corrections – Prison Dairy - FY 2012 -** Addition of $869,202 in Wild Horse Boarding Fees due to an increase in the number of wild horses being held at the Prison Ranch. Requires Interim Finance approval since the amount added to the Wild Horse Program category exceeds $75,000. **Work Program #C22557**

    Refer to motion for approval under Agenda Item D.

66. **Department of Motor Vehicles – REAL ID - FY 2012 -** Addition of $383,338 in Department of Homeland Security - Federal Emergency Management Agency, Drivers License Security grant funds to strengthen the Nevada drivers license/identification card issuance process and information technology systems used to capture, store, manage, and verify the personal identification information of individuals applying for a Nevada driver's license or identification card. Requires Interim Finance approval since the amount added to the FY 2011 Drivers License Security Grant category exceeds $75,000 and the request includes a new Program Officer position that will sunset at the end of the grant period on August 31, 2014. **RELATES TO ITEM 67. Work Program #C22591**

    Refer to motion for approval under Agenda Item D.

67. **Department of Motor Vehicles – REAL ID - FY 2013 -** Addition of $236,894 in Department of Homeland Security - Federal Emergency Management Agency, Drivers License Security grant funds to strengthen the Nevada drivers license/identification card issuance process and information technology systems used to capture, store, manage, and verify the personal identification information of individuals applying for a Nevada driver's license or identification card. Requires Interim Finance approval since the amount added to the FY 2011 Drivers License Security Grant category exceeds $75,000 and the request includes a new Program Officer position that will sunset at the end of the grant period on August 31, 2014. **RELATES TO ITEM 66. Work Program #C22808**

    Refer to motion for approval under Agenda Item D.

68. **Department of Motor Vehicles – Motor Vehicle Pollution Control - FY 2012 -** Transfer of $65,000 from the Reserve category to the Emissions Vehicle Information Database (VID) category to fund a contract programmer until the department can hire a qualified candidate to fill the existing vacant programmer position that is dedicated to the VID application. The contract programmer will provide uninterrupted support and ongoing maintenance and enhancement to the application. Requires Interim Finance approval since the amount transferred to the Emissions VID category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22559**

    Refer to motion for approval under Agenda Item D.

69. **Department of Motor Vehicles – Verification of Insurance - FY 2012 -** Transfer of $187,200 from the Reversion to Highway Fund category to the Online Insurance Verification category to provide funding for two contract programmers who will be responsible for resolving and correcting the outstanding issues in the Insurance Verification Program, which have existed since the program went live, as well as adding program enhancements that went into effect July 1, 2011, pursuant to S.B. 323 of the 2011 Legislative Session. Requires Interim Finance approval since

the amount transferred to the Online Insurance Verification category exceeds $75,000. **Work Program #C22735**

Refer to motion for approval under Agenda Item D.

Chairwoman Smith announced that items 70 and 71 would be heard together.

70. Department of Motor Vehicles – Field Services - FY 2012 - Transfer of $647,086 from the Reserve category to the Personnel Services category; $5,761 from the Reserve category to the Operating category; and $5,022 from the Reserve category to the Information Services category to provide authority to hire 30 positions that were placed in reserve by the 2011 Legislature until the department could justify the need due to increased wait times. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $75,000. **RELATES TO ITEM 71. Work Program #C22529**

Refer to testimony and motion for approval under Agenda Item D-71.

71. Department of Motor Vehicles - Field Services - FY 2013 - Transfer of $1,335,748 from the Reserve category to the Personnel Services category; $7,572 from the Reserve category to the Operating category; and $4,920 from the Reserve category to the Information Services category to provide authority to hire 30 positions that were placed in reserve by the 2011 Legislature until the department could justify the need due to increased wait times. Requires Interim Finance approval since the amount transferred to the Personnel Services category exceeds $75,000. **RELATES TO ITEM 70. Work Program #C22780**

Bruce Breslow, Director, Department of Motor Vehicles (DMV), introduced Deborah Cook, Administrator for Administrative Services in Carson City, and Nancy Wojcik, Director of Field Services in Las Vegas, Department of Motor Vehicles.

Mr. Breslow explained the Governor's 2011-2013 recommended budget included an additional 30 DMV Services Technician positions. The 2011 Legislature agreed to fund the 30 positions, but placed the money in reserve and asked the Department to submit a request when the additional positions could be justified. He recalled that in 2009, DMV lost approximately 100 positions, and 85 of them were Window Technicians.

Mr. Breslow said that in the last few months the Department became aware that the wait times for drive tests with an examiner were more than two months at most of the DMV offices. As a result, many individuals could not schedule an exam; they would drive as far north as Hawthorne and Tonopah and as far east as Elko and Ely, and now the small offices also had two-month wait times. Upon investigation, the reason the wait times had become so long was when the 85 Window Technician positions were lost, the managers assigned the Drive Examiners, the most seasoned and accomplished workers, to the windows to help make up for the loss of technicians. He noted that

DMV had experienced an increase of 52,700 customers since 2010. In the metro area, there were 1,739,000-plus customers and a total transaction amount of over $4 million.

Mr. Breslow explained that in order to resolve the drive exam situation, he needed to remove the Drive Examiners from all other duties, including staffing the windows. As a result, the wait times for drive exams in most locations were back to approximately two weeks. However, the Drive Examiners had been processing many thousands of transactions, which had exacerbated the waiting times in the offices. Mr. Breslow said the average wait time in the metro offices and the three hardest-hit offices in July was 50 minutes, in August 44 minutes, in September 55 minutes, in October 48 minutes, and in November 70 minutes. He said Drive Examiners were being pulled from the windows for the past three months, but they were completely removed in November, which obviously caused an increase in the wait times.

In summary, Mr. Breslow said the Department was requesting that funding be moved from reserves into the DMV budget to hire 30 Window Technicians for the hardest-hit offices.

Senator Kieckhefer asked Mr. Breslow to discuss the deployment of the DMV kiosks; he wondered if additional transactions could be conducted on the kiosks.

Mr. Breslow replied that on March 1, 2012, buttons and posters would be located at all of the DMV offices which would say, "Yes, I Can Help You With That." In addition, up to 22 new kiosks were going to be deployed on March 1, the majority of which would be located in southern Nevada. The Department was negotiating with 24-hour businesses for placement of kiosks, and so far contracts had been made with some grocery stores. He added that a kiosk would be placed in the student unions at the University of Nevada, Las Vegas and University of Nevada, Reno.

Mr. Breslow said it was hoped expansion of the kiosks would encourage individuals to use alternate services. Through the alternate services currently available on the website, about 30 percent to 35 percent of transactions were now processed on the web. Individuals who were guided through a transaction on the kiosk were very enthusiastic about their use. Mr. Breslow said the new kiosks would become operational on March 1, but it would take time for people to become trained and accustomed to using them and familiar with their locations.

Senator Kieckhefer asked whether DMV would locate the new kiosks in its field offices, and through signage and other methods, steer customers to the kiosks. Given the option to wait 70 minutes for a window or pay $3.00 to save time using the kiosk, Senator Kieckhefer believed customers would then choose to complete their transaction using the kiosk.

Mr. Breslow replied the kiosks being deployed in March would not be located in DMV offices; they would be located in neighborhood grocery stores, drugstores, and department stores that had sufficient parking and were open 24 hours a day, 7 days a week. The availability of the neighborhood kiosks would provide customers with an alternative to driving across town to a DMV office.

Senator Kieckhefer asked whether many of the transactions being conducted at the DMV office windows could be accomplished on a kiosk.

Mr. Breslow replied currently only one transaction was available on the kiosk: automobile registration renewal. In March 2012, new functions would be added to all of the kiosks, to include obtaining a duplicate driver's license and identification card and renewing a four-year driver's license, which was currently a mail-in service only. Mr. Breslow said in the future, the Department was steering toward a time when veterans would not have to go to a DMV office; they could use their exemptions provided by the local assessors at the kiosks.

Senator Kieckhefer said he appreciated the fact residents would have an alternative to driving to the DMV offices, but for those who preferred to drive, he asked whether the kiosks in the DMV offices would reduce wait times at the windows. It seemed to him that many individuals would be willing to pay the $3.00 kiosk service fee rather than wait an hour or more.

Mr. Breslow replied there were currently over 20 kiosks in the DMV offices. He agreed with Senator Kieckhefer that the use of the kiosks would increase when additional functions were added. He assumed the wait times would decrease, but he could not anticipate by how much. Even when customers in line for the windows were informed the wait times were shorter at another office, they would not leave their present location. Mr. Breslow did not think the number of kiosk transactions would increase in the offices; the goal was to encourage individuals to not come to the offices at all in the future.

Chairwoman Smith clarified that Senator Kieckhefer was asking about use of kiosks in the DMV offices. Mr. Breslow indicated the kiosks were already in the offices, but his vision was to discourage individuals from coming to the offices. He added that there were at least two kiosks in every DMV office in the metro areas and in all but two of the rural offices. There was often a line out the door to use the current kiosks.

Senator Kieckhefer surmised that the kiosks currently could perform only one function, but as additional kiosks with increased functionality were added in March, more customers in the DMV lobbies would be able to use them.

Mr. Breslow agreed and clarified that the Department was not spending any more money on kiosks; the financial component had been removed from the kiosks by making them self-funded. Starting March 1, the Highway Fund would no longer be paying for the kiosks; the customer would pay for them.

Assemblyman Hickey asked whether the percentage increase in customer volume was relatively consistent with the percentage increase in staff that would result from the request for additional positions.

Mr. Breslow replied anytime the Department experienced an increase in customers, more transactions would be required, resulting in increased wait times if the number of employees remained status quo. He recalled the 2011 Legislature had approved the 30 positions, and funding had been set aside until the Department could justify the positions. Mr. Breslow again noted that moving the Drive Examiners from the windows had also exacerbated the problem with coverage and wait times at the windows.

Assemblyman Bobzien noted that 30 percent of current transactions were conducted online, which he appreciated. He asked which transactions were not currently available online but could be performed online if developed because they did not require human interaction; he wondered what Mr. Breslow foresaw in the future for web services.

Mr. Breslow replied many transactions required proof of documents that must be reviewed by a technician. Currently veteran exemptions were not online, which affected a large number of Nevada residents. He said DMV had developed its side of the program to handle veteran exemptions online and was waiting for the county assessors to complete their side. In addition, problems with the Nevada LIVE (Liability Insurance Validation Electronically) program were being resolved. Mr. Breslow asked Nancy Wojcik to provide specific information concerning the types of transactions that could not be performed online.

Nancy Wojcik, Field Services Administrator, Department of Motor Vehicles, explained one of the transactions required to be done in the offices was first-time applicants for a driver's license instruction permit because proof of identity was required and the applicants must appear in the office for a written test. However, she added, the DMV information technology staff was working on developing the application online to give the customer the ability to start the process for first-time transactions to expedite the transaction once the customer came to the office.

Ms. Wojcik said a second-year or fourth-year renewal in eligibility for a driver's license also required the customer to come into the office for an eye test, as required by the *Nevada Revised Statutes* (NRS).

Assemblyman Bobzien asked whether there were additional transactions that theoretically could be performed online but had not yet been developed.

Mr. Breslow replied only two transactions were not available on the website; however, there was more than four years of backlog of information technology projects, each one designed to make it easier for a customer to manage his own account online. He said the plan was to create a portal where the user could update his personal and vehicle information. Mr. Breslow said the technology would make the difference in improving the Department, and he was hopeful that within four years, the DMV offices would not even have the ability to conduct registration renewals. By that time, the automobile dealers should be using the electronic report of sale, which would allow the buyer of a new car to register from home or at a kiosk.

Mr. Breslow stated the request for the 30 positions was a current issue in trying to make up for the loss of 85 positions in 2009, but the Department would continue to use advances in technology to try to provide convenient services to the customer.

Assemblyman Bobzien remarked he appreciated Mr. Breslow's vision, but he believed there should be more firm planning concerning how the technologies would be rolled out and the incremental impact on the unmet needs and transactional loads. He hoped the same attention and planning that was given to "DMV in a Box" would be applied to the web services planning.

Assemblyman Hambrick asked whether the Department had an estimate of the age demographic of the 30 percent increase in customers; he wondered whether an increase in younger customers would create a demand for future services on kiosks.

Mr. Breslow replied the current request for positions was not a demographic issue. Getting more customers to use web services certainly involved an age demographic; there was a sector of the public that felt uncomfortable using kiosks and computers, but the younger generation was much more adaptable.

Chairwoman Smith remarked she and Mr. Breslow had held offline conversations concerning programming issues and backlog problems. She asked whether the problem was lack of funding, the ability to recruit the needed information technology (IT) staff, or a combination of both. She indicated the deficiencies needed to be identified in order to address them.

Mr. Breslow responded that with the current number of programmers, there was more than a four-year backlog of projects. Every month the projects were reprioritized for the coming year. He said the Department did experience difficulty in hiring qualified IT staff because the universities and colleges were teaching computer programming for the modern era, and government computer programming was no longer taught. Mr. Breslow said nearly every state was using a computer language that was no longer being taught, so the younger applicants were working for such companies as Google and Microsoft.

Mr. Breslow said after the next Governor's cabinet meeting, he had requested a mini-summit of department heads to discuss creation of a state IT certification program with the Department of Employment, Training and Rehabilitation (DETR) to train and retrain workers in government computer programming to expand the pool of potential IT applicants.

Chairwoman Smith noted one of the ramifications was that the state was required to enter into contracts with vendors, which was always more costly, and current state employees were not being used to the best of their abilities.

Mr. Breslow reiterated the current IT staff had a four-year backlog of projects. Contract employees were not typically desirable; they were more expensive, and they could earn more as a contractor than as an employee. The salary paid to a state IT employee was approximately one-fifth the amount an employee could earn at a major company as a programmer.

Senator Denis asked whether he understood correctly that the current vacant DMV Services Technician 3 positions were going to be filled by the end of December.

