

**MINUTES OF THE
LEGISLATIVE COMMISSION'S
BUDGET SUBCOMMITTEE**

**Seventy-third Session
January 25, 2005**

The Legislative Commission's Budget Subcommittee was called to order by Chair William J. Raggio at 8:30 a.m. on Tuesday, January 25, 2005, in Room 4100 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Dina Titus
Senator Bernice Mathews

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chair
Ms. Chris Giunchigliani, Vice Chair
Mr. Mo Denis
Mrs. Heidi S. Gansert
Mr. Lynn C. Hettrick
Mrs. Ellen M. Koivisto
Ms. Sheila Leslie
Mr. John W. Marvel
Ms. Kathy A. McClain
Mr. Richard D. Perkins
Mr. Bob Seale
Mrs. Debbie Smith
Ms. Valerie E. Weber

ASSEMBLY COMMITTEE MEMBERS ABSENT:

Mr. Joe M. Hogan (Excused)

STAFF MEMBERS PRESENT:

Steve Abba, Principal Deputy Fiscal Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Tracy Raxter, Program Analyst
Mark Stevens, Assembly Fiscal Analyst
Cindy Clampitt, Committee Secretary

OTHERS PRESENT:

John P. Comeaux, Director, Department of Administration
Andrew Clinger, Deputy Director, Budget Division, Department of Administration
Gustavo Nunez, Deputy Manager, Professional Services, State Public Works Board
Evan R. Dale, Deputy Manager, Administration and Finance, State Public Works Board
Robin V. Reedy, Deputy of Debt Management, Office of the State Treasurer
Mary Keating, Administrator, Administrative Services Division, Department of Administration
Dave McTeer, Administrator, Division of Information Technology, Department of Administration
Jim Fry, Deputy Risk Manager, Risk Management Division, Department of Administration
William Chisel, Chief, Division of Internal Audits, Department of Administration
Keith Wells, Administrator, Motor Pool, Department of Administration
Greg Smith, Administrator, Purchasing Division, Department of Administration
Cindy Edwards, Administrator, Buildings and Grounds Division, Department of Administration
Patrick McInnis, Chief Engineer, Buildings and Grounds Division, Department of Administration
Bryan A. Nix, Senior Appeals Officer, Hearings Division, Department of Administration

CHAIR RAGGIO:

This is a joint hearing with the Senate Finance Committee and the Assembly Ways and Means Committee to review the *Executive Budget*. This is a formal meeting of the Legislative Commission's Budget Subcommittee. We will begin with an overview of the *Executive Budget in Brief*.

JOHN P. COMEAUX (Director, Department of Administration):

I will be referring to a 3-page document ([Exhibit C](#)) and the *Executive Budget in Brief* ([Exhibit D](#), original is on file at the Research Library) in my presentation.

In the 18 months since the Legislature adjourned from the 21st Special Session, Nevada's economy has enjoyed impressive growth. During fiscal year (FY) 2004, jobs grew at a 4-percent rate and personal income grew 8 percent.

Page 2 of [Exhibit D](#) contains a chart comparing Nevada's job growth with national job growth. The national job growth was only 0.5 percent, and personal income growth was slightly over 4 percent. Not only have the new revenue sources placed by the 72nd Session of the Nevada Legislature produced, as a group, the revenues that were anticipated, but the old standbys of sales tax and gaming taxes have produced unanticipated growth. Sales tax revenues grew 14 percent in FY 2004 compared to the Economic Forum forecast of 5 percent. Gaming taxes, specifically the percentage fees, came in at 21 percent compared to the forecast of 14.2 percent. That growth has continued into the first few months of FY 2005.

In the chart on page 3 of [Exhibit D](#), the Gaming Win and Taxable Sales categories for FY 2004 have compared to the last few fiscal years. Based on the Economic Forum's December 2004 forecast, we will end the biennium with

approximately \$370 million over that anticipated by the 2003 Legislative Session. The ending fund balance is after transfers to the Fund to Stabilize the Operation of State Government (commonly known as the rainy day fund) of over \$120 million. The first transfer of approximately \$70 million occurred as a result of the requirements of *Nevada Revised Statutes* (NRS) 353.288. The State Controller made the transfer in the process of closing the books. The second transfer of \$50 million was approved by the Interim Finance Committee on January 12, 2005.

CHAIR RAGGIO:

Did the state actually realize approximately \$490 million over projections? The \$120 million was triggered and factored into the rainy day fund leaving in excess of \$370 million in the ending fund balance?

MR. COMEAUX:

That is correct.

CHAIR RAGGIO:

Was most of that revenue from higher than anticipated revenues in sales and gaming taxes?

MR. COMEAUX:

That is correct.

CHAIR RAGGIO:

The impact of the revenue plan adopted in the last session was not the primary reason for the gain in revenues?

MR. COMEAUX:

That is correct. The sales tax revenues were \$60 million more than forecast. That figure only reflects the 2 percent going into the General Fund. That triggered nearly \$65 million in reversions from the Distributive School Account (DSA) as well. The percentage fees generated approximately \$38 million more than forecast. The existing revenues created that particular portion of the surplus. The new revenues, as a group, generated approximately \$19 million more than was forecast.

The size of the surplus, together with the revenues forecast for the next biennium by the Economic Forum, led the Governor to propose a \$300 million rebate to the citizens of Nevada. The Governor recommends using the remaining surplus of approximately \$70 million to fund various onetime appropriations, including necessary supplemental appropriations for FY 2005.

CHAIR RAGGIO:

Is the proposed rebate a onetime appropriation?

MR. COMEAUX:

That is correct. The recommendations for the onetime appropriations can be found in the *Executive Budget*, Volume I, pages INTRO-14 through INTRO-17. The Economic Forum has forecast total General Fund revenues for the 2005-2007 biennium of \$5,756,800,000. The pie chart on page 12 of [Exhibit D](#) indicates the areas from where the Forum forecasts revenue will be generated.

In the 2003 Legislative Session the revenue base was broadened, but sales and use taxes will still be the primary contributor to the General Fund. The Economic Forum estimates those funds will generate approximately 33.2 percent and the gaming taxes approximately 27.1 percent. Add to that the insurance premium tax and the new modified business tax.

CHAIR RAGGIO:

Let me remind the Committee the Economic Forum forecast is required, by law, to be used by both the Governor in the *Executive Budget* and by the Legislature in finalizing the budget. The Economic Forum will meet again in May 2005, to make a final determination on the forecast.

On page 12 of [Exhibit D](#) is there an adjustment made for unclaimed property revenue?

MR. COMEAUX:

That is correct. The chart reflects total revenues. The Governor is proposing a diversion of \$7.6 million each year from unclaimed property that would otherwise go into the General Fund to service the bonds referred to in his State of the State message. He proposes to use the funds to enhance the Millennium Scholarship Fund.

CHAIR RAGGIO:

Is that still true even with the adjustment downward?

MR. COMEAUX:

Information concerning the Millennium Scholarship is included on the chart on page 12 of [Exhibit D](#) and it is adjusted downward.

CHAIR RAGGIO:

Will the adjustment cause concern if the unclaimed property revenues are used for bonding of the Millennium Scholarships?

MR. COMEAUX:

The \$7.6 million adjustment reflects an amount to be set aside to service the bonds.

The \$5,756,800,000 forecast by the Economic Forum for the next biennium compares to \$5,041,300,000 for actual FY 2004 and forecasted for FY 2005. The budgeted revenues for the 2003-2005 biennium were \$4,814,500,000. The current forecast is nearly \$950 million higher. Because of the extraordinary growth in local revenues that affect the DSA, the amount of General Fund and some other factors, the total base budget dropped approximately \$338 million. Between increased revenues and reduced Base Budgets, in the next biennium the state has approximately \$1.4 billion available to fund growth and program improvements.

The Governor recommends spending that amount as outlined in [Exhibit C](#), tab A. The December 1, 2004, Economic Forum forecast for the biennium is \$5,756,800,000. We are estimating reversions of \$143.7 million over the biennium. Reversions in FY 2006 are estimated at 2 percent of appropriations. These historically come in slightly higher than the estimate. In FY 2007, the estimate is 3 percent. The average reversions in the second year of a biennium are 4 or 5 percent because the DSA reverts in the second year as well as

onetime appropriation reversions. The resulting total resources would be \$5,900,500,000. The Base Budget, as submitted, amounts to \$4,496,900,000, leaving \$1,403,600,000 available to cover growth and program improvements.

The cost of caseload growth, including K-12 schools, the University and Community College System of Nevada (UCCSN) enrollments, Medicaid caseloads, other human resources caseloads, the Division of Mental Health and Developmental Services (MHDS), the Division of Child and Family Services (DCFS), Welfare, Corrections, and Parole and Probation are increasing. Those caseload growths will cost \$540.7 million. Inflation, fringe benefit changes and additional federal mandates cost \$118.7 million.

CHAIR RAGGIO:

To what federal mandates are you referring? Is the amount an estimate or a specific amount?

MR. COMEAUX:

That figure is built into the budget based on the estimates of the cost of compliance with federal mandates. The cost of the 2007 Legislature is estimated at \$18.5 million as provided by the Legislative Counsel Bureau (LCB).

The required increase in the ending fund balance, to keep it at a 5 percent minimum, plus the mandatory transfers to the Disaster Relief Fund, will be \$25.6 million over the biennium.

The increase in the rainy day fund, proposed by the Governor, of \$77.2 million consists of a few direct appropriations. There would be a small appropriation of approximately \$3 million in the first year of the biennium and a large appropriation in the second year of approximately \$68 million. Additionally, there will be another \$5 million, or \$6 million in sweeps, from the ending fund balance triggered by a statute change during the 2003 Legislative Session. If the ending fund balance exceeds 5 percent on July 1 of any fiscal year, 40 percent of the excess will be swept into the rainy day fund. That will total approximately \$77.2 million.

CHAIR RAGGIO:

At what level would the rainy day fund be when the biennium ends?

MR. COMEAUX:

According to the Governor's proposal, the amount in the rainy day fund at the end of the biennium would be approximately \$201 million. That would equate to approximately 6.8 percent of appropriations in FY 2007. When the rainy day fund was used in FY 2003 for the budget shortages, it stood at approximately \$136 million representing about 7 percent of appropriations for that year. Although the proposed balance in the fund is considerably higher, the percent of appropriations it represents is nearly the same.

At the end of the biennium, between the rainy day fund and the ending fund balance the Governor is proposing, the state will have total reserves of approximately 12 percent. There would be slightly over 5 percent in the normal operating fund ending balance and about 6.8 percent in the rainy day fund.

Returning to [Exhibit C](#), tab A, there would be \$622.9 million available for program or other types of improvements. The Governor proposes committing

\$174.1 million to cost-of-living (COLA) increases of 2 percent in each year of the biennium. That would provide the COLA increase for state employees, K-12 teachers, classified school employees and for UCCSN classified employees and faculty. The Governor also recommends special salary adjustments in occupational studies costing \$25.1 million. Most of those appropriations would pay for a 2 pay-grade increase for law enforcement entities including highway patrolmen, correctional officers, wildlife law enforcement officers and parks law enforcement officers. It would also provide a 2 pay-grade increase for direct service employees such as nurses, dispatchers and some group supervisors that work for DCFS and similar positions.

CHAIR RAGGIO:

Staff has provided the Committee with an outline setting forth those positions requesting salary adjustments.

MR. COMEAUX:

Those were positions recommended for special adjustments by the Department of Personnel (DOP) as a result of their salary survey. The positions are identified not only by a significant difference between the rest of the market and state employees, but because there is also a persistent recruitment problem.

The Governor is recommending an unclassified salary adjustment over the biennium in the amount of \$2.2 million. In brief, the DOP, at the Administration's request, looked at the makeup of the unclassified service and made recommendations to the Administration that included a set of criteria to be used in determining the types of positions to be placed in the unclassified service. The DOP also presented a plan to include some existing classified positions in the unclassified service. A seven-tier salary schedule was proposed with positions of similar responsibilities grouped together. The result would be a total increase in unclassified salary costs over the biennium of \$2.2 million. The Fiscal Analysis Division of the LCB will be provided details of this plan.

The Governor recommends replacement equipment of \$72 million over the biennium. More than one-half of that amount is in the DSA.

The Governor recommends technology improvement projects with a General Fund cost of \$44.3 million over the biennium. A wide variety of projects are recommended and the Committee will be provided with details later. The projects include moving to the next step in the Department of Taxation's new Unified Tax System and a new offender tracking system for the Department of Corrections (DOC). The DOC currently uses a DOS-based system maintained by one person in the Department. Problems will begin appearing soon if that system is not replaced.

The Governor recommends transferring \$52 million from the General Fund to the Capital Improvement Program (CIP) in the first year of the biennium. That amount is sufficient to cover costs of maintenance projects. During the past two biennia, there has been little or no funding from the Legislature for CIP projects. As a result, the state has been bonding its maintenance projects. That method of funding is not recommended if there is an alternative.

The Governor recommends funding of \$19.9 million over the biennium for deferred facilities maintenance. Agencies were encouraged to submit requests for funding to provide deferred maintenance based on facility condition analysis

reports. These reports have been produced by the State Public Works Board (SPWB) over the past few years. The reports indicate some of the facilities have been allowed to deteriorate to the point where mechanical systems are being replaced more frequently than necessary. There are mold problems and internal air quality problems caused by a lack of routine preventative maintenance. The intent is to use the \$19.9 million appropriation to return facilities to a stage where routine maintenance funding in the future would be adequate.

The Governor's proposal for the Millennium Scholarship Fund is \$15.2 million over the biennium, or \$7.6 million annually, to be used to service the debt proposed by the Governor in his State of the State message.

A total of \$218 million in program enhancements is proposed. I will cover some of that in my testimony from the *Executive Budget in Brief* ([Exhibit D](#)).

SENATOR RHOADS:

Are program enhancements contained in one-shot appropriations?

MR. COMEAUX:

No, sir. Program enhancements are ongoing commitments.

CHAIR RAGGIO:

Will those enhancements be added into future budgets?

MR. COMEAUX:

Yes, sir. The chart at the top of page 18 of [Exhibit D](#) provides a quick glance at the Governor's proposals. The proposals suggest 78.7 percent of the available funding will provide for the Base Budget. The maintenance category, which includes items such as caseload growth and inflation items, would consume another 14.8 percent and the enhancement items would consume the remaining 6.4 percent.

The chart in [Exhibit C](#), tab B, outlines new positions proposed in the *Executive Budget*. The chart lists stand-alone figures for each year of the biennium by decision unit. In FY 2006, the budget recommends adding about 491 new positions in the maintenance decision unit. There are another 558.82 positions in the enhancement decision units. In FY 2007, an additional 103 positions would be added in maintenance decision units and 154.50 in enhancement units. The total for new position requests is 1,307 over the biennium.

A total of 455 positions are recommended for the MHDS. Of the 455 new positions requested, 259 positions are necessary to staff the new psychiatric hospital, plus the 28 beds the Legislature approved on an emergency basis and to continue to operate the existing psychiatric beds.

The budget includes 23 new positions as part of the Behavioral Health Redesign for Children in Rural Nevada to decrease the staffing ratio for outpatient counseling. Another 7.5 new positions are included to open a new mental health clinic in Laughlin. Caseload growth accounts for 59 new positions to address caseload growth in medication clinics, 24 positions to address caseload growth in outpatient counseling, 63 positions to address caseload growth in psychiatric ambulatory services and 20 positions to address caseload growth in mental health service coordination.

The 1,307 new positions include a number of positions for the DCFS. Specifically, 15 new positions are requested to lower the staff-to-client ratio in rural child welfare, 27 new positions to establish a staff-to-student ratio of 1:8 during service delivery hours and 1:16 during sleeping hours at the Nevada Youth Training Center and the Caliente Youth Center. Those requests are in response to the Department of Justice audit that took place over one year ago.

The total new positions include a number of positions for the DOC. The Governor is recommending reopening the Southern Nevada Correctional Center. When that facility was mothballed, all the staff were transferred to the High Desert Correctional Center. To reopen the Southern Nevada Correctional Center will require 236.5 new positions for full staffing. Opening the new Casa Grande Transitional Housing facility will require 22 new positions.

The recommendation for Parole and Probation is for 30 new positions to meet anticipated caseload growth. The Governor recommends 15 positions to staff the new service windows that will be opened at the Decatur Boulevard Department of Motor Vehicles (DMV) office which will replace the old Carey Avenue office in North Las Vegas. The Nevada Department of Transportation recommendation is for 23 new positions to meet present and future transportation needs created by the state's increase in population. The Office of the Military recommendation is for 57 new positions to cover security requirements of guarding the major Nevada National Guard complexes in Stead, Carson City and Las Vegas. Those 57 positions are 100 percent federally funded. The positions I have discussed represent 880 positions, or roughly two-thirds of the total positions recommended.

The chart on page 22 of [Exhibit D](#) will bring the number of positions into context. After the addition of these new positions at the end of the biennium, we will still be near the same ratio of state employees per 1,000 residents that has been present over the past few years.

The Statement of Projected Unappropriated General Fund Balance for Fiscal Years 2005-2007 is found in [Exhibit C](#), tab C. The information can also be found on page INTRO-2 of the *Executive Budget*, Volume I.

The unappropriated balance, as of July 1, 2004, agreed to between the Fiscal Analysis Division and the Budget Division, was \$221,240,754. The balance is reflected after the \$70 million transfer into the rainy day fund. The estimates made by the Economic Forum, on December 1, 2004, suggest revenue collections in 2005 will be \$2,637,000,000. The UCCSN is scheduled to transfer state tax revenues of \$43,398,000 into the General Fund. The Budget Division estimates reversions for the current fiscal year will be almost \$200 million. A large portion of that amount will be from the DSA. Total funds available would then be \$2,880,000,000. The ongoing DSA appropriations are to implement the tax program; these appropriations were approved by the Legislative Session through FY 2003-2004 and subsequently moved to FY 2004-2005.

The FY 2005 supplemental appropriations recommended by the Governor are detailed on page INTRO-14 of the *Executive Budget*, Volume I.

The cost of the 21st Special Session was \$250,000. The contingency appropriation is \$350,000. The Interim Finance Committee (IFC) approved those

appropriations at its meeting on January 12, 2005. The \$300 million tax rebate proposed by the Governor is found in the list of onetime appropriations on page INTRO-15 of the *Executive Budget*, Volume I.

The recommended onetime appropriations from FY 2005 of \$27,155,000 are also included on pages INTRO-15 and 16 of the *Executive Budget*, Volume I. The last item on [Exhibit C](#), tab C, is the estimated cost of the 2005 Legislative Session of \$17.5 million as provided by the LCB. The total appropriations are \$2,917,000.

