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Testimony of Birgit Baker
Nevada Legislature's Budget Subcommittee on General Government
March 7, 2003

MY NAME IS BIRGIT BAKER AND I SERVE AS THE ADMINISTRATOR OF THE EMPLOYMENT SECURITY DIVISION. WITH ME TODAY ARE THE DIVISION'S TWO DEPUTY ADMINISTRATORS: ROSS WHITACRE, RESPONSIBLE FOR OVERSIGHT OF UNEMPLOYMENT AND EMPLOYMENT SERVICES IN SOUTHERN NEVADA, BASED IN LAS VEGAS; FRED SUWE WITH SIMILAR RESPONSIBILITIES FOR NORTHERN AND RURAL NEVADA, BASED IN CARSON CITY; AND NANCY SAMON, CHIEF OF THE UI CONTRIBUTIONS SECTION IN CARSON CITY.

THE DIVISION IS ORGANIZED INTO TWO MAJOR FUNCTIONS: THE EMPLOYMENT SERVICE AND THE UNEMPLOYMENT INSURANCE (UI) SERVICE. THE UI PROGRAM IS A JOINT STATE AND FEDERAL INSURANCE SYSTEM THAT PROVIDES TEMPORARY PARTIAL WAGE REPLACEMENT TO PROTECT WORKERS AGAINST THE HARDSHIPS OF UNEMPLOYMENT.

THE BENEFITS SECTION ENSURES TIMELY AND PROPER PAYMENT OF UNEMPLOYMENT BENEFITS TO ELIGIBLE NEVADANS. BETWEEN OCTOBER 1, 2001 AND FEBRUARY 28, 2003, THE DIVISION ISSUED 2.3 MILLION UNEMPLOYMENT CHECKS THAT INFUSED OVER \$588 MILLION INTO THE NEVADA ECONOMY.

THE CONTRIBUTIONS SECTION IS RESPONSIBLE FOR ADMINISTERING THE UNEMPLOYMENT TAX SYSTEM, INCLUDING THE MAINTENANCE OF A FISCALLY SOUND TRUST FUND. THE CURRENT BALANCE IN NEVADA'S UI TRUST FUND IS APPROXIMATELY \$439 MILLION, WHICH EXCEEDS THE STATE SOLVENCY REQUIREMENT BY \$94 MILLION.

FEDERALLY FUNDED EMPLOYMENT SERVICE PROGRAMS ADMINISTERED BY THE DIVISION INCLUDE: LABOR EXCHANGE SERVICES; VETERANS EMPLOYMENT AND TRAINING; FOREIGN LABOR CERTIFICATION; WORK OPPORTUNITY AND WELFARE-TO-WORK TAX CREDITS; WORKER PROFILING AND REEMPLOYMENT SERVICES; MONITOR ADVOCATE; RAPID RESPONSE; AND, TRADE ACT AND NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA). THE DIVISION ALSO OVERSEES PROGRAMS FUNDED BY THE WORKFORCE INVESTMENT ACT --- ADULT, DISLOCATED WORKER, AND YOUTH SERVICES, AND THE NATIONAL EMERGENCY GRANT PROGRAM.

IN JANUARY 2002, THE GOVERNOR'S WORKFORCE INVESTMENT BOARD ESTABLISHED NEVADA JOBCONNECT AS THE STATE'S ONE-STOP CAREER SYSTEM FOR DELIVERY OF EMPLOYMENT AND TRAINING SERVICES UNDER THE WORKFORCE INVESTMENT ACT. AS THE GATEWAY TO REEMPLOYMENT SERVICES IN NEVADA, THE PROGRAMS AND OFFICES OPERATED BY THE DIVISION ARE FULL PARTNERS IN THE NEWLY BRANDED WORKFORCE INVESTMENT SYSTEM. ALL FORMER ESD/STATE OF NEVADA JOB LINK OFFICES NOW PROUDLY DISPLAY THE NEVADA JOBCONNECT LOGO. THERE ARE A TOTAL OF ELEVEN JOBCONNECT OFFICES STATEWIDE: FOUR IN CLARK COUNTY; TWO IN WASHOE COUNTY; ONE EACH IN CARSON CITY, FALLON, WINNEMUCCA, ELKO AND ELY.