Mr. Breslow explained it took nearly 20 weeks for the Department to obtain a list of applicants, interview from the list, hire the employees, and provide 14 weeks of training through DMV hiring academies. The hiring academies consisted of 12 to 14 participants each; 2 new academies had just begun, and academies had just graduated in both southern and northern Nevada. Mr. Breslow said the DMV Services Technician positions typically were at the lower end of the pay scale, between $30,000 and $36,000 a year, which resulted in a lot of turnover. The Department's training and job filling processes were ongoing; currently the trainers were being tasked to shorten the timeframe to 8 days of classroom training instead of 14 days, and academies were going to start on the first of every month rather than wait for a class of 12 or 14. Mr. Breslow added that the Department had requested a list of multi-lingual applicants; at some DMV offices, 70 percent of the customers did not speak English, and the Department only had three or four multi-lingual employees.

Senator Denis asked what types of positions were currently vacant. Ms. Wojcik replied all of the DMV Services Technician positions in the south had been filled. One of the two ongoing classes of 14 was hired on November 28 and the second group was hired on December 12. She said the only current Services Technician vacancies were in northern Nevada and recruitment for those vacancies was in process.

Ms. Wojcik added that current vacancies also included supervisory-level positions because of several recent retirements. The vacancies were being backfilled with supervisors and examiners.

Senator Denis asked whether the request being made at this meeting was to add 30 positions in addition to the vacancies that were just filled. Ms. Wojcik replied Senator Denis was correct; the new positions were front-line Window Technicians.

Assemblyman Aizley asked how the kiosks were working in general and whether they were out of service often. He also asked whether customers were successful using the kiosks or if they became frustrated and could not complete their transactions.

Mr. Breslow replied occasionally there were printer issues because the machine was not quite strong enough to always scan the bar code, but that was the only problem. Toll free and local phone numbers were available to call when a kiosk was down, and the company that produced the kiosk was obligated to respond in a timely manner. He said the kiosks were rarely down, and when they were, repairs were made quickly.

Chairwoman Smith asked for further questions; there were none. She then asked for public comment; seeing none, she called for a motion.

> ASSEMBLYMAN KIRNER MOVED FOR APPROVAL OF THE ADDITIONAL 30 DMV SERVICES TECHNICIAN 3 POSITIONS AS REQUESTED IN ITEMS 70 AND 71.
>
> ASSEMBLYMAN GRADY SECONDED THE MOTION.

Senator Denis stated his preference was to approve 20 positions and consider the need for additional positions as the technology moved forward. He would oppose the motion.

Chairwoman Smith asked for further comments; she called for the question.

> THE MOTION FAILED. (Senators Cegavske, Denis, Horsford, Kieckhefer, Leslie, and Settelmeyer voted no. Assemblymen Bustamante Adams, Bobzien, Hambrick, Hardy, Mastroluca, and Smith voted no.)

Chairwoman Smith announced the motion failed on the Senate side. She called for a second motion.

> SENATOR DENIS MOVED FOR APPROVAL OF 20 DMV SERVICES TECHNICIAN 3 POSITIONS AND REEVALUATION BY THE COMMITTEE OF THE EFFECTIVENESS OF THE NEW TECHNICIANS AND NEW KIOSKS MOVING FORWARD.
>
> ASSEMBLYMAN HARDY SECONDED THE MOTION.

Assemblyman Bobzien remarked he appreciated the intent of the motion, but he thought the Committee needed to clarify what was expected from the Department at a future IFC meeting. He said he would like to have more specifics concerning the planning for web services, recognizing that it was not possible to make hard and fast commitments and that there was a staffing shortage and backlog of projects. He requested more details concerning kiosks, overall technology, and other options at the Department's disposal to deal with the wait times. He asked whether a timeframe could be set for the Department to reappear before the Committee.

Chairwoman Smith said she assumed that DMV would entertain the possibility of returning to IFC in the future because the 20 positions did not fulfill the Department's request. She asked whether the Department would return to the Committee with updated information and a future request for additional positions.

Mr. Breslow responded that he was willing to submit updated information, but he reminded the Committee that the new kiosks and new functionality would not launch until March 1, 2012, and updated information would not be available until after that date. He said a promotional campaign would be conducted during the last quarter of fiscal year (FY) 2012 and the first quarter of FY 2013 about the kiosks, web services, and iPhone technology to drive traffic to those functions.

Chairwoman Smith asked Mr. Breslow to work with Fiscal staff to establish an appropriate timeframe to reappear before the Committee.

Assemblyman Hardy stated he believed it would be fair to give Mr. Breslow the opportunity to return to the Committee to request additional staffing if the workloads increased to an unacceptable level to the public.

Assemblyman Grady said he was concerned that if 20 technicians were hired now, they would require 11 weeks of training plus 3 months on the window, and the employees would not be functional until March 2012. If it became necessary for the Department to request additional positions, another 3 to 4 months would pass to hire and train new technicians. He said in the meantime, the long wait times would continue in southern Nevada, and customers would not be receiving the service that Mr. Breslow was trying to provide. Assemblyman Grady stated the Department had a problem, the Legislature was told of the problem during the 2011 Session and approved the 30 positions but delayed funding until the Department could justify filling them, and it was now December. Waiting until March to approve the other 10 positions would mean they would not be functional until June.

Assemblywoman Mastroluca asked whether the 20 additional positions would be included in the base budget since it had not been determined if they would be needed on a permanent basis.

Chairwoman Smith said it was her understanding that the decision involved whether the increase in kiosks would eliminate some of the need for additional staff. She asked Mr. Combs to clarify the procedure.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained typically when IFC approved a new position, it would continue in the base budget unless the Committee expressed the intent that it would not be included or the funding for the position was not available in the next biennium. He said the question was not whether the positions would be included in the next biennial budget—it was how they would be reflected. He stated that the Committee could express its intent that the positions not be included in the base budget for the 2013-2015 biennium if that was the Committee's intent.

> SENATOR DENIS AGREED TO INCLUDE AS PART OF HIS MOTION TO APPROVE 20 DMV SERVICES TECHNICIAN 3 POSITIONS THAT THE POSITIONS SHOULD NOT BE INCLUDED IN THE BASE BUDGET FOR THE 2013-2015 BIENNIUM.
>
> ASSEMBLYMAN HARDY AGREED TO INCLUDE THAT DIRECTION AS PART OF HIS SECOND.

Mr. Breslow remarked it would be difficult to hire employees if the positions were viewed as temporary. He noted the Legislature always had the prerogative to reduce the agency's budget during the legislative session. If a contingency was placed on the positions now, it may be difficult to find good employees to fill them.

Chairwoman Smith replied she did not think that was the way the Committee's action would be perceived. If the Department was looking at a new way of doing business, it should be presented in the next budget in a decision unit for the money committees to reevaluate the positions. They would not be considered temporary positions; if they were warranted, they would be in a decision unit where they would be approved.

Assemblyman Goicoechea stated he would oppose the motion. There was a problem, and the Committee was not addressing it. He noted the request involved 10 DMV Services Technician positions, and normal employee attrition over the year would exceed that number. In the meantime, the wait times were not being addressed; the Department needed all the help that the Committee had committed earlier.

Assemblyman Conklin remarked he had supported the original motion. He believed 30 positions were needed, but he recognized that the original motion failed, and 20 positions were better than none. Although the Committee disagreed, he said it needed to take a step forward and he would support the second motion.

Chairwoman Smith asked for public comment on the motion to approve 20 DMV Services Technician positions. Seeing none, she called for the vote.

> THE MOTION TO APPROVE 20 DMV SERVICES TECHNICIAN 3 POSITIONS CARRIED. (Assemblymen Aizley, Goicoechea, Grady, Hickey, and Kirner voted no.)

Chairwoman Smith asked DMV staff to work with Fiscal staff to determine the adjusted work program dollar amounts. She thanked Mr. Breslow and the DMV staff for their work and presentation.

72. Department of Public Safety – Highway Patrol - FY 2012 - Addition of $267,816 in Transfer from Traffic Safety - Joining Forces grant to accept the FFY 2012 grant and to align FFY 2011 grant actual for FY 2012 for participation in statewide, multijurisdictional traffic enforcement activities that are focused on reducing fatalities and serious injury crashes in Nevada. In addition, funding is also provided for enhanced enforcement of safety belt and child safety seat laws, speed enforcement laws, pedestrian safety and to reduce impaired driving through selective traffic enforcement programs, saturated patrols, and driving under the influence (DUI) checkpoints. Requires Interim Finance approval since the amount added to the Joining Forces Grant category exceeds $75,000. **Work Program #C22689**

Refer to motion for approval under Agenda Item D.

73. **Department of Public Safety – Emergency Management Assistance Grants - FY 2012 -** Addition of $141,000 in Urban Area Security Initiative (UASI) Nonprofit Security grant funds to strengthen the security of nonprofit organizations that are deemed high risk of a potential terrorist attack and are located within one of the specific UASI eligible urban areas. Requires Interim Finance approval since the amount added to the UASI Nonprofit category exceeds $75,000. **Work Program #C22671**

    Refer to motion for approval under Agenda Item D.

74. **Department of Public Safety – Emergency Management Assistance Grants - FY 2012 -** Addition of $150,353 in Homeland Security Grant Program (HSGP) Emergency Management Performance Grant (EMPG) funds to align state authority with the federal grant award amount which supports comprehensive emergency management at the state and local levels and to encourage the improvement of mitigation, preparedness, response, and recovery capabilities for all hazards. Requires Interim Finance approval since the amount added to the EMPG Aid to Locals category exceeds $75,000. **Work Program #C22673**

    Refer to motion for approval under Agenda Item D.

75. **Department of Public Safety – Emergency Management Assistance Grants - FY 2012 -** Deletion of $2,677,315 in Homeland Security Grant Program (HSGP) Urban Area Initiative, $17,499 in HSGP - Citizen Corps, $29,452 in HSGP - Major Medical Response, and $1,996,980 in HSGP to align state authority with the actual federal grant award amount. Requires Interim Finance approval since the amount deducted from the Urban Area Initiative category exceeds $75,000. **Work Program #C22677. WITHDRAWN NOVEMBER 30, 2011.**

76. **Department of Public Safety – Emergency Management Assistance Grants - FY 2012 -** Deletion of $595,900 in Homeland Security Grant Program (HSGP) - Urban Area Initiative grant funds, $7,100 in HSGP - Citizen Corp grant funds, and $4,167 in HSGP - Major Medical Response grant funds to align state authority with remaining grant authority. Requires Interim Finance approval since the amount deducted from the Urban Area Initiative category exceeds $75,000. **Work Program #C22658**

    Refer to motion for approval under Agenda Item D.

77. **Department of Public Safety – Emergency Management Assistance Grants - FY 2012 -** Addition of $57,879 in federal Pre-Disaster Mitigation (PDM) grant funds to support the Nevada Bureau of Mines and Geology (NBMG) PDM related projects/activities. Requires Interim Finance approval since the cumulative change to the Pre-Disaster Mitigation category exceeds $75,000. **Work Program #C22662**

    Refer to motion for approval under Agenda Item D.

78. Department of Public Safety – State Emergency Response Commission- FY 2012 - Addition of $189,697 in federal United States Department of Transportation (USDOT) Hazardous Materials Emergency Preparedness (HMEP) grant funds and transfer of $47,424 from the Reserve category to the USDOT/HMEP Grant category to accept the FFY 2012 award to support emergency planner and responder personnel throughout the state in training and planning for hazardous materials emergencies. Requires Interim Finance approval since the amount added to the USDOT/HMEP Grant category exceeds $75,000. **Work Program #C21991**

Refer to motion for approval under Agenda Item D.

79. Department of Public Safety – State Emergency Response Commission- FY 2012 - Transfer of $34,000 from the Reserve category to the Transfer to State Fire Marshal category to support hazardous materials training for emergency responders throughout the state. Requires Interim Finance approval since the amount added to the Transfer to State Fire Marshal category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 80. Work Program #C22627**

Refer to motion for approval under Agenda Item D.

80. Department of Public Safety – Fire Marshal - FY 2012 - Addition of $34,000 in Transfer from State Emergency Response Commission and $34,000 in Transfer from Environmental Protection funds to provide additional hazardous materials training. Requires Interim Finance approval since the amount added to the Rural Training category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 79. Work Program #C22582**

Refer to motion for approval under Agenda Item D.

81. Department of Public Safety – Highway Safety Plan and Administration - FY 2012 - Addition of $122,120 in Transfer from 410 Impaired Driving grant and $106,270 in Transfer from 408 Traffic Safety grant; transfer of $8 from the Traffic Safety category to the Impaired Driving category and $1,007 from the Information Services category to the Impaired Driving category to adjust for the 2012 Highway Safety Plan, which funds programs specifically aimed at improving the state's highway safety programs. Requires Interim Finance approval since the amount added to the Impaired Driving category exceeds $75,000. **Work Program #C22698**

Refer to motion for approval under Agenda Item D.

82. Department of Public Safety – Traffic Safety - FY 2012 - Addition of $1,022,509 in federal 410 Incentive Grant funds and $100,000 in federal 2010 Incentive Grant funds to accept new awards from the National Highway Traffic Safety Administration to continue programs designed to mitigate traffic safety problems in the areas of motorcycle safety and impaired driving. Requires Interim Finance approval since the amount added to the 410 Incentive Grant Funds category exceeds $75,000. **Work Program #C22640**

Refer to motion for approval under Agenda Item D.

83. Department of Public Safety – Traffic Safety - FY 2012 - Addition of $1,795,290 in federal Traffic Safety grant funds to align grant funding in FY 2012 to continue highway safety programs. Requires Interim Finance approval since the amount added to the Aid to Local Agencies category exceeds $75,000. **Work Program #C22641**

Refer to motion for approval under Agenda Item D.

84. Department of Conservation and Natural Resources – Forestry - FY 2012 - Addition of $83,191 in United States Forest Service (USFS) Insects and Diseases grant funds to treat the Western Bark Beetle infestation of pine trees. Requires Interim Finance approval since the amount added to the USFS Insects and Diseases Grants category exceeds $75,000. **Work Program #C22419**

Refer to motion for approval under Agenda Item D.

85. Department of Conservation and Natural Resources – Forestry - FY 2012 - Addition of $54,519 in United States (US) Bureau of Land Management (BLM) Southern Nevada Public Land Management Act (SNPLMA) grant funds to complete fuel breaks in the East Side Spooner Summit, Franktown Creek, and Clear Creek Watershed areas of Lake Tahoe Nevada State Park. Requires Interim Finance approval since the cumulative amount added to the US BLM SNPLMA category exceeds $75,000. **Work Program #C22421**

Refer to motion for approval under Agenda Item D.

