

**MINUTES OF THE NEVADA LEGISLATURE'S
INTERIM FINANCE COMMITTEE'S SUBCOMMITTEE
TO REVIEW AND ADVISE ON THE DEVELOPMENT OF PRIORITIES
AND PERFORMANCE BASED BUDGETING**

August 28, 2013

Chairwoman Debbie Smith called the meeting of the Nevada Legislature's Interim Finance Committee's Subcommittee to Review and Advise on the Development of Priorities and Performance Based Budgeting (PPBB) to order at 1:37 p.m. on August 28, 2013, in Room 3137 of the Nevada Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada.

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

Senator Debbie Smith, Chair
Assemblywoman Maggie Carlton, Vice Chair
Senator Ben Kieckhefer
Senator Joyce Woodhouse
Assemblyman Paul Anderson
Assemblyman David Bobzien

COMMITTEE MEMBERS PRESENT IN LAS VEGAS:

None

COMMITTEE MEMBERS ABSENT:

None

LEGISLATIVE COUNSEL BUREAU STAFF PRESENT:

Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division
Jeff Ferguson, Senior Program Analyst, Fiscal Analysis Division
Cathy Crocket, Program Analyst, Fiscal Analysis Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Tracie Battisti, Committee Secretary, Fiscal Analysis Division

EXHIBITS:

[Exhibit A](#): Agenda
[Exhibit B](#): Priorities and Performance Based Budget - Overview
[Exhibit C](#): Priorities and Performance Based Budget - By Department

I. ROLL CALL.

Chairwoman Smith called the meeting of the Nevada Legislature's Interim Finance Committee's Subcommittee to Review and Advise on the Development of Priorities and Performance Based Budgeting (PPBB) to order. The secretary called roll, all members were present.

II. OPENING REMARKS.

Chairwoman Smith welcomed the members of the Subcommittee and the public. She thanked the Legislative Counsel Bureau (LCB), Fiscal Analysis Division staff and the Department of Administration, Executive Budget Office staff for their work in preparation for the meeting.

Chairwoman Smith recalled that the PPBB concept was embraced by the Nevada Legislature during the 2011 Legislative Session with the passage of Assembly Bill 248, which appropriated funding to both LCB Fiscal staff and Budget Office staff to develop the process. She said the PPBB process would allow decision makers to spend more time on big decisions, and those decisions would be based on outcomes from data collected in the right areas. She commended the Budget Office staff for their work over the previous interim, which they performed without extra funding and with a new director.

Chairwoman Smith said she was interested in having the first few PPBB meetings quickly to provide the Budget Office with some direction for the next budget cycle. She suggested that the Subcommittee meet throughout the interim as they prepare for the 2015 Legislative Session.

III. PUBLIC COMMENT.

There was no public comment.

IV. REVIEW AND DISCUSSION OF THE IMPLEMENTATION OF PRIORITIES AND PERFORMANCE BASED BUDGETING FOR THE 2013-2015 EXECUTIVE BUDGET.

Jeff Mohlenkamp, Director, Department of Administration, said it was his pleasure to speak before the Subcommittee, because PPBB was a subject about which he was passionate. He said the PPBB process, done correctly, would transcend simple budgeting and help to define priorities of government. Mr. Mohlenkamp said Dale Erquiaga, Superintendent of Public Instruction, and Julia Teska, Deputy Superintendent for Business and Support Services, Nevada Department of Education, worked closely with him to develop the PPBB architecture.

Mr. Mohlenkamp reviewed the Priorities and Performance Based Budget – Overview ([Exhibit B](#)).

Chairwoman Smith said the PPBB process would need to consider how the work of one state agency might affect the work of another state agency. She provided an example of how an increase in the percentage of the population suffering from poverty or hunger could result in an increase in the crime rate.

Assemblyman Bobzien noted that the budget process was a major endeavor for the Legislature and the Executive Branch. He was concerned that there would not be a process in place to identify common objectives if there were no periodic review of the budget data through the legislative process.

