MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-Third Session
February 8, 2005

The Committee on Ways and Means was called to order at 8:13 a.m., on Tuesday, February 8, 2005. Chairman Morse Arberry Jr. presided in Room 3137 of the Legislative Building, Carson City, Nevada. Exhibit A is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chairman
Ms. Chris Giunchigliani, Vice Chairwoman
Mr. Mo Denis
Mrs. Heidi S. Gansert
Mr. Lynn Hettrick
Mr. Joseph M. Hogan
Mrs. Ellen Koivisto
Ms. Sheila Leslie
Mr. John Marvel
Ms. Kathy McClain
Mr. Richard Perkins
Mr. Bob Seale
Mrs. Debbie Smith
Ms. Valerie Weber

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

None

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Connie Davis, Committee Secretary
Lila Clark, Committee Secretary

Chairman Arberry informed the Committee members that budget hearings would begin at 8:00 a.m. and, for the benefit of the new members, explained the confidential nature and use of the budget highlights.

Mark Stevens, Assembly Fiscal Analyst, Legislative Counsel Bureau, provided a draft of the Committee Rules (Exhibit B) for review and approval, subject to modification, by the members.

ASSEMBLYMAN MARVEL MOVED APPROVAL OF THE COMMITTEE RULES AS DRAFTED.

ASSEMBLYWOMAN GIUNCHIGLIANI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

For the benefit of the new members, Chairman Arberry provided a brief history on the establishment of the joint subcommittees, how the subcommittees functioned, and their importance in efficiently moving through the budget hearings. The Chairman also indicated appointments to the joint subcommittees had been made.

Chairman Arberry informed the Committee that at the request of Lieutenant Governor Lorraine Hunt, the Lieutenant Governor's budget hearing would be the first order of business.

<u>ELECTED OFFICIALS – LIEUTENANT GOVERNOR (101-1020) – BUDGET PAGE ELECTED-30</u>

Lieutenant Governor Lorraine Hunt identified herself for the record and told the members of the Committee that during the past six years as the Lieutenant Governor of Nevada, she served as a member of the Governor's Cabinet, President of the Senate, Chair of the Nevada Commission on Economic Development and the Nevada Commission on Tourism, and Vice Chair of the Board of Directors for the Nevada Department of Transportation.

The Lieutenant Governor's Office included one elected official and six unclassified employees, with staff offices in Carson City and Las Vegas.

Striving to protect, promote, and advance tourism and economic development in Nevada, Lieutenant Governor Hunt indicated her goals included:

- ✓ Maintaining and improving the state's competitive edge in national and international tourism in order to sustain and support Nevada's leisure and hospitality industry

- ✓ Economic diversification

- ✓ Support for Nevada's small businesses

- ✓ To foster and assist the "pioneer entrepreneurial spirit that built the foundation" of the state

Lieutenant Governor Hunt told the Committee Nevada's economy was "vibrant and robust," and that she had pledged to assist Nevada's small businesses as a means of creating economic diversification.

The Lieutenant Governor said that in 2004, the Nevada Commission on Tourism hosted small-business focus groups around the state in an effort to reach consensus on issues that would contribute to the continued prosperity of Nevada's small businesses.

In addition to the focus groups, Lieutenant Governor Hunt said that more than 300 small business owners responded to a Nevada Commission on Economic Development survey on State government and taxes. The responses were the basis for ten recommendations from Nevada's small businesses to the Governor and the Nevada Legislature. Copies of the ten recommendations, identified as the "Nevada Small Business Agenda," were delivered to each legislator during the week of February 7, 2005.

Lieutenant Governor Hunt applauded Governor Guinn's proposed budget commitment to provide economic assistance for rural Nevada. The proposed budget sought to invest an additional $1 million in grant funding to promote economic development and tourism in rural Nevada, and the Lieutenant Governor said she would work to continue to focus the attention of the Commissions on Economic Development and Tourism on the rural areas of the state.

Lieutenant Governor Hunt discussed her work in establishing ties to government and tourism leaders in Asia and to enhance Nevada's position as an international tourism destination and hub of world trade.

With the prospect of the People's Republic of China potentially offering "enormous benefits for Nevada," the Lieutenant Governor led a delegation to Beijing, China, in 2004 to open a Nevada Tourism Commission office. The Lieutenant Governor told the Committee that as a result of that trip, Nevada was the only state in America that could legally market tourism in China.

Describing China as a large "untapped reservoir" of potential tourists to Nevada, the Lieutenant Governor said China's population of 1.5 billion included 50 million people who were millionaires and 300 million people who had the means to travel internationally. While currently only a fraction of Nevada's visitors were from the People's Republic of China, the Lieutenant Governor said she was working to "get more than Nevada's share" of a potentially lucrative market. Additionally, the Lieutenant Governor said "strong ties" between Nevada and Asia would mean more tourists for both southern and northern Nevada and would provide northern Nevada the opportunity to become an air cargo hub between the United States and Asia.

Addressing the accomplishments of the Nevada Film Office, the Lieutenant Governor told the Committee the Nevada Film Office operated under the authority of the Nevada Commission on Economic Development. Additionally, the Lieutenant Governor said that for calendar year 2004, Nevada filming revenue reached over $116 million, surpassing the $100 million benchmark for the fifth year in a row. The Lieutenant Governor also reported that many of the projects filmed in Nevada featured both urban and rural Nevada, which provided a view beyond the "neon lights."

Lieutenant Governor Hunt indicated that with the proliferation of gaming in other states, Nevada needed to market its rural areas as well as gaming and entertainment. The Lieutenant Governor reported the "Nevada: Wide Open" campaign, which focused on activities, events, sports, and Nevada State Parks, had been launched by the Nevada Commission on Tourism to attract tourists.

Recognizing the need to continue attracting visitors to northern Nevada, the Lieutenant Governor indicated she had worked toward a successful effort to improve Wingfield Park in downtown Reno, which contributed to the revitalization and redevelopment of the city. As a part of that effort, Lieutenant Governor Hunt chaired the Truckee River Whitewater Steering Committee that created the first kayak slalom course to run through an urban core. Phase I of the undertaking had been completed, and Phase 2, which encompassed Rock Park in Sparks, was underway. The Lieutenant Governor advised she was working with the committee to complete all phases of a 24-mile course from Verdi to Vista.

Among other duties, the Lieutenant Governor discussed her Office's Constituent Assistance Program, which provided information through various media sources and community gatherings to Nevada residents and, in some cases, to residents of other states who needed assistance concerning issues with federal, state, and local agencies.

Additionally, the Lieutenant Governor indicated she represented the state as "a frequent host" for delegations of foreign dignitaries and diplomats and conducted meetings to promote Nevada's economic development and tourism industry. Toward that end, the Lieutenant Governor brought Nevada entrepreneurs together in September 2003 for an "Entrepreneurial Roundtable," which began a partnership between Nevada and the Center for Entrepreneurship and Technology (CET).

Lieutenant Governor Hunt advised that the CET mission emphasized the need to diversify Nevada's economy by focusing on start-up businesses using advanced technology as a key element in their business models. The Lieutenant Governor advised that the CET was attracting "the right people" to advance Nevada's role in attracting "high-tech" companies of the future.

Concluding her remarks, the Lieutenant Governor said her proposed budget would help further tourism and economic development endeavors in Nevada, and opportunities to fund education, health care, and other public services would increase as the state's revenues increased.

Chairman Arberry asked for additional information concerning the request for $18,185 in each year of the coming biennium for out-of-state travel.

The Lieutenant Governor said that although the aggressive outreach to the international market had increased out-of-state travel costs, the investment was worthwhile, particularly with respect to the potential revenue anticipated from the People's Republic of China.

Additionally, the Lieutenant Governor indicated that, in conjunction with the Nevada Film Office and the National Lieutenant Governor's Association, she had traveled to Washington, D.C., to work on legislation that would return motion picture and television production to the United States.

The Lieutenant Governor also discussed traveling to Washington, D.C., to work on legislation to increase the number of direct flights from the People's Republic of China to Nevada, specifically to McCarran International Airport in Las Vegas for passenger travel and to Reno/Tahoe International Airport for air cargo.

Chairman Arberry asked how a determination was made on whether travel expenses for out-of-state trips were paid from the Tourism and Economic Development budgets or the Lieutenant Governor's budget.

Lieutenant Governor Hunt indicated the Tourism budget was accessed when possible, but that some funding was received from private sponsors for delegation trips, such as the one to China. The Lieutenant Governor indicated that funding from sponsors and the Tourism and Economic Development budgets was used prior to funding from the Lieutenant Governor's budget.

Assemblywoman Giunchigliani asked for a breakdown on the number of out-of-state trips paid for from the Tourism budget and those paid for from the Economic Development budget.

Ms. Giunchigliani indicated she had promoted the consolidation of the Nevada Commission on Economic Development and the Nevada Commission on Tourism since 1991 and would continue to do so since it appeared the Commissions had a blended mission.

Ms. Giunchigliani suggested funding the Lieutenant Governor's budget with room tax collections rather than General Fund money and indicated that it was perhaps time to review the distribution of room tax revenue to local governments.

Ms. Giunchigliani commended the Lieutenant Governor's work but reiterated that combining the Nevada Commission on Economic Development and the Nevada Commission on Tourism appeared to make good sense.

Ms. Giunchigliani expressed concern with respect to the Lieutenant Governor's in-state travel, which showed an increase of approximately 64 percent in fiscal year 2006 over actual expenses in fiscal year 2004, and a 90.7 percent increase in fiscal year 2007.

Lieutenant Governor Hunt indicated the unanticipated special sessions that occurred in 2003 affected the in-state travel budget.

Ms. Giunchigliani reiterated her earlier request for a breakdown of expenses and indicated she wanted to avoid criticism that state funds were being used for "travel around the state to promote certain things that might be perceived as inappropriate."

The Lieutenant Governor indicated she would not participate in any inappropriate travel.