86. Department of Conservation and Natural Resources – Forestry - FY 2012 - Addition of $134,766 in U.S. Forest Service (USFS) Forest Legacy grant funds to identify and protect environmentally and socially important forest lands. Requires Interim Finance approval since the amount added to the USFS Forest Legacy Grants category exceeds $75,000. **Work Program #C22443**

Refer to motion for approval under Agenda Item D.

87. Department of Conservation and Natural Resources – Forestry – Nurseries - FY 2012 - Addition of $558,540 in Seed Sales to purchase and provide seed for the Nevada Department of Wildlife and other governmental entities for fire rehabilitation and restoration efforts. Requires Interim Finance approval since the amount added to the Seed Bank category exceeds $75,000. **Work Program #C22778**

Refer to motion for approval under Agenda Item D.

88. **Department of Conservation and Natural Resources – State Parks - FY 2012 -** Addition of $24,000 in funds transferred from the State Parks Facility and Grounds Maintenance account to fund the cost of a temporary seasonal position that will provide needed maintenance repair services at the Spring Mountain Ranch state park facility near Las Vegas. Requires Interim Finance approval since the cumulative amount added to the Personnel Services category exceeds $75,000. **Work Program #C22548**

    Refer to motion for approval under Agenda Item D.

89. **Department of Conservation and Natural Resources – Water Resources- FY 2012 -** Transfer of $22,314 from the Reserve category to the Federal Dam Safety Grant category to fund remaining activities associated with the agency's ~~Truckee River Water Appurtenance Mapping project~~ ***ongoing maintenance efforts associated with the Dam Safety Program***. Requires Interim Finance approval since the amount transferred to the Federal Dam Safety Grant category exceeds 10 percent of the legislatively approved amount for that category. **REVISED DECEMBER 1, 2011**. **Work Program #C22535**

    Refer to motion for approval under Agenda Item D.

90. **Department of Conservation and Natural Resources – Water Resources- FY 2012 -** Addition of $84,022 in Federal Emergency Management Agency (FEMA) Dam Safety grant funds in support of the division's ongoing Dam Safety Maintenance program. Specifically, this funding will support the division’s ongoing dam inspections and risk assessment activities. Requires Interim Finance approval since the amount added to the FEMA Dam Safety category exceeds $75,000. **Work Program #C22705**

    Refer to motion for approval under Agenda Item D.

91. **Department of Conservation and Natural Resources – Nevada Natural Heritage - FY 2012 -** Addition of $349,979 in federal Environmental Protection Agency Wetlands Protection Development grant funds in support of the agency's Wetlands Protection Development Project. In collaboration with the Desert Research Institute, the agencies will develop a formal Nevada Wetland Program Plan. Requires Interim Finance Approval since the amount added to the Wetlands Protection Development Project category exceeds $75,000. **Work Program #C22600**

    Refer to motion for approval under Agenda Item D.

92. **Department of Conservation and Natural Resources – Historic Preservation - FY 2012 -** Addition of $160,300 in federal National Parks Service Survey and Planning grant funds in support of the Historic Preservation grant program, which provides funds for the administrative cost for the State Historic Preservation Office,

as well as for subgrants to other state agencies, local governments and nonprofit entities. These subgrants are used to maintain and restore historic buildings and sites and require a 40 percent match from the subgrantee. Requires Interim Finance approval since the amount added to the Survey and Planning category exceeds $75,000. **Work Program #C22525**

Martin Williams, Administrative Services Officer, Historic Preservation Office, Department of Conservation and Natural Resources (DCNR), testified item 92 was a request to authorize expenditure of federal funds for subgrants from the Historic Preservation grant program; there were no state funds involved.

Chairwoman Smith asked Mr. Williams to explain the revisions that had been made to the work program. Mr. Williams replied the original request for $160,300 had been modified to $72,529.

> ASSEMBLYMAN HICKEY MOVED FOR APPROVAL OF ITEM D-92 IN THE REVISED AMOUNT OF $72,529.
>
> SENATOR KIECKHEFER SECONDED THE MOTION.

Chairwoman Smith asked for public comment; there was none, and she called for the vote.

> THE MOTION CARRIED UNANIMOUSLY.

93. Department of Wildlife – Wildlife Fund - FY 2012 - Transfer of $16,209 from the Reserve category to the Transfer to Game Management category for sage grouse conservation efforts. Requires Interim Finance approval since the cumulative amount added to the Transfer to Game Management category exceeds $75,000. **RELATES TO ITEM 103. Work Program #C22738**

Refer to motion for approval under Agenda Item D.

94. Department of Wildlife – Wildlife Fund - FY 2012 - Transfer of $25,011 from the Reserve category to the Transfer to Game Management category for big game trapping and transplanting. Requires Interim Finance approval since the cumulative change to the Transfer to Game Management category exceeds $75,000. **RELATES TO ITEM 104. Work Program #C22750**

Refer to motion for approval under Agenda Item D.

95. Department of Wildlife – Wildlife Fund - FY 2012 - Transfer of $386,550 from the Reserve category to the Transfer to Operations category to pay for the operation, maintenance, and enhancement of the Nevada Wildlife Database System. Requires Interim Finance approval since the amount added to the Transfer to

Operations category exceeds $75,000. **RELATES TO ITEM 100. Work Program #C22726**

Refer to motion for approval under Agenda Item D.

Chairwoman Smith announced that items 96, 97, 99, 102, 106, 109, and 110 would be heard together. Refer to testimony and motion for approval under Agenda Item D-110.

96. Department of Wildlife – Wildlife Fund - FY 2012 - Transfer of $14,751 from the Boating Reserve category to the Transfer to Law Enforcement category and $71,471 from the Reserve category to the Law Enforcement category to purchase three replacement vehicles related to law enforcement communication system activities and other law enforcement activities in the Southern and Eastern portion of the State. Requires Interim Finance approval since the amount transferred to the Transfer to Law Enforcement category exceeds $75,000. **RELATES TO ITEM 102. Work Program #C22694**

Refer to testimony and motion for approval under Agenda Item D-110.

97. Department of Wildlife – Wildlife Fund - FY 2012 - Transfer of $46,872 from the Reserve category to the Transfer to Game Management category to purchase six replacement vehicles for the Game Management program. Requires Interim Finance approval since the cumulative amount added to the Transfer to Game Management category exceeds $75,000**. RELATES TO ITEM 106. Work Program #C22696**

Refer to testimony and motion for approval under Agenda Item D-110.

98. Department of Wildlife – Wildlife Fund - FY 2012 - Transfer of $35,711 from the Reserve category to the Transfer to Habitat category to fund a Wildlife Staff Specialist position to coordinate the implementation of Natural Resource Conservation Service (NRCS) Farm Bill Conservation programs that are mutually beneficial to the Nevada Department of Wildlife and NRCS. Requires Interim Finance approval since the cumulative amount transferred to the Transfer to Habitat category exceeds $75,000. **Work Program #C22758**

Refer to motion for approval under Agenda Item D.

99. Department of Wildlife – Director's Office - FY 2012 - Addition of $36,417 in Transfer from Wildlife Fund's Unrestricted Revenue to purchase a replacement vehicle for the Director's Office. Requires Interim Finance approval since the cumulative change to the Director category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22761**

Refer to testimony and motion for approval under Agenda Item D-110.

100. Department of Wildlife – Operations - FY 2012 - Addition of $386,550 in Transfer of Application Hunt Fees to pay for 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. **RELATES TO ITEM 95. Work Program #C22725**

Refer to motion for approval under Agenda Item D.

101. Department of Wildlife – Law Enforcement - FY 2012 - Addition of $336,132 in U.S. Fish and Wildlife Service Sport Fish Restoration Boating Access funds to replace a fuel dock and associated marine sanitary pumpouts at the Callville Bay Marina at the Lake Mead National Recreation Area. Requires Interim Finance approval since the amount added to the Boating Access Improvement category exceeds $75,000. **Work Program #C22583**

Refer to motion for approval under Agenda Item D.

102. Department of Wildlife – Law Enforcement - FY 2012 - Addition of $6,040 in federal Coast Guard grant funds, $40,379 in Transfer of Unrestricted Revenue, $14,751 in Transfer of Boating Revenue, and $31,092 in Transfer Guide fees to purchase three replacement vehicles related to law enforcement communication system activities and other law enforcement activities in the Southern and Eastern portion of the State. Requires Interim Finance approval since the cumulative amount added to the Boating Enforcement category exceeds $75,000. **RELATES TO ITEM 96. Work Program #C22690**

Refer to testimony and motion for approval under Agenda Item D-110.

103. Department of Wildlife – Game Management - FY 2012 - Addition of $48,627 in Wildlife and Sport Fish Restoration Program funds and $16,209 in Transfer of Wildlife Funds for sage grouse conservation efforts. Requires Interim Finance approval since the cumulative amount added to the Sage Grouse Conservation category exceeds 10 percent of the legislatively approved amount for that category. **RELATES TO ITEM 93. Work Program #C22737**

Refer to motion for approval under Agenda Item D.

104. Department of Wildlife – Game Management - FY 2012 - Addition of $75,032 in U.S. Department of the Interior Wildlife and Sport Fish Restoration Program funds and addition of $25,011 in Transfer from Wildlife Funds for big game trapping and transplanting. Requires Interim Finance approval since the amount added to the Big Game category exceeds $75,000. **RELATES TO ITEM 94. Work Program #C22749**

Refer to motion for approval under Agenda Item D.

105. **Department of Wildlife – Game Management - FY 2012 -** Addition of $53,719 in U.S. Department of Agriculture and U.S. Fish and Wildlife Service funds for operation of the chronic wasting disease and avian influenza statewide programs. Requires Interim Finance approval since the amount added to the Veterinarian category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22733**

Refer to motion for approval under Agenda Item D.

106. **Department of Wildlife – Game Management - FY 2012 -** Addition of $140,616 in federal Wildlife and Sport Fish Restoration Program funds and addition of $46,872 in Transfer of Wildlife Funds to purchase six replacement vehicles for the Game Management program. Requires Interim Finance approval since the amount added to the Big Game category exceeds $75,000. **RELATES TO ITEM 97. Work Program #C22693**

Refer to testimony and motion for approval under Agenda Item D-110.

107. **Department of Wildlife – Fisheries Management - FY 2012 -** Addition of $39,610 in U.S. Department of the Interior Bureau of Reclamation, Lower Colorado River Multi-Species Conservation funds to research and study the Lake Mead Razorback Sucker in Southern Nevada. Requires Interim Finance approval since the amount added to the Bureau of Reclamation Razorback category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22754**

Refer to motion for approval under Agenda Item D.

108. **Department of Wildlife – Diversity - FY 2012 -** Addition of $115,554 in Transfer from Conservation to assist with the mitigation of existing stressors on wildlife populations. Requires Interim Finance approval since the amount added to the State Wildlife Grant Plant Implementation category exceeds $75,000. **Work Program #C22706**

Refer to motion for approval under Agenda Item D.

109. **Department of Wildlife – Diversity - FY 2012 -** Addition of $31,227 in Wildlife Funds to purchase one replacement vehicle. Requires Interim Finance approval since the amount added to the State Wildlife Grant Plan Implementation category exceeds $75,000. **Work Program #C22700**

Refer to testimony and motion for approval under Agenda Item D-110.

110. **Department of Wildlife – Habitat - FY 2012 -** Addition of $38,038 in federal Wildlife and Sport Fish Restoration Program funds and addition of $4,274 in transfer from Wildlife Funds to purchase a replacement vehicle for wildlife water development projects in Northern Nevada. Requires Interim Finance approval

since the cumulative amount added to the Wildlife Water Development category exceeds 10 percent of the legislatively approved amount for that category. **Work Program #C22472**

Ken Mayer, Director, Nevada Department of Wildlife (NDOW), introduced Patrick Cates, Deputy Director for Fiscal Services, Nevada Department of Wildlife.

Chairwoman Smith noted that items 96, 97, 99, 102, 106, 109, and 110 were requests for vehicles for the Department, and she asked Mr. Mayer to discuss the need for the vehicles and why the requests were being made now. She said the Committee was sensitive to the fact that requests for vehicles should be discussed during the legislative session.

Mr. Mayer explained NDOW had a fleet of 212 vehicles, 44 percent of which had mileage of over 100,000 miles. He noted the Department's funding came primarily from sportsmen's fees and federal funds. Mr. Mayer said he had made a conscious decision not to submit a request for vehicles for the 2011 Legislative Session even though the vehicles were needed, because he was not sure the federal revenue would be available to support the request. From a business perspective, he felt it would be better to submit a request after the amount of federal revenue was known.

Mr. Mayer said the 12 vehicles being requested had a range of 120,000 to 170,000 miles, and the majority of the miles were back-country miles. He noted nearly as much was spent on repairs over the life of the vehicles as the original purchase amount. The requests included those vehicles that absolutely needed to be replaced for the next field season.

Continuing, Mr. Mayer said NDOW now knew the amount of federal funding available, and the Department was working with its federal partners to try to change the funding formula for vehicles. Of the total request for vehicles of $389,000, $252,338 would come from federal grants, which he added was the reason it was very important to know the exact amount of federal funds that would be available. Mr. Mayer asked Mr. Cates to provide further details.

Chairwoman Smith asked Mr. Cates to explain how the 2011-2013 biennium differed from previous bienniums and budget cycles and whether it would be an ongoing issue.

Patrick Cates, Deputy Director for Fiscal Services, Nevada Department of Wildlife, replied there were some unique circumstances when the 2011-2013 biennial budget was prepared, which were not expected to exist in the future. He recalled the Legislature had approved a budget split in the Department, which was an arduous task and resulted in the most difficult budget he had ever been involved in. In the process of splitting the budgets, a lot of uncertainty was created as to where reserves were actually going. Mr. Cates said prior biennial budgets had included some excess budget authority which, on paper, made it appear that the reserves were going to decrease greatly in the 2011-2013 biennium and was the main reason a request for vehicles was not submitted.