Mr. Mohlenkamp replied that the PPBB was a budgeting tool, but it was also a management tool. He said the transition away from a line-item budget mindset would require a coordinated effort between the Legislative and Executive Branches. He said a major motivator for the agency directors was that they would be held accountable, and would be required to answer questions regarding their budgets from the legislative committees. Mr. Mohlenkamp said Governor Sandoval had directed his cabinet to continue moving forward with the PPBB approach. He said the Executive Branch would work with the Legislature to make the PPBB process a success.

Chairwoman Smith said it was also incumbent upon the decision makers to make those decisions based on the way the information was presented to them. Chairwoman Smith asked about the experiences in other states that had used the PPBB process.

Mr. Mohlenkamp answered he recently attended a national conference. He said the states that used PPBB well had the Executive Branch and Legislative Branch both show an equal commitment to the process. He said if just one side or the other was participating, the process had limited success. Mr. Mohlenkamp said when both sides came together, PPBB could be both a good management tool and a mechanism for making decisions on the budget.

Mr. Mohlenkamp said another factor to consider was the pace of change. He wanted to move forward with the process very quickly, but his counterparts in other states told him to be patient, and implement a slower transition. He said the next challenge would be to show the Subcommittee how the data would be presented in a way that was more meaningful and helpful for decision making.

Chairwoman Smith said that resources must be made available for the new process, whether in the form of additional staff or IT. She recalled speaking with the director of the State of Texas Sunset Advisory Commission, which had similar objectives as the PPBB process. He explained to her that the Texas Sunset Advisory Commission was supported by a permanent agency with full-time staff, and that the commission met year around. She noted that Washington State also put additional resources into a system similar to the PPBB system.

Mr. Mohlenkamp agreed that in many areas the State of Nevada budgeting and finance administration was very lean. He said a large portion of the funds would be used for system changes. Resources would be used to identify and reduce the duplicate work that was occurring among the agencies. Improvements would be made to the presentation of data to the Governor, and ultimately the Legislature. He said aggressive use of IT resources would streamline the work and prevent the need to hire new staff. He said they would focus heavily on reducing the strain on state agencies as the parallel budgeting systems merged so as not to overburden staff.

Vice Chair Carlton recalled that over the 2013 Legislative Session, Mr. Mohlenkamp was able to quickly retrieve data in response to questions from the money committees. She asked if that data would still be readily available under the PPBB system.

In addition, Vice Chair Carlton was concerned that some of the issues being discussed involved agency performance, and policy decisions. She asked whether the policy committees should be involved in that discussion as well as the money committees.

Mr. Mohlenkamp understood the desire to have detailed information; in addition, there was the desire to focus on larger issues. He did not know whether those two styles were in competition with each other, but they could be. He said the proposed system would provide all of the detail that had been provided under the previous system. In the future, there could be a collective decision that the budget information not include quite as much detailed information, but that decision had not yet been made.

Mr. Mohlenkamp hoped that future discussions on large funding decisions at the legislative level would be focused on how to measure the effectiveness of the outcomes being proposed.

Vice Chair Carlton said, she understood that the budget system needed some adjustment. She agreed that the Legislature should spend its time reviewing higher-level decisions rather than decisions about purchasing trucks and lawnmowers; however, it was also the Legislature's responsibility to know where the money was being spent. She wanted to ensure that if a legislator wanted detailed information it would be provided.

Mr. Mohlenkamp agreed that raising the level of discussion, including a comprehensive discussion as to how outcomes would be measured, was the direction that the PPBB process would take. At the same time, the data would continue to be accounted for at the granular level. He noted that LCB staff did a very competent job of reviewing the details of the Executive Branch expenditures. In addition, both branches of government had audit processes to review transactions. There were many checks and balances in place, although they were not full proof. He hoped some of the detail that was reviewed would eventually be removed from the budgeting process. He said it would allow the Legislature to spend significantly more time on the large and difficult decisions.