In response to questions from Mr. Marvel concerning the European tourist market, the Lieutenant Governor indicated that, as a former Chair of the Las Vegas Convention and Visitors Authority and as Chair of the Commission on Tourism, she had worked to promote tourism from the European market. The Lieutenant Governor indicated that while the European market was not being overlooked, currently the Asian market offered greater potential.

Assemblyman Marvel asked about the availability of funding for rural counties to promote tourism.

Although limited, the Lieutenant Governor indicated Economic Development and Tourism grant funds were available and could be used to fund community programs in rural Nevada, such as a recently installed water line for a rodeo arena. The Lieutenant Governor indicated rural Nevada had "a great potential" for tourism and that she would like to see the funding for the rural counties increase.

In response to questions Mr. Marvel asked concerning "match in kind" funding, the Lieutenant Governor indicated that a project considered worthy could be funded in its entirety, if a rural county did not have the funding. As previously reported, the Lieutenant Governor said the Governor recommended $1 million in grant funding to promote economic development and tourism in rural Nevada.

In response to a question from Mr. Marvel concerning the AAA League ballpark for Sparks, the Lieutenant Governor indicated she would place the project on the calendar for review.

In response to a question from Assemblyman Denis, the Lieutenant Governor affirmed that the Lieutenant Governor's budget, the budget for the Commission on Economic Development, and the budget for the Commission on Nevada Tourism were three separate budgets.

Mr. Seale asked how the Lieutenant Governor's Office coordinated economic development activity with the Economic Development Authority of Western Nevada (EDAWN) and the Nevada Development Authority (NDA) to avoid duplication of effort.

Lieutenant Governor Hunt advised the members of the Committee that the Lieutenant Governor's Office provided oversight for all economic development authorities in the state. During the last several years, "brainstorming sessions" were held with economic development authorities to work on one message that would fit all and to use combined funds to promote the state's economic development. One example of the result of those sessions was a successful campaign to bring California businesses to Nevada.

Lieutenant Governor Hunt discussed working together with EDAWN and NDA representatives to place businesses that were moving to Nevada in a location best suited to their needs.

Ms. Giunchigliani asked whether the ten recommendations from Nevada's small businesses included information on the impact of large chain stores versus the recruitment of small businesses.

The Lieutenant Governor advised that 98 percent of all businesses in Nevada were small businesses, with over 60,000 small businesses each employing 100 people or fewer. The Lieutenant Governor advised that thousands of small businesses had been contacted through surveys, focus groups, and Chambers of Commerce, and competition was not an issue. Small business owners were more concerned with labor costs and employing an educated workforce. The survey also determined that 24 percent of the small businesses in Nevada were businesses in which people were working from home.

Ms. Giunchigliani asked that a breakdown be provided on small businesses employing 100 employees or fewer, 50 or fewer, 35 or fewer, and so on.

The Lieutenant Governor advised that most surveys indicated small business owners employed fewer than 5 people. While the percentages could be found on the Lieutenant Governor's website, the Lieutenant Governor indicated that additional information concerning statistics would be provided if requested.

Chairman Arberry closed the hearing on the Lieutenant Governor's budget and opened the hearing on the Office of the Governor's budget.

ELECTED OFFICIALS – OFFICE OF THE GOVERNOR (101-1000) – BUDGET PAGE ELECTED-1

Mark Stevens, Assembly Fiscal Analyst, advised that Andrew Clinger, Deputy Director, Budget Division, Department of Administration, would provide an overview of the uniform budget and salary increase decision units to assist the Committee members in gaining a better understanding of The Executive Budget.

Andrew Clinger, Deputy Director, Budget Division, identified himself for the record and began his presentation with the base budget for the Office of the Governor, which was funded solely from the General Fund.

Mr. Clinger reported on the following base budget categories:

- Personnel Services - Expenditures were recalculated at the current pay level.

- Out-of-state Travel – Out-of-state Travel was carried forward from fiscal year 2004 actual expenditures.

- In-state Travel – In-state Travel was carried forward from fiscal year 2004 actual expenditures.

- Operating – The Operating category was adjusted to accommodate an increase in the National Governor's Association Annual Dues from $56,200 to $70,500.

  ✓ The methodology for allocating state-owned building rent was changed within the Operating category. While "certain common areas" were built into the rate prior to the modification, a reallocation of all common areas in all buildings was made in proportion to the tenants, which eliminated inconsistencies. The modification reduced the rental-rate requirement identified in M-100.

- National Commission for National and Community Service - The appropriation, a result of A.B. 12 of the 20th Special Session, was a one-shot appropriation and was eliminated in fiscal years 2006 and 2007.

- Homeland Security – Passage of A.B. 441 of the 2003 Legislative Session, established the Nevada Commission for Homeland Security. The funding for two positions was placed in the Governor's Office budget in fiscal year 2004, but recommended to be transferred to the budget for the Department of Public Safety.

- Information Services - Elimination of software and hardware purchases reduced expenses for fiscal years 2006 and 2007.

- Purchasing Assessment – The Purchasing Assessment line item occurred in all accounts throughout The Executive Budget to fund the state Purchasing Division within the Department of Administration.

Assemblywoman McClain asked if the elimination of the National Community Service line item was related to the VISTA (Volunteers in Service to America) program.

Mr. Clinger advised that National Community Service was a one-shot appropriation and indicated he did not believe it was related to the VISTA program. Mr. Clinger explained that it was standard procedure within the Operating Budget to eliminate a line item, such as National Community Service, and re-establish it through a one-shot appropriation.

The M-100 Decision Unit recommended various inflationary increases and rate changes. Mr. Clinger indicated that page 8 of the Appendices in Volume III of The Executive Budget reflected the fringe rates used in the M-300 Decision Unit, and the M-100 state rent rates began on Appendix page 9. Mr. Clinger indicated the most significant rent changes were state-owned building rates. The difference between the fiscal 2005 level and the proposed rates for 2006 and 2007 was placed in the M-100 Decision Unit.

Mr. Clinger advised that the most significant state-owned building rent adjustment for the Governor's Office was the result of a change in the allocation methodology with the rent rate reduced from $1.14 to $0.91 a square foot.

Mr. Clinger reported the most significant adjustment in the Information Services Category 26 was a reduction of $14,000 in each fiscal year for the Department of Information Technology (DoIT) Web Hosting Services. Currently, the Governor's Office was assessed for the total cost of the State website, and it was deemed more appropriate to allocate the cost to all state agencies.

Included in the M-100 Decision Unit, as previously indicated, were recommendations for an inflationary increase of 8 percent a year for electricity and natural gas. Although the inflationary increase was not reflected in the Governor's Office budget, it was reflected in the Mansion budget.

Ms. Giunchigliani recalled that the utility inflation increase had been inadvertently omitted from the Distributive School Account (DSA) budget and asked about the availability of the information.

Mr. Clinger indicated the Budget Office was waiting for additional adjustments, which were anticipated to be received by the end of the week.

In response to a question from Ms. Giunchigliani, Mr. Clinger advised he expected to send the information to the committees by Monday, February 14, 2005.

For the benefit of new Committee members, Ms. Giunchigliani asked Mr. Clinger to clarify the purpose of the cost allocation plans.

Mr. Clinger indicated that included among several cost allocation plans, the Statewide Cost Allocation Plan distributed the service agency's indirect costs among the various agencies and provided funding for the State Controller's Office, the Governor's Office, and the Treasurer's Office. Mr. Clinger explained that the indirect costs were allocated to non-General Fund agencies in order to allow the return of federal dollars and other funds to the state.

In response to a question from Ms. Giunchigliani, Mr. Clinger confirmed the Statewide Cost Allocation Plan was a way to save General Fund dollars.

Ms. Giunchigliani asked if savings had been realized from the Cost Allocation Plan for Information Technology.

Mr. Clinger explained that while there were no overall savings realized from the Cost Allocation Plan, some currently allocated services based on full-time equivalent (FTE) positions, were formerly billed directly to the agencies. Mr. Clinger explained that the former process was difficult for agencies that needed DoIT services but could not afford them. Allocating the costs simplified the process and allowed the availability of services to those agencies.

In response to a question from Ms. Giunchigliani, Mr. Clinger defined the acronym FTE as a full-time equivalent position authorized to work 2,080 hours a year; a 0.5 FTE, for example, was a percentage of those hours.

Ms. Giunchigliani pointed out it was important to note that the whole point of the cost allocation plans was to save General Fund money in the long run.

Mr. Denis asked for additional information concerning the $14,000 in each fiscal year for the Department of Information Technology (DoIT) Web Hosting Services.

Mr. Clinger clarified that the Web Hosting Services for the State Home Page, formerly billed directly to the Governor's Office budget and paid for with General Fund dollars, was removed from the Governor's budget and allocated to all agencies through an FTE assessment.

As previously discussed, Mr. Clinger explained that the M-300 Decision Unit Occupational, Studies, Salary and Fringe Rate Adjustments identified the fringe benefit rates used in The Executive Budget. The rates included a group health insurance subsidy for state employees, workers' compensation and unemployment compensation. The Governor's budget recommended an adjustment of $10,461, the difference between the current and the proposed rates for fiscal years 2006 and 2007. Mr. Clinger attributed the largest portion of the adjustment to workers' compensation, which was approximately $8,000 in the first year of the biennium and $5,000 in the second year. Group insurance was $3,000 in the first year of the biennium and $7,840 in the second year. A reduction was reflected in the retirement assessment when the Public Employees' Retirement System (PERS) reduced the retirement rate. Mr. Clinger reiterated the adjustments could be seen throughout all budgets.

Mr. Clinger addressed the E-250 Enhancement Decision Unit that recommended an additional $25,000 per year in personnel expenditures. Approval of the recommendation would provide the Governor's Office the flexibility to hire temporary or intermittent staff. Mr. Clinger advised that the funding was not associated within the full-time equivalent (FTE) positions, but was simply additional authority within the Governor's budget.

Chairman Arberry asked for additional information concerning how the annual $25,000 General Fund appropriation was determined.

