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

Chairman William J. Raggio called a regular meeting of the Interim Finance Committee to order on February 5, 2002, at 9:26 a.m., in Room 4100 of the Legislative Building, in Carson City, Nevada. The agenda is Exhibit A. The sign-in sheet is Exhibit B.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman
Assemblyman Morse Arberry Jr., Chairman
Senator Lawrence E. Jacobsen
Senator Bernice Mathews
Senator Joseph M. Neal, Jr.
Senator William R. O'Donnell
Senator Raymond D. Rawson
Assemblyman Bob Beers
Assemblywoman Barbara K. Cegavske
Assemblywoman Vonne Chowning
Assemblyman Marcia de Braga
Assemblyman Joseph E. Dini, Jr.
Assemblywoman Christina R. Giunchigliani
Assemblyman David E. Goldwater
Assemblyman Lynn Hettrick
Assemblywoman Sheila Leslie
Assemblyman John Marvel
Assemblyman David R. Parks
Assemblyman Richard D. Perkins
Assemblywoman Sandra J. Tiffany

COMMITTEE MEMBERS EXCUSED:

Senator Bob Coffin

LEGISLATIVE COUNSEL BUREAU STAFF:

Lorne J. Malkiewich, Director
Brenda J. Erdoes, Legislative Counsel
Scott Wasserman, Chief Deputy Legislative Counsel
Gary Ghiggeri, Fiscal Analyst, Senate
Mark W. Stevens, Fiscal Analyst, Assembly
Robert Guernsey, Principal Deputy Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Connie Davis, Secretary
Jo Rasey, Secretary

A. ROLL CALL.

Ms. Brenda Erdoes, Legislative Counsel, Legislative Counsel Bureau (LCB), called the roll and advised the Chairman a quorum of each house was present.

***B. APPROVAL OF MINUTES FROM THE NOVEMBER 26, 2001, MEETING.**

SENATOR RAWSON MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 26, 2001, MEETING.

MS. CEGAVSKE SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

C. APPROVAL OF WORK PROGRAM REVISIONS IN ACCORDANCE WITH NRS 353.220(5)(c). INFORMATIONAL ONLY – REQUIRED ACTION WITHIN 45 DAYS.

The Chairman noted Item C was an informational item only and required no action by the Committee. There were no questions concerning Item C.

1. **Department of Employment, Training, and Rehabilitation – Services to the Blind – FY 02** – Addition of $94,991.00 in Federal Independent Living and addition of $16,000.00 in Recoveries to balance forward from State Fiscal Year 2001 unspent Federal Independent Living grant authority with no change in purpose, and to accept a stipulated restitution payment from a former employee as part of a plea agreement. Requires Interim Finance approval since the amount added to the Older Blind Independent Living category exceeds $50,000.00.

D. APPROVAL OF GIFTS, GRANTS, WORK PROGRAM REVISIONS AND POSITION CHANGES in accordance with Chapter 353, *Nevada Revised Statutes (list available upon request).

Chairman Raggio expressed his intent to call specific work program items for further testimony as well as any work programs requested by members of the Committee. The following work program items required testimony:

Items 1, 5, 6, 13, 16, 17, 18, 19, 23, 32, 33, 34, 36, 39, 40, 43, 44, 46, 49, 50, 51, 52, 54, 59 through 63 inclusive, 64, 72, 73, 78, 80, and 81;

Items 29 and 53 were withdrawn; and,

Items 16, 17, 18, 19, 23, 32, 39, required a public hearing.

The Chairman entertained a motion to approve all other items not specifically indicated.

MR. PARKS MOVED TO APPROVE ALL ITEMS NOT ENUMERATED BY THE CHAIRMAN.

MS. CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

The Chairman noted that all of the work program items other than those enumerated were approved, and members of the audience who were in attendance for any of those items were excused.

The Chairman moved to Informational Item L (see Item L).

The Chairman announced Item J. would be heard out of agenda order (see Item J).

1. **Department of Education – Discretionary Grants – Restricted (2709) – FY 02 –** Addition of $15,335,734.00 in Federal Reading Excellence Act Grant to allow for the receipt of additional Federal Reading Excellence Act Grant authority. Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

Keith Rheault, Deputy Superintendent, Department of Education, identified himself for the record and introduced Joan Taylor, the Education Consultant, who provided oversight for the Federal Reading Excellence Act Grant.

Dr. Rheault appeared before the Committee to request authority for the Department of Education to receive an additional $15,335,734 toward the Federal Reading Excellence Act Grant. Dr. Rheault explained that while the grant was a three-year grant, the Department had been given authority for the full amount of the grant for the three-year period, which totaled $26,189,248.

On behalf of the Committee, Chairman Raggio extended congratulations to Ms. Taylor concerning her work on the grant application.

The Chairman requested testimony from the Department representatives concerning how the funding from the grant tied in with the state funding for the same purposes, especially with regard to planning and coordination efforts with the Regional Professional Development Centers (RPDC).

Ms. Taylor reported that the Regional Professional Development Centers and Department of Education worked together on an alignment of both the Governor's Early Literacy Program and the Regional Professional Development programs. Ms. Taylor explained that Department staff worked with all four regions on an alignment of goals and objectives. Ms. Taylor pointed out they were also in alignment with the Reading First initiative that would soon be before President Bush and which it was anticipated would piggyback with the Reading Excellence Act grant.

Chairman Raggio discussed the goal expressed by the Governor and endorsed by the Legislature that every child would be able to read by the end of the third grade and the funding of training for teachers for that goal. The Chairman requested a projection concerning the Department's capability over the next biennium to develop the kind of expertise needed for the program.

Ms. Taylor reported that 50 schools had applied for Local Reading Improvement subgrants, and that most of the schools had sent teachers through the University of Nevada Las Vegas (UNLV) and University of Nevada Reno (UNR) to obtain their masters degree in literacy. Ms. Taylor projected that by the end of the grant, there would be a substantial number of literacy leaders in the state who could look at all of the literacy programs and expertise as well as contribute to some of the nationwide research in providing literacy education.

Ms. Taylor also discussed the second language learner issue, which she indicated could come up during the next biennium and to which considerable resources would be made available. Ms. Taylor reported that an existing base of information on second language learners dating back to the 1920s and 1930s was being studied to determine how the schools had assimilated those students.

Chairman Raggio addressed the aspects of the Federal Reading Excellence Act that dealt with professional development, out-of-school tutoring, and family literacy. The Chairman specifically questioned whether family literacy included parent involvement and the type of programs that were envisioned.

Ms. Taylor responded that each school that put together a subgrant, that varied from $150,000 to $500,000 per school for a two-year period, that contained a tutoring component for children at risk as well as a family literacy component. The schools would employ a literacy specialist who would oversee professional development for teachers as well as family literacy. A second literacy expert would provide job imbedded professional development and would be in charge of a tutoring program for the school.

In response to a question from Chairman Raggio concerning whether families would have direct intervention, Ms. Taylor advised that part of the program included direct intervention with families and the family literacy expert would be working weekly online with specialists at the University of Nevada Reno (UNR) and the University of Nevada Las Vegas (UNLV) to receive information on how to accomplish the goal.

Chairman Raggio expressed concern that parents would be reluctant or uncertain about entering a program and questioned the extent of the effort that would be extended.

Ms. Taylor advised that most of the schools' subgrants included home visits to bring parents into the school, and, if not included, they were encouraged to do so. Ms. Taylor indicated that there were many different incentive programs and each subgrant had its own set of incentives to bring parents either into the school or to go to the children's homes to help parents. Some of the schools included parents in their tutoring program, training them to become tutors and then hiring them to work as tutors after school with their own children as well as other children at the school site.

The Chairman requested testimony concerning the Department's planning and coordination efforts with the Regional Professional Development Centers.

Ms. Taylor advised that the Reading Excellence Grant was set up with stringent guidelines as to which schools would be eligible to apply for funding, and, as a result, approximately only fifty schools could be served statewide. However, Ms. Taylor indicated that the Regional Professional Development programs could serve every school in the state. It was anticipated that models would be developed and Early Literacy Program groups brought on board to take part in whatever information was available. While funding was limited to only those schools eligible, Ms. Taylor indicated assistance and information could be provided to all schools.

Chairman Raggio noted that none of the initial $10.85 million funding from the Reading Excellence Grant had been distributed and questioned the status of the Local Reading Improvement subgrant process.

Ms. Taylor responded that the Department of Education sent out proposals for schools to write subgrant applications in August and extended a six-month period of time to put the subgrants together with assistance from the Department. The applications had to include site-based analysis, test scores, staff requirements, as well as "needs and goals," and the Department provided over 2,000 hours of technical assistance toward that effort. Ms. Taylor added that the subgrants were due February 8, and a call from Clark County representatives on February 4 indicated a stack of subgrants 12 feet tall was in the process of being mailed. Ms. Taylor indicated that upon receipt, the subgrants would be divided up and distributed to outside evaluators to decide which grants would be funded. Approximately 82 schools were eligible, and it was anticipated that fifty would be funded.

In response to a question from Ms. Cegavske, Ms. Taylor advised the goals and objectives included:

- Every child would read by the end of third grade, and to "catch" those children who would potentially be misdiagnosed as needing special education;
- Promotion of early literacy learning activities;
- Expansion of family literacy programs;
- Early intervention for children at risk; and,
- Tutoring.

Ms. Taylor pointed out that the five specific goals she had just discussed were on the Department's web site at www.nevadarea.org. Ms. Taylor further advised the Department had an extensive evaluation plan and had hired an outside evaluator in addition to evaluations being conducted by both the UNLV and the UNR. Additionally, Ms. Taylor advised that while gains were expected in every one of the Reading Excellence Act schools, the Department also wanted to ensure gains were seen in non-REA schools. Ms. Taylor reiterated the goal that every child in Nevada would read by the end of the third grade and indicated that whatever worked well would be "passed on" to assist others.

While Mrs. Cegavske expressed her understanding of the state and national initiative to have every child read by the end of the third grade, she asked for information on how the goals would be accomplished. Ms. Cegavske also pointed out that Governor Guinn was Chairman of the Education Commission of the States, which she indicated had many "avenues" that could be utilized. Additionally, while both universities had been mentioned, Ms. Cegavske indicated that she had not heard any mention of the community colleges.

Ms. Taylor advised that the community colleges were involved in the process insofar as undergraduate degrees; however, they typically did not offer the graduate credit required by the teachers involved in the professional development process.

In response to a question from Ms. Giunchigliani, Ms. Taylor advised that the subgrants included provisions for childcare and transportation for parents and after school snacks for children.

Ms. Giunchigliani questioned the basis on which teacher compensation for after school instruction during home visits was provided.

Ms. Taylor responded that teacher compensation issue was determined by each school district and varied from district to district.

Ms. Giunchigliani questioned the availability of grant money for Head Start programs.

Ms. Taylor responded that grant money could not supplant existing programs; however, many of the of the schools had chosen to expand upon Even Start and Head Start programs because they had procedures and people in place to do the work.

Ms. Giunchigliani expressed an interest in learning exactly how many children within the State of Nevada were involved in the Head Start and Even Start programs.

The Chairman expressed the Committee's interest in the issue of Nevada's Reading Excellence Act and requested that the Department provide progress reports on the subgrants and programs for which the grant was being utilized at each meeting of the Interim Finance Committee.

CHAIRMAN ARBERRY MOVED APPROVAL OF ITEM 1.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

2. **Department of Education – Discretionary Grants – Restricted – FY 02 –** Addition of $3,473.00 in Federal Emergency Immigrant Grant, addition of $305,735.00 in Federal Teacher Quality Grant, and addition of $3,351.00 in Federal Administration and Training Grant to allow for the receipt of increases in grant awards for Teacher Quality Grant, Advance Placement Grant, and a prior year refund for Emergency Immigrant Education. Requires Interim Finance approval since the amount of grant to the Teacher Quality category exceeds $100,000.00.

Refer to motion for approval under Item D.

3. **Department of Education – IASA – Title I Grants – FY 02 –** Transfer of $19,522.00 from the Chapter/Basic Aid to Schools category to the Indirect Costs category and transfer of $91,646.00 from the Chapter/Basic Aid to Schools category to the Basic Program Improvement category to update the expenditure authority for the Basic Program Improvement grant and increase the indirect cost rate to 17.6%. Requires Interim Finance approval since the amount added to the Basic Program Improvement category exceeds $50,000.00.

Refer to motion for approval under Item D.

4. **Department of Education – Occupational Education – FY 02 –** Transfer of $41,258.00 from the 11 - Occupational Education Basic ATS category to the 09 - Technical Preparation category and transfer of $26,735.00 from the 11 - Occupational Education Basic ATS category to the 12 - Indirect Cost category to reconcile budget for salary and indirect costs payable by the Technical Preparation grant. Requires Interim Finance approval since the amount added to the Indirect Cost category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

5. **Department of Education – GEAR UP – FY 02 –** Addition of $4,080.00 in School to Careers Federal Grant, transfer of $51,708.00 from the Personnel category to the Sub Grants category, transfer of $2,830.00 from the Operating category to the Sub Grants category, and transfer of $37,217.00 from the School to Careers Administration category to the Sub Grants category to adjust the remaining budget authority to complete the School to Careers program and allow for the receipt of $4,080.00 in prior year refunds. Requires Interim Finance approval since the amount transferred to the Sub Grants category exceeds $50,000.00.

Dr. Rheault, Deputy Superintendent, Department of Education, reported that the Gear Up budget was a new funding "piece," and the work program adjusted the remaining authority to complete the School to Careers program.

In response to the Chairman's request for information concerning the amendments to the work program, Gary Ghiggeri, Fiscal Analyst, reported the work program should be adjusted to reflect:
$51,708 transferred from Salaries;
$469 transferred from Out-of-State Travel;
$244 transferred from In-State Travel;
$1,778 transferred from Operating;
$95,496 transferred to Aid to Schools; and,
$37,217 transferred from Schools to Career.

Doug Thunder, Deputy Superintendent, Department of Education, Administrative and Fiscal Services identified himself for the record and agreed with the work program as adjusted by Mr. Ghiggeri.

MS. CHOWNING MOVED TO APPROVE THE AMENDED WORK PROGRAM ADJUSTMENTS IDENTIFIED BY STAFF.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

6. **Department of Cultural Affairs – Nevada State Library and Archives/Micro-graphics and Imaging – FY 02 –** Addition of $315,930.00 in Microfilming Charges and transfer of $103,000.00 from the Salaries category to the Operating category to provide authority for the completion of a backlog project for Department of Motor Vehicles and move funding from Salaries to Operating to pay for temporary staff hired for the one-shot project. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Scott Sisco, Interim Director, Department of Cultural Affairs identified himself for the record and introduced Ginny Lewis, Director, Department of Motor Vehicles (DMV). Mr. Sisco was before the Committee to request authority for the Department of Cultural Affairs to transfer $103,000 from the Salary category to the Operating category and to accept and expend $315,930 from the DMV backlog project for equipment and temporary services for the project.

The Chairman questioned whether the requested funding would be sufficient to complete the backlog of drivers' license and registration documents that required microfilming.

Mr. Sisco responded that the project had been reviewed in December 2001, and that he and Ms. Lewis had decided to approach it from a different direction than originally planned. Mr. Sisco advised that it was anticipated that by the time the work was finished, they would have completed 117 percent of the project because the backlog continued to grow for the DMV. Additionally, Mr. Sisco explained that the DMV and the Department of Cultural Affairs had agreed to a readjustment and exchange of work that each had originally been projected to accomplish.

In response to a question from Chairman Raggio, Mr. Sisco testified that there had been some misunderstanding concerning the size and complexity of the project.

Chairman Raggio questioned whether the Committee's approval of the request would provide sufficient funding to complete the job at the end of the fiscal year, and if not, how much work would remain to be completed.

Ginny Lewis, Director, DMV, identified herself for the record. Ms. Lewis explained that after the project had been re-evaluated and the work reassigned, an estimated backlog of 1.4 million titles would remain to microfilm at the end of the fiscal year on the DMV side. Ms. Lewis pointed out that the DMV had been funded for a second shift of microfilm operators who had been hired in December and were currently working a swing shift. Ms. Lewis reported that the operators were able to keep up with current work and were beginning to "delve into" the backlog.

In response to questions from the Chairman, Ms. Lewis explained that registration was not an issue and that in accordance with the Department's record retention, all supporting documents as a result of title transactions had to be microfilmed.

In response to a question from the Chairman concerning the length of time it took to receive a title after the purchase of a new vehicle, Ms. Lewis explained that the actual title production was a separate matter and that the specific issue was the process of microfilming the documents. Currently, Ms. Lewis indicated that a title transacted in a field office had a five-to-seven-day turnaround while paperwork submitted by a dealership had "a 19-day backlog to create the title."

In response to a question from the Chairman concerning the projected completion date of the project, Ms. Lewis indicated the project was "years behind," in eliminating the backlog.

Chairman Raggio questioned how much of the job would be completed by the end of the fiscal year.

Ms. Lewis indicated that by the end of March or April 2002, it was expected they could determine how quickly the recently hired crew could eliminate the backlog.

In response to a question from Chairman Raggio, Ms. Lewis explained that the computer records were not affected; however, it was the microfilming of those records that was the issue.

Senator Neal questioned whether the retention schedule would be impacted by the backlog of records to be microfilmed.

Ms. Lewis responded that the record retention schedule was not affected by the backlog since paper files were maintained until the documents could be microfilmed. Ms. Lewis added that while it was a labor-intensive process, the paper documents were available and could be accessed for court or research inquiries.

In response to an additional question from Senator Neal, Ms. Lewis indicated the record retention schedule called for the retention of microfilmed drivers' license records for 85 years.

Mr. Beers questioned whether there had been any cost estimate for putting the microfilmed records into a "useful digital format."

Mr. Sisco testified that the Nevada State Library and Archives employed an electronic records archivist who was looking into digital imaging and watching the actions of other states. However, Mr. Sisco advised that microfilming was currently the only proven method of accessing records 100 years from now.

Mr. Beers expressed disagreement with Mr. Sicco's premise that digitally processed documents could not be read 100 years into the future.

In response, Mr. Sisco explained that the Library and Archives employed one of the few experts in the country who was an electronic records archivist. Mr. Sisco indicated that retention of all documents including e-mail was a "very delicate" situation noting that the press was currently suing the Governor of Utah to retain every piece of e-mail produced. Mr. Sisco advised that while the issue was complex, the Department of Cultural Affairs was working hard to deal with it.

MR. DINI MOVED APPROVAL OF ITEM 6.

MRS. DE BRAGA SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

7. Department of Agriculture – Gas Pollution Standards – FY 02 – Transfer of $12,631.00 from the Reserve category to the Equipment category and transfer of $27,933.00 from the Reserve category to the Information Services category to acquire additional freezers to conform with requirements for shipping and storage of fuel samples and rework of the laboratory information system to include two new computers and space on the Department of Information Technology Server Farm. Requires Interim Finance approval since the amount transferred to the Information Services and Equipment categories exceed 10% of the legislatively approved level for the categories.

Refer to motion for approval under Item D.

8. Department of Agriculture – Registration and Enforcement – FY 02 – Addition of $241,062.00 in Environmental Protection Agency Pesticide Consolidated, deletion of $811.00 in Environmental Protection Agency Pesticide Certification, and deletion of $4,747.00 in United States Department of Agriculture Record Keeping to acquire high-performance liquid chromatograph with mass spectrographic dector and attendant equipment as well as four file cabinets. Additionally adjustments are made to reconcile grant authority/expenditures in categories 10 and 14. Requires Interim Finance approval since the amount transferred to the Equipment category exceeds $50,000.00.

Refer to motion for approval under Item D.

9. Department of Business and Industry – Housing Division – Low Income Housing Trust Fund – FY 02 – Transfer of $1,565,000.00 from the Reserve category to the Loan Disbursements category to increase authority to fund anticipated grants allocated to local government recipients. Requires Interim Finance approval since the amount added to the Loan Disbursements category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

10. Department of Business and Industry – Industrial Relations – FY 02 – Addition of $132,000.00 in Allocation from Fund to provide funding for a medical fee schedule study pursuant to Assembly Bill 44 passed by the 2001 Legislature. Requires Interim Finance approval since the amount added to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

11. Department of Business and Industry – Energy Conservation – FY 02 – Addition of $130,000.00 in Transfer from Other Budget Account Same Fund to increase authority of Petroleum overcharge funds, to support increase funding for sub grants. Requires Interim Finance approval since the amount added to the Petroleum Overcharge Rebate Sub Grants category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

12. Department of Business and Industry – Energy Office – Petroleum Rebate – FY 02 – Transfer of $130,000.00 from the Reserve category to the Stripper Well category to fund four grant projects designed to support significant improvement in the level of energy efficiency integration. Requires Interim Finance approval since the amount added to the Stripper Well category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

13. Department of Human Resources – Director's Office – Administration – FY 02 – Addition of $1,670,324.00 in Transfer from Health Care Financing and Policy - Maximus to reflect Maximus revenue recoveries in excess of budget and reserve balance for reversion. Requires Interim Finance approval since the amount added to the Collection Expense category exceeds $50,000.00.

Mike Torvinen, Administrative Services Officer, Director's Office, Department of Human Resources, identified himself for the record. Mr. Torvinen requested IFC approval to augment the Department of Human Resources' budget with Maximus federal revenue recoveries. Mr. Torvinen pointed out that the schedule attached to the work program (Exhibit D) identified four separate invoices for money that had already been received and to which an additional $500,000 was added in anticipation of additional recoveries for the remainder of the fiscal year. Mr. Torvinen further advised that money had been set aside to pay Maximus for their services with the balance placed into a Reserve category.

Chairman Raggio noted the request was to approve the augmentation of the budget by $1,670,324 in federal revenue recoveries, and, of that amount, $1,414,604 was proposed to be reserved for reversion to the General Fund and $255,720 to pay for Maximus' services.

Chairman Raggio addressed concerns in reference to legislative intent that $500,000 of Maximus revenue in each year of the biennium was to be provided to the Bureau of Alcohol and Drug Abuse (BADA) for the continuation of adolescent substance abuse treatment programs. The Chairman noted that thus far $383,112 had been distributed to BADA and requested that Mr. Torvinen address the status of the BADA funding.

Mr. Torvinen advised that the $500,000 per year had already been set-aside in Category 70, Transfer to BADA.

In response to questions from the Chairman concerning the status of the maximum $250,000 per year for the pilot program for seriously mentally ill and homeless adults in southern Nevada, Mr. Torvinen advised that the Department would return to the IFC with a work program to transfer the revenue. Additionally, Mr. Torvinen added that he had spoken to Dr. Carlos Brandenburg, Administrator, Division of Mental Health/Developmental Services, and he assured the Chairman, the Department would not lose sight of the revenue.

Chairman Raggio noted that actual Maximus collections in Fiscal Year 2002 totaled $1,780,964.

Mr. Torvinen indicated that his records reflected a total of $1,720,000 had been collected, and that the Department was very mindful of the fact that any balance not obligated had to revert to the General Fund.

In response to a question from Ms. Tiffany, Mr. Torvinen indicated the $250,000 earmarked by the Legislature for the homeless project could be set aside in a special account rather than placed in the reserve account. Mr. Torvinen mentioned the availability of an accounting work program to transfer the funding, which would not require Interim Finance Committee approval.

Ms. Leslie questioned whether the $1.7 million that had been collected could be placed in reserve at the present time for program planning purposes since it was the Legislature's intent to have $500,000 per year for the continuation of BADA programs for adolescent substance abuse treatment and $250,000 per year for a pilot program for seriously mentally ill and homeless adults in southern Nevada.

Mr. Torvinen agreed to Ms. Leslie's suggestion.

In response to a question posed by Ms. Tiffany concerning setting aside the funding at the present time and whether or not a Request for Proposal (RFP) would have to be postponed until the end of the second year of the biennium, Mr. Torvinen was of the opinion that there appeared to be no reason to delay the planning process.

MS. LESLIE MOVED APPROVAL OF ITEM 13

MR. PARKS SECONDED THE MOTION.

MS. LESLIE MOVED TO AMEND THE MOTION TO INCLUDE A REVISION TO AUTHORIZE THE FUNDING EARMARKED FOR BADA AND DIVISION OF MENTAL HEALTH/DEVELOPMENTAL SERVICES' PROGRAMS.

MR. PARKS SECONDED THE AMENDED MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

Mr. Torvinen indicated he would work with staff to ensure that the legislative requests were carried out.

The Chairman called upon John P. Comeaux and Mike Willden to provide an overview of the General Fund budget projections and year-to-date shortfall.

