

**MINUTES OF THE JOINT MEETING OF THE  
SENATE COMMITTEE ON FINANCE  
AND THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Eighty-second Session  
March 20, 2023**

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Marilyn Dondero Loop at 8:05 a.m. on Monday, March 20, 2023, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Exhibit A is the Agenda. Exhibit B is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**SENATE COMMITTEE MEMBERS PRESENT:**

Senator Marilyn Dondero Loop, Chair  
Senator Nicole J. Cannizzaro, Vice Chair  
Senator Dallas Harris  
Senator Dina Neal  
Senator Rochelle T. Nguyen  
Senator Pete Goicoechea  
Senator Heidi Seevers Gansert  
Senator Robin L. Titus

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Assemblywoman Daniele Monroe-Moreno, Chair  
Assemblywoman Shea Backus, Vice Chair  
Assemblywoman Natha C. Anderson  
Assemblywoman Tracy Brown-May  
Assemblywoman Jill Dickman  
Assemblywoman Michelle Gorelow  
Assemblyman Gregory T. Hafen II  
Assemblywoman Sandra Jauregui  
Assemblywoman Heidi Kasama  
Assemblyman C.H. Miller  
Assemblyman P.K. O'Neill  
Assemblywoman Sarah Peters

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 2

Assemblyman Howard Watts  
Assemblyman Steve Yeager

**STAFF MEMBERS PRESENT:**

Wayne Thorley, Senate Fiscal Analyst  
Sarah Coffman, Assembly Fiscal Analyst  
Cathy Crocket, Chief Principal Deputy Fiscal Analyst  
Brody Leiser, Chief Principal Deputy Fiscal Analyst  
Stephanie Day, Principal Program Analyst  
Paul Breen, Committee Assistant  
Joko Cailles, Committee Secretary  
Helen Wood, Committee Secretary

**OTHERS PRESENT:**

Amy Stephenson, Director, Office of Finance, Office of the Governor  
Shauna Tilley, Executive Branch Budget Officer, Office of Finance, Office of the Governor  
Robin Hagar, Deputy Director, Office of Finance, Office of the Governor  
Warren Lowman, Administrator, Division of Internal Audits, Office of Finance, Office of the Governor  
Jack Robb, Director, Nevada Department of Administration  
Andy Matthews, State Controller  
Tania Williams, Senior Enterprise Project Manager, Office of Project Management, Office of Finance, Office of the Governor

CHAIR DONDERO LOOP:

We will begin with COVID-19 Relief Programs.

AMY STEPHENSON (Director, Office of Finance, Office of the Governor):  
Budget account (B/A) 101-1327 is our COVID-19 Relief Program account for the American Rescue Plan Act of 2021 (ARPA). This account's funding objectives are to support urgent COVID-19 response efforts to decrease spread of the virus and bring the pandemic under control; and support immediate economic stabilization for households and businesses. Goals also address systematic public health and economic challenges that have contributed to the unequal impact of the pandemic, replace lost public sector revenue to

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 3

strengthen support for vital public services and help retain jobs. Nevada's priorities consist of mental and behavioral health, childcare, housing, and jobs and the economy.

## ELECTED OFFICIALS

COVID-19 Relief Programs — Budget Page ELECTED-19 (Volume I)  
Budget Account 101-1327

Nevada's total allocation of the State fiscal recovery funds is approximately \$2.7 billion. The deadline to obligate ARPA funds is December 31, 2024. The deadline to expend ARPA funds is December 31, 2026. Approximately \$2.6 billion for over 300 projects has been allocated to date. There is approximately \$7 million that must be obligated by December 31, 2024. The Office of the Governor's Office of Finance Office (GFO) is working on an analysis of allocated projects to determine possible deobligation and reobligation opportunities.

ASSEMBLYMAN WATTS:

What conditions need to be met to demonstrate funds have been obligated by December 31, 2024? What is the definition of obligated?

Ms. STEPHENSON:

Obligated funds must be spent within a specified period. The ARPA funds are managed through GFO's regular budget cycle. We send out Notice of Allocation Awards. The date on the Notice of Allocation Award would constitute an obligation.

ASSEMBLYMAN MILLER:

Does the GFO have any concerns about demonstrating an obligation of funds intended to support positions and programs that will extend beyond the 2023-2025 biennium?

Ms. STEPHENSON:

There was a miscommunication in our office. We do not have concerns with the positions. The notice of allocation that comes from our office would designate an obligation.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 4

ASSEMBLYMAN MILLER:

Are there no concerns at this point about those positions or programs?

Ms. STEPHENSON:

There are no concerns.

ASSEMBLYWOMAN MONROE-MORENO:

The GFO's office may not have concerns, but as a legislator, I do. Organizations doing the work outlined in the Notice of Allocation Awards are not getting paid because of the way the reimbursement process is set up. I have major concerns we will have to send obligated money that has expired back to the federal government because it was not spent by the deadline. That is unacceptable. That money was supposed to take care of needs we have had in Nevada for years. Those needs were amplified during the pandemic.

What is your process to ensure that these Committees, and the constituents watching this hearing, feel comfortable the ARPA funds sent to Nevada from the federal government will get spent on the programs the money was allocated for in a timely manner? I also want assurance that we will not have to send any money back to the federal government.

Ms. STEPHENSON:

I want to clarify the question about the GFO concerns is related to positions only.