Mr. Cates said the Department had done a very good job of generating savings and conserving reserves, and when it realized funding would be available for vehicles, the biennial budget had already been submitted. Once the Department realized that it might not be possible to purchase vehicles, the use of federal funds to purchase vehicles was explored, which was a new option for NDOW. Mr. Cates explained typically vehicles were purchased with license fee dollars and the Department applied for reimbursement through federal programs over time by charging mileage to those programs. Learning that nearly three-quarters of the amount needed for purchase of vehicles could be funded upfront with federal dollars made a huge difference in the Department's decision.

Mr. Cates said the Department intended to include vehicles as part of future biennial budgets, and federal funds would continue to be used for their purchase.

Assemblyman Goicoechea asked whether the amount of $252,338 in federal funds was correct; he noted the Committee's background information indicated a different amount. Mr. Cates replied $252,338 was the amount calculated when the work programs were submitted.

Assemblywoman Carlton said she was concerned the discussion was taking place now rather than during the 2011 Legislative Session when discussions were held concerning other vehicle purchases. She wanted to clarify that the state dollars were license and registration fees collected by the Department – they were not tax dollars.

Mr. Cates replied the majority of the funding came from unrestricted sportsmen fees, the sale of hunting and fishing licenses, and boat registration fees.

Assemblywoman Carlton noted that in the past the Department billed the federal government for mileage, and since the Department had some very high-mileage vehicles, she asked whether the Department had compared the dollar amount of mileage reimbursement for a vehicle versus the prepayment toward the initial purchase of the vehicle.

Mr. Cates replied the amounts would eventually balance out. Mileage would still be billed to the federal government at a reduced rate; previously a portion had been intended for vehicle replacement, and that amount would no longer be reimbursed. He noted that in past years the Department had purchased vehicles from license fee dollars and requested reimbursement from the federal government. Now the federal government would purchase the vehicles upfront rather than reimburse the state for the license fee funds. Mr. Cates reiterated that the amounts would balance.

Assemblywoman Carlton asked whether the Department would be submitting another request for vehicles before the 2013 Legislative Session. Mr. Cates replied perhaps.

He explained the Fisheries Division had requested replacement of four vehicles in its grant, which came to his attention after the current work programs were submitted. Mr. Cates said the need for the vehicles was being evaluated, and if another request were to be submitted, it would be during the next fiscal year.

Assemblywoman Carlton suggested the Department wait until the 2013 Legislative Session before submitting another request, unless it was absolutely unavoidable.

Senator Denis asked Mr. Cates to explain the Department's typical vehicle replacement policy

Mr. Cates replied the Department had a fleet of 212 vehicles and 44 percent had over 100,000 miles. The Department generally used the state standard of seven years or 100,000 miles as a benchmark, but most of the vehicles had exceeded that benchmark before replacement. He said some vehicles with over 200,000 or 300,000 miles had been modified for use in the wildlife management areas and would not be replaced. Based on the minimum criteria of seven years or 100,000 miles and available funding, the most critical vehicles would be replaced.

Senator Denis asked whether requests for vehicles would normally be included in the Department's biennial budget request. Mr. Cates replied that was the Department's intention.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, clarified the difference in state and federal dollar amounts between the agency and the Fiscal Division as mentioned by Assemblyman Goicoechea. He said two of the work programs were currently funded with 100 percent fee revenue, but NDOW planned to have $67,644 reimbursed from federal grants. The Department had included the $67,644 in the Federal Grants category, and the Fiscal Division had reflected the amount as fees because that was the method of funding included in the current work programs. Mr. Cates concurred with Mr. Combs' explanation.

Chairwoman Smith asked for public comment; there was none.

> ASSEMBLYWOMAN CARLTON MOVED FOR APPROVAL OF AGENDA ITEMS D-96, 97, 99, 102, 106, 109, AND 110.
>
> SENATOR SETTELMEYER SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Kieckhefer was not present for the vote.)

Reclassifications

Agency	Agency/ Account Number	Position Number	Present Class Title, Class Code, Grade & Salary	Proposed Class Title, Class Code, Grade & Salary
Department of Public Safety – Highway Patrol	651/4713	0495 and 0310	DPS Officer II, Code: 13.206, Grade 39, Step 03, $57,712.32 Police-Fire Employee/Employer Paid Retirement	Electronic Technician II, Code: 06.981, Grade 31, Step 01, $37,563.12 Employee/Employer Paid Retirement

Chairwoman Smith asked representatives from the Nevada Highway Patrol, Department of Public Safety (DPS), to explain the request to reclassify two sworn DPS Officers to non-sworn Electronics Technicians.

Todd Ellison, Lieutenant Colonel, Nevada Highway Patrol (NHP), Department of Public Safety (DPS), introduced Johnean Morrison, the Administrative Services Officer for the Department of Public Safety. Mr. Ellison explained that there had been a change in management of the Nevada Highway Patrol, including a new Chief and Deputy Chief. A systematic review of the Division's processes and practices was undertaken to determine ways to improve and better support field operations through support services efforts.

Mr. Ellison said one issue immediately identified was that sworn personnel were spending time installing, developing, and maintaining technologies that had been implemented during the previous two years. These duties removed the employees from their field enforcement duties. He said staff looked for ways to get those employees with field enforcement duties back on the road and support them through operations on the administrative side. It was determined through a number of command staff meetings that the best approach would be to fill two existing vacant positions with Electronics Technicians, who would be able to support the programs full time, specifically the video camera systems and, in the near future, the citation and accident investigation handheld unit system.

Chairwoman Smith said the obvious question was the logic of taking sworn officer positions and replacing them with technicians, in light of the overall mission of public safety. She was concerned about giving up sworn officer positions, and she asked what the plan would be for the 2013-2015 biennial budget.

Mr. Ellison said staff had conducted lengthy discussions about the concerns voiced by Chairwoman Smith; the Department had asked for sworn positions for years and now was converting them to support service civilian positions. He explained that today's technology affected the day-to-day operations of the Highway Patrol in the field. The video capture systems were not just a tool – they were a public expectation that the work and efforts in the field were documented using the video systems. Any kind of failure in the system created scrutiny that could be avoided with system maintenance. In addition, three sworn positions would get back on the road. Mr. Ellison added that currently there were a number of Sergeants and Troopers working part-time to keep the system operational; by assigning two civilian positions to take over those jobs and duties, the enforcement positions would be able to be back in the field.

Assemblywoman Carlton recalled there was a request in the 2011 Legislative Session for new positions at the top of the command level in the Highway Patrol. She asked why this matter was not discussed at the time. With the number of vacancies, the lack of officers in the field, especially in the rural areas, and the amount of ground that they were expected to cover, she had concerns with converting sworn positions to technical positions when there may be an opportunity for someone in the support staff or non-sworn staff to upgrade their skills and move into the technician positions. She noted a lot of time and money had been invested in training the two officers, and she again asked why the discussion was not held during the 2011 Session.

Mr. Ellison replied he could not address the biennial budget request; he was not involved in that level of command at the time. He said the two positions were vacant Trooper positions, and converting them to civilian positions and filling them full-time to support the field operation services would allow the current sworn personnel, both at the Sergeant and Trooper levels, to get back in the field.

Mr. Ellison added that by providing support services to the video system, the personnel in the field would be allowed to document their contacts and provide the evidentiary record needed for enforcement programs.

Assemblywoman Carlton said she supported the positions. She was just concerned with the direction being taken to fill them. She asked how many vacancies existed in the Division.

Mr. Ellison replied there were currently approximately 50 sworn position vacancies statewide.

Assemblywoman Carlton said instead of going backwards in the number of sworn officers after fighting for years to get enough officers on the streets, she would rather see support staff and non-sworn staff upgraded to work into the technical positions. She believed all of the 50 vacancies should be filled and every officer should be out protecting the public.

Assemblyman Hardy commented that his brother was a detective, and he had stated that within his department, because of technical innovations and the available technology, officers were able to spend more hours in the field rather than filling out paperwork at their desks.

Mr. Ellison said the video capture program in place in most field vehicles had saved a significant amount of time – not just in field activity and the collection of evidence, but also in the amount of time officers previously had to spend when outside complaints or concerns about any behavior or activities were received. Now the video provided actual documentation of the event, and officers could continue duty on the road instead of being removed from the field.

Assemblyman Hardy asked whether the Division had an estimate of how many extra hours spent in the field would equate to hiring a new officer. Mr. Ellison replied he would not venture a guess as to how many hours would be saved, but there would be a significant reduction in the amount of time spent by removing people from the field for administrative tasks.

Senator Horsford recalled hearing testimony from the Highway Patrol during the 2011 Legislative Session that because of local law enforcement budget reductions, the Highway Patrol was picking up more responsibilities, particularly in the rural areas.

Mr. Ellison said when deciding which position numbers to use for the technician positions, they were both pulled from urban areas, one in Reno and one in Las Vegas. Much of the discussion was that the two civilian support service positions would be readily available to respond to the rural areas when they had problems with their systems in capturing the data. The sworn personnel in the urban areas responsible for performing those duties may not be able to leave their area due to assignments or problems. The positions would be readily available to provide assistance in the rural areas.

Senator Horsford asked why the two sworn positions in the urban areas were not redirected to sworn positions in areas that were under-utilized.

Mr. Ellison replied many of the current vacancies were in the rural areas and the Division was actively and aggressively trying to keep them filled. It was thought the best approach would be to utilize the vacant positions in the urban areas to provide support services statewide and not just to one particular area of the state.

Senator Horsford asked whether there were discussions between the Highway Patrol and local law enforcement agencies in the coordination of the recommendation to IFC. Mr. Ellison replied the decision was made internally to find a solution to support programs.

Assemblyman Goicoechea understood that two sworn positions would be converted to technicians to work on the video systems, but there were still 48 vacancies that needed to be filled before any impact would be felt. He noted that was a lot of positions.

Mr. Ellison replied Assemblyman Goicoechea was correct.

Chairwoman Smith said she continued to be frustrated that so much was done during the interim rather than during the 2011 Legislative Session. She appreciated that Mr. Ellison was the messenger. She recalled his opening statement that this idea was constructed because of new leadership in the Department, but she believed all future budget decisions should take place during the legislative session.

Senator Horsford said he agreed with Assemblyman Goicoechea's comment concerning the number of vacancies, and he asked what was being done to expedite filling the 48 vacant positions that were requested and funded during the 2011 Legislative Session. Law enforcement at the local level was seeing decreases, and the state funded the positions based on testimony during the 2011 Session that there was a need.

Mr. Ellison replied the Department was aggressively pursuing new hires. An academy was currently in progress, and plans were in place to begin another academy upon completion of this one. He said the recruitment started with a large pool of applicants, but the end result was a very small percentage actually made it into the training phase after testing and background checks. There were still reductions in personnel for various reasons during the academy and training phase. It was a difficult task to get personnel through the entire process and into the field training program.

Chairwoman Smith thanked Mr. Ellison for providing the information. She asked for public comment; there was none.

> ASSEMBLYMAN GOICOECHEA MOVED FOR APPROVAL OF RECLASSIFICATION OF THE TWO DPS POSITIONS IN AGENDA ITEM D.
>
> SENATOR HORSFORD SECONDED THE MOTION.

Assemblywoman Carlton remarked she understood the need, but she would oppose the motion on the basis of increasing command staff during the 2011 Session. She disagreed with increasing command staff and not dealing with the frontline officer issues; the discussions regarding the need for the Electronics Technician positions should have been held during the Session.

> THE MOTION CARRIED. (Assemblywoman Carlton voted no.)

Chairwoman Smith announced a lunch break and declared the meeting in recess at 12:10 p.m.

Chairwoman Smith called the meeting back to order at 12:48 p.m.

E. STATEMENT OF CONTINGENCY ACCOUNT BALANCE

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, referred Committee members to the Statement of Contingency Account balance in the meeting packet (Exhibit B, volume 2, page 349), and reviewed the balances as of December 7, 2011:

Unrestricted General Fund Balance	$11.6 million
Unrestricted Highway Fund Balance	$ 1.7 million
Restricted Funds Balance	$ 4.1 million

Mr. Combs noted Agenda Item F included two requests for allocation from the Unrestricted General Fund which, if approved, would reduce the balance to $11.5 million. There were no requests for allocations from the Unrestricted Highway Fund. Agenda Item G consisted of a request from the Office of Economic Development from the Restricted Funds of $3,476,773, which would reduce the balance to approximately $659,200.

Chairwoman Smith asked for questions from the Committee concerning the Contingency Account balances; there were none.

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

1. Office of the Governor – Ethics Commission – Request for an allocation of $65,000 to provide funding to contract with a temporary, full-time attorney for a six-month period from January through June 2012 to address a backlog in writing and publishing opinions.

Erik Beyer, Chairman of the Nevada Commission on Ethics, testified he had served as Chairman of the Commission for the past six months and was totally committed to the mission of the Ethics Commission. He viewed the Commission as a threefold service to the state: 1) a forum for individual citizens who had been wronged by the unethical activities of government in their communities; 2) a forum for government employees and policymakers to request opinions from the Commission that future activities on their part might not violate the provisions of the ethics laws; and 3) an educational service which, as required by *Nevada Revised Statutes* (NRS), must be provided to the communities, local and city councils, county commissioners, boards, and others throughout the state to teach them the provisions and ramifications of the ethics laws.

Mr. Beyer explained the Commission was requesting an augmentation of $65,000 to its budget. He recognized the need for the Commission to provide direction to its staff to be more efficient in issuing opinions. The subject had been discussed in Commission meetings on several occasions, and a subcommittee had reviewed various ways the Commission could more efficiently provide its opinions to the public.

Mr. Beyer introduced Caren Jenkins, Executive Director of the Commission, who would provide the details of the request from the Contingency Account.

Caren Jenkins, Executive Director, Nevada Commission on Ethics, explained the Commission was requesting a one-time Contingency Account allocation to fund a six-month, temporary, full-time attorney to work with Commission staff to reduce and eliminate the current backlog of 55 to 60 opinions. She noted the backlog represented nearly two years' worth of opinions that had not yet been written. The opinions had been rendered in public or closed hearings, but no written documentation of the Commission's determinations had been prepared. Therefore, she said, the public was not on notice of the current application of the statutes to the behavior of public officers and public employees in the State of Nevada, at least for the past six years.