John P. Comeaux, Director, Department of Administration, identified himself for the record and referred to a document (Exhibit E) which reflected budget tracking for the four largest sources of General Fund revenue - sales tax, percentage gaming fees, casino entertainment tax and the business license tax.

Mr. Comeaux explained that the display across the top of the schedule (Exhibit E) showed August to January, the months in which the revenue reports were issued, with January 2002, the most current report. While the February reports would not be issued until later in the month, Mr. Comeaux indicated a gaming and sales tax report would be available within the next few weeks.

In response to a question from Chairman Raggio, Mr. Comeaux advised that the January numbers reflected November business activity, which held true for percentage gaming fees as well. Mr. Comeaux further explained that six months worth of revenue collection for gaming was displayed in the schedule and only five months for sales tax because sales tax was accrued and gaming was not.

In response to a question from the Chairman, Mr. Comeaux explained the shortfall compared to the revenues estimated on May 1 by the Economic Forum on which the state budget was based. Mr. Comeaux turned to page 2 of the schedule (Exhibit E), which displayed sales tax data and pointed out the first two lines across the top of the page reflected data for Fiscal Year 2001, and the second group of numbers down reflected Fiscal Year 2002 collections that would be required based on the Economic Forum forecast. Mr. Comeaux explained that the Fiscal Year 2002 numbers were split up in monthly amounts that tracked the previous year. As an example, Mr. Comeaux indicated that the amount on the sales tax table under July for Fiscal Year 2002 Monthly Collections Needed was 5.5 percent more than collected in July Fiscal Year 2001 and August was 5.5 percent of the preceding year (August 2000) based on the Economic Forum's estimate that revenues would increase 5.5 percent for the year. Mr. Comeaux pointed out that the year-to-date shortfall of $37,779,000 shown on page 1 (Exhibit E) was based on that set of assumptions for revenues displayed.

Mr. Comeaux moved to the cover sheet of the document (Exhibit E) and explained that the Local School Support Tax (LSST) "Makeup" was not a state revenue. However, the amounts that went into the Distributive School Account (DSA) were guaranteed which placed the state in the position of "making up" that revenue out of the General Fund if the LSST fell short.

Cumulatively, through the January 2002 report, Mr. Comeaux pointed out the shortfall:

- Sales Tax $6,798,000
- LSST $7,648,000
- Percentage Fees $21,524,103
- Casino Entertainment Tax $1,606,365
- Business License Tax $201,772

In response to a question from Senator Neal, Mr. Comeaux explained that the Percentage Fees reflected the gross gaming tax.

Chairman Raggio asked Mr. Comeaux to discuss the projected shortfall at the end of the fiscal year if the downward trend continued.

Mr. Comeaux pointed out the following projected shortfall for each tax at the end of the fiscal year, if revenue continued to be collected at the same rate of gain or loss as currently being experienced:

- Sales Tax $16,805,000
- Percentage Fees $44,052,662
- Casino Entertainment Tax $3,862,458
- Business License Tax $796,444

In response to a question from the Chairman, Mr. Comeaux indicated the numbers for Business License Tax could be somewhat higher depending on the data for the second quarter. Mr. Comeaux pointed out that while the budget was based on the revenue sources he had just discussed, other revenue sources appeared to be in line with projections.

In reference to a question from the Chairman concerning Insurance Premium Tax, Mr. Comeaux advised that there was no growth in the first quarter collection over the first quarter for Fiscal Year 2001. However, Mr. Comeaux pointed out the first quarter of Fiscal Year 2001 was the quarter there was a 20 percent increase in collections. With the first quarter of Fiscal Year 2002 at the same level, it was Mr. Comeaux's opinion that Insurance Premium Tax might not fall short.

Additionally, Mr. Comeaux addressed the General Fund ending fund balance, which he indicated on July 1, 2001, was approximately $17.6 million more than had been budgeted.

In response to a question from the Chairman concerning the ending fund balance, Mr. Comeaux advised that while he did not have the information on the total number with him, he recalled it was approximately $116 million.

In response to a question from the Chairman, Mr. Ghiggeri recalled the preliminary ending fund balance was around $124-$126 million and the projection had been approximately $114 million to which Mr. Comeaux agreed.

Discussion ensued concerning the ending fund balance shortfall, and Chairman Raggio determined the shortfall would be approximately $58 to $59 million at the end of the fiscal year and staff agreed.

Chairman Raggio questioned the status of other projections for revenue enhancements, which included fees for the Secretary of State at $14 million, Unclaimed Property at about $8 million and $12 million for short-term car rentals.

Mr. Comeaux responded that the Treasurer had reported confidence in collections of approximately $5 million for Unclaimed Property, and the fee collections for the Secretary of State were coming in at a higher rate than in Fiscal Year 2001. However, Mr. Comeaux indicated it was too early to determine if the full amount of those enhanced revenues built into the budget were on target.

In response to Chairman Raggio's assumption that the shortfall problem would be exacerbated by some of the funding requests because of higher than anticipated expenditures, Mr. Comeaux indicated the numbers would not be made worse by the Welfare caseload report that Mr. Willden was scheduled to present. However, Mr. Comeaux anticipated there would be some problems concerning the Welfare caseload.

In response to a question from Senator Neal concerning the gaming Percentage Fees, Mr. Comeaux pointed out that on the third page of the document (Exhibit E) the monthly collections needed for Fiscal Year 2002 were projected as follows:

- June $41,712,563
- July $50,539,409
- August $47,648,380
- September $53,244,655
- October $49,946,003
- November $42,837,348
- December $31,178,171
- January $53,255,362
- February $45,572,027
- March $71,069,813
- April $39,941,932
- May $58,254,339
- Total $585,200,000

Mr. Comeaux clarified the collections were for the period July 2001 to June 2002 and that in July 2001, the collections were projected to come in at $41.7 million; however, actual collections came in at $38,055,110.

In response to a question from Senator Neal, Mr. Comeaux pointed out that the year-to-date collections needed were illustrated on the chart as cumulative through that month of the fiscal year. Additionally, Mr. Comeaux clarified that a total of $565,048,733 in Percentage Fees was collected in Fiscal Year 2001, and the Economic Forum estimated that total would increase by 3.6 percent for Fiscal Year 2002 for a total of $585,200,000.

In reference to a question from Senator Neal concerning revenue from coin-operated machines, Mr. Comeaux advised that gaming shortfall had occurred in the games played by "high-rollers."

In response to a question from Senator Rawson concerning the shortfall for the overall revenue, Mr. Comeaux indicated that revenues for the year totaled approximately $1.8 to $1.9 billion, and the year-to-date shortfall was approximately $37 million.

Senator Rawson noted that the $37 million was approximately 1.5 percent of the total budget and inquired about the 5 percent trigger for the budget stabilization account.

Mr. Comeaux advised that before the 5 percent trigger for the budget stabilization account could be utilized, the shortfall would have to total approximately $120 million.

Mike Willden, Director, Department of Human Resources, identified himself for the record and distributed a document (Exhibit F) that detailed Nevada Welfare Division caseload data.

In a review of the data, Mr. Willden pointed out that the first page illustrated three boxes that contained data for the caseloads on Temporary Assistance to Needy Families (TANF), Food Stamps and Total Medicaid. Mr. Willden reported that the TANF program originally budgeted at 18,000 recipients had seen "explosive growth" since the September 11, 2001 event with recipients in December at 30,427, a 15.35 percent change in projected growth.

Mr. Willden pointed out that while the Food Stamp program had increased to 90,820 recipients, which was of concern for staff, the benefits did not have a budgetary impact on the state as they were entirely funded by the federal government.

In reference to the Medicaid caseload, Mr. Willden pointed out there were 141,029 recipients in December while 125,500 recipients were budgeted for Fiscal Year 2002 and 133,000 were budgeted for Fiscal Year 2003.

Turning to the chart on page 2 of the document (Exhibit F), Mr. Willden pointed out that January's growth for the TANF caseload did not appear to be growing as it had in October, November and December.

On page 3 of the document (Exhibit F), Mr. Willden pointed out the two areas of the chart he had circled illustrated the growing gap between the actual number of recipients versus budgeted and actual expenditures versus budgeted.

Mr. Willden informed the members of the Committee that the caseload growth for Medicaid and TANF was almost exclusively related to families and children and that during the last six months, "a tremendous number of families" had accessed the low-income health insurance programs. Mr. Willden attributed the growth in caseload to the layoffs and loss of insurance provided by the Culinary Union as well as other health insurance coverage. The chart on page 4 of the document (Exhibit F) illustrated a 50 percent growth in families-related Medicaid in the past six months.

Mr. Willden turned to page 5 of the document (Exhibit F), which illustrated the current caseload trend and projections for a total Medicaid caseload average for Fiscal Year 2002 of 131,133 recipients versus the 125,524 recipients that had been budgeted. Mr. Willden reiterated that the December 2001 total number of recipients was 141,029. Additionally, Mr. Willden indicated the worst-case scenario for Fiscal Year 2003 was an average of 164,156 recipients versus the 133,142 budgeted.

Mr. Willden turned to page 6 and 7 of the document (Exhibit F), which illustrated budgeted and actual enrollment data concerning the Nevada Check-Up Program. Mr. Willden explained that Nevada Check-Up was an insurance program for families and children under 200 percent of poverty, which had a budgeted enrollment of 20,574 recipients versus an actual enrollment of 22,850.

Page 7 of the document (Exhibit F) displayed Nevada Check-Up enrollment projections for Fiscal Year 2002 and Fiscal Year 2003.

In response to a question from Chairman Arberry concerning the monetary shortfall, Mr. Willden projected a shortfall of about $4.5 million for the Nevada Check-Up Program for Fiscal Year 2002.

In response to additional questions from Chairman Arberry, Mr. Willden explained the Nevada Check-Up Program was funded by a combination of state and federal dollars matched $1 state to $2 federal.

In reference to the TANF Program, Mr. Willden reported that in the event of a worst-case scenario that growth would continue and reach 40,000 actual recipients, the state would face a shortfall of approximately $20 million. However, Mr. Willden indicated the availability of some variables that included whether federal population modifier money was made available to the state, currently an issue in Congress, and the possibility of deferring some programs that had been scheduled to come on line in July. Mr. Willden indicated he had been directed by the Governor to look at some of those deferrals and additional information would be provided to the Committee.

In reference to the Medicaid Program, Mr. Willden reported that the latest projections for Fiscal Year 2002 included a low range $36 million shortfall and a worst-case scenario $60 million shortfall.

Insofar as assistance that could be provided to these programs, Mr. Willden discussed the TANF reserve and advised that a significant amount of money had been banked over the past five years and held for a "rainy day." That reserve was currently being fully utilized. Additionally, Mr. Willden indicated he had been directed by the Governor to provide a list of new programs that could be deferred. The Governor, however, had been very explicit not to cut current recipients and benefits.

In reference to the Medicaid Program, Mr. Willden discussed the Intergovernmental Tax Transfer Account, which held approximately $26 million that could be used for the Medicaid Program or Nevada Check-Up, or both. Additionally, Mr. Willden indicated that the money in the Intergovernmental Tax Transfer Account could be matched at the current federal matching rate of 50:50 percent in Medicaid (anticipated to increase to 51.79 percent Federal in Fiscal Year 2003), or $1 to $2 in the Nevada Check-Up Program.

In reference to a question from Chairman Raggio concerning new initiatives, Mr. Willden advised the members of the Committee a list of new initiatives had been prepared and discussed with the Governor. As a result of that discussion, the new initiatives in the TANF Program would be deferred. Mr. Willden offered to provide the members of the Committee with the list. Specifically, the deferrals included a pay increase to families required to stay at home and care for an ill and incapacitated member of the family, which had been initially deferred to April and subsequently deferred to July dependent upon revenue and caseload figures. Additionally, Mr. Willden indicated requests for proposals for new TANF services had been deferred; however, benefits would not be cut, nor would enrollment be capped for either the TANF or health insurance programs.

In response to a question from Senator Rawson, Mr. Willden explained that the TANF Program primarily provided a monthly cash grant for the basic needs of low-income families. While TANF money was specifically prohibited for medical coverage, low-income families with TANF assistance were eligible for health insurance paid for through Medicaid. TANF also provided employment services and other social services such as assistance in areas of domestic violence and emergency housing.

In response to a question from Senator Rawson concerning the unemployment benefit waiver, Mr. Willden advised that the Governor requested implementation of a waiver on October 1 following the September 11 crisis so that families could receive unemployment benefits as well as TANF cash assistance and Medicaid assistance through the TANF option.

Senator Rawson expressed concern in view of the deficit and the deferral of programs for people with long-term needs and indicated that difficult decisions would need to be made and "immediate steps" taken concerning those deferrals.

Mr. Willden clarified that the policy decision by the Governor to provide unemployment benefits to TANF recipients was not the primary driver to caseload growth and that there was a net impact of less than $500,000 in TANF cash assistance during the past three months. Mr. Willden indicated that the driver for the caseload increase was the general economy, unemployment and the need for health insurance.

In response to a question from Senator O'Donnell concerning the deferral of specific programs, Mr. Willden reported the following deferrals:

- The transfer of money from TANF to Title XX. Mr. Willden explained that because the Title XX block grant for Fiscal Year 2002 was higher than budgeted, the full TANF to Title XX transfer would not take place;
- The $94 increase for families in the Ill and Incapacitation Program, approved by the Legislature and scheduled to begin in January 2002, was deferred to April and subsequently to July during which time caseload and revenues would be monitored;
- Requests for proposals for new TANF services in the area of teen pregnancy and the formation of two-parent families was deferred; and,
- Budgeted TANF money for the $75 child support disregard was moved to a funding source within the Child Support Program that had revenue to cover the payments for Fiscal Year 2002. Mr. Willden indicated that there were a number of transfers to the Division of Child and Family Services as well as Mental Health that supported programs in those areas and no cuts were intended; however, an evaluation would made concerning whether the total amount of TANF transfers needed to be made to those programs.

In response to a question from Senator O'Donnell concerning the difference between a deferral versus a cut, Mr. Willden indicated the two were not associated, and defined a deferral as simply not implementing a new program while a cut eliminated services to an existing recipient or program.

Senator O'Donnell questioned whether the same level of service could be maintained for TANF recipients if the caseload continued to rise.

In response, Mr. Willden projected that if the caseload continued up to the 40,000 mark; there would be no TANF funding by next spring.

Mr. Goldwater asked Legislative Counsel's opinion concerning the extent of Executive authority to cut or defer budgets before Legislative action or oversight was required.

Ms. Erdoes indicated that while the question might be more properly asked of the Fiscal Analysis Division Analysts, the work programs on the agenda required action by the Interim Finance Committee to move money from one year to the other as specifically authorized in the Appropriations Act. Ms. Erodes further advised that the Executive Branch had the "authority to pay out money for the services" and that Legislative action would be required if there was a change in the work program.

In an effort to ensure a clear understanding of the roles of the Executive and Legislative branches during a period of crisis, Mr. Goldwater requested that the Fiscal Division Analysts prepare an outline of where Executive authority ended and Legislative authority began.

Ms. Tiffany recalled an option concerning the Intergovernmental Transfer and questioned whether the money was from a reserve or whether it would be taken from the University Medical Center and other hospitals.

Mr. Willden indicated the $26 million was from a reserve and would not be taken from any of the hospitals.

Ms. Giunchigliani questioned whether the $26 million would be restricted for Medicaid use only.

Mr. Willden responded that the legislation concerning the reserve provided for the use of Intergovernmental Transfer funds related to the disproportionate share payments and the Intergovernmental Tax transfer payments. Whatever was left in the account after those payments could be used to fund Medicaid programs, and if Medicaid needs were met, then the funds could be used to cover Nevada Check-Up.

Ms. Giunchigliani addressed the deferral of new programs including the Kinship Program and questioned what many had considered "budget holes" during the Legislative Session.

Mr. Willden indicated the Governor had directed him to look at programs that had not yet been implemented and defer them for a few months while monitoring the caseload and revenues. Mr. Willden further indicated that the programs would be implemented if it were at all possible. Mr. Willden also advised that the Kinship Program for grandparents had been implemented in October 2001.

Ms. Giunchigliani discussed a more cautious approach as the budget process began for the 2003 Legislative Session.

Chairman Raggio indicated that the September 11 events and the economic downturn that followed could not have been foreseen, and that at this point everyone was trying to act responsibly.

Chairman Raggio welcomed Governor Guinn to the meeting and invited him to address the members of the Committee.

Governor Guinn's opening remarks indicated that all of the budgets had been adequately funded and that had the revenues continued as they had at the start of the fiscal year, there would have been no "budget holes." However, the Governor said as a result of the September 11 events, a substantial drop in revenue not only lowered income streams but raised the caseload under Medicaid and TANF.

Governor Guinn indicated that in another month or two he believed he would be able to demonstrate a better picture of the state's economic status and recommended action to maintain a balanced budget. With California between $12 and $15 billion in the red, Arizona $1.8 billion in the red, Ohio $2.8 billion dollars in the red, and five other states that had already held special sessions, Governor Guinn pointed out that Nevada was in "good shape overall" as a result of conservative budget building and legislative action.

The Governor advised that while revenue was down about $37 million through the first six months of the fiscal year, $26 to $27 million of that downturn was covered by the hiring freeze in effect since July 1. The Governor reported approximately $1.5 million a month in savings by not hiring additional people except in critical areas. While revenues were rebounding, the Governor indicated it would be quite some time before revenue reached the Economic Forum projections.

The Governor asked for the Committee's understanding that the budget problems were not a result of the budget process or actions on the part of the Legislature. Additionally, the Governor referenced the state's loss of sales tax revenue and double impact on the budget to also have to make up the Local School Support Tax shortfall to school districts.

The Governor indicated the state faced difficult times and that while everything that could be done to mitigate the problems would be done, this was not a time to cut back on funding for the programs under discussion. The Governor indicated that he wanted no part in cutting services to needy families and that a reallocation of funding would be determined.

In his closing remarks, the Governor emphasized the importance of the Executive and Legislative branches moving ahead in the right direction but doing it together in an effort to continue service to those families who were "less fortunate and more fragile" than others. The Governor indicated the times were as difficult as he had seen in 38 years in the state and asked for the Legislature's cooperation in determining the figures and recommendations to offset those dollars into helping those who truly needed the assistance.

14. **Department of Human Resources – Directors Office – Healthy Nevada Fund Administration – FY 02 –** Addition of ~~$1,121,774.00~~ **$1,071,774.00** in Transfer from Treasurer - Tobacco Settlement Funds to provide for an additional staff position (Administrative Assistant, IV) to support the Senior RX Program including associated operating expenses, increased postage expense due to higher than anticipated enrollment and adjustments for unused grant award that were balanced forward to State Fiscal Year 2002. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category and includes new staff. ***(Revised 1-24-02)***

Refer to motion for approval under Item D.

15. **Department of Human Resources – Directors Office – Healthy Nevada Fund Administration – <u>FY 03</u> –** Addition of $25,327.00 in Transfer from Treasurer - Tobacco Settlement Funds and transfer of $17,094.00 from the Operating category to the Salaries category to provide for the continuation of an additional staff position (Administrative Assistant IV) and associated operating expenses. Requires Interim Finance approval since the amount transferred to the Operating category exceeds 10% of the legislatively approved level for that category and includes new staff.

Refer to motion for approval under Item D.

16. **Department of Human Resources – Health Care Financing and Policy – Nevada Check-Up Program – FY 02 –** Addition of $1,341,939.00 in State General fund, addition of $2,492,173.00 in Federal Title XXI Funds, and addition of $86,018.00 in Reimbursement of Expense to accommodate the projected client enrollment of 22,779 versus a budgeted 20,431. Requires Interim Finance approval per Section 32, Chapter 570 (Assembly Bill 672), 2001 Session and <u>this action involves the allocation of block grant funds and requires a public hearing</u>.

Items 16 and 17 required a public hearing and were heard together. See Item 17.

17. **Department of Human Resources – Health Care Financing and Policy – Nevada Check-Up Program – <u>FY 03</u> –** De-augmentation of $1,341,939.00 in State General Funds and de-augmentation of $2,492,173.00 in Federal Title XXI Funds to provide for projected enrollment in the Nevada Check-Up Program in State Fiscal Year 2002. Requires Interim Finance approval per Section 32, Chapter 570 (Assembly Bill 672), 2001 Session and <u>this action involves the allocation of block grant funds and requires a public hearing</u>.

Items 16 and 17 required a public hearing and were heard together.

The Chairman indicated that many of the Committee's questions had been answered during the budget overview.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, identified himself for the record and introduced Deb King, Administrative Services Officer for the Division. Mr. Duarte advised the members of the Committee that Item 16 accompanied Item 17 (an offset to Fiscal Year 2003 revenues) and requested an increase in revenue and expenditure authority to cover the increased client load in the Nevada Check-Up Program. An additional $3.9 million in revenue and expenditure authority was requested of which the Division would utilize $1.3 million in State General Funds, $2.49 million in federal funds and $86,000 in additional premium revenues received from clients to pay for operating expenses in the current fiscal year.

In response to a question from the Chairman, Mr. Duarte indicated that in Fiscal Year 2003, companion adjustments would be made to the budgets; however, the Division was not currently requesting adjustments in Fiscal Year 2003.

The Chairman questioned whether the capped Check-Up, TANF and Medicaid budgets for Fiscal Year 2003 would experience "a funding hole," and whether the Rainy Day Fund discussed in the budget presentation would alleviate projected budget shortfalls.

Mr. Duarte responded that the Division was aware that the budgets were capped and had the ability, with approval from the Interim Finance Committee, to move money from Fiscal Year 2003 to Fiscal Year 2002 to cover the shortfall currently being experienced.

The Chairman reiterated his question concerning the impact of the shortfall on the budgets in Fiscal Year 2003.

Mr. Duarte advised that as Mr. Willden had indicated in his presentation, existing budget authority would be used before "tapping into" the Intergovernmental Transfer Reserve, which would primarily be used for Medicaid but could be used to pay for increased caseload growth in the Nevada Check-Up Program as well.

Chairman Raggio noted a potential $35 million shortfall in TANF funding in Fiscal Year 2003 and the recommended deferrals on new initiatives that could alleviate some of the shortfall. However, the Chairman pointed out this was an area in which the Committee needed to be kept fully informed and an update was requested to be presented at each meeting of the Committee.

There was no public testimony on either Item 16 or 17.

MR. DINI MOVED APPROVAL OF ITEMS 16 AND 17.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

18. **Department of Human Resources – Division of Mental Health and Developmental Services – Administration – FY 02 –** Addition of $49,352.00 in Community Mental Health Service Block Grant to fund salaries, in-state travel, operating and computer software and hardware for six new full-time employees for two months in State Fiscal Year 2002 and ten months in State Fiscal Year 2003 (see work program C18993 for State Fiscal Year 2003). These six full-time employees would provide peer counseling currently provided by contract. Requires Interim Finance approval since the amount of grant includes new staff and <u>this action involves the allocation of block grant funds and requires a public hearing</u>.

Items 18 and 19 required a public hearing and were heard together. See Item 19.

19. **Department of Human Resources – Division of Mental Health and Developmental Services – Administration – <u>FY 03</u> –** Addition of $152,344.00 in Community Mental Health Service Block Grant to continue salaries, out-of-State travel, in-State travel, and operating expenses for six new full-time employees for ten months in State Fiscal Year 2003 and two months in State Fiscal Year 2002 (see work program C18992 for State Fiscal Year 2002). Requires Interim Finance approval since the amount of grant exceeds $100,000.00, includes new staff, and <u>this action involves the allocation of block grant funds and requires a public hearing</u>.

Items 18 and 19 required a public hearing and were heard together.

Carlos Brandenburg, Administrator, Division of Mental Health and Developmental Services (MHDS) identified himself for the record and introduced Alyce Thrash, Chairperson, Mental Health Planning Advisory Council. Dr. Brandenburg advised the members of the Committee that Items 18 and 19 pertained to the Community Mental Health Service Block Grant the Division had been receiving over a number of years. Dr. Brandenburg requested the addition of $49,352 in Fiscal Year 2002 and $152,344 in Fiscal Year 2003 to fund six new full-time Peer Counselor positions.

Ms. Thrash, identified herself for the record as a consumer as well as the Chair for the Mental Health Planning Advisory Council. Ms. Thrash reported that over the past three months, from October 2001 to January 2002, twelve town meetings had been held in an effort to receive input from consumers concerning the full-time state employment of Peer Counselors. A recent report by the Surgeon General indicated consumers were more involved in recovery development and mental health services. Ms. Thrash explained the role of Peer Counselors would be to provide support, advocacy and quality control in a more user-friendly system for clients of human service agencies who were on the road to recovery.