Vice Chair Carlton said, she was not quite convinced, but she would remain open-minded.

Assemblyman Bobzien said this could be an opportunity for the Legislative Branch to review its own organization and processes as to how they would interface with PPBB. He noted that the policy committees were insulated from the budgetary pressures that affected the agencies' policies. He expected that the policy committees would want to be presented with an overview of the PPBB during the 2015 Legislative Session. He said there were opportunities for better integration between the policy committees and the money committees.

Assemblyman Anderson described himself as a proponent of performance based budgeting. He explained that he ran his own business by "dashboard," but the dashboard information was only as good as the data behind it. He said LCB staff must be able to access the data that is underlying the dashboard information.

Assemblyman Anderson recalled during the 2013 Legislative Session that the money committees often spent time discussing issues that were minor compared to the overall budget. It did not seem to be an effective use of the money committees' time. While the legislative session is limited to 120 days, it would be nice to elevate the conversation, which would be a result of the PPBB process.

Assemblyman Anderson had questions about the controls that would be put into place, and what the controls were meant to accomplish. He asked who would set the controls, and whether those individuals had the necessary expertise on the data. He agreed with the practice of combining silos as long as there were control measurements in place.

Mr. Mohlenkamp agreed with everything Assemblyman Anderson said regarding setting goals. He said there was a place for understanding granular data, such as how many magazines were in a company's reception area. However, that was not an issue, the company's executives should spend lots of time on; rather staff should have handled that task. He said the discussion between the department directors, the Budget Office, the Governor and the Legislature should be about what the agency intends to achieve with the funding. The process needed to include a critical back and forth discussion.

Mr. Mohlenkamp said that the Budget Office would need to change its skill-set so that the analysts' mindset was to think critically about what could be achieved with the funding, research what other states and the private sector had done with similar initiatives, and identify whether the right metric was being utilized.

Mr. Mohlenkamp made it clear that he did not want to understate the skills, talents and accomplishments of the staff. He said staff had done a lot of in-depth comprehensive analysis on some of the larger issues, but was not focused on how to measure outcomes.

Mr. Mohlenkamp said, for the near future, the budgets would come from the department directors. He expected the department directors would reach out for whatever resources they needed to develop the PPBB, and he added it would be a work in progress as the process was refined. He said the framework of the budget needed to be a statewide process. He said the Legislative and Executive Branches currently used a unified budgeting system. He did not want to lose that coordinated effort. However, The Executive Budget was prepared by the Governor, comprising the Governor's initiatives, and then presented to the Legislature. Therefore, there would always be elements in the budget that were selected by the Governor. He expected they could come up with a unified structure that worked well for the Executive and Legislative Branches. He explained that there was a team of Budget Office and Executive Branch staff working on the PPBB structure.

Assemblyman Anderson noted that one of the core functions of the Department of Health and Human Services (DHHS) was hunger reduction. He asked if historical budget data could be used to show that a certain level of funding was tied to achieving hunger reduction.

Mr. Mohlenkamp said not many, but some of the benchmarks had good historical data. He explained that this method of measurement was new to the state. He said there would be a keen focus on reviewing benchmarks, and there was a lot of work to be done in gathering the data. Mr. Mohlenkamp said in some cases they had state information going back a few years, and national data to use for comparison. However, in most of the areas, they had limited data. He said the work of some agencies, such as Business and Industry, did not lend itself to comparison to national measures. He said he would be interested in the Subcommittee's requests for benchmarking.

Senator Kieckhefer said the PPBB approach assumed that if an agency's objectives were achieved, the agency should be budgeted accordingly, regardless of the methods used to achieve the objectives. He recalled that the Interim Finance Committee (IFC) had many discussions about the details of the operations of the Nevada Early Intervention Services program in order to determine whether the children's needs were being met. He asked Mr. Mohlenkamp if other states had turned over that kind of responsibility to the Executive Branch.