Mr. Clinger said the $25,000 was determined based on what the Governor's Office thought they could use in the next biennium for temporary staff.

In response to a question from Ms. Giunchigliani concerning the $25,000 request, Mr. Clinger clarified that approval of the request would provide the Governor's Office the authority to use the funding for any salary-related expenditure.

Ms. Giunchigliani asked if salary-related expenditures included raises for staff in addition to the recommended 2 percent salary increase.

Mr. Clinger indicated that raises in addition to the recommended 2 percent increase could occur if the Governor so chose.

Ms. Giunchigliani asked for information on raises provided to the Governor's staff in the previous budget.

Mr. Clinger advised that the Governor's staff received the same 2 percent increase in 2005 that all employees received.

In response to a question from Ms. Giunchigliani concerning the base budget, Mr. Clinger clarified the annual $25,000 request was in addition to base expenditures.

Ms. Giunchigliani indicated additional justification was needed concerning the $25,000 a year request for personnel expenses.

Mr. Clinger advised that the additional justification could be provided.

Decision Unit E-710 recommended various types of replacement equipment for the agencies. A large portion of the request for the Governor's Office was for desktop personal computer equipment replacement, which included seven personal computers in each year of the biennium, and an upgrade to a software application used to track correspondence with constituents.

Mr. Clinger explained that the Decision Unit E-900 recommended transferring the Office of Homeland Security from the Governor's Office to a new budget account within the Department of Public Safety. Passage of A.B. 441 of the 2003 Legislative Session appropriated $110,682 in each year of the biennium for the Office of Homeland Security.

The Department of Public Safety budget account was reflected in Volume III of The Executive Budget, page 47. Mr. Clinger pointed out that in the Governor's budget, the Office of Homeland Security was seen as a negative expenditure, and as a positive expenditure in Budget Account 3675, the new Office of Homeland Security.

The last section of the Governor's budget was a summary that reflected a budget approved as recommended by the Governor.

Mr. Clinger also pointed out to the Committee that the Department of Administration, Budget Account 1340, included a line item identified as Governor-Elect Expense for $50,000 in fiscal year 2007 that would pay transitional expenses for the Governor-Elect.

Ms. Giunchigliani asked if the proposed transfer of the Office of Homeland Security would consolidate all Homeland Security positions into the Department of Public Safety.

Mr. Clinger confirmed that the transfer would consolidate all Homeland Security positions within the Department of Public Safety's Budget Account 3675. Additionally, Mr. Clinger indicated there were two transfer decision units within Budget Account 3675, one from the Office of the Governor, and one from another account within the Department of Public Safety.

Ms. Giunchigliani asked if cost savings were realized from the transfer of positions to the Department of Public Safety, or if a cost was involved in the transfer.

Mr. Clinger advised that the Department of Public Safety had requested three or four new positions in addition to the two being transferred from the Governor's Office.

In response to a request for additional information from Ms. Giunchigliani, Mr. Clinger advised that the Energy Advisor position was funded from another budget account.

In response to a question from Ms. Giunchigliani concerning funding for the position, Mr. Clinger indicated the position was entirely funded by federal funds.

Ms. Giunchigliani indicated the Energy Advisor position appeared to be funded from the General Fund during the 2005-07 biennium and asked that the funding source be double-checked.

Mr. Clinger was advised by Mary Keating, Administrator, Administrative Services Division, Department of Administration, that the Energy Advisor position was funded from the General Fund.

Ms. Giunchigliani indicated the Energy Advisor position would be reviewed during the Nevada State Office of Energy budget hearing. Additionally, Ms. Giunchigliani indicated the Energy Advisor position should be funded with federal funds despite where the position was housed.

Assemblyman Seale noted the Controller's Office had been moved from the Capitol Annex and asked for information on the Governor's plans for occupying the additional space.

Mr. Clinger expressed some uncertainty concerning the plans for the Capitol Annex and indicated the information would be provided to the members of the Committee.

In response to a question from Mr. Seale concerning the method for allocating state-owned building rent, Mr. Clinger explained that currently an agency occupying an entire building would be charged for the entire square footage in the building, including the common areas, as opposed to multiple tenants being charged for only the space they occupied. Mr. Clinger explained that currently, costs associated with common areas were built into overall rates and charged to all agencies statewide, but the proposed method would allocate all common space within a building in proportion to the tenants, which would eliminate inconsistencies.

In response to a question from Mr. Seale concerning reduced rental rates, Mr. Clinger advised that a lower rate would be charged for increased square footage, thus the increase in the square footage would be offset by the reduced rate. Additionally, from a statewide perspective, Mr. Clinger advised "a slight impact" to the General Fund of less than several thousand dollars.

Assemblywoman Leslie noted the expenditure for the National Commission for National and Community Service (NCNCS) was doubled in the one-shot appropriation but had not been built into the base budget. Ms. Leslie indicated a preference to see the expenditure built into the base budget and requested additional information on how the NCNCS expenditure was determined.

Although Mr. Clinger did not have the details on how the NCNCS expenditure was determined, he indicated the requested information would be provided.

Ms. Leslie questioned whether The Executive Budget under the column titled Agency Request, included items under special consideration.

Mr. Clinger advised that items under special consideration were not included in The Executive Budget under the column titled Agency Request.

Ms. Leslie asked how information could be obtained with respect to the additional funding for AIDS medication in which "a significantly larger amount was requested by the agency than the Governor recommended."

Mr. Clinger indicated information concerning the items for special consideration had been provided to the Fiscal Analysis Division. If additional information was needed, Mr. Clinger advised responses would be provided to specific requests.

It was Ms. Leslie's understanding that the "numbers" had been transmitted in an electronic format, but the narrative and the "agency backup" had not been provided.

In response to Mr. Clinger's understanding that narrative had been transmitted, Ms. Leslie indicated she would address the issue with the Fiscal Analysis Division staff.

Chairman Arberry closed the hearing on the Office of the Governor budget and opened the hearing on the Mansion Maintenance budget.

ELECTED OFFICIALS – MANSION MAINTENANCE (101-1001) – BUDGET PAGE ELECTED-6

Mr. Clinger provided the Committee with the following information:

- The Mansion Maintenance base budget funded three positions to operate and maintain the Governor's Mansion.

- The 2006 and 2007 base budget figures were based on 2004 actual figures and were adjusted where needed.

- The M-100 Decision Unit recommended inflationary increases of 4 percent for electricity and 8 percent for natural gas as listed in the Appendices, Volume III of The Executive Budget.

- The M-300 Decision Unit recommended fringe benefit adjustments of $1,126 in fiscal year 2005-06 and $2,068 in fiscal year 2006-07, as listed in the Appendices, Volume III of The Executive Budget.

- The M-305 Decision Unit recommended a 2 percent cost-of-living increase in each year of the biennium for unclassified and non-classified state employees. Although The Executive Budget reflected a General Fund salary adjustment for the M-305 Decision Unit, Mr. Clinger pointed out the cost-of-living increase was not funded by a General Fund appropriation. He explained the General Fund appropriation was placed in a "salary adjustment account," subject to justification and approval by the Board of Examiners.

- Page Elected-8 provided a summary of the Mansion Maintenance budget.

Chairman Arberry closed the hearing on the Mansion Maintenance budget and opened the hearing on the Office of Consumer Health Assistance budget.

ELECTED OFFICIALS – OFFICE OF CONSUMER HEALTH ASSISTANCE (101-1003) BUDGET PAGE ELECTED-17

Valerie M. Rosalin, R.N., Director, Governor's Office for Consumer Health Assistance (GovCHA), identified herself for the record. In a brief overview, Ms. Rosalin said the GovCHA was created by the 1999 Legislature and began operating in October 1999. Since that time, changes in office location and staffing had occurred as a result of budget constraints.

Ms. Rosalin explained the mission of the GovCHA was to assist consumers and injured employees in understanding their health care rights and responsibilities under various health care plans and policies, as well as industrial insurance.

Although the Office of Consumer Health Assistance originally opened offices in Carson City and Las Vegas, the Carson City office was closed on May 30, 2003. Currently, the Las Vegas office, located in the Grant Sawyer Building in Las Vegas, served consumers across the state. Ms. Rosalin reported the closure of the Carson City office resulted in $31,925 in operating savings from June 1, 2003 through June 30, 2004.

Ms. Rosalin advised that when the State Industrial Insurance System (SIIS) was privatized in 1999, 12 state employees were transferred to the Office of Consumer Health Assistance, and funding was transferred from the Department of Industrial Relations for salaries and operations. After transfers and voluntary resignations, a total of 8 new employees, including quality assurance specialists, nurses, and workers compensation specialists, were hired. With the reduction in staff, funding was adjusted to reflect the General Budget, Medicaid, Workers' Compensation, and Hospital Patients areas of operation.

Additionally, Ms. Rosalin provided the following information:

- ✓ Equipment was transferred from SIIS and other state agencies in 1999 when the office was established.

- ✓ Replacement equipment was requested in Decision Unit E-710.

- ✓ The Office for Hospital Patients was transferred from the Department of Business and Industry to the Office of Consumer Health Assistance by the 2001 Legislature and renamed the Bureau for Hospital Patients.

- ✓ The newly formed Bureau for Hospital Patients was supported by a General Fund appropriation, Medicaid funding, hospital assessments, and funding from the Workers' Compensation and Safety Fund.

As consumer advocates, Ms. Rosalin indicated the Office of Consumer Health Assistance saved over $8 million for consumers and had been contacted by over 10,000 Nevadans. Ms. Rosalin testified that in January a Workers' Compensation quality assurance specialist saved $47,108 for one injured worker and in February over $1,500,000 for another.