In response to a question from the Chairman, Dr. Brandenburg advised that the MHDS began using a statewide contractual agreement during Fiscal Year 2001. However, Dr. Brandenburg explained it was so much more cost effective to hire state employees, the Division could go from four contractual Peer Counselor positions to six.

There was no public testimony.

MS. CHOWNING MOVED APPROVAL OF ITEMS 18 AND 19.

MS. LESLIE SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

20. **Department of Human Resources – Division of Mental Health and Developmental Services – Northern Nevada Adult Mental Health Services – FY 02 –** Addition of $65,000.00 in Federal Housing and Urban Development Shelter Plus Care Housing Program Grant to continue transitional living - Housing and Urban Development (category 19) expenditures - increase the number of clients who can be placed in community housing with federally funded Housing and Urban Development/Shelter Plus Care housing contracts and continue the effort of reducing the number of State funded Supportive Living Arrangements. Requires Interim Finance approval since the amount of grant exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

21. **Department of Human Resources/Mental Health and Developmental Services – Rural Regional Center – FY 02 –** Transfer of $60,000.00 from the Non-Community Training Center Jobs and Training category to the Community Training Center Day Training category and transfer of $10,000.00 from the Non-Community Training Center Jobs and Training category to the Community Training Center Jobs category to meet projected expenses of the Certified Training Centers for both Day Training and Jobs due to an increase in the number of clients. Requires Interim Finance approval since the amount transferred to the Community Training Center Day Training (38) and Community Training Center Jobs (39) from the Community Training Center Jobs and Training categories exceed 10% of the legislatively approved level for the categories.

Refer to motion for approval under Item D.

22. **Department of Human Resources – Health Division – Vital Statistics – FY 02 –** Addition of $89,904.00 in Behavioral Risk Factor Surveillance System Federal Grant to continue the cost of travel, supplies and the inter-local contract with the University of Nevada Reno to conduct the annual random sample telephone survey, data collection, analysis and report to determine the incidence and prevalence of unhealthy behaviors in Nevada. Requires Interim Finance approval since the amount of grant to the Behavioral Risk category exceeds $50,000.00.

Refer to motion for approval under Item D.

23. **Department of Human Resources – Health Division – Community Health Services – FY 02 –** Addition of $110,185.00 in Transfer from Other Budget Account (Welfare - Temporary Assistance for Needy Families) to fund operating expenses for the purpose of preventing and reducing out-of wedlock pregnancies. Requires Interim Finance approval since this action involves the allocation of block grant funds and requires a public hearing.

Item 23 required a public hearing.

Philip Weyrick, Administrative Services Officer, Health Division, identified himself for the record. Mr. Weyrick explained that during the budget process for the last biennium budget, $219,766 was placed in Budget Account 3224, Community Health Nursing. At the time, the Division was not aware of the full scope of the proposal to fund operating expenses for reducing out-of-wedlock pregnancies, approved by the Welfare Division at a later date. The work program before the Committee requested an additional $110,185 to fund operating expenses for Community Health Nurses.

In response to a question from the Chairman, Mr. Weyrick advised that Community Health Nurses were already engaged in a program to help reduce and prevent out-of-wedlock pregnancies in the rural communities. The work program request would reimburse the Nurses for their work.

In response to a question from the Chairman, Mr. Weyrick advised that the Division had compiled monthly statistics in an effort to measure the work being accomplished by the Community Health Nurses and the statistics showed good results.

Ms. Tiffany questioned whether the Community Health Nurses went out into the community to provide outreach services or whether clients visited a clinic.

Mr. Weyrick responded that for the most part, clients visited the rural health clinics for assistance; however, some outreach programs existed that provided Community Health Nurse visits to schools where guidance was provided to young people.

Ms. Tiffany clarified that she was speaking about adults, no longer in school, who would have access to outreach activities where discussions about birth control took place.

While public information campaigns had been initiated to reach adults, Mr. Weyrick expressed uncertainty concerning whether Community Health Nurses organized events in the local communities.

In response to a question from Ms. Tiffany, Mr. Weyrick explained that the request before the Committee focused on anyone who accessed the rural health clinics seeking medical care. Additionally, Mr. Weyrick pointed out that in many instances, the services provided by Community Health Care Nurses was the only medical care available in some rural counties.

There was no public testimony.

CHAIRMAN ARBERRY MOVED TO APPROVE ITEM 23.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

24. **Department of Human Resources – Health Division – Communicable Disease – FY 02 –** Addition of $1,014,706.00 in Federal Disease Prevention Grant to continue the travel, operating, medical, and contract costs in conducting the Breast and Cervical Cancer Detection Program. Requires Interim Finance approval since the amount added to the Breast and Cervical Cancer category exceeds $50,000.00.

Refer to motion for approval under Item D.

25. **Department of Human Resources – Health Division – Communicable Disease Control – FY 02 –** Addition of $41,241.00 in State-Based Diabetes Program to Reduce the Burden of Diabetes Grant to continue support of community organizations in diabetes education and surveillance systems. Requires Interim Finance approval since the amount of grant to the State Based Diabetes Program category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

26. **Department of Human Resources – Health Division – Family Planning – FY 02 –** Addition of $74,942.00 in Title X, Family Planning Services Program to continue salaries, in-state travel, operating and the APPLE Project (designated toward the prevention of teen pregnancy). Requires Interim Finance approval since the amount of grant to the Operating category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

27. **Department of Human Resources – Health Division – Sexually Transmitted Disease Control – FY 02 –** Addition of $261,771.00 in Federal Housing and Urban Development Contract – Housing Opportunities for Person with AIDS Grant to continue funding of housing assistance, referral and supportive services to individuals and their families who have AIDS or related diseases. Requires Interim Finance approval since the amount of grant to the Federal Housing and Urban Development Contract category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

28. **Department of Human Resources – Health Division – Maternal Child Health Services – FY 02 –** Transfer of $21,599.00 from the Salaries category to the Systems Development Grant category to use salary savings from two positions funded with the Maternal State Systems Development Initiative Data Enhancement Project grant to fund projected expenditures for out-of-state travel, in-state travel, operating, office equipment, information services and training expenses. Requires Interim Finance approval since the amount transferred to the Systems Development Grant category from the Salaries category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

29. **Department of Human Resources – Welfare Division – Welfare Administration – FY 02 –** Addition of $45,000.00 in Federal Temporary Assistance for Needy Families Grant to provide an increased cash assistance for families with an ill or incapacitated member who cannot participate in work-related activities. Requires Interim Finance approval since <u>this action involves the allocation of block grant funds and requires a public hearing</u>.

Item 29 was withdrawn.

30. **Department of Human Resources – Welfare Division – Child Support Enforcement Program – FY 02 –** Addition of $88,944.00 in Federal Child Support Grant to provide for increased paternity tests in locating and serving non-custodial parents. Requires Interim Finance approval since the amount added to the Genetic Testing category exceeds $50,000.00.

Refer to motion for approval under Item D.

31. **Department of Human Resources – Welfare Division – Child Support Federal Reimbursement – FY 02 –** Addition of $1,006,592.00 in Federal Child Support Program to provide child support incentive awards to qualifying counties for Federal Fiscal Year 2000. Requires Interim Finance approval since the amount added to the County Incentives category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

32. **Department of Human Resources – Welfare Division – Low Income Home Energy Assistance (LIHEA) – FY 02 –** Addition of $600,712.00 in Low Income Home Energy Assistance Federal Grant to provide energy assistance for an additional 3,758 households which will allow approximately 13,222 households to receive energy assistance payments. Increased operating expenses are also necessary to cover additional office space, temporary staffing and leased office equipment associated with the substantial increased volume of applicants. Requires Interim Finance approval since the amount of grant exceeds $100,000.00 and <u>this action involves the allocation of block grant funds and requires a public hearing</u>.

Item 32 required a public hearing.

Nancy Ford, Administrator, State Welfare Division, identified herself for the record and introduced Roger Mowbray, Administrator Services Officer. Ms. Ford advised the members of the Committee the work program requested augmentation of revenue and expenditure authority by $600,712 for the Low-Income Home Energy Assistance (LIHEA) program.

In response to a question from Chairman Raggio, Ms. Ford explained that indirect charges among Welfare Division budget accounts had increased as a result of the higher number of households served, and the LIHEA Payments category increase would provide funding for an additional 3,758 households. Ms. Ford indicated the increase would allow 13,222 households to receive payments from LIHEA funds.

There was no public testimony.

MS. CEGAVSKE MOVED APPROVAL OF ITEM 32.

SENATOR NEAL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

33. **Department of Human Resources – Child and Family Services – Children, Youth and Family Administration – FY 02 –** Addition of $40,883.00 in Federal Title IV-E, addition of $225,775.00 in Gifts and Donations, transfer of $91,122.00 from the Administrative Reserve-University category to the Personnel Services category and transfer of $5,096.00 from the Administrative Reserve University category to the Equipment category to create a training infrastructure; to meet training and staff development goals in the Federally required and approved five-year Comprehensive Child and Family Services Plan; and assist the Division with current infrastructure needs within Fiscal. Adds five new full-time employees. Requires Interim Finance approval since the amount added to the Specialized Training category exceeds $50,000.00 and includes new staff.

Items 33 and 34 were heard together. See Item 34.

34. **Department of Human Resources – Child and Family Services – Children, Youth, and Family Administration – <u>FY 03</u> –** Addition of $96,551.00 in Federal Title IV-E, addition of $225,775.00 in Gifts and Donations, and transfer of $225,775.00 from the Administrative Reserve-University category to the Personnel Services category to continue five new full-time employees and associated costs to create a training infrastructure and assist the division with infrastructure needs in Fiscal. Requires Interim Finance approval since the amount added to the Specialized Training category exceeds $50,000.00.

Edward Cotton, Administrator, Division of Child and Family Services (DCFS), identified himself for the record and introduced Jim Baumann, Administrative Services Officer, and Liz Breshears, Family Programs Officer.

Mr. Baumann explained that the work programs leveraged federal revenue generated through the UNR and UNLV federally approved indirect cost rates to expand child welfare-related training through the UNR and UNLV training partnership. Approval of the request would provide the Division the ability to create a training infrastructure within their fiscal services section to meet training and staff development goals and would also provide fiscal support. The training infrastructure request included five positions, four of which comprised a team that would identify training needs and develop and implement training strategies and one position that provided fiscal support. Mr. Baumann further advised that the project had been approved in the Comprehensive Child and Family Services Plan.

As it appeared the University would conduct the training, Chairman Raggio requested information concerning the specific services the new team would provide.

Ms. Breshears explained the training provided by the University was related to degrees in social work and certain core training that all child welfare workers required. Ms. Breshears advised the Committee that the Division of Child and Family Services faced two federal reviews of the Child and Family Services Program, one in April 2002 and the other near the end of the following year. Ms. Breshears explained that the federal Department of Health and Human Services would be sending in a team of six to nine people who would conduct the reviews. Associated with those reviews was a series of penalties that would be imposed if the state was not in compliance with “systemic indicators and seven outcome indicators” in the Division’s programs. Ms. Breshears further advised that in the past, the Division had one individual on site responsible for internal training.

Chairman Raggio brought up the integration of Child Welfare services between the Division and Clark and Washoe counties in which a number of DCFS Social Worker staff would leave state employment and become county employees. The Chairman questioned whether the positions under discussion would transition to county employment or remain with the state.

Ms. Breshears responded that the team would remain centrally located with the Division as the Division would remain the oversight agency with responsibility for ensuring that county employees were trained and knowledgeable in performing their work in accordance with state and federal regulations. While Ms. Breshears indicated the DCFS had some time to incorporate the “myriad new responsibilities” received from the Adoption and Safe Families Act and the Multi-Ethnic Placement Act, timing was “particularly important’ because of the upcoming reviews and potential penalties associated with the reviews.

Chairman Raggio requested an explanation concerning information in the backup material that indicated in the event the University incentive funds were no longer generated, the positions would be terminated.

Ms. Breshears explained that Robin Ynacay-Nye, a Family Programs Officer, with the DCFS was able to ascertain that a number of courses that qualified for Title IV-E reimbursement were provided through the University. Ms. Ynacay-Nye worked with the UNR and the UNLV in order that some of those funds could be made available to the Division to provide internal training. While changes were not anticipated, Ms. Breshears indicated the funding would be deleted if federal law or circumstances changed.

Chairman Raggio questioned whether all four positions would continue to be necessary after the integration of services between the state and counties occurred.

Ms. Breshears advised that all four of the positions would be necessary to the DCFS as the state still retained oversight responsibility to ensure compliance with indicators in the Division's programs.

Mr. Cotton added that one of the areas in which the federal reviews would focus would be the occurrence of child abuse after a case had become known to the state. Other states had developed protocols and practices that reduced, by as much as 40 percent, child abuse that occurred after initial intervention by the state. Nevada had been unable to train staff on how to use those protocols with only one staff member in the training unit. Additionally, Mr. Cotton advised that whether the employees were county or state, they would continue to look to the DCFS to implement changes.

Chairman Raggio questioned whether any of the four positions would transfer to the county and who would monitor child abuse at the county level after initial intervention had occurred.

Mr. Cotton explained that the positions would not be transferred, and the DCFS would continue to have a monitoring role.

Chairman Raggio questioned whether the state would hire additional positions to monitor any reoccurrence of child abuse at the county level.

It was Mr. Cotton's opinion that additional employees would not be necessary and that the DCFS would serve as a monitoring and quality assurance unit for the counties including the rural counties. Mr. Cotton further explained the counties would provide administrative structure, and the DCFS would provide oversight.

In response to a question from Chairman Raggio, Ms. Breshears advised that the funding source was a combination University and state generated IV-E revenue.

In a reference to information provided to the Committee concerning the Comprehensive Plan, Ms. Leslie questioned whether the funding could be utilized within the DCFS for any purposes other than those set out in the work program, for example to provide mental health services to children within the DCFS.

Ms. Breshears advised that while the funding technically could be used to provide other types of services, other use of the funding would not be in accordance with the planning agreed to with the Region IX office and the University. Ms. Breshears indicated she held some ethical concerns in the use of the funding for other purposes, particularly as the Comprehensive Child and Family Services Plan was designed to ensure that the DCFS services were in compliance with federal regulations.

Ms. Leslie expressed some surprise concerning the request and did not recall discussion during the 2001 Legislative Session that indicated the four positions would be used for training purposes. Additionally, Ms. Leslie indicated that the positions would not actually provide training but would study needs and develop a plan for training.

Ms. Breshears advised the positions would provide technical assistance as well as arrange training and conduct "some training where needed."

In response to a question from Ms. Leslie concerning whether the need for the four positions was created during the 2001 Legislative Session, Ms. Breshears advised that she was not involved in the testimony during the session.

In view of other priorities, Ms. Leslie expressed her reluctance to make an immediate decision on a request she indicated the Committee had not been given enough time to "process" against "the options." Additionally, Ms. Leslie expressed uncertainty that she was prepared to determine the best use of the money during the meeting and indicated there had been no discussion concerning the request during the first meeting of the Interim Legislative Committee on Children, Youth and Families, on which she served.

In response to a question from Ms. Leslie concerning Clark and Washoe counties, Ms. Breshears indicated that both counties had representatives on the Nevada Training Partnership, the oversight body that reviewed all of the child welfare training needs, and the Partnership had endorsed the request as had the UNR and the UNLV.

In response to a question from the Chairman concerning compliance, Ms. Breshears indicated the entire system was set up and negotiated with the federal regional office and the UNR and the UNLV.

In response to an additional question from the Chairman, Ms. Breshears indicated the eligibility review would take place in April 2002, and the Child and Family Services review would take place in a year.

In response to a question from Chairman Raggio concerning whether the positions were necessary for the state to be in compliance with the upcoming reviews, Ms. Breshears explained that the positions were written into the Comprehensive State Plan to assist the state "in gearing up the quality of state services" for the eligibility review in April 2002 and the Child and Family Services review at the end of 2003 or early 2004.

The Chairman questioned whether the positions had been filled and discussed deferral of the work programs until the following meeting in order to address some of the concerns expressed during the meeting.

Ms. Breshears advised that the positions had not been filled and indicated that while the request could be deferred, the DCFS had worked on the project for approximately two years, and there was some concern that as time eroded there would be less capability to ensure that compliance would be met.

Chairman Raggio suggested that Items 33 and 34 be deferred until the following meeting of the Committee in order to resolve concerns in reference to the number of positions needed, actual compliance requirements and other utilization of the funding. The Chairman requested that the DCFS representatives work with staff concerning the questions discussed by the members of the Committee.

Hearing no objections from the Committee, the Chairman deferred Items 33 and 34 to the following meeting of the Committee.

35. **Department of Human Resources – Child and Family Services – Youth Community Services – FY 02 –** Deletion of $57,787.00 in Federal Title IV - E, deletion of $327,457.00 in Federal Medicaid Rehabilitation, and transfer of $554,376.00 from the Child Welfare category to the Washoe County Pilot category to continue the Integrated Permanency Planning Project with Washoe County to increase the continuity of care and establish a plan to expedite the permanent placement of children. Requires Interim Finance approval since the amount added to the Washoe County Pilot category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

36. **Department of Human Resources – Child and Family Services – Child Welfare Integration – FY 02 –** Addition of $2,436,980.00 in Title IV-E and addition of $114,786.00 in Medicaid Rehabilitation to pay for costs associated with the transfer of certain child welfare services from the State to Clark and Washoe County pursuant to Assembly Bill 1, Special Session, 2001 Legislature. Requires Interim Finance approval since the amount added to the Clark County One-Shot category exceeds $50,000.00.

Jim Baumann, Administrative Services Officer, Division of Child and Family Services, identified himself for the record and reported that Section 136 of A.B. 1 of the 17th Special Session appropriated $5,166,860 from the State General Fund to the Division of Child and Family Services (DCFS) to pay for costs associated with the transfer of certain child welfare services from the Department of Human Resources to Clark and Washoe counties. Section 137 of A.B. 1 appropriated $1,015,497 in Fiscal Year 2002 from the State General Fund to pay for costs associated with the transfer. Mr. Baumann reported that the total of the two amounts ($6,182,357) was currently work programmed into Budget Account 3142, Child Welfare Integration. The work program created authority in revenue general ledgers 3562, Federal Title, IV-E and 3860 Medicaid Rehab, to claim the estimated federal share of the one-time and ongoing costs associated with the transfer.

In response to a question from Chairman Raggio Mr. Baumann advised that the DCFS requested approval to augment the budget by a total of $2,551,776.

Chairman Raggio noted that certain requirements had to be met before federal funds included in the integration effort could be collected. The Chairman requested an update on the status of the requirements to develop and receive federal approval for a cost allocation plan and federal approval that Clark County's current automation system met federal child welfare data reporting requirements.

Mr. Baumann explained that a response to Clark County's October 24, 2001, inquiry to determine whether the county could use the Statewide Automated Child Welfare Information System (SACWIS)had not yet been received. Mr. Baumann advised that it appeared that a response from the "feds" had been drafted and was currently being reviewed.

In response to additional questions from Chairman Raggio concerning the cost allocation plan, Mr. Baumann advised that one cost allocation plan concerning SACWIS had been submitted during the previous week and another for the addition of Clark and Washoe counties to the plan so that they could collect Title IV-E money would be submitted within a week to ten days and was retroactive to January 1, 2002. While Mr. Baumann did not envision any impediments, he expressed some concern in reference to the ninety-day response period. Mr. Baumann anticipated the plan would be approved and effective retroactively to January 1, 2002. In the meantime, Mr. Baumann advised that state or county funding would be utilized.

In response to a question from Mr. Hettrick concerning the use of state and county funding if the plan was not approved, Mr. Baumann advised that the counties were aware, as was the state that the state funds were capped. Mr. Baumann indicated the counties and the state were committed to "live within the timeframe set up in A.B. 1" to begin the incremental transition of staff and services in April 2002 to Washoe County.

Chairman Raggio requested that the DCFS representatives work with staff to keep the Committee informed as to the status of the requirements and collection of federal funds.

MR. MARVEL MOVED APPROVAL OF ITEM 36.

MR. HETTRICK SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

37. **Department of Human Resources – Community Connections – Children's Trust Account – FY 02 –** Addition of $246,865.00 in Federal Community Based Family Resources Grant to align State authority with State Fiscal Year 2002 contracts, provide for one new position including associated operating expenses to support the administrative needs of the Committee for the Protection of Children and reserve balances for distribution to community agencies in future periods. Requires Interim Finance approval since the amount of grant exceeds $100,000.00 and includes new staff.

Refer to motion for approval under Item D.

38. **Department of Human Resources – Child and Family Services – Community Juvenile Justice Program – FY 02 –** Addition of $398,972.00 in Enforcing Underage Drinking Grant to continue program to design and implement innovative community specific underage drinking prevention strategies and education techniques to lower tolerance of underage drinking and curtail purchase of alcohol by minors. Requires Interim Finance approval since the amount added to the Enforcing Underage Drinking Laws - Discretionary category exceeds $50,000.00.

In response to questions from Chairman Raggio, Larry Carter, Program Chief, Juvenile Justice Program Office, pointed out that while underage alcohol consumption was a problem that continued to exist, it appeared as though on a national level, Nevada had made progress. In conjunction with programs geared to enforcement of underage drinking laws, sting operations and limiting the availability of alcohol to minors, Nevada implemented a program that "built teen capacities in local areas to combat drinking and partnered with the Nevada Interscholastic Activities Association to develop statewide policies and programs to assist in the schools." Mr. Carter pointed out when Nevada's sting operations began, local retailers passed only 49 percent of the time while they currently passed 70 percent of the time. Mr. Carter reiterated that in addition to enforcement of laws, Nevada had attempted to build community-based capacities and to provide programs and initiatives that would enhance the a ability of local communities to assist in the problem.

Refer to motion for approval under Item D.

39. **Department of Human Resources – Child and Family Services – Juvenile Accountability Block Grant – FY 02 –** Transfer of $6,680.00 from the Administrative Reserve category to the Out-of-State Travel category, transfer of $6,357.00 from the Administrative Reserve category to the In-State Travel category, transfer of $11,299.00 from the Administrative Reserve category to the Operating category, transfer of $3,150.00 from the Administrative Reserve category to the Equipment category, transfer of $3,124.00 from the Administrative Reserve category to the Youth Parole Special Needs category, and transfer of $1,066.00 from the Administrative Reserve category to the Information Services category to meet projected travel and operating costs through the end of the Fiscal Year and to purchase a new phone system, equipment, compact disk writers, and scanners. Requires Interim Finance approval because this action involves the allocation of block grant funds and requires a public hearing.

Item 39 required a public hearing.

Jim Baumann, Administrative Services Officer, Division of Child and Family Services, identified himself for the record and reported that the work program transferred authority from Budget Account 3262, Juvenile Accountability Incentive Block Grant, in category 91, Administrative Reserve, to pay for operating, travel and equipment for Youth Parole staff. Mr. Baumann indicated there were no salaries paid from Budget Account 3262, and there was no match requirement for the funds. Additionally, Mr. Baumann advised that the work program involved the allocation of block grant funds and required a public hearing.

There was no public testimony.

SENATOR NEAL MOVED APPROVAL OF ITEM 39.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

40. **Department of Human Resources – Child and Family Services – Juvenile Correction Facility – FY 02 –** Transfer of $112,265.00 from the Private Contractor category to the Operating category, transfer of $44,229.00 from the Private Contractor category to the Maintenance of Buildings and Grounds category, and transfer of $58,173.00 from the Private Contractor category to the Utilities category to maintain the Summit View Correctional Facility while it is in a temporary shutdown phase from March 1, 2002 through June 30, 2002. Requires Interim Finance approval since the amount added to the Operating category exceeds $50,000.00.

Mr. Baumann reported that the work program realigned expense categories to accommodate the temporary closure of Summit View operations in southern Nevada by the State of Nevada, effective March 1, 2002 through June 30, 2002. Mr. Baumann added that the work program proposed minimal operation of the facility and needed buildings and grounds maintenance during the four-month closure.

Chairman Raggio requested an update on the status of the Request For Proposal (RFP) for a new operator.

Willie Smith, Deputy Administrator, Youth Corrections, Division of Child and Family Services, identified herself for the record. Ms. Smith responded that the Division had completed its work on the RFP which had been sent to the Purchasing Division for review and editing.

Chairman Raggio questioned whether the RFP would accommodate a proposal that involved a partnership between the State of Nevada and the operator. The Chairman used an example of perhaps the State providing security personnel while the operator provided other necessary staffing.