Mr. Mohlenkamp said, through discussions with his counterparts in other states, he learned there were structures in place to measure agencies' performance, and hold them accountable for meeting certain targeted goals and outcomes. He said if the performance targets were not met, it would be natural for the decision makers to question how the agency was operated, and the methods that were used to achieve the outcomes. He said if one of his staff consistently met timeframes and was performing well, he would not question the structural method as much as when they did not meet the timeframes or the expected level of quality.

Mr. Mohlenkamp said other states' budget processes had not necessarily provided the same level of detail as Nevada's budget process, so the other states' money committees' discussions would not be focused on the small details of the budget.

Chairwoman Smith reiterated that she wanted the money committees to spend their valuable time talking about major budget decisions, the philosophy of what was working, and where the programs were headed. For example, in a discussion of the Division of Welfare and Supportive Services (DWSS) budget, she wanted to discuss participation rates, success rates, work participation, and how outreach was performed. She did not want to discuss the purchase of a \$30,000 phone system, when the DWSS budget was hundreds of millions of dollars. She emphasized that she wanted for the money committees and LCB staff to have access to the details of the budgets, but she did not think the money committees needed to spend the limited amount of time available caught up in details.

Chairwoman Smith commented on Vice Chair Carlton's remark about how the policy decisions were integrated into the PPBB process. Chairwoman Smith said the PPBB legislation included a provision for pre-session budget hearings. She said the pre-session budget hearings provided an opportunity to involve the public in discussions about where policy and the budget converge. She said some states had a "budget road show" before session to provide the public the opportunity to weigh-in on particular subjects. Chairwoman Smith said she would like the Subcommittee to discuss this idea over the following months.

Chairwoman Smith said she was curious about how receptive the agency leaders and the cabinet members were to the PPBB approach after the first round of discussions.

Mr. Mohlenkamp said several of the agency directors and senior managers attended: staff from the Department of Education, Department of Transportation, Department of Health and Human Services, Department of Corrections, the Governor's Office of Economic Development (GOED), and the Department of Conservation and Natural Resources were present. He noted that as the departments transitioned to the PPBB system, there would be a fair amount of additional work.

Mr. Mohlenkamp said reviewing the PPBB process caused some of the divisions to view the compartmentalization structure and funding of their operations in a new light. He said the process of working with the cabinet on the PPBB approach had been very valuable. He said the work on core functions and objectives of government benchmarks created connections and collaborations between the Department of Employment, Training and Rehabilitation (DETR), GOED, and the Nevada System of Higher Education (NSHE). He thought it was unfortunate that this collaboration did not get a hearing during the 2013 Legislative Session. He explained that the collaboration was not connected to any budget decision the money committees were asked to make, and interest in the collaboration waned. On a positive note, he said the formation of the Subcommittee reassured the agencies that the PPBB process would be put front and center.

Chairwoman Smith commented on the observation from Assemblyman Anderson that there was not much detail on PPBB in statute. She thought this was an opportunity for the Subcommittee to make recommendations to the 2015 Legislature to add depth and clarify the statute. She noted that she proposed the original legislation; she worked with Rick Combs, former Assembly Fiscal Analyst, and Andrew Clinger, former Budget Director, to come to an agreement on the language.

Vice Chair Carlton asked, how much the new system would cost.

Mr. Mohlenkamp said he did not have a concrete answer as to the cost. He said they were essentially proposing to replace the state's accounting system. He said a contract for the benchmark study had been executed to explore replacement of the Advantage system. Currently the PPBB related costs were not significant. He noted the Subcommittee authorized a position, which the Budget Office was in the process of recruiting. He said some of the contracting money was being used to hire a half-time FTE employee to work on system issues. For the near future, he thought that was all the funding that would be needed, until it was time to replace the accounting and budgeting structure. He said the long-term costs would be significant, but he could not quantify that at this time.