THE DIVISION HAS 446.5 FULL TIME EMPLOYEES (ESD ADMIN + CEP) AND APPROXIMATELY 30 FTE INTERMITTENT POSITIONS TO ADDRESS PERIODS OF HIGH WORKLOAD.

THE FIRST OF THE DIVISION'S FOUR BUDGET ACCOUNTS BEGINS ON PAGE DETR - 18. THIS IS THE ESD ADMINISTRATIVE ACCOUNT, WHICH

RECEIVES THE MAJORITY OF ITS FUNDING FROM THE U.S. DEPARTMENT OF LABOR. A SMALL AMOUNT OF REVENUE IS DERIVED FROM CHARGES FOR SERVICES PROVIDED TO THE WELFARE DIVISION FOR MAINTAINING THE NEW HIRE DIRECTORY AND DEDUCTION OF CHILD SUPPORT PAYMENTS FROM UNEMPLOYMENT CHECKS.

THE DIVISION'S PERFORMANCE INDICATORS CLEARLY REFLECT THE IMPACT OF THE ECONOMIC DOWNTURN THAT BEGAN IN MARCH 2001 AND THE EVENTS OF SEPTEMBER 11TH, WHICH RESULTED IN A SUDDEN AND DRAMATIC INCREASE IN WORKLOAD FOR ALL OF OUR PROGRAMS DURING FY 2002.

BEFORE I DISCUSS THE WAIT TIMES IN THE TELEPHONE CLAIM CENTER, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO EXPLAIN THE CLAIM FILING PROCESS TO ASSIST YOU IN EVALUATING THE STATE'S UNEMPLOYMENT INSURANCE PROGRAM. WHEN FILING AN INITIAL CLAIM FOR BENEFITS (ESTABLISHING THE CLAIM), WAIT TIMES AVERAGE FROM A DAILY LOW OF 4 MINUTES TO A HIGH OF 32 MINUTES. WHILE WAIT TIMES ARE USUALLY SHORTEST TOWARD THE END OF THE WEEK, ALL CLAIMS TAKEN MONDAY THROUGH FRIDAY ARE EFFECTIVE THE PREVIOUS SUNDAY. MOST CLAIMANTS FILE AN INITIAL CLAIM ONLY ONCE DURING A BENEFIT YEAR AND RECEIVE THEIR FIRST CHECK WITHIN 7 TO 10 DAYS OF FILING THEIR INITIAL CLAIM.

ONCE A NEW CLAIM HAS BEEN ESTABLISHED, THERE ARE NO WAIT TIMES TO FILE WEEKLY CLAIMS (FOR UP TO 26 WEEKS WITH A MAXIMUM BENEFIT OF \$8,034). THE SYSTEM IS AVAILABLE 24 HOURS A DAY, 7 DAYS A WEEK, AND THE PROCESS TAKES LESS THAN 2 MINUTES.

FOR THE LAST 17 MONTHS NEARLY ALL OF THE 2.8 MILLION WEEKLY CLAIMS TOTALING \$588 MILLION WERE FILED WITH NO WAIT TIMES. CLAIMANTS CAN FILE ON SUNDAY AND RECEIVE THEIR CHECK IN THE MAIL BY TUESDAY OR WEDNESDAY DEPENDING ON WHERE THEY LIVE IN THE STATE.

INDIVIDUALS WHO EXPERIENCE MULTIPLE WAIT TIMES ARE CALLING FOR REASONS OTHER THAN FILING A CLAIM FOR BENEFITS. FOR THE LAST 17 MONTHS THE CALL CENTERS ALSO HANDLED 485,000 CALLS TO ANSWER GENERAL QUESTIONS ABOUT STATE AND FEDERAL UNEMPLOYMENT PROGRAMS.

1.A. – Average Wait Time – The average wait time to answer calls in the statewide telephone claim center during FY 2002 was 18.7 minutes which exceeded the projected average wait time of 14 minutes. Our inability to meet our goal was caused by a 170% increase in calls following the mass layoffs that occurred in September 2001, and the implementation of Temporary Extended Unemployment Compensation (TEUC), in March 2002. As reflected under indicator 1.B., projected call volume in FY 2002 was 205,000 calls. Actual call volume was 555,688.

For FY 2003 to date, our average wait time is 17.7 minutes, with the most recent week ending March 1, 2003 at 16.5 minutes.