Mr. Cotton, Administrator, Division of Child and Family Services advised that although not a requirement, the RFP would allow for such a partnership. Mr. Cotton further advised that if such a proposal were received, the Division would review it.

The Chairman reiterated that the RFP should be flexible enough to provide for the receipt of proposals that considered a partnership between the State and the contractor.

Mr. Cotton expressed his belief that the RFP would accommodate a partnership.

In response to a question from the Chairman, Ms. Smith advised that it was expected that the RFP would be returned from the Purchasing Division within the next few weeks and would be reviewed again by the Division prior to being published around March 1.

In response to a question from the Chairman, Ms. Smith advised that the facility was currently under operation until March 4, 2002, by Correctional Services Corporation (CSC). Ms. Smith indicated that the request before the Committee realigned expense categories in order to provide funds to maintain the facility during its closure.

In response to questions from the Chairman, Ms. Smith advised that the CSC under provisions of the "Mutual Termination of Contract for Management Services" was required to participate in a joint inventory of the facility's condition and equipment. Ms. Smith indicated that CSC had been requested to work with the Division in the joint inventory, and it was assumed they would do so. Ms. Smith explained that under the existing contract CSC would be responsible for deficiencies discovered during the inventory.

MR. MARVEL MOVED FOR APPROVAL OF ITEM 40.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

41. **Department of Human Resources – Child and Family Services – Caliente Youth Center FY 02 –** Addition of $141,672.00 in Forest Fire Reimbursement to reimburse the Fire Cat Fire Crew salary and overtime expenses while on fire calls during fiscal year 2002. Requires Interim Finance approval since the amount added to the Salaries category exceeds $50,000.00.

Refer to motion for approval under Item D.

42. **Department of Human Resources – Child and Family Services – Nevada Children's Gift Account – FY 02 –** Addition of $25,000.00 in Gifts and Donations to accept a donation from the E.L. Cord Foundation to be used for the most pressing needs of the organization. Requires Interim Finance approval since the amount of gift exceeds $10,000.00.

Refer to motion for approval under Item D.

43. **Department of Employment, Training and Rehabilitation – Information Development and Processing – FY 02 –** Addition of $50,000.00 in Transfer from Employment Security Special Fund to augment Personnel Services to cover overtime and additional temporary staff required to accommodate the increase in volume of weekly Unemployment Insurance checks and modifications to the unemployment insurance system to produce extended benefits due to the September 11, 2001 disaster. Requires Interim Finance approval since the amount added to the Personnel Services category exceeds $50,000.00.

Items 43, 44 and 46 were heard together. See Item 46.

44. **Department of Employment, Training, and Rehabilitation – Employment Security – FY 02 –** Addition of $957,479.00 in Transfer from Employment Security Special Fund to augment authority in Operating Expense, Information Services and Utilities expenditure categories to fund the Division's operations through June 30, 2002. The majority of this request is related to the increase in unemployment activity experienced in Nevada since the September 11, 2001 terrorist attack on America. Requires Interim Finance approval since the amount added to the Operating Expense, Information Services, and Utilities categories exceed 10% of the legislatively approved level for the categories.

Items 43, 44 and 46 were heard together. See Item 46.

45. **Department of Employment, Training and Rehabilitation – Career Enhancement Program – FY 02 –** Transfer of $80,000.00 from the Reserve category to the Operating Expense category and transfer of $20,000.00 from the Reserve category to the Utilities category to meet projected Operating and Utilities expense requirements. Requires Interim Finance approval since the amount transferred to the Operating category exceeds $50,000.00.

Refer to motion for approval under Item D.

46. **Department of Employment, Training and Rehabilitation – Employment Security Special Fund – FY 02 –** Transfer of $957,479.00 from the Reserve category to the Employment Security Division Funding category and transfer of $50,000.00 from the Reserve category to the Information Development and Processing category to fund increases in projected operating costs in budget accounts 4770 Employment Security and 3274 Information Development and Processing attributable to the significant increase in unemployment activity experienced in the State since the national tragedy of September 11, 2001. Requires Interim Finance approval since the amount added to the Employment Security Division Funding and Information Development and Processing Funding categories exceed $50,000.00.

Items 43, 44 and 46 were heard together.

Birgit Baker, Administrator, Employment Security Division, identified herself for the record and introduced Marty Ramirez, Chief Financial Officer, Department of Employment, Training and Rehabilitation.

Ms. Baker reported that Items 43, 44 and 46 were companion work programs that requested additional budget authority to address the significant increase in unemployment workload experienced by the Department as a result of the events of September 11, 2001. Ms. Baker testified that in the 4.5 months following September 11, Unemployment Insurance Program staff answered over 225,000 telephone calls through the Statewide Claims Center. Between September 11, 2001 and January 31, 2002, staff took over 100,000 new claims, answered 125,000 information calls, resolved 36,000 eligibility issues, issued 585,000 unemployment checks and infused $162 million into the Nevada economy.

Through Governor's Guinn's leadership, Ms. Baker indicated the Department of Employment, Training and Rehabilitation quickly responded to the needs of unemployed Nevadans affected by events of September 11. Ms. Baker indicated that immediately following the event, the Governor directed the Employment Security Division to hire forty additional staff and purchase the computer and telephone equipment needed to expand the capacity of the call center. To address the area hit hardest by the economic downturn, the Governor facilitated the Department's participation in two community events in Las Vegas where staff provided on-site assistance to over 5,500 individuals.

Ms. Baker further advised that during the month of February 2002, the Division would phase-in an Internet application as an alternative to telephone claim filing. As of February 1, claimants could obtain information about the status of their claims and checks over the Internet. The next phase to take effect on March 1 would allow claimants to file continue claims and new claims over the Internet.

In response to a question from the Chairman concerning length of time claimants were placed on hold during a telephone call, Ms. Baker explained that while there were some on-hold wait times that exceeded one hour, wait time had dropped to below ten minutes during the last two weeks as a result of additional staff that had been hired. Ms. Baker indicated that it was anticipated the Internet application would even further reduce the telephone wait time.

Chairman Raggio requested an updated assessment of the state's Unemployment Trust Fund.

In response to the Chairman's request, Ms. Baker reported that despite the significant increase in claims volume, Nevada's Unemployment Trust Fund remained solvent with a balance of $434 million. Additionally, Ms. Baker projected income for the calendar year of $281 million, payouts of $310 million, and an expectation that the Fund would be solvent on September 30, the day the Fund would be tested.

In response to questions from the Chairman concerning an increase in the unemployment tax rate, Ms. Baker reported that the Employment Security Council met in October 2001, and, based on a determination that the Trust Fund was healthy and strong, chose not to increase the rate for the current year. Although it was projected that the Trust Fund would be solvent on September 30, 2002, it was anticipated the Reserve would be significantly reduced. Ms. Baker indicated the Council would base a recommendation for an increase on the September 30 review; however, the rates for the current year would remain the same.

In response to questions from Mr. Beers concerning caseload growth, Ms. Baker advised that the number of claims for unemployment benefits had doubled since September 11, 2001. Ms. Baker explained that prior to September 11, 2001, approximately 20,000 individuals were receiving benefits and currently 43,000 individuals were receiving benefits. Ms. Baker further advised that the number of continue claims had remained stable for about the last eight weeks.

In response to questions from Senator Neal, Ms. Baker advised that as of February 1, 2002, claimants could inquire about the status of their claim and the last two checks issued to them via the Internet. Ms. Baker explained that the Division's Job Link offices and the Nevada Job Connect offices throughout the state had resource centers with computers that had Internet access. Claimants visiting those offices to look for work could also access the computers to check the status of their unemployment claims.

In response to questions from Senator Neal concerning whether claimants had been made aware of the Internet access, Ms. Baker advised that while the Internet application was up and running, the Division was in the final testing stages of the system with a test group. Ms. Baker advised that if the test period was successful and it was determined there were no additional issues to resolve, a marketing campaign would be initiated in the next several weeks to make claimants aware of the application.

MS. CHOWNING MOVED TO APPROVE ITEMS 43 44 AND 46.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

On behalf of the Committee, Chairman Raggio extended his appreciation to Ms. Baker and her staff for their good work in dealing with a difficult situation.

47. **Department of Employment, Training, and Rehabilitation – Employment Security Special Fund – FY 02 –** Transfer of $1,997,025.00 from the Reserve category to the Contributions System Re-Write category to provide funding support for a re-write of the Unemployment Insurance Contribution System, which was approved by the 1999 Legislature as the first year of a planned three-year project. Requires Interim Finance approval since the amount transferred to the Contributions System Re-write category exceeds $50,000.00.

Refer to motion for approval under Item D.

48. **Department of Employment, Training and Rehabilitation – Vocational Rehabilitation – FY 02 –** Addition of $15,360.00 in Federal Rehabilitation Training In-Service and addition of $219,677.00 in Federal Supported Employment to align budget with the full federal grant authority available for the In-Service Training and Supported Employment grants. Requires Interim Finance approval since the amount added to the Supported Employment category exceeds $50,000.00.

Refer to motion for approval under Item D.

49. **Department of Employment, Training and Rehabilitation – Vocational Rehabilitation – FY 02 –** Addition of $273,030.00 in Federal SSA Reimbursement, addition of $855,046.00 in Federal Section 110 Grant, transfer of $242,656.00 from the SSA/VR Reimbursement category to the Client Services System Replacement category, and transfer of $585,640.00 from the Reserve category to the Client Services System Replacement category to align State Work Program authority with available Federal Section 110 and SSA Reimbursement funds and augment Federal SSA Reimbursement Work Program authority based on projected revenue to replace the existing 30 year-old vocational rehabilitation client services computer system. Requires Interim Finance approval since the amount added to the Client Services System Replacement category exceeds $50,000.00.

Items 49, 50, 51 and 52 were heard together. See Item 52.

50. **Department of Employment, Training and Rehabilitation – Vocational Rehabilitation – <u>FY 03</u> –** Transfer of $402,075.00 from the SSA/VR Reimbursement category to the Client Services System Replacement category to provide contingency funding for the Client Services Computer System Replacement Project started with State Fiscal Year 2002 Work Program B80239. Requires Interim Finance approval since the amount transferred to the Client Services System Replacement category exceeds $50,000.00.

Items 49, 50, 51 and 52 were heard together. See Item 52.

51. **Department of Employment, Training and Rehabilitation – Services to the Blind – FY 02 –** Addition of $25,619.00 in Federal SSA Reimbursement, addition of $621,872.00 in Federal Section 110, transfer of $57,192.00 from the SSA/VR Reimbursement category to the Client Services System Replacement category, and transfer of $25,282.00 from the Reserve category to the Client Services System Replacement category to align State Work Program authority with available Federal Section 110 and SSA Reimbursement funds and augment Federal SSA Reimbursement Work Program authority based on projected revenue to replace the existing 30-year old vocational rehabilitation client services computer system. Requires Interim Finance approval since the amount added to the Client Services System Replacement category exceeds $50,000.00.

Items 49, 50, 51 and 52 were heard together. See Item 52.

52. **Department of Employment, Training and Rehabilitation – Services to the Blind – <u>FY 03</u> –** Transfer of $37,193.00 from the SSA/VR Reimbursement category to the Client Services System Replacement category to provide contingency funding for the Client Services Computer System Replacement Project started with State Fiscal Year 2002 Work Program B80240. Requires Interim Finance approval since the amount transferred to the Client Services System Replacement category exceeds 10% of the legislatively approved level for that category.

Marty Ramirez, Chief Financial Officer, Department of Employment, Training and Rehabilitation identified himself for the record and introduced Maynard Yasmer, Administrator, Rehabilitation Division, and Bill Vance, Administrator, Information Development and Processing Division.

Mr. Ramirez pointed out that the work program identified in Item 49 had been amended downward in the amount of $315,000 for costs that were associated with existing staff participating in the project to replace the Vocational Rehabilitation Client Services Computer System. Mr. Ramirez explained that the $315,000 should have been excluded when the work program was prepared. Item 49 should be revised to reflect a transfer of $513,296 from Reserve (86), Client Service System Replacement (73) and addition of $273,030 in Federal SSA Reimbursement and $855,046 Federal Section 110 Grant with corresponding augmentation of $1,128,026 to Client Services System Replacement (73).

Mr. Ramirez reported that in December 2000 the Interim Finance Committee approved $57,408 for a study of the Vocational Rehabilitation Client Services Computer System. Based on the results of that study, the Bureau was before the Committee to submit a work program for an appropriate replacement system. Mr. Ramirez testified that the replacement system was projected to take approximately two years to implement at a cost of almost $2.3 million with an additional 18 percent contingency factor.

Mr. Ramirez discussed the benefits of the new system which included elimination of Social Security numbers, integration into the State's Integrated Financial System, consolidation of data that would eliminate redundancy and allow for improved caseload balancing between the counselors, access to available resources, improved accuracy in tracking expenditures, compliance with the Federal Rehabilitation Services Administration-911 (RSA) reporting requirements, and elimination of delays resulting from manual processes associated with the old system.

There were no questions from the Committee.

MR. HETTRICK MOVED APPROVAL OF ITEMS 49, 50, 51, AND 52 WITH ADJUSTMENT DOWNWARD FOR ITEM 49 AS PREVIOUSLY INDICATED.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

In response to a request from Chairman Arberry for a breakdown in the adjustment to Item 49, Mr. Ramirez reported for the record that the adjustment for Item 49 was to amend category 73 downward to $1,641,372 and category 86 to $513,296.

53. **Department of Corrections – Director's Office – FY 02 –** Transfer of $12,224.00 from the Video Teleconference - High Desert State Prison category to the Inmate Transportation category, transfer of $12,224.00 from the Video Teleconference - Ely State Prison category to the Inmate Transportation category, and transfer of $12,224.00 from the Video Teleconference - Lovelock Correctional Center category to the Inmate Transportation category to cover projected requirements for Inmate Transportation. Requires Interim Finance approval since the amount transferred to the Inmate Transportation category exceeds 10% of the legislatively approved level for that category.

Item 53 was withdrawn.

54. **Department of Corrections – Prison Medical Care – FY 02 –** Addition of $35,222.00 in Miscellaneous Refunds to accept reimbursement for recalled x-ray table at High Desert State Prison and to fund replacement table in equipment; balance of refund to be reverted to the General Fund. Requires Interim Finance approval since the amount added to the Equipment category exceeds 10% of the legislatively approved level for that category.

Darrel Rexwinkel, Assistant Director, Support Services, identified himself for the record and introduced Glen Whorton, Assistant Director, Operations, Nevada Department of Corrections. Mr. Rexwinkel reported that the Department of Corrections requested approval to accept reimbursement in the amount of $35,222 for a recalled x-ray table that was part of a construction project at High Desert State Prison.

Mr. Rexwinkel reported that the replacement cost for a new x-ray table was $34,0000, and based on a recommendation from Fiscal Analysis Division staff, the $1,222 balance of the refund would be held in reserve for reversion to the Bond Interest and Redemption Fund since the original table was purchased with General Obligation Bond funding.

MR. MARVEL MOVED APPROVAL OF ITEM 54.

SENATOR RAWSON SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

55. **Department of Corrections – Warm Springs Correctional Center – FY 02 –** Addition of $30,383.00 in Budgetary Transfer to transfer Administrative Aid I position from Nevada State Prison to Warm Springs Correctional Center to perform clerical duties. Requires Interim Finance approval since the amount added to the Personnel Costs category includes new staff.

Refer to motion for approval under Item D.

56. **Department of Corrections – Nevada State Prison – FY 02 –** Deletion of $30,383.00 in Budgetary Transfer to transfer Administration Aid I position from Nevada State Prison to the Warm Springs Correctional Center to perform clerical duties. Requires Interim Finance approval since the amount deducted from the Personnel Costs category includes new staff to another budget account

Refer to motion for approval under Item D.

57. **Department of Corrections – Warm Springs Correctional Center – <u>FY 03</u> –** Addition of $31,975.00 in Budgetary Transfer to transfer Administrative Aid I position from Nevada State Prison to Warm Springs Correctional Center to perform clerical duties. Requires Interim finance approval since the amount added to the Personnel Costs category includes new staff.

Refer to motion for approval under Item D.

58. **Department of Corrections – Nevada State Prison – <u>FY 03</u> –** Deletion of $31,975.00 in Budgetary Transfer to transfer Administrative Aid I position from Nevada State Prison to Warm Springs Correctional Center to perform clerical duties. Requires Interim Finance approval since the amount deducted from the Personnel Costs category includes new staff to another budget account.

Refer to motion for approval under Item D.

59. **Department of Corrections – Southern Desert Correctional Center –- FY 02 –** Deletion of $306,399.00 in Budgetary Transfer and transfer of $45,769.00 from the Inmate Drivens category to the Reserve category to transfer the Boot Camp funding/expenditure authority from Southern Desert Correctional Center (SDCC) to Indian Springs Conservation Camp and to reserve Inmate Drivens budgeted for the 60 beds being transferred as Indian Springs was fully funded. Requires Interim Finance approval since the amount deducted includes new staff to companion work program.

Items 59, 60, 61, 62, and 63 were heard together. See Item 63.

60. **Department of Corrections – High Desert State Prison – FY 02 –** Deletion of $101,848.00 in Budgetary Transfer to transfer the Boot Camp funding/expenditure authority from High Desert State Prison to Indian Springs Conservation Camp. Requires Interim Finance approval since the amount transferred from Budget Account 3762 to Budget Account 3725 exceeds $50,000.00.

Items 59, 60, 61, 62, and 63 were heard together. See Item 63.

61. **Department of Corrections – Indian Springs Conservation Camp – FY 02 –** Addition of $408,247.00 in Budgetary Transfer to transfer the Boot Camp funding/expenditure authority from Southern Desert Correctional Center (SDCC) and High Desert State Prison to Indian Springs Conservation Camp. Requires Interim Finance approval since the amount added to the Budgetary Transfer category includes new staff.

Items 59, 60, 61, 62, and 63 were heard together. See Item 63.

62. **Department of Corrections – Southern Desert Correctional Center – <u>FY 03</u> –** Deletion of $608,807.00 in Budgetary Transfer and transfer of $63,763.00 from the Inmate Drivens category to the Reserve category to transfer the Boot Camp funding/expenditure authority from Southern Desert Correctional Center (SDCC) to Indian Springs Conservation Camp and to reserve Inmate Drivens budgeted for the 60 beds being transferred as Indian Springs was fully funded. Requires Interim Finance approval since the amount deducted includes new staff to companion work program.

Items 59, 60, 61, 62, and 63 were heard together. See Item 63.

63. **Department of Corrections – Indian Springs Conservation Camp – <u>FY 03</u> –** Addition of $608,807.00 in Budgetary Transfer to transfer the Boot Camp funding/expenditure authority from Southern Desert Correctional Center (SDCC) to Indian Springs Conservation Camp. Requires Interim Finance approval since the amount added to the Budgetary Transfer category includes new staff.

Darrel Rexwinkel, Assistant Director, Support Services, reported that the work programs in Items 59 through 63 requested transfer of budgeted authority for the Boot Camp Program from the Southern Desert Correctional Center (SDCC) to the Indian Springs Conservation Camp (ISCC). Works programs in Items 59 through 61 implemented the budgetary transfer for Fiscal Year 2002 and work programs in Items 62 and 63 continued the transfer in Fiscal Year 2003.

Mr. Rexwinkel pointed out that the Boot Camp, prior to the 2001 Legislative Session, was operated at the ISCC, and during the Legislative Session, the Department of Corrections requested authority to move the Boot Camp to the SDCC beginning July 1, 2001. At that time the Boot Camp was operating at High Desert State Prison (HDSP) on an interim basis and remained there through October 11, 2001, when it was moved back to ISCC to a multi-purpose building that was converted into a housing unit.

Mr. Rexwinkel recalled that the Department had testified during the 2001 Legislative Session that SDDC was being converted to a more therapeutic type facility, and the Boot Camp could function within Unit 7 along with the Youthful Offender Program. Mr. Rexwinkel explained that the Department did not move the Boot Camp back to SDCC because the Youthful Offender Program was growing at that site.

In summary, Mr. Rexwinkel explained that Item 60 transferred the cost of seven Correctional Officers from HDSP to ISCC for the period October 12, 2001 to December 31, 2001 and Item 59 transferred eight Correctional Officers, one Senior Correctional Officer and one Lieutenant from SDCC to ISCC effective January 1, 2002, with the exception of the Lieutenant who was transferred over to ISCC on October 12, 2001, at the same time the Boot Camp inmates were transferred from HDCC to ISCC.

The Department also transferred the Boot Camp Operating Category 40 costs to ISCC for all of Fiscal Year 2002 and 2003 and de-augmented Category 50, Inmate Driven Costs, from SDCC and placed those costs in reserve at SDCC for Fiscal Year 2002 and 2003.

Work Program Item 61 requested budgetary transfer to cover the cost of the seven Correctional Officers from HDSP to ISCC for the period October 12 through December 31, 2001 and received eight Correctional Officers, one Senior Correctional Officer and one Lieutenant from SDCC and Category 40 Inmate Driven Costs. Work Program Items 62 and 63 continued the program into Fiscal Year 2003.

In response to a question from Mr. Marvel concerning housing for the Boot Camp inmates, Mr. Rexwinkel advised that a multi-purpose building at the ISCC was converted to living quarters.

In response to a question from Mr. Marvel concerning the number of Boot Camp inmates at ISCC, Mr. Whorton advised that currently there were 49 inmates in the Boot Camp Program. Mr. Whorton explained that while there had been a capacity for sixty beds in five trailers at the old camp, the multi-purpose building at ISCC provided a capacity for eighty inmates if the program grew to the level.

In response to a question from Mr. Marvel concerning staff, Mr. Rexwinkel explained that the Department requested staffing of 9.6 Correctional Officers and one Lieutenant for the Boot Camp Program at SDCC. Mr. Rexwinkel acknowledged that while there had been several changes that created some confusion; the Department's plan was to move the Lieutenant, eight Correctional Officers and a Senior Correctional Officer to ISCC to provide two staff for each shift, 24 hours a day, seven days a week.

Chairman Raggio noted that staffing levels for the Program had remained at eight from the inception of the Program in 1989 through December 31, 2001 and questioned why additional staff was necessary now that the inmates were all located in one room.

Mr. Whorton explained that over time the Boot Camp Program had experienced performance difficulty, and in 1998 reached a success rate of graduating only one out of five inmates placed in the Program. Mr. Whorton indicated it was the Department's belief that increased supervision would reduce the possibility of incidents and increase the possibility of positive performance. In 2001, the Program experienced a "dramatic" graduate rate increase of up to 67 percent, which Mr. Whorton attributed to the performance of the Director and her desire to reorganize the Boot Camp Program. Mr. Whorton advised that the Program was currently operating on a 12-hour shift, and he pointed out that if a single officer was assigned the duty, that officer would be responsible for sixty or more inmates for 12 hours a day without any assistance which was neither practical or safe for inmates or staff.

The Chairman suggested that six Correctional Officers, one Lieutenant, and one Senior Correctional Officer be transferred from SDCC to ISCC to provide two additional staff to operate the Program until the following meeting of the Committee. In the meantime, Chairman Raggio suggested that Department of Corrections representatives work with the Committee's staff to determine whether an augmentation was necessary.

Mr. Rexwinkel indicated his appreciation for the suggestion and agreed to work with staff.

Ms. Giunchigliani suggested that the entire boot camp issue be revisited at the following meeting of the Committee. Specifically, Ms. Giunchigliani requested more detailed information concerning success rates that were mentioned earlier as well as information concerning recidivism rates.

Mr. Ghiggeri noted that adjustments to the work program were detailed in a summary sheet (Exhibit G) that had been discussed with the Department of Corrections and the Budget Division who were in agreement with the adjustments.

It was Mr. Rexwinkel's understanding that the adjustments referred to Categories, 01, 04, 50 and 99 which would encompass moving a fewer number of Correctional Officers from SDCC to ISCC leaving the remaining Correctional Officers at SDCC for the time being.

MR. MARVEL MOVED TO APPROVE ITEMS 59 THROUGH 63 WITH ADJUSTMENTS OUTLINED BY STAFF.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

64. **Department of Corrections – Prison Industry – FY 02 –** Transfer of $171,000.00 from the Retained Earnings category to the Lovelock Correction Center Garment Factory category to complete the set-up, including inventories, equipment, operating supplies, and production costs for the garment manufacturing industry at the Lovelock Correctional Center. Requires Interim Finance approval since the amount transferred to the Lovelock Correctional Center Garment Factory category exceeds 10% of the legislatively approved level for that category.