Mr. Mohlenkamp said the objective of his presentation was to lay the framework. He reported that he had spoken with LCB Fiscal Analysis Division staff Mark Krmpotic, Senate Fiscal Analyst, and Cindy Jones, Assembly Fiscal Analyst, about the need to move quickly on the project in the current biennium. It was his expectation to present information to the Subcommittee at its next meeting regarding the subsequent steps of the process.

There were no further questions from the Subcommittee.

Rudy Malfabon, Director, Nevada Department of Transportation (NDOT) said, due to federal requirements, his department had been involved with performance management in certain categories for several years. Mr. Malfabon said the quality of the data was important, especially considering the data came from several sources outside of the department. The federal government indicated that if the department saw trends in a certain direction they would have to shift funding to address those trends. He said in the past, the federal government implied that NDOT needed to comply, or the funding could be reduced. The federal government wanted NDOT to demonstrate its performance. If the performance was on trend, the department would not have to move funds from another program to the safety program. Mr. Malfabon said the department was presently concentrating on a federal rule-making process focused on statistics of highway fatalities and serious injuries in Nevada and other states.

Mr. Malfabon said, the department had become aware of the need to review the quality of the data, especially when the data was collected by other agencies. In addition, NDOT was trying to get a better handle on data management within the organization. So far, the data was collected in silos within the department's divisions. He said the department held quarterly meetings to review performance measures in the infrastructure and safety areas.

Chairwoman Smith thanked Mr. Malfabon for his information, particularly because the department already had federal requirements to review performance measures.

Vice Chair Carlton noted that federal performance measures might not necessarily address state-level issues. She said if the departments focused solely on meeting performance measures, other problems could develop that would need to be addressed. She asked if there was a way to make sure the performance measures met the state's needs. She asked whether the performance measures could be adjusted in the future, and whether they would be defined by the Executive Branch or the Legislative Branch.

Mr. Malfabon expected that the performance measures would be defined by both the federal government and the Nevada Legislature. For example, there were concerns about how NDOT selected its projects. He said legislation required NDOT to report on a regular basis on the benefit-cost ratios for major projects. He noted the Governor also had criteria for which performance measurement data was collected. Mr. Malfabon said the criteria came from the Executive Branch, the Governor, and Director Mohlenkamp, as well as the Nevada Legislature and the federal government.

Vice Chair Carlton said it seemed as though under the PPBB approach, NDOT would be given an assignment, and would then be left to do its job. She cautioned that there could be political ramifications to some of the decisions made by NDOT. She wanted to make sure that if the PPBB process was adopted, the fact that some projects would be more popular in some areas of the state than in other areas was taken into consideration.

There were no further questions for Mr. Malfabon.

Stephen Woodbury, Administrative Services Officer, Governor's Office of Economic Development, agreed that the State of Nevada had an unusual budgeting system. He was excited about the prospect of using a performance-based approach. He wanted a system that focused on the bigger picture and had greater flexibility for the agencies. He recognized it would be a huge undertaking that would require funding, but he thought the approach made sense. He said they were looking forward to doing anything they could to help move the PPBB process forward.

Chairwoman Smith said she found the Governor's Office of Economic Development particularly interesting, because it was a new rendition of the former agency. She said the legislators were very interested about how performance would be measured in that realm. She recalled there was a lot of discussion during the 2013 Legislative Session about tax incentives. She asked Mr. Woodbury to comment on the measurement of the performance of tax incentives.

Mr. Woodbury replied, the Governor's Office of Economic Development was a brand new agency. He said GOED would like to have historic measures that were consistent over time; however, so much of what GOED was doing was new.

Mr. Woodbury said he did not develop the performance measures for GOED, but he had reviewed them. He said there was still a lot of work that needed to be done to define the performance measures. He said GOED understood that performance measures were important to the agency, because of the new activities and resources that had been devoted to those activities. This process made sense, because resources could be re-directed from activities that were not working, to activities in which the agency was performing well.