The department recently implemented an Internet claim filing system that is now fully operational and should reduce the wait times for those filing by telephone. During January and February 2003, 4,300 individuals filed new claims for unemployment benefits over the Internet. This number represents 12 percent of the total claims filed during this period. As we market this new method for filing claims, we expect the percentage filed by Internet to increase and call center wait times to drop to the performance indicator goals reflected in our budget.

2.A. – 1st payment time lapse - 80.1% of first unemployment benefit payments were made within 21 days of the effective date of new claims. The federal standard is 90%. The failure to meet this performance indicator is attributable to a 37% increase in new claims filed during FY 2002. Expected new claims filed in FY 2002 were 156,960. Actual number of new claims filed in FY 2002 was 214,681. Our ability to improve 1st pay time lapse is tied to improving the nonmonetary determination time lapse reflected under 2.B.

2.B. – Nonmonetary determination time lapse – Only 26.9% of nonmonetary eligibility determinations were issued timely in FY 2002. The federal standard of 80% was not met because there are a limited number of permanent adjudicator positions statewide...and unlike the number of claims examiners that can be increased to address workload by adding temporary staff, the number of permanent adjudicator positions cannot be augmented with intermittent positions because minimum qualifications and extensive training requirements do not lend themselves to temporary part-time work.

As the number of claims filed rises, the number of claims with eligibility issues also rises. Without the increase in workload we would have expected to issue approximately 60,000 eligibility determinations during FY 2002. The actual number of eligibility determinations issued in FY 2002 was 81,509. To address current and future timeliness issues, the division reclassified 7 vacant managerial and supervisory positions to UI adjudicators during FY 2003

Adjudication has a one-year training period and trainees have a reduced workload during the first half of their training. This is especially true of new adjudicators who have no previous experience with unemployment insurance (UI) claims processing. Seventeen new adjudicators (1/3 of our total adjudication positions) were hired in FY 2003; ten of which had no previous experience with UI claims processing. As these new employees advance to the journey level we expect to improve our timeliness for eligibility decisions, which will also improve the 1st payment time lapse in 2.A.

3.A. – Percentage of dollars collected via electronic funds transfer – The employer contributions paid using the electronic funds transfer option during FY 2002 was less than one percent. As the division began marketing its Electronic Payment System (EPS) to Nevada employers in FY 2001, we discovered a reluctance to utilize the system because there was no mechanism for filing of the corresponding tax summary form and detailed wage data. Employers also had security concerns about submitting financial information over the telephone.

In response, the division developed the Contributions Automated Reporting System (CARS) during FY 2002, which allows employers to file tax summary and wage data as one transaction using a variety of magnetic media options.

In May 2002, we initiated a marketing campaign directed at larger employers to emphasize the advantages of CARS and to address security issues. As a result, the use of the electronic funds transfer option increased to 3.2% (\$1.6 million) of total collections (\$50 million) for the quarter ending December 31, 2002. Several additional large employers have registered to participate in EPS for the next quarterly filing.

By August 1, 2003, CARS will be expanded to include an Internet File Transfer Protocol (FTP) option that will allow employers to send all tax summary and wage data together in a single Internet transmission.

The Contributions system redesign project includes Internet business registration and reporting and payment features. The Internet features will be completed by December 2004, and will provide for the transmission of tax reports, wage data and payment in one transaction. We believe these options will significantly increase the utilization of the electronic tax filing and payment systems in the future.

4.A. – Number of job seekers entering employment compared to number of registrants (in thousands) receiving core services – While 13,300 job seekers entering employment met the projected plan for FY 2002, the number of registrants increased from the projected 53,400 to 173,400 due to a merge of the UI claims database into the One-Stop Operating System (OSOS). This merge facilitates the registration of all unemployment insurance claimants for employment services and job referral.

The only method currently available for tracking of employment outcomes is manual. Division staff contacts the job seeker or employer to attempt to obtain placement data, which is manually entered into OSOS. Because the division is currently unable to track individuals utilizing self-service mechanisms such as America's Job Bank for job search, we have not been able to capture additional registrants who may have returned to work.

These numbers will increase substantially beginning in FY 2003, when the division converts to the Federal Labor Exchange Performance Measurement System. This system will access Nevada and other state wage records to enhance tracking of job seekers returning to work.