Howard Skolnik, Assistant Director Industrial Programs, Department of Corrections, reported that the work program in Item 64 requested $171,000 from the Retained Earnings Category in Prison Industries to continue the funding and start-up of the garment industry at the Lovelock Correctional Center.

In response to questions from Chairman Raggio, Mr. Skolnik advised that the garment industry at the Lovelock Correctional Center would initially manufacture inmate shirts and eventually manufacture an entire inmate clothing line. Mr. Skolnik advised that currently inmate clothing was purchased from a private source and that the inmate clothing manufactured at the Lovelock Correctional Center would be competitively priced.

In response to questions from Mr. Marvel, Mr. Skolnik advised that currently there were 12 inmates assisting in setting up the plant, equipment had been identified, materials had been priced at approximately $3.55 per shirt, direct labor costs would be approximately 32 cents a shirt, and there would be some money left over for overhead. Mr. Skolnik further advised that the manufacturing of shirts would not cover the overhead of the operation and pointed out that starting up any new industry was not immediately profitable. However, Mr. Skolnik indicated it was expected that the garment industry would become profitable within the three year target date set by the Prison Industry Advisory Board.

In response to a question from Mr. Marvel, Mr. Skolnik agreed to provide him a copy of the business plan for the Lovelock Correctional Center Garment Factory.

In response to questions from Ms. Giunchigliani, Mr. Skolnik indicated that the Prison Industry Advisory Board had approved the new garment industry program. Additionally, Mr. Skolnik advised that many of the programs initiated by Prison Industries lost money during the first several years of operation. While some programs continued to operate at a loss, Mr. Skolnik said that eventually even those programs managed to turn profits. Mr. Skolnik further advised that there were no manufacturers of inmate clothing in Nevada, and it was the position of the Prison Industry Board that competing with industries in other states was an acceptable practice.

Chairman Raggio noted that the program had the potential to employ between 50 to 75 inmates, which he indicated was commendable.

Mr. Parks asked if the possibility existed to expand the industry so that the product would be marketable to other institutions.

Mr. Skolnik advised that interest had already been expressed by the Clark County Detention Center and from a private vendor that serviced private prisons in California.

MR. PARKS MOVED APPROVAL OF ITEM 64.

MR. MARVEL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

65. **Department of Public Safety – Highway Patrol Division – FY 03 –** Deletion of $75,513.00 in Budgetary Transfer to transfer salary authority to Public Safety Director's Office budget associated with the transfer of a position to act as Public Information Officer for the Department. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act.

Refer to motion for approval under Item D.

66. **Department of Public Safety – Director's Office – FY 03 –** Addition of $75,513.00 in Budgetary Transfer to transfer salary authority to Public Safety Director's Office budget from Highway Patrol to reclassify a position to act as Public Information Officer II for the Department. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act.

Refer to motion for approval under Item D.

67. **Department of Public Safety – Administrative Services – FY 02 –** Transfer of $7,470.00 from the Out-of-State Travel category to the In-State Travel category and transfer of $41,400.00 from the Out-of-State Travel category to the Operating category to develop a package of professional recruiting materials to be used to recruit extensively within the State. Requires Interim Finance approval since the amount transferred from the Out-of-State category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

68. **Department of Public Safety – Parole and Probation – FY 02 –** Deletion of $18,678.00 in Budgetary Transfer to transfer salary authority to Public Safety Internal Affairs budget associated with the transfer of position number 0413 to act as clerical support. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act.

Refer to motion for approval under Item D.

69. **Department of Public Safety – Internal Affairs – FY 02 –** Addition of $18,678.00 in Budgetary Transfer to transfer salary authority to Public Safety Internal Affairs budget from Parole and Probation associated with the transfer of position number 0413 to act as clerical support. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act.

Refer to motion for approval under Item D.

70. **Department of Public Safety – Parole and Probation – FY 03 –** Deletion of $46,132.00 in Budgetary Transfer to transfer salary authority to Public Safety Internal Affairs budget associated with the transfer of position number 0413 to act as clerical support. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act.

Refer to motion for approval under Item D.

71. **Department of Public Safety – Internal Affairs – FY 03 –** Addition of $46,132.00 in Budgetary Transfer to transfer salary authority to Public Safety Internal Affairs budget from Parole and Probation associated with the transfer of position number 0413 to act as clerical support. Requires Interim Finance approval pursuant to Section 42, 2001 Appropriations Act.

Refer to motion for approval under Item D.

72. **Department of Public Safety – Criminal History Repository – FY 02 –** Addition of $281,893.00 in Transfer from Office of Justice Assistance and addition of $31,321.00 in Transfer from Public Safety to facilitate the development of a comprehensive needs assessment for the developing and implementing of the National Incident Based Reporting System as needed to submit crime data to the Federal Bureau of Investigation and to fund overtime to process backlog of fingerprints. Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

The Chairman announced that Items 72 and 73 would be heard together. See Item 73.

73. **Department of Public Safety – Forfeitures – FY 02 –** Transfer of $31,321.00 from the Reserve category to the Nevada Highway Patrol State category to provide State-matching funds required by Budget Account 4709 Criminal History Repository for two grants from Office of Criminal Justice. (See Work Program C21324.) Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

Colonel David Hosmer, Nevada Highway Patrol, identified himself for the record and introduced Lieutenant Rick Keema, Acting Manager, Criminal History Repository, and Leticia Johnson, Program Officer.

In response to questions from Chairman Raggio, Lieutenant Keema explained that the federal government was attempting to move from the Uniform Crime Report (UCR) system to the National Incident Base Reporting System (NIBRS). While implementation of the NIBRS was not currently a mandate, Lieutenant Keema indicated federal grant money was available to encourage state and local governments to explore the feasibility of developing and implementing the NIBRS.

In response to a question from Chairman Raggio concerning whether local law enforcement agencies had to raise funding to implement NIBRS, Lieutenant Keema advised that some local law enforcement agencies were currently close, within their own records management systems, to being able to collect the required data. Lieutenant Keema further advised that the intent of the NIBRS grant was to fund a consultant to work with the larger agencies that were close to being NIBRS compliant.

In response to a question from Chairman Raggio concerning the importance of NIBRS compliance, Lieutenant Keema explained that the NIBRS was an incident based reporting system that collected and analyzed data on each single crime occurrence in the United States.

Ms. Johnson added that the funding from the grant would be used to improve the accuracy, quality and timeliness of the crime data received by the Criminal History Repository. Ms. Johnson explained that crime data received under the Uniform Crime Reporting (UCR) system was based on aggregate numbers and data collected by the NIBRS would be reported by incident. Ms. Johnson reported that the grant would fund a needs assessment to determine viability of the NIBRS in Nevada, assess any impediments for local law enforcement agencies to become part of the program and would identify the costs involved in statewide implementation.

In response to a question from Chairman Raggio concerning the grant proceeds awarded to the Henderson Police Department, Lieutenant Keema advised that there were two sources of funding, and the award to Henderson was a separate NIBRS grant funded through the Office of Criminal Justice Assistance.

In response to questions from Mr. Marvel concerning operation of the Criminal Repository, Lieutenant Keema responded that fees were charged for services provided that included for example, Brady Bill background checks.

In response to additional questions from Mr. Marvel, Lieutenant Keema indicated that while a lack of staff and increased requests since the September 11 incident had contributed to the backlog in Brady Bill background checks, the backlog had been reduced.

In response to questions from Ms. Giunchigliani, Lieutenant Keema advised that the NIBRS was not currently mandated by the federal government, but projected that it could be mandated within five to seven years.

In response to questions from Ms. Giunchigliani concerning continued utilization of the UCR system, Ms. Johnson advised that the NIBRS and UCR systems were compatible and NIBRS would have the ability to withdraw the UCR summaries.

In response to questions from Ms. Giunchigliani concerning the grant awards, Lieutenant Keema explained that there were two separate grant awards, one for $118,800 that would fund the comprehensive needs assessment study and a second grant that totaled $163,000 to fund expenses to clear a backlog of criminal fingerprints.

Ms Giunchigliani questioned whether local governments would be requesting money from the state to bring their systems into NIBRS compliance.

Lieutenant Keema explained that the consultant would be hired to determine the least difficult path for local governments to become NIBRS compliant and to integrate their systems in order to submit data to the Repository and have that data ultimately sent to Washington.

In response to additional questions from Ms. Giunchigliani concerning state and local government involvement, Lieutenant Keema advised that involvement in the process was beneficial since the state wanted to be in a position to capture data submitted by local agencies who became NIBRS compliant.

Ms. Giunchigliani questioned the grant award to one jurisdiction before the state had developed a plan concerning needs and obligation.

Lieutenant Keema explained that the state was prompted to explore the NIBRS by the City of Henderson who had a desire at their level to begin collecting and disseminating NIBRS information. Lieutenant Keema advised that the NIBRS grant mandated that any local agency requesting grant funding had to apply for it through the state.

Ms. Giunchigliani noted that the NIBRS system was not mandatory and expressed some grave concerns with regard to expectations and the lack of a plan to assist local governments in transitioning to the NIBRS.

Chairman Raggio noted that $163,000 of the request was to fund overtime expenses to clear a backlog of criminal fingerprints and dispositions. In response to the concerns expressed by Ms. Giunchigliani, the Chairman questioned whether deferral of the NIBRS request would also negate the request for the $163,000.

It was Lieutenant Keema's understanding that the grants were separate and approval of one would not affect the other.

In response to a question from Senator Neal concerning the backlog of criminal fingerprints and dispositions, Lieutenant Keema attributed the backlog to encountering technological problems in switching over to a new system to collect data from the various state correctional institutions as well as staffing problems.

In response to additional questions from Senator Neal concerning fingerprint cards, Lieutenant Keema discussed the fingerprint classification process and advised Senator Neal that after completion of the process, the fingerprints were sent to the Federal Bureau of Investigation. Lieutenant Keema reiterated that the backlog occurred in the process of switching to a new technology system and, in part, during the actual process of submittal to the Repository.

In response to questions from Senator Neal, Lieutenant Keema indicated there were nine fingerprint technicians and while the process was now automated, problems continued to be experienced with the new computer system.

Senator Neal expressed concern with regard to the fingerprinting process and the work of the technicians.

Chairman Raggio recommended approval of the second grant award totaling $163,093 to fund overtime expenses on the part of the Criminal History Repository staff to clear a backlog of criminal finger prints and dispositions. The Chairman also recommended an adjustment in Item 73 for the match of $18,121 and deferral of the balance of the request to the following meeting of the Committee.

> MRS. CHOWNING MOVED APPROVAL OF ITEM 72 FOR THE SECOND GRANT AWARD TOTALING $163,093 AND TRANSFER FROM PUBLIC SAFETY OF $18,121 TO FUND OVERTIME EXPENSES; AN ADJUSTMENT TO ITEM 73 TO $18,121 AND DEFERRAL OF THE BALANCE OF THE REQUEST TO THE FOLLOWING MEETING.
>
> SENATOR O'DONNELL SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Senator Neal voted nay).
> (Ms. Giunchigliani voted nay)

74. **Department of Public Safety – Forfeitures – FY 02 –** Transfer of $45,685.00 from the Reserve category to the Nevada Division of Investigation Federal category to provide notebook computers, sound reduction for building 107, office directories, interview/conference room

furniture, and lights and sirens for Nevada Division of Investigation. Requires Interim Finance approval since the cumulative amount transferred to the Nevada Division of Investigation Federal category exceeds $50,000.00.

Refer to motion for approval under Item D.

75. Department of Public Safety – Highway Patrol Division – FY 02 – Addition of $111,407.00 in transfer from Traffic Safety to allow for concentrated traffic enforcement activities with emphasis on Driving Under the Influence, speeding and occupant protection. Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

Refer to motion for approval under Item D.

76. Department of Public Safety – Highway Patrol Division – FY 02 – Addition of $47,000.00 in Transfer from High Level Nuclear Waste to increase authority for oversight activities related to shipments of transuranic waste to New Mexico. Requires Interim Finance approval since the amount of grant exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

Note: The Chairman announced that while Item 76 had been approved under the omnibus motion for approval under Item D, there was an error in the narrative which should actually read Transfer from Low Level Nuclear Waste not High Level.

77. Department of Public Safety – Highway Safety Grants – FY 02 – Addition of $436,395.00 in Motor Carrier Safety Assistance Program Grant to balance forward remaining authority for programs designed to decrease the number of commercial-related fatalities and crashes. Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

Refer to motion for approval under Item D.

78. Department of Public Safety – Highway Safety Grants – FY 02 – Addition of $495,714.00 in Motor Carrier Safety Assistance Program to continue programs designed to decrease the number of commercial-related fatalities and crashes. Requires Interim Finance approval since the cumulative amount of grant exceeds $100,000.00.

Mr. Ghiggeri reported an adjustment for Item 78 that reduced the revenue from $495,714 to $473,562 and a reduction for the expenditure in Category 58 to $398,562.

Commander Larry Whitson, Commercial Enforcement Bureau, Nevada Highway Patrol identified himself for the record and expressed agreement with the adjustment as outlined by Mr. Ghiggeri.

SENATOR NEAL MOVED APPROAL OF ITEM 78.

MR. MARVEL SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

79. Department of Public Safety – Justice Assistance Act – FY 02 – Addition of $186,651.00 in Nevada Criminal History Improvement Program to adjust authority for Nevada Criminal History Improvement Program Grant to actual amount awarded. Requires Interim Finance approval since the cumulative amount of grant exceeds $100,000.00.

Refer to motion for approval under Item D.

80. Department of Public Safety – Technology Division – FY 02 – Addition of $647,317.00 in Transfer from Office of Criminal Justice Assistance to receive National Criminal History Improvement Program Grant funds. Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

Alan Rogers, Data Processing Manager, Department of Public Safety, identified himself for the record. Mr. Rogers reported that the request was to accept National Criminal History Improvement Program (NCHIP) grant funds in the amount of $647,317 to provide an upgrade for compatibility with the National Crime Information Center's 2000 upgrade and would move the Department's technology into a client server and web based type application. Mr. Rogers explained that the improvement was necessary to become compliant with the Federal Bureau of Investigation and to bring local agencies into compliance in order that information could be passed from the local agencies, to the state and on through to the federal government. A 10 percent match required for the grant was provided through S.B. 7 during the 17th Special Session. Mr. Rogers explained that the NCHIP Program was an ongoing annual program that required matching funds in 2000 and until that time had been a no-match program.

In response to a question from Chairman Raggio concerning compatibility requirements, Mr. Rogers advised compliance would be met for July 2002 requirements.

Chairman Raggio questioned the Department's use of the funding and asked for assurance that the use of the funding did not supplant the provisions of the grant.

Mr. Rogers explained that as a result of a scheduling problem with respect to the grants and the budgets, the Department did not have matching funds at the time the grant was awarded. The time period for expending the funds was extended, and matching funds were provided and received after the 2001 17th Special Session of the Legislature. Mr. Rogers provided additional explanation that the matching funds were requested in excess of what was actually needed.

In response to a question from the Chairman, Mr. Rogers provided assurance that the excess funding remaining from the appropriation of $203,123 would be reverted and that the Budget Division was in the process of preparing the work program.

Ms. Giunchigliani also requested assurance that the use of the grant funding did not supplant provisions of the grant. Mr. Rogers provided the assurance requested and reiterated the situation was one in which the Department had overestimated the match.

SENATOR RAWSON MOVED FOR APPROVAL OF ITEM 80.

SENATOR O'DONNELL SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

81. Department of Conservation and Natural Resources – Bureau of Mining Regulations/Reclamation – FY 02 – Transfer of $12,848.00 from the Operating category to the Information Services category and transfer of $320,902.00 from the Operating category to the Reserve category to provide for replacement of computer workstations per Department of Information Technology Audit and recommendations and reduce contracts in operating to bring expenditures in line with anticipated revenue pending the timing of a fee increase. Requires Interim Finance approval since the amount deducted from the Operating category exceeds $50,000.00.

Mr. Allen Biaggi, Administrator, Nevada Division of Environmental Protection, identified himself for the record and introduced David Gaskin, Chief, Bureau of Mining Regulations/Reclamation. Mr. Biaggi advised the members of the Committee that Item 81 covered authority to transfer $12,120 from Operating to Information Services to address Department of Information Technology's audit recommendations to replace the Division's computer workstations. The work program also requested the transfer of $333,750 from Operating Contracts to Reserve to address potential budget shortfalls as a result of depressed minerals pricing throughout the mining industry.

In response to the Chairman's statement concerning an adjustment, Mr. Ghiggeri indicated Mr. Biaggi had addressed the adjustments in the transfer from Operating to Information Services.

In response to a question from the Chairman concerning adjustments to reclamation and permit fees, Mr. Biaggi indicated that a dialogue had been opened with the Mining industry to address the fees. Mr. Biaggi reported that there had not been a fee increase in the program in ten years, and when the fees were initiated, the dramatic decline in metals prices during the last few years had not been anticipated. Mr. Biaggi indicated it was hoped some agreement and modification of the fees could take place in order to cover the program.

Mr. Marvel questioned the number of bankruptcies that had occurred and whether those bankruptcies had impacted the Division's reserve.

Mr. Biaggi advised that the bankruptcies had dramatically impacted the Division's reserve and turned the microphone over to Mr. Gaskin who provided additional explanation.

Mr. Gaskin indicated a decrease of approximately 25 percent in permit fees had occurred during the past several years as a result of bankruptcies. While a continuation of the dramatic number of bankruptcies that occurred in 1999 had leveled off, Mr. Gaskin said the Division's revenue stream had continued to decrease.

In response to questions from Mr. Marvel concerning reclamation, Mr. Gaskin advised there were several mechanisms employed by the Division that included a reclamation bonding requirement set up for individual operators whose bond would be reclaimed if the site was abandoned or if the operation went bankrupt. Additionally, an Interim Fluid Management Fund was used to cover reclamation situations that were not bonded.

Mr. Biaggi discussed a disturbing trend seen not only in the Mining industry but other industries as well in which bonding companies went into receivership or bankruptcy and which had also impacted several major mines in Nevada.

In response to questions from Mr. Marvel, Mr. Biaggi indicated that dialogue had taken place with the Mining Association concerning the appropriate way to address modification of fees. Mr. Biaggi advised the Division would not go forward with a fee increase unless there was widespread consensus within the industry to do so, and he was hopeful that a consensus agreement could be reached.

MR. BEERS MOVED FOR APPROVAL OF ITEM 81 WITH THE ADJUSTMENTS REFERENCED IN THE TESTIMONY.

SENATOR RAWSON SECONDED THE MOTION.

Mr. Beers requested comments from Mr. Biaggi in reference to the recent increase in gold prices.

Mr. Biaggi advised that the price of gold had increased $10 in the past several days, and encouraged the purchase of gold, silver and copper.

THE MOTION WAS CARRIED UNANIMOUSLY.

Chairman Raggio announced at 1:00 p.m. that the Committee would be in recess until approximately 1:30, and would begin the afternoon session with Item F.

82. **Department of Conservation and Natural Resources – Forestry – FY 02 –** Addition of $275,000.00 in Bureau of Land Management Grant - Federal to establish a seasonal position, contractual authority for Statewide Fire Plan and flow through funding for Eureka and Lincoln County for assessment and implementation of Fuels Reduction Program. Requires Interim Finance approval since the amount of grant exceeds $100,000.00.

Refer to motion for approval under Item D.

83. **Department of Conservation and Natural Resources – Water Resources – United States Geological Survey Cooperative – FY 02 –** Addition of ~~$114,400.00~~ **$144,400.00** in Reimbursements and addition of $154,300.00 in Transfers from Other Budget Accounts to provide for cooperative hydrologic study efforts between water resources and United States Geological Survey in Southern Nevada and United States Geological Survey Rent Reimbursement. Requires Interim Finance approval since the amount added to the Operating category exceeds $50,000.00. ***(Revised 1-24-02)***

Refer to motion for approval under Item D.

84. **Department of Conservation and Natural Resources – Wildlife – FY 02 –** Transfer of $20,000.00 from the Reserve category to the Salaries category to convert two .75 FTE seasonal employees to full-time permanent staff; Administrative Aide I and an Accounting Assistant II due to absence of ASO III on active duty in a budget preparation year. Requires Interim Finance approval since the amount transferred to the Salaries category and includes new staff. ***(Revised 1-25-02)***

Refer to motion for approval under Item D.

85. **Department of Conservation and Natural Resources – 1997/1999 Park Improvements – FY 02 –** Transfer of $10,500.00 from the Spring Valley category to the Kershaw Ryan category to reallocate carry forward of park improvements from Spring Valley to Kershaw Ryan State Park for Americans Disability Act Retrofit Projects. Requires Interim Finance approval pursuant to S.B. 200, Chapter 336, Section 3, 1997 Session.

Refer to motion for approval under Item D.

86. **Office of the Military – FY 02 –** Addition of $100,000.00 in Department of Defense to allow for the receipt of additional Federal funds to support operating and maintenance expenses at the Army National Guard's Regional Training Institute and the Training Center Facilities at Stead, Nevada based on a per square footage revision provided by the National Guard Bureau, Washington, DC. Requires Interim Finance approval since the amount added to the Training Site category exceeds $50,000.00.

Refer to motion for approval under Item D.

87. **Office of the Military – FY 02 –** Addition of $20,000.00 in Department of Defense to allow for the receipt of additional Federal funds that will be used to provide additional operational and administrative expenses in support of the Project Challenge Youth At-Risk Program. Requires Interim Finance approval since the amount added to the Project Challenge category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

88. **Office of the Military – FY 02 –** Addition of $40,000.00 in Department of Defense to fund desert tortoise habitat mitigation and spill containment equipment and supplies for the Nevada Army National Guard. Requires Interim Finance approval since the amount added to the Environment category exceeds 10% of the legislatively approved level for that category.

Refer to motion for approval under Item D.

II. Reclassification:

Refer to motion for approval under Item D.

Agency	**Agency/Account Number**	**Position Number**	**Present Class, Code, EEO-4, Grade & Salary**	**Proposed Class, Code, EEO-4, Grade & Salary**
Department of Business and Industry, Energy Office	756/4868	0010	Administrative Services Officer I, 7.218, grade 37, step 5, $49,610.88, Employee/Employer -Paid	Staff II, Associate Engineer, 6.228, grade 37, step 5, $49,610.88, Employee/Employer -Paid
Department of Human Resources, Division of Health Care Financing and Policy	403/3243	0014	Pharmacist II, 10.703, grade 42, step 1, $47,439.36, Employer-Paid	Social Welfare Program Chief II, 12.302, grade 40, step 1, $43,388.64, Employer-Paid

Department of Human Resources, Division of Health Care Financing and Policy	403/3243	0209	Medicaid Services Specialist III, 12.330, grade 34, step 1, $33,449.76, Employer-Paid	Auditor II, 7.154, grade 34, step 1, $33,449.76, Employer-Paid
Department of Human Resources, Division of Child and Family Services	409/3646	1010	Administrative Assistant II, 2.212, grade 25, step 1, $23,135.04, Employer-Paid	Psychiatric Caseworker II, 10.185, grade 33, step 1, $32,092.56, Employer-Paid
Department of Human Resources, Division of Child and Family Services	409/3646	1012	Administrative Assistant II, 2.212, grade 25, step 1, $23,135.04, Employer-Paid	Psychiatric Caseworker II, 10.185, grade 33, step 1, $32,092.56, Employer-Paid
Department of Public Safety, Parole and Probation Division	650/3740	0178	Program Assistant III, 2.218, grade 27, step 9, $34,890.48, Employer-Paid	Program Officer I, 7.649, grade 31, step 7, $38,064.24, Employer-Paid
Department of Public Safety, Parole and Probation Division	650/3740	0374	Program Assistant III, 2.218, grade 27, step 9, $38,168.64, Employee/Employer-Paid	Program Officer I, 7.649, grade 31, step 7, $41,634.72, Employee/Employer-Paid
Department of Public Safety, Parole and Probation Division	650/3740	0385	Program Assistant III, 2.218, grade 27, step 3, $29,712.24, Employee/Employer-Paid	Program Officer I, 7.649, grade 31, step 1, $32,259.60, Employee/Employer-Paid
Department of Conservation and Natural Resources, Director's Office	700/4150	0004	Executive Assistant, 2.209, grade 31, step 5, $34,890.48, Employer-Paid	Management Analyst I, 7.637, grade 33, step 5, $38,064.24, Employer-Paid
Department of Transportation, Planning Division	800/4660	813037	Transportation Technician II, 7.715, grade 27, step 9, $34,890.48, Employer-Paid	Electronics Technician II, 6.981, grade 31, step 7, $38,064.24, Employer-Paid

***E. APPROVAL OF ACEPTANCE OF A GIFT (NRS 353.335 AND ACQUISITON OF UNDEVELOPED REAL PROPERTY (NRS 407.063) DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES** – Division of State Lands and Division of State Parks – Acceptance of gift in excess of $10,000.00/donation of an easement.