The requirement of NRS 353.288 provides for an automatic transfer to the Disaster Relief Account from the earnings on the rainy day fund. That transfer is limited quarterly, to \$500,000. The Budget Division estimates the transfers for the current year will be \$2 million, based on the assumption the transfer of \$70 million into the rainy day fund will be made after the books are closed in the fall, but considered to have been made as of July 1, 2004. If that assumption is correct, a \$500,000 transfer in each quarter will be made to the Disaster Relief Account, as required, for a total of \$2 million over the biennium.

If everything proposed by the Governor takes place, NRS 353.288 will require a transfer from the ending fund balance of \$1,764,000 into the rainy day fund. In the 2003 Legislative Session, in an attempt to get the rainy day fund reestablished as quickly as possible, the language was changed in the statute. The new provision requires a transfer to the rainy day fund of 40 percent of any excess in the ending fund balance. The excess is defined as any amount above 5 percent of the appropriations.

The last item in [Exhibit C](#), tab C, is a \$50 million transfer to the rainy day fund that the IFC approved at its meeting on January 12, 2005. If all budget requests are approved, the ending fund balance at the close of the current fiscal year will be \$130,309,000. This represents approximately 5.1 percent of ongoing appropriations for the year. The FY 2006 revenues were estimated using the December 1, 2004, Economic Forum forecast of \$2,793,000,000. The adjustment of \$7,600,000, proposed by the Governor, is shown to be transferred from the revenues that would otherwise go to the General Fund into the Abandoned Property Trust Fund otherwise known as the Unclaimed Properties Pledged Revenues Fund. The estimated reversions of \$55,340,000 represent approximately 2 percent of appropriations. The ongoing appropriations recommended in the *Executive Budget* are \$2,768,000,000.

The Governor recommends a direct appropriation to the rainy day fund of \$3 million. Another direct appropriation is recommended to the CIP of \$52 million. Those two items can be found in the *Executive Budget*, Volume I, pages INTRO-15 and 16, under the onetime appropriations schedule. Total CIP appropriations for FY 2005-2006 would be \$2,823,254,109. Also, in the FY 2005-2006 appropriations is \$2 million in transfers to the Disaster Relief Account. The NRS 253.288 will require a sweep from the ending fund balance into the rainy day fund of approximately \$3.1 million. That would result in an ending fund balance of \$143,081,000 on July 1, 2006, representing 5.2 percent of ongoing appropriations. In FY 2007, the Economic Forum forecasts revenue of \$2,963,000,000. An adjustment was made for the Governor's recommendation of a transfer of \$7.6 million to the Abandoned Property Trust Fund. Estimated revenues of approximately 3 percent of

appropriations, or \$88 million, will leave total resources of slightly over \$3 billion.

The Governor is recommending ongoing appropriations of \$2,944,000,000. He is also recommending a onetime direct appropriation to the rainy day fund of \$68 million. That information can also be found in the *Executive Budget*, page INTRO-15, Volume I, under the onetime appropriation schedule. The Budget Division has allowed for the estimated cost of the 2007 Legislative Session of \$18.5 million. Total appropriations for FY 2005-2007 are slightly over \$3 billion. Transfer to the Disaster Relief Account of \$2 million and another sweep will likely be required to the rainy day fund of \$3.1 million leaving a recommended, unappropriated balance, of \$151,883,000 on July 1, 2007, representing approximately 5.2 percent of appropriations.

Using the *Executive Budget in Brief*, [Exhibit D](#), the general highlights begin on page 32. The Governor's recommendation for the \$300 million tax rebate entails a calendar year 2004 registration fee rebate for motor vehicle taxes that would include motorcycles and trailers. Any vehicle that must be registered, either commercial or otherwise, for Nevada residents, would be refunded up to a maximum of \$300 per registration. The refunds would need to be made on the basis of each registration since that is the methodology of the DMV system. If a taxpayer registered five vehicles, they would receive five refund checks. It is estimated there will be more than two million checks issued in refunds. Approximately \$2.3 million out of the proposed \$300 million has been allowed to cover the cost of issuance. The DMV is currently developing business rules on how to proceed with the refunds. One consideration is outsourcing the operation. An estimate is that it will take months, with current equipment, for the Controller's Office to process the refund checks.

The increase in the rainy day fund recommended by the Governor, of two direct appropriations, plus the automatic sweeps into the funds required by statute, will result in a rainy day fund of approximately \$201 million at the end of the biennium. It will represent approximately 6.8 percent of appropriations at that point. The rainy day fund will be back to approximately the balance it had when it was needed to balance the budget in 2003.

ASSEMBLYMAN MARVEL:

Referring back to the proposed tax rebate, would the taxicab companies be included in those qualifying for the motor vehicle tax rebate?

MR. COMEAUX:

It is my understanding the tax rebate would include any commercial registration for a Nevada-based business.

ASSEMBLYMAN MARVEL:

That would also include fleet vehicles?

MR. COMEAUX:

Yes sir, as long as they are Nevada based. Administrators at the DMV were having trouble sorting files to determine companies that were Nevada based and ones that were not.

SENATOR CEGAVSKE:

Would the rebate also encompass the school districts and motor pool?

MR. COMEAUX:

Those entities are already exempt from payment of motor vehicle fees. They are issued exempt license plates.

ASSEMBLYMAN SEALE:

Why is the Administration looking at a rebate using refund checks instead of reducing the fees in the subsequent year when residents renew their vehicle registrations?

MR. COMEAUX:

The Governor considered that option and decided it would be better to refund the fees from 2004 that could be accurately counted and controlled.

SENATOR COFFIN:

There are thousands of Nevada residents who continue to register their vehicles in other states because some states have cheaper registration fees. If a 2005 tax reduction were used, perhaps it would encourage some of these individuals to register their vehicles in Nevada with the reduction offsetting some penalties they would be required to pay for late registration.

MR. COMEAUX:

The DMV has reservations about the technical problems associated with your suggestion. It can be explained in greater detail when the agency appears before the Committee.

ASSEMBLYWOMAN GIUNCHIGLIANI:

When drafting the \$300 million rebate proposal, did anyone consider what the cost would be to reduce waiting lines at DMV offices? The budget proposes acceptable wait times to be slightly under one hour. Reducing the wait time to 15 minutes would be more appreciated than a onetime rebate.

Another consideration might be to reduce the General Services Tax by 1 percent; that would be a long-term approach.

MR. COMEAUX:

The DMV can provide more information when they come before the Committee.

ASSEMBLYMAN DENIS:

You mentioned approximately two million checks would be written to accomplish the rebate. Do we know how many Nevada citizens those checks represent?

MR. COMEAUX:

Part of the problem is that the DMV system files its records by vehicle registration number. The Department does not have the ability to sort by name or address. They could make an educated guess.

SENATOR BEERS:

How will two million anticipated checks compare to an annual volume of check documents issued by the Controller's Office?

MR. COMEAUX:

The rebate checks represent approximately 11 months of the Controller's Office check volume.

SENATOR BEERS:

Would a normal volume of written checks be approximately 2.1 million or 2.2 million per year?

MR. COMEAUX:

Yes, sir.

The third item on page 32 of [Exhibit D](#) concerns Millennium Scholarships. On July 1, 2005, the balance in the Millennium Scholarship Fund will be less than \$2 million. The program is in a situation currently where revenue is slightly more than \$15 million per year. The commitments to the millennium scholars are over \$30 million per year. If something is not done, the program would not meet its commitments in the fall of 2005. The Governor's recommendation of a \$100 million appropriation would extend the life of the program through approximately 2010. If the appropriation is made and some of the other changes recommended by the Treasurer are made concerning eligibility, it is estimated the life of the program could be extended to approximately 2016. The Governor considers extension of the program vitally important.

CHAIR ARBERRY:

How long is the proposed \$7.6 million appropriation from the Abandoned Property Trust Fund expected to continue?

MR. COMEAUX:

The proposal is to have 20-year bonds issued.

CHAIR RAGGIO:

Was any consideration given to use some of the surplus in a onetime appropriation, rather than bonding, with the expectation that bonds could be used in the future?

MR. COMEAUX:

Consideration was given to that approach at some point in time.

In [Exhibit D](#), page 33, the pay increases discussed earlier are addressed. It specifically addresses the cost of living and special salary adjustments included in agency budgets. The increases for the DSA and UCCSN are included elsewhere. The cost of the recommended increases for state employees, both the 2-percent cost of living and special adjustments total \$49.7 million.

The Employee Benefit Program recommends the benefits cut, during the last biennial budget difficulties, be restored. The cost for that proposal is \$13.6 million. The budget also provides for a fully-funded Incurred But Not Reported reserve for the fund as well as a contingency reserve. The budget provides the state subsidy increase from \$558 to \$571 for each active employee in FY 2006. The subsidy would be further increased to \$591 in FY 2007. The proposal would maintain the current ratio between the cost borne by the state and the employee.

ASSEMBLYWOMAN LESLIE:

Returning to the issue of the 2 pay-grade increase for law enforcement positions, does that include the forensic staff at Lake's Crossing? That was supposed to occur during the 2003 Legislative Session, but it did not happen in the final budget.

MR. COMEAUX:

The forensic staff members at Lake's Crossing are not included in the special salary adjustments.

The bottom of page 34 of [Exhibit D](#) touches on the deferred facilities maintenance projects recommended in the budget and \$44.3 million appropriation for technology improvement programs. You will find a total for 24 of the 25 separate projects under the technology improvement budgets. Most of the money is included in budget account 1325 under the Department of Administration. The ongoing projects such as the Department of Taxation, where the agency has its own technology staff, were not included under budget account 1325.

On page 35 of [Exhibit D](#), the new Department of Conservation and Natural Resources building is the state's first lease/purchase building. It is scheduled for occupancy in June 2005; however, staff will begin moving into the building in July 2005. Some requirements for moving had to be delayed due to increases in construction costs.

A onetime appropriation of approximately \$462,000 is recommended to cover the additional building costs to allow agencies to achieve occupancy. These funds will cover the cost of centralized filing units and modular furniture. The bill appropriating those funds should be expedited upon introduction. Furniture orders must be made in time to have the equipment available for the move on July 1, 2005.

SENATOR BEERS:

Please educate the Committee on the difference between the traditional selling of bonds with an inherent mortgage and lease/purchase of a building.

MR. COMEAUX:

Lease/purchase is to use funds in the current budget to pay for leased office space by moving them into the Bond Interest and Redemption Fund and use that to service the bonds on the building. In the ideal situation, taking into account projected increases in what those lease costs would be, the same or lower payments would be made to service the debt on a building owned by the state. It is more cost effective than leasing private space.

This building did not fit the ideal situation since not all residents to be moved into the new building were in lease-owned space. Some General Fund appropriation was necessary up front for the project.

The lease/purchase building proposed in the FY 2005 through FY 2007 budget will have a much larger General Fund buy-in up front. Most of the agencies that will move into the building are in state-owned facilities that are either totally inadequate or in facilities that need to be replaced. However, there are still existing lease payments that will be used to fund a portion of the new building.

SENATOR BEERS:

Does the lease/purchase make a difference when the title for the property passes to the state compared to traditional construction funded by a bond? Is there any effect on the state's bonding capacity between the two funding methods?

MR. COMEAUX:

The lease/purchase method has no effect on the state bonding capacity. The building title does not pass until the term is over for the lease/purchase. Under the traditional bonding method, the building belongs to the state immediately.

SENATOR COFFIN:

Please return to the issue of 2-percent COLA increases for a moment. In the last Legislative Session, state employees received a 1-percent raise per year payable in the second year of the biennium. The current budget proposal would make a cumulative raise of 6 percent in 4 years. What has been the rate of increase in the COLA over that same period?

MR. COMEAUX:

Our economist indicates the rate of increase is between 2 and 3 percent per year. The last figure I saw was 2.6 percent.

SENATOR COFFIN:

State employees have been granted 6 percent in 4 years while the COLA has risen approximately 8 to 10 percent?

MR. COMEAUX:

Yes, sir.

SENATOR COFFIN:

Was that discussed and considered before the projected budget surplus was disposed of in other ways?

MR. COMEAUX:

As the budget resources became clear, and as the proposed budget was being drafted, the Governor considered a number of options. His final decision was that even though a 2-percent COLA in each year of the next biennium would not catch state employees up for past increases that were not given, the increase was a good choice given other budgetary needs.

SENATOR COFFIN:

It is well known that state employees generally have a lower pay scale than local governments in some cases. That is one cause for the loss of good employees to local agencies. Because government is a service industry and employees deliver the service, we hire additional staff because it takes some pressure off of current employees in agencies such as the service windows at the DMV.

Employees should be given a greater increase to meet the current rate of the COLA. Would the administration have any objection to lowering the amount of the citizen rebate to balance the increase in the COLA?

MR. COMEAUX:

The citizen rebate is proposed from onetime funds and those funds should not be used for an ongoing budget obligation.

SENATOR COFFIN:

Over 1,300 proposed new positions would be ongoing as well. It is hard to explain to employees, who are doing all the work for us, that we cannot pay them enough.

SENATOR RAGGIO:

We will ask staff to project the cost for including the forensic staff in the special salary adjustments.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Please clarify that the COLA for those public employees not included in the special salary adjustments is a 2-percent increase in each year of the biennium.

MR. COMEAUX:

The increase would be 2 percent on July 1, 2005, and an additional 2 percent on July 1, 2006.

ASSEMBLYWOMAN GIUNCHIGLIANI:

If the 285 classified positions proposed to move to the unclassified service were not moved, would there be any salary savings?

MR. COMEAUX:

The staff would have to review that specifically. The total cost of implementation of the unclassified plan drafted by the DOP is approximately \$2 million over the biennium. Some of that may be related to those 285 positions. There are some positions in the move from classified to unclassified that would receive salary increases and there are some that would not. The classified to unclassified change would likely result in some salary savings, but the issue would need to be reviewed further.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Who requested the study done by the DOP?

MR. COMEAUX:

It was requested by the Governor.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Did the Governor provide the DOP a list of positions it wanted to have unclassified?

MR. COMEAUX:

The DOP developed criteria for various types of positions they recommend to be used to determine which should be in the unclassified service and which should not. Their recommendations were based on that criterion.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Were there equity issues raised in considering the recommendations?

MR. COMEAUX:

As an example, in the Department of Administration, it is a mixture of the old Department of General Services plus the Department of Administration. Currently, the Department of Administration has four division administrators who are classified and five administrators who are unclassified. All are independent division administrators. One of the criteria under the study was division administrators should be placed in the unclassified service.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Would one result of the changes proposed under the study be that the Legislature would not be required to approve individual requests for salary adjustments as a result of reclassifications?

MR. COMEAUX:

We would hope the parity included under the seven salary tiers proposed in the study and in the proposed budget would be kept intact. However, there would be nothing to prevent the Legislature from salary review at any time.

ASSEMBLYMAN DENIS:

Is there a written report of the results of the DOP study and has it been provided to the Committee? Does it explain the reasons for the position reclassifications?

MR. COMEAUX:

There is nothing that delineates each specific position. There is written criteria, the plan, which shows all positions considered, and we have provided that data to the Fiscal Analysis Division. We can request anything else you may wish to review.

While we are discussing the salary changes, I will ask Mr. Andrew Clinger to explain how the cost of the salary increases are displayed in the *Executive Budget*.

ANDREW CLINGER (Deputy Director, Budget Division, Department of Administration):

Throughout the *Executive Budget* there are various maintenance and enhancement decision units for the 2-percent COLA and the special salary adjustments to law enforcement positions. Costs within the budget reflect 100 percent of costs for the salary adjustments. Where General Fund or Highway Fund appropriations are used, those appropriations were removed and placed in a General Fund Salary Adjustment Account. Volume I of the *Executive Budget*, page ADMINISTRATION-11, budget account 4883 reflects the General Fund Salary Adjustment Account. General Fund appropriations throughout the budget are funded at less than 100 percent, recognizing that not all agencies will request the funding because of vacancies and other salary savings. Funding for the position changes are monitored by the Board of Examiners and agencies are required to appear before the Board to justify the need to access the funding.

MR. COMEAUX:

That is generally the practice when dealing with salary increases. Funding has been recommended at an 80-percent level, or perhaps lower, for the 2-percent increase in the current fiscal year. The agencies have always funded salary increases at less than 100 percent. In the past the Board of Examiners has typically reverted funds at the end of each fiscal year.

Returning to [Exhibit D](#), page 38 indicates the Governor recommends Nevada continue its struggle with the placement of the Nuclear Waste Repository at Yucca Mountain. The suggested appropriation is \$2 million for the Nevada Protection Account within the Governor's Office and \$1 million within the Office of the Attorney General to continue any Yucca Mountain litigation as necessary.

On page 41 of [Exhibit D](#), the Interim Study Committee for the Criminal Justice System in Rural Nevada and Transitional Housing for Released Offenders recommended funding for several findings by the Committee. One appropriation of \$200,000 is for a rural courts coordinator. That position would be responsible for a variety of judicial support services.

A onetime appropriation of \$8 million is recommended to assist White Pine County in construction of a new court facility. The recommendation was prompted by the fact the maximum security prison, located in Ely, provides that county with most of its judicial business. The current facility is old and does not have anything close to an adequate security system and does not lend itself to modification to meet the needs.

The Governor recommends \$3 million to establish a substantial and comprehensive senior judge program for the Nevada Supreme Court. The Court indicated this need to the Governor as its first priority.

ASSEMBLYWOMAN LESLIE:

The Juvenile Justice System Interim Committee made a recommendation that an auditor be placed in the LCB to oversee the youth correctional facilities as a result of the federal investigation. Where would that position be shown?

MR. COMEAUX:

The LCB auditor position for those facilities is not included in the budget.

On page 43 of [Exhibit D](#), there is nearly \$24 million recommended for the continued development and implementation of the Department of Taxation's Revenue Collection Management System, otherwise known as the Unified Tax System. The funding is included in the budget for the Department of Taxation.

Details for some of the projects included in the Department of Administration's budget account 1325 are shown on page 44 of the *Executive Budget in Brief* ([Exhibit D](#)). These encompass the General Fund technology improvement programs recommended. Most significant are the Offender Tracking System for the DOC at a cost of approximately \$11 million; the completion of the AVATAR software system installation for MHDS at a cost of \$2.1 million; approximately \$900,000 to complete the AVATAR system for the DCFS; funding for a second disaster recovery location; and a virtual tape storage facility to be operated by the Department of Information Technology (DoIT) at a cost of approximately \$1.9 million.

Phase 4 of the Digital Microwave Project for DoIT is included at a cost of \$1.6 million from the General Fund and another \$5.7 million in other funding. The \$5.7 million is from the Highway Fund. This is the final phase of that project.

Under Education on page 46 of [Exhibit D](#), K-12 student enrollments are forecast to increase by approximately 35,000 students over the biennium. Total enrollments are estimated at 422,500 by the end of the biennium. The student population continues to grow at a faster rate than the state population.