Bill Draft Request 18-246, submitted by Senator Michael Schneider, would establish the Office for Injured Employee Assistance and the Workers Compensation Ombudsman within the Office of the Governor. If enacted, Ms. Rosalin said the legislation would mandate that Nevada employers notify their employees of the GovCHA's advocacy role. Outreach efforts were currently limited because of employers who were unwilling to provide information concerning injured employee assistance to their employees. Ms. Rosalin recommended that information on employee assistance services be provided through the Department of Industrial Relations (DIR) Workers' Compensation poster, new employee packets, and C-4s (Claim for Compensation forms) that included contact information.

Ms. Rosalin told the members of the Committee that the work and dedication of the employees in the Office of Consumer Health Assistance advanced the goals and vision for the office. Beyond being the first source of advocacy for consumers and providers with health-care issues, Ms. Rosalin indicated a need to expand services in order to become a health information reference point for researchers and stakeholders who made policy to improve health care.

Concluding her remarks, Ms. Rosalin said the work of the GovCHA had expanded since establishment to include workman's compensation issues, as well as Managed Care, Medicaid, coordination of external review for Managed Care, and provision of information concerning free medications for those in need.

Addressing the agency's performance indicators, Mr. Denis asked how the percentage of satisfied consumers had been determined.

Ms. Rosalin said surveys, with indicators including the manner in which an individual was treated, and whether the proper information had been received, were mailed in self-addressed return envelopes after the close of each case. Although not all surveys were returned, Ms. Rosalin indicated she personally responded to surveys that had been received containing negative or unsatisfactory responses.

Ms. Rosalin provided the following information regarding questions from Mr. Denis concerning the surveys and assistance provided to non-English-speaking individuals:

- ✓ 21 percent of surveys were returned.
- ✓ Assistance was provided to non-English speaking individuals through translators.

Terri Rogers, Office of Consumer Health Assistance, Bureau of Hospital Patients, advised that surveys, flyers, and brochures were available in English and Spanish.

In response to a question from Mr. Denis concerning outreach activities, Ms. Rosalin indicated the Office of Consumer Health Assistance, in partnership with an Hispanic group, provided outreach activities through television, radio, newspaper, senior centers, health fairs, and in conjunction with state, federal, and community entities.

In response to concerns Mr. Denis had regarding the assistance provided to non-English speaking individuals, Ms. Rosalin advised that in addition to partnering with an Hispanic group, the services of a Spanish translator were provided through the University of Nevada, Las Vegas.

Assemblywoman Smith asked whether the closure of the Carson City office had any effect on customer service or the budget.

Ms. Rosalin indicated the budget for the Carson City office rent was shifted to the Las Vegas office. And, as previously discussed, assistance continued to be provided through health fairs, the media, and mailings for the 32 percent of constituents who were northern Nevadans.

Mrs. Smith asked if the number of constituents had changed since the closure of the Carson City office.

Ms. Rosalin indicated the numbers of constituents had not decreased and explained that RSVP (Retired and Senior Volunteer Program), for example, provided support, and staff from the south traveled to the north to conduct presentations.

With respect to the C-4 form, Ms. Giunchigliani asked if the Department of Industrial Relations (DIR) anticipated reprinting documents to include information on the services provided by the Office of Consumer Health Assistance.

While a final determination had not been made on the C-4 form, Ms. Rosalin said that including the form in information packets would not be costly since it was being placed on the DIR website.

Noting that the workload related to workers' compensation appeared to be decreasing, Ms. Giunchigliani questioned how the continued diversion of funding from the DIR could be justified.

As previously discussed, Ms. Rosalin indicated that workers' compensation assistance had been met with some resistance. Additionally, Ms. Rosalin said staff had appeared at most DIR meetings where employers were informed of the services provided by the Office of Consumer Health Assistance. However, Ms. Rosalin pointed out the office was consumer driven, not employer driven, and information concerning services and the C-4 form, if placed on DIR posters, would limit resistance.

In response to additional concerns expressed by Ms. Giunchigliani, Ms. Rosalin indicated the Office of Consumer Health Assistance caseload could be increased, and the transfer of workers' compensation funding from the DIR could be justified.

Additionally, Ms. Rosalin indicated union organizations were also being contacted.

Ms. Giunchigliani discussed asking the DIR to provide Consumer Health Assistance information to DIR safety councils as a method of distributing information.

Ms. Giunchigliani indicated it was her understanding that justification existed for the funding transfer from the DIR, but the lack of broadly disseminated information drove the perception of a reduced caseload, not a lack of interest on the part of the staff.

Andrew Clinger, Deputy Director, Budget Division, Department of Administration, commented that the funding mix was determined based on a time allocation, and more specifically, explained that the funding received from the Workers' Compensation Fund reflected the actual time spent providing assistance.

Ms. Giunchigliani requested information on the methodology used to determine the funding mix.

Mr. Clinger indicated the information on the funding mix would be provided to the members of the Committee.

Mr. Hogan requested information concerning the agency's experience concerning prescription drug programs under A.B. 236 of the 2003 Legislature, including FTE commitment, level of inquiries, and assistance provided to consumers.

Ms. Rosalin advised that Nevada was one of 12 states utilizing the PhRMA Program and that the "pharmacy desk" had been delegated to the Workers' Compensation quality assurance specialist.

Ms. Rogers advised that the <RxHelp4NV.org> website had 21,684 hits, 2,084 actual searches, and 1,461 individuals had been matched with programs that provided free prescriptions, a percentage match of approximately 70 percent.

Additionally, Ms. Rosalin advised that the PhRMA Program included all individuals who were unable to afford prescription medications.

Chairman Arberry closed the hearing on the Office of Consumer Health Assistance budget and opened the hearing on the Department of Personnel budget.

PERSONNEL – PERSONNEL (717-1363) BUDGET PAGE PERSONNEL-1

Jeanne Greene, Director, Department of Personnel, identified herself for the record and introduced Kim Foster, Administrative Services Officer, Department of Personnel.

Ms. Greene referenced a document titled, "State of Nevada, Department of Personnel, Budget Presentation to the Assembly Committee on Ways and Means," (Exhibit C). Using the Budget Presentation document, Ms. Greene provided the Committee with the following information concerning the Department's budget request for fiscal years 2006 and 2007.

- Page 1 described the Department of Personnel's vision, mission, and philosophy.

- The next page reflected a "high-level overview of the Department," and described the Personnel Commission, a five-member board appointed by the Governor, the Employee Management Committee, and the Catastrophic Leave Committee.

- A pie chart on the following page depicted the resource allocation of full-time positions within the Department of Personnel followed by a Department of Personnel Line Organizational Chart. The organizational chart reflected the divisions within the Department of Personnel, which included:

    - ✓ Technical Services, Field Services, and Administrative Services.

- Page 4 provided a profile on state employees by gender breakdown, average age, location, average years of service, turnover rate, educational level, and salary.

- Page 5 provided a budget request summary.

Noting the profile did not include information on ethnicity, Ms. Giunchigliani asked if ethnicity was tracked to ensure minority employment.

Ms. Greene advised that quarterly reports and annual summary reports on ethnicity were provided to all departments.

In response to Ms. Giunchigliani, who asked if the 8.52 average years of service had increased or decreased in the last several years, Ms. Greene indicated the years of service had remained virtually unchanged.

Ms. Giunchigliani noted that there were more state employees in the north and rural areas of the state than in the south.

Ms. Greene indicated that the majority of positions being requested in The Executive Budget would be allocated to the south for the Department of Corrections and for Division of Mental Health facilities.

Referencing the profile on the average age of state employees, Ms. Giunchigliani noted that a large number of employees might be retiring within the next five to ten years.

Ms. Greene projected that approximately 30 percent of the current workforce would retire in the next ten years. Ms. Greene indicated that agency administrators were in the process of reviewing the types of skills that would be needed in the future, whether current employees could be groomed for positions, or whether recruitment efforts would be required.

Kim Foster, Administrative Services Officer, Department of Personnel, identified herself for the record and provided information on the Department of Personnel's budget enhancement requests.

Beginning with Decision Unit E-710, identified as Replacement Equipment, Ms. Foster said the Department of Information Technology (DoIT) policy recommended computer equipment replacement every four years for mainstream technology users. As a result of limited spending during the last several biennia, Ms. Foster said two-thirds of the Department of Personnel's computers were out of warranty and would be over five to six years old by the time they were replaced. Replacement of one-third of the Department's inventory was requested in each year of the biennium.

Additionally, the Department's request included "critical anti-virus and website software," and two Scantron machines. The Scantron machines used in the Carson City and Las Vegas testing sections to grade tests were over 15 years old and needed extensive service. Ms. Foster explained that the grading and recruitment process was slowed when the Scantron machines were being serviced.

Replacement tables and chairs were requested for the Carson City testing room, and chairs for the Las Vegas testing room were needed to replace worn-out furniture.

In response to questions that Ms. Giunchigliani asked concerning online testing and Scantron machines, Ms. Greene explained that online testing was not currently available. Ms. Greene further advised that Decision Unit E-275 requested replacement of the Applicant Tracking System, and with that perhaps would come the ability to provide online testing.

In response to additional questions Ms. Giunchigliani asked concerning online testing, Ms. Greene explained that while the Department's current system did not allow for online testing, it was a process that was being explored. Currently, examinations were administered in Department of Personnel offices in Carson City and Las Vegas, while rural and out-of-state examinations were conducted by proctors.

In response to questions Ms. Giunchigliani asked concerning proctors, Ms. Greene advised that proctors were paid an hourly rate for administering an examination while out-of-state examinations were normally conducted through Employment Security offices or other state personnel offices.

In response to questions Ms. Giunchigliani asked concerning testing for the University and Community College System (UCCSN), Ms. Greene advised that the examinations for community college employees in Las Vegas were conducted in the Department of Personnel office. The University of Nevada, Las Vegas, and the University of Nevada, Reno, examinations were conducted on campus.

In a discussion concerning the use of paper and pencil for UCCSN examinations, Ms. Giunchigliani recommended reviewing online testing that would provide faster scoring for what appeared to be an antiquated testing process.