The Chairman noted Item E had been withdrawn.

F. STATEMENT OF CONTINGENCY FUND BALANCE.

The meeting of the Interim Finance Committee was reconvened and called to order by Chairman Raggio at 2:00 p.m.

Mr. Ghiggeri provided the following overview of the Statement of Contingency Fund Balance (Exhibit H):

- $8.9 million - Unreserved General Fund Balance (prior to any allocations approved on February 5, 2002);
- $63,000 - Requests before the Committee;
- $8.8 million – General fund Balance if requests approved;
- $2 million – Unreserved Balance Highway Fund;
- $1.4 million – China Spring Authority (request pending for $1.4 million);
- $1 million – Washoe County Juvenile Facility (no requests pending);
- $358,000 – Nevada Check Up –(no requests pending);
- $13 million –School Districts Health Insurance (request pending for $13 million);
- $6.5 million –School Districts Energy Costs (request pending for $6.5 million); and
- $5 million – School Districts At Risk Programs (request pending for $3.2 million).

***G. REQUESTS FOR ALLOCATION FROM THE CONTINGENCY FUND.**

1. Commission on Judicial Discipline – Anticipated Legal Expenses.................... $50,000.00

Alan B. Rabkin, General Counsel and Executive Director, Commission on Judicial Discipline, identified himself for the record. In an opening statement, Mr. Rabkin informed the Committee that during the past two years, the Commission had been engaged in a combined state and federal lawsuit, which had nearly depleted the Commission's budget line item for attorney expense. Mr. Rabkin was hopeful that at the conclusion of the federal court case, the Commission would be entitled to costs and possibly legal fees that could be returned to the state. *Nevada Revised Statute (NRS) 1.4683(6)* provided the authority the Commission needed to request the additional funds.

In response to a question from the Chairman, Mr. Rabkin advised that the Commission on Judicial Discipline was named in a federal court action claiming that the Commission had acted outside the scope of its jurisdiction in bringing judicial misconduct proceedings against the judge in question. A related state court matter was instituted that went before the State Supreme Court. The State Supreme Court did not find any problem with the Commission's actions; however, the court replaced two Commissioners "out of an abundance of caution" and returned the matter to the Commission for hearing. The federal court agreed the Commission should hear the case but retained jurisdiction to ensure the case was properly adjudicated.

In response to questions from the Chairman concerning the $50,000 request, Mr. Rabkin reported that favorable rates had been negotiated with one of the state's leading firms and for that reason, it was anticipated a "large part" of the funding could be returned to the state. Mr. Rabkin further advised that Lionel, Sawyer and Collins represented the Commission at the federal court level and Mary Boetsch, of Sinai, Schroeder, Mooney, Boetsch, Bradley & Pace, represented the Commission at the state level.

SENATOR NEAL MOVED APPROVAL OF G 1.

CHAIRMAN ARBERRY SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

2. Department of Conservation and Natural Resources – Division of Forestry – Stale Claims.. $12,931.00

Steve Robinson, Administrator, Division of Forestry identified himself for the record and introduced Pete Anderson, Deputy Administrator and Tom Purkey, Administrative Services Officer. Mr. Robinson advised that the request for allocation would be used cover stale claims related to payroll overtime expenses, reimbursement of volunteer fire departments for use of their equipment and reimbursement to the federal General Services Administration.

MR. MARVEL MOVED APPROVAL OF G 2.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

See Item L.14 {c}.

3. Department of Education – Allocation to Local School Districts for Health Insurance - S.B. 587, 71st Session.. $13,000,000.00

Doug Thunder, Deputy Superintendent, Administrative and Fiscal Services, Nevada Department of Education identified himself for the record and indicated he would testify on Items 3, 4 and 5.

Mr. Thunder outlined the procedure used to provide allocations to school districts for expenses related to employee health insurance coverage during the 2001-2003 biennium. Mr. Thunder reported that the school districts were invited to submit applications, due on December 1, for the funding. In accordance with the specifications of S.B. 587, 2001 Legislative Session, a committee of representatives from the State Budget Office, the Fiscal Analysis Division, Legislative Counsel Bureau, and the Department of Education met for the first time on January 2 to provide a preliminary overview of the applications and to determine whether additional information was required. The committee requested additional information from the districts and met again on January 17 to review the applications and to develop formal recommendations. A copy of the recommendations (Exhibit J) was provided to the members of the Interim Finance Committee.

In response to a question from Chairman Raggio, Mr. Thunder affirmed the applicants for the one-time appropriation met the eligibility need requirement. Mr. Thunder advised that an adjusted request of $21,347,115 was apportioned among the districts for a total of $13 million over the biennium, or $6.2 million in Fiscal Year 2002 and $6.8 million in Fiscal Year 2003. Mr. Thunder pointed out the recommendations included a stipulation that any funding that remained from Fiscal Year 2002 could be used in Fiscal Year 2003; however, any funding that remained at the end of June 30, 2003, would be reverted.

In response to a question from the Chairman, Mr. Thunder clarified that two adjustments had been prepared using information that had been secured from the districts prior to the December 1 deadline. Each request was compared to the difference between the projected cost of employee health insurance and the budgeted allocation to arrive at an "adjusted" request amount. The adjusted request for each applicant represented the lesser of the amount of the budgeted shortfall or the school district's request.

In response to a question from Chairman Raggio, Mr. Thunder affirmed that each school district would receive about 61 percent of its adjusted request amount.

In response to a request by Chairman Raggio, Mr. Thunder stated for the record that $6,173,621 was allocated for Fiscal Year 2002 and $6,826,379 was allocated for Fiscal Year 2003 which covered both years of the biennium.

Chairman Raggio indicated for the record that a strong message was to be sent to the school districts that made it clear the funding was to be used in each year as indicated.

Mr. Thunder advised that it had been made clear in the subgrant awards that the allocation for Fiscal Year 2002 had to be expended in 2002, but that any balance could be carried over to Fiscal Year 2003.

Mr. Ghiggeri indicated that the IFC resolution, as drafted, provided that "unspent funding for Fiscal Year 2002 would revert for allocation at the end of Fiscal Year 2003 and would not just carry forward to Fiscal Year 2003."

Mr. Thunder advised that the committee that developed the recommendations had worked with the assumption that funding not used in Fiscal Year 2002 could be used in Fiscal Year 2003.

Ms. Giunchigliani disclosed for the record that as a teacher employed by the Clark County School District she received health insurance benefits. It was Ms. Giunchigliani's opinion that any balance of Fiscal Year 2002 funding should be carried forward since the $13 million disbursement was not adequate to cover the school districts' requests.

It was Chairman Raggio's opinion that any funding not expended in Fiscal Year 2002 should revert but would be available in Fiscal Year 2003 for further allocation, if necessary.

Mr. Ghiggeri indicated the IFC resolution was drafted to provide that any funding allocated for Fiscal Year 2002 that was not expended would revert and then could be reallocated in Fiscal Year 2003.

Don Hataway, Deputy Budget Administrator, Budget Division, pointed out that the legislation provided that the appropriation was good for the two years of the biennium and that any residual at the end of that period reverted on June 30, 2003. Mr. Hataway recommended approval of the funding as outlined in Mr. Thunder's presentation.

Mr. Hataway agreed with a statement by Chairman Raggio to guard against the expenditure of Fiscal Year 2003 money in Fiscal Year 2002, however, Mr. Hataway indicated that given the demand versus the funding, it seemed appropriate that any residual from Fiscal Year 2002 could be used in Fiscal Year 2003.

The Chairman agreed and indicated the resolution should be redrafted to provide that any balance in the funding at the end of Fiscal Year 2002 would be carried over to Fiscal Year 2003 but that it should be made clear that Fiscal Year 2003 money could not be expended in Fiscal Year 2002.

Mr. Thunder agreed.

Mr. Hataway advised that the Budget Division would prepare two work programs, one for Fiscal Year 2002 for $6.1 million and one for Fiscal Year 2003 for $6.8 million and in that way, the $6.8 million would definitely not be available for allocation in Fiscal Year 2002.

In response to a question from Mr. Marvel, Mr. Thunder clarified that not all the school districts applied for the funding because some did not meet eligibility requirements, and the funding was disbursed among the districts that applied.

4. Department of Education – Allocation to Local School Districts For Energy Costs – S.B. 8 17th Special Session...................................... $6,500,000.00

Senate Bill 8 of the17th Special Session appropriated $6.5 million from the General Fund to the IFC to be provided as a one-time distribution to school districts to meet energy costs greater than the amounts budgeted for the 2001-03 biennium.

Mr. Thunder advised that the procedure used to provide the funding for energy assistance to the eligible school districts was the same as the one used for distribution of health care funding (Exhibit K). Mr. Thunder reported that the $6.5 million was divided among the school districts with a total of $1.7 million to be distributed in Fiscal Year 2002 and $4.8 million in Fiscal Year 2003. The total amount of the adjusted request was $25,421,293, which covered 25.57 percent of each district's request.

In response to a question from Chairman Raggio concerning the charter school application, Mr. Thunder indicated the charter school request for $12,000 was not considered after it was learned electricity charges were incorporated in their lease payments.

Mr. Thunder expressed agreement with the Chairman's understanding that the allocations were to be provided by fiscal year with the same understanding as outlined in the discussion for health care coverage.

5. Department of Education – Allocation to Local School Districts for Existing Education Programs at Risk of Termination – S.B. 9, 17th Special Session... $3,206,085.00

Bill Arensdorf, Team Leader, Finance Accountability and Audit Division, Department of Education, identified himself for the record. Mr. Arensdorf was before the Interim Finance Committee as a representative of the committee that had reviewed the school district applications for funding from a $5 million appropriation provided in Senate Bill 9, 17th Special Session. The funding requested by the school districts was to be used for existing educational programs at risk of termination because of a lack of funding.

Mr. Arensdorf reported that procedures and criteria approved by the Board of Examiners and the Interim Finance Committee were used to solicit proposals from school districts and charter schools for allocations from the $5 million fund. Proposals that totaled approximately $7.8 million were received from six school districts that represented 18 programs, some educational and others non-educational, such as transportation, athletics and maintenance.

The recommendations for funding (Exhibit L) were provided in the Committee's packets. Representatives from the Department of Education, the Budget Division and the Fiscal Analysis Division reviewed the requests and recommended $3,206,085 be awarded to the six school districts for at-risk education programs. Mr. Arensdorf pointed out that as a result of the timing of the applications, which were due December 1, the at-risk programs would be operated in school year 2002-2003 and not in the current school year. Mr. Arensdorf explained there was a consensus among the districts that the programs that had to be reduced for the current year had already taken place, and it would be too difficult to start them up in the middle of the year. With agreement that it would be best to operate the programs during the following school year, a balance of $1,793,915 remained from the original appropriation.

Mr. Arensdorf affirmed Chairman Raggio's understanding that the balance of the funding was available in the event other appropriate applications were received for Fiscal Year 2003. Mr. Arensdorf added that the Board of Examiners was in receipt of a letter from Washoe County School District Superintendent, Tim Hager, who requested that the remaining $1.7 million be made available to the school districts for educational programs at risk of termination that were not covered in the current budget for the following year. Mr. Arensdorf pointed out that the districts were currently in the process of budget preparation and did not know exactly what those deficits would be. Representatives from both Washoe County and Clark County School Districts were in the audience, and Clark County School District also supported the recommendation that the $1.7 million be available for redistribution or reapplication.

In response to questions from Chairman Raggio, Mr. Arensdorf indicated additional applications would be considered.

It was Chairman Raggio's understanding that the remaining authority of $1,793,915 would be available for appropriate application and that the committee who reviewed the initial applications could remain in session to consider additional applications. There were no objections from the members of the Interim Finance Committee.

Mr. Ghiggeri requested clarification in an effort to assist the Legal Division's preparation of the resolution. Using a hypothetical situation, Mr. Ghiggeri indicated that if for example, Churchill County was awarded $142,000 in Fiscal Year 2002 for health care coverage and $178,000 in Fiscal Year 2003, any unspent funds from Fiscal Year 2002 were to be balanced forward to Fiscal Year 2003 for Churchill County's use. Additionally, there was not to be a re-mixture of the funding between the different counties and the allocations to the counties would remain the same.

Mr. Thunder affirmed the understanding expressed by Mr. Ghiggeri and Chairman Raggio that the carry over of funds to Fiscal Year 2003 would be for the use of each particular county as originally requested. Mr. Thunder set the deadline for the next round of applications for allocations from the remaining $1.7 million as April 1 to coincide with budget preparation.

Chairman Raggio agreed that the April 1 deadline appeared appropriate.

MS. GIUNCHIGLIANI MOVED TO APPROVE THE RECOMMENDED ALLOCATION OF FUNDING TO THE SCHOOL DISTRICTS ON THE BASIS THAT FISCAL YEAR 2002 BALANCES FOR EACH PARTICULAR SCHOOL DISTRICT COULD BE CARRIED OVER TO FISCAL YEAR 2003 FOR EACH DISTRICT IN WHICH A BALANCE OCCURRED, AND WITH RESPECT TO THE ALLOCATION OF FUNDS FOR AT-RISK PROGRAMS, THE BALANCE OF $1,793,915 WOULD BE AVAILABLE FOR APPROPRIATE PROCESSING UNTIL APRIL 1.

MR. BEERS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

***H. STATE PUBLIC WORKS BOARD.**

1. CIP 99-H1 (New Highway Patrol Headquarters Building in Las Vegas) – Request for change in scope to eliminate shell space and to add NDOT portion of facility, for authorization to receive $4,437,327 from NDOT for its portion, and for authorization to use site acquisition funds for construction.

Daniel O'Brien, Manager, State Public Works Board (SPWB) identified himself for the record. Mr. O'Brien indicated that the request for a change in scope and site location for the new Nevada Highway Patrol (NHP) headquarters building in Las Vegas had been discussed during the last two meetings, and he was before the Committee to request approval to change the scope of the project.

Mr. O'Brien indicated that after the recommendation to combine the project for the new NHP headquarters with the Nevada Department of Transportation's (NDOT) construction of the Freeway and Arterial System of Transportation (FAST) traffic management center, the modification had been discussed in many meetings. Mr. O'Brien added that while the projects had been approved in different locations and in different forms, the request for consolidation would provide a more useful facility for both NDOT and the NHP.

In response to a question from Chairman Raggio concerning the reduction of the facility from 60,000 square feet to 40,000 square feet, Colonel David Hosmer indicated that he believed 40,000 square feet of space would meet the Highway Patrol's needs since the original plans called for 20,000 square feet of shelled space for future expansion. Colonel Hosmer referred to a 1995 study concerning square footage and manpower needs and reported that the NHP was currently in line with the study. It was Colonel Hosmer's position that a 40,000 square-foot facility should meet the needs of the Highway Patrol for "several years."

In response to a statement from Chairman Raggio concerning consolidation of the NHP and NDOT facilities, Mr. O'Brien indicated consolidation of the projects would provide onsite and offsite cost savings as well as cost savings within the building. Copies of photographs (Exhibit M) taken on a recent tour of the existing NHP facility were distributed.

Mr. O'Brien advised that the new facility would allow the NHP to benefit from NDOT's FAST traffic management center. Through the use of a combined dispatch and communication center, NDOT's computer screens would provide the NHP with the ability to see traffic accidents as well as road and traffic conditions on screen.

The Chairman noted that the space for the new facility would be decreased by one third from 60,000 to 40,000 square feet while the cost to construct the NHP portion of the building had increased from $8.7 million to $10.7 million.

Richard Romito, representing KGA Architecture, identified himself for the record. Mr. Romito indicated the IFC packets included project cost estimates (Exhibit N) for the combined facility (NHP/NDOT) as well as the separation of the two facilities.

Chairman Raggio asked for specifics in reference to why less square footage for the NHP portion of the building would increase the cost of the project from $8.7 million to $10.7 million.

Mr. Romito explained that although the project was being reduced by 20,000 square feet, the portion of the project that was being eliminated was shelled space which was "significantly less expensive than the remainder of the project." Additionally, Mr. Romito pointed out that the project was originally budgeted in 1999 and inflationary factors projected to 2003 and potentially 2004, combined with construction costs had significantly increased the cost of the project.

Mr. Romito testified that the new budget for the project was "realistic" and was based on three comparable public safety facilities in southern Nevada, which he said were "good, solid, utilitarian" buildings that had not wasted taxpayer money. Mr. Romito indicated the NHP building was "now budgeted at very equivalent costs" to those public safety facilities.

In response to a question from Chairman Raggio concerning Furniture, Fixtures and Equipment (FF&E), Mr. Romito indicated the cost for FF&E was not included in the request for a change in scope. In response to what the FF&E cost would be for the Highway Patrol portion of the project, Mr. Romito indicated the allocated cost for FF&E was about $970,000 and reiterated that the FF&E was not a part of the request before the Committee.

Chairman Raggio questioned how many years the building would meet the growth needs of the NHP, given the reduced square footage.

Colonel Hosmer indicated a comfort level in stating the building designed with future expansion in mind could "probably" meet the needs of the NHP for eight to ten years.

Chairman Raggio expressed the Committee's concern over the elimination of the 20,000 square feet of shelled space, which the project had originally been designed to include, and accepting statements that the reduced space would meet the growth needs of the NHP for the next eight to ten years.

Mr. Romito clarified, for the record, that the project had not yet been designed, however, he said the project, envisioned in 1999, was developed based on a 1995 study by a separate architect. The 1995 study illustrated a progression of growth over a twenty-year period and projected that in 2001-2002, the NHP staffing level in southern Nevada would reach approximately168 personnel. Mr. Romito stated that current NHP staff totaled 163, which he said appeared to be on track.

While Mr. Romito indicated guarantees could not be provided, he said the 40,000 square feet of space appeared to be a "good, prudent," design to meet the projected needs of the NHP. Mr. Romito further advised that while the 20,000 square feet of shelled space was a good economic business decision in 1999 that had allowed for the contingencies of potential growth, inflationary factors and other issues over the four-year period no longer permitted inclusion of the shelled space in the building design.

Mr. Romito indicated that a primary topic of conversation between the NHP and KGA Architecture was a ten-year plan. Mr. Romito further indicated that he thought it could be guaranteed that in ten years the NHP would request additional space; however, what might occur between that time and the present could not be predicted. Mr. Romito advised that KGA Architecture would include a design for expansion in the current project plans and pointed out that the site was large enough to allow for future expansion. Mr. Romito mentioned that in areas of programmatic changes, the vault used for NHP evidence was originally to be used only by the NHP and was currently projected to be used by all of the southern Nevada police facilities. Mr. Romito advised the Committee that KGA Architecture would plan for an expansion in the design of "all of the primary areas in the facility" in order that future expansion would "simply" be "an addition to the existing facility" without a return to "ground zero again."

In response to a question from Chairman Raggio concerning the Committee's authority to change the scope of the project, Ms. Erdoes advised that the change in scope, albeit a large change, was within the Committee's authority.

In response to Ms. Giunchigliani's request for clarification concerning the rationale for the deletion of the 20,000 square feet, Mr. Romito explained that the increased costs during the four-year period since 1999 included all of the costs associated with the project including construction as well as on and off-site costs.

In response to additional questions from Ms. Giunchigliani concerning the "real dollar" and square footage numbers under discussion, Mr. Romito pointed out that Project Number 99-H1 covered the combined NHP/NDOT projects, which included square footage transferred from another project for a total project cost of $15,207,691 (Exhibit N).

In response to a question from Ms. Giunchigliani, Mr. O'Brien confirmed the combined NHP/NDOT cost estimate was one that had not been approved in the Capital Improvement Program (CIP) legislation during the 2001 Legislative Session.

In response to a question from Ms. Giunchigliani, Mr. Romito confirmed that the total project cost estimate for the combined NHP/NDOT facility was $15,207,691 for 62,193 square feet of space.

In response to additional questions from Ms. Giunchigliani concerning total cost, Mr. O'Brien responded that the $15,207,691 total project cost estimate included all of the costs associated with the project, i.e., all contingencies, all construction permits, State Fire Marshal Plan check, life safety plan check and architectural fees.

Mr. Romito pointed out that the FF&E for the NHP portion was a separate request that totaled approximately $970,000.

Mr. O'Brien advised that the $970,000 request for FF&E would be presented to the 2003 Legislative Session.

Mr. Romito further advised that the second item under Item H was for Project Number 97-H4 (Exhibit N), which covered 3,900 square feet of expanded space for a shop and communications facility originally funded in 1997. Mr. Romito explained that it appeared prudent to combine all of the facilities onto the same site at the same time, and, therefore, it was requested that the 3,900 square feet and $605,106 allocated for the project in 1997 be brought forward and consolidated into a single large project.

In response to questions from Ms. Giunchigliani concerning determination of the consolidation plan, Mr. O'Brien advised that the decision to request consolidation of the project had occurred fairly recently.

Ms. Giunchigliani expressed concern that information concerning Public Works Board projects was received on a piecemeal basis during the legislative session, and members of the IFC were asked to reflect on those projects during their meetings without an accurate reflection of what had taken place. Ms. Giunchigliani discussed the legislative need to be prudent with taxpayer money and discussed information she had received concerning the per square-foot cost of a new federal building in the range of about $237 to $273 a square foot compared to $310 per square foot for the NHP/NDOT facility.

Mr. Romito clarified that the calculation for the NHP facility was about $257 a square foot not including FF&E, which Mr. Romito explained was typically not included in projected construction costs.

Ms. Giunchigliani indicated that costs such as FF&E had to be anticipated in the budgetary process and those costs had not been discussed during the 2001 Legislative Session. Ms. Giunchigliani expressed concern over the additional costs as well as what appeared to be a lack of prudence during the initial planning stages of the project.

In response to a question from Senator Neal concerning whether the project would be considered "design built," Mr. O'Brien advised that it had been determined best that the facility be designed as "a bid and build" project because of the intricacies associated with the FAST traffic management center as well as requirements by the NHP.

Chairman Arberry recalled that when the project for the NHP facility originally went before the Joint Subcommittee on Capital Improvements during the 1999 Legislative Session, the Subcommittee attempted to have the number of square feet for the facility reduced. Chairman Arberry expressed his strong concern in reference to the fact that the number of square feet had not been reduced in 1999 and the current request to change the scope of the project by deleting 20,000 square feet of space.

Since there appeared to be so many variables, Chairman Arberry suggested that the request be deferred until the following legislative session in 2003, which would provide an opportunity for all the parties to return to the Legislature with a feasible proposal.

Chairman Raggio indicated that while Chairman Arberry's suggestion was worth consideration, a letter from NDOT (Exhibit N) included in the Committee's material indicated they would move forward with the Freeway and Arterial System of Transportation traffic management center, if the NHP portion of the project was delayed further. Additionally, the Chairman noted that the State Public Works Board had estimated that delaying the project for two years would add approximately $3.3 million to the cost of the NDOT portion of the project.

Mr. O'Brien, while sympathetic to the concerns expressed by Chairman Arberry, explained that representatives of the Public Works Board and KGA Architecture had tried to remove the "smoke and mirrors" and to be "upfront with all of the issues." It was Mr. O'Brien's opinion that the project was viable now, and that they had "tied everything down." Mr. O'Brien referred to the poor location of the current NHP facility and crowded conditions depicted in the photographs (Exhibit M) that had been distributed. Additionally, Mr. O'Brien indicated that the NDOT project would go forward even if the request for a change in scope for the NHP facility was not approved.

If the site was not utilized as a combined site, Mr. O'Brien indicated that NDOT might have to re-evaluate their project because of the off-site conditions and costs. Mr. O'Brien discussed the feasibility of combining the two facilities and sharing off-site costs. Had the potential for combining the projects been known 1999, and if he had been the Public Works Board Manager at that time, Mr. O'Brien indicated he would have informed the members of the Committee and promised to do so should a similar situation occur in the future. However, Mr. O'Brien explained that it was determined only after the two projects were approved that joining forces would provide a significant cost benefit.

Chairman Arberry anticipated that even if the change in scope was approved, with the number of delays that had already occurred, it would be 2004 by the time the project was designed and completed. Chairman Arberry indicated that he could not support the request and reiterated his earlier suggestion to defer the project until the following legislative session to provide an opportunity for a more feasible plan.