Ms. Jenkins said the Commission had requested an ongoing new position of Deputy Commission Counsel in the 2011 Legislative Session, but the request was denied. However, the backlog was not being addressed, and it was becoming larger. She said there had been nearly a 300 percent increase in caseload since the number of employees of the Commission was increased in 2005 from three to five positions, and at that time, the staff was expected to handle 58 cases per year. The estimated number of cases in the current fiscal year was 172, a 197 percent increase. Ms. Jenkins added the extent of the backlog should not be a surprise.

Continuing, Ms. Jenkins said the Commission recognized that additional funding was not the only way to solve the problem. However, it was hoped that with the addition of a six-month, full-time attorney to address the backlog, in concert with a thorough evaluation of the agency's methods, procedures, and approaches, the Commission would not only be able to catch up by July 2012, but then would have six months before the 2013 Legislative Session to prove that it could keep up with the workload. She said it was her hope and expectation that the Commission could report positively to the 2013 Legislature, although it would be disingenuous of her to believe that the current staffing level would suffice much longer.

Chairwoman Smith asked Ms. Jenkins what factors had led to the large increase in the Commission's cases.

Ms. Jenkins replied the increase could be attributed to several factors:

- Awareness of the current ethics laws. The Commission's efforts had been refocused on outreach and education. Many of the requests for opinions that had come before the Commission were from public officers and public employees who were caught unaware that they were inadvertently violating the ethics in government laws. The inadvertence was based solely on lack of information.

- Increase in availability and awareness of availability of advisory requests. Public officers and employees now knew that before taking a misstep, they could seek advice from the Commission as to whether their contemplated conduct would be a violation of the ethics in government laws.

- Additional use of the Commission as a tool to discredit an opponent during elections, whether or not the request had merit. Complaints were often filed with a minimal level of credible evidence for an investigation, and the complainants were less interested in the outcome than they were in the process.

- Increasingly complex cases. Public officers and employees were no longer seeking advice from the Commission on their own; they were retaining legal assistance. In addition to Commission hearings, the Commission counsel's time was being usurped by quasi-judicial and legal procedures, including significant discovery disputes, which had taken a toll on the counsel's ability to write opinions.

Chairwoman Smith asked how reclassification of the Legal Assistant position approved by the 2011 Legislature had affected the Commission's backlog.

Ms. Jenkins explained the Commission had reclassified a Legal Assistant position to an unclassified Senior Legal Researcher. In the past, that individual had been dedicated partly to assisting Commission counsel and partly to staffing the Las Vegas office. The individual was now 100 percent support for Commission counsel's activities, and she had helped a great deal in the first draft of opinions and abstraction of confidential requests for opinions. Ms. Jenkins noted those documents still had to be reviewed by Commission counsel for finalization, but the process had become more efficient with the use of the legal support staff.

Senator Kieckhefer noted the work program specifically addressed the opportunity to revise the Commission's procedures, which indicated to him that the Commission was confident that there was a better way to conduct business within the office. He asked if the Commission staff was aware of a better way and, if not, whether staff could be 100 percent certain that there was a better way.

Ms. Jenkins replied she was hesitant to say that she was 100 percent certain, but she was extremely confident. There were already a number of steps being taken to streamline processes. She noted the Commission was not wholly comprised of attorneys, although it was a quasi-judicial body. While that needed to be taken into account and very substantive staff analyses and recommendations needed to be provided, she believed that the majority of the non-attorneys on the Commission were able to undertake a large portion of the analyses on their own.

Continuing, Ms. Jenkins said a Commission task force had already identified some ways to streamline the Commission's procedures. One change would be to not write opinions for every single request for opinion; only those opinions that would expand a new area of law or a new application or interpretation of the *Nevada Revised Statutes* (NRS) in a new and distinctive way would be formally prepared. She noted that the NRS only required written opinions for outcomes that were adverse to the subject, but the Commission had been writing opinions for every request.

Chairwoman Smith asked what the consequences would be if the Commission's request for Contingency funds was not approved.

Ms. Jenkins replied there had been media reports concerning individuals who had come before the Commission on Ethics over a year ago and no written opinion had been provided to them. One individual had indicated he wished to seek judicial review of the Ethics Commission's determination. She suspected there were many other individuals who had been less vocal concerning the delays. The Commission's fear was that if it had to wait until the 2013 Legislative Session, the administrative due-process would be further delayed, which would possibly create a liability on the part of the state. Ms. Jenkins did not believe it was good business, and she added that no court would be allowed to be two years behind in issuing opinions without a huge outcry. Without funding, she was not certain the Commission would be able to catch up, much less keep up, with the current caseload and backlog.

Chairwoman Smith asked whether the backlog was prioritized. Ms. Jenkins replied it was her recommendation to first handle those who were complaining. Written determinations of third-party requests for opinions and public officers and employees who had completed a full public hearing were also identified as a priority. She said individuals seeking an advisory opinion would be considered lower priority and may or may not ever receive a written opinion; they may receive a letter order from the Commission instead.

Chairwoman Smith asked what the Commission's plan was for its budget request for the 2013 Legislative Session.

Ms. Jenkins replied the plan was to review the changes that were identified, tested, and implemented during the next calendar year. She could not say that one additional staff position would not be requested, but she hoped it would not be necessary to ask for two positions.

There were no further questions from the Committee. Chairwoman Smith asked for public comment; seeing none, she called for a motion.

> SENATOR PARKS MOVED FOR APPROVAL OF AGENDA ITEM F-1.
>
> ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Horsford and Assemblymen Bobzien and Dondero Loop were not present for the vote.)

2. Department of Education – Education State Programs – Request for an allocation of $4,521 to provide funding for travel for the top three applicants for the Superintendent of Public Instruction position.

Greg Weyland, Deputy Superintendent, Department of Education, explained Agenda Item F.2. was a request from the Office of the Governor and the Board of Education to bring three Superintendent of Public Instruction applicants to Las Vegas for finalist interviews, pursuant to *Nevada Revised Statutes* (NRS) 281.169. He said the Governor's office was conducting the search, and the advertisement for the position would close the end of December.

Chairwoman Smith noted for the record that the request could not have been made during the 2011 Legislative Session because the timeline for the search was not known at that time.

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

> SENATOR LESLIE MOVED FOR APPROVAL OF AGENDA ITEM F.2.
>
> ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Horsford and Assemblymen Bobzien and Dondero Loop were not present for the vote.)

G. REQUEST FOR ALLOCATION FROM THE IFC CONTINGENCY ACCOUNT PURSUANT TO ASSEMBLY BILL 580, SECTION 38 (2011 SESSION) – Office of the Governor – Office of Economic Development – Request for allocation of $3,476,773 to encourage the creation and expansion of businesses in Nevada and the relocation of businesses to Nevada.

Chairwoman Smith advised Committee members and members of the public listening to the meeting that the discussion of Agenda Item G would appear to be similar to a budget hearing. She recalled that Assembly Bill 449, which reconstructed the former Commission on Economic Development, was passed late in the 2011 Legislative Session. The funding was placed in the Contingency Account for the agency to request expenditure authority at the appropriate time.

Chairwoman Smith further explained that budget hearings were held during the 2011 Legislative Session, but they were based on the previous structure of the Commission on Economic Development and a lump-sum funding amount. She anticipated extensive discussion on this item, which was not the normal procedure, because of the agency's revised structure and the large amount of funding.

Steve Hill, Executive Director, Governor's Office of Economic Development (GOED), testified he was honored to be appointed to the Executive Director position; he was looking forward to the challenges. He was optimistic about the prospects of Nevada and encouraged by the broad bipartisan support for the economic development effort and the desire across the state for people to play a role in improving the state's economy.

Mr. Hill thanked the members of the Legislature for their efforts during the 2011 Legislative Session. The passage of Assembly Bill 449 elevated economic development in the state and provided a platform for what would be achieved going forward. He appreciated the bipartisan manner in which the bill was passed; the Governor had worked with Speaker Oceguera and Senator Horsford throughout the entire process.

Mr. Hill explained A.B. 449 also created the Catalyst Fund, the Knowledge Fund, and the process for appointment of regional development authorities (RDAs). The appointment process had begun and would be completed during the first half of 2012. The process would provide an opportunity for interaction between the state and the regions to broaden the economic development effort statewide and consider innovative ways of looking at economic development going forward in partnership with the regions.

Continuing, Mr. Hill said the 2011 Legislature, working with the Office of the Secretary of State, the Office of the Governor, and the private sector, commissioned Brookings Mountain West and SRI International (Brookings/SRI) to conduct a study and prepare a report to set the groundwork for the State Plan for Economic Development. The study did not identify new sectors in the economy of which the state was not aware, but it narrowed the conversation to provide focus moving forward. Within the sectors, about 30 specific areas were identified in which Nevada could move its economy forward, and suggestions had already been received to expand those areas.

Mr. Hill went on to say A.B. 449 also created a new Board of Economic Development, and he believed the appointments to the Board were the type of individuals everyone had in mind to be involved with economic development. Members included the Governor, Secretary of State, and Lieutenant Governor; six accomplished, smart, and dedicated Nevadans from the private sector; the Chancellor of the Nevada System of Higher Education (NSHE); and the Director of the Department of Employment, Training and Rehabilitation (DETR).

Mr. Hill recalled that the 2011 Legislature, working with the Governor, added funding for economic development, recognizing that economic development had been under-resourced in the past, which made it difficult to capitalize on opportunities. The additional funding would provide the opportunity for GOED to move forward based on the Brookings/SRI plan. He noted that most of the funding was not authorized during the 2011 Legislative Session because it was anticipated that economic development would move in a new direction. Approximately $3.9 million remained in the Contingency Account, of which approximately $3.5 million was being requested in Agenda Item G. Mr. Hill said the agency would probably return to the Interim Finance Committee in March 2012 to discuss the disposition of the remaining funds.

Mr. Hill said he could provide solid justification for the current $3.5 million request; the funds would be spent in the most effective and efficient way possible. He said GOED would look for creative and innovative ways to accomplish its goals, and the remaining funds might later be reprogrammed or possibly reverted. Mr. Hill explained most of the current request was in response to legislation or the Brookings/SRI plan. The Brookings/SRI plan focused on several topics, including:

- The importance of the regional economies throughout the state. The plan focused on applicable sectors in the regions and the opportunities available. Those sectors and opportunities would be part of the State Plan for Economic Development moving forward.

- Alignment and collaboration. In diversifying the economy, the Brookings/SRI plan specifically addressed innovation and commercialization of that innovation, as well as expansion of the state's global presence through export and foreign direct investment. The GOED would move forward with ways to innovate and partner with entities involved in economic development throughout the state. Resources would be diverted to the most effective areas; they would no longer be applied in areas that were not effective.

Mr. Hill said the State Plan for Economic Development would be published in February 2012, and it would focus on data and information to drive performance, activities, and accountability. The plan would include a detailed description of how progress in economic development in the state would be measured.

Moving to the requested allocation, Mr. Hill identified several areas that constituted a majority of the $3.5 million request. [Note: These minutes reflect specific dollar amounts included in Work Program C22711 (Exhibit C) and the Office of Economic Development Executive Summary (Exhibit D).]

- $1.44 Million – Pass-Through Funding for Regional Development Authorities

The largest allocation would provide continued funding for the regional economic development authorities (RDAs). Mr. Hill recalled that the 2011 Legislature approved six months of funding in GOED's budget for the RDAs, and the current request was for funding for the next six months.

Mr. Hill explained that A.B. 449 mandated that GOED review the performance of the regional economic development authorities, which was previously done through the Commission on Economic Development. Mr. Hill believed the authorities' performance justified their continued funding; it was important that they continue economic development efforts in their respective regions.

Mr. Hill noted that in the past, the two largest economic development authorities received direct funding from the General Fund, but that would change. The GOED would be implementing a request for proposal (RFP) process to contract with the RDAs, which would take place from March through May. In the meantime, the current request was to continue the same level of funding as in the past.

- $517,720 – Agency Staffing

Continuing, Mr. Hill said the request included approximately $518,000 in personnel expenses. The Brookings/SRI plan had recommended hiring Industry Specialists, which in Nevada were being called Sector Specialists. In order to move the industry sectors forward, he said it was important to have an individual working full-time to help drive each sector's economy forward. From a planning standpoint, the Sector Specialists would have an understanding of the sectors' workforce needs and supply chain.

Mr. Hill observed that economic development was often discussed in broad terms, but there were day-to-day, company-by-company, job-by-job responsibilities that must be performed in order to build that effort. He said making the playing field for Nevada's economy the best that it could be for businesses all at once was a broad effort, but helping a small business grow in a region required knowing that business: what it did, who and where its customers were, whether it had the ability to export, and specifically how it could connect to its workforce. He noted that even with the high unemployment rate in the state, companies were struggling to find qualified employees.

Mr. Hill went on to say it was critically important that Sector Specialists be in the field to compile information and bring industry and workforce development together. The relationship between GOED and the regional development authorities would allow placement of the Specialists in the most logical locations. He did not envision many of the Sector Specialists housed in state offices; they could be located within the universities or community colleges, in the offices of the regional development authorities, or in the office of a private business.

Mr. Hill said having the Sector Specialists located where they were most needed by the industry would make their efforts most efficient and would also provide opportunities for cost-sharing. The budget request included funding to pay all of the expenses associated with the Sector Specialists and their efforts, but over time as partnerships were developed with others in economic development, cost-sharing would be very possible.

Mr. Hill noted the proposed salaries in the request were at the top of the agency's pay levels. Assembly Bill 449 had provided GOED with latitude in order to have the ability to be innovative and move quickly. However, he noted, the pay levels also needed to fit into state government. He thought the proposed salaries were somewhat high at this point, and the position announcements would probably indicate lower salary ranges. Many of the positions, including the Sector Specialists, were different types of positions, and the appropriate pay rates were not yet known; however, the salaries in the budget request would not be exceeded. In talking with other states to gain an initial impression of the applicants that might be available, Mr. Hill believed the range of $90,000 to $105,000 would be sufficient for Sector Specialists.

Mr. Hill said the same situation would exist with the Industry Analysts who would provide support for the Sector Specialists. The Sector Specialist would be in the field engaging with industry, education, and businesses considering coming to Nevada. The Industry Analyst's job would primarily involve assemblage of data and information to assist those involved in economic development and companies looking to either expand or move to Nevada. The Industry Analyst positions would be internal, and the Sector Specialists would be external.