SHAUNA TILLEY (Executive Branch Budget Officer, Office of Finance, Office of the Governor):

The process for paying organizations for their projects is on a reimbursement basis, which is a federal standard. There can be delays in paying those organizations because we must be thorough in vetting the request, and verifying the expenses are legitimate and allowable under federal guidelines. The last thing our office wants is for there to be federal demand to pull back funds because they were inappropriately spent. That is bad for the State and the entities. We must be thorough in our reviews before we issue payments.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 5

ASSEMBLYWOMAN MONROE-MORENO:

I appreciate your office being thorough, but when these projects came before the Interim Finance Committee (IFC), were they not already vetted by your Office?

Ms. TILLEY:

The projects were vetted, but not the expenses. For example, let us say a nonprofit submitted a request for funds, but it was not specific in scope. The nonprofit subsequently submitted their expenses to us, but those expenses may have contained something not allowable under federal guidelines. When we vet those expenses, we need to ensure they are allowable under federal guidelines. This way, we do not have to pull back the funds.

ASSEMBLYWOMAN MONROE-MORENO:

If someone put in a request to repair a roof in the building, but there was a hole in the floor, no one can use that building or work on the roof until that hole is fixed. The requested money is still used for the building. I do not think that is misappropriation, just reallocation of the funds to make repairs to the building. Are we micromanaging organizations and holding up payments?

Ms. TILLEY:

We must be cautious and thorough, but we do not unreasonably hold up the funds. There may be delays if someone is out sick and the paperwork sits on their desks for a couple of days. We do not hold up reimbursement because of micromanagement of agencies.

ASSEMBLYWOMAN MONROE-MORENO:

What is the average turnaround time for reimbursement?

Ms. TILLEY:

Entities must provide their request for reimbursement by the tenth of the month. Our standard is to issue the payment within 30 days after we receive that request. That does not happen consistently because of challenges on both sides. If we receive the request for reimbursement on the tenth of the month, we try to pay at the end of that month. I cannot say it happens 100 percent of the time, but our standard is to pay within 30 days after we receive the request.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 6

ASSEMBLYWOMAN MONROE-MORENO:  
How many vacancies are on your ARPA team?

MS. TILLEY:  
We have four or five. We filled several vacancies. We have a couple of people starting today.

ASSEMBLYWOMAN MONROE-MORENO:  
How many positions do you have on your ARPA team?

MS. TILLEY:  
There are 12 total positions plus a couple of part-time contract positions.

CHAIR DONDERO LOOP:  
Are there restrictions from the U. S. Department of the Treasury that prevent the GFO from transferring ARPA funds to State agencies in advance of expenditures rather than using the reimbursement process? Is the federal requirement only on reimbursements?

MS. TILLEY:  
The federal requirement does not say "only," but it does define the process as on a reimbursement basis. There are situations where advances can be made, but advances are more work for the recipient of the funds and for the State.

Advances are tricky. If funds are not spent in line with federal requirements, and the government recalls the funds, the entity would have to pay them back. Likewise, if the State were to advance funds to an entity and those funds were recalled, then either the State or the entity that received the funds would have to return the funds to the federal government.

CHAIR DONDERO LOOP:  
Go back to the question about the roof and the hole on the floor. It could be that if the entity does not get the funds, they may not be able to fix what they need to fix. They cannot get an advance and must wait for the reimbursement. I want to make sure entities can get an advance, even though it may be more work.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 7

SENATOR NEAL:

I understand you can balance forward the leftover ARPA balances between Legislative sessions without having to come to IFC for additional approval, providing the funds stay within the purpose they were given. For transparency's sake, will you let the IFC know of balances that are rolled forward, so we can ensure all the dollars are expended by December 31, 2024?

MS. STEPHENSON:

Yes. We are looking at the status of projects for possible deobligation and reobligation. We fully intend, in the spirit of collaboration and cooperation, to bring the ARPA fund balance to the IFC for reobligation.

SENATOR NEAL:

If there is a change in purpose between fiscal year (FY) 2023-2024 and FY 2024-2025, will you give notice to the Legislature that these ARPA funds have shifted focus and purpose?

MS. STEPHENSON:

Yes.

ASSEMBLYWOMAN JAUREGUI:

We have not had any new information about potential savings or deobligations. In February 2023, we had approximately \$6.9 million in savings. A few weeks later, the Nevada Department of Health and Human Services (DHHS) mentioned they have projected about \$11 million in savings from some of their programs.

Will you be able to get us an update soon or have you already started working on that? Have you reached out to any of the agencies on potential savings? I have concerns we are going to have to return some of the federal money and that is unacceptable.

MS. STEPHENSON:

We have already reached out to the agencies for potential savings, and I have an update due to the Governor's Office on March 24, 2024. We will have an update to you soon after.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 8

ASSEMBLYWOMAN GORELOW:

Would the State be able to reallocate any savings realized after the December 31, 2024, deadline, or would the savings have to be returned to the federal government?

Ms. TILLEY:

We do not have clear guidance from the U.S. Department of the Treasury. Out of an abundance of caution, we assume funds must be obligated before December 31, 2024. Since that is a two-year window, we will not be the only state or entity that will have a challenge. I think guidance will come out soon.