Senator O'Donnell respectfully disagreed with the suggestion to defer the issue. Senator O'Donnell discussed the various legislative hearings that had determined the need for a 60,000 square-foot facility in Las Vegas, which had eventually been pared down to 40,000 square feet. Senator O'Donnell indicated that it appeared now that the NHP had requested a 40,000 square-foot building, they were being "punished" for doing what they were requested to do during the 1999 Legislative Session. Senator O'Donnell further indicated that it was important to approve the change in scope and to provide the plans for a plan check as soon as possible in view of the impact the county hiring freeze had on the Clark County Planning Department. Using a personal example, Senator O'Donnell referred to a set of building plans that had been in the office of the Clark County Planning Department since September 26, 2001, and had yet to be approved. It was Senator O'Donnell's opinion that if the Committee did not move forward with the request, it would be 2005 before the building would be completed and the southern Nevada office of the NHP could not wait that long.

Chairman Arberry wanted to ensure the project was done correctly and indicated that while he was not trying to penalize the Highway Patrol, it was his opinion that approval of the request by the Committee would result in a request to amend the project during the 2003 Legislative Session.

Senator Rawson discussed approving only the design portion of the project, which he said would provide the Legislature the time to deal with the problem during the next legislative session without delaying the project significantly.

Chairman Raggio expressed reservations concerning a delay of the request and was persuaded that there was cost effectiveness in combining the project and sharing the off-site and on-site costs. Additionally, Chairman Raggio expressed concern with the fact that if the NHP portion of the building was deferred, NDOT would proceed with the construction of a building dedicated solely to the operation of the FAST traffic management center. His largest concern, however, was that delaying the project until the following year would increase the cost by an additional $3.3 million. It was the Chairman's opinion that the question of whether a 40,000 square-foot facility was adequate was offset by the fact that if the facility was delayed until a future time, the NDOT portion of the facility would not be included in the project, and the overall cost of the project would be increased. The Chairman favored approval of the design.

Chairman Raggio requested the Legislative Counsel's opinion concerning the Committee's authorization to approve $1.375 million in site acquisition funds for the purpose of funding project cost overruns as well as some of the costs for adding shop facilities to the scope of the project.

Ms. Erdoes advised that under the request for a change in scope for CIP 99-H1, the Committee had the authority to approve the use of site acquisition funds for construction costs; however, under CIP 97-H4, the Committee did not have the authority to approve the change in location requested for that project. Ms. Erdoes pointed out that the legislative record showed it was the intent of the Legislature, in approving the 1997 CIP bill, that project funds were site specific. It was Ms. Erdoes' opinion the Interim Finance Committee did not have the authority to use the CIP 97-H4 funds as requested by the Public Works Board.

In response to a question from Chairman Raggio, Mr. Romito advised that non approval of the request to use the funds from CIP 97-H4 for some of the costs for adding shop facilities to the scope of the new Highway Patrol facility would simply eliminate the ability to move the garage space to the new facility. Instead, the cars would be maintained at a site several miles from the new headquarters.

Chairman Raggio discussed the Committee's dilemma and indicated that all were in agreement the facility was needed, and a long dialogue had been permitted in order to provide a commitment on the need for any additional space in excess of 40,000 square feet; however, the Chairman expressed grave concerns in deferring the project and facing an estimated additional cost of $3.3 million.

Chairman Arberry discussed the fact that the garage facility, approved in the 1997 CIP legislation, was another building that had not yet been built and reiterated his strong reservations concerning the Public Works Board's track record. Chairman Arberry indicated the Public Works Board needed to understand they could not continually approach the IFC with new plans and that based on the fact that the 2003 Legislature would meet in twelve months, the project could wait.

In response to a question from Ms. Giunchigliani concerning approval of the design only, Chairman Raggio, indicated that approval of the design only portion of the project would prohibit the Public Works Board from going beyond the design stage, and the NDOT would proceed with their FAST traffic management center.

Ms. Giunchigliani questioned how the development of combining the NDOT's traffic management center and the NHP facility project had come about.

Rick Combs, Program Analyst, Fiscal Analysis Division, identified himself for the record. In response to the question concerning advance planning, Mr. Combs advised that the Legislature often approved advanced planning of a project. One disadvantage was that funding spent on the design portion would be gone if it was determined not to go forward with the project or to change it significantly. However, the advantage was that advance planning provided the Joint Subcommittee on the Capital Improvement Program much more information to work with because the process included a determination by professionals of needs in terms of square footage as well as firm construction costs.

In reference to how the NDOT and NHP projects were combined, Mr. Combs advised that the former manager of the Public Works Board near the end of the 1999 Legislative Session mentioned something to the effect that the NDOT also wanted to build their FAST traffic management center and that it would be beneficial to have the traffic management center and the NHP facility at the same location. Mr. Combs did not recall that any testimony was actually provided concerning the combined facilities. Additionally, Mr. Combs did not recall any mention of combining the facilities in the same building. Mr. Combs explained that, from the discussion with the former manager, he had envisioned the facilities would be at the same location but not in the same building.

While Ms. Giunchigliani shared the concerns that had been expressed, she was also of the opinion that rather than reduce the size of the project, all parties concerned with the property should have it funded correctly. Ms. Giunchigliani indicated that even if the project was more costly, the cost would be based on a realistic number, the correct square footage and on need rather than a reduction in size and a return to the Legislature in four years.

SENATOR NEAL MOVED TO APPROVE A CHANGE IN THE SCOPE OF CIP 99-H1 WHICH WOULD ELIMINATE 20,000 SQUARE FEET OF SHELL SPACE, INCLUDE THE NDOT PORTION OF THE FACILITY, AND ALLOW THE USE OF SITE ACQUISITON FUNDS FOR CONSTRUCTION PURPOSES.

MR. MARVEL SECONDED THE MOTION.

(The members of the Senate carried the motion unanimously.)

(Chairman Arberry, Ms. Giunchigliani and Mrs. De Braga voted nay.)

THE MOTION CARRIED.

2. CIP 97-H4 (Expand Shop and Communication Facilities at Current Highway Patrol Headquarters Building in Las Vegas) – Request to change location to the site of the new Highway Patrol Headquarters Facility.

Mr. O'Brien requested IFC approval to change the location of the garage facility, CIP 97-H4, to the Decatur site rather than the Sahara site. Mr. O'Brien advised that it made sense to have the NHP maintenance facility located at the same site as with the NHP vehicles.

In response to the Chairman's request for her opinion, Ms. Erdoes suggested that the Committee did not have the authority to accommodate the request based on legislative history that showed the 1997 CIP for CIP 97 H4 was site specific.

In response to a question from the Chairman on whether he understood Legislative Counsel's advice, Mr. O'Brien indicated he did and discussed drafting future CIP legislation to provide wording that would give the IFC authority to change site locations.

In response to a question from the Chairman, Mr. O'Brien indicated that since it would not be a good business decision to build a shop at the Sahara site, discussions would take place to defer the project and to submit a CIP request in 2003 for shop space located at the new NHP headquarters facility.

The Chairman agreed and deferred the request

3. CIP 97-C20L (Southern Nevada Veterans' Cemetery Expansion, Phase III-C) – Request approval to receive federal grant funds for construction of an automated gravesite locator.

Mr. O'Brien requested approval to receive Federal Grant NV 98-07 to increase CIP 97-C20L, the Southern Nevada Veterans' Memorial Cemetery Expansion, by $28,474. The grant award would provide for construction of an automated gravesite locator kiosk information system and would increase total funding from $2,063,999 to $2,092,473.

At the Chairman's request, Mr. O'Brien agreed to look into the receipt of grant money to upgrade the Fernley Cemetery.

MR. PARKS MOVED APPROVAL OF ITEM H 3.

SENATOR JACOBSEN SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

4. CIP 99-C12 (UNLV Law School Renovations) – Request approval to receive funds from the Law School for additional project contingency and to authorize UNLV to perform sprinkler system installation in a portion of the facility.

Mr. O'Brien requested approval to receive $200,000 from UNLV for the William S. Boyd School of Law project. Mr. O'Brien explained that cost overruns were encountered with a State Fire Marshal requirement for the installation of sprinklers and fire alarms on two unoccupied floors. Mr. O'Brien indicated that because the sprinklers and fire alarms had not originally been included in the plans, the contingency for the project had been substantially reduced in keeping with the Fire Marshal's requirement. Mr. O'Brien indicated that the $200,000 offer of funds from UNLV would allow the project to move forward with a sufficient contingency.

In response to a question from the Chairman, Mr. O'Brien cited a letter (Exhibit O) from Richard J. Morgan, Dean and Professor of Law, William S. Boyd School of Law, which confirmed the Law School would pay for the installation of the sprinkler system on the first and second floor of the rectangular building and would commit an additional $200,000 to the contingency.

MR. DINI MOVED APPROVAL OF ITEM H 4.

MRS. CHOWNING SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

5. CIP 01-C30L (Remodel Former EICoN Buildings for UNLV Dental School) – Request approval to receive funds from UNLV for portion of project costs.

Mr. O'Brien requested IFC approval to accept an additional $7 million in funding from the UNLV School of Dentistry for the remodel of the former EICoN buildings in Las Vegas for use as a dental school facility. Mr. O'Brien indicated discussion concerning the remodel of the former EICoN buildings had occurred during the November 26, 2001, meeting of the IFC when authorization was granted to proceed with the project.

Dr. Anthony Flores, Vice President for Finance, UNLV, identified himself for the record. In response to a question from the Chairman concerning a change in the cost estimate for the dental school facility, Dr. Flores indicated there had been significant confusion concerning information provided to the Board of Regents and the IFC as well as internal estimates on campus. However, Dr. Flores indicated that the estimates the IFC had received remained in tact, and the $11,250,000 for renovation remained the amount intended to be spent on the renovation project.

In response to a question from Chairman Raggio concerning whether additional funding was needed for Buildings A and B, Dr. Flores testified that additional funds were not needed, and it was intended that the project would be completed with funding in the amount of $11,250,000.

In response to a question from Chairman Raggio, Dr. Flores confirmed the request was that the Interim Finance Committee authorize the SPWB's acceptance of $7 million.

Juanita P. Fain, Ph.D., Vice President for Administration, confirmed and reiterated that $11,250,000 was all that was required to complete the renovation to develop a four-year dental school program in both Buildings A and B.

In response to Ms. Giunchigliani's request for clarification concerning the confusion surrounding the funding, Dr. Fain expressed regret concerning the confusion that had occurred. Dr. Fain was confident that the project could be completed with the major portion of the $11,250,000 allocated for renovation of Building A with perhaps a small portion for establishment of faculty offices in Building B.

In response to a question from Ms. Giunchigliani, Dr. Fain advised that there would be no attempt to return to the Legislature to request additional funding for construction costs. While Dr. Harter testified at the November 26, 2001, meeting of the IFC that a return to the Legislature with a request for equipment funding would occur, Dr. Fain advised they would not return for construction or renovation funding. However, Dr. Fain pointed out some changes to the program could occur as the result of a pending accreditation visit in April 2002. Dr. Fain advised that if there were any changes to the program, the Interim Finance Committee would be notified immediately. However, Dr. Fain reiterated that UNLV would not request any additional funds for construction or renovation of the dental school.

In response to a question from Ms. Giunchigliani concerning a student fee increase to offset the costs of the dental school facility, Dr. Flores, advised that authorization was received in the last budget for the University to increase their capital improvement fee fund by $1 for the current fiscal year of the biennium and another dollar for the following year of the biennium. Dr. Flores explained that as part of the University revenue-financing plan, a portion of that $1 paid by each student would be earmarked to offset the debt service payment for the Dental School project.

In response to a question from Ms. Giunchigliani concerning a subsequent need for an increase in that dollar amount, Dr. Flores indicated that the University's existing capital improvement fee fund was used for ongoing capital projects on campus, and the new $2 increase was earmarked for the dental school project.

While Ms. Giunchigliani indicated her appreciation for the clarification, she expressed some concern over that fact that not every student would take advantage of the dental facility.

MR. DINI MOVED APPROVAL OF ITEM H 5.

MRS. DE BRAGA SECONDED THE MOTION.

THE MOTION CARRIED. (Ms. Giunchigliani voted nay.)

6. CIP 99-C38L (DRI Southern Nevada Science Center) – Request approval to receive funds from DRI for additional project costs and to authorize DRI to retain interest earned on the funds.

Mr. O'Brien requested authority from the IFC for the SPWB to receive $1 million in additional funds from the Desert Research Institute (DRI) for a total of $2 million for CIP 99-C38L, the DRI Southern Nevada Science Center. Mr. O'Brien pointed out that DRI had secured a loan to provide the $1 million needed for construction cost adjustments. The DRI requested, through a letter to the SPWB dated January 11, 2002, that the state refund any interest earned on the money to DRI to minimize DRI's interest costs during construction.

Mr. Ghiggeri, Fiscal Analyst, indicated that representatives of the Legal Division had advised staff that the Interim Finance Committee did not have the authority to act upon the request to refund interest earned on the funding. Mr. Ghiggeri discussed the possibility that the University could advance the money to the SPWB on an as-needed basis to enable the University to draw the interest.

Alan Austin, Vice President for Finance and Administration, Desert Research Institute identified himself for the record. In response to a question from the Chairman concerning the use of the additional funding, Mr. Austin clarified that the full cost of the project had not been available until last fall when the construction documents were in the process of being prepared, and the costs came in at a higher number than anticipated. In order to cover the extra project costs, the DRI borrowed the difference through a bank loan. Mr. Austin requested that the IFC allow the SPWB to accept that extra $1 million the DRI had already secured as a bank loan.

MR. MARVEL MOVED TO APPROVE THE REQUEST TO ALLOW THE SPWB TO RECEIVE FUNDS FROM DRI FOR ADDITIONAL PROJECT COSTS; HOWEVER, TO DISALLOW THE RETURN OF INTEREST INCOME TO DRI.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

7. CIP Project Status Reports.

CIP 99-C03 State Command Complex
Mr. O'Brien reported that the State Command Complex, a $9 million project on Edmonds Drive in Carson City, was approximately four to five months behind schedule. Mr. O'Brien pointed out that the project contractor had been brought before the SPWB and had been put on notice concerning their poor performance and the Board's pursuit of liquidated damages in the amount of $300,000. Mr. O'Brien indicated that unless the contractor could show extenuating circumstances, the liquidated damages could not be negotiated, and it appeared unlikely extenuating circumstances could have delayed the project by five months.

CIP 99-C13 - Redfield Campus Phase I, UNR
Mr. O'Brien reported that the architect for the Redfield Campus Project passed away, and the firm the architect was associated with was bankrupt. Mr. O'Brien indicated that while the SPWB had invested in the design of the Redfield Campus Project, they did not have a complete set of working documents; however, permission had been received from the bankruptcy court to retrieve the AutoCAD files. Additionally, the SPWB was negotiating, after receiving approval from the State Board of Architecture, to obtain the services of another architect to take over the project. Mr. O'Brien pointed out that there would be costs associated with a new architect. Additionally, Mr. O'Brien reported that there was no performance bond required for consultants, only errors/omission and liability insurance. The Attorney General's office was looking into the situation, and Mr. O'Brien indicated the SPWB would continue to provide the IFC with information concerning the status of the project.

Concerning qualification of bidders, Mr. O'Brien reported that all regulations and forms were adopted by the SPWB, and beginning in May 2002, any projects going out to bid would require a qualified bidder.

CIP 99-C21, NMHI Dini-Townsend Hospital
Mr. O'Brien reported that the heating problem at the Nevada Mental Health Institute's Dini-Townsend Hospital had been taken care of by the SPWB's mechanical engineer and consultant; however, the design-related heating problem was the responsibility of the design professional. Mr. O'Brien explained that the SPWB staff had managed to raise the temperature of the rooms so that the patients did not have to be moved and that final design improvements, which included re-routing mechanical coils, would be made during the week at an estimated cost to the design professional of about $15,000. Mr. O'Brien pointed out there would be no cost to the state.

In response to questions from the Chairman, Mr. O'Brien indicated some funding remained in the project. Mr. O'Brien discussed the possibility of using funding for problems concerning the mechanical system that could be considered over and above the responsibility of the designer and/or the contractor, and that determination would be made later during the week.

CIP 99-C20- Co-op Parking with Carson City
In reference to the cooperative parking project with Carson City which had been discussed during previous meetings, Mr. O'Brien reported that after several meetings Carson City decided the project was not viable and would revert the state's share of the funding.

In reference to the life/safety issue concerning the bowling alley, Mr. O'Brien advised that demolition of the bowling alley had taken place during the previous week. A Quonset hut remained on the property for use by the Boys and Girls Club. Mr. O'Brien advised that the Quonset hut would be removed if the Boys and Girls Club did not need it.

CIP 01-CO8 – Nevada Veterans' Nursing Home
Mr. O'Brien reported a positive status for the Nursing Home and projected that the SPWB and the State Fire Marshal would issue a Certificate of Occupancy on March 15, 2002. Mr. O'Brien reported the following activities had taken place:

- Problems with the doors had been corrected;
- Cracks in the wall had been caulked, and acoustical paneling ordered;
- Fire riser room had been expanded; and,
- Meeting fire flow requirements with installation of additional piping rather than a booster pump had been investigated. Project could save $50,000 to $100,000.

Mr. O'Brien reported that a number of items on the punch list were being taken care of and that the mechanical contractor was commissioning the building's hot water and heating systems, two items necessary for the licensure of the building.

8. Semi-annual report regarding the activities of the Facilities Condition Analysis Program.

Mr. O'Brien discussed the semi-annual progress report on the condition of state facilities (Exhibit P) and reported that while a complete staff for the Facilities Program had not been hired until December 2001, 176 reports had been completed. Mr. O'Brien informed the Committee that the Program's supervisor was committed to the project and that the staff was working diligently to keep the program moving.

Mr. O'Brien also reported that since there was a plan to dispose of the National Guard Armory, the time that would have been allotted to an analysis of that building would be used for another facility instead.

In response to questions from Ms. Giunchigliani concerning the identification and meaning of cost summaries for the various facilities, Mr. O'Brien advised that facilities were being analyzed to determine which needed to be "mothballed" to avoid additional deterioration. Specifically, Mr. O'Brien indicated that roof repair and sealing windows was typical of preventative methods to avoid further deterioration. However, Mr. O'Brien indicated a long-term plan had not yet been developed to request funding to bring the buildings, many of which were historical, up to code.

Ms. Giunchigliani questioned the number of completed reports versus the number of facilities that still required review, and the basis on which the 176 facilities had been selected for review.

Ward Patrick, Chief of Design, SPWB, identified himself for the record and responded that there were 2,000 state-owned facilities in the SPWB database including lean-to shacks and outhouses in the parks. Additionally, Mr. Patrick explained that approximately half of the structures, identified in the database, were substantial buildings 5,000 square feet or more and were all ages including the buildings at Stewart that bordered 100 years. Mr. Ward advised that the inspection was designed to look at buildings that would provide the most benefit for the maintenance. Mr. Ward explained that Prison and Mental Health buildings were predominantly focused on since most of the CIP maintenance projects were directed to those areas. Mr. Ward also pointed out that a group of buildings on a campus provided the SPWB with "some economies."

While a cost summary of $32 million for the facilities had been identified, Ms. Giunchigliani indicated that for future reference it would be helpful for the Committee to know the SPWB's specific criterion concerning how the facilities were placed on the list. Additionally, Ms. Giunchigliani questioned the reason for an analysis when it appeared as though a plan had not been developed to provide the needed maintenance.

Mr. Patrick advised that at the last meeting of the SPWB, the Board recognized their responsibility to ensure that the information contained in the report on the condition of facilities was valuable and to provide specifics concerning recommendations for maintenance projects. It was Mr. Patrick's understanding that 400 buildings had been reviewed and that an accountability statement would be prepared that detailed the number of projects completed, the buildings recommended for funding as well as an explanation concerning those that were not recommended for funding.

***I. CHINA SPRING YOUTH CAMP IMPROVEMENT PROJECT** (S.B. 560, 1999 Session).
1. Report on funds disbursed from September 25, 2001 allocation in the amounts of $282,897.11 and $587,316.59.
2. Request for advance of funds in the amount of $1,400,642.32.

Steven J. Thaler, Director, China Spring Youth Camp, identified the request as funds in the amount of $282,897.11 and $587,316.59 approved and disbursed from the IFC's September 25, 2001 allocation and a request for an advance of funds in the amount of $1,400,642.32. Mr. Thaler advised that the request for the $1,400,642.32 would complete the project.

SENATOR JACOBSEN MOVED APPROVAL OF THE REQUEST FOR THE ADVANCE OF FUNDS PURSUANT TO THE INTERIM FINANCE COMMITTEE'S ESTABLISHED PROCEDURE.

MR. HETTRICK SECONDED THE MOTION.

THEMOTION WAS CARRIED UNANIMOUSLY.

The Chairman advised that the motion was approved and the report on disbursement of the funds was accepted.

***J. REQUEST FOR ALLOCATION FROM TOBACCO SETTLEMENT FUNDS -** A.B. 474 (Chapter 538, 1999 Session).
1. KNPB Channel 5 - $388,204.
2. KLVX Channel 10 - $1,000,000.

Rick Schneider, President and General Manger, KNPB Channel 5, Public Broadcasting, Reno identified himself for the record and introduced Scott Craigie, KNPB Board Member, and Tom Axtell, General Manager, KLVX Channel 10, Las Vegas.

Mr. Schneider reported that in 1999 the Legislature appropriated $1 million to each of the two stations to convert the public broadcasting system in Nevada to digital television. The appropriation was made with a provision the funds could only be disbursed on the basis of a 3:1 match.

Mr. Schneider testified that KNPB reported in December 2000 that a portion of the match had been raised, and at that time the Committee made a partial disbursement of funds. Mr. Schneider reported that the remainder of the match had been raised by KNPB, and he was before the Committee to request KNPB's final disbursement of $388,204.

Mr. Axtell extended his appreciation to the Committee for their support and noted that the match requirement provided that the State of Nevada would appropriate $1 million for disbursement to each station if each television station could raise $3 million in local contributions. Additionally, there was an agreement that the stations would run a number of television spots related to anti-smoking without charge to the state for ten years and to provide 25 percent of air time to the state for educational programming at no charge.

Mr. Axtell reported that KLVX Channel 10 currently had cash and gifts totaling $6,051,121 and requested disbursement of the $1 million challenge grant.

Chairman Raggio discussed issues of concern to the Committee and requested that the representatives from each station first address the requirement concerning the number of anti-smoking public service announcements that were to be aired each day.

Mr. Schneider advised it was their understanding that each station must air four anti-tobacco spots per day for ten years, which was the practice that had been carried out.

The Chairman noted the language in A.B. 474, 1999 Session provided that anti-tobacco announcements were to be broadcast eight times a day for ten consecutive years for a total of 30,000 announcements beginning as soon as practicable after the date on which the stations received the funding. Chairman Raggio asked if the stations had complied with the requirement.

Mr. Craigie advised that the stations had aired four public service announcements per day per station and recalled that A.B. 474, 1999 Session was one of the bills that had been rewritten on the last day of the session. Mr. Craigie indicated he was surprised when he reread the law and the language did read that the anti-tobacco announcements were to be aired eight times a day per station. However, Mr. Craigie indicated that at the time the legislation was drafted, eight public service announcements were to be aired statewide each day for the two stations.

Mr. Craigie indicated the station representatives had been before the Committee twice before to testify concerning their statistics, progress and timing. During that time Mr. Craigie indicated both stations had been focused on eight spots per day statewide.

The Chairman requested clarification concerning the understanding representatives of the public television stations had in reference to the number of anti-tobacco spots that would be broadcast.

Mr. Craigie testified it was the clear understanding by representatives of the stations that the intent of the legislation was to air anti-smoking public service announcements four times a day per station.

The Chairman asked that station representatives address the practical difficulty of airing eight spots per day per station if the language was interpreted in that manner.

Mr. Schneider advised that four spots per day per station appeared to be an efficient use and way of putting the message out while eight spots per day per station would become impractical and "somewhat of a burden" not only to the station but to the viewer as well. Additionally, Mr. Schneider indicated airing the announcements eight times a day would be deluding, over powering, and an ineffective use of the medium.

Mr. Axtell distributed copies of an analysis (Exhibit C) that detailed the fair market value of airing four tobacco education spots a day versus eight over a ten-year period. The chart illustrated the current value of airtime charged to underwriters over a ten-year period at $2,298,000 compared to $5,922,000 if the announcements were increased to eight per day, unadjusted for population or inflation over the ten-year period. Additionally, Mr. Axtell indicated that currently there were only three spots available in the total inventory.