The chart on page 47 of [Exhibit D](#), shows the growth of K-12 students per 1,000 residents and that ratio is increasing. In FY 1997 there were

152 students per 1,000 residents, and by FY 2007 that figure will be at 163 students.

On page 48 of [Exhibit D](#), the first bullet covers the Governor's comments during his State of the State address recommending an appropriation of \$50 million in each year of the biennium be put into the school remediation trust fund. Currently, appropriations for remediation are much less.

Nearly \$10 million is included in the *Executive Budget* as an enhancement, based on a Letter of Intent from the 2003 Legislative Session, for education technology funding to provide effective education for Nevada students.

CHAIR RAGGIO:

Is \$10 million an arbitrary amount? When Nevada's education reform was passed approximately 6 years ago, it was funded at a cost between \$35 million and \$45 million. Since that time, the Legislature has not been able to fund any significant amount of that program. Is the \$10 million simply a carryover amount or is it based on an inventory of needs?

MR. COMEAUX:

I will check that information; however, it is my understanding the \$10 million is a carryover amount. It is likely not based on any type of needs inventory.

CHAIR RAGGIO:

This area would be one that would be a higher priority for onetime funding. Perhaps a rebate program might be considered as well. I would like to have some information regarding actual technological needs. Technology is quickly outdated and the Legislature has been unable to make a strong commitment in this area of education in the past few years.

MR. COMEAUX:

We will provide the Committee that information.

A 2-percent salary increase is noted on page 48 of [Exhibit D](#) for the school districts statewide. The cost of the proposal to cover all school district employees is \$127 million over the biennium.

CHAIR RAGGIO:

There will be additional employees in the UCCSN and because the number is not known, those positions are not included in the 2-percent COLA package; is that correct?

MR. COMEAUX:

No sir.

CHAIR RAGGIO:

Is that amount established after enrollments are completed?

MR. COMEAUX:

I will provide that information to the Committee.

A list of ongoing funding is included on page 49 of [Exhibit D](#). They include: funding for signing bonuses in the Education Budget, retirement credits for

teachers at at-risk schools, \$50 per student for textbooks and computer hardware and the Class Size Reduction Program at a cost of \$260.2 million.

The Department of Cultural Affairs is included in the Education functional group in the budget. The Governor is recommending onetime funding to finally make major improvements to the Boulder City Railroad Museum. The proposed budget would provide for the development, renovation and expansion of the project.

A \$10 million onetime appropriation is proposed on page 50 of [Exhibit D](#) through the School of Medicine to support a partnership with the Nevada Cancer Institute to expand research, treatment, education and teaching opportunities in Nevada.

The School of Medicine budget, \$3.8 million, is recommended over the biennium to expand the medical residency and fellowship training programs in both Las Vegas and Reno. The funding is doubled in the second year of the biennium with a total cost of \$3.8 million. Operating costs of \$1.8 million are included for the Lou Ruvo Center for Alzheimer's Disease and Brain Aging starting in the second year of the biennium.

On page 51 of [Exhibit D](#), the budget recommends the UCCSN be allowed to retain 100 percent of their cost recovery. In the beginning of the program, the state retained 100 percent of the funds. Gradually, the state portion has been reduced to the point that the UCCSN currently retains 75 percent and the state retains 25 percent. The Governor recommends the UCCSN be allowed to retain 100 percent to stimulate additional research activities. An appropriation of \$21.8 million is recommended for the UCCSN to fund the proposed 2-percent COLA.

ASSEMBLYWOMAN LESLIE:

Does the expansion of the fellowship and training proposal for the School of Medicine include the psychiatric residency program in Las Vegas?

MR. COMEAUX:

No, psychiatric residencies are not included in the School of Medicine expansion. The School of Medicine proposal includes 20 additional students in the first year of the biennium and a total of 40 students in the second year.

CHAIR ARBERRY:

What happens if, within a year, a teacher who receives the \$2,000 signing bonus to locate in Nevada cannot find adequate housing for their family because of high property values? Does the state require the teacher to return the \$2,000 bonus or does the teacher have the ability to opt out?

MR. COMEAUX:

I remember that issue being discussed when the signing bonuses were initiated; however, I do not know the outcome at this time.

Page 53 of [Exhibit D](#) shows a considerable increase for the budget of the Commission on Tourism. It is proposed that \$8.2 million of room tax revenues be used to increase the Commission's marketing budget. It will increase Nevada's visibility to potential tourists in a number of areas, including China.

The Governor recommends, through the Commission on Economic Development, on Page 54 of [Exhibit D](#), the Northern Nevada Development Authority (NNDA) and the Economic Development Authority of Western Nevada (EDAWN) receive a \$10 million appropriation to assist in efforts to recruit and retain businesses in Nevada. The Governor's intention is for \$1 million of that appropriation to be concentrated in rural Nevada.

Within the Public Utilities Commission budget is a recommendation to spend \$1.3 million to develop an electronic filing and records management system. It would allow the agency to receive and store electronic filings for rate increases. The agency is excited about this project.

SENATOR BEERS:

Has the Governor discussed any form of oversight mechanism for the NNDA and EDAWN grants? The board members of those organizations are not positions currently appointed by the Governor.

MR. COMEAUX:

He is considering some kind of reporting from NNDA and EDAWN. I do not have the details with me, but I will provide those to the Committee.

On page 54 of [Exhibit D](#), there is a recommendation for eight new positions for the Gaming Control Board to be paid for through the investigative fees the Board collects. This is a result of the increasing number of gaming license applications being received.

CHAIR RAGGIO:

I believe the Board also wants to fast track some of the equipment issues that have been lagging.

MR. COMEAUX:

That is correct. Page 55 of [Exhibit D](#) touches on a few of the technology improvement programs that specifically affect the Commerce and Industry budgets. The Consumer Affairs tracking system and a wage claim system is proposed for the Labor Commissioner. Both of those projects are included in budget account 1325 under the Department of Administration.

The Human Resources Budget on page 57 of [Exhibit D](#) discusses Medicaid caseloads. By the end of 2007, caseloads are expected to total nearly 214,000. Significant increases are expected in each year of the biennium. The chart at the bottom of page 57 of [Exhibit D](#) indicates the forecasted increase in Medicaid recipients.

The chart on page 58 of [Exhibit D](#) indicates the increase in Temporary Assistance for Needy Families grant recipients. The caseload is forecast to increase, but not as significantly. The most disturbing chart is the one on the bottom of page 58 that reflects the Medicaid recipients per 1,000 residents. That number is climbing steadily.

ASSEMBLYMAN MARVEL:

What decisions are being made in Washington, D.C., concerning Medicaid funding? Will that appropriation be cut back?

MR. COMEAUX:

Nothing will be certain until the President's budget is received, but the announcement is the President is, "searching for ways to give the states more flexibility with Medicaid." That is probably not a good thing for the State of Nevada.

Page 58 of [Exhibit D](#) contains information regarding the provider rate increases that are contained within the various Human Resources budgets. There are over \$20 million in recommended increases. Some of the rate increases included are for personal assistance services, air ambulance services, mental health rehabilitative treatment services and others. Details will be provided when those budgets are reviewed.

The Governor is recommending an appropriation of approximately \$300,000 for a statewide suicide prevention coordinator. He is also recommending \$200,000 to establish a problem gambler program within the Department of Human Resources. That is in response to a study funded by the Legislature in 2001 or 2003.

Page 60 of [Exhibit D](#) shows highlights from the Mental Health budget. Many of the proposals have been discussed in connection with the new positions' schedule. In addition to staff position requests, psychiatric beds are being added and recommended for continuation by the Governor. Funding is provided to open the fourth pod of the psychiatric hospital on the campus of the Southern Nevada Adult Mental Health Services in Las Vegas. There will be 150 total beds when completed.

The Governor recommends continuation of the 28 emergency beds approved by the IFC in the current interim. He recommends continued operation of the 39 existing beds providing a total of 217 beds in Southern Nevada.

The Governor is including \$25.5 million in General Funds to address mental health caseload growth in the medication clinics, residential support, psychiatric ambulatory services and elsewhere.

In the MHDS budget, the Governor recommends \$7.8 million over the biennium, of which \$4.6 million is from the General Fund, to address caseload growth in service coordination, family support services, residential support, jobs and day training.

ASSEMBLYWOMAN LESLIE:

I am surprised that triage centers are not included in the appropriations since they appeared twice before the IFC for funding in the interim. Has there been a change in thinking from the Governor's Office?

That program began in Las Vegas to divert cases from the emergency rooms. The state was supposed to provide one-third of the funding, but that bill died. The budget office appeared twice in the interim before the IFC for additional funding requests.

MR. COMEAUX:

I will get that information for the Committee.

ASSEMBLYWOMAN LESLIE:

That is a tremendous oversight in the budget.

MR. COMEAUX:

Remember, we are only discussing the highlights of the budgets at this time. It may be shown in the complete budget.

ASSEMBLYWOMAN LESLIE:

It should be a highlight and I have a feeling it has not been included in the budget. Could you please confirm that for the Committee?

ASSEMBLYMAN DENIS:

Please clarify that the triage centers are those associated with Westcare. Westcare had a project to add beds, and I do not know if those are included in the budget. WestCare received federal funds for the addition, but I am not sure Nevada provided its part.

CHAIR RAGGIO:

Will staff please research status of the triage program and whether any funding has been provided?

MR. COMEAUX:

Lastly, page 60 of [Exhibit D](#) concerns the DCFS funding of \$2.2 million; \$1.2 million, which is General Fund, is recommended to cover the waiting list for early childhood and outpatient treatment services at Northern and Southern Nevada Child and Adolescent Services.

Page 61 of [Exhibit D](#) includes a number of highlights regarding various Human Resources budgets. The third bullet on the page concerns funding to provide an additional 97 eligible slots to address the projected waiting list of disabled individuals needing activities of daily living assistance. An appropriation of \$2.9 million of non-General Funds is recommended for development and implementation of the Nevada Child Care System. This is a technology system that would track resource referral and subsidy management data of child care funds for eligible parents in Nevada.

General Funds totaling \$500,000 are provided to enhance the effectiveness of the Elder Protective Services Program. The funding will add four positions and allow the Division to conduct face-to-face investigations within three days as required in the complaint procedures.

An appropriation of \$700,000 is recommended to enhance the New Employees of Nevada program.

Page 62 of [Exhibit D](#) contains a recommendation for onetime funding of \$1 million to assist Opportunity Village in southern Nevada to construct a new southwest campus. The total cost of that project is several million dollars. Because Opportunity Village is such a heavy provider of developmental services for the state, the Governor is recommending the state participate through the \$1 million appropriation to help them expand.

The Governor is also recommending a onetime appropriation of \$1 million to the Nevada Rural Hospital Partners to support their efforts to establish a loan, or grant program, for rural health care providers. The intent is to encourage health

care providers to locate in rural Nevada. This could provide startup costs through a loan or grant.

SENATOR MATHEWS:

In reference to the onetime appropriation for Opportunity Village, would a similar provision be made for Washoe Association for Retarded Citizens (WARC) in the northern part of the state since they provide the same kind of services?

MR. COMEAUX:

That specific appropriation is only for Opportunity Village in the south.

SENATOR MATHEWS:

I assume the Legislature would need to add an appropriation to include the WARC in similar funding.

MR. COMEAUX:

That is correct. To my knowledge, the Governor did not receive a request for assistance from the WARC, but he did receive a plan from Opportunity Village for expanding their facilities that included grant funding applications. They made a specific request, and the Governor responded.

SENATOR MATHEWS:

I wonder if the state is going to enter the field of underwriting private enterprises whether we want to include, or at least consider, more than one group such as the WARC.

ASSEMBLYMAN DENIS:

I am looking at the first bullet on page 62 of [Exhibit D](#) that indicates the Energy Assistance Program will generate substantial growth in caseloads in the spring of 2004. Has that occurred, or should the reference be to 2005?

MR. COMEAUX:

The spring of 2004 is correct as a result of the marketing campaign initiated, and the caseload growth is expected to continue.

ASSEMBLYMAN DENIS:

In the past, one of the biggest complaints with the program was they have not allocated the funding as efficiently as they could have. Will the appropriation help to allocate of funds more quickly?

MR. COMEAUX:

I do not have details on the expansion of the program. Obviously, the agency will provide those when they testify before the Committee.

The bottom of page 62 of [Exhibit D](#) includes highlights for the budgets of the Department of Employment, Training, and Rehabilitation. An appropriation of \$1.2 million is provided to improve and expand business facilities and operations for visually impaired operators. Efforts to expedite the processing of disability determinations are budgeted at \$3.8 million. A budget of \$2.8 million is appropriated for recruitment and training efforts.

ASSEMBLYWOMAN SMITH:

Is the budget for the visually impaired operators of \$1.2 million funded from the General Fund or through revenues the vendors pay into their own program?

MR. COMEAUX:

The visually impaired program is not funded through General Funds. It is funded from their program revenues.

ASSEMBLYWOMAN SMITH:

Would the appropriation of \$1.2 million be funds the state would not normally fund for their programs?

MR. COMEAUX:

That is correct. The funding will be used to expand their facilities and provide more opportunities.

ASSEMBLYWOMAN SMITH:

Would the funding be used to expand to additional facilities or just expand those facilities already in existence?

MR. COMEAUX:

I believe the intent is to expand to additional facilities, but I will get that information for the Committee.

SENATOR COFFIN:

Under DCFS in the Open Access Same-time Information System (OASIS), at the mental health facilities on Charleston Boulevard in Las Vegas, there are a few empty buildings that could be used for adolescent care and other young people care programs. Does the budget provide for hiring staff to occupy currently empty buildings?

MR. COMEAUX:

Nothing is provided in the budget for those empty buildings.

SENATOR COFFIN:

The buildings would provide approximately 15 beds. The buildings already exist and everything is ready. When the budget discusses adding beds for emotionally or psychiatrically disturbed children, it would make sense to staff those two buildings. There is a waiting list for the program.

MR. COMEAUX:

The bullet at the bottom of page 60 in [Exhibit D](#) indicates that funding of \$1.2 million from the General Fund is recommended to cover the waiting lists for Early Childhood Services and Outpatient treatment services at Northern and Southern Nevada Child and Adolescent Services.

SENATOR COFFIN:

The OASIS program is a level three inpatient care program. The buildings are there and they have not been fully occupied since 1991.

MR. COMEAUX:

The Public Safety budgets are highlighted on page 64 of [Exhibit D](#). The forecasts for the DOC population indicate growth will increase to over 11,500 inmates in FY 2006 and 11,800 in FY 2007. There is some indication the growth is slowing. In FY 2004, a real spike in prison population growth occurred. Growth is leveling out; however, the annual growth rate is forecast at 3.5 percent. When the population shown in the Base Budget is over 11,000, the 3.5 percent still produces a large number of new inmates each year. The

Governor is recommending, in the operating budget, the staff and funding to reopen Southern Nevada Correctional Center. During the remainder of FY 2005, the DOC will be sending home the rest of the Wyoming and Washington inmates that have been housed in Nevada under contract.

The Casa Grande Transitional Housing facility is scheduled to open in October or November of 2005 and will house 400 inmates.

Under the CIP program, the Governor is recommending funding to add three additional housing units at High Desert State Prison completing the building-out of that facility. It will not be necessary to provide extensive core facilities at that location because they already exist. Planning funds are provided to develop additional beds for females and to consider the next male prison to be built.

ASSEMBLYWOMAN GIUNCHIGLIANI:
What new prison do we have to build?

MR. COMEAUX:
There is a recommendation in the budget to begin planning for a new facility. The planning will encompass location, size and type of prison.

ASSEMBLYWOMAN GIUNCHIGLIANI:
We will need to discuss that whole policy because I see some problems with parole, probation and transitional housing. It is a regressive approach if we just continue to build more prisons.

There was some discussion about adding a building for Prison Industries at the women's facility. Where is that in the budget?

MR. COMEAUX:
That item is not in the budget unless it is part of the planning for the additional women's beds included in the budget.

ASSEMBLYWOMAN GIUNCHIGLIANI:
The wiring project was done by a private contractor, but I see nothing else planned for additional work or employment.

MR. COMEAUX:
One item we have not covered, regarding funding methods to handle the increases in inmate population, is the inclusion of funding of approximately \$1 million, of which \$600,000 is General Funds, to expand the House Arrest Program. It adds a small number of positions and funding to pay for the devices allowing more opportunity for inmates to live outside institutions and under house arrest. That is located on page 65 of [Exhibit D](#). The Governor mentioned in his State of the State address that a measure will be introduced adding approximately 1,700 new law enforcement officers to the various law enforcement agencies in southern Nevada.

There is a move afoot to increase the number of District Court judges in southern Nevada. Of those, two or three are supposed to target criminal caseloads. The forecasts regarding prison populations do not take any of that into consideration.

CHAIR RAGGIO:

Who does the prison population forecast?

MR. COMEAUX:

Justice for All (JFA) Associates has been providing the forecasts for years.

CHAIR RAGGIO:

Is that forecast the basis on which the recommendation for the completion of the additional three housing units is made at a cost of more than \$58 million?

MR. COMEAUX:

That is correct. In November 2004, JFA Associates provided the budget office with two forecasts. One was a base forecast and the other was an alternate forecast. The recommendations in the *Executive Budget* are constructed using the base forecast which is the higher of the two.

CHAIR RAGGIO:

If the appropriation request is approved, when would the units be available for occupancy?

MR. COMEAUX:

The housing units will be completed in either 2007 or 2008.

CHAIR RAGGIO:

If the appropriation is not made and the units are not completed, will there be some kind of capacity issue Nevada would face in the form of a federal mandate?

MR. COMEAUX:

Either that, or Nevada would face a situation where inmates would need to be shipped to other states, similar to what Washington and Wyoming are currently doing by placing their inmates in Nevada institutions.

CHAIR ARBERRY:

I know you are possibly in the planning stage for a future prison. In that deliberation, I do not want to see a prison being built based on economic development or growth for any area. That process failed the state years ago.

ASSEMBLYWOMAN WEBER:

What provisions have been made for transitional housing for women?

MR. COMEAUX:

Planning funds have been included in the CIP to add beds for women inmates. That issue has been discussed as an addition to the existing Southern Nevada Women's Correctional Center and/or transitional house. I understand the end result will be a combination of the two. No construction funds have been included in the CIP; only planning funds.

ASSEMBLYWOMAN MCCLAIN:

Will much of the funding for house arrest be focused on the women's prison?

MR. COMEAUX:

It will be focused where there are eligible inmates.

ASSEMBLYWOMAN MCCLAIN:

There are a number of eligible inmates in the women's units.