ASSEMBLYWOMAN PETERS:

Have you heard concerns from agencies or organizations about their ability to expend the approved allocations by the deadline?

Ms. STEPHENSON:

We have heard from agencies, and they are working with the ARPA team to figure out different ways to spend their allocations. We work with IEM, a third-party contractor, who partners with us and the agencies.

ASSEMBLYWOMAN ANDERSON:

If the U.S. Department of the Treasury were to come back with a ruling of "You saved the money, therefore, you get to spend it how ever you want," how is the Governor planning to prioritize savings that may become available after the conclusion of our Session?

Ms. STEPHENSON:

That is all part of the March 24, 2023 meeting with the Governor's Office. Once we determine where we are and how to move forward, I will have an update for you.

ASSEMBLYWOMAN KASAMA:

We can identify ways of spending the money, but spending it wisely is part of my question. Will the Governor provide a prioritization of where to spend the savings?



Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 9

ASSEMBLYWOMAN MONROE-MORENO:

There are organizations in our communities waiting between three to nine months for reimbursement. They are getting down to one month of payroll and must decide whether they will have to lay people off for work they have already done but have not been paid for.

I am not sure if the reimbursement process you use is exactly how the federal government determined it should be used, or if that is how we interpreted it. If we can get the payments out for the work that is being done in a timely manner, I am sure the organizations and the population they are serving would be appreciative.

On the other hand, if we are not able to use funds, we need to know as soon as possible so we can reallocate those funds to other areas to meet the needs of our citizens. I cannot drive that home any harder.

If you need help, please work with our Fiscal staff. The Legislative body and the Governor's Office will take the hit if we do not do the right thing with these funds to help Nevadans.

CHAIR DONDERO LOOP:

Next, we will go to Governor's Office of Finance, Budget Division.

Ms. STEPHENSON:

Budget Account 101-1340 funds development and presentation of a fiscally sound Executive Budget.

Governor's OFC of Finance - Budget Division — Budget Page ELECTED-71  
(Volume I)

Budget Account 101-1340

Decision unit E-125 in B/A 101-1340 allocates approximately \$300,000 over the biennium to hire a consultant to assist with subrecipient monitoring for the ARPA team.

E-125 Economic Opportunity & Skilled Workforce — ELECTED-73.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 10

Decision Unit E-127 in B/A 101-1340 requests five Executive Branch budget officer (EBBO) positions. The GFO subsequently submitted Budget Amendment No. A231021340 (Exhibit C) that instead requests adding two new EBBO III positions to manage complex and high-profile budget accounts similar to the Legislative Counsel Bureau Fiscal Division's Staff structure.

E-127 Economic Opportunity & Skilled Workforce — ELECTED-73.

Budget Amendment No. A231231340 (Exhibit D) in B/A 101-1340 requests approximately \$57,000 in FY 2024-2025 for overtime for unclassified positions during the creation of the proposed State budget. The estimate is based on 300 hours for each position that was taken on the average of overtime worked by all Executive Branch budget officers.

Decision unit E-225 in B/A 101-1340 funds travel for onsite monitoring of subrecipients by our State ARPA staff.

E-225 Efficiency & Innovation — Page ELECTED-74.

Decision unit E-226 in B/A 101-1340 funds \$87,000 over the 2023-2025 biennium for ongoing support costs of cloud computing for the Nevada Executive Budget System.

E-226 Efficiency & Innovation — Page ELECTED-74.

Decision Unit E-227 in B/A 101-1340 funds \$18,000 over the 2023-2025 biennium for in-State travel for agency outreach and training.

E-227 Efficiency & Innovation — Page ELECTED-74.

Decision Unit E-815 in B/A 101-1340 reclassifies a division administrator position to deputy director.

E-815 Unclassified Position Changes — Page ELECTED-75.

Budget Amendment No. A231241340 (Exhibit E) and Budget Amendment No. A231161340 (Exhibit F) in B/A 101-1340, if approved, will reclassify EBBOs and an Executive Branch economist to unclassified positions. This will

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 11

help the GFO be flexible with hiring staff quickly and efficiently, specifically during Executive Budget development and other critical times in the office.

SENATOR HARRIS:

Can you please explain how the requested number of budget officer positions was determined and what changes in workload is prompting the request?

ROBIN HAGAR (Deputy Director, Office of Finance, Office of the Governor):

We looked at the teams GFO has. The two most complicated and complex budgets are the Nevada Department of Education (NDE) and the DHHS. The Executive Branch budget officer III positions will bring an extra level of knowledge, skill set and ability to assist with those teams.

We only have one EBBO II position with a couple of people in the EBBO I classification who report to the position. The workload is too much for a team of three. Adding one extra person will help with the workload and let us do more complex analyses.

SENATOR HARRIS:

What benefits do you anticipate seeing with the addition of these two higher level budget officer positions?

MS. HAGAR:

The benefit is having additional expertise in working with various agencies and departments. For example, DHHS has many budget accounts, many moving pieces and different funding sources.

The EBBO III has the most knowledge. They are experienced and familiar with multiple funding sources. They can provide deep analysis and information that we do not always have enough time to do. We are not experts on agency programs. That extra oversight and knowledge benefits everybody, specifically your body, so we can give you better information. It helps to have another set of eyes to ask questions and make sure we understand whether agencies are staying within Legislative intent for the dollars they received.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 12

ASSEMBLYMAN MILLER:

My question is regarding the EBBO II positions in B/A 101-1340, decision unit E-673. Can you confirm you are no longer requesting the two-grade increases for those eight positions?