Chairwoman Smith noted that Mr. Erquiaga and Ms. Teska were both involved in the original PPBB discussions, but in different roles. She said Mr. Erquiaga now had a perspective of PPBB from both the budget and department aspects. She congratulated Mr. Erquiaga on his appointment and asked him to comment.

Dale Erquiaga, Superintendent of Public Instruction, Department of Education, said he and Ms. Teska were both now in different roles than they had been during the initial PPBB discussions. He said Ms. Teska was now a Deputy Superintendent in the Department of Education.

Mr. Erquiaga said PPBB had become a management tool at the cabinet level. He said the Governor's Office had begun holding "team meetings" of the cabinet based on system priorities. He had attended meetings with NSHE, DETR and DHHS, because those entities affected the educated and healthy citizen rate.

Mr. Erquiaga noted that the education and health areas were data rich, but that data was not directly linked to the K-12 education budget. He recalled Mike Willden, Director, DHHS stating that it was not as easy as turning a dial to cause the graduation rate to rise, or the diabetes rate to decline, even with benchmarks and performance measures. Although making those changes was not as simple as turning a dial, the conversations about budgeting and policymaking were linked.

Julia Teska, Deputy Superintendent, Department of Education, said the present structure of budgets in the Department of Education did not make much sense. She explained that the accounts were presented in a way that did not clearly explain the budget to the public.

For example, Ms. Teska said student data systems were a critical element of the Department of Education's work, and a topic, which the Legislature had a lot of interest in. However, in order to retrieve information on how much money was being spent on student data systems, four different budget accounts would have to be reviewed.

Ms. Teska said the current budget structure was not a good system for managing resources at the department level, it did not give the Legislators consistent information for decision-making, and did not inform the public. She said the Department of Education planned for its next budget submission to be restructured to its functional areas. She explained that the department's activities were aligned to the functional areas, so the budget would show what was spent on each of the different student populations, the data system, and assessing children.

Ms. Teska said performance measures were more difficult. She agreed there was a lot of data in the area of K-12 education, but the department was in transition between the Adequate Yearly Progress (AYP) framework and the New Educator Performance framework. She said performance measures were one of the department's weaknesses, and the department intended to focus its efforts toward performance measures in the interim.

Ms. Teska said one aspect of PPBB that had not been discussed was efficiency measures, or what it would cost to serve one student or one client, or the cost to increase performance for those students or clients. She said those efficiency measures were somewhat elusive. She provided the following efficiency measure for the Department of Education: Determine whether a Distributive School Account (DSA) spending increase of \$500 per student would result in a commensurate increase in student performance.

Ms. Teska had one final comment about performance measures from a budgeting perspective. She said it was critical to ensure the alignment between when the funding was received and when a change in performance could be expected. For example, over the 2013 Legislative Session, a lot of money was targeted toward kindergarten children to increase reading levels by the third grade. She said those changes would not be expected until those students reached the third grade. It was critical that the public understand that.

Chairwoman Smith noted that, due to term limits, the money committees were no longer made up of the same members over several budget cycles. She said it was difficult for new legislators to track funding for the programs under the current budget structure. She said a better system would help the newer members see the bigger picture more quickly.

Assemblyman Anderson asked if a PPBB approach would provide the Department of Education more flexibility in making decisions.

Ms. Teska answered, that would depend on whether the language in the funding appropriation was prescriptive. She explained that one topic discussed in the internal meetings with Director Mohlenkamp was the English Language Learners (ELL) program. She said it was brand new funding and it was a prime example for using measurements to determine the effectiveness of the program. She said the outcomes of those efforts would dictate what was requested during the next legislative session.

Assemblyman Anderson said at the present, the data was in silos. However, with a performance metric and dashboards, the agencies would have the flexibility to achieve the goals that had been set. He thought the ultimate goal would be to connect decision-making to funding via the performance metrics. For example, were the students reading, learning English, and graduating? He said he did not care which silo the funding was in, as long as those goals were met.