In response to questions from Ms. Giunchigliani concerning accommodations for the disabled, Ms. Greene advised that information was provided on the application form and test notice form that accommodations would be made "for any type of disability." Ms. Greene advised that staff worked with applicants on an individual basis to determine whether a translator or special equipment was needed to accommodate the disability.

In response to additional questions from Ms. Giunchigliani, Ms. Greene advised that accommodations were also provided to those individuals who had been involved in Special Education. Additionally, Ms. Green advised that staff worked with rehabilitation counselors to determine appropriate accommodations for the disabled.

Ms. Foster continued her presentation and moved on to Enhancement Unit E-720, New Software and Equipment. Expansion of the testing room in the Carson City office was underway, and additional tables and chairs were requested for the testing room. Ms. Foster said the increased space and additional tables and chairs would permit more applicants to be tested at one time.

Adobe Framemaker software was also requested in E-720, which would improve training documentation and presentations. Ms. Foster explained the software would integrate training presentations into a single package enabling the elimination of VCRs (videocassette recorder), DVD (digital video disc) players, and other hardware and software used in training presentations. Ms. Foster further explained that the software integrated student handouts, slide presentations, and audio and video materials into one training package. The material could be sent to students to view on their own personal computers, and could be shared with other government entities and trainers within the Department.

Mr. Denis asked if the $7,274 expenditure shown in the budget covered the full cost of the Adobe Framemaker and whether upgrades were included.

Ms. Foster confirmed that $7,274 covered the cost of the software but indicated some uncertainty concerning upgrades and said information on the upgrades would be provided.

Moving on to Decision Unit E-850, the Certified Public Managers Program, Ms. Foster provided the following information:

- The Certified Public Managers Program was a nationally recognized and accredited leadership development program for public-sector managers and supervisors.

- Over 26 states and the federal government participated in the National Certified Public Managers Consortium, which established the requirements and standards for the CPM designation and awarded accreditation.

- The CPM Program developed "world-class leaders and managers for public service" through a six-level program with participants attending a week-long level each quarter.

- Participants were assigned elective requirements, outside reading requirements, report writing, and job-related projects, completing 310 hours of course work by the end of the program.

- Although the program began with 44 participants, there were currently 43 participants, 25 in the north and 18 in the south.

- Participants in the program currently had completed three levels of the six-level program and were being certified as supervisors.

- Since the program began, 10 employees had been promoted.

- Application for accreditation would take place in late spring and graduation was planned for participants in November 2005.

- Excellent class ratings had been received from participants.

- The CPM Program had generated interest from department directors regarding adding additional participants to the program and when the next session would begin.

- Participants were asked to develop solutions to areas needing improvement within their own agencies. As an example, Ms. Foster said Virginia's CPM-accredited program had begun taking on agency projects previously completed by consultants. Program participants were being offered projects to complete during the program, and the state had experienced cost savings.

- Funding was requested to fund costs for two sessions of the six-level CPM Program to run consecutively in the north and south, allowing 80 participants to complete all six levels and obtain certification. Additionally, 80 more participants would be funded to begin the program and complete one to two levels prior to the close of the biennium.

In response to questions Ms. Giunchigliani asked concerning whether certification in the program was equivalent to an A.A. degree in public administration, Ms. Greene indicated minimum qualifications in competing for higher-level positions had not yet been addressed since there currently were no graduates of the program. Ms. Greene advised that before a determination could be made on a Certified Public Manager accreditation equivalency, a minimum qualification validation process would be necessary.

In response to Mr. Denis' inquiry on how participants were selected, Ms. Foster advised that information concerning the program was sent to all Department directors who selected the participants. A questionnaire to those selected asked why they wanted to be a part of the program.

In response to Mr. Denis' inquiry on a limit of 80 participants, Ms. Foster explained that each department was allocated a percentage of the 80 participants in accordance with the Department's population, which provided a class size of 20. Since a class size of 25 was preferred, Ms. Foster indicated cities and counties were being encouraged to become involved in the program and would fund the additional slots. The option of filling the 5 additional slots was also being offered to state agencies.

Ms. Giunchigliani suggested that employees be provided the opportunity to volunteer rather than allowing an agency administrator or department director to choose participants.

Ms. Foster agreed that Department staff would review the selection process.

Continuing her presentation, Ms. Foster referenced a flyer entitled, "Integrated Financial Systems (IFS-HR)" (Exhibit D), that detailed three system functional areas, Advantage-HR, HR Data Warehouse, and NEATS, the Nevada Employee Action and Timekeeping System.

The department's budget request included the following six upgrades to the Nevada Employee Action and Timekeeping System (NEATS):

E-275 – Applicant Tracking System Replacement
E-276 – Timekeeping – Generic Levels of Approval
E-278 – Employee Incident Tracking
E-279 – Timekeeping – Leave and Overtime Pre-Approvals
E-280 – EDM – Location Scheduling
E-281 – EDM – Class Wait Listing

Ms. Foster described the Advantage-HR portion of the system as payroll and personnel "data extracted, reorganized, and added to historical information in the HR Data Warehouse." The Advantage-HR was provided to a subgroup of users in March 1999, with a current user base of 550.

Ms. Foster explained that the HR Data Warehouse stored all employee salary, position, overtime, leave, and demographic information. Data that included statewide totals, department and agency level totals could be summarized, downloaded into Microsoft Excel spreadsheets, and manipulated to provide management with needed statistics.

Additionally, Ms. Foster advised that the Nevada Employee Action and Timekeeping System (NEATS) stored timesheet and personnel transactions in a centralized system. The white areas displayed in the flyer were currently operational while those displayed in green were requested enhancements. Ms. Foster advised that the timekeeping component provided employees with the ability to electronically submit timesheets to supervisors and to have timesheets approved electronically before being entered into the system.

Ms. Foster indicated that the Employee Data Capture component provided employees with a one-stop shopping, self-service area that allowed them to submit changes to addresses, beneficiaries, and personnel information without submitting separate paperwork to personnel representatives.

The Employee Development Module was described as a training registration and tracking system that provided employees the opportunity to view class offerings, register for classes online, obtain supervisory approval and notification of enrollment.

The Security Administration component provided centralized security administration for Advantage-HR, HR Data Warehouse, and NEATS.

While the HR-Data Warehouse currently had 840 users, Ms. Foster indicated the NEATS employee action timekeeping system currently had 25+users. The Employee Development training, registration, and tracking system had 16,000 intermittent users, who were only on the system when they registered for training classes.

Ms. Foster indicated that at the time access was provided to the Employee Development component, the telephone help line calls increased from 230 calls a month to more than 1,300 calls a month. While a temporary employee had been hired for the help desk, an additional position was requested to support the steadily increasing NEATS user base.

In response to questions Ms. Giunchigliani asked concerning the potential user base, Ms. Foster advised that while a limited number of users accessed the Advantage-HR system reporting areas, other portions of the NEATS could be accessed by all state employees. Ms. Foster clarified that the NEATS could not be accessed by Legislative Counsel Bureau employees, but it was available to Nevada Department of Transportation employees.

Ms. Giunchigliani expressed concern regarding separate payroll systems for several state entities and indicated that a consolidation of the payroll functions within state government would provide more accurate data gathering.

Although the Legislative Counsel Bureau, the University and Community College System, and the Public Employees' Retirement System had their own payroll functions, Ms. Foster clarified that those entities shared the Employee Development training-tracking module. Ms. Foster advised that the Employee Development module also provided transcript printouts and a collected history on classes taken since hire.

In response to questions Ms. Giunchigliani asked concerning the information contained within the HR Data Warehouse, Ms. Foster explained that the HR-Data Warehouse was set up for a subgroup of users. Currently 880 users, governed by security rules, had access to the data contained within the system. However, Ms. Foster clarified that an employee from the Department of Taxation, for example, would most likely only have access to the Department of Taxation's information.

In response to additional questions from Ms. Giunchigliani, Ms. Green advised that excluding the University, there were 15,640 classified positions and 907 unclassified positions. Ms. Green clarified that UCCSN; Legislative Counsel Bureau; Judicial Branch employees; and seasonal, temporary, and intermittent positions were not included in the count.

Ms. Giunchigliani pointed out there were probably another 5,000 employees excluded from the count.

Ms. Greene indicated information was available for the Judicial Branch, whose employees were paid through the State payroll system, but the Legislative Counsel Bureau had their own payroll and personnel system. Although the UCCSN did not interface with the Department's system, Ms. Greene advised of the availability of periodic reports for classified employees, excluding professional and academic staff.

Ms. Giunchigliani expressed support for a total payroll and personnel interface, including the Legislative Counsel Bureau, in order to provide more accurate data gathering and reporting.

In response to questions Mr. Denis asked concerning the IFS Help Desk, Ms. Foster indicated the department employed one full-time permanent employee for the help desk and a temporary employee who provided assistance. Other IFS-HR employees also provided assistance during periods of increased calls or employee absences. Additionally, Ms. Foster explained that the software used to track calls was used throughout the state and was supported by the Department of Information Technology (DoIT).

In response to additional questions from Mr. Denis, Ms. Foster indicated the software provided the ability to analyze help desk calls, review trend analysis, and implement improvements.

Mr. Denis asked if there were any increased costs with the addition of the position.

Ms. Foster advised there were none.

In response to a question from Mr. Denis concerning electronic timesheet submittal, Ms. Foster advised that the electronic timesheet submittal module was requested to be enhanced, which would be addressed during the latter part of her presentation.

Providing a brief overview concerning Decision Unit E-275, the Applicant Tracking System Replacement, Ms. Greene reported that the Department's 20-year-old system was developed in the 1980s. The current process, identified as TRAC, provided for the data entry and viewing of applicants' demographic information, each position for which an applicant applied, whether the applicant qualified, examination pass or failure information, and each referral for appointment.

Ms. Greene advised that problems were being experienced with the TRAC, and the system was "down" on average approximately eight hours a month. During the downtime, Ms. Greene advised that 90 users were unable to access applicant information, which delayed certification of lists to requesting agencies and delayed filling positions.