E-673 Salary Adjustment One-Time for 2023-2025 Biennium — Page ELECTED-75 (Volume 1)

MS. HAGAR:

We will not request those two-grade upgrades. We decided to take a different path and make those positions unclassified. We already have an unclassified EBBO I. That has been helpful for our office, especially during Executive Budget preparation.

We have strict deadlines and when we have vacancies, we cannot meet them. Having flexibility with unclassified staff means we do not have to go through the typical human resources (HR) processes. There are ways around it such as emergency hiring. I do not have six weeks to wait to hire somebody. Since we are going unclassified, the two-grade bump did not make sense. We are also hopeful and supportive of the cost-of-living adjustments and retention bonuses in the Executive Budget.

We think the package covers everything we need. It costs because not everyone is at the top of the pay grade. Some people in our office would get some extra money.

ASSEMBLYMAN MILLER:

These positions are already hired and are not new positions. You are just changing the classification and giving an increase in pay. Will this increase put them at a pay rate where they would stick around with their new workload?

MS. HAGAR:

Typically, unclassified positions would come in at step 10. Regular classified positions start at step 1, possibly step 5 depending on their previous work history. Yes, I believe this would make our office more competitive because I can bring in people at a step 10.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 13

Employees would typically come in fairly high anyway. By the time you get to the GFO, you have history with the State and are probably at a higher step. Reclassification would ensure we can hire people at the top of the pay grade. If we are bringing somebody in who does not have the necessary time or skills but we think they will get there, we may not bring them at the top of the pay grade. We need time to get that person trained. Unclassified positions are budgeted at the top of the pay grade. If we are competing with outside agencies, that gives us flexibility to bring them in a little bit higher and be more competitive.

ASSEMBLYWOMAN MONROE-MORENO:

How many people are employed at the GFO and how many vacancies do you have?

Ms. HAGAR:

We have 11 or 12 EBBOs and 5 team leads, but I will confirm that information and get back to you. We have one vacant team lead.

ASSEMBLYWOMAN MONROE-MORENO:

Will the current five team leads and the one vacant team lead be the positions promoted to EBBO III positions? Would you bring those subject matter experts in from NDE and DHHS and then fill in at the bottom?

Ms. HAGAR:

In a perfect world, we will open up the positions and those with expertise will apply. After we interview, we will choose applicants with the skill set in budgeting for both NDE K-12 and DHHS budgets.

We would promote an EBBO II from our office or an administrative service officer (ASO) IV to the new position. If we promote an ASO IV, they would come in at grade 45. That makes us competitive with other ASO IVs in the State who are currently at grade 44. The highest grade we have now is 43.

Because we do not pay enough, it is difficult for us to compete with agencies and their experts who are ASO IVs or deputy administrators. Opening this position with the bump from grade 44 to grade 45 would help us to attract employees. That will help us get that expertise we are looking for.

ASSEMBLYWOMAN MONROE-MORENO:

You stated that to get a position in the GFO, an employee would probably have been with the State for a long period of time. That is great for someone who has been with the State for a long period of time, but are you also looking at the skill set of that employee, not just their length of time with the State so we have the best people in those positions?

Ms. HAGAR:

Yes, I do not want to mislead you. The idea was to hire those people with the specific skill set who will provide value and analysis to the GFO and to you and your team.

SENATOR NEAL:

What are the significant benefits from reclassifying the positions to unclassified service?

Ms. HAGAR:

The GFO is a partnership with the Executive Branch agencies and the Legislature. Unclassified service gives us the flexibility to tap people who have the skill set, tenacity and want to be a partner. Our goal is to make the State work better and be fiscally responsible.

I see people with the right skill set who apply for positions, but do not meet the minimum requirements established through the Nevada Department of Administration, Division of Human Resource Management (DHRM). It is nobody's fault. It is just the way the system is set up.

Unclassified service gives us the ability to look at people we see as rising stars. They may not have been with the State for seven years, but they have the drive and skills we are looking for to bridge the gap between the Executive Branch agencies, the GFO and then ultimately, the Legislature.

This would also make us a more attractive. Some people may be comfortable staying where there are. Maybe they are already a grade 41, which was what an EBBO 1 comes in at. We can call them and say, "Hey, come have a cup of coffee with us. Let us talk about what GFO does. We think you are the perfect fit for what we are looking for." Then we can get them in, start working with them and help them to be the perfect candidate.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 15

SENATOR NEAL:

You are asking for an unclassified director and a deputy director of budget administration, and you want them to receive overtime, but technically when they go into unclassified service they become at-will employees.

If you invest in training and want the perfect fit, why change them to at-will employees and why give overtime to people you may not keep?

MS. HAGAR:

Many different things are going on with the GFO requests.

We take all our current EBBO I and EBBO II positions and make them unclassified. We currently have one EBBO I in an unclassified position, so we know it will work.

The second piece is overtime. All EBBO I and EBBO II positions and those in unclassified positions get overtime. The overtime request is for the current director, deputy director and the division administrator. That overtime is limited to September 1 through January 15 when we prepare the Executive Budget. It requires significant time they do not get paid for. Everybody else in the GFO receives overtime.