Mr. Erquiaga thanked Assemblyman Anderson for his comment. He said that amplified a comment from Assemblyman Bobzien about flexibility, a term that came up often in the early PPBB discussions among the cabinet. He explained that the departments were bound by Legislative and Executive Branch rules regarding moving money between accounts, line items, and position control numbers. He said there was a process for work programs, yet the system was not flexible. He said requiring the Department of Education to wait two years to add a position or to move money from one account to another would not work. Mr. Erquiaga said some level of flexibility would need to be incorporated as the process evolved.

Chairwoman Smith noted that both the bills appropriating funds for ELL and class size reduction for kindergarten during the 2013 Legislative Session were written to be more prescriptive than usual, in order to make the outcomes easier to measure. She recalled that Senator Woodhouse spent a great deal of time in a working group, which included Ms. Teska, to determine the components of those bills. Chairwoman Smith said there would be a balance between allowing flexibility and being able to measure clearly defined outcomes.

Senator Kieckhefer said these discussions would make it easier for the Legislators to overcome partisan differences in what would be funded and how it would be funded. He said having a more thorough understanding of what was being purchased with the taxpayer dollars, with which the Legislature had been entrusted, would make it easier to make decisions. He said knowing they would be able to gauge the return on an investment would help them to invest new dollars in new programs for education, with an understanding that the results would be measurable and the department would be accountable for the outcomes.

Chairwoman Smith said in order to improve student achievement, a balance must be found for the state agencies to measure performance and be accountable, while at the same time having flexibility. Chairwoman Smith thanked Mr. Erquiaga and Ms. Teska for their perspectives from both ends of the spectrum.

Kay Scherer, Deputy Director, Department of Conservation and Natural Resources (DCNR), said DCNR was enthusiastic about what they were learning from the PPBB process, and what it enabled them to do across the agencies that dealt with management of natural and cultural resources in the state. She said the current budget process did not show the public the activities performed by the department and the functions of the different divisions. More importantly, it did not show that DCNR worked collaboratively across resource agencies to accomplish certain tasks in government.

Ms. Scherer reported that the resource management section of the Budget Division's PPBB webpage included a pie chart that showed the percentage of time and funding spent on resource management. She said the activities identified across the agencies for research management were as follows: protecting resources, environmental health, recreation, education and funding, financial and technical support, and water and land management. She noted that 73.5 percent of the funding allocated to DCNR was spent on protecting resources, and 11.2 percent was spent on environmental health. Therefore, about 85 percent of the budget dollars were going to those two functions, followed by recreation, and financial and technical support.

Ms. Scherer said the pie chart encompassed the activities of the Colorado River Commission, Department of Agriculture, NDOT, Environmental Protection, Forestry, and the Department of Wildlife. She said the overlapping efforts that existed in state government quickly became evident. She said there were multiple meetings among those agencies to discuss the shared purposes and activities, and identify key objectives.

Ms. Scherer said the agencies worked together to overcome technical challenges, and learned how to gather the data so that it could be presented in a meaningful way. She said the agencies embraced the new PPBB process, and confirmed they were doing what they had set out to do with the budget they were given.

Assemblyman Bobzien said, when discussing DCNR, one must be mindful of federal mandates. The federal mandates had their own performance goals and many of the goals had valuable public purposes.

Ms. Scherer said "mother nature" did not always cooperate with the natural resources aspect of DCNR. She noted that lightning storms could start fires, or polluted air could travel from other states and affect the air quality in Nevada. She said there should be a mechanism to account for those kinds of events as well.

There were no further questions for DCNR.