- $195,000 – Advertising and Marketing

Mr. Hill explained about half of the advertising and marketing budget would be directed toward sector-specific marketing to compile and disseminate information throughout the sectors, inside and outside of Nevada, in order to understand the opportunities and drive growth in those sectors. Funding was designated for the following activities:

- Ø $90,000 – Work with the Commission on Tourism on a rebranding effort and develop specific marketing tools to demonstrate new specific clusters of opportunity.

- Ø $80,000 – Upgrade the current website and develop a portal where individuals would be able to obtain needed information in order to grow businesses in Nevada.

- Ø $25,000 – Host site selection consultants.

Mr. Hill noted that although hosting site selection consultants was not addressed in the Brookings/SRI plan, approximately 30 percent of business expansion and relocation was done through site selectors; a number of them specialized in different clusters in the economy. Site selectors who focused on the same sectors to be pursued in Nevada would need to visit Nevada and be shown more than they would see when participating at a conference.

- $650,000 – Research and Analysis

Mr. Hill explained funding for research and analysis would be split in half. Three studies needed to be conducted, in addition to the Supply Chain and Workforce Skills Assessment:

- Ø $ 75,000 – Inland Port Study. Legislation passed during the 2011 Session required that GOED write a state plan for inland ports, which was a complicated topic. There were specialists who dealt with inland ports, and it was important to bring someone in who was familiar with them.

- Ø $125,000 – Renewable Energy Export Study. In order to grow this segment of the economy, it was important to be able to export renewable energy, which was also a complicated subject. Conversations had begun with California about the possibility of partnering on the study. It was important to develop a business case and understand what the impacts would be on the state.

Ø $150,000 – National Assessment of Incentives and State Policies. Mr. Hill said there had been much discussion over the years about the competitive nature and effectiveness of incentives and abatements. Two recent national articles had ranked Nevada as having the best incentive and abatement plan in the country from the perspective of driving good-paying, sustainable jobs. The topic should be studied as to its competitiveness and the effectiveness of spending taxpayer dollars to bring jobs to Nevada.

Ø $300,000 – Supply Chain and Workforce Skills Assessment. Funding of contracts with experts in the state would be necessary to accelerate progress in the various sectors. As an example, the supply chain in each of the industries was important information, detailed and complicated, that would be needed to drive the sectors. Mr. Hill said out-of-state companies considering relocation to the state wanted to know whether there were manufacturers who could supply their needs. The only way to gain that information was to talk to each manufacturing company and learn their capacities and whether they had the ability to grow. There was currently an effort in the Reno-Carson area to get the program off the ground, and it was attracting companies from around the country and around the world.

In addition, Mr. Hill said in order to help companies in Nevada stay in business and grow, the state must interact with them on a one-on-one basis and provide potential customers from outside of Nevada with information about who they were and what their capacities were.

· $585,000 – Allocations and Grants

Ø $250,000 – Regional Planning Grants. Mr. Hill said that the Brookings/SRI report highlighted the importance of regional economies in the state. When developing a state plan, it was important that the regions conduct regional economic development planning as well.

Ø $ 50,000 – Stronger Economies Together. The federal Economic Development Administration had a program called "Stronger Economies Together," which was a rural economic development planning tool, and $50,000 would be budgeted to help with planning in the rural areas.

Ø $100,000 – Scientific and Technology Non-Profits. Mr. Hill said that grants and competition in technology commercialization was an area that Nevada needed to improve upon. The innovation and commercialization of technology-based economic development basically involved business start-ups and the transfer of technology to industry partnering with the University System and its research departments to help businesses solve problems, create new products, and grow.

- Ø $ 50,000 – Customer Relationship Management (CRM) System. Mr. Hill said Nevada currently did not have a CRM program that worked well. It was important that customer relationship management software be an open source so the state's economic development partners could participate. Information about all businesses across the state needed to be housed someplace that was useful and could be updated and accessed by those who needed the information.

- Ø $ 25,000 – Incentives and Awards. Mr. Hill explained that as the regional development authorities developed innovative ideas or ways to collaborate better with regional partners, incentives and awards would be provided.

- Ø $ 50,000 – Most Compelling Strategy Award.

- Ø $ 60,000 – Consulting. Mr. Hill said a small amount of funding had been set aside for consulting, primarily in the areas of technology commercialization and exporting. Ted McAleer, Executive Director, USTAR (Utah Science Technology and Research) had done tremendous work in technology commercialization, and Mr. Hill hoped to involve him as a consultant.

Mr. Hill noted the remaining funds were budgeted for operating expenses. He concluded his presentation and offered to answer questions.

Chairwoman Smith noted that Assembly Bill 449 required that GOED develop a State Plan for Economic Development, which Mr. Hill indicated would be completed in February 2012. Without the state plan being completed, she asked where the confidence level was to move forward with the positions and the work based solely on the Brookings/SRI report.

Mr. Hill replied during the 2011 Legislative Session, most individuals involved believed the Brookings/SRI report and the state plan were the same. The information provided in the Brookings/SRI report would be the basis of the state's formal state plan. The report contained an analysis of the state's economy, the potential opportunities, and a suggested set of strategies. He said it was his responsibility to put the state plan and the budget together, and they would be in alignment. He would not submit a budget request that would not be aligned with the state plan.

Mr. Hill added that the Governor, the Legislature, and everyone involved in economic development throughout the state, including the citizens, sensed an urgency to start moving toward implementation of GOED. He believed the Brookings/SRI study met legislative intent, even though the terminology was slightly different, and the report and state plan would be in alignment.

Assemblyman Grady said he was concerned and disappointed that the Brookings/SRI study did not include agriculture. Agriculture was one of the largest exporting commodities in the state. Mr. Hill had referred to the two major economic development authorities, Washoe County and Clark County, but Assemblyman Grady asserted that the Northern Nevada Development Authority (NNDA), representing the four rural counties in the Carson City region, had conducted many of the activities discussed. Going forward with the state plan, he hoped it would address more than the two urban areas and give due consideration to rural Nevada. Mining had provided great things in Nevada and continued to do so, and agriculture was growing. He requested that NNDA not be excluded in the state plan.

Mr. Hill replied that he agreed with Assemblyman Grady's comments in several ways. The Northern Nevada Development Authority did a terrific job, and GOED worked closely with it. In the past, the two major authorities in Washoe and Clark Counties had been funded from the General Fund, while the other development authorities were funded through requests for proposal and contracts. He did not intend to exclude NNDA or any of the other authorities from the conversation; he was only explaining how the budgets had been handled. Brookings and SRI had engaged in several conversations about agriculture, and they indicated that agriculture was addressed through the manufacturing and food processing areas. Mr. Hill understood there were several individuals in the state who did not feel agriculture was adequately addressed; a meeting had been scheduled on January 9 to discuss driving the agricultural sector economically going forward, and it would be added to the state plan.

Chairwoman Smith surmised from Mr. Hill's comments that it was important to not create silos in the process of identifying sectors because there was overlap and crossover that should take place.

Senator Leslie thanked Mr. Hill for his presentation. She had been waiting to hear the deliverables, and that information was missing. She asked how many jobs were going to be created, what kind of businesses would be developed, and what kind of metrics would be used. She assumed that information would be included in the state plan in February 2012.

Mr. Hill replied the agency was working on the metrics and accountability measures. In general terms, some of the statewide information was currently available, including employment numbers, unemployment data, and gross state product. The GOED would break down the information for each sector, which currently was not generated by the state. He said discussions had been held with DETR about the workforce development side of the equation, and DETR also had a strong economic team led by Bill Anderson. Mr. Hill said DETR was planning to realign its work to coincide with the industry sectors by assigning an economist and business representative to each sector to maintain data in those areas and measure the results.

Senator Leslie asked whether the measurements would be available by sector in February. Mr. Hill replied the state plan would include a list of metrics to be measured and any current information available; some of the sector information would be available by February and some would not be.

Senator Leslie asked whether the state plan would include a timeframe to hold the agency accountable. Mr. Hill said the report would include a detailed list of metrics, but some areas not currently being measured may take some effort to develop and a projected timeline may not be known by February.

Senator Leslie recalled Mr. Hill had indicated the regional development authorities had been reviewed. She asked what metrics were used to determine that the authorities were doing a good job. Mr. Hill replied the metrics primarily included job creation and capital investment in the state.

Senator Leslie asked Mr. Hill to provide that information in writing. She noted one of the reasons that Nevada rated so highly in the articles Mr. Hill had referenced earlier was metrics had been developed, and in granting GOED the flexibility to implement the recommendations in today's request, the Legislature must know what was being measured to justify the expenditures to the 2013 Legislature and provide evidence to constituents that jobs were created.

Assemblyman Hickey recalled that prior to consideration of Assembly Bill 449, everyone talked about the need for Nevada to increase its public/private partnerships, especially with regard to the Nevada System of Higher Education (NSHE). He wondered whether GOED's focus would help fill the gap in the plan as a result of not funding the Knowledge Fund. Assemblyman Hickey noted that Mr. Hill's presentation indicated some sectors would be connected to the University of Nevada, Las Vegas and University of Nevada, Reno. He asked whether Mr. Hill agreed that connection with NSHE was an important component of the economic development plan and whether an adequate amount of funding would be allocated in that direction.

Mr. Hill replied that he believed it was critically important for the Nevada System of Higher Education to be involved as a partner in order to enhance and increase the innovation/commercialization aspect of economic development in Nevada. In fairness to the NSHE institutions across the state, Mr. Hill said NSHE had responded to the needs of the communities as best they could over the past 20 years, and they grew with the communities as they grew. The situation was somewhat different now, but it was important that businesses looking at Nevada could be assured they would have a partner in NSHE to provide the research and technology component, which was necessary to attract higher tech companies with better paying jobs. Mr. Hill added he would like to have more resources to direct toward that effort.

Mr. Hill had met with the presidents of the NSHE institutions, who believed there should be two Technology Commercialization Director positions: one in the northern part of the state and another in the south. They did not believe one individual could cover all the institutions in the state. Mr. Hill agreed, and moving forward, GOED may be back for funding for that purpose, but funding of the Knowledge Fund would also be considered in 2013. For now, GOED would be pursuing funding from the private sector.

Assemblyman Kirner remarked he hoped that any strategic plan would contain metrics to measure success. He was concerned about results for the good of the state, and he wanted to emphasize the points made earlier by Senator Leslie.

Mr. Hill replied he appreciated the members' comments. He said he would not have taken the job without believing he could achieve results. A lot of partners would play a role in the effort, but he and the Board of Economic Development realized the importance and urgency of promoting economic development, and they were dedicated to making good things happen.

Senator Cegavske thanked Mr. Hill for his presentation and his hard work. She had just returned from an Education Commission of the States conference where an education team had assembled economists who discussed many of the topics in Mr. Hill's presentation, including where agriculture was going nationally. One of the economists was from Denver and another was from the East Coast. In their discussions of various issues, they talked about the lack of business skills and because people no longer wanted to work in the business fields, the country was losing small businesses. They pointed out that people could purchase goods cheaper on the Internet, and as a result, brick and mortar businesses were disappearing. She asked whether Mr. Hill had considered that issue.

Senator Cegavske went on to say she had not heard any discussion of K-12 education, and she believed it needed to be included. She asked whether the Chambers of Commerce throughout the state were involved in economic development planning.

Mr. Hill replied GOED was engaged with K-12 education, and he had met with Clark County School District Superintendent Dwight Jones and his staff two weeks before. He said the "Dream It Do It" program, which was brought to Nevada by the Northern Nevada Development Authority and its Director, Robert Hooper, had seen great success. The program basically matched the education ladder with a career ladder in several different fields. Students learned if they obtained a certain level of education, there was a job they could do, and if they obtained further education, there was a job that would pay a higher salary and might be more exciting. The program provided students with an opportunity to envision different career paths early on in their education and showed them what they could accomplish if they took the next step in their education. Mr. Hill remarked the connection was important and emblematic of what GOED needed to pursue with K-12 education.

Continuing, Mr. Hill noted that Nevada had some crosscutting areas, and agriculture and other areas would be combined going forward—not just from an agricultural standpoint, but from the standpoint of food processing and information technology as it applied to research. He added that the state also had a unique and interesting water situation, and combining those issues could give Nevada an opportunity to become a leader in how agriculture interacted with different climates and water situations. Mr. Hill said the agriculture sector could not only be improved, but the state could become a national and global leader in that area.

Mr. Hill added that he had asked chambers of commerce, economic development authorities, and other business organizations to organize meetings throughout the state to meet with him and provide their input on various economic development issues, including slow hiring processes and inefficiencies. He would share the information with the Committee; some of it may be legislative, some may be regulatory, and some might not have anything to do with state government.

Chairwoman Smith said her biggest concern was with the Technology Commercialization Director position, which was originally to be connected to the Knowledge Fund and was now being requested from the General Fund. She was interested in raising funds for the Knowledge Fund, and she hoped to see more definite information in the state plan about the Fund.

Chairwoman Smith asked for further explanation of the salary structures for those Committee members who did not serve on the money committees during the 2011 Session. She noted this particular budget had been given more flexibility than usual regarding budgeting and salaries, and she was concerned some of the salaries seemed high. The Industry Analyst and Sector Specialist salaries were close to the Regional Directors' salaries. She asked how those salary levels were determined.

Mr. Hill said when recruiting the Sector Specialists, the agency was looking for individuals who, under complex and difficult circumstances, could examine a broad set of issues in complete depth in the supply chain. He was looking for individuals who were willing to make an investment in Nevada while they were hopefully making an investment in their careers. Mr. Hill said recruitment would be for people whose market value would be substantially higher than the pay range the state could pay. If that meant they would be willing to serve for two or three years and then move back into the private sector, that would be acceptable to GOED. Those individuals could make a real difference for the state and in their careers. Other states were in the same situation: the $100,000 to $105,000 salary range was required to recruit individuals who would be willing to make that investment in the state as well as in themselves.

Mr. Hill added that he believed the $90,000 salary for the Industry Analyst position was too high; the $75,000 range would be adequate.