SENATOR NEAL:

If you keep these unclassified positions, will the overtime be baked into future biennium budgets?

MS. HAGAR:

Yes, but only every other year.

CHAIR DONDERO LOOP:

Do we have any retired people contracted to come back?

MS. HAGAR:

Yes, we have three previously retired contractors on staff.

ASSEMBLYWOMAN MONROE-MORENO:

Would the overtime be paid at straight time, or time and a half?

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 16

Ms. HAGAR:  
It would be straight time.

ASSEMBLYWOMAN PETERS:  
Can you tell us how reclassification of the division administrator to deputy director will allow your office to operate more efficiently and effectively?

Ms. HAGAR:  
There are two major portions and functions of the GFO. We have the legislative piece that includes IFC, the Executive Budget and the normal budgeting functions. The other side is the Nevada Board of Examiners (BOE) that meets every month.

The deputy director oversees the IFC portion and gets the budget through. The deputy administrator oversees the BOE portion, which requires getting the contracts and leases through. We thought it might be helpful to have those two main focuses within the GFO, so we chose to go with another deputy director to oversee the entire BOE process. That person would manage all the analysts, make sure the agendas are correct, brief the Governor as needed along with the director, answer questions, and do any follow up with either leases or contracts.

CHAIR DONDERO LOOP:  
We will go to the Governor's Office of Finance, Division of Internal Audit's budget.

Ms. STEPHENSON:  
Decision unit E-225 in B/A 101-1342 adds an administrative assistant position to provide support to the Division staff.

Governor's OFC of Finance- Div of Internal Audits — Budget Page ELECTED-78  
(Volume I)  
Budget Account 101-1342

E-225 Efficiency & Innovation — Page ELECTED-80

Decision unit E-275 provides funding for contract services for ongoing technical support to the Division to include the Statewide cost allocation plan calculation,



Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 17

statutory financial training and performance measure calculations. This is a smaller budget with two requests.

E-275 Elevating Education — ELECTED-80

ASSEMBLYWOMAN BROWN-MAY:

What positions are performing the duties proposed to be assigned to this new administrative assistant?

WARREN LOWMAN (Administrator, Division of Internal Audits, Office of Finance, Office of the Governor):

In the GFO, the administrative support is from a pool. We have support from the administrative assistant pool for major items we do each year in the Division's Executive Branch Audit Committee. Normal administrative functions are performed by the rest of us in the Office. That includes fairly high pay grades. Our managers are grade 44s. There are grade 42 executive branch officers and some compliance auditors. Everyone is pitching in to perform these functions, but it is an inefficient way to conduct administrative functions. This new position will provide support to division staff.

CHAIR DONDERO LOOP:

We will go to the Governor's Office of Finance, SMART-21's budget.

JACK ROBB (Director, Nevada Department of Administration):

I am one of three members of the Executive Committee over the Silver State Modernization Approach for Resources and Technology in the 21st Century (SMART-21) project in B/A 101-1325. The other two members are Amy Stephenson from GFO and State Controller Andy Matthews.

Governor's Office of Finance - SMART 21 — Budget Page ELECTED-83  
(Volume I)

Budget Account 101-1325

The Executive Committee recognizes many questions have been asked by Legislative staff. We have not been avoiding those questions. We have been asking many of those same questions ourselves. We got together in January 2023 and dug deep into these issues. We have been asking Office of Project Management (OPM) staff, LSI Consulting, the systems, applications, and

products in data processing (SAP) and other stakeholders many of the questions we have been asked. Many of these questions are still unanswered.

Where are we on the project? We have been on hold since September 2022 when the contract with LSI Consulting was terminated. We have been working with SAP since November 2022 to review the system in its current state and figure out an avenue forward.

How did we get here? We did not have enough support from the prior Executive Committee. That led to a lack of clear direction. We did not have enough support from the other agencies. False promises were made. There were a lot of promises that the new SAP system being integrated by LSI Consulting would work like the existing platform. That led to customization. Over-customization led to a fragile system and a system that could not be upgraded or enhanced. It puts us right back to where we are with our existing system.

Do we currently have an integrator? No, but we have looked at multiple options. We looked at going back to LSI Consulting. We looked at going with SAP as an integrator for the SAP platform. We considered a new request for proposal (RFP) for a new integrator of the SAP platform. We looked at starting from scratch and going out to a new RFP.

We continually ask ourselves where are we in the process? How much money have we spent? How much money will it take us to get to the end? If we change, do we strand money going forward? What is our best option?

How many people are on the project? In mid-February 2023, we had 45 people working on the project. Today, we have 19 people. Seven of the people moved back to their roles in the Department of Administration, Enterprise Information Technology Services or moved back to DHRM as call center support to help agencies get through the existing process or the legacy system process. The rest of the employees went to other agencies and filled open positions that were vitally needed.

Do we have the right people on the project? Yes. The Senior Enterprise Project Manager, Tania Williams, is a professional project manager. She has

extensive background in bringing systems like this to a conclusion in private industry. Brian Bowles is the new administrator of the OPM.

Yes, the system will work, but we need to get back to out-of-the-box or off-the-shelf. We need to change the process, not the system. We need to become more efficient and businesslike. This platform works for other federal, state, county and city agencies and is used widely across the Country. We need to change our antiquated processes into modern business to move forward.