4.B. – (Percentages for 4.A.) – As stated in 4.A., while the numerator, 13,300 job seekers entering employment met the projected plan, the denominator, 53,400 registrants, rose by 325% to 173,400 due to the registration of all UI claimants for employment services. The corresponding entered employment rate of 7.69 percent does not include a great number of claimants who returned to work after receiving reemployment services through self-service because of our inability to track these individuals.

These employment outcomes should improve significantly as the division expands wage record cross matching to the Employment Service programs beginning in FY 2003.

5.D. – Percentage of youth entering employment – A cross match with quarterly UI wages reported by employers is used to track the number of youth who have entered employment subsequent to receiving services. Wage reports have a two-quarter lag from the time services are rendered to the time wages are reported. At the time we reported performance indicators for the budget, we could verify 16% of youth had entered employment using manual tracking processes. Wage reports for the quarter ending December 31, 2002, show that the actual number of youth entering employment as a result of services provided by the local workforce investment boards was 52.8% for FY 2002.

The DOL is providing technical assistance to the local boards to help them achieve youth employment outcomes in the future. Planned assistance includes case management and RFP development workshops.

MOVING TO THE BASE BUDGET ON PAGES DETR 18 AND 19:

THE BASE BUDGET SUPPORTS 395.5 FTE AND ASSOCIATED OPERATING COSTS. EXPENDITURES INCLUDE THE PASS-THROUGH OF APPROXIMATELY \$11 MILLION IN WIA FUNDS TO THE LOCAL WORKFORCE INVESTMENT BOARDS IN EACH YEAR OF THE BIENNIUM.

THE FIRST ENHANCEMENT DECISION UNIT, E-500 ON PAGE DETR-21 PROVIDES \$1.2 MILLION FOR INTERMITTENT STAFF TO ADDRESS SEASONAL FLUCTUATIONS IN WORKLOAD. THIS ITEM IS AN INTEGRAL PART OF UNEMPLOYMENT PROGRAMS NATIONWIDE. FOR THE PAST THREE FISCAL YEARS, OUR INTERMITTENT SALARIES HAVE AVERAGED \$1.2 MILLION ANNUALLY.

ON PAGE DETR-22, THE DIVISION IS REQUESTING AUTHORITY OF \$1.2 MILLION IN FY 2004 AND \$512,545 IN FY 2005 FOR REPLACEMENT

EQUIPMENT WHICH INCLUDES \$733,500 FOR TELEPHONE SYSTEM UPGRADES IN THE FIRST YEAR.

E-720 REQUESTS AUTHORITY FOR NEW EQUIPMENT TO ACCOMMODATE EXPANSION OF RESOURCE CENTERS IN THE SPARKS AND HENDERSON JOBCONNECT OFFICES AND ADDRESSES INEFFICIENCIES CAUSED BY SHARED PRINTERS IN CLAIMS ADMINISTRATION, APPEALS AND UI TAX OFFICES.

MOVING TO BUDGET ACCOUNT 4767 ON PAGE DETR-27:

THE CAREER ENHANCEMENT PROGRAM WAS CREATED BY THE 1989 NEVADA LEGISLATURE TO PROVIDE EMPLOYMENT AND TRAINING SERVICES FOR UNEMPLOYMENT INSURANCE CLAIMANTS. THE 1995 LEGISLATURE EXPANDED PROGRAM ELIGIBILITY TO INCLUDE ALL UNEMPLOYED NEVADANS. THE PROGRAM IS FINANCED BY A .05% EMPLOYER CONTRIBUTION OF TAXABLE WAGES PAID.

Performance Indicator #1

THE PROJECTED NUMBER OF PROGRAM PARTICIPANTS WAS LOWER THAN EXPECTED BECAUSE CEP STAFF WAS DIVERTED TO ASSIST UNEMPLOYMENT CLAIMANTS WITH DIRECT UNEMPLOYMENT AND REEMPLOYMENT SERVICES DURING FY 2002. AFTER THE MASS LAYOFFS TRIGGERED BY SEPTEMBER 11TH, UNEMPLOYED NEVADANS CONCENTRATED ON SERVICES THAT ASSISTED THEM IN RETURNING TO WORK RATHER THAN TAKING ADVANTAGE OF TRAINING OPPORTUNITIES.