Ms. Greene advised that the TRAC system software was provided through a small company located in Sacramento, California. The company had only two employees, one of whom had the computer skills to assist Department staff during downtime. Ms. Greene indicated the Department found itself in a vulnerable position in that assistance could be provided by only one individual. Ms. Greene pointed out that the unavailability of that one individual would leave no one to keep the system "up and running."

Ms. Greene advised that Decision Unit E-275 proposed replacing the current applicant tracking system with a new system that would interface with NEATS.

The system was proposed to be adopted in three phases. Phase I would achieve Internet-based electronic filing of employment applications, which was currently unavailable. While available online, Ms. Greene explained an application had to be printed and mailed via postal mail.

Additionally, Ms. Greene reported that the new system would provide that applications could be retained online for updating by the applicant. Applicants would also be provided access to all information concerning receipt of their application, whether minimum qualifications were met, notification of pass or failure, and information concerning referrals to agencies for hiring purposes.

Ms. Greene advised that Phase II of the applicant tracking system would encompass a preliminary design phase of the full replacement, and full replacement would include the examination, certification, and applicant notification process.

Moving to page 14 of the "Budget Presentation" document (Exhibit C), Ms. Foster provided an explanation of Decision Unit E-276, Time Data Capture/Generic Levels of Approval. Ms. Foster advised that the proposed module would enhance the online timekeeping system by providing another level of approval to timesheet processing that would allow for the review of timesheets by pay clerks.

Ms. Foster explained that timesheets were currently submitted online for review and approval by a supervisor. However, with increasingly more complicated layers of federal and state regulations applicable to payroll processing, the addition of another level of approval would allow for review of timesheets by pay clerks skilled in the interpretation of areas such as callback pay, standby pay, family medical leave rules, and timesheet coding. Additionally, Ms. Foster explained that the module would provide pay clerks the ability to correct an error before posting to the system rather than reversing the action after submission.

In response to questions from Mr. Denis concerning the current cost to correct timesheets, Ms. Foster confirmed the proposed enhancement would increase efficiency and decrease overtime costs.

Moving to page 15 of the "Budget Presentation," Ms. Foster provided an explanation of Decision Unit E-278, Employee Incident Tracking. Ms. Foster advised that the proposed Employee Incident Tracking module, as an integral part of the Nevada Employee Action and Timekeeping System (NEATS), would support tracking employee grievances, appeals, and discrimination claims.

Ms. Foster described grievances as acts, omissions, or occurrences, which constituted an injustice related to the relationship between employee and employer. Additionally, Ms. Foster explained that the appeals process included an employee's right to appeal dismissals, demotions, suspensions, and involuntary transfers.

While each type of incident involved a separate process, Ms. Foster explained that a grievance, for example, began at the agency level with an employee who filed paperwork for a perceived injustice. The process moved through successive levels of authority within the agency and, if not resolved at the agency level, the claim would ultimately be resolved by the Department of Personnel. Ms. Foster advised that there was currently no system that captured data on grievances filed with and resolved at the agency level.

Although agencies individually tracked incidents through spreadsheets or databases, Ms. Foster pointed out the Employee Incident Tracking module would provide a consistent method of tracking incidents and would ensure that regulatory time frames were met. With an 89 percent increase in the cost to resolve employee appeals in 2004, Ms. Foster indicated the module would provide the trend analysis capability to implement corrective measures that would ultimately provide cost benefits to the state.

In response to a question from Chairman Arberry concerning the $98,700 cost for the module, Ms. Foster reiterated that a consistent method of tracking and analyzing incidents would provide the opportunity to implement corrective measures, which would save the state money.

In response to a question from Chairman Arberry concerning the requested module compared to other software programs, Ms. Foster advised that it was the Department's goal to have a completely integrated system. Additionally, Ms. Foster explained that with the many modifications that would be required to adapt "canned software" to the State's specific requirements, upgrades could not be used, nor would a cost benefit be derived from a maintenance agreement.

In response to additional questions from Chairman Arberry, Ms. Foster reiterated that the module would be an extension of the NEATS from which data could be compiled to provide statistics required by management, the Governor, and the Legislature. Ms. Foster also indicated that less training would be required, since employees were already familiar with the system and understood the technology.

In response to a question from Mr. Denis concerning whether additional work would be created for the agency, Ms. Foster indicated that since data could not currently be brought into a centralized area and analyzed statewide, the ability to retrieve data that agencies were separately tracking would ultimately take less time and cost less.

In response to a question from Mr. Denis, Ms. Foster indicated that state agencies would be required to use the system rather than their current tracking methods.

Moving to page 16 of the Budget Presentation, Ms. Foster addressed Decision Unit E-279 – Leave and Overtime Pre-Approval, an extension to the NEATS Time Data Capture, which would provide a consistent electronic overtime and leave pre-approval process for state employees.

Currently, in NEATS, the submittal and approval process occurred after leave and overtime had been taken or submitted through "hardcopy" pre-authorization leave/overtime approval forms. Ms. Foster advised that while agencies implemented their own policies to accomplish the task, *Nevada Revised Statutes* (NRS) 284.180, provided, in part, "all overtime must be approved in advance by the appointing authority or his designee." Additionally, *Nevada Administrative Code* 284.539 required a written request to use annual leave. The new system would provide an electronic means to obtain pre-approvals for overtime and leave, and it would be used across the state.

Reiterating concerns that the data would not be captured for state employees whose agencies did not interface with the state system, Ms. Giunchigliani indicated a review might be necessary to ensure that all state employees were governed by the same regulations.

Ms. Foster confirmed that employee data would not be captured for the Legislative Counsel Bureau, the Public Employees' Retirement System, and the University and Community College System.

Moving to page 17, Ms. Foster addressed Decision Unit E-280, NEATS Employee Development Module (EDM), Location Scheduling. Ms. Foster advised that the EDM Location Schedule would provide an online training registration through NEATS for state employees as well as outside entities.

If implemented, Ms. Foster indicated the feature would support a single, consistent, training calendar that included all training facilities, meeting rooms, and other state-shared facilities. Ms. Foster indicated the module would ensure optimal use of high-demand, expensive state facilities and would provide a central location to search for facility availability.

In response to Chairman Arberry, who asked how the system would be updated, Ms. Foster indicated that while not all issues had been addressed, Department staff would, most likely, on a regular basis, research and update location and training room facility information.

Moving to page 18 of the Budget Presentation, Ms. Foster addressed Decision Unit E-281, Employee Development Module, Training and Wait Listing. An extension of the Nevada Employee Action and Timekeeping System, Ms. Foster indicated the Training and Wait Listing module provided online statewide registration and tracking for employee training classes. The new feature would automatically place participants on a wait list, move them to classes on availability, and provide notification of enrollment via email.

Ms. Foster projected that within a six-month period approximately 2,100 people would benefit from the wait listing enhancement. Additionally, Ms. Foster indicated the module would ensure optimal class sizes and would also provide the Department of Personnel Training Division with information to determine the level of demand for a particular class/time.

Mr. Denis expressed concerns that the combined number of modules being requested would increase the number of employees needed for computer system maintenance.

Although an increase in help desk calls was briefly seen each time a new module was integrated into the system, Ms. Foster indicated Department staff anticipated the help desk could be maintained with only two employees, in addition to backup staff.

In response to questions Mr. Denis asked concerning enhancement priority, Ms. Foster advised that the enhancements were purposely presented for separate consideration.

Mr. Denis questioned whether any costs were associated with enhancement upgrades and support for the requested enhancements.

Ms. Foster advised that the Department had been working with, and had an agreement with, a consulting firm that had resale rights to the system in exchange for upgrades and maintenance.

In response to questions from Mr. Denis, Ms. Foster confirmed that NEATS had been developed specifically for the Nevada Department of Personnel, currently the only user. Ms. Foster explained that knowledge transfer to state programmers had occurred as the systems were developed. Currently, in-house programmers were providing enhancements and new developments to the system for the HR Data Warehouse.

In response to questions Mr. Denis asked concerning the technology and program language being used, Ms. Foster advised the Department was running Oracle Database on an IBM RS/6000 workstation.

Ms. Foster invited members of the Committee to view the NEATS, which would be displayed during Technology Days, on Wednesday, February 9, 2005, from 10:00 a.m. to 2:00 p.m. at the Legislative Counsel Bureau.

Ms. Greene addressed Decision Unit E-250, which recommended the addition of one personnel analyst III to the Discrimination/Sexual Harassment Unit in Las Vegas.

The unit was established by the 2003 Legislature to investigate allegations of sexual harassment and Title VII discrimination complaints. Ms. Greene indicated that two existing personnel analysts and a supervising analyst were assigned to the unit, and the Legislature approved one additional position.

Since September 2003, Ms. Greene advised that 128 complaints had been investigated, 55 of which were initiated out of the Las Vegas office, which only had one investigator. Ms. Greene indicated other investigators had to be sent to Las Vegas to assist with investigations, which delayed proceedings and incurred additional travel costs.

Ms. Foster provided information on Decision Unit E-225, Records Conversion From Film to Digital Images, which recommended continued funding of the conversion of personnel records from microfilm to a digital database, a project initially approved by the 2003 Legislature. Ms. Foster explained that digital imaging technology provided the ability to scan and save personnel transactions as they were being processed and to print good quality, hard copies from the retrieved data.

Prior to digital imaging, all employee records were maintained on microfilm, a system that required a number of steps to retrieve information and to print less-than-quality hard copies.

Decision Unit E-225 requested funding to convert 13 years of personnel records on microfilm to digital image, which Ms. Foster advised would save 83 percent of the time currently required to retrieve employee records from microfilm.

Chairman Arberry asked how the work would be accomplished.

Ms. Foster advised that the department's Records Division staff would index the documents, and State Micrographics Division staff would scan the 2 million documents at 6 cents a record.

Mr. Denis asked if cost comparisons had been made to having the documents scanned by a private company.