Why will it succeed this time? We will succeed by getting back to SMART-21's original charter. Somewhere along the line with changes in personnel, the original charter was lost, false promises were made, and we got off track. We have the commitment of this team and the Governor's Office. Having the Governor's Office on board gives us that extra push to make sure all the other agencies are on the same page. It is not peer-to-peer, it is direction from the Governor's Office. There will be clear expectations of all State agencies.

One of the champions of SMART-21 is Jim Wells in the Governor's Office. He helped with the original charter. He went through the original RFP and is helping us get back on track. We have clear direction. We are going back to off-the-shelf. I believe we have the right team.

We need to contract with the new system or find a new integrator for the current system. We need to find office space for OPM and a contractor to be housed in one location. Prior to this, we had LSI Consulting working in one office and OPM working in another. They were not in sync very often, which led to a breakdown. We want to colocate functions and work as a team.

When will the system be implemented and fully operational? We have a commitment to have all the current modules up and operational in this coming 2023-2025 biennium.

Ms. STEPHENSON:

What are the costs? We do not know the total cost. There is a one-shot appropriation request for \$26 million for the ongoing project. We know we will need more, but we are not sure how much more until contract negotiations are finalized.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 20

2023 One-Shot: This request funds the continuation of the implementation of the statewide finance and human resources ERP system.  
Governor's Finance Office - SMART 21 (BUDGET OVERVIEW - 21)

ANDY MATTHEWS (State Controller):

The deeper we dig, the clearer it is that the status of this project is unacceptable. The State and our taxpayers deserve far better for their investment. That is why the Executive Committee made it a high priority to get this project back on track.

I assure you the three of us will continue to bring the highest level of commitment to this project to make sure it succeeds. The status quo is unacceptable. We must do better. We will do better.

ASSEMBLYWOMAN MONROE-MORENO:

This project started back in 2013. We have wasted so much money on IT projects in this State.

You said the prior Executive Committee did not do what they should have done. I am not sure who the prior Executive Committee was, but this story has been in this building since I was elected in 2016. We have been dealing with this since 2013.

I respect you, Director Robb, but we have wasted far too much General Fund and Highway Fund monies. We talked about ARPA money that may be reallocated. Maybe we should use some of that money that is not ours to fix this problem.

Why not have nonprofits do the work and get reimbursed after the work is done. When you say, "Change how we are doing things," maybe we should not pay upfront and waste the taxpayers' money. Instead, have the work done in our State and pay once the work is completed. If they do not get the work done, they do not get paid.

We have heard from several departments that the system is not functioning. You do not have a timeframe to complete the project. You do not have a dollar amount that it is going to cost us to complete it. What do we know?

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 21

MR. ROBB:

We are committed to making this project work. We know we have a timeframe we need to meet. We will have all modules online in the coming biennium. I am as frustrated as you. The Governor's Office is also fully committed.

ASSEMBLYWOMAN MONROE-MORENO:

I appreciate what you just said in your opening statement. You said there is not a contract for the new system or a new integrator for the current system. How can you promise to have this finished in the biennium without one?

MR. ROBB:

We cannot speak to a contract because we do not have one. We are working with multiple people to try to find the best avenue forward. We will have that answer within the next month.

ASSEMBLYWOMAN MONROE-MORENO:

With the millions of dollars we spent on this project, are there any modules that work? I hear from DHRM that their process for recruiting and hiring does not function at the level it should. Is there anything we paid for that works?

MR. ROBB:

The HR module has been deployed. It does not work. We have the Simmons Group under contract. They have done a review of our HR processes to help us through our 24-percent vacancy rate.

It is unacceptable when it takes a minimum of 45 minutes to apply for a job and weeks and months to reply to the applicant. We are going to simplify the process. The HR module was customized to a point that it broke.

We should not try to fit antiquated processes into new modern technology. They do not marry up. Unauthorized customization of the HR module led us to the vacancy rate we have. People cannot apply for jobs. I have tried to apply to see how the process works. It does not work. The director of OPM, Tania Williams, told us it took her an entire weekend to apply for a State job. That is unacceptable.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 22

We have allowed agencies to customize the system instead of embracing modern technology and modern business practices. That is not the way we will move forward.

ASSEMBLYWOMAN MONROE-MORENO:

I look forward to updates. I want monthly updates, so we know where we are as this project continues. I encourage you to set up the new contract as a cost-reimbursement structure. Then, if the work is not done, we do not pay for it. I am tired of wasting money and I am sure the taxpayers are tired of us wasting their money.

ASSEMBLYWOMAN JAUREGUI:

Has your office given any thought to using standalone software systems for HR and financial systems rather than an integrated enterprise resource planning (ERP) system?

MR. ROBB:

Stand-alone platforms do not facilitate best practices for integrating cost savings going forward across agencies. An integrated platform is our best avenue to ensure systems are working together, whether it is financial, HR, purchasing or project management systems. They need to talk to each other.

All systems must be integrated to make it easier for users. Whether it is the private sector, people requesting State services, or our own internal employees, they should not have to sign up in six different systems to get their health insurance taken care of. They need one-stop shopping. Stand-alone systems do not marry critical information such as social security numbers or addresses. We end up with additional problems. A bigger system works.