THE VARIANCE BETWEEN THE PROJECTED AND ACTUAL NUMBER OF CEP CLIENTS ENTERING EMPLOYMENT IN FY 2002 IS THE RESULT OF A REDUCTION IN AVAILABLE JOBS DURING THE LAST QUARTER OF

CALENDAR YEAR 2001 AND THE FIRST SIX MONTHS OF 2002. THE NEGATIVE EFFECT ON THE NEVADA ECONOMY REQUIRED THAT MANY EMPLOYERS REDUCE THE SIZE OF THEIR WORKFORCE DURING THIS PERIOD. ALTHOUGH THE ECONOMY REBOUNDED AS THE YEAR PROGRESSED, THE OVERALL EFFECT WAS A REDUCTION IN AVAILABLE JOB OPENINGS FOR NEVADA WORKERS.

THE RECOVERING ECONOMY HAS PROVIDED IMPROVED EMPLOYMENT AND TRAINING OPPORTUNITIES DURING THE CURRENT FISCAL YEAR AND WE EXPECT TO ACHIEVE THE PROJECTED PERFORMANCE INDICATORS FOR FY 2003.

Performance Indicator #2

THE SURVEY OF PARTICIPANTS FOR FY 2002 WAS NOT AVAILABLE AT THE TIME THE BUDGET WAS FINALIZED. WE ARE PLEASED TO REPORT THAT 97 PERCENT OF CLIENTS SURVEYED IN SEPTEMBER 2003 FOR SERVICES RECEIVED DURING FY 2002, WERE SATISFIED WITH THOSE SERVICES.

THE BASE BUDGET ON PAGES DETR-27 AND 28 SUPPORTS 51 FULL-TIME POSITIONS AND ASSOCIATED OPERATING EXPENSES. DURING FY 2002 THE PROGRAM EXPENDED \$3.4 MILLION ON CLIENT SERVICES (\$489 PER CLIENT ON AVERAGE) INCLUDING ON-THE-JOB TRAINING, VOCATIONAL TRAINING PROVIDED THROUGH NEVADA'S COMMUNITY COLLEGES, AND PURCHASE OF SUPPLIES AND OTHER SERVICES NEEDED FOR CLIENTS TO ACCEPT WORK (i.e. work cards, sheriffs cards, health cards, uniforms, boots, tools, etc).

THE DIVISION IS PROJECTING AN INCREASE OF APPROXIMATELY SEVEN PERCENT PER YEAR IN CEP REVENUE BETWEEN FY 2002 AND FY 2005. THIS RESULTS IN A REVISION TO THE REVENUE ESTIMATES FOR FY 2003 FROM 9.6 MILLION TO \$9.06 MILLION.

THE MAJOR ENHANCEMENT TO THIS PROGRAM IS E-450 BEGINNING ON PAGE DETR-29. THE DEPARTMENT IS PROPOSING TO EXPAND THE PROGRAM TO FUND TRAINING OPPORTUNITIES FOR INCUMBENT WORKERS IN RESPONSE TO BUSINESS DEMANDS COMMUNICATED THROUGH THE STATE AND LOCAL WORKFORCE INVESTMENT BOARDS AND THE NEVADA COMMISSION ON ECONOMIC DEVELOPMENT AND DOCUMENTED BY AN INCUMBENT WORKER TRAINING SYSTEM-BUILDING REPORT PUBLISHED BY THE DEPARTMENT ON APRIL 23, 2001. A BILL DRAFT REQUEST HAS BEEN SUBMITTED TO THE 2003 LEGISLATURE TO IMPLEMENT THIS PROPOSAL. (BDR 476)

THIS DECISION UNIT WILL MAKE MATCHING FUNDS AVAILABLE TO QUALIFYING EMPLOYERS TO PROVIDE TRAINING TO INCUMBENT WORKERS THAT WILL ENHANCE THE SKILLS OF THOSE EMPLOYEES AND HELP MAINTAIN THE EDGE THAT NEVADA BUSINESS NEEDS TO REMAIN COMPETITIVE IN THE NATIONAL AND INTERNATIONAL ECONOMY.

E-450 PROPOSES TO UTILIZE \$5.3 MILLION OVER THE UPCOMING BIENNIUM FOR ADDITIONAL TRAINING SERVICES FOR UNEMPLOYED, UNDEREMPLOYED AND WORKING NEVADANS LOOKING TO UPGRADE THEIR SKILLS AND EARNINGS. OF THAT AMOUNT AT LEAST \$1.1 MILLION WILL BE DEDICATED TO SERVING UNEMPLOYED NEVDANS IN FY 2004 AND \$1.2 MILLION IN FY 2005.