Ms. Foster advised she would provide the information on past comparisons, which she recalled indicated in-house record scanning was less expensive than could be accomplished by a private company.

With respect to Decision Unit E-251, the National Association of State Personnel Executive (NASPE) annual training, Ms. Greene explained that budget constraints had limited the Department's budget during the past few years, and funding for the NASPE had been eliminated. Decision Unit E-251 requested funding for travel and registration costs for the Director to attend the National Association of State Personnel Executive (NASPE) annual training.

Moving to Decision Unit E-282, Internet advertising to Aid in Difficult Recruitments, Ms. Greene indicated $2,000 per year was requested to fund Internet advertising. Many state agencies had asked that vacant positions be advertised on the Internet, and additional funding was being requested to expand Internet advertising for difficult-to-recruit positions.

Moving on to Decision Unit E-253, Replacement of Sexual Harassment and Equal Employment Opportunity Training Videos, Ms. Greene explained that funding was being requested to replace training videotapes that were at least seven years old. The Governor had mandated that all employees attend sexual harassment training every two years, and the funding would provide updated video training tapes for employees.

Ms. Foster provided information concerning Decision Unit E-900, which represented transfers between the various budget accounts for Integrated Financial System (IFS) operations. An analysis concerning the use of the shared servers provided a determination on the transfers between the Department of Personnel, Department of Information Technology, and Department of Administration to ensure an equitable split in costs to operate IFS systems on shared servers.

Chairman Arberry asked that department staff discuss the recommendation to move certain positions from the classified to the unclassified service.

Ms. Greene advised that the Governor established the Personnel Task Force in the fall of 2001. The Task Force recommended the establishment of the Sexual Harassment Unit and the Certified Public Manager Program, which were approved by the 2003 Legislature. Pointing out that currently 48 out of 89 division administrators were unclassified and 41 were classified, Ms. Greene said the Task Force had developed a recommendation to require equity between classified and unclassified positions.

With the Governor's endorsement, Ms. Greene said the Task Force requested a Department of Personnel survey of all agencies' positions and organizational structures. The survey results were developed into definitions of the positions it was determined should be placed in the unclassified service. The positions included:

- Department Directors
- Deputy Directors
- Division Administrators
- Deputy Division Administrators
- Bureau Chiefs (most were currently unclassified)
- Executive Assistants
- Public Information Officers
- Doctoral Professionals (medical doctors, veterinarians, psychiatrists, dentists)

Ms. Greene explained that the Task Force recommended executive assistants be moved to the unclassified service since those positions served primarily as confidential secretaries to Cabinet members. Ms. Greene indicated a new director should have the latitude to hire an executive assistant without going through the civil service process. The same rationale applied to public information officers, who were considered spokespersons for directors.

Ms. Greene advised that the study resulted in a recommendation to move 301 positions to the unclassified service. Additionally, compensation levels were reviewed, and 11 salary tiers were created. The positions recommended for the unclassified service were allocated to one of those tiers, and, as a result, some positions received salary increases.

Ms. Greene advised that the Governor's proposal to freeze salaries at the current level for employees in positions recommended for a decrease had been built into the budget. Additionally, those employees would be entitled to receive cost-of-living increases until they vacated their positions, after which compensation for the position would be decreased to the recommended level.

In response to Ms. Giunchigliani, who asked for names of the members of the Personnel Task Force, Ms. Greene provided the following:

- Perry Comeaux, Director, Department of Administration
- Jackie Crawford, Director, Department of Corrections
- Jeanne Greene, Director, Department of Personnel
- Keith Munro, Deputy Chief of Staff, General Counsel to the Governor
- Dorla Salling, Chairman, State Board of Parole Commissioners
- Scott Sisco, Interim Director, Department of Cultural Affairs
- Sydney Wickliffe, Director, Department of Business and Industry
- Mike Willden, Director, Department of Human Resources
- Jim Spencer, Senior Deputy Attorney General

Expressing concerns of hidden motivations or the perception of hidden motivations, Ms. Giunchigliani asked why department directors were appointed to a Task Force to review the assignment of positions to the unclassified service.

In response, Ms. Greene advised that the Governor appointed the Task Force to provide recommendations with respect to personnel programs, agency problems, barriers, and efficiency.

In response to a question from Ms. Giunchigliani concerning other recommendations from the Task Force, Ms. Greene reiterated earlier testimony concerning the recommendations for a centralized Sexual Harassment Investigation Unit, which had been approved by the Legislature in 2003. Oftentimes, Ms. Greene indicated, there were perceptions of favoritism if sexual harassment issues were addressed at the agency level. In addition to the currently proposed unclassified service, which had been placed in a bill draft request (BDR), Ms. Greene advised that the Task Force had recommended pre-employment drug testing for all state employees.

Having noted that the total cost to implement the proposed change amounted to $5,546,307, Ms. Giunchigliani indicated the study should have been contracted. Additionally, Ms. Giunchigliani noted there appeared to be some salary disparity between comparable positions in agencies included in the study and agencies that were not included.

In response to questions from Ms. Giunchigliani concerning salary tiers, Ms. Greene explained that salary tiers ranged from 1, Department directors to 11, executive assistants, and clarified that salary tiers currently did not exist.

In response to a question from Ms. Giunchigliani, who asked if salary tiers would prevent end-of-session salary disparities, Ms. Greene explained that the Task Force had recommended placing positions into tiers based on the breadth and complexity of the program being administered.

In response to comments from Ms. Giunchigliani concerning current salary issues related to gender and age, Ms. Greene explained that positions were "slotted" into tiers based on size and complexity of a program. Providing an example, Ms. Greene indicated she had been placed in tier 5 based on being the director of the Department of Personnel with approximately 90 employees compared with the director for the Department of Human Resources with 2,500 employees.

Ms. Giunchigliani asked to be provided information concerning the criteria used in development of the recommendation. Additionally, Ms. Giunchigliani asked for information concerning the reasoning behind placing executive assistants and public information officers in the unclassified service.

Ms. Greene advised that after "extensively" discussing placement of Cabinet members' staff, members of the Task Force determined executive assistants and public information officers would be more appropriately placed in the unclassified service. Ms. Greene defined the placement of other positions as a "no-brainer." While it appeared employees might be apprehensive about "at-will" employment, statistics revealed turnover at 8 percent for classified employees and 6.8 percent for "at-will employees" during 2004.

Ms. Giunchigliani pointed out, however, that agency administrators were normally replaced during a change in administration, and while understandable within the Governor's Office, State government had to continue to run consistently during the transition.

Ms. Greene indicated that she did not have turnover statistics for the last gubernatorial transition.

Ms. Giunchigliani indicated the recommendation required legislative review and again expressed concerns with respect to a tiered structure for unclassified personnel, especially in view of the fact of the inequities and the length of time required for classified employees to work through the tiered schedule.

Ms. Greene explained that each of the 11 tiers had a maximum salary for which an appointee could be paid anywhere between the lowest or highest level.

In response to a question Ms. Giunchigliani asked concerning the recommended 2 percent cost-of-living increase, Ms. Greene advised that all the positions recommended to be placed in a tier were eligible to receive the additional 2 percent increase.

Ms. Giunchigliani indicated that while the salaries for professional employees at the University and Community College System of Nevada (UCCSN) were capped, those employees received the 2 percent cost-of-living increase as well as a merit raise.

Ms. Greene indicated the unclassified pay bill was treated "very cautiously" and further indicated state employees were not paid beyond the maximum salary limit.

Ms. Giunchigliani indicated the recommendation would require thorough discussion by the members of the Joint Subcommittee on General Government.

Ms. Greene advised that the bill would come before the Committee on Ways and Means for additional discussion since there were some financial ramifications.

Following up on Ms. Giunchigliani's comments, Ms. Leslie indicated she viewed the placement of positions in a tiered schedule, defined earlier as a "no-brainer," as a potential problem. Based on her experience working in the human resource area, Ms. Leslie indicated Bureau Chiefs, for example, tended to be "very knowledgeable, technical people," and the thought of replacing them was disturbing. Additionally, Ms. Leslie expressed concerns regarding public information officers, who she indicated were not political information officers.

Ms. Greene pointed out the Bureau Chiefs, with whom she was most familiar, administered 24-hour facilities. While some of those employees were classified, others were not, and Ms. Greene indicated the goal was to create equity. Additionally, Ms. Greene indicated the positions were considered difficult to recruit and for that reason had long-term security.

Ms. Greene commented on having met with various employee organizations that had requested current employees be "grandfathered in" at their current levels, which the Governor was considering.

Ms. Leslie discussed having been approached by some employees who, fearing for their jobs, were too frightened to testify publicly. If the recommendation was approved, which would take some convincing on her part, Ms. Leslie said existing employees should be protected.

Ms. Greene reiterated earlier statements that the Governor was considering providing employees with a choice, and the position would convert to the tier level when the position was vacated.

Chairman Arberry addressed an example of a disparity in compensation pointing out that in salaries approved by the 2003 Legislature, the Executive Director for the Division of Economic Development earned $94,893 and the Executive Director for the Division of Tourism earned $94,893. Recommended salaries in The Executive Budget for 2005-2007 reflected a salary of $98,727 for the Executive Director for the Division of Economic Development and $106,080 for the Executive Director, Division of Tourism, including a 2 percent cost-of-living increase.

Ms. Greene indicated the Gaming Division, Public Utilities Commission, and Division of Economic Development were not included in the study since those divisions were primarily staffed with unclassified positions and did not meet criteria established by the Task Force.

In response to Chairman Arberry's question of whether the Attorney General's office was included in the study, Ms. Greene advised that the constitutional offices were not included in the study.

Ms. Greene advised that if the recommendation was accepted and approved by the Legislature, another recommendation would be brought forward during the 2007 Legislature to include other divisions.

Chairman Arberry expressed concerns that approval of the recommendation would create a rippling effect across state government branches. The Chairman indicated it appeared as though there were some disparities and agreed with previous comments to thoroughly review the recommendation.