SENATOR HARRIS:

Why are we going back to the original version of the charter when the original version was set almost a decade ago? Why not take this opportunity to set up something that will be ready for 2023 and implemented in the next decade? I imagine our State needs available technology, and all these things have probably changed since we first set up this mission.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 23

MR. ROBB:

The charter is a good charter. It says to use modern platforms, modern technology and modern business practices. The charter does not define what modern is, it just says to use best practices for today. That charter was completed about five years ago and it still applies. We are going to move forward with best practices.

SENATOR HARRIS:

I encourage you to ignore the cost we incurred so far and make the best decision moving forward. The costs are gone. We do not want to chase losses. If we are so worried about what we spent in the past, we may make the same bad decisions in the future.

ASSEMBLYWOMAN KASAMA:

We have spent \$86 million on the project from 2018 to 2023. If we started in 2013, what is actual total cost to date?

MS. STEPHENSON:

I have a different number. I will get back to you on the exact amount.

ASSEMBLYWOMAN KASAMA:

Have you identified or visited any states with an integrated system they are happy with?

MR. ROBB:

We are working with the Simmons Group. They are all about HR. They have staff members who have helped on, and used, SAP projects. We also have members on our OPM team who are from the private sector and have used multiple modules such as purchasing and HR. The team is excited about the possibilities of an integrated system.

ASSEMBLYWOMAN KASAMA:

I agree with an integrated system. If you have HR and then manually load it with other fiscal, purchasing or accounts receivable systems data, you are going to have a duplication of systems and unintentional human error. It is worth our investment to visit other states or areas with systems that work, to find out the good and bad. We need to invest future money wisely, so we get something that is integrated and works well for Nevada.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 24

CHAIR DONDERO LOOP:

I concur. We have been through several administrations, not just one.

SENATOR NGUYEN:

Can you provide an update on the implementation of lessons learned recommendations from the analysis by Gartner, Inc following the termination of the LSI Consulting contract?

MR. ROBB:

We reviewed lessons learned from Gartner and have a meeting scheduled with them to help us understand what went on with this project. Four or five groups are pointing the finger at each other. We are trying to get to the bottom of the finger pointing and come up with our own interpretation of why the project failed. I believe it failed on all sides.

SENATOR NGUYEN:

Can you provide an update on the evaluation of the current state of the SMART-21 project by Carahsoft Technology Corporation?

TANIA WILLIAMS (Senior Enterprise Project Manager, Office of Project Management, Office of Finance, Office of the Governor):

I have been working on the project since February 13, 2023, and have learned about the state of the production environment. That is the environment people use to input their timesheets and includes payroll, recruiting and hiring. Many enhancements were put into place to accommodate various agencies' State practices. A good portion of the configuration that has been established could be transported to a new environment, but there are many opportunities to make the process work better and be less tedious.

We have assessed all the documentation. We have 37,000 documents created for this implementation. Using that information, we have defined what the gaps are and determined how the information will contribute to future work. From a best practices perspective, we map that information and determine how it contributes to the requirements of the workflow. Do the 37,000 documents need to be refreshed? Yes, most definitely. We need to organize and use them in a way that it is clear why the information was collected, what the new process is, and how the workflow is going to change with the new ERP system.



Much has been done, but there is a lot more to do. We have a good project team. We must use best practices project management approaches, which means no change to scope unless the request goes through the change approval process. That is the biggest challenge that happened before. In the past, the team allowed customization changes from different agencies and vendors. They did not have strategic direction to tell them to adhere to the scope. The customized changes were out of scope and done without coordination. That led to the dysfunctionality. Making out-of-scope changes created a circular path that should have been point to point.

We need to help staff understand that what they did yesterday is changing. The change will allow staff additional time to do things they want to do versus the manual reconciliation that has to happen today.

I have worked in enterprise project management for 20 years and I have never had the level of executive support I have seen in the last five weeks. We meet with the Executive Committee multiple times a week. The level of detail they can speak to this project is music to my ears.

ASSEMBLYWOMAN BACKUS:

The contract with the new integrator should be based on deliverables. Then, when deliverables or benchmarks are met, they get paid. That would be more in line with Director Robb's goal of completing the work within the biennium. Do you think completing this work in the next biennium is possible?

Ms. WILLIAMS:

Yes, I do. A typical ERP implementation that is managed well can be completed within the biennium. We pay based on deliverables. Functionality must be proven, tested, and must go live successfully. With a time and materials contract, you end up with a lot of time and no production.

We will do side-by-side testing of the payroll module for a couple of months. The financial module will be a simulation that allows us to debug before we go live. The simulation will demonstrate everything is communicating correctly, meaning information is being passed from the HR module to the financial module, and from projects through to the budget. This approach lets us test the integrated system to prove functionality instead of testing single function

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 26

modules. You cannot prove functionality unless the modules are part of a whole.

ASSEMBLYWOMAN BACKUS:

Do you have sufficient staff and resources to get this implementation accomplished within the next biennium?

Ms. WILLIAMS:

We have a plan, and we know the types of skill sets we need. We have many subject matter experts within our project team. We need additional resources and have asked for assistance in filling those positions.

Many experts will most likely be contract hires so that we are able to pay market standard. This is a complicated project with a complicated solution. Managing enterprise projects takes a lot of deep project management expertise and solution architect skill sets. These are expensive. We have looked through the State, but we have not found that expertise yet.