UP TO \$500,000 EACH YEAR WILL BE MADE AVAILABLE TO THE NEVADA COMMISSION ON ECONOMIC DEVELOPMENT IN SUPPORT OF

THEIR TRAIN EMPLOYEES NOW (TEN) PROGRAM PURSUANT TO NRS 231.148, AND UP TO \$1 MILLION PER YEAR WILL BE SET ASIDE FOR INCUMBENT WORKER PROPOSALS (SUBJECT TO APPROVAL OF THE DEPARTMENT'S BDR BY THE 2003 LEGISLATURE) TO BE SUBMITTED THROUGH THE STATE WORKFORCE INVESTMENT BOARD FOR CONSIDERATION AND APPROVAL.

E-710 AND E-720 ON PAGE DETR-30 REQUEST AUTHORITY FOR REPLACEMENT AND NEW EQUIPMENT FOR CEP STAFF AND NEVADA JOBCONNECT RESOURCE CENTERS IN THE NINE OFFICES, OPERATED BY THE DEPARTMENT.

MOVING TO THE EMPLOYMENT SECURITY FUND ON PAGE DETR-33:

THE EMPLOYMENT SECURITY FUND ON PAGE DETR-33 IS A SPECIAL REVENUE FUND THAT MAY BE USED TO COVER EXPENDITURES FOR WHICH FEDERAL FUNDS HAVE BEEN REQUESTED BUT NOT YET RECEIVED AND TO PAY THE COSTS OF ADMINISTRATION OF EMPLOYMENT SECURITY PROGRAMS THAT MAY NOT BE CHARGED AGAINST FEDERAL GRANTS, INCLUDING CAPITAL IMPROVEMENT PROJECTS. THE SOURCES OF REVENUE FOR THIS BUDGET ARE ALL INTEREST AND FORFEITURES COLLECTED FROM EMPLOYERS FOR NON-OR LATE PAYMENT OF UNEMPLOYMENT TAXES.

THE EMPLOYMENT SECURITY DIVISION UTILIZES THE FUND TO SUPPORT MAINTENANCE OF AGENCY-OWNED BUILDINGS, CONTRACT SERVICES FOR OUTSIDE LEGAL COUNSEL AUTHORIZED IN NRS 612.745, AND TECHNOLOGICAL ENHANCEMENTS TO PROGRAMS FOR WHICH FEDERAL FUNDS ARE NOT AVAILABLE.

E-300 ON PAGE DETR-34 REQUESTS CONTINUED FUNDING TO COMPLETE THE REDESIGN OF THE UI CONTRIBUTIONS SYSTEM, WHICH WAS AUTHORIZED BY THE 1999 AND 2001 LEGISLATURES. THE PROJECT WAS DELAYED DUE TO A SHIFT OF THE DEPARTMENT'S INFORMATION TECHNOLOGY RESOURCES TO ENSURE TIMELY PAYMENT OF UNEMPLOYMENT BENEFITS, INCLUDING EXTENDED BENEFITS AFTER SEPTEMBER 11TH.

AN UNINTENDED FAVORABLE CONSEQUENCE OF DELAYING THIS PROJECT PROVIDED THE DEPARTMENT WITH THE OPPORTUNITY TO EXPAND THE SCOPE OF THE PROJECT TO INCLUDE INTERNET BUSINESS REGISTRATION, TAX AND WAGE REPORTING, AND PAYMENT OF EMPLOYER CONTRIBUTIONS. WE WERE ALSO ABLE TO SECURE OVER \$900,000 IN FEDERAL FUNDS FOR THIS ENHANCEMENT.

DECISION UNIT E-301 ON PAGE DETR-34 AND E-710, E-711 AND E-720 ON PAGE DETR-35 REQUEST AUTHORITY TO UTILIZE THE ESD SPECIAL FUND AS A CONTINGENCY FUNDING SOURCE TO SUPPORT THE DIVISION'S SHARE OF NEW EQUIPMENT AND POSITIONS REQUIRED FOR MAINTAINING THE DEPARTMENT'S SERVER-BASED COMPUTER SYSTEMS THROUGHOUT THE STATE. THIS REQUEST IS MADE DUE TO THE UNPREDICTABLE FUNDING OF STATE UNEMPLOYMENT AND EMPLOYMENT SERVICE PROGRAMS BY THE U.S. DEPARTMENT OF LABOR OVER THE LAST 10 YEARS.