MR. COMEAUX:

The house arrest budget proposal was based on information provided indicating the potential number of inmates that would be eligible for the program. I assume that includes males and females.

ASSEMBLYWOMAN GIUNCHIGLIANI:

When the Division of Parole and Probation present their budget next week, I would like information on what companies we contract with for house arrest. The program is not being used. We need to know the current status before we provide any further funding.

On behalf of Senator Mathews and myself, is funding provided in the Health and Human Services Budgets for grandparents under the Kinship Care program?

MR. COMEAUX:

I will check on that information.

On page 68, of [Exhibit D](#), there is a list of transportation projects proposed for funding.

Page 69 of [Exhibit D](#) addresses the Freeway and Arterial Management System. More information will be provided during the Legislative Session on that system. The intent is to help manage the vehicle flow during fluctuating periods of traffic demand. The building to house the system will be occupied in the spring of 2005. Some funding is provided for the move.

Under Special Purpose Highlights, on page 71 of [Exhibit D](#), funding is provided for a new National Guard Readiness Center in southern Nevada. A large part of the funding will be provided by the federal government. Also included is \$546,000 in CIP for acquisition of land on which to build future facilities in southern Nevada.

GUSTAVO NUNEZ (Deputy Manager, Professional Services, State Public Works Board):

Mr. Evan Dale and I will make the presentation on the CIP projects.

EVAN R. DALE (Deputy Manager, Administration and Finance, State Public Works Board):

I will be speaking from the booklet, *Nevada State Public Works Board 2005-2007 Recommended Capital Improvement Program*, ([Exhibit E](#), original is on file at the Research Library). We will present the State Public Works Board (SPWB) budget and highlights of proposed CIP projects.

Some of the major accomplishments over the past biennium are listed on page 3 of [Exhibit E](#). The Board updated, adopted and implemented regulations regarding the qualifications of bidders. During the 2003 Legislative Session, *Nevada Revised Statutes* (NRS) were passed that included subcontractors in the qualification of bidders. Since that time, the agency has adopted regulations to implement that law.

Time sheet tracking by project has been implemented. For the previous 1.5 years the SPWB has been running a program tracking how much time has been expended by project managers and inspectors of the SPWB on various state projects. The intent is to use the information to better calculate the necessary fee schedule for projects in the future. Once approximately three years of history has been accumulated, that will show a series of complete projects. We hope our estimations for Project Maintenance (PM) and Inspection fees will be more accurate. A new method of calculation has been formulated for calculating the PM and Inspection fees on 2005 CIP projects. It interacts with the earlier project of time tracking.

We have estimated the different phases to be done for each project by the project manager in the 2005 CIP. Some examples include selecting the architects, preparing bidding documents and inspecting the work on the projects. We have delineated the number of hours we expect staff to spend performing those various activities. The hours have been multiplied times the cost to pay for project managers to arrive at a PM and Inspection fee for the project. We have details on each project to support the fee. The Board sees this as a vast improvement over prior calculation methods.

Over the last biennium a legal case involving the Lied Library at the University of Nevada, Las Vegas, has been settled. A settlement was awarded in favor of the state for \$600,000 to make repairs to the roof and electrical work and those repairs are currently being done. Two other lawsuits are still pending.

CHAIR RAGGIO:

What was the final cost of the Lied Library as a result of the settlement, and how much more was it than what was first anticipated?

MR. NUNEZ:

The settlement for the state was \$2.7 million for litigation and repairs. Repair costs of \$600,000 were passed to the state from the total settlement. We will provide the final cost of the Lied Library to the Committee.

CHAIR RAGGIO:

I would like to have that figure before the meeting ends today. This building and lawsuit has been discussed for a long time, and we should know the final cost of the project.

MR. NUNEZ:

We will provide that information today.

The next item is the significant legislation and/or executive action found on page 3 of [Exhibit E](#). During the 2003 Legislative Session, NRS 338.1376 relating to qualification of bidders included the qualification of subcontractors. Regulations for compliance were formulated, public hearings were held and regulations were adopted for the regulatory criteria for that process. The application forms and scoring system for subcontractors are now being developed.

The Board adopted other regulations regarding fees for plan review and inspection of non-CIP projects.

New building codes have been adopted for the SPWB. Codes have been changed from the Uniform Building Code (UBC) to the International Building Code 2003 (IBC) except for plumbing and mechanical standards where we stayed with the UBC and the Uniform Mechanical Code as published by the International Association of Plumbing and Mechanical Officials. *Nevada Revised Statutes* requires the SPWB to remain under the Uniform Plumbing Code standards.

A Board of Appeals and related procedures was established. Currently there is a Board of Appeals for the qualifications of contractors and subcontractors and another for code interpretation. If the project manager interprets a code and the contractor or subcontractor disagrees, there exists a Board of Appeals to debate the merits.

CHAIR ARBERRY:

Will the Board of Appeals make a determination right away, or will the project be held up for a couple of weeks?

MR. NUNEZ:

Code issues should not hold back a project. Code issues occur during the design phase and other issues occur during construction. In construction code disputes decisions have been made in a timely manner. As the Committee knows, any delays during the construction phase of a project would make the contractor liable for damages.

CHAIR ARBERRY:

I simply want to ensure a decision is made on the day of, or within a couple of days, the appeals dispute so a project is not delayed.

MR. NUNEZ:

It would be made on a timely basis so a project would not be delayed.

CHAIR ARBERRY:

I am trying to pin you down to a specific time. "A timely basis" could mean 20 days.

MR. NUNEZ:

One debate was just completed on application of tile to the exterior of the building at Wright Hall. As you know, we are having problems with the tile at the Grant Sawyer Office Building. We are exercising due care on Wright Hall so the experiences of the past will not be repeated. The contractor disagreed with what was required by the SPWB. The appeals process was followed, even contacting the manufacturer, consulting the code and people involved with publishing the code. A decision was made, and the contractor was not delayed in any manner.

We also established terms of office for the Chairman and Vice Chairman of the Board. We redefined the consultant selection procedures for architects, engineers, construction managers, construction managers at risk and other related professionals.

CHAIR RAGGIO:

Who is the current Chair of the Board?

MR. NUNEZ:

Mr. John Breternitz is the Chairman and Mr. Ivan Renny Ashelman is the Vice Chairman.

The Board established procedures and a level of administrative penalties for violations of NRS 341.105 and related sections. The manager of the SPWB has the authority, from a contractual point of view, from which to regulate issues in the field. He also addresses stop work orders, also known as red tag orders, for a portion or all of a project. If a contractor violates a red tag order he can be cited and charged with a misdemeanor.

Other regulations adopted include coverage percentages for performance and payment bonds, establishing standards for surety companies issuing bonds on Public Works projects adding a treasurer's circular as a new requirement for surety companies. This was done in conjunction with the Division of Risk Management, the SPWB and industry representatives.

The Board also revised limits on certain actions requiring SPWB approval and established criteria for changes in scope.

SENATOR CEGAVSKE:

One of the problems the Committee has had is with contracts and how they are written. Has the Board done any review on its contracts? When negotiating in writing, have you made any revisions relating to change orders and things such as the problems at the Grant Sawyer Office Building? Have you done something to substantially change the contracts?

MR. NUNEZ:

One of the challenges during the next biennium is to review all contract documents, especially the general condition language for all the various kinds of projects. These include design-bid-build, design-build or construction manager at risk. The Board will request a legal review after recent experiences of mediation and arbitration.

SENATOR CEGAVSKE:

Are you just now beginning to address those issues?

MR. NUNEZ:

The design-build contracts were just developed within the last two years. One of the things the SPWB must consider is that some of the items in the design-build also apply to design-bid-build contracts and language will need to follow across. In the past two years, the SPWB has developed documentation for design-build projects. We have not developed the design-bid-build contracts. On some issues with things such as scheduling, the SPWB will add special conditions to the project to address recent problems. That process has been simply addressing issues, as they occur, based on recent experience. A full, legal review of all the general conditions will be performed during the next biennium.

SENATOR CEGAVSKE:

We need to know the extent of review of the contract forms that the Board will perform.

CHAIR RAGGIO:

Over the years, the projects that have incurred litigation seem to have occurred because of some laxity in the manner in which change orders were adopted. What is currently in place to ensure change orders are appropriate, and fully documented with no room for argument?

MR. NUNEZ:

Change order issues in the past have arisen from timeliness problems. With current processes, change orders are being developed and negotiated with the contractors and tracked by the SPWB. We have weekly meetings on all of our major projects with the contractor, the architect and the SPWB. We track all issues, and as Deputy Manager, any time I see any item lagging, particularly as the logs are being reviewed, that is when I become involved. If documentation is lagging behind, or whether a contractor is behind, we have developed an early warning system which was presented to the Committee at the last IFC meeting. If a contractor is getting behind, they are brought before the Board and that kind of public acknowledgement has acted as a deterrent.

CHAIR RAGGIO:

What is in place regarding qualifying of bidders that considers lack of performance on behalf of previous contracted entities? Is that a factor in considering someone to be a qualified contractor?

MR. NUNEZ:

Yes, past performance is one of the factors considered in qualifying bidders. We consider whether a project was completed on time and whether they completed the punch list in a timely manner. The punch list must be completed within 90 days under regulation. Another consideration is whether the SPWB had to hire another contractor to finish the work because the original contractor did not perform. All those specific items are considered in qualification of bidders.

CHAIR RAGGIO:

Do I understand we have something similar with respect to subcontractors?

MR. NUNEZ:

That is correct. Subcontractors, per statute, are assumed qualified rather than being put through a qualification process. However, if performance issues are found or brought to the attention of the SPWB regarding their failure to perform on other projects not related to public works or if they fail to perform on public works projects, the SPWB can require the subcontractor to go through the qualification process. After the qualification process, the Board will determine whether the subcontractor can bid on future projects.

Major challenges facing the SPWB in the next biennium include the disposition of two construction litigation lawsuits currently under way. One suit involves the southern Nevada Veteran's Home in Boulder City and the other involves the exterior tile failure at the Grant Sawyer Office Building in Las Vegas.

In addition, the SPWB will focus on the legal review of construction documents and general conditions. Other agency challenges are the completion of design and construction of major projects currently under way. These projects are: the University of Nevada, Las Vegas Science and Engineering Project; the University of Nevada, Reno Knowledge Center; and the Las Vegas Psychiatric Hospital. The hospital will have a groundbreaking ceremony on February 1, 2005,

at 10 a.m. That is a result of approval of a request at the IFC meeting on January 12, 2005. Work will begin immediately following the groundbreaking ceremonies. Other major projects include the Emergency Operations Center in Carson City and the Las Vegas Readiness Center. The Las Vegas Readiness Center project is currently under design and proposed for final design and construction funding in the 2005 CIP budget.

Other 2005 CIP budget recommendations are the additional housing units at High Desert State Prison. The Greenspun College of Urban Affairs at the University of Nevada, Las Vegas is presently under design with donor funding as requested by the Legislature. The schematic design was approved for the Electrical and Industrial Technology Building at Great Basin College under the 2003 CIP and is complete. The 2005 CIP requests additional funds to continue with the project.

At this time I will ask Mr. Dale to provide a legal overview unless there are questions from the Committee.

CHAIR RAGGIO:

There was discussion at the January 12, 2005, IFC meeting regarding the legal status of the tiles at the Grant Sawyer Office Building. Is there anything new which can be discussed in an open meeting on that lawsuit?

MR. DALE:

I have some information from the Board's legal counsel that he wanted me to read for the record. This concerns the Grant Sawyer Office Building tile issue.

The State of Nevada is about to begin the process of stripping all the exterior tile off of the Grant Sawyer Building in Las Vegas due to a construction defect that causes the tile to fall off of the building and creates a life/safety concern.

The cost of stripping the building and replacing the tile in its entirety is approximately \$10.1 million. \$1.46 million has already been approved through an IFC session and in the 2005 CIP we are asking for an additional \$8.6 million to finish the job. Currently the State Public Works Board is negotiating with an architect and tile contractor to do the work and testing of the tile by counsel is going forward.

CHAIR RAGGIO:

That is not much information. When the tiles are removed from the building, can they be reused?

MR. DALE:

Some of the tiles fall off cleanly and with others the only thing keeping the tiles in place is the grout. They are completely delaminated from the substructure.

CHAIR RAGGIO:

Is it your testimony that it will still cost \$10 million to put the tiles back in place? Are we reusing old tile or using new tile?

MR. DALE:

New tile will be put in place.

CHAIR RAGGIO:

What will be done with the old tile?

MR. NUNEZ:

The old tile will not be reusable. It is impossible to match colors. Every time a new batch of tile is manufactured they do not match the original tile. Replacing those that fall off is not feasible. Currently it appears the majority of the tile on the building is faulty. It is either delaminated or in the process of delaminating. The faulty tile is sprinkled throughout the building; it is not all in one location.

CHAIR RAGGIO:

The building must be retiled at a cost of \$10 million. It will apparently look the same but have new tile.

MR. NUNEZ:

That is correct.

CHAIR RAGGIO:

What kind of assurance will there be with the contractor who installs the new tile that this problem will not occur again? What kind of assurances can be had, or is this a bad construction method that should not be used?

MR. NUNEZ:

The method used, if properly done, is sound. It is a method used frequently throughout the Las Vegas area and other parts of the country. There are a variety of issues as to why that tile failed. That particular product and process are still being used in other buildings. The main issue concerns the materials inspection and making sure the correct materials go into the job. The setting bed of the tile and the temperature are important concerns.

CHAIR RAGGIO:

The Committee understood temperature was a problem on this project and not enough adhesive was used. Who will watch those things on the reinstallation of the tiles?

MR. NUNEZ:

The SPWB will be watching the project and we have hired an architect to assist as well.

SENATOR COFFIN:

When we authorized the construction of the building, the original tile did not cost nearly as much as the \$10 million requested for the reinstallation. This obviously includes the costs of demolition, prepping of the surfaces again and reapplication of the tile. Is there another material, rather than tile, that could be used? Why should we go back to the same thing? I do not know of too many buildings in Las Vegas that are tiled in the same manner. The Grant Sawyer Office Building has a south-facing wall and the entire building is flexing. I remember we used some new kind of construction method when the building was built because it is only 100 feet away from an earthquake fault. There may have been some movement within the fault, and the construction method used to compensate for that may have allowed flexing that was not contemplated. I am not familiar with the terms of the lawsuit, but I suggest we look at why we should take the risk of similar materials again.

MR. NUNEZ:

Other types of construction materials could be used. A dry bed stucco system could be used, or combinations of dry bed stucco efface with some masonry or combined with tile. The current recommendation is to return the building to its original architecture.

SENATOR COFFIN:

Who is going to pay for that?

MR. DALE:

That will be determined through the lawsuit.

SENATOR COFFIN:

We have lost lawsuits in the past. I understand, during the litigation, the intent must be shown to restore the building to its original state. On the other hand, replacing tile with the same product might cause it to fail again. That was why I thought some type of more conventional material could be used for the replacement.

CHAIR RAGGIO:

I understand the Committee is very concerned about this particular issue, but we will take it up in more detail when it comes before the subcommittee.

MR. DALE:

The Southern Nevada Veterans' Home lawsuit is currently in the discovery phase and mediation is scheduled for March 2005. The SPWB has been providing materials and analysis for discovery, and hopefully the lawsuit will be settled soon.

CHAIR RAGGIO:

Is the Veterans' Home currently in operation?

MR. DALE:

Most definitely, it is.

Before we discuss the CIP project overview, we were instructed to discuss the office budgets. The budget overviews begin on Page 10 of [Exhibit E](#).

The SPWB has two operating budgets: one budget account is relative to the administrative section, budget 1560; the second budget account is relative to the inspection section, budget 1562.

Budget account 1560 includes six full-time classified employees and three unclassified employees. The total budget request for the FY 2006-2007 biennium is \$1,916,775. By comparison, the expected expenditures for the previous biennium are expected to be approximately \$1.6 million. The result is an 18-percent increase. The budget highlights include a request to establish an electronic document storage and retrieval system. The cost of this request is approximately \$160,000 over the biennium.

The request was made as a result of the SPWB office running out of space to store plans and specification documents on projects. Those documents must be retained for lengthy periods. In the event of an emergency, the requested appropriation will enable first responders to quickly view the as-built plans for a

building for events such as an earthquake. They could view the plans of a building on site of the emergency on a laptop computer through a wireless connection. A portion of the plan is already underway through the Division of Emergency Management and our plan is intended to dovetail with their project. As the system progresses and the SPWB becomes more comfortable with the new system, it may lead to non-retention of paper documents. That would probably only happen after approximately two years if we were comfortable with the technology.

The second request in budget account 1560 is a request to purchase a digital camera and a digital camcorder for the Facilities Condition Analysis group (FCA). Workshops are held on a quarterly basis to assist facilities managers in understanding a variety of issues with their buildings. The intent is to videotape some of the workshops so participants can review what happened at the workshop. We also plan to place the videos on our Web site so they can be downloaded to learn how to maintain a boiler or to spot problems in roofing, for example.

The third request is a replacement of outdated computer equipment at a cost of \$7,400. The requests for replacement are in accordance with the DoIT guidelines for replacing outdated equipment.

MR. NUNEZ:

The FCA group was implemented to meet the requirement of NRS 341.201. The total number of state buildings is 2,458. Those include Nevada Department of Transportation (NDOT) and UCCSN structures. The total number of buildings being reviewed by the FCA group is 1,600 to 1,700 (this excludes the NDOT and UCCSN). As of December 31, 2004, a total of 1,324 buildings had been reviewed. Another 300 buildings are scheduled for review to complete analysis of all state buildings. That figure would not include the NDOT or UCCSN facilities which are being respectively reviewed internally by those agencies.

CHAIR RAGGIO:

What kind of a repetitive cycle is envisioned for analysis of all state buildings? The original proposal was for a six-year cycle.

MR. NUNEZ:

From the total of 2,458 buildings, the Group is charged with analysis of approximately 1,600 to 1,700 buildings. The Group has accomplished 600 analyses within a biennium. The Group should rotate through all of the buildings every three years.

CHAIR RAGGIO:

The Legislature asked for performance indicators to be developed for the Group. Has that been done?

MR. NUNEZ:

Yes, sir, and they will be submitted to you in detail with the budget.

CHAIR RAGGIO:

What proposed 2005 CIP projects are a result of the analyses?

MR. NUNEZ:

The majority of the maintenance projects and statewide projects are a result of the analyses.

ASSEMBLYWOMAN GIUNCHIGLIANI:

When the Group makes an analysis, is energy efficiency reviewed or are you only looking for obvious maintenance issues?

MR. NUNEZ:

The Group looks for deferred maintenance issues, code issues and Americans with Disabilities Act issues as we review a site. Items are classified by priorities. The four classifications include: Priority I is immediate or within one to two years; Priority II is within three to five years and Priorities III and IV take projects out ten years.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Is the SPWB looking at similar Leed certified criteria for public construction? I am interested because I have a bill draft concerning this issue. Has the Board adopted any regulations or policies, or do some regulations need to be adopted to address certification?