ASSEMBLYMAN YEAGER:

In 2017, the GFO testified the total costs of SMART-21 were projected to be \$50 to \$60 million. If we approve the Executive Budget, we are looking at a total of \$131 million from FY 2017-2018 to FY 2024-2025. That is more than double the projection. I think about what we could have spent that \$70 million to \$80 million on over the course of the past few biennia.

State agencies are frustrated. The Supreme Court of Nevada came to us and said they are fed up with SMART-21. They want to do their own thing. I have expressed my frustration, and I appreciate what I am hearing today.

Please confirm for the record that you do not have a cost projection through completion.

Ms. STEPHENSON:

We do not have the total cost.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 27

ASSEMBLYMAN YEAGER:

I want periodic updates on your progress. I do not want to be in a situation where we are back in this building two years from now having the same conversation and a price tag of \$148 or \$150 million or more.

Do we know what the ongoing subscription and maintenance cost will be once the system is fully operational? In 2017, GFO testified the estimate would be \$2 million to \$5 million annually.

Ms. STEPHENSON:

We will get those costs to you when we have them. We have to determine which way we will go in order to know the ongoing costs. We will provide you periodic updates as requested.

ASSEMBLYWOMAN MONROE-MORENO:

This project has been going on since 2013. A significant amount of money has gone into this project. I agree with my colleague who said to look at best practices that have worked in other states so we are not spinning our wheels. An integrated functional system is what we need.

I cannot emphasize enough the importance of using a payment-for-deliverables contract. It brings me back to our earlier discussion about ARPA dollars. If we are going to reallocate money, we need to know quickly. We may be able to reallocate money to this project instead of taking it away from the General Fund and the Highway Fund. We need to finish this in a timely manner and not waste any more money.

SENATOR CANNIZZARO:

I have concerns about the ARPA dollars obligated through IFC to certain programs that are going through the reimbursement process. The GFO and the IFC worked diligently to ensure ARPA funds were committed to a specific purpose. We had many meetings to ensure work programs were approved as soon as possible because we knew it was going to take time to expend the funds. These funds were sent to us with specific purposes. Now we are not sure if we are going to be able to approve everything. We are not sure about the expenses. We are not sure about what we might need to reobligate.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 28

This Legislative body must have the ability to evaluate why the funds were not spent and whether or not we need to repurpose them. Approvals cannot come to us last minute. We must have some indication of what is going. If we get requests last minute, we will not have enough time to reevaluate and repurpose those funds. Those are dollars that will not be spent here in this State. That is something we will have to answer to the people of Nevada for.

Director Stephenson, who, in the GFO, is the lead person on managing these funds? I want to make sure we are all crystal clear and there is an avenue for us to get those answers and work together to make sure those funds get spent.

MS. STEPHENSON:

Deputy Director Robin Hagar and I are managing the funds now. As you heard earlier, we have vacancies in that team. We have devoted much time to make sure we do not wait until the last minute. We are due to have an analysis done for Governor's Office on March 24, 2023. We should have an update for you shortly after that.

SENATOR CANNIZZARO:

Having regular conversations about this will be extremely helpful. It is the intent that the ARPA dollars go to the programs they were allocated to. Timely updates will allow us to reallocate the funds.

CHAIR DONDERO LOOP:

I thought you said you would hire contract people to work on this.

MS. STEPHENSON:

We do have contract workers. Deputy Director Hagar and I manage the ARPA funds along with some of the policy or higher-level pieces. We have staff working on reimbursements and subgrant monitoring.

ASSEMBLYWOMAN DICKMAN:

This team appears to have completed more work in the last nine to ten weeks than has been done over many years. I appreciate your work and hope you retain your enthusiasm to complete this project in a timely and reasonably priced way.

Senate Committee on Finance  
Assembly Committee on Ways and Means  
March 20, 2023  
Page 29

CHAIR DONDERO LOOP:

Seeing no further public comment, this meeting is adjourned at 9:41 a.m.

RESPECTFULLY SUBMITTED:

---

Helen Wood,  
Committee Secretary

APPROVED BY:

---

Senator Marilyn Dondero Loop, Chair

DATE: \_\_\_\_\_

---

Assemblywoman Daniele Monroe-Moreno, Chair

DATE: \_\_\_\_\_

| <b>EXHIBIT SUMMARY</b> |                       |                                             |                                                 |                                                 |
|------------------------|-----------------------|---------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| <b>Bill</b>            | <b>Exhibit Letter</b> | <b>Introduced on Minute Report Page No.</b> | <b>Witness / Entity</b>                         | <b>Description</b>                              |
|                        | A                     | 1                                           |                                                 | Agenda                                          |
|                        | B                     | 1                                           |                                                 | Attendance Roster                               |
|                        | C                     | 10                                          | State of Nevada<br>Governor's Finance<br>Office | Amendment No.<br>A231021340 for<br>B/A 101-1340 |
|                        | D                     | 10                                          | State of Nevada<br>Governor's Finance<br>Office | Amendment No.<br>A231231340 for<br>B/A 101-1340 |
|                        | E                     | 10                                          | State of Nevada<br>Governor's Finance<br>Office | Amendment No.<br>A231241340 for<br>B/A 101-1340 |
|                        | F                     | 10                                          | State of Nevada<br>Governor's Finance<br>Office | Amendment No.<br>A231161340 for<br>B/A 101-1340 |