Scott Sisco, Deputy Director, Nevada Department of Corrections, said it had always concerned him that the budget was not treated as a management tool. He said a lot of work went into preparing the budget, but after it was approved by the Legislature, it was put on a shelf. He believed the PPBB process would be a good option toward using the budget as a management tool for the agency directors. He recalled that when he transferred to the Department of Corrections, he discovered that the Parole and Probation budget showed the agencies activities, how much was spent on those activities, and the number of staff involved. He said all of that information gave him a quick understanding of the agency's budget and activities.

On the topic of the cost of transitioning to a PPBB approach, Mr. Sisco said that if the Integrated Financial System (IFS) were replaced, he was not sure there would be substantial cost. He explained that many agencies had been preparing two budgets, which involved a lot of effort and overtime. For that reason, he thought the agencies would be relieved by a decision to adopt the PPBB approach.

Mr. Sisco said a large part of the discussion in the budget hearings was about the adjusted base budget. Therefore, the money committee members did not have much time to discuss policy issues, such as the recidivism rate, or helping inmates earn a high school diploma. He said his biggest concern at the agency level was the continuation of the dual budgeting systems. He said the PPBB approach was well suited for managing the budgets and activities of the state agencies.

Chairwoman Smith said she appreciated Mr. Sisco's perspective, particularly coming from the Department of Corrections, where many of the performance measures would be outside of the department's control.

Mr. Mohlenkamp said he wanted to explain to the Subcommittee how other states, like the State of Texas, used the PPBB process. He said a few agency directors were given additional authority to move money between programs. However, they had to identify what would be achieved with that money. He said the intent was for the directors of the departments to have more flexibility in reacting to changing business conditions.

Mr. Mohlenkamp said his main objective through this process was to make the performance data relevant to the decisions. He would present information on that topic at the next meeting of the Subcommittee. He would work with Mr. Krmpotic and Ms. Jones to make sure they agreed on what would be presented to the Subcommittee at its next meeting.

There were no further questions for Mr. Mohlenkamp.

V. DISCUSSION OF POTENTIAL MODIFICATIONS TO PRIORITIES AND PERFORMANCE BASED BUDGETING FOR THE 2015-2017 EXECUTIVE BUDGET.

Mr. Mohlenkamp said he would make some brief remarks, but wanted to discuss this topic in more depth at the following meeting. He said work was still needed on the benchmarks. He expected a fair amount of time would be spent determining the quality of the benchmarks, and the consistency and reliability of the historical data. In addition, he said the performance measures needed to be reviewed. He explained that the benchmarks would be at a higher level, and the performance measures would be at the managerial level. The measures would demonstrate how well the departments were performing their activities, whether the efficiency measures were accurate, and whether the right outcomes were being accomplished.

Mr. Mohlenkamp said he wanted a discussion on intermediate measures at the next meeting of the Subcommittee. He said the benchmarks were the higher measures, such as fourth and eighth grade reading levels and graduation rates. An example of a performance measure would be how well the department managed the grants that were sent to the districts. An intermediate measure would be how effectively the ELL dollars were performing in the present year compared to the next year. The intermediate performance measures were often inadequate. He said those topics would be presented for discussion at the next meeting of the Subcommittee.

Mr. Mohlenkamp said the part of the process that would take a lot of time and attention was making the process seamless. He cautioned that they did not want to overwork the staff and the agencies through the transition process.

Chairwoman Smith said her concern was to have a process that was not onerous to staff, and to have one set of information presented to the money committees, rather than multiple tracks of information.

VI. DISCUSSION OF FUTURE MEETINGS.

It was determined that the next PPBB meeting would be held in Las Vegas with videoconference to Carson City on October 21, 2013 at 3:30 p.m.

VII. PUBLIC COMMENT.

There was no public comment.

VIII. ADJOURNMENT.

Chairwoman Smith thanked the Subcommittee members, LCB Fiscal staff and Executive Branch staff for their participation.

There being no further business, Chairwoman Smith adjourned the meeting at 3:52 p.m.

Respectfully submitted,

Tracie Battisti, Committee Secretary

APPROVED:

Senator Debbie Smith, Chairwoman

Date: _____

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