MR. NUNEZ:

Codes have been adopted.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Do you use the international code requirements?

MR. NUNEZ:

The Board currently operates under the IBC.

ASSEMBLYWOMAN GIUNCHIGLIANI:

That is not addressed in statute. It is currently up to each locality to adopt such regulations and codes. Are you functioning under the 2003 IBC?

MR. NUNEZ:

Yes, IBC 2003.

ASSEMBLYWOMAN GIUNCHIGLIANI:

What codes are you functioning under with regard to energy; there has not been an update since 1992 in some cases?

MR. NUNEZ:

The SPWB currently operates under the International Energy Code. Let me return to your question about Leed certification. The SPWB has an ongoing discussion regarding certification. The adopted standards for a building will meet the first level Leed criteria. The question is, does the Legislature want to pay for a certificate? Issuance of a certificate requires third party verification of each item in the criteria. The Board has adopted a policy of meeting its adopted standards thereby meeting the Leed criteria. We are leaving actual certification to the discretion of the agency because of third party verification issues. The agency would be responsible for any future payment of costs involved.

ASSEMBLYWOMAN GIUNCHIGLIANI:

We will need to talk about how to make those arrangements. In conjunction with my bill draft request, I am reviewing the incentives some states have set up for private sector and others that move into looking at a facility that works both inside and out. Washoe County adopted incentives in 2003 and Clark County just adopted a similar one.

MR. NUNEZ:

In the current biennium, the FCA supported the budget office and other agencies in the development of category 07, decision unit M-425, Deferred Facilities Maintenance, instructions and budget requests and review.

In response to training needs throughout the state, the FCA conducted maintenance education seminars over the NevadaNet for state and other entities. The seminars included facility managers and maintenance personnel. They covered chemical safety, indoor air quality, boiler and chiller start-up and shutdown, heating, ventilation and air conditioning, and water treatment, among others.

The camcorder will be used to videotape seminars for use by individuals unable to attend a seminar locally.

The FCA group provided management information demonstrating the poor overall condition of the Nevada Mental Health Institute in northern Nevada resulting in a recommendation by the Governor for the CIP project 05-P05, Consolidated Facilities Building Study. Other requests within the 2005 CIP will result in consolidation of programs into fewer buildings. This should result in operational maintenance savings. The planning project in CIP project 05-P05 will provide information regarding future facilities needed to house the programs of the Nevada Mental Health Institute.

MR. DALE:

Budget account 1562 pays for the project managers and inspectors who actually work directly on projects. While budget account 1560 is funded by the General Fund, budget account 1562 is funded from the same sources that fund the various CIP projects.

The requested biennial budget is \$10,683,473 as compared to approximately \$9 million in the current biennium.

Budget request highlights include: establish a revenue general ledger and an expense category to receive money from other agencies who are working on non-CIP projects and to disburse the revenue in plan-checking costs on the projects. At present, if an agency comes before the SPWB with an interim project, the SPWB takes the plans and instructs the agency to pay various plan checkers throughout the state and to pay the State Fire Marshal's Division for plan review. The intent of the budget request is to receive fees for plan checking and coordinate the statewide efforts.

One additional project manager position is requested. The 2005 CIP is nearly, or may be, the largest CIP plan in state history.

CHAIR RAGGIO:

The Committee has the total budget figures and subcommittee hearings will receive the detail within these budgets. We will continue with an overview of the 2005 CIP proposals.

MR. NUNEZ:

Let me return to the Committee's earlier questions regarding the Lied Library. The current expenditures for the project are \$59,140,000, including construction, furniture, fixtures and equipment (FF&E), moving costs, expert witnesses, claims analysis and the settlement. It does not include the legal fees paid for by the Attorney General's Office.

Ms. Robin Reedy, Deputy of Debt Management, Office of the State Treasurer, will discuss the debt capacity of the SPWB.

MS. ROBIN REEDY (Deputy of Debt Management, Office of the State Treasurer):
My office has prepared the *Debt Capacity Report Biennium 2006-2007* ([Exhibit F](#), original is on file at the Research Library) for the Legislature. The report explains what debt has been issued and what the state can afford to bond for over the next biennium. Page 1 reflects the 2005 CIP recommendations that are also included in the *Executive Budget*. Page 2 reflects the assumptions used by the Office of the State Treasurer to prepare the report. This includes interest rates, assessed valuations and where estimates were obtained.

Page 3 of [Exhibit F](#) contains a history of the assessed valuations, the percentage of change over time and predictions from the Department of Taxation for the next biennium.

Page 4 of [Exhibit F](#) begins the debt capacity analysis based on the assumptions listed earlier.

Page 7 of [Exhibit F](#) is the most important page in the exhibit with its sidebar information. The office takes all the numbers that were run and condenses the figures into what can be issued in the future. The 2005 figures are funds that have not yet been issued, but have been authorized in prior Legislative Sessions. The total bonding capacity over the next biennium (2006-2007) is \$215 million.

The Treasurer's office estimated what the interest rates and debt schedules would be if we were to issue the \$215 million in bonds by individual issuances according to the *Executive Budget*.

SENATOR BEERS:

There is a property tax issue in Clark County for which several solutions have been proposed, and that could result in capping the assessed value of property. The proposals range from a cap on all property to a cap on some property. Has that been considered in preparation of [Exhibit F](#)? How would a cap impact the report, especially regarding the debt capacity on page 7?

In the projection of assessed values on page 3 of [Exhibit F](#) for 2005 it is 10.7 percent; 2006 is 8.4 percent; and 2007 at 9.2 percent. The percentage of assessed valuation on my home for 2005 was at approximately 45 percent. How might the Clark County issue impact your report?

MS. REEDY:

The numbers shown on page 3 of [Exhibit F](#) are provided by the Department of Taxation. They reflect statewide assessments. While certain areas may have hot bed issues where the increase would be 45 percent, other areas may have an increase lower than zero percent.

SENATOR BEERS:

Do you know enough about their methodology to know whether they have taken the recently proposed high increase into consideration in their calculations?

MS. REEDY:

The numbers reflected in my report are recent figures. However, the Department of Taxation would need to respond to your question. I have used 16 cents for the current *ad valorem* assessment. If the figure was reduced to an assessment of 15 cents, it would change the figures. I could run the numbers against this budget. I do not know whether it would impact the budget because some room for inflation, interest rate changes and timing of issuance are automatically built in. Keep in mind the "Question 1" bill, approved by the Legislature and a vote of the people, to pay for \$200 million in potential issues must be considered. Approximately one-half of that amount has been issued and currently we assess an additional penny to cover "Question 1." I would predict that penny would remain stable for the next biennium.

SENATOR BEERS:

Are you referring to "Question 1" of 2003?

MS. REEDY:

That is correct. We will need whatever monies are necessary to cover the issuances that were approved in 2003, currently assessed at a penny. [Exhibit F](#) reflects the 16 cents since the current biennium was the first time the increase was needed. The rate had been at 15 cents for decades prior to that.

ASSEMBLYMAN SEALE:

I wish to disclose that Ms. Reedy worked for me for eight years in the Treasurer's office. On page 7 of [Exhibit E](#), concerning interest, I see a notation that a figure of 6 percent is being used. How was that number chosen?

MS. REEDY:

The 6-percent figure has been used traditionally during the low interest rate period. That number has never been reached in the past four years when issuing debt. The 6-percent number is used on the recommendation of our financial advisors at the Nevada State Bank. That assumption is noted on page 2 of [Exhibit F](#).

ASSEMBLYMAN SEALE:

Are all of the debt issuances in fixed interest rates, or are some in variable rates?

MS. REEDY:

All of the debt issuance is at fixed rate.

In conclusion, page 7 of [Exhibit F](#) lists the detail for amortization schedules for individual issuances within one year.

Pages 20 and 21 of [Exhibit F](#) discuss the debt capacity calculation. Again, the affordability at 16 cents provides a figure of how much can be borrowed based on the incoming revenue. The report on these pages reflects the 2 percent current constitutional debt limitation of the state, except for natural resource issuances.

In 2004, as shown on page 21 of [Exhibit F](#), the state has just over \$468 million remaining in debt capacity. The amount issued is still limited to the 16-cent figure.

The final page of [Exhibit F](#) explains what rating agencies consider and what the state tried to maintain in debt capacity.

MR. DALE:

To begin the presentation of the CIP program, please refer to page 4 of [Exhibit E](#) provided by the SPWB. There is a list of projects completed in the current biennium, including photographs.

CHAIR RAGGIO:

Are there any major, outstanding projects from 1999 or 2001 that have not been completed?

MR. NUNEZ:

The only 1999 CIP projects listed are the projects at the Redfield Campus and they are near completion.

CHAIR RAGGIO:

Your report indicates those projects are completed. Is there more work to be done?

MR. NUNEZ:

The projects at the Redfield Campus are in the final stages. They will be going through commissioning and the punch list.

CHAIR RAGGIO:

My question is whether there are other projects not shown on this list from 1999 or 2001 that are not complete?

MR. NUNEZ:

There are no other projects for 1999, but there are some incomplete projects from 2001.

CHAIR RAGGIO:

What major projects from 2001 are not complete?

MR. NUNEZ:

I do not have a list with me for the 2001 projects, but at this point the 01-CIP is approximately 63 percent complete.

CHAIR RAGGIO:

Can someone provide a list of incomplete projects and a status report? The Committee is interested in whether all the projects have been started and if there are reasons for delays.

MR. NUNEZ:

Some of the 2001 projects were fairly large. The UNLV Science and Engineering Building is an \$86 million project. That project has taken more than two years in the design phase. The University of Nevada, Reno (UNR) Knowledge Center is also a very large project and has been over two years in design. There were delays on that project awaiting a master plan of the center of the campus to properly site the building.

CHAIR RAGGIO:

Please provide the Committee with a status list.

MR. NUNEZ:

Yes sir.

MR. DALE:

The chart on page 6 of [Exhibit E](#) shows when the SPWB predicts the current and proposed CIP projects will be completed. The chart indicates the 1999 CIP will be completed by the end of the current fiscal year. The chart predicts the 2001 CIP will be completed in 2008. The primary reason for the delayed completion is the UNR Library. That project will be the only project running after 2006. The 2003 CIP should be completed by the end of FY 2007. The 2005 recommended CIP should be completed by the end of FY 2009.

MR. NUNEZ:

The title at the top of page 7, [Exhibit E](#), states, "2001 and 2003 CIP Projects on hold, cancelled, or substantially modified." However, there are only four projects on hold at this time.

The first project is 01-M05 for Clear Creek improvements. The administration is currently working on a possible lease of the facility and the project has been placed on hold.

CHAIR RAGGIO:

What has been completed on the necessary maintenance of the Clear Creek facility?

MR. NUNEZ:

Fire hazards were present. We have cleared the brush and trees around the property and performed general cleanup. The fuel tanks are now above ground rather than underground. However, there are still some underground tanks remaining that must be addressed. The building roofs are being repaired to prevent further deterioration. The remainder of the project is currently on hold.

The North Las Vegas DMV Field Services Office (03-C09) is on hold. We are waiting for the Bureau of Land Management to issue the land lease.

The Nevada State College, Henderson campus (01-C25), is on hold pending the approval in change of scope that was discussed in previous IFC meetings. No action has been taken on the change of scope.

The addition and renovation to the DoIT facility in Carson City (03-C10) is pending approval of the 2005 CIP request. The project went to bid and came in over budget.

MR. DALE:

The 2005 CIP recommendation from the Governor is \$322 million. Of these projects, the SPWB recommends funding the projects with approximately \$225 million in general obligation bonds, \$52 million in General Funds and \$45 million from other funding sources. The chart on page 7 of [Exhibit E](#) shows the breakdown of project count and funding by department.

Project Management and Inspection fees for the SPWB are included within the 2005 CIP at a total of \$12.4 million. Those costs are slightly under 4 percent of the total CIP Budget. The state is paying the SPWB roughly 4 cents to manage 96 cents in construction and inspection activity.

A summary of statewide programs that have already been approved and a list of the upcoming programs in the 2005 CIP are on page 8 of [Exhibit E](#).

MR. NUNEZ:

The 2005 CIP has 43 maintenance projects with a cost of \$23.5 million. If the additional funding for university maintenance is included, the total is approximately \$38.5 million.

Seven statewide projects are requested totaling approximately \$18,181,000. This should be the last time project S07, the removal of underground storage tanks, should appear in the budget.

Fifteen planning projects are requested totaling almost \$15 million. There has been much discussion regarding the need to design projects in one biennium, establish a good scope of the work and budgets for those projects and then come before the Committee for funding at a future date. To my knowledge, 15 planning projects is the largest group of planning projects the state has had.

There are 26 construction projects. The major projects include the Grant Sawyer Office Building tile repair and a variety of FF&E requests for projects reaching completion in the 2006-2007 biennium.

The Nevada Highway Patrol (NHP) project is contingent upon the ability to utilize Highway Funds. If Highway Funds are not available, either other funding will have to be provided or the project will not be done.

The Las Vegas Readiness Center is currently in the design phase and the construction contract needs to be awarded in September 2005 to meet requirements to access federal funding.

The fourth pod for the psychiatric hospital, taking the hospital from 150 to 190 beds, is in the 2005 CIP. The Greenspun College of Urban Affairs is currently under design using donated funds.

Other construction projects include modifications to the Veterans' Home dining facility, Great Basin College Electrical and Technology Building, the lease/purchase for Human Resources allowing phase-out of the Kinhead Building, the High Desert State Prison housing units, a classroom at the Community College of Southern Nevada, the American's with Disability Act (ADA) entrance and connecting structure for the museum in Carson City and the Nevada Youth Training Center gym and multipurpose rooms.

To keep certain projects on schedule, like the fourth pod at the psychiatric hospital or the tile repair for the Grant Sawyer Office Building, in order not to incur immobilization and demobilization costs for the contractor, the SPWB will be requesting a bill early in session separate from the other CIP requests.

The Las Vegas Readiness Center will also be included in the bill so the project can be fully designed by the end of the year. The project is only funded through 50 percent of the construction document costs. The project design needs to be completed and go to bid no later than July 1, 2005. Bids need to be opened in August and have a contract awarded by the end of September to meet the requirements of the federal grant.

For the DoIT project, which came in over bid, and to not incur escalation and inflation costs, authorization will be needed to proceed with the 2003 funding. Remaining funding could be approved at a later date. The authorization is needed to rebid the project.

The Women's Re-entry Center planning project has been the subject of ongoing discussions of increasing from 250 to 400 beds due to recent prison population projections. Whether it is planned as all beds or a combination of beds and re-entry is being discussed. We will have more information on that in the future.

The maintenance project for the Humboldt Conservation Camp is under discussion as to whether DOC will change that request.

ASSEMBLYWOMAN SMITH:

Going back to the Veterans' Home dining facility, why was the design upon completion of the project, so inadequate that it does not provide enough space for the current residents?

MR. NUNEZ:

When the original design was done, several facilities of similar types were visited by the Veterans' Home administration staff. The current design is the one they chose. New management is now in place and they feel a change in the dining facility function is needed to accommodate staffing. They want to consolidate all dining facilities at one location. The existing area needs to be expanded to meet that need. The agency is pursuing a federal grant for at least one-half of the cost.

CHAIR RAGGIO:

It has been indicated to the Committee that a number of agencies wish their planned projects to be under way very soon, before bonding proceeds are received. Does the budget contemplate some method of payment before the bond procedure is in place?

MR. COMEAUX:

We did not make a conscious provision in the budget for that eventuality.

CHAIR RAGGIO:

It has been indicated that some projects need upfront funding. I think you need to return with a proposal as to how that would be accomplished.

MR. COMEAUX:

I believe the recommendation will be a General Fund appropriation. Currently, that recommendation is to make the appropriation from FY 2006 funds.

CHAIR RAGGIO:

Please come back with a definite plan for that circumstance. The Committee will need to know which projects will require that kind of upfront funding before bond proceeds are available.

MR. COMEAUX:

Yes sir.

MR. NUNEZ:

We will provide that. Some projects simply need authorization and some need upfront funding.

CHAIR RAGGIO:

Are funds available from old projects that could be reallocated?

MR. DALE:

There was a small amount of approximately \$300,000 available. However, LCB staff recommended those funds be reverted into the Bond Interest and Redemption account and not used in a reallocation.

MR. NUNEZ:

I will review progress on statewide projects from page 8, of [Exhibit E](#).

Project S01 — Statewide Roofing

Project 01-S01 is 75 percent complete. Three projects of the 31 listed remain in the 01-S01 projects. The Boys and Girls Club roof has been moved to an emergency item. We plan to use leftover funds from the 01-S01 for that purpose.

Project 03-S01 is 15 percent complete. Three of the 11 projects in the 03-S01 CIP have been completed. The remaining eight projects have been designed or are in the design phase. One project is being considered for a solar electric roof installation at the request of the agency.

Some roofs failed during the last biennium. One was at the NHP facility in Reno, some at the Lovelock prison, the Nevada National Guard in Carson City and the Air Guard building at Stead. The warranty program covered repair costs for all roofs with no cost to the state.

CHAIR RAGGIO:

Have there been more failures than usual as a result of the recent storms?

MR. NUNEZ:

We are not experiencing any extraordinary damage at this time. The 05-S01 CIP requests include four projects for a total of \$3.6 million.

SENATOR COFFIN:

What was the baseline on the 2001 biennium in the S01 projects? That is a "moving target" because roofs fail. I am curious how the matrix would look if

the past 20 years was reviewed in terms of the length of time before roofs fail. There was a major increase in the 1980s which resulted in the separate project category for roofs. Is that matrix available for future subcommittee hearings to review the age of the roofs that have failed?

MR. NUNEZ:

The Board can provide a list of roofs completed since the roofing program started that are under the 15-year warranty. That program was initiated in the early 1990s.

SENATOR COFFIN:

Are roofs still being built with an inadequate pitch?

MR. NUNEZ:

Single-ply roofs, also known as flat roofs, are still being used. The code requires one-quarter inch per foot on roof slopes, but the SPWB requires one-half inch per foot on roof slopes for better drainage. In some cases, although it is not a preference, we use "buildup" roofs in southern Nevada. Most commercial buildings in southern Nevada are "buildup" roofs.

SENATOR COFFIN:

Is that because of insulation? I think, in the north, the primary concern would be the snow load.

MR. NUNEZ:

Cost is the main consideration. However, if the Board can afford it, we stay with single-ply roofs. We use the Factor Mutual Research Corporation standard. The warranty program seems to be working very well. To date, any problems encountered with single-ply roofs have either been repaired or replaced under warranty.