In response to a question from the Chairman concerning a loss of revenue, Mr. Axtell advised that currently the station had available time during daytime children's programming. However, the station was sold out during prime time programming on a number of days, which meant they would be unable to offer those spots to corporate underwriters ultimately resulting in a loss of cash to the station for operating expenses.

The Chairman questioned whether each station could certify that they had met the requirement of at least airing announcements four times each day.

Representatives of both stations advised they could certify that the announcements were aired four times each day.

The Chairman asked Brenda Erdoes, Legislative Counsel, to address the Committee's authority in view of the interpretation by representatives of KNPB and KLVX to run the announcements four times a day.

After a review of the legislative history concerning the legislation, it was Ms. Erdoes' opinion there was enough ambiguity to reach a conclusion that four announcements per station was the intended result of the language.

The Chairman asked Mr. Axtell to address the issue concerning using the land donation as a part of the match.

Mr. Axtell advised that if it was determined that the land donation did not meet the match requirement, KLVX would not contest the Committee's decision and would reduce their request for funding to a lower amount. Mr. Axtell indicated the station had a number of other grants pending and would have to return to the Committee for the remainder of the disbursement.

In response to a question from the Chairman concerning use of the land, Mr. Axtell explained the land would be used for the digital television building and would not be directly available for the digital transformation.

Ms. Erdoes advised that the language in the legislation provided that the appropriation "could be dispersed only at a ratio of $1 for every $3 of matching money." It was Ms. Erdoes' opinion that the match had to be in terms of money available for the digital change-over rather than land. It was Ms. Erdoes' suggestion that only the money match be considered and not the value of the land.

In response to a question from the Chairman concerning the disregard of the land as part of the match, Mr. Axtell advised the land was valued at $3,365,000 leaving $2,686,121 in cash from federal and private sources. In response to an additional question from the Chairman, Mr. Axtell expressed his understanding that additional funds would have to be raised to attain the full disbursement from the state.

In response to a question from Senator Neal concerning the disbursement of funds, Mr. Craigie explained that the stations could request a disbursement at any time with whatever amount of cash they had up to the $ 3 million. Mr. Craigie further explained that KNPB Channel 5 had taken a partial distribution based on the system. Mr. Craigie pointed out that KLVX had raised $2,686,121 of match money, almost the full $3 million.

The Chairman advised that based on the Legal Counsel's opinion, the Committee could authorize distribution of the additional $388,204 to KNPB Channel 5 and $895,373 to KLVX Channel 10.

SENATOR NEAL MOVED TO AUTHORIZE DISTRIBUTION OF THE ADDITIONAL $388,204 TO KNPB CHANNEL 5 AND $895,373 TO KLVX CHANNEL 10.

MS. GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED. (Ms. Leslie abstained.)

***K. LEGISLATIVE COUNSEL BUREAU – CAPITAL APARTMENTS** - Approval for Expenditure (S.B. 199, 2001 Session).

Lorne Malkiewich, Director, Legislative Counsel Bureau, identified himself for the record. Handouts in reference to Item K were distributed to the members of the Committee (Exhibit Q). In a brief background presentation, Mr. Malkiewich stated that in previous meetings, the Legislative Counsel Bureau (LCB) had received IFC approval to acquire the Capital Apartments and to proceed with demotion of two of the buildings. Mr. Malkiewich reported that demolition, along with asbestos abatement had been accomplished and had come in under budget for a total cost of $35,460.

Mr. Malkiewich was before the Committee to request approval of the second phase of the Capital Apartments project to construct a warehouse. While the original plan called for a 60' x 120' square-foot warehouse; it was determined a 80' x 120'square-foot warehouse would better serve the needs of the LCB and would facilitate closure of an existing rented space being used as a warehouse. Mr. Malkiewich reported that the LCB was paying $55,000 a year for off-site storage for space on Highway 50, and increasing the size of the requested warehouse, the LCB would save $55,000 a year.

In response to a question from the Chairman, Mr. Malkiewich reported that the lease for the warehouse on Highway 50 would expire on August 31, 2002, and if approval for the construction of the warehouse was received, the facility could be erected by the time the lease expired. Additionally, Mr. Malkiewich discussed plans to move materials to the new warehouse that were currently stored on the third floor of the Legislative Building which would provide additional space for staff.

In response to questions from the Chairman, Mr. Malkiewich explained that renovation of the two apartment buildings still standing would be requested in the third phase of the project which could be deferred in view of the request to increase the size of the warehouse.

In response to a question from Ms. Giunchigliani, Mr. Malkiewich advised that initially $355,000 had been budgeted for the smaller warehouse and the cost for the increase in size was approximately $50,000, which would be offset in the first year with closure of the facility on Highway 50.

In response to a question from Mrs. de Braga concerning the length of time the new warehouse would meet the needs of the LCB, Mr. Malkiewich stated that construction of the new warehouse would enable the LCB to close the facility being rented for $55,000 a year and that additional space requirements would be incremental. Mr. Malkiewich further advised that the long-term plan for the property was to close the two streets and build a larger structure for staff, which he indicated was at least ten years in the future. In the meantime, the amount saved on the rental would offset the cost of the building. Mr. Malkiewich noted that the space allowed the LCB use of the property in the short term before plans were developed for a long-term use.

In response to Senator Rawson's expression of concern in reference to the appearance of the temporary building, Mr. Malkiewich advised that although the warehouse was metal, it would be faced with an exterior that would be similar to the exterior of the Sedway Office Building. Mr. Malkiewich indicated that the aesthetics of the neighborhood had already improved since the demolition of the two structures, and with the buildings and grounds maintained by LCB staff, the area was expected to look very nice in the future.

In response to a question from Senator Rawson in reference to any zoning problems, Mr. Malkiewich advised that Carson City officials rezoned the area to accommodate the warehouse during a major rezoning effort in which they were engaged. Additionally, Mr. Malkiewich advised that a committee on which he and Mr. Comeaux served was working to improve the appearance of downtown Carson City.

Mr. Hettrick recommended approval of the project after noting that utilization of the warehouse for eight years at a cost saving of $55,000 a year or a total of $440,000 would provide the following benefits:

- Fund the entire project;
- Provide for clearly needed additional space;
- Provide greater efficiency by eliminating the need to send staff to an offsite warehouse; and,
- Neighborhood beautification.

Mr. Parks questioned whether the metal structure could be disassembled and subsequently used in another location at a future time.

In response, Mr. Malkiewich advised that a metal building was decided upon since it was anticipated the site would be used in the future for a permanent structure, and a metal building would be easier to disassemble than one constructed of wood on a solid foundation.

In response to a question from Senator Jacobsen, Mr. Malkiewich advised that the 34-unit apartment building had been in extremely poor condition and very little had been salvageable.

SENATOR JACOBSEN MOVED APPROAL OF ITEM K.

MR. PARKS SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

L. INFORMATIONAL ITEMS – Reports on Letters of Intent and various reports from agencies (Exhibit R).

The Chairman noted the Items 5, 6a,b,c, 10c, 13a, 14, 15, and 16 would be called for presentation: The Chairman excused all members of the audience who were in attendance for informational items that had not been identified for presentation.

Item 5. Division of Buildings and Grounds Recommended Use of the National Guard Armory – Letter of Intent

Mike Meizel, Administrator, Division of Buildings and Grounds, identified himself for the record and referred to a letter dated January 18, 2002 (Exhibit S) in which facts concerning the Armory site were listed as well as an intent to sell the property. Mr. Meizel advised that while the Armory was in a good commercial area and the property had been growing in value during the last few years, the buildings ranged in age from 28 to 40 years, and their single-purpose design made renovation neither cost effective nor practical.

Mr. Meizel indicated that proceeds from the proposed sale of the property would be used to develop modern square footage in the Capitol Complex. Additionally, Mr. Meizel advised that some of the National Guard personnel would be moving to their new building in May 2002, while staff from the U.S. Property and Fiscal Office would move in 2003. Emergency Management personnel would continue to occupy space until facilities could either be found or developed for them in another area.

In response to a question from Chairman Raggio, Mr. Meizel confirmed that the property could not be sold as long as Emergency Management personnel occupied the building. In reference to a question from the Chairman concerning the cost of maintaining an 88,000 square-foot building of which the Divison of Emergency Management would occupy only 6,700 square feet, Mr. Meizel explained that while Emergency Management occupied 6,700 square feet of a 12,300 square foot office building, the buildings all together totaled about 54,000 square feet.

Chairman Raggio pointed out that according to information provided by staff "the cost of maintaining the complex would exceed the revenue generated by the building by $153,842 per year unless additional tenants were moved into the complex or some method was devised to keep the expenditures for the facility at a reduced level." Chairman Raggio questioned whether anything could be done to reduce the costs of maintaining the unoccupied portion of the complex.

Mr. Meizel explained that the unoccupied buildings would not be maintained, and only the 12,300 square foot office building occupied by the Division of Emergency Management would be maintained.

In response to a question from the Chairman concerning plans to move Emergency Management, Mr. Meizel indicated that representatives of the SPWB and the Division of Buildings and Grounds were working to determine Emergency Management's needs. A determination would be made based on those needs concerning whether state space could be utilized at perhaps the Stewart facility or whether a CIP would be required. Mr. Meizel explained that placement of other agencies in the Armory was impracticable and would frustrate a focus to sell the property unless transitional space was needed and renovation of the old buildings was not a requirement. In the meantime, Mr. Meizel indicated that focus would remain with Emergency Management so that when the Military and the U.S. Property and Fiscal Office (USFPO) moved out in a year, the problem of where to place Emergency Management would be resolved.

In response to a question from Senator Rawson concerning the availability of space in the new Armory, Mr. Meizel indicated it was his understanding that there was no space available in the new Armory for Emergency Management.

In view of earlier testimony that indicated a site at the Stewart facility was being considered for Emergency Management, it was Senator Rawson's opinion that Emergency Management should be located in close proximity to the Governor's office and not at the Stewart facility.

Mr. Meizel reiterated that representatives of the SPWB and the Division of Buildings and Grounds were working to develop plans in response to Emergency Management's needs.

In response to a question from Senator Jacobsen, Mr. Meizel indicated he was unaware of any conversations that had taken place concerning use of the memorialized name of the Bode Howard building which currently housed the Division of Emergency Management.

It was Mr. Hettrick's observation that with a year to wait until the buildings were vacated and became an issue, a suitable location would be found for Emergency Management and the $153,842 in maintenance costs could be avoided. Mr. Hettrick expressed his agreement with selling the property and also his appreciation for Senator Jacobsen's concern in reference to losing a building that memorialized Bode Howard. However, Mr. Hettrick indicated the sale of the valuable site was entirely more beneficial to the state than to either maintain or demolish the old buildings so that the site could be used for other purposes.

Item 6. Department of Information Technology Quarterly Status Reports.

Chairman Raggio noted that staff had received backup material, (Exhibit T) from the Department of Information Technology the day before the meeting, which did not provide the staff or the Committee an opportunity to review the material. The Chairman indicated his intent to defer the reports until the following meeting of the Committee.

Terry Savage, Director, Department of Information Technology, identified himself for the record and introduced Brian Spencer, Administrative Services Office, and Shelly Person, Chief of Administration. Mr. Savage requested the opportunity to provide a brief overview for each of the following items:

- Item 6a- Annual Cost Allocation Plan Review for Fiscal Year 2001 Costs – Mr. Savage reported that overall collections were slightly over 2 percent different than expenditures. In terms of current operations for the second quarter of Fiscal Year 2002, Mr. Savage reported the difference was somewhat higher and within individual accounts, some of the variances were reasonably substantial. In each case, Mr. Savage indicated the cause had been identified and corrective action proposed;

- Item 6b – Quarterly Status Report on Billing System, Q2 Fiscal Year 2002
  Mr. Savage advised that the report on the billing system included the Department's forecasting process, rate model development, collection of information on usage and billing to customers. Mr. Savage reported that year-old issues that characterized bills as "usually late, incomprehensible and frequently wrong" had been addressed; and,

- Item 6c – Decentralization Quarterly Status Report, Q2 Fiscal Year 2002
  Mr. Savage reported that the decentralization plan was part of a larger issue concerning the most efficient way to provide information technology services, which involved decentralization, outsourcing and re-centralization services. Mr. Savage indicated that all of the services provided by the Department were being reviewed and the results of that study would incorporated within upcoming budget requests.

  In reference to the Master Service Agreement (MSA) tracking, Mr. Savage discussed the largest issue was related to technical oversight. Mr. Savage explained that programming staff, technically qualified to provide oversight, would be moved from their current location to provide the required assistance and indicated their work would be billable.

  Mr. Savage agreed with the Chairman's request that Department of Information Technology be placed on the agenda for the following meeting of the IFC and to work with the Committee's staff in an effort to address their concerns in reference to the cost allocation issue.

Item 10. (c) Health Division Quarterly Status Report on the Health Facilities Hospital Licensing

Philip Weyrick, Administrative Services Officer, Health Division, identified himself for the record and provided an update on Budget Account 3216, Health Facilities Hospital Licensing. Mr. Weyrick reported that licensure fees, approved at the October 10, 2001, Board of Health meeting, were implemented, and for the most part collected. However, the $1.6 million in licensure revenue collected year-to-date was approximately $400,000 less than the $2 million projected in the Governor's budget.

In response to questions from Chairman Raggio concerning management of the revenue shortfall and performance, Mr. Weyrick indicated that in an effort to reduce expenses, 19 currently vacant positions in the Bureau of Licensure and Certification would remain vacant. Mr. Weyrick also advised that a backlog in annual inspections and complaint investigations had accumulated.

In response to questions from the Chairman concerning the effect of closing the Reno office, and the Division's mission, Mr. Weyrick advised that a savings of about $50,000 a year would be realized from closure of the Reno office. Mr. Weyrick further advised that in spite of the revenue shortfall, the Health Division's mission was being fulfilled. Mr. Weyrick explained the Division had arranged to have four state licensure employees, who normally worked out of the Reno office, to work at home. The employees who spent much of their time in the field conducting surveys in the Reno area had been set up with computer facilities in their homes.

In response to questions from the Chairman concerning the revenue shortfall, Mr. Weyrick, pointed out that the Bureau of Licensure and Certification had not increased fees since 1997; and the current fee structure did not support the additional staff hired to cover the workload and salary increases.

In response to additional questions from the Chairman concerning how the Bureau's performance was being affected by the shortfall, Mr. Weyrick, advised there were 95 residential facilities for group homes that had not been inspected which was an annual requirement. Additionally, Mr. Weyrick indicated that approximately 836 Priority 1 and 2 complaints were registered with the Bureau of Licensure and Certification during the current year and that 165 of the Priority 2 complaints were not investigated within the ten-day time period. However, Mr. Weyrick, explained that all imminent-danger complaints were investigated within 24 hours as required.

Chairman Raggio expressed the Committee's concern that the Bureau was not able to fulfill its mission and directed representatives of the Health Division to be "completely open" and to work with staff to provide the Committee with ongoing revenue and backlog reports.

Item 13. Department of Public Safety, Division of Emergency Management – Emergency Assistance Account – Letter Dated December 20, 2001, regarding November 26, 2001 IFC Meeting.

Frank Siracusa, Chief, Division of Emergency Management, identified himself for the record and introduced Kamala Carmazzi, Deputy Chief, Division of Emergency Management. Mr. Siracusa extended his apologies to the members of the Committee for his absence during the November 26, 2001, IFC meeting. Mr. Siracusa explained that the Division of Emergency Management hosted the Governor's Conference on School Safety on the same day.

Ms. Giunchigliani asked the Division's representatives to comment on the criterion used to determine whether the events that generated expenses from the Emergency Assistance Account were natural, technological or man-made emergencies or disasters as required by *NRS 414.135(3).*

Mr. Siracusa reported that staff reviewed each individual situation within the criterion of the statute to determine whether life or property or potential loss of life or property would be affected.

Ms. Giunchigliani referred to expenditures related to transportation expenses for staff to attend a statewide energy summit and asked Ms. Erdoes, Legislative Counsel, to comment on expenditures generated by the Emergency Assistance Account.

Ms. Erdoes advised that *NRS 414.135(3)* required that the expenses be incurred during a natural, technological or man-made emergency, and the transportation expenses questioned by Ms. Giunchigliani appeared to be preparedness-related and not "contemplated" by the statute.

Ms. Giunchigliani pointed out that, under statute, emergency dollars should not be used for administrative costs, and transportation expenses appeared to be an administrative expense and in violation of the law.

Mr. Siracusa indicated that Division staff had interpreted Y2K as a potential threat or occurrence of a disaster.

Ms. Giunchigliani clarified the transportation expenses under discussion related to a statewide energy summit in Las Vegas, and while the dollar amount was minor, the issue was that the expense was not in compliance with the statute. Ms. Giunchigliani advised that the Committee required some assurance that funding for emergency management was available for emergency management expenses and not administrative costs.

Mr. Siracusa agreed, however, reiterated his interpretation that the statute covered a potential threat, or occurrence of a disaster, or emergency.

Ms. Giunchigliani pointed out that Legislative Counsel had provided an interpretation that funds generated from the Emergency Assistance Account must be utilized during an actual event and not in preparedness.

Chairman Raggio reinforced the need to make certain that the criterion provided by the statute were followed for any expenditure from supplemental emergency assistance.

Kamala Carmazzi, Deputy Chief, Emergency Management, identified herself for the record and in an effort to assist the Division in making the proper determinations, requested clarification, from Legislative Counsel, on the definition of a disaster as defined under statute, which referred to a threatened occurrence versus one that was actually in motion.

Speaker Perkins who raised questions during the previous IFC meeting concerning expenditures from the Emergency Assistance Account had an opportunity to speak with Mr. Siracusa in which a number of his concerns had been addressed. Speaker Perkins expressed his appreciation to Mr. Siracusa and asked that Division representatives work with staff in an effort gain a mutual understanding of expenses that could be covered by statute.

Item 14. (c) – Department of Conservation, Division of Forestry; Status of Fire Billings/Reimbursements.

Steve Robinson, Administrator, Division of Forestry, identified himself for the record. The Committee was provided a status report that outlined Division of Forestry billings and repayment of a previous contingency fund allocation (Exhibit I). Mr. Robinson projected that the Division of Forestry, after billings to the federal government, could be in a position to return $1.5 million of the $2 million Contingency Fund allocation provided to the Division in 2001. Mr. Robinson informed the Committee that 650,000 acres in Nevada burned during the previous year, similar to the number of acres that burned in the year before that and more acres than in any other western state. During the past three years, Mr. Robinson reported that 3 million acres burned statewide.

In response to a question from the Chairman concerning reclamation of the 3 million acres, Mr. Robinson advised that the Division of Forestry had worked extensively with the Bureau of Land Management and reseeded approximately 1 million acres within the last 24 months. While a lack of precipitation had prevented much of the seed from germinating, Mr. Robinson indicated that with enough water some of the seed could still grow. Mr. Robinson reported that the Division of Forestry would enter into an agreement with the Bureau of Land Management and the State Seed Bank to supply seed to the Bureau. It was also anticipated that the Division would assist some Nevada entrepreneurs in growing seed for the federal government.

Item 15. Nevada Veterans' Nursing Home – Quarterly Report on the Nevada Veterans' Nursing Home – Letter of Intent.

Charles W. Fulkerson, Executive Director, Office of Veterans' Services, identified himself for the record and introduced, Jon Sias, Director, Nevada Veterans' Nursing Home. In reference to an earlier question concerning improvements at the Fernley Cemetery, Mr. Fulkerson advised there was a plan awaiting approval in Washington, D.C. for $3 million worth of improvements at the Fernley Cemetery.

Mr. Fulkerson referred to the Nevada Veterans' Nursing Home Quarterly Report (Exhibit U), which had been distributed to the members of the Committee and would be reviewed by Mr. Sias.

Jon Sias, Director, Nevada Veterans' Nursing Home, reported that many positive events had occurred since the November report. As reported earlier by Mr. O'Brien, the SPWB expected to issue a Certificate of Occupancy for the Veterans' Home on March 15 and the contractor projected a final project clean-up on March 24. Mr. Sias anticipated a move-in date of March 25 and admittance of five residents on June 10.

Mr. Sias informed the Committee that the California Department of Veterans Affairs had been contacted in an effort to arrange a visit from an administrator of a new California skilled nursing home that had just been through the license and certification process. An invitation was extended to the administrator of the home to work with staff from the Nevada Veterans' Nursing Home to assess Nevada's preparedness for the licensure, certification and Veterans Administration recognition process. Additionally, Mr. Sias pointed out that only a very small portion of the Fiscal Year 2002 budget had been used.

In response to a question from Senator Mathews concerning staffing, Mr. Sias reported a full staffing complement would be brought on incrementally and as they could be attracted. The nursing shortage was discussed, and Mr. Sias indicated that if the nursing shortage affected the Nevada Veterans' Nursing Home, the number of residents that could be admitted would be dependent on staffing availability. However, if staffing problems did not occur, approximately four residents per day would be admitted and staff would be increased approximately every 30 to 35 days.

Item 16. Public Employees' Benefits Program.

Chairman Raggio advised the members of the Committee that issues concerning the Public Employees' Benefits Program would be addressed in greater depth during the Interim Retirement Committee meeting scheduled on February 6, 2002.

Mr. P. Forrest Thorne, Executive Officer, Public Employees' Benefits Program, referred to the information reflected in the reports (Exhibit V) on Budgeted Versus Actual Costs by Budget Category and Fund Balance and Reserve Levels. In reference to the Fund Balance and Reserve Levels, Mr. Thorne reported that the fund balance as of December 31, 2001, was $13.8 million compared to a work program amount of $19.6 million. Mr. Thorne attributed the difference to higher-than-anticipated claim payments during October through December, the last quarter of the year. Dollar amounts were illustrated in charts (Exhibit V) that showed both the dollar amounts and patterns over the last four years. Mr. Thorne pointed out that another contributing factor to the difference was the lag in reimbursement from the Retired Employee Group Insurance Budget Account 1369. In an effort "to mitigate the impact of the lag," Mr. Thorne indicated procedures would be implemented to transfer the funds to Budget Account 1338 (Self-Insurance) as a flat dollar assessment in accordance with the legislatively approved budget.

Mr. Thorne advised that incurred but not reported reserves (IBNR) as of June 30, 2001, totaled $20 million ($18.7 million for claims of IBNR and $1.3 million for administrative IBNR). Mr. Thorne pointed out that at the time the report was completed, the Public Employees Benefits Program's (PEBP) consultant actuary (Segal) had indicated no significant reduction in the reserve. Mr. Thorne pointed out the second page of the report (Exhibit V), illustrated that the third-party administrator, UICI, had substantially reduced claims inventory during the final quarter – October through December, and the reduction "may have moved IBNR amounts into paid amounts." Mr. Thorne advised that PEBP would continue to analyze and adjust the IBNR accordingly. Mr. Thorne further advised that he received the quarterly financial operations report from Segal on February 5, 2002, and that report would be presented to the PEBP Board on February 7, 2002. Mr. Thorne advised that the report from Segal, based on further analysis, recommended that the IBNR be reduced to $14.4 million with the same $1.3 million for administrative IBNR.

Mr. Thorne also pointed out that claims inventory for December 31 compared to the inventory as of June 30, 2001 illustrated a significant reduction in total claims inventory from 36,254 to 25,849.

In reference to the Incurred versus Paid Claims Lag comparing December 2001 to June 2001, Mr. Thorne pointed out a substantial increase in the amount paid as well as significant increases in dollars in the older claims amounts.

Mr. Thorne advised that future reports would break down the amounts that were paid for medical claims versus prescription drug costs. Mr. Thorne explained that there was some added volatility in the month-to-month claim payouts attributed to drug costs being paid on a two-week basis. Those drug costs were now adjusted to being paid on a twice-a-month basis, which Mr. Thorne anticipated would illustrate a better view of the trend through the year.

As requested by the Chairman, Mr. Thorne agreed that the PEBP would provide a quarterly report on claims and budget data.

In reference to questions from Mr. Parks concerning the claims inventory levels, Mr. Thorne, explained that the dollar value of the claims inventory on hand was estimated. It was Mr. Thorne's opinion that the current claim levels in the 23,000 to 25,000 range could be considered more the norm.

M. PUBLIC TESTIMONY.

There was no public testimony.

There was no further business before the committee. Chairman Raggio adjourned the meeting at 4:33 p.m.

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Senator William J. Raggio, Chairman
Interim Finance Committee

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Brenda Erdoes, Legislative Counsel
Legislative Counsel Bureau, and
Acting Secretary, Interim Finance Committee