Chairwoman Smith asked Mr. Hill to state for the record what was planned for the Knowledge Fund and whether more detail would be provided in the State Plan for Economic Development.

Mr. Hill replied if the Knowledge Fund was addressed in the state plan, it would be based on the fact that it was currently not funded, there should be an effort to generate some private funding for the Fund, and it was important that the Knowledge Fund be funded in the future.

Chairwoman Smith recalled the intent of A.B. 449 was that funding would be sought for the Knowledge Fund. She assumed that was under consideration; Mr. Hill replied that it was.

Chairwoman Smith remarked that the Legislature had taken a big leap of faith by passing A.B. 449 and approving such a large innovative approach in funding; the Committee was doing so as well by approving the requested budget. There was a distinct shift in the budget from what was discussed during the 2011 Legislative Session; the personnel costs were 175 percent higher than they were in the previous budget. She was not concerned if added personnel and competitive salaries were the key to recruitment and would help businesses grow. Creative minds and new ways of looking at things were needed in the state. She asked Mr. Hill whether any capacity had been diminished by shifting investment from the regional development authorities to personnel.

Mr. Hill replied no, capacity had not been diminished. The salary structure for the projected GOED organizational chart was approximately $2.7 million in fiscal years (FY) 2012 and 2013. The entire budget was approximately $7 million, $3 million of which was allocated to the economic development authorities, leaving a balance of $4 million. Mr. Hill explained expenditures in the first six months of FY 2012 had been minimal, and unexpended funds were being used for one-shot areas that would not be repeated. He said one-shot funding provided GOED an opportunity to conduct the Incentive and Abatement Analysis, the Inland Port Study, and an analysis of exporting power outside of Nevada. Mr. Hill said on an ongoing basis, the net operating budget was approximately $4 million, $2.7 million of which was budgeted for personnel, leaving a balance of $1.4 million.

Continuing, Mr. Hill said as GOED partnered with the economic development authorities, it would have to be innovative. One of the Sector Specialists could be an employee of NNDA, and GOED and NNDA could cost share, which would result in an increased allocation to the development authority, but a decreased cost to the state. He noted that funding for the regional development authorities was not intended to be diminished, and there was no reason that it would be. Increased performance from the RDAs was desired, and accountability metrics would be expected from them as well. Mr. Hill emphasized that funding for the development authorities was not guaranteed, but there was no intention of reducing it.

Chairwoman Smith remarked she liked the incentive and abatement study; she had worked in that area over the past bienniums. There had been a staff study two bienniums earlier, and it was a complex and complicated issue that was difficult to piece together. She was looking forward to the study and learning where the abatements and incentives were used and whether they actually led to good jobs.

Assemblywoman Bustamante Adams asked whether all seven sectors identified in the Brookings/SRI report were ready to be deployed immediately. If they were not, she asked how Mr. Hill would prioritize the top three.

Mr. Hill replied he believed there were opportunities currently available in all seven sectors. Consideration must be given to the fact that there were between 170,000 and 180,000 unemployed workers in the state, and to some extent, the early decisions would need to be made with that in mind. In looking at where the highest potential job opportunities were and the most jobs that may be easily accessible for some unemployed workers, the healthcare industry had the highest potential for job creation of any of the sectors; gaming, tourism, and entertainment were second; and logistics, distribution, and manufacturing would be third. Mr. Hill said opportunities should not be diminished in the other sectors, but when considering the largest job opportunities that would give Nevadans the opportunity to return to work more quickly, those three areas had the highest potential.

Assemblywoman Bustamante Adams said it was her understanding that a legislative colleague was already conducting work on inland ports and renewable energy exportation. She asked how GOED activities would be integrated with the ongoing efforts, particularly with the Governor's Transmission Task Force.

Mr. Hill replied GOED was working hand-in-hand with Assemblywoman Kirkpatrick and Assemblyman Atkinson on the study, and Stacey Crowley, Director of the State Energy Office, was leading the conversation with California on the exportation plan. In order to move that sector forward, more information was required from an economic development standpoint, and Ms. Crowley had asked for assistance from GOED.

Chairwoman Smith noted that she had talked to Mr. Hill about the closure of the postal processing center in northern Nevada, which would have a huge effect on businesses, small and large, in northern Nevada if they would be unable to ship their products or conduct business through the mail. Mr. Hill had agreed to pursue the matter.

Chairwoman Smith thanked Mr. Hill for his presentation. She acknowledged that he had a lot at stake as well in the plans for economic development.

There being no further questions from the Committee, Chairwoman Smith asked for public comment. There was none, and she called for a motion.

> ASSEMBLYMAN HICKEY MOVED FOR APPROVAL OF AGENDA ITEM G.
>
> SENATOR CEGAVSKE SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Horsford was not present for the vote.)

H. INFORMATIONAL ITEMS

2. OFFICE OF THE SECRETARY OF STATE – Special Election Expenditure Report – Summary of the reimbursements made to counties for the costs and expenses incurred to conduct the Special Election to fill the vacancy in Congressional District 2.

Ryan High, Deputy for Operations, Office of the Secretary of State (SOS), explained receipts for the 2010 Special Election in the amount of $536,039 were received from the counties. The Secretary of State's office reviewed the receipts and came to a total of $521,904. Mr. High said SOS coordinated with the Budget Division and Fiscal Analysis Division staff and agreed on the following plan to revert the election costs to the IFC Contingency Account. The Secretary of State's office would:

- Draw down the previously approved amount of $539,000 from the IFC Contingency Account.

- Pay the counties the reimbursement amount of $521,904.

- Submit a work program to the Interim Finance Committee (IFC) at its February meeting to establish a Reserve for Reversion account to reserve $209,180 to the IFC Contingency Account.

- Journal voucher the $17,223 difference between the $539,000 approved by IFC and $521,904, resulting in a total reversion to the IFC Contingency Account of $226,403.

Chairwoman Smith recalled there had been disagreement concerning the reserve amount; the question had been clarified, and she thanked Fiscal staff for working on a resolution. She understood that the Secretary of State's office would allocate 50 percent of the Special Election costs from reserves.

Senator Leslie also wanted to thank staff from the Budget Division, Fiscal Analysis Division, and Secretary of State's office for working together to find a way to share the costs of the Special Election.

5. DEPARTMENT OF AGRICULTURE
   a. Report on the reserve levels of the Nursery and Pest Control Operator programs for the periods of July 1, 2010, through June 30, 2011, and July 1, 2011, through September 30, 2011 (letter of intent, 2011 Legislature).

Jim Barbee, Director, Nevada Department of Agriculture, introduced John McCuin, Administrative Services Officer. Mr. Barbee explained that one of the recommendations in the 2010 legislative audit of the Department was that the fee-based programs needed to be self-supporting. The Department had been evaluating multiple programs, including the Nursery program, and in doing so, determined that based on the current revenues for the Nursery program, it would be necessary to reduce the hours of two Inspectors.

Chairwoman Smith asked whether the Department had any other options to ensure the Nursery program was entirely fee-based. Mr. Barbee replied other options had been considered before making the decision, but at the time the decision was made, there was a negative impact on the reserve of approximately $53,000. Reducing the positions' hours to 21 hours per week resulted in a reserve of $1,600. He cited the results of other options on the reserve:

- Reduce both positions to 30 hours: negative $24,000.
- Reduce one position to 21 hours: negative $26,000.
- Reduce the other position to 30 hours: negative $39,000.
- Lay off one position: negative $10,000.

Mr. Barbee said the reduction in hours for both positions was the most viable budget decision that could be made; he noted that the Department would continually reevaluate the program

Chairwoman Smith commended Mr. Barbee and the Department for the accomplishments and progress in the Department's budgeting process. She thanked him for his efforts and asked him to continue to work with the Fiscal Analysis Division staff to develop fund mapping processes, staffing, and positions for the fee-based programs. Mr. Barbee agreed to do so.

Assemblyman Goicoechea asked whether the reduction in hours would have an impact on the Nursery program or the Department's ability to inspect and license nurseries.

Mr. Barbee replied the Department was evaluating ways to become more efficient. One way was to develop closer connections with other groups, such as the Contractors' Board, to assist with licensing issues. He said the Department was continually monitoring the revenue being generated, and he added all efforts were being made to maintain open communication with the industry sector that would be affected in all of the fee-based programs being evaluated.

Assemblyman Goicoechea thanked Mr. Barbee for his efforts, adding that it was evident there had been a tremendous turnaround in the Department's operations.

Chairwoman Smith noted the item was for information only and no action was required.

Chairwoman Smith remarked that Assemblywoman Mastroluca had requested testimony on Informational items 7.a.2) and 7.a.3).

7. DEPARTMENT OF HEALTH AND HUMAN SERVICES
   a. Division of Aging and Disability Services
      2) Quarterly report on the Senior Ride program for the period from July 2011 through September 2011 (letter of intent, 2011 Legislature).

Carol Sala, Administrator, Division of Aging and Disability Services, Department of Health and Human Services, explained the quarterly report on the Senior Ride program was required in one of four Letters of Intent to the Division from the 2011 Legislature. She offered to answer specific questions about the report.

Assemblywoman Mastroluca noted a limitation on the number of Senior Ride books to be made available to recipients became effective in September, and she wondered whether the Division had received feedback on the change.

Ms. Sala replied she did not have any information concerning feedback from the recipients. She explained that during development of the Division's budget, a timeline of how to implement the changes was created. There had been a delay in filling the Program Officer 1 and Administrative Assistant 1 positions because the Department of Personnel had determined that the Program Officer 1 position should be a Management Analyst 1, which slowed the process. That position was just recently filled. Ms. Sala said she would obtain information on whether recipients were expressing concern that they could only buy three books instead of the previous number and report back to the Committee.

Assemblywoman Mastroluca asked whether the survey would be submitted with the next quarterly report and what the survey would reveal.

Ms. Sala said the survey results would be included in the second quarterly report. She explained that previously there had been no information collected from clients concerning their eligibility, including their income and assets. The purpose of the survey was to develop a baseline of that information, which would help to determine how to structure eligibility. Historically there were only two Administrative Assistants selling books and there was no mechanism to gather client data. Ms. Sala added that clients were not required to validate or document their information. The Division just wanted to develop a profile of the Senior Ride clients.

Assemblywoman Mastroluca thanked Ms. Sala for the information.

7. DEPARTMENT OF HEALTH AND HUMAN SERVICES
   a. Division of Aging and Disability Services
      3) Quarterly report on the Autism Treatment Assistance Program (ATAP) for the period from July 2011 through September 2011 (letter of intent, 2011 Legislature).

Carol Sala, Administrator, Division of Aging and Disability Services, Department of Health and Human Services, testified the quarterly report on the Autism Treatment Assistance Program (ATAP) was required in one of the four Letters of Intent to the Division from the 2011 Legislature.

Ms. Sala reported that the position approved for the Autism program had just been filled. A temporary employee had been hired to input case management data, which had previously been handwritten by contracted case managers. The information was now in an Access database and would eventually be merged into the Social Assistant Management System (SAMS).

Ms. Sala said one of the first tasks of the new employee would be to evaluate the two bills from the 2011 Legislative Session, Assembly Bill 316 and Assembly Bill 345, to determine the reporting requirements for data to be gathered in coordination with the Department of Employment, Training and Rehabilitation, the Department of Education, and the Health Division.

Ms. Sala said the Division had also been working on agreements with all of the autism providers to standardize the agreements across the Division. There were now five Case Managers statewide, and one of them was concentrating on the waitlist and contacting the families to determine whether they were still on the list.

Assemblywoman Mastroluca asked whether the clients were notified of the move to ATAP.

Ms. Sala replied that process was completed several months before in collaboration with the Division of Mental Health and Disability Services (MHDS). Letters had been sent from MHDS to clients giving them the option to move to ATAP and get on the waiting list. She did not have the number of clients who chose to move to ATAP; some chose to stay with the services they were receiving through MHDS.

Assemblywoman Mastroluca said it would be helpful to know how many clients moved to ATAP and how many stayed with MHDS and whether they had given reasons for the decision. The information would assist in evaluating the waiting lists. Ms. Sala agreed to include the information in the next quarterly report.

8. DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
    a. Monthly reports on the status of the Unemployment Insurance Trust Fund balance for September 2011 and October 2011, pursuant to the request of the Interim Finance Committee's Subcommittee for Federal Stimulus Oversight, A.C.R. 34 of the 2009 Legislature.

Kelly Karch, Deputy Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation (DETR), reported the current Unemployment Insurance (UI) Trust Fund federal loan balance was $743 million. At the end of November the balance was $723 million, at the end of October $760 million, and at the end of September $742 million. He noted the Division was paying down the principal with tax receipts to lessen the amount of interest the state would owe the federal government, which was the reason for the varied amounts.

Mr. Karch said the time period from January 1 through April 30, 2012, would require the highest usage of the federal line of credit because tax receipts received during the last quarter of the calendar year would be less than the previous three quarters. He said the Division continued to maintain a vigilance concerning the Trust Fund. Presently there were 10,000 claimants receiving benefits from Nevada's Trust Fund and 14,000 from federal trust funds. Mr. Karch said the current number of claimants in the UI Trust Fund was down from the highest total of 80,000 approximately two years ago.

Assemblyman Conklin said if there were once 80,000 claimants and now the number was 24,000 and the unemployment rate had only dipped slightly, he questioned whether Mr. Karch's report was necessarily good news.

Mr. Karch asked Mr. Schmidt to provide further information.

Dave Schmidt, Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation (DETR), explained there had definitely been a decline in claimants since the peak. At one point, about 70 percent of the total unemployed workers in the state were receiving some form of unemployment benefits. That number was down to approximately 51 percent in the most recent month. Mr. Schmidt said there were a growing number of individuals not currently covered by any unemployment insurance benefits, which explained part of the decline in the unemployment figures.

Assemblyman Conklin surmised the decline did not necessarily indicate individuals had returned to work – it was largely because they were no longer eligible for benefits. Mr. Schmidt agreed that was the reason for a substantial portion of the reduction.

Assemblyman Conklin asked what the loan balance was projected to be at the end of calendar years (CY) 2011 and 2012. Mr. Karch replied the loan balance had been projected until June 2012, and it was estimated to be $854 million.