Project S02 — Statewide Americans with Disabilities Act (ADA)

The 01-S02 is 63 percent complete. Building 1300 at the Desert Regional Center (DRC), Southern Nevada Adult Mental Health Institute, has not been done. It is being used as an interim mental health hospital until the psychiatric hospital is complete. The project at DRC will be done when the interim usage is discontinued. The funding will probably be reverted and requested again in the FY 2005 CIP.

Other projects are the Division of Wildlife in Reno, Yerington, Fallon and Winnemucca. Contracts are in the signature process and the projects will proceed in the latter part of January or early February 2005.

The 03-S02 is 20 percent complete. Four projects including the Ely Feasibility Study for the Railroad Museum, the schematic design of the connecting structure at the Nevada State Museum, emergency sidewalk repairs at the Northern Nevada Children's Clinic at UNR and elevator control modifications at the Northern Nevada Adult Mental Health Campus (NNAMH). The ADA project at the Nevada State Museum is 50 percent complete.

Four projects are in the design phase including the NNAMH where the schematic design will be reviewed this month. The Sierra Regional Center in Sparks is under design development and review and will proceed into

construction documents; the DRC site accessibility is awaiting signatures to go to contract; the Ely boardwalk at the railroad museum is being designed in-house and is awaiting the site survey. When that is complete, the plans will be finalized and put out to bid. These projects are mainly bathroom and access route remodels.

The signage project is ongoing in conjunction with the Buildings and Grounds Division. The project is primarily signage for the blind.

There are ten projects at a total of \$3.3 million requested in the 2005 CIP.

Project S03 — Statewide Fire and Life Safety

Project 01-S03 is 17 percent complete. The Nevada State Museum was overbid in December 2004. The consultant and the SPWB have taken some actions for change. Only one qualified contractor bid the project. Another contractor has completed the qualifications process. Changes were made to interior partitions to cut the costs.

The Jean Conservation Camp and the Indian Springs Conservation Camp design projects are complete. The plan check process has started.

The Ely State Prison project has started and 40 percent of the construction has been completed.

The 03-S03 program is 9 percent complete. The majority of projects are 80 to 100 percent completed in the design phase and will move into the plan check process and out to bid.

The 2005 CIP includes 13 projects for a total of \$5.2 million.

Project S04 — Statewide Advance Planning

Some of the projects completed since December 31, 2002, include the Capitol Complex Master Plan Phase I, the Ely State Prison Waste Water Treatment Study, the 2005 CIP Mechanical Investigations, the Elko Branch Office Appraisal, the Lovelock Correctional Center Gym Structural Evaluation and the Veterans' Home Dining Alternatives Study.

The Las Vegas Master Plan Phase I is nearing completion. The Stewart Facility Master Plan has been initiated. The Capitol Complex Master Plan Phase II Design Standards project is beginning. The Capitol Complex Master Plan Drainage Study project is contracted. Formulation of the 2007 CIP is included in the 2005 CIP at a cost of \$150,000 including a Reno Master Plan.

Three historic preservation grants have been applied for and two have been awarded. One application is pending. Of the two awarded grants, one has been completed and the other has begun. All three grants relate to the study and design of seismic preservation at the Stewart complex.

Project S05 — Statewide Paving

The 01-S05 is 88 percent complete. It is expected to be finished by the end of the fiscal year.

The 03-S05 is 15 percent complete. One of the eight projects is out to bid. One more project is scheduled to bid in early spring 2005. There are five projects in final phases of design with several ready to advertise in mid or late spring 2005. According to the schedule submitted during the 2003 Legislative Session, projects are proceeding as scheduled.

The 2005 CIP request includes 16 projects at a total of \$4.1 million.

Project S06 — Statewide Asbestos, Lead Paint, Indoor Air Quality, Mold

One 01-S06 project involving a demolition on Roop Street in Carson City remains and should be completed before the end of the fiscal year.

The 03-S06 has two projects remaining that should be completed by the end of FY 2005.

The 2005 CIP requests include three projects for a total of \$1.1 million.

Project S07 — Statewide Underground Storage Tank Removal

CHAIR RAGGIO:

You have already spoken on the Clear Creek project. Are there still some underground storage tanks to be removed at the Nevada State Prison?

MR. NUNEZ:

Yes, sir. As indicated in [Exhibit E](#), there is a 2005 CIP request of \$233,000 that should complete the Statewide Underground Storage Tank Removal. Unless something unexpected occurs, this program will not appear in the next biennial budget.

MR. DALE:

There is one error in the *Executive Budget* under the CIP projects. Project 05-M43, page APPENDIX-14, reflects a request of \$683,593. That amount should be \$1,101,724.

CHAIR RAGGIO:

You are referring to the project at the State Library and Archives?

MR. DALE:

That is correct. The project involves a security upgrade at that facility. The cost is located in the FY 2006 column.

Project 05-C19 is a project for the Department of Agriculture, Elko Branch Office. During the IFC meeting on January 12, 2005, the Committee approved funding for an option on a building that can be purchased, and remodeled and this will remove the need to construct a new building. However, the *Executive Budget* request for C-19 was not changed to reflect that action.

CHAIR RAGGIO:

That agreement is still under consideration?

MR. DALE:

The CIP project can be reduced once an agreement is reached with the owner of the property.

CHAIR RAGGIO:

We will now turn to the Department of Administration.

MR. COMEAUX:

I will provide the Committee with an overview of the Department, its purpose, goals, organizational structure and a high-level overview of the budgets. I will present the budget for the Budget and Planning Division and have the other administrators present their own budgets.

The Department of Administration exists to assist other state agencies achieve their missions and goals by providing efficient and effective support services to those agencies. The Department also develops and helps administer state budgets that reflect the Governor's priorities and use taxpayers' money wisely. We attempt to assure citizens of the State of Nevada that state resources are used in accordance with Legislative intent. That is done by exercising oversight authority, the work program and contract processes.

The Department's goals are to measurably improve our customer service. We measure that improvement through periodic satisfaction surveys. Another goal is to find more efficient ways to provide our services on an ongoing basis.

The Department consists of ten divisions. These include: Administrative Services; Internal Budgeting and Accounting; Budget and Planning; Buildings and Grounds; Hearings and Appeals; Information Technology; Internal Audit; Motor Pool; Public Works Board; Purchasing; and Risk Management. As director of the Department, I also serve as the clerk to the Board of Examiners. There are 321 full-time equivalent employees within the Department.

The primary challenge for the Department, over the next biennium, will be to keep up with the growth in state government which provides most of our customer base. The Hearings and Appeals Division is also subject to growth and their caseload that is fed by the growth of employment in the state.

The 2003 Legislature transferred the former Printing Division from the Department to the Legislative Counsel Bureau. The State Printing Office printed both the *Executive Budget* and the *Executive Budget in Brief* ([Exhibit D](#)) and did a great job in about half the time as in the past.

The budgets of the Department of Administration are relatively modest in their new requests. There is a request for 20 new positions. However, six of those are temporary and connected to one of the technology improvement projects included in budget account 1325. The positions are to develop one of the requested projects. The other 14 positions requested are scattered throughout the Department. Two are in the Budget Division, two in Administrative Services, one in the Information Technology Division, one in the Commodity Food Program within the Purchasing Division, two in the Hearings and Appeals Division, one in Public Works Inspection, five and one-quarter positions in Buildings and Grounds, one-half position in Mail Services and three-quarters of a position in the Marlette Lake budget.

CHAIR RAGGIO:

How many people are in the Internal Audit Division?

MR. COMEAUX:

That Division contains 23 positions.

CHAIR RAGGIO:

How is that working for you?

MR. COMEAUX:

It is working well. I spoke to Mr. Bill Chisel, the Division Administrator, about the adequacy of that staffing level. That Division consists of three different functions: an audit function staffed by most of the positions, a post-audit function which simply audits transactions of various state agencies after they are completed to ensure they are done properly and a Financial Management Training and Control section. The latter is a training arm of the Division and assists various state agencies to develop their internal controls, policies and procedures for handling of transactions. Mr. Chisel indicated his staffing in all three areas was adequate to perform his mission.

The budget for the Budget and Planning Division is found in the *Executive Budget*, Volume I, page ADMINISTRATION-1. The Base Budget consists of 24 employees. The maintenance decision units in all budgets meet specific criteria.

Decision unit M-100 reflects inflation. Increases in utility costs and rate changes for internal service funds such as DoIT, Motor Pool, building rents and others are contained within that unit.

Unit M-300 is the result of occupational studies and fringe benefit rate adjustments.

Unit M-304 contains the recommended salary adjustments. This includes the classified employee 2-percent COLA.

Unit M-305 contains the same categories for unclassified and nonclassified services.

Decision unit E-250 is a request for one of the two new positions within the Budget and Planning Division for a public service intern to work in the Planning section. In 2003, the position was eliminated as a budget-cutting measure and we request that position be restored. The positions are used for research purposes.

Unit E-251 requests a position titled chief assistant for policy and training. It would be a position at the same level as a budget analyst position. That position would develop and coordinate training for both internal training for budget analysts to improve the quality and consistency of our work and also the external training program. During the past interim, the Department began offering training on the Executive Budget System to the budget and fiscal staff of various agencies. We also offered a class called *Budget 101 Training*, a basic budget training course. Both training elements were extremely well received by the agencies, and we would like to make that an ongoing program. The existing budget analysts developed and provided the training program during the interim. They could continue to do that; however, it takes time away from their daily duties of review of work program changes and contracts submitted by agencies.

The new position would continue development of training and coordinate the delivery of the training.

Decision unit E-275 is requested to purchase some hours from a database administrator employed by the DoIT in connection with our data warehouse.

Decision units E-500 and E-502 would change the funding source on two transfer units. On page ADMINISTRATION-6, of the *Executive Budget*, E-902 requests a transfer of a portion of the Integrated Financial System (IFS) costs into the Budget and Planning budget. These are costs that are currently in the NDOT budget and funded with Highway Funds. Decision unit E-502 would request the substitution of General Funds for the Highway Funds to pay the IFS costs.

At the top of page ADMINISTRATION-7, of the *Executive Budget*, E-904 transfers the costs of Oracle licensing for the new development and disaster recovery server for IFS. It would be transferred out to the Information Technology Division budget. Decision unit E-910 is a transfer in of Oracle software maintenance and IBM hardware maintenance costs to the Budget and Planning Division. The costs relate to computer servers currently paid for through personnel assessments. The E-500 requests a change in the funding source from the personnel assessment to the appropriation control.

Decision unit E-710 is a request for routine replacement of existing equipment, primarily information technology equipment.

Unit E-720 is a request for \$4,399 for new equipment in the first year of the biennium for a multi-media projector to be used in training efforts.

Unit E-811 reflects costs within the Budget and Planning Division to implement changes to the unclassified pay bill recommended in the budget. The cost is \$11,249 in the first year and \$11,256 in the second year.

In the *Executive Budget*, page ADMINISTRATION-9, is a new budget entitled Judicial College and College of Juvenile and Family Justice. At some point in the early 1990s or perhaps even the 1980s, trust funds were established for these two colleges. A \$5 million trust fund was established for the Judicial College and a \$2.5 million trust fund for the College of Juvenile and Family Law. In one of the prior difficult budget periods, the funds were pulled back. In the intervening time period, the Legislature has made biennial appropriations to the two colleges to replace the investment income earned from those trust funds. The new budget was set up to recommend that it be made a permanent fixture of the overall budget. It recommends a \$250,000 annual appropriation to the Judicial College in the E-325 decision unit. Decision unit E-326 recommends an appropriation of \$125,000 annually to the College of Juvenile and Family Law.

The next budget overview is for the Administrative Services Division and I would like to ask Ms. Mary Keating to present that budget found on page ADMINISTRATION-17 of the *Executive Budget*.

MARY KEATING (Administrator, Administrative Services Division, Department of Administration):

The Administrative Services Division is the fiscal division for the Department of Administration. The Division functions include fiscal accounting, budgeting for

the Department as well as the Governor's Office and Mansion, the Ethics Commission and several smaller boards and commissions throughout state government.

The Division currently has 19 employees and has asked for two additional positions, found in decision unit E-250 on page ADMINISTRATION-19. The prior decision units are standard categories including inflation, unclassified and classified pay increases and salary adjustments.

The first decision unit for the agency is found on page ADMINISTRATION-19, under decision unit E-250 titled Working Environment and Wage. In FY 2004, the Division processed 175,000 transactions on behalf of the 81 budget accounts we serve. In calendar year 2004, we processed 184,000 transactions. The volume of work increased even with transfer of the Printing Division from the Executive Branch to the Legislative Branch.

We have requested two new positions, including an administrative services officer II and an accounting assistant II, to facilitate the increase. Each year we have presented 29 budgets within the *Executive Budget*. The workload is getting beyond what we can handle with our current staff. Our budget reflects appropriation requests for operating costs, including office furniture.

CHAIR RAGGIO:
Your Division is requesting two new positions?

MS. KEATING:
That is correct.

MR. COMEAUX:
Did you want any testimony on the Deferred Compensation budget?

CHAIR RAGGIO:
You could highlight it. Are there any differences or changes?

MS. KEATING:
There are no changes. The program is growing and doing very well with funds of \$270 million and participation of approximately 9,000 state employees.

MR. COMEAUX:
The next significant budget is for the Information Technology Division and that begins on page ADMINISTRATION-26, of the *Executive Budget*. I will ask Mr. Dave McTeer, Administrator, Information Technology Division, to present that budget.

DAVE MCTEER (Administrator, Division of Information Technology, Department of Administration):

I will highlight the goals and major issues of the Division for the 2005-2007 biennium and budget recommendations for budget account 1325. A total biennial budget from all funding sources of \$26,425,760 is for the major Information Technology (IT) projects. A biennial budget total from all funding sources for Video Conference Projects is adjusted to approximately \$419,000. I will highlight major recommendations for budget account 1320.

ASSEMBLYMAN DENIS:

How does the Information Technology Division relate to the Department of Information Technology (DoIT)?

MR. McTEER:

The Information Technology Division is a division within the Department of Administration. I work closely with the director of DoIT, who is also the state's chief information officer.

ASSEMBLYMAN DENIS:

Is your Division's role strictly budget issues or are actual projects involved?

MR. McTEER:

I am directly managing some projects for the Division, but the primary function of the Division on the projects listed under budget account 1325 is for budgetary oversight only. I am not the project manager for those. Each agency will provide its own project manager for those projects.

SENATOR BEERS:

How did the changes in the budgeting software work for your Division in this budget cycle?

MR. McTEER:

It was a successful project, on time and within budget. We were able to produce the *Executive Budget* so I would say it worked well.

SENATOR BEERS:

Is part of the power of the new enhancements relative to all these somewhat de minimis changes you discussed earlier? It seems as if there is a finer level of detail than we have had before.

MR. COMEAUX:

Yes, the improvements were really great for the Department of Administration and I think they were very good for user agencies as well. The more they use it, they will appreciate it. The program added some advantages for the Department such as pulling ad hoc reports from the budget system and schedule-driven features.

SENATOR BEERS:

I have a question concerning the training programs discussed earlier. Is the Department posting notices of training, and people are coming to you, or are you providing notices of training to specific people?

MR. COMEAUX:

For the last training, we required attendance, in that we would not give agency personnel access to the Executive Budget System until they took the training. For the most part, we would not give them the Executive Budget System training until they took the Budgeting 101 training. The training was crafted to suit the purposes of the Department.

SENATOR BEERS:

Are you going to offer a class on the ad hoc reporting tool or are you going to provide ad hoc specialists to agencies from time to time?

MR. COMEAUX:

I do not know if our training team has addressed that topic. I will report back to the Committee on that subject.

SENATOR BEERS:

I would be curious what tools you are using, how you prepare the students to learn, and how widespread the reporting function will be.

MR. McTEER:

I was asked to address two bill draft requests (BDR) and an overview of the IT Optimization Study. In the case of BDR S-1037, extension of the reversion date for the appropriations for the state radio systems, and BDR S-1039, the Digital Microwave and Fiber Optic System, Phase 3 and the lack of good weather caused the need to extend both projects addressed. Neither project will be completed by June 30, 2005. My prepared testimony can be found in [Exhibit G](#).

BILL DRAFT REQUEST S-1037: Extends the reversion date of the appropriations made by the 2003 Legislature for state radio systems.

BILL DRAFT REQUEST S-1039: Extends the reversion date of the appropriations made by the 2003 Legislature for the digital microwave project.

MR. COMEAUX:

The next Department budget is that of Insurance and Loss Prevention beginning on page ADMINISTRATION-45, of the *Executive Budget*. Mr. Jim Fry, who is representing Ms. Susan Dunt, will make that presentation.

JIM FRY (Deputy Risk Manager, Risk Management Division, Department of Administration):

The mission of the Risk Management Division is to protect the assets of the State of Nevada, both in property and personnel. This is completed through programs of loss prevention, lines of insurance, self retention, risk transfer and loss control.

The goals of the Division are to reduce the frequency and severity of losses through programs of loss prevention and loss control.

The Contract Review section reviews requests for proposals and contracts for appropriate insurance and risk transfer options for agencies.

The Loss Prevention section provides coordination and overview of the statewide safety program. This is done through review of claim trends in both claims cost and number of claims. Appropriate steps are taken to minimize these risks. Another example is the overview of the state's Health and Wellness Program, primarily for police and firefighters, to prevent future heart and lung disease. Loss Control minimizes the cost of a loss. Examples include the Workers' Compensation Early Return to Work Program and the self-funded Automobile Property Damage Program.

The biennial budget requests for the Division do not provide for any new programs. Increases for the Division are primarily contained within the insurance premium and claims costs. Insurance premiums are driven by market conditions and the insured experience rating. The Insurance market continues to be hard, based upon worldwide disasters and a lackluster stock market. Nevada's

workers' compensation exposure and experience is not that attractive to many insurance companies. This is due to high risk classifications and experience levels of the 2001 to 2002 policy years.

Another area of increase is in information services as the Division is coming into compliance with the DoIT recommendations of the regularly scheduled computer replacement and applicable software upgrades.

I was asked to speak concerning the reserves for workers' compensation and the other lines of insurance. In the budget requests, reference is made to actuaries. These are not tied to actuarial numbers, but are basically to provide for payment of the deductible should a catastrophic claim occur. The workers' compensation program has a deductible of \$2.5 million. If a major catastrophe occurred, the \$2.5 million would have to be paid in addition to the regular cash flow it represents. One open year is left with Employers' Insurance Company of Nevada (EICON) on a retrospective payment. If that reaches maximum premium during the current biennium, the payment will be \$1.9 million.

CHAIR RAGGIO:

Is that the agreement under which EICON was created?