DECISION UNIT E-850 ON PAGE DETR-36 REQUESTS FUNDING FOR THE EXPANSION OF THE SCOPE OF CIP 01-E1, APPROVED BY THE 2001 LEGISLATURE FOR THE CONSTRUCTION OF A NEW OFFICE BUILDING IN LAS VEGAS, FROM 40,000 SQUARE FEET TO APPROXIMATELY 60,000 SQUARE FEET.

ON NOVEMBER 21, 2002, THE INTERIM FINANCE COMMITTEE AUTHORIZED A REVISION IN THE SCOPE OF THE PROJECT TO INCLUDE THE PURCHASE OF A 7.83 ACRES PARCEL ON ST. LOUIS STREET IN LAS VEGAS LOCATED ON THE SAME BLOCK AS THE DEPARTMENTS OF MOTOR VEHICLES, PUBLIC SAFETY, AGRICULTURE AND BUSINESS AND INDUSTRY, AND BUILDINGS AND GROUNDS DIVISION ON E. SAHARA AVENUE.

THE NEW FACILITY WILL HOUSE THE DEPARTMENT'S ADMINISTRATIVE FUNCTIONS, UNEMPLOYMENT INSURANCE OPERATIONS, INCLUDING THE TELEPHONE INITIAL CLAIMS (TIC) CENTER AND UI APPEALS OFFICE, AS WELL AS A NEVADA JOBCONNECT OFFICE. THE RESULT OF COMBINING UI CLAIMS TAKING, ADJUDICATION AND APPEALS ACTIVITIES UNDER ONE ROOF WILL BE A MORE FUNCTIONAL AND EFFICIENT ARRANGEMENT OF RESOURCES, RESULTING IN IMPROVED CUSTOMER SERVICE.

THE DEPARTMENT IS PROPOSING TO UTILIZE APPROXIMATELY \$1 MILLION FROM THE SALE OF PROPERTY IN LAS VEGAS AND RENO AND \$15 MILLION IN FEDERAL REED ACT FUNDS TO COMPLETE THE PROJECT DURING THE 2003 - 2005 BIENNIUM. THE DEPARTMENT IS TAKING ADVANTAGE OF REED ACT FUNDS DISTRIBUTED TO STATES IN MARCH 2002 TO ACCOMMODATE THE CHANGE IN THE CIP. THIS ELIMINATES THE NEED TO SECURE FUNDING FROM BONDS AND RESERVES FROM THE ESD SPECIAL FUND ALSO REFERRED TO AS THE PENALTY AND INTEREST (P&I) ACCOUNT. REPAYMENT OF 4.2 MILLION IN BONDS OVER A PERIOD OF A 5-YEAR PERIOD WOULD COST APPROXIMATELY \$950,000 PER YEAR (\$600,000 P&I AND \$350,000 FROM UI GRANTS). INSTEAD THESE FUNDS WILL BE AVAILABLE TO ADDRESS TECHNOLOGY (P&I) AND CUSTOMER SERVICE NEEDS (UI GRANTS).

NEVADA'S SHARE OF THE MARCH 2002 REED ACT DISTRIBUTION WAS \$68.1 MILLION. THE EMPLOYMENT SECURITY DIVISION ALSO RECEIVED \$3 MILLION IN REED ACT FUNDS IN PRIOR FISCAL YEARS FOR CONSTRUCTION PROJECTS. THE 2001 LEGISLATURE AUTHORIZED THE USE OF UP TO \$3 MILLION OF REED ACT FUNDS FOR CIP 01-E1 IN SECTION 15 OF SENATE BILL 584, WHICH WILL EXPIRE ON JUNE 30, 2003. THE USE OF THE \$15 MILLION IN REED ACT FUNDS PROPOSED DURING THE 2003-2005 BIENNIUM WILL AGAIN REQUIRE SPECIFIC STATE LEGISLATIVE APPROPRIATION. THE BALANCE OF REED ACT FUNDS WILL REMAIN IN NEVADA'S UI TRUST FUND TO PAY UNEMPLOYMENT BENEFITS.

THIS CONCLUDES MY FORMAL PRESENTATION. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE ABOUT THE DIVISION'S PROGRAMS AND BUDGETS.