Mr. Schmidt added that the loan balance would be approximately $780 million to $800 million by the end of the 2011 calendar year. He would get back to the Committee with the specific amount.

Assemblyman Conklin asked what effect the federal unemployment tax offsets would have on the outstanding loan balance.

Mr. Schmidt responded a few changes in federal taxes took place in CY 2011. There was an increase in the federal tax employers paid in CY 2011 of 0.3 percent on the first $7,000 of an employee's wages. The additional federal tax would be applied toward the state's outstanding loan balance, and Mr. Schmidt anticipated that when the tax was collected during the first half of CY 2012, about $13 million would be applied to the loan balance. He said employers received a slight break in CY 2011 because the federal unemployment tax base dropped as of July 1, 2011, from 0.8 percent to 0.6 percent, and the 0.2 percent change for part of the year would help to offset the effect of that increase in CY 2011.

Assemblywoman Carlton asked how long the average wage base taxable rate had been $26,600. Mr. Schmidt replied the rate was $26,600 in CY 2011 and would go down to $26,400 in CY 2012, with a 2 percent average rate on employers. He explained the reason for the reduction was the taxable wage base in the state adjusted every year according to *Nevada Revised Statutes* (NRS). The rate was based on the average wages in the state and calculated in June of each year; it was currently set at 66 2/3 percent of the average wage in the state. Mr. Schmidt noted the rate had actually gone down over the last two years from $27,000 to $26,600 and $26,400 in CY 2012.

Chairwoman Smith thanked Mr. Karch and Mr. Schmidt for their testimony; the information was very helpful to the Committee.

8. DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
    b. Quarterly report on the status of the transition of the Community College Apprenticeship Program for the period ending September 30, 2011 (letter of intent, 2011 Legislature).

Lynda Parven, Deputy Administrator, Employment Security Division, Department of Employment, Training and Rehabilitation (DETR), noted that DETR assumed responsibility for the Community College Apprenticeship Program in July 2011, and the first quarterly report was submitted on October 31, 2011. She said contracts had been developed with the College of Southern Nevada, Western Nevada College, and Truckee Meadows Community College, and apprenticeship classes had begun.

Chairwoman Smith recalled that during the 2011 Legislative Session, the responsibility for the Apprenticeship Program shifted from the Department of Education to DETR, and the process for allocating funds was to be the same as it had always been. She said it appeared that contracts had been submitted to the Board of Examiners rather than the funding being allocated as it had been in the past. Chairwoman Smith said the community colleges had expressed concern that they had not received any allocations for distribution. She asked why a different process had been put in place and how long it would take to actually get the money into the hands of the people who needed it.

Ms. Parven replied the Workforce Investment Act (WIA) funds were distributed via the contracting process, and all Employment Security Division contracts had always gone through the Board of Examiners. She was unfamiliar with any process that would direct the Division to proceed in any other manner.

Chairwoman Smith asked Ms. Parven to research the process and review the testimony during the 2011 Legislative Session budget hearings to determine whether the contracting process was required for the allocations to take place. She said there were programs that for years had counted on receiving the funds at a certain time of the instructional year; it was now halfway through the program year, and funds still had not been allocated. Ms. Parven agreed to work with the Fiscal Analysis Division staff to obtain the information for the Committee.

There were no further questions from the Committee, and Chairwoman Smith thanked Ms. Parven for her testimony.

9. DEPARTMENT OF MOTOR VEHICLES AND DEPARTMENT OF CORRECTIONS – Report of the status of relocating the Department of Motor Vehicles Tag Plant due to the closure of the Nevada State Prison in FY 2012, provided pursuant to a request made by the Interim Finance Committee at its October 25, 2011, meeting.

Greg Cox, Director, Nevada Department of Corrections (NDOC), introduced Brian Connett, Deputy Director, Silver State Industries, NDOC. Director Cox noted that Bruce Breslow, Director, Department of Motor Vehicles (DMV), was available in Carson City to also answer questions concerning the license plate factory.

Director Cox explained that due to the pending closure of Nevada State Prison (NSP) in Carson City, approximately 13 medium-custody inmates were currently working in the license plate factory. In partnership with the DMV, NDOC had identified between 17 and 20 inmates to work in the plant inside NSP until the time funds could be identified for relocation of the factory either to Northern Nevada Correctional Center (NNCC) in Carson City or High Desert State Prison in Clark County. Director Cox said the Department of Administration was currently conducting an analysis to determine whether funding was available for the relocation, but in the meantime, license plates would continue to be manufactured at NSP.

Chairwoman Smith asked whether a new plan would be submitted to the 2013 Legislature. Director Cox replied the analysis needed to be completed to determine the costs associated with the relocation. If the funding was not available, NDOC had a plan in place to staff the factory, and the plant would not be relocated.

Chairwoman Smith expressed concern that the discussion during the 2011 Legislative Session was that the factory would remain at NSP, and shortly after the Session there was already a plan to do something else.

Director Cox said the Department had looked at the costs to maintain the facility at NSP and considered input from officials who had toured NSP indicating that everything should be removed from the facility. In deciding to relocate the license plate factory, Director Cox sought the opinions of his peers across the country and looked at the costs of maintaining something inside the facility, taking the age of NSP into consideration. Director Cox said one of the strengths in Corrections was that it had a plan A, plan B, and plan C, and usually planned for the worst.

Director Cox said he wanted to do what was best for the state. The future of the Silver State Industries program would be affected by the license plate factory and its ability to continue to be a force in NDOC to employ inmates and provide vocational educational training. He said those types of programs were needed in order to have the robust type of Silver State Industries program that currently existed.

Chairwoman Smith replied the Legislature also wanted to do what was best for the state. However, she would like to adhere to plans as much as possible, at least in the short term. She would appreciate being kept apprised.

Chairwoman Smith noted there had been many news reports concerning closure of the Nevada State Prison, and she asked Director Cox to provide an update for the Committee.

Director Cox replied the Department had a six-phase plan involving assignment of employees to different budget codes. He said the Department could not reduce any more positions at NSP; he believed the level of staff had reached a point where any further reductions would hamper or endanger public safety, both for the inmates and the public. Consequently, there was a large number of staff with very few inmates, which did not make a lot of sense.

Director Cox said current employees at NSP were being given the opportunity to transfer to Warm Springs, Northern Nevada Correctional Center, and the Stewart facility if there were vacancies. No new Correctional Officers were being hired in the Carson region.

Chairwoman Smith recalled that the 2011 Legislature closed the Department's budget with the assumption that NSP would not be closed until April 1, 2012. However, if the Department was able to place all of the employees in positions, she assumed it would be possible to close NSP earlier.

Director Cox said Chairwoman Smith was correct. He reiterated that the NSP positions were being allocated across different budget codes throughout other NDOC budgets, and employees were being transferred to other facilities in Carson City. Director Cox said there would be no layoffs and no one would be forced to relocate. He explained that *Nevada Administrative Code* (NAC) regulations and the Department's layoff procedures prohibited him from forcing staff to take jobs in Lovelock or other areas where there might be vacancies.

Chairwoman Smith stated it was the Legislature's understanding that employees would have until April 1 to make decisions about either moving to another facility or finding employment elsewhere.

Director Cox replied she was correct; they would have time to consider current vacancies in all NDOC facilities throughout the state and to decide whether they would want to fill those vacancies.
Assemblywoman Carlton asked whether she understood correctly that the employees' positions were secure until April 1, 2012, which was the discussion during the 2011 Session, and after April, they would face layoff.

Director Cox replied he had held vacancies, especially at the Lovelock Correctional Center, and 16 staff had taken positions in Lovelock. Everyone would have a job until April, and then they would have to make a decision. He said state regulations for layoff required the Department to issue layoff notices two months prior to the effective date.

Director Cox noted that some employees were confused because they were placed in different position numbers until April to avoid the possibility of layoff. He and his Deputy Director had held discussions with staff and the employee associations to explain the process and keep them apprised of what was being done.

Director Cox added that a new academy class was being opened in Lovelock as a result of the current vacancies and he had issued another notice for voluntary transfers. Those impacted by the closure who had not chosen to transfer to Lovelock thus far might make that choice by April. However, he had an obligation to fill the vacancies and run the Lovelock facility efficiently and effectively.

Assemblywoman Carlton recalled there had been discussions during the 2011 Session about possible retraining dollars and NDOC, working with the Department of Administration and the Department of Employment, Training and Rehabilitation, would determine whether the officers could upgrade their skills and possibly find jobs in other public safety agencies. She asked whether any progress had been made toward that effort.

Director Cox replied he was a member of the Peace Officers Standards and Training (POST) Commission, and he was aware that there were a number of ways employees could increase their category certification. Correctional Officers were category 3 certified and they could go to category 2 or 1 by attending the POST academy and receiving that training. He said one of the difficulties, not only in Nevada but across the country, was that layoffs were occurring in corrections and law enforcement for individuals with the category 1 certification. With that type of knowledge and experience, those employees were filling vacancies in other municipalities and states that were hiring. He said training was possible, but he thought it would be extremely difficult.

Assemblywoman Carlton said the basic question was whether any funding could be located for retraining. She was aware there were federal retraining dollars available, and she asked whether the Department had inquired through DETR whether funds might be available.

Director Cox said he was not aware of any available funding, but he would contact DETR to see if that was a possibility.

Assemblywoman Carlton noted that category 3 certification was difficult because it was for the corrections area only; category 2 would give the employees more flexibility in job opportunities within other areas of public safety. She encouraged Director Cox to investigate the possibility of retraining funds; she believed the employees were owed the opportunity to upgrade their skills if possible.

Chairwoman Smith suggested the new Grants Unit in the Department of Administration might also be able to locate retraining dollars. Director Cox said he would pursue that possibility as well.

Chairwoman Smith asked for further questions from the Committee; there were none. She thanked Director Cox for his testimony.

I. PUBLIC COMMENT

Chairwoman Smith called for public comment.

Barry Lovgren, private citizen, read the following testimony into the record:

> My name is Barry Lovgren and I am a private citizen hoping you will do something about two instances of the Substance Abuse Prevention Treatment Agency (SAPTA) using its funding irresponsibly.
>
> The first is unauthorized certification funding of treatment. I sent each member of the Committee a letter about this, and I provided a copy to attach to the minutes [Exhibit E]. NAC [*Nevada Administrative Code*] 458.118 requires the certification funding of substance abuse treatment must be according to Division criteria. The Division is Mental Health and Developmental Services. These criteria are the standards for determining whether the services are good enough for the taxpayers to pay for.
>
> My focus is on the unauthorized certification funding of Co-Occurring Enhanced Levels of Service, since this is the most blatant example. Most Division criteria are for levels of service such as level 1 outpatient services. The Co-Occurring Enhanced Levels of Service instead are like the women's set-aside levels of care in that they don't describe a level of service, but they instead describe how to modify a level of service, like level 1 outpatient services, to provide specialized treatment. Women's set-aside levels of care provide specialized treatment for pregnant women and women with dependent children. Co-Occurring Enhanced Levels of Service provide specialized treatment for substance abusers who suffer from mental illness. The difference is that there are Division criteria for certification and funding of Women's Set-Aside levels of care, but there

aren't any for Co-Occurring Enhanced Levels of Service. But they are certified and funded anyway.

There is only a July 2007 draft amendment to the Division criteria that, over four years later, still hasn't been adopted. At the November meeting of the SAPTA Advisory Board, SAPTA began the process of revising the Division criteria, something that it hasn't done since 2005, if not earlier. But the revised criteria proposed by SAPTA still don't include Co-Occurring Enhanced Levels of Service.

I have distributed to the Committee the draft revision criteria for Co-Occurring Enhanced Levels of Service and a ledger showing $1,489,000 in unauthorized expenditures on these services during fiscal year 2011. I have also provided these to be attached to the minutes [Exhibits F and G].

The second instance is the rather astonishing one of SAPTA funding a Civil Protective Custody (CPC) program that can't be lawfully used. I have sent each member of the Committee a letter about that too, and I have provided a copy of that to be attached to the minutes [note: Copy not provided for the minutes]. I've shown on the fiscal ledger distributed to the Committee, SAPTA funds the Washoe County Sheriff's Office CPC program with $93,100 a year in state liquor tax funds. However, the CPC statutes require the persons taken into CPC must be taken to a facility for treatment of alcohol abusers if there is one in the community. There are two in Reno, but the Washoe County jail, where the funded CPC program is located, isn't one of them. We're essentially using state funds to have peace officers break state law. I am reminded of what one of the king's advisors said to Louie the Fourteenth after he made an especially awful decree: "It is worse than evil, Sire. It is stupid."

I don't know what the Committee can do about any of this, but what SAPTA can do is obvious. It can comply with the requirement of NAC 458.118 to certify and fund programs according to Division criteria. It can quit making a mockery of state law by using state monies to fund a CPC program to which a peace officer can't lawfully take anyone.
That's it; thank you. Any questions? Thank you very much.

Chairwoman Smith thanked Mr. Lovgren for his testimony. There were no further questions from Committee members. She asked for further public comment; there was none.

J. ADJOURNMENT.

Chairwoman Smith thanked Committee members for their attention and diligence during a very full agenda. She also thanked LCB staff and state agency staff for their presentations and hard work. She announced the next meeting of the Interim Finance Committee would be held in Carson City on February 9, 2012.

There being no further business to come before the Committee, Chairwoman Smith adjourned the meeting at 3:12 p.m.

Assemblywoman Debbie Smith, Chairwoman
Interim Finance Committee

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

EXHIBITS INTERIM FINANCE COMMITTEE		
Exhibit	**Witness/Agency**	**Description**
A	*********	Agenda
B	*********	Meeting Packet
C	Steve Hill, Governor's Office of Economic Development	Work Program C22711– Agenda Item G
D	Steve Hill, Governor's Office of Economic Development	GOED Executive Summary–Proposed FY 2012 Budget
E	Barry W. Lovgren, Private Citizen, Public Testimony	Letter to IFC Members Concerning Substance Abuse Prevention and Treatment Agency (SAPTA)
F	Barry W. Lovgren, Private Citizen, Public Testimony	SAPTA Revised Criteria for Treatment of Co-Occurring Disorder
G	Barry W. Lovgren, Private Citizen, Public Testimony	SAPTA Expenditure Spreadsheet