MR. FRY:

No, prior to 2001 we had policies with EICON for workers' compensation. These were retrospective plans which usually last for five years and we are approaching the final year. The buyout could reach as high as \$1.9 million.

ASSEMBLYMAN HETTRICK:

I am looking at the reserve line item in the budget on page ADMINISTRATION-46, of the *Executive Budget*. Under the summary, it says "reserve compensation." The agency request is for \$7.9 million and the Governor's recommendation is for \$5 million. In FY 2006-2007, there was an agency request of \$11.4 million and a Governor's recommendation of \$4.7 million. Is that the line you referenced where the state may be liable for as much as \$2.5 million a claim?

MR. FRY:

The \$2.5 million is per incident under workers' compensation. Hopefully this would never happen, but imagine an airplane crash between Reno and Las Vegas that would have many state employees as passengers. The maximum risk to the state would be \$2.5 million in addition to the actuarially-projected cash flow of the claim.

ASSEMBLYMAN HETTRICK:

The maximum on an incident such as that, regardless of the number of people involved, would be \$2.5 million?

Mr. Fry:

Yes sir.

ASSEMBLYMAN HETTRICK:

The likelihood of two such incidents in a year is not great, but the reserve is certainly not abundant.

MR. FRY:

The reserve for the other lines of insurance is primarily for the property, to fund a deductible of \$500,000 in the case of a catastrophic event.

MR. COMEAUX:

We will move to the Division of Internal Audit, beginning on page ADMINISTRATION-55, of the *Executive Budget*. Mr. Bill Chisel will present that budget.

WILLIAM CHISEL (Chief, Division of Internal Audits, Department of Administration):
The Division consists of three sections: Internal Audits, Financial Management, and Post Review.

The goal of the Internal Audits section is to provide performance audits consisting of looking at agency operations and providing solution-based recommendations to improve their efficiency and effectiveness. We present our audit reports to the Executive Branch Audit Committee which consists of the constitutional officers of the state. To date we have identified many millions of dollars in benefits to Nevadans. In a recent audit, we identified ways the Division could improve services to seniors by approximately \$2 million each year through use of existing resources.

The Financial Management section assists agencies maintain good internal controls. This is done through training and review of internal control procedures. The Post Review section ensures agency expenditures comply with state guidelines.

The Division budget is fairly simple. There is one enhancement decision unit involving 12 computers and upgraded software. It is needed because of the obsolescence of existing computers.

SENATOR BEERS:

Could BDRs that have resulted from an executive audit be identified as such? The actual BDR is probably too random to turn into a performance indicator, but it would be of interest to know what bills resulted from the audit process. I had heard an audit had been done of the SPWB and there would be some proposals during the session to revise that process.

CHAIR RAGGIO:

Your performance indicators are not too enlightening. I cannot tell from your listed performance indicators how many reviews have been made. For instance, the Committee would be more interested in seeing how many agencies were reviewed rather than the percentage of employees that attended training.

MR. CHISEL:

We did not include output in the performance indicators. We are required by the *Nevada Administrative Code* to train everyone in the Division once every five years resulting in that performance indicator.

If the Committee would prefer to see the number of performance audits done in place of the staff efficiency, that can be done.

CHAIR RAGGIO:

It seems to me the number of performance audits should be a part of the performance indicators.

MR. CHISEL:

Performance audits vary. For example, an audit of the SPWB would be a larger audit than one done on a wild horse association. It is difficult to say the Division needs to do 20 performance audits each year.

CHAIR RAGGIO:

What does "percent of available hours that are productive" mean? To whom are those hours referring?

MR. CHISEL:

That indicator is the percentage of the auditor's available hours used toward a project. We are identifying the productivity of the auditors. In other words, 85 percent of their hours are going toward productive audit time. The remaining 15 percent would go toward administrative or general functions.

ASSEMBLYMAN SEALE:

Would it be possible to boil down the results of the audits into some type of savings that resulted from the audit as a performance indicator? That would be an indicator of performance. Obviously, in some instances when an audit is done, you will have an agency where not too many improvements are needed. However, overall, I would think that would make a good performance indicator. Do you audit across all agencies of the Executive Branch including the constitutional offices?

MR. CHISEL:

We audit the constitutional offices upon request and all Executive Branch agencies.

ASSEMBLYMAN SEALE:

Who requests an audit of the constitutional offices?

MR. CHISEL:

We perform those audits at the request of the constitutional officer. The Attorney General audit has just been completed. Many of our audits are driven by request.

We produce an annual report and I could provide that to the Committee. It lists audits and reviews and the results of those audits.

CHAIR RAGGIO:

That is fine, except when a budget is under review in committee, it is nice to look at the performance indicators and get a little better picture of the agency.

ASSEMBLYMAN HETTRICK:

I think the Legislature and you, as the Division of Internal Audits, should be held to a higher standard. One of the problems we have with a number of the agencies are their performance indicators.

When I look at the projected and actual percentage figures in your performance indicators in the budget, it does not make sense to me that 98 percent follow

the indicator of fully or partially implemented recommendations, and only 55 percent have accomplished 75 percent of what you recommended. The performance indicators do not make logical sense when read.

I would like to see something that indicates dollars recovered for man hours spent auditing. Then we know you are accomplishing something for the money invested instead of saying, "I had a productive hour because I was sitting in the agency's office looking at their books." The idea of performance indicators is to reflect cost-effectiveness of a program, not necessarily to prove the auditor was doing audit work.

For nearly every agency, performance indicators do not give us anything to measure effectiveness of the agency. I would encourage you to change performance indicators in that direction and for your Division to take the lead in that endeavor.

MR. CHISEL:

Let me address your question on the second performance indicator. We have three sections within the Division. Performance indicator 2 addresses the Internal Audit section and performance indicator 4 addresses the Financial Management section. That is why there appears to be a discrepancy. I try to derive performance indicators for each section of the Division.

ASSEMBLYMAN HETTRICK:

My point is not that you can address the meaning of your indicators. My point is that just reading them does not make sense without hearing an explanation. The Legislature needs to have the ability to read the indicators and determine the Division is doing something that is effective and cost-effective.

MR. CHISEL:

We can do that.

CHAIR RAGGIO:

The reason I raised the issue is that when the Legislature was requested to authorize the Internal Audit Division, the justification given at the time was that it would be cost-effective and result in considerable savings to the state. I am not able to determine that from the performance indicators provided. The report you spoke of may provide an explanation, but that is not currently before the Committee.

SENATOR MATHEWS:

Mr. Chisel, I think because you are a certified public accountant, you have your own vernacular, but the reported indicators do not help me, as the Chair stated. I suggest you develop performance indicators as requested by the Committee.

SENATOR BEERS:

Is the line item for training in your expenditures, on page ADMINISTRATION-55, for the cost of training you provide or training you seek for your staff?

MR. CHISEL:

That is the cost of training for our Division. Division staff is required, by the Internal Audit Standards, to have 40 hours of training each year.

SENATOR BEERS:

Your personnel expense is not broken down by the three categories you operate with functionally?

MR. CHISEL:

No, sir.

MR. COMEAUX:

The next budget is for the Motor Pool in the *Executive Budget* beginning on page ADMINISTRATION-59. Mr. Keith Wells, Administrator of the Division, will present that budget and the Motor Pool Vehicle Purchase budget.

KEITH WELLS (Administrator, Motor Pool, Department of Administration):

The State Motor Pool operates under the authority of NRS 336. The three facilities are located in Carson City, Las Vegas and Reno. The fleet consists of 744 vehicles that traveled 7.2 million miles in the previous year. There are 15.51 full-time employees. Our primary objective is to provide economical, ready means of transportation for state employees.

There are no new programs under budget account 1354. Decision unit E-250, Working and Wage Environment, involves stipends to fund an inmate position in Las Vegas at a cost of \$2,000 each fiscal year. Decision unit E-710 is a funding request to replace the telephone system in the Reno location at a cost of \$4,650 because the current system is antiquated. Under E-170, 3 Ethernet port hubs must be replaced at a cost of \$1,500 in FY 2006. Decision unit E-721, New Equipment, is a request for \$5,754 to purchase 3 carpet cleaners for cleaning automotive carpets.

Under budget account 1354, the motor pool rates must be increased to cover additional operating expenses incurred. The increases are in the areas of fuel costs, health care costs and general operating costs.

Budget account 1356 is the Vehicle Holding Account. Vehicle purchase funds are received in that account from vehicle depreciation, vehicle disposal sales, one-shot appropriations and vehicles totaled in vehicle accidents.

The enhancements in budget account 1356 include decision unit E-711 requesting the authority to purchase 74 vehicles in FY 2006 at a cost of \$1,342,114. In FY 2007, we are requesting authority to purchase 77 vehicles at a cost of \$1,320,148. Decision unit E-720, is a request for the purchase of 41 additional vehicles, to satisfy requests by agencies, at a cost of \$718,957 in FY 2006. Decision unit E-888, one-shot appropriations requests \$1,100,603 to fund 49 additional vehicles in FY 2006 and 5 vehicles in FY 2007.

CHAIR RAGGIO:

What necessitates the proposed rental increase of approximately \$600,000?

MR. WELLS:

Both the monthly and daily rental increases are due to increasing operating costs. Fuel costs are rising and our prediction is fuel rates by the summer of 2005 will be \$2.50 per gallon. Forecasting the rise in fuel costs is like looking into a crystal ball, but they are going to rise. The auto insurance rates are rising. Our health care costs are rising and all operating costs are rising.

The monthly rental rate for a vehicle assigned to an agency will increase by \$13 each month and 2 cents per mile. Vehicles rented on a daily basis will increase \$2 each day and 2 cents per mile to cover the operating cost increases.

CHAIR RAGGIO:

Is there any information on where the new motor pool facility in Las Vegas will be located?

MR. WELLS:

My proposal for the Las Vegas Motor Pool is that the NHP will be vacating their building on Sahara Avenue. It is a perfect building to suit our needs. I would like to transfer our location from the airport to that facility from which we will operate a small motor pool, catering to people whose reservations originate out of Las Vegas. If someone flies into Las Vegas, they can also choose to use that facility. The only downfall to that facility is the 20-minute drive from the airport to the Sahara Avenue location. The positive side of that is the majority of state government in Las Vegas is in North Las Vegas, meaning most of our customers who originate from the airport travel to North Las Vegas.

The Sahara facility would place the Motor Pool close to all the monthly customers. There are 300 vehicles permanently assigned to agencies in Las Vegas, primarily in the northern corridor. The vendors we deal with are also located in the same general area.

A request for proposal (RFP) has been generated to allow employees who fly into Las Vegas and need, or choose, to stay in proximity to the airport, or choose to use a private rental car company would be sent to a private vendor. The employees who fly in and need to go to the North Las Vegas area or choose to use the State Motor Pool would still use the Motor Pool.

CHAIR RAGGIO:

Is that proposal somewhere in the budget?

MR. WELLS:

I cannot give you a definitive answer because we are waiting on information from private contractors and we are waiting to determine if the NHP is going to vacate the facility.

CHAIR RAGGIO:

Will a decision be made by the end of this Legislative Session? I believe the lease is up at the end of the year.

MR. WELLS:

The lease is up at the end of the current fiscal year. The RFP has been issued to request proposals from private rental car agencies to handle the increased rental car usage.

SENATOR MATHEWS:

I notice the current facility in Las Vegas must be vacated. Is the agency being charged for the demolition of the building?

MR. WELLS:

I have made a formal request, in writing, for the Clark County Department of Aviation to respond, in writing, about what they require from Motor Pool regarding that building.

SENATOR MATHEWS:

The *Executive Budget* indicates the state must pay for the demolition of the building.

MR. WELLS:

I really do not think they want the state to pay for demolition. I believe the government base wishes to retain the building.

ASSEMBLYMAN HETTRICK:

Based on the comments you made regarding the potential use of outside vendors, you stated the daily rate for employees using Motor Pool vehicles would increase by \$2 each day and 2 cents per mile. What would be the new rates?

MR. WELLS:

The rates would be raised to \$23 each day and 19 cents per mile for a compact sedan. The current rates are \$21 each day and 17 cents per mile.

ASSEMBLYMAN HETTRICK:

What kind of a rate will you be able to negotiate with an outside vendor?

MR. WELLS:

The outside vendor rate would be approximately \$32 each day.

ASSEMBLYMAN HETTRICK:

Does the \$32 include mileage?

MR. WELLS:

The \$32 would include unlimited mileage. The procedure would be if an employee chooses an outside rental company after landing in Las Vegas, and drives 40 or 50 miles, there will only be a small surcharge for fuel. Fuel costs are the driving factor for higher outside vendor rates. Many people will continue to use the Motor Pool if the facility is moved to the Sahara complex. It is close to the Grant Sawyer Office Building complex, within walking distance of the DMV and the Bradley Building, and it will only take ten minutes longer to get there. I am excited about moving there, and the transition will be extremely efficient. It is currently a fully functional facility.

ASSEMBLYMAN HETTRICK:

How are we going to get someone from the airport to the facility on Sahara Avenue if it is a 20-minute drive? What additional costs will be incurred? Will we use an outside vendor to transport the person or provide a shuttle service?

MR. WELLS:

We currently provide a shuttle service and we would continue to do that. There are a number of agencies that leave their vehicles at our facility for "park and fly" reasons. Some examples include the Attorney General's office, the Public Works Board and Tourism. I do not anticipate a high volume of people utilizing

the shuttle. Hopefully, we could specify selected flights so we do not run the shuttle back and forth all day because that would hamper our operation.

Approximately 20 percent of my customers originate out of Las Vegas going to Ely, Elko or Tonopah. Those users should come to the Motor Pool facility to get a vehicle because we provide the necessary fuel cards for travel. If a private rental car company is used for those trips, the employee will have to pay those charges out of pocket.

ASSEMBLYMAN HETTRICK:

Those costs are currently reimbursed to employees.

MR. WELLS:

The employees do receive reimbursement, but having to wait for that would be an inconvenience and a burden to place on an employee. Some people could work with that, but others simply do not have that kind of money.

If we ran a small facility, I would also like to cater and rent the vehicles that have a higher associated rental cost such as larger vehicles, SUVs, pickup trucks and vans. The private rental car companies are very competitive with us on compact sedans, but they are not competitive on the larger vehicles.

ASSEMBLYMAN HETTRICK:

If someone is renting a car from the Motor Pool and driving to Ely and back in a day or a 24-hour period, they are better off to go with a private rental car company. It is much cheaper because there are no mileage costs. By my calculations, it is just as efficient to rent an outside rental car if you drive 47 miles or more in a day. If a person drives to North Las Vegas from the airport or shuttles to the Motor Pool facility and then drives, somewhere along the way more than 47 miles will be driven. We need to make a careful analysis of whether it is cheaper to use outside rental cars and where it would be better to obtain a vehicle from the Motor Pool. I agree with you that there are some areas where you can provide a better service than an outside agency, but the reverse is true as well.

MR. WELLS:

Fuel costs escalate quickly and the Motor Pool provides fuel at a much cheaper rate. The average person landing in Las Vegas and renting a car for the day receives a cheaper rate renting through the Motor Pool. If they choose to upgrade to a larger vehicle, then private rental car company costs escalate quickly.

That was my reasoning for moving to the Sahara facility and running a hybrid type of motor pool catering to local people and the monthly-assigned customer. I would also outsource part of the daily rentals originating from the airport.

ASSEMBLYWOMAN GANSERT:

I have been researching use of rental vehicles because of my commute and I know your outside vendor rates are through Enterprise Rent-A-Car. How do you decide from whom you will request bids? When I went to Expedia, I found I could get a car for \$20 each day versus the \$32 you quoted. Have you bid more than just Enterprise Rent-A-Car?

MR. WELLS:

The Purchasing Division bids every available rental car company that will accept an offer of proposal. You cannot compare Expedia to a rate that is geared to a fleet or government entity because we require insurance coverage to be included in the rate. When an individual rents a car, they personally provide the insurance. When the State of Nevada rents a car, the private carrier is liable for the insurance which comes with a heavy cost.

SENATOR MATHEWS:

When you return for future hearings, could you bring proposals for an alternate location for the new Las Vegas facility?

MR. WELLS:

There are many sites we have worked on, and they have included exorbitant costs, but I will bring other proposals.

SENATOR BEERS:

If the state moved to the direction of your vision to frequently outsource sedans at the airport, it would lighten concerns if you could concentrate our business with a vendor who would not require returned vehicles to have a full tank of fuel. Can you concentrate our buying power with one or two vendors to accomplish that idea?

MR. WELLS:

When the RFPs were drafted, the Purchasing Division allowed me to be involved. Some of the specifications included how employees would be treated, ways to get in and out of the airport as efficiently as possible, expedite the billing and negotiate fuel prices. As background information, I currently outsource 26 percent of my business in Las Vegas. There would be an increase under the new proposal, but 26 percent of the Las Vegas business is already outsourced.

MR. COMEAUX:

The next three budgets are for the Purchasing Division in the *Executive Budget* beginning on page ADMINISTRATION-70. Mr. Greg Smith will present those budgets.

GREG SMITH (Administrator, Purchasing Division, Department of Administration):

Since accepting the responsibility of the Purchasing Administrator position in July 2003, I am pleased to report that your Purchasing Division has continued its aggressive modernization and improvement program, absent any substantial funding requests.

I currently serve as the Vice Chairman of the Western States Contracting Alliance and am a board member of the National Association of State Procurement Officials. Those leadership positions in these two widely recognized and accredited organizations ensure that Nevada is in the forefront nationally, of state-of-the-art best practices and procurement methodologies.

Our Materials Management and Contract Services section, found in budget account 1358, remain focused on our primary purpose to obtain supplies, equipment and services in a timely manner to secure the best possible value and give all vendors a fair and equal opportunity to conduct business with the state.

I would like to take a brief moment to highlight our Commodity Food Distribution Program found in budget account 1362. That program is managed out of our Reno and Las Vegas warehouse facilities. While I am certainly proud of all three sections of the Purchasing Division, this section is often overlooked in their tremendous contribution to improving the quality of life for so many Nevadans. Simply put, this program receives and leverages federal funds for the distribution of commodity food products to schools, child care facilities, charitable institutions, senior nutrition programs, needy households residing on rural Indian reservations and food banks for low income households. The continued increase in customers served and pounds of foods delivered is driving this Division's only request for an additional supervisor driver position, at Grade 32, to be located in the Las Vegas facility. The position will be paid solely through federal grant funds.

I would like to address the question posed earlier by the Chair and Assemblyman Hettrick during Mr. Chisel's testimony. I have never been completely comfortable that our performance measures, while they adequately indicate what we do, and quantify how we do it, do not adequately measure our performance and our value to the Legislature. To that end, we have scheduled a strategic planning session in the upcoming month with emphasis on performance measures and benchmarking. We will introduce some concepts such as return on investment and others into our performance measure to give the Legislature a better picture of what the Purchasing Division does and its value.