Ms. Greene provided assurance that favoritism played no part in the salary recommendations. Additionally, Ms. Greene indicated she had personally provided oversight for the allocation of the salary tiers and had argued against increasing salaries for specific positions not meeting established criteria.

Mr. Hogan indicated that achieving consistency for positions with similar duties was "an appealing argument" for placement in the unclassified service. Mr. Hogan also indicated the same considerations should apply to the classified service and asked if the tier schedule for the classified service should be updated to achieve that consistency.

Ms. Greene advised that the study determined a mix of classified and unclassified positions. For example, at the division administrator level, half were classified, half were unclassified, and the reason Ms. Greene cited for attempting to create equity for salary and classification levels.

Mr. Hogan discussed the choice of whether to place positions in the classified or unclassified service and getting "a sense" the members of the Committee favored placing positions in the classified service.

Indicating there "probably were many reasons for the inconsistencies," Ms. Greene advised that division administrators had historically been unclassified. As a result of restructuring, the Division of Wildlife, for example, became the Department of Wildlife, and "those division administrators were not reclassified."

Mark Stevens, Assembly Fiscal Analyst, identified himself for the record and indicated that if the proposal was brought forward, the Committee should be aware of at least one area where there would be an increase in the budget. Mr. Stevens explained that as a result of elected officials not being included in the Task Force study, attorney positions in certain budgets would receive increases based on the recommendations in The Executive Budget, while attorneys in the Attorney General's Office would not. Mr. Stevens indicated that if the proposal was implemented, the Attorney General would, most likely, request that the attorneys in the Attorney General's Office should also be included.

Chairman Arberry closed the hearing on the Department of Personnel budget and opened the hearing on the State Unemployment Compensation budget.

STATE UNEMPLOYMENT COMPENSATION (101-1339) - BUDGET PAGE PERSONNEL-14

Ms. Foster reported that the Department of Personnel was responsible for managing State Unemployment Compensation, Budget Account 1339, funded from salary assessments from which actual claims incurred were paid.

Ms. Foster referred to a chart on page 26 of the budget presentation (Exhibit C), which reflected a summary of statistics concerning the Unemployment Compensation account from 1998 to 2004 with projections through 2007. Pointing out that claims had increased, Ms. Foster referred to the columns titled Employment Security Benefits Payments, Number of Claims, and Average Cost Per Claims.

While a slight decrease was seen in 2004, current projections for 2005 assumed a claim experience identical to 2004. Ms. Foster said, however, that based on historical trends, the recent trends were anticipated to reverse, thus a modest increase of 5 percent was projected for the number of claims and average cost for claims in fiscal years 2006 and 2007.

Chairman Arberry closed the budget hearings and asked the Legislative Auditor to provide a review of Legislative Audit Summaries.

REVIEW OF LEGISLATIVE AUDIT SUMMARIES

Paul Townsend, Legislative Auditor, Audit Division, Legislative Counsel Bureau, identified himself for the record and introduced Steve Wood, Chief Deputy Legislative Auditor, Audit Division, Legislative Counsel Bureau.

Mr. Townsend extended his appreciation to the members of the money committees for their involvement in implementing audit recommendations. The monetary benefit derived from implementation of audit recommendations resulted in $25 million in revenue enhancements or cost savings in the past two years, which Mr. Townsend indicated would not have been possible without the support and involvement of the Legislature.

Mr. Townsend referred to the "Legislative Counsel Bureau, Audit Division Audit Report Summaries" document (Exhibit E), which contained summaries of audits issued during the past biennium. Each section contained a one-page highlight followed by a 60-day plan for corrective action, the first step in the audit follow-up process, and, in some cases, the Department of Administration's six-month report verifying the implementation status of the recommendations.

Directing the Committee members to the Education tab, pages 20 and 42 respectively, Mr. Townsend reported the Washoe County School District and Clark County School District required audits as provided in S.B. 8 of the 20th Special Session. The one-page highlight on page 20 was followed by Washoe County's 60-day plan to implement audit recommendations, and Mr. Townsend explained the report for the Clark County School District had been issued in January 2005, and a 60-day plan was anticipated on or about April 4, 2005.

The University and Community College System of Nevada (UCCSN) audits began on page 43. Assembly Bill 148 of the 2003 Legislative Session, directed the Audit Division to review a number of issues which had been identified by five separate reports. Mr. Townsend provided a brief summary of each report:

- ✓ Statewide Programs, page 43, provided findings and recommendations concerning Statewide Programs. By the time budget hearings would be conducted for the University of Nevada, Reno, and the University of Nevada, Las Vegas, Mr. Townsend indicated additional information would be available as a result of the audit.

- ✓ Validity and Reliability of Enrollment Data, page 46, provided findings and recommendations concerning student enrollment counts, defined as full-time equivalent (FTE), which Mr. Townsend described as the "driver" for the statewide portion of the UCCSN. The processes at various UCCSN institutions were reviewed and verified as "valid and reliable" although there were areas in which Mr. Townsend said improvements could be made to ensure future reliability.

- ✓ Analysis of Investment Policies and Procedures, page 49, provided findings and recommendations concerning "policies and procedures to provide guidance to staff and other parties involved in the generation and distribution of investment income." Mr. Townsend indicated Audit Division staff reviewed best practices in other institutions and determined a number of recommendations the UCCSN could implement to improve their policies and procedures over investments.

- ✓ Capital Construction Projects and Contracting and Bidding Procedures, page 58, was described by Mr. Townsend as "probably our most critical audit of the series." A number of energy retrofit projects were identified as having been performed without competitive bidding.

- ✓ Costs of Administration, Athletics, and Host Accounts, page 59, identified Administrative costs, for the most part, as reasonable, while expenditures for travel in the Athletics account were determined to require additional controls, and additional guidelines were determined necessary to ensure expenditures in the Host account were appropriate.

Moving to the Human Services tab, page 88, Mr. Townsend indicated some state agency audits were conducted, and the audit for the Division of Child and Family Services proved significant. Mr. Townsend reported that the Division of Child and Family Services had the ability to increase the amount of allowable Medicaid billing and could retroactively bill for the past two years to obtain additional reimbursements for most services and obtain an additional $3 million for the General Fund and approximately $2.5 million going forward. The audit findings determined that because of numerous billing issues, the Division of Child and Family Services did not bill Medicaid for the full cost of services provided.

When the Division of Child and Family Services audit was provided to the Audit Subcommittee, Mr. Townsend indicated he was directed to contact the Director of the Department of Human Resources to ensure similar situations were not occurring in other divisions in the Department as well. Mr. Townsend reported that the director of the Department of Human Resources implemented a procedure to annually review all divisions within the Department of Human Resources to ensure appropriate rates were being charged, which should provide additional revenue enhancements throughout the Department.

Concluding his presentation with the Office of Veterans Services audit, located under the Special Purpose tab on page 109, Mr. Townsend reported serious problems were discovered concerning frequent noncompliance "with state laws and regulations," and policies and procedures related to financial and administrative practices. Specifically, Mr. Townsend indicated problems existed in reconciliation of accounts to the state accounting system for individuals who were unable to manage their own financial affairs, a lack of documentation for transactions, and numerous errors in the accounts.

Mr. Townsend indicated he was directed by the chairman of the Audit Subcommittee to work immediately with the Office of Veterans Services to correct the problem. To the benefit of the Office of Veterans Services, Mr. Townsend reported an accountant was hired "who spent a considerable amount of time on the accounts," which were currently reconciled on a monthly basis and monitored by the Audit Division staff.

Mr. Townsend indicated he looked forward to working with Assemblywoman Koivisto and members of the Audit Subcommittee.

Mr. Marvel indicated the members of the various joint subcommittees would find the audit reports instrumental during budget hearings and to ensure state agencies were conforming to the audit recommendations. Additionally, Mr. Marvel credited the Audit Division staff for what he considered "well done and very professional audit reports."

Mark Stevens, Assembly Fiscal Analyst, outlined the Committee's work schedule beginning the following week when joint subcommittee meetings would begin. Mr. Stevens advised the members of the Committee that joint subcommittees met on Tuesdays, Thursdays, and Friday, while the full Committee met on Mondays and Wednesdays.

Additionally, Mr. Stevens indicated that "Expanded Program Narratives," which would supplement information in The Executive Budget, were currently being compiled. New committee members would each receive two binders of "Expanded Program Narratives," which contained additional narrative for each budget account, and one copy of the "Expanded Program Narratives" would be placed in Room 3137 for veteran members of the Committee. Additionally, 12 volumes containing the budget detail had been placed on top of the bookshelf holding the *Nevada Revised Statutes,* also in Room 3137. Mr. Stevens offered to assist any member of the Committee who wanted to access the more detailed version of the budget.

In response to a question from Mr. Denis, Mr. Stevens explained the joint subcommittee meetings would begin at 8:00 a.m., and two subcommittees would be working at the same time, one in 3137 and one in 2134, the Senate Committee on Finance meeting room.

With respect to the Consumer Health Assistance Budget, Ms. Giunchigliani asked that staff be contacted and asked to provide additional information on outreach efforts. Ms. Giunchigliani recalled the Office had a large reserve, some of which she indicated could perhaps be redirected to ensure outreach efforts were expanded.

Chairman Arberry adjourned the hearing at 11:19 a.m.

RESPECTFULLY SUBMITTED:

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Connie Davis
Committee Attaché

APPROVED BY:

____
Assemblyman Morse Arberry Jr., Chairman

DATE:__________________________________

EXHIBITS

Committee Name: Assembly Committee on Ways and Means

Date: February 8, 2005 Time of Meeting: 8:13 a.m.

Bill #	Exhibit ID	Witness	Dept.	Description
	A			Agenda
	B	Mark Stevens		Draft Committee Rules
	C	Jeanne Greene		Personnel Budget Presentation
	D	Kim Foster		Integrated Financial Systems (IFS-HR)
	E	Paul Townsend		Legislative Counsel Bureau Audit Division Audit Report Summaries