MR. COMEAUX:

The next series of budgets cover the Buildings and Grounds Division and Ms. Cindy Edwards will present the highlights for the Buildings and Grounds, Mail Services, Clear Creek and Marlette Lake budgets.

CHAIR RAGGIO:

Committee, those budgets begin on page ADMINISTRATION-82 of the *Executive Budget*, Volume I.

CINDY EDWARDS (Administrator, Buildings and Grounds Division, Department of Administration):

The Buildings and Grounds Division provides physical maintenance, custodial services and security for most state-owned buildings and grounds in the Reno, Carson City and Las Vegas areas. The Division also negotiates office space leases for agencies throughout the state. Additionally, we provide central mail services, management of the Marlette Lake water system and the Clear Creek Youth Center.

In the upcoming biennium, the Division is requesting a change in the existing methodology of charging rent to state agencies. At the present time, agencies that occupy entire buildings are charged rent based on the gross square footage. In multi-tenant buildings rent is charged only on the useable square footage. Under the new methodology, the agencies in the multi-tenant buildings would pay rent based on their useable square footage plus their pro rata share of the common areas. The new method will provide an equitable rent structure for all agencies. All the agencies in the new biennium will have their rent rate reduced from \$1.14 per square foot to 0.91 cents per square foot to assist the multi-tenant agencies with the proposed rent increase.

CHAIR RAGGIO:

Please clarify that you are changing the methodology from actual square footage and is there a pro rata allocation for the common area? What is the purpose of that?

MS. EDWARDS:

You are correct on the proposed change. Some of the agencies were paying for the common area and some were not.

CHAIR RAGGIO:

Will the overall amount be changed or only the method of allocation?

MS. EDWARDS:

The agencies that occupy multi-tenant buildings were not paying for the common areas so their rent will be charged on an increased square footage. If the rate were to remain at \$1.14 per square foot, the increase would have been much greater.

In the new biennium, two new buildings will be occupied including the Nevada Department of Conservation and Natural Resources building in Carson City and the Department of Motor Vehicles building in North Las Vegas.

During the current fiscal year, the remodel of the old EICON building at 515 E. Musser Street and the Stewart facility, Building 17, in Carson City have been completed and the buildings are now occupied.

In decision unit M-425 — Deferred Facilities Maintenance, the Division requests \$5.1 million in deferred maintenance funds to seal the exterior surfaces of the Bradley Building in Las Vegas and various other buildings within the Capitol Complex and the Stewart facility.

We are requesting 5.25 new positions. One position is a management analyst to assist in lease and contract services. Due to occupation of new buildings, we will need 3 grounds maintenance workers to maintain the grounds and irrigation systems in Carson City, 1 maintenance repair specialist for the new DMV building in North Las Vegas and the 0.25 position is for a water system operator to maintain the Stewart facility water treatment plant in Carson City. We are requesting the remainder of that position in the Marlette Lake water system budget.

The Division is requesting \$78,000 for new and replacement equipment including various pieces of equipment for buildings and grounds maintenance. In the technology area we are requesting a new server and computers.

In decision Unit E-850 — Major Building Renovation, all of the building renovation projects requested during the 2003 Legislative Session are expected to be completed by the end of the current fiscal year.

In the new biennial budget we are requesting funding of \$1.8 million for renovation projects. These projects include carpeting, exterior door and hardware replacement and painting of the exterior and interior of buildings.

CHAIR RAGGIO:

Do you have specific buildings in mind for the new renovation projects?

MS. EDWARDS:

There are several buildings throughout Reno and Las Vegas. Carpeting relates to ten buildings, for the exterior door and hardware replacement there are five buildings.

CHAIR RAGGIO:

What are the plans for the former National Guard Armory?

MS. EDWARDS:

The building will be vacated by the Division of Forestry and the Division of Emergency Management in February 2006.

CHAIR RAGGIO:

Is the building being fully utilized now?

MS. EDWARDS:

No, it is not.

CHAIR RAGGIO:

Is there any practical way the additional space can be leased out or sold? What is the plan?

MS. EDWARDS:

The plan is to sell the building once it is vacated. The Division of Emergency Management and the Division of Forestry will be moving to the new military site.

CHAIR RAGGIO:

Do you have any idea what the appraised value of the building for sale would be?

MS. EDWARDS:

An appraisal was done approximately six years ago and it appraised at approximately \$6 million.

CHAIR RAGGIO:

Are there any other vacant state-owned buildings other than those already mentioned here today? Are there any buildings that are only partially occupied?

MS. EDWARDS:

There are currently none except some of the buildings at the Stewart facility that have never been fully occupied and the Clear Creek facilities.

ASSEMBLYMAN MARVEL:

What are your plans for the Kinhead building? At one time there was discussion about demolishing it.

MR. COMEAUX:

The SPWB can get into more detail on that, but a study was done on the building and the findings came back indicating the building had many problems.

CHAIR RAGGIO:

One problem is the building is not level, correct?

MR. COMEAUX:

It definitely is not level.

ASSEMBLYMAN MARVEL:

The wind blows from the inside to the outside.

MR. COMEAUX:

It definitely does that. There are problems with every mechanical system in the building. Another finding in the study was the building could be in trouble in a moderate earthquake of 5.0 on the Richter scale. The plan is that once the occupants have been moved, hopefully to the new Human Resources building, the study indicated the building is not dangerous in the absence of a moderate earthquake. It is something that deserves some thought and planning.

The findings also indicated it would cost approximately 80 percent of replacement costs for a new building to rehabilitate the current building. Systems need to be replaced, floors need to be leveled and the bottom line is that the state needs to get out of that building, but first somewhere to go is needed. That is one of the reasons to propose a new Human Resources building and it would have additional square footage beyond that needed by the current occupants of the Kinhead building.

MS. EDWARDS:

In the Mail Room, budget account 1346, the State of Nevada Mail Room provides mail services to most state agencies in the Reno, Las Vegas and Carson City areas.

The services include interoffice mail delivery, pickup, folding and inserting services to the Carson City and Reno area agencies.

In decision unit E-275 we are requesting modems and dial-up connections for the supervisory employees to have e-mail access. In the E-710 module for replacement equipment we are requesting funding for the maintenance contracts associated with the replacement equipment in the Mail Services Equipment Purchase Account which is budget account 1347.

The Division is requesting reclassification of a student position to a full-time mail clerk in module E-805.

In decision unit E-900 we are asking to transfer a position to the DoIT computing center. This position is utilized exclusively to pick up and deliver the mail reports for the DoIT.

CHAIR RAGGIO:

There are no new positions in this budget?

MS. EDWARDS:

We are not requesting any new positions. We are requesting conversion of the student position to full time and to transfer the one full-time position.

The Clear Creek facility is currently in a mothballed state and not being utilized. The Division plans to generate an RFP to see if there is a viable operator that would operate the camp on a long-term basis.

The major objectives of the Marlette Water System are to preserve and protect the sources of water and provide adequate supplies of water. Other objectives are to improve and preserve the watershed, to maintain the system and sell water at equitable rates.

In the Marlette Lake budget, under module M-425, Deferred Maintenance, we are requesting to replace the roof and septic line on the Water Master's house. We are requesting a new position be funded at 75 percent to be a water system operator. The position would serve a dual role for the operation of the Marlette Lake water system and the Stewart facility treatment plant. Both facilities are a nonstop 24-hour operation. Currently, there is only one full-time licensed operator and one 9-month seasonal employee. If the new position is funded, we would no longer need the seasonal employee. The new position would have the required operator's license.

ASSEMBLYMAN MARVEL:

Is there a great deal of leakage in the Marlette water system?

MS. EDWARDS:

I will defer that question to our engineer.

PATRICK MCINNIS (Chief Engineer, Buildings and Grounds Division, Department of Administration):

We spill water from the reservoir during the runoff and the rest of the year the system is fairly tight. There has been controversy, over the years, with Virginia City over how much water leaves the reservoir and arrives in Virginia City. That has become less controversial in the past year. We have upgraded our metering capability and so has Virginia City. They have eliminated the earth-lined reservoir from the system and that was where a lot of the leakage was occurring. Currently, an automatic control system has been installed that can be controlled from Marlette Lake to monitor the tank levels at their end. At least we are not flooding them out and time will not be lost while someone drives up to the tanks and changes valve settings. The system has been tightened up a great deal and we are progressing on some other projects as well.

MR. COMEAUX:

The next budget for our Department is for the Hearings Division, that begins on page ADMINISTRATION-125 of the *Executive Budget*, and Mr. Brian Nix will present the highlights for the Hearings budget and the Victims of Crime budget.

BRYAN A. NIX (Senior Appeals Officer, Hearings Division, Department of Administration):

The Hearings Division is responsible for adjudicating workers' compensation disputes. The agency is two-tiered with a Hearings section with seven hearings officers spread between Las Vegas and Carson City. Two are in Carson City and five are in Las Vegas. The Appeals section has nine appeals officers spread between Carson City and Las Vegas. Six are located in Las Vegas and three are in Carson City.

The process is very informal at the first level; that of adjudicating disputes. It is a very efficient process. The Division receives approximately 12,000 requests for hearings at the hearing officer level. Those are scheduled with an officer within a short period of time. There is a statutory deadline of 30 days, but cases are generally scheduled within 30 to 45 days from the date of a request.

A hearings officer conducts an informal hearing and attempts to get the parties to resolve their dispute. The officer is vested with the authority to enter an order to resolve a dispute if the parties cannot resolve it among themselves. Any party who is dissatisfied with the outcome of the hearing has the right to appeal the case to an appeals officer.

The appeals officers are attorneys who are appointed by the Governor and they process about 4,000 cases annually. Those cases are much more complex than at the hearing officer level. They are a full adjudication function with a court reporter and lawyers. It is the final opportunity for parties to present evidence and case before an independent appeals officer. Any party who is dissatisfied with the outcome of that hearing has the right to appeal the case to the district court. The district court appeal is simply an appeal on the record. The district court must accept the evidentiary record created at the appeals officer level.

A few enhancements are being requested in budget account 1015. Under module M-525 there is a request to replace some doors in the building in Las Vegas. There have been several complaints from some of the disabled or handicapped claimants who appear before the officers. The doors are very difficult for them to open from wheelchairs or with walkers. We would like to replace them with doors that open automatically when pressure is applied. The cost will be partially shared with the Victims of Crime Program who occupy the same building. Early in the process, the Nevada Attorney for Injured Workers was going to share some of the cost, but I do not know the current status of that commitment.

ASSEMBLYWOMAN GIUNCHIGLIANI:
Have your offices been moved?

Mr. Nix:
Yes, in Las Vegas we moved from the Grant Sawyer Office Building to a building located at Sahara and Rancho in Dr. Steinberg's complex.

ASSEMBLYWOMAN GIUNCHIGLIANI:
The owner of the building will not make it ADA compliant?

MR. NIX:
The current doors meet the requirements of ADA. Unfortunately, they are still difficult for some people to operate. It is a situation where the doors meet the minimum criteria and the owner is not willing to replace them.

ASSEMBLYWOMAN GIUNCHIGLIANI:
Did he do any kind of remodel on the facility?

MR. NIX:
Yes, the building has been completely remodeled.

ASSEMBLYWOMAN GIUNCHIGLIANI:

Then he is not in compliance. If any kind of remodel has been done, and more than 25 percent of the cost of the building was spent in remodeling, he is required by federal law to comply fully with ADA.

MR. NIX:

I am not really clear on that. The explanation from the owner was that they complied with the ADA requirement. The doors we are seeking are better than the minimum ADA requirements. We can do some further research on this.

ASSEMBLYWOMAN GIUNCHIGLIANI:

I may stop by the building and see what they are like and see if I can be of some assistance.

SENATOR BEERS:

Could you take some digital pictures as part of your research and bring them to the Committee?

MR. NIX:

Certainly, and I invite any of you to stop by any time you are in the area.

The next enhancement in module E-250, seeks the addition of one legal secretary position to assist in the processing of our workload. This is one of two positions being requested in the current budget. The last time additional staff was requested was in 1997. There has been a steady, but not phenomenal, growth in our caseload. When there was only one insurer for most of the claims, our job was a little easier. However, over the past few years since we have moved into open workers' compensation insurance, we now have hundreds of insurers and third party administrators that perform the work that used to be accomplished by one entity.

That causes a number of issues to ensure notices get to the right people, that we know who the insurers are and who the employers are. It has increased the workload on a per-case basis. It is also true at the appeals officer level. There are now private insurers involved. The cases are litigated in a different manner. Several years ago, an appeal was filed and the parties would come and argue their case on the hearing date and a decision would be rendered.

Now, cases are litigated much like you would see in the court system with aggressive attorneys seeking stays, filing motions and seeking discovery. The Division needs a couple of clerical staff to help balance the workload and make sure cases are processed in a timely manner. The legal secretary would work on the appeals side where the staff are legal secretaries working for attorney judges. The administrative assistant would work on the hearings side assisting with processing of the hearings officer caseloads.

Because our office is no longer in a state-owned facility, we no longer have access to the Capitol Police. As you can imagine, there are occasionally issues with a need for security. Decision unit E-252 requests funding to hire a contract security officer. Our original plan was to have a security guard present between the hours of 8 a.m. and 5 p.m., and the cost would be split between the Victims' of Crime Program and the Nevada Attorney for Injured Workers. I understand that is perhaps not in other budgets. The funding request in our budget would allow us to call on the contract security officer when a problem is

anticipated. We can call the Las Vegas Metropolitan Police Department if there is a problem and they will respond. We cannot call them and schedule a time for security to be present. This would allow the Division to have the ability for on-call security to deter potentially bad behavior.

SENATOR BEERS:

Could you develop performance indicators that show the Committee the caseload and the caseload by hearings officers?

MR. NIX:

Absolutely, I can provide that to you readily.

ASSEMBLYMAN HETTRICK:

I have a similar question. When we see performance indicators that are all 96 percent to 99 percent, we need different indicators that give us a measure of efficiency.

MR. NIX:

I agree. The Hearings Division performance indicators are based on its statutory responsibilities. The current indicators are accurate and we are doing better than projections. In terms of complying with statutory requirements, the Division is doing quite well. We would be happy to provide the Committee with the requested information.

CHAIR RAGGIO:

Please proceed to the Victims of Crime budget on page ADMINISTRATION-133 of the *Executive Budget*.

MR. NIX:

The Victims of Crime Program is a program that is responsible for assisting innocent victims of violent crime who do not have resources available to them for the resulting costs of that crime. It primarily concerns medical care, counseling, wage loss and those types of issues. Funding for budget account 4895 is from a variety of sources. Neither agency is a General Fund agency.

The Victims of Crime Program receives most of its funding from criminals, courts, assessments against criminals and federal funds assessed against federal criminals. The funds are used to assist victims with various needs as a consequence of their injuries or their criminalization. The Program operates very efficiently with one compensation officer in Reno, three compensation officer positions in Las Vegas where one officer recently retired; we are not going to refill that position. The budget includes a request for downgrading of the vacant position to a clerical staff position. Part of the reason for this request is the implementation of a state of the art, Internet-based database that has made the program paperless and the processing of the claims streamlined. There will be a demonstration as part of the Technology Day on February 9, 2005.

The primary responsibility of the Program is to determine eligibility of the victim and to assist them with their needs. Since the initiation of the Program, some things have been done to dramatically increase benefits provided to victims. There is an extensive cost containment and bill review. We have an efficient system to ensure vendors and medical providers get paid in a timely manner.

Few enhancements have been requested in this budget. Module M-525 is the sharing of the new door cost if that stays in the budget. The Program also has disabled clients who were injured as a result of crime.

The other enhancement is under module E-250 for conversion of a room within the offices to a different use. When the building was planned, the architects had a great idea to create some interview rooms similar to the booths in hospitals or medical clinics for the exchange of information. That concept works fairly well in an open environment where there is a lot of noise and activity. Unfortunately, the booths in our office were designed within what was a single room so that it is impossible to achieve privacy. The plan is to essentially gut those interview rooms and create a larger conference space where people can be brought in and information exchanged.

CHAIR RAGGIO:

Refresh the Committee's recollection on how the payment amounts are determined for the victims. How do you determine how much a victim can receive? There is a practical limit as to how much funding is available.

MR. NIX:

By statute, there is a \$50,000 cap on victim of crime claims. That has been temporarily capped at \$35,000 by the Board of Examiners because of revenue issues.

There are very clear criteria to determine the schedule of payment. Medical bills are paid as a result of the victimization; wages can be paid up to \$300 each week to replace lost wages while a victim is out of work; funeral expenses and some miscellaneous considerations such as broken locks on a home can be paid. The fee schedule allows for payment, up to \$3,500, for counseling and more if it is a very traumatic case.

When a claim is received, with the new technology, the staff is very adept at determining the anticipated liabilities for the claim. If it is simply a case involving counseling, we know our claim costs will probably not exceed \$3,500. If it is a serious, traumatic injury, the claim may reach the \$35,000 cap or even the \$50,000 cap when that level is reopened.

Nevada is one of only a few states in the country that uses a cost containment strategy, which all insurance companies do, paying an average of approximately 40 percent of the medical bills that we receive. As an example, on a \$1,000 medical bill the Program can satisfy that bill for \$400. The medical provider is paid pursuant to the fee schedules they have agreed to accept through the various insurance programs. The agency will find the lowest medical fee schedule that medical provider has agreed to accept and pay that amount. It results in payment at a 40-percent rate on the medical bill. Using the \$35,000 cap, we are actually providing approximately \$70,000 or \$80,000 worth of assistance.

CHAIR RAGGIO:

It appears about one-third of the claims are denied. What are the reasons for denial?

MR. NIX:

Some of the reasons claims might be denied is the victim might have insurance or it may not have been a crime. For instance, automobile accidents would be denied, even if someone ran the victim off the road, unless they can prove it was done intentionally.

The victims must also be innocent victims of crime to qualify. If the victim has contributed to their victimization by getting in a bar brawl or something of that nature, they would not qualify.

ASSEMBLYMAN MARVEL:

The state has an account with inmate labor and prison industries for victims of crime. Does the Program access that money?

MR. NIX:

The Program does receive money from the DOC. I will seek clarification, but I believe the line item in the budget is titled Wage Assessment for \$251,000 a year. They pay a certain percentage.

ASSEMBLYMAN MARVEL:

There are four or five withholdings for inmate labor and the Victims of Crime Program is one of them.

MR. NIX:

Yes, and by statute the Program is one of the highest priorities for disbursement of those funds.

One issue discussed in our office has been that the Program is really dependent upon the courts, prisons and various entities to pay the money required by law. At this time there is not a good process to track those payments nor at what level payments are being made. It does provide the bulk of the assistance other than the variable amount of the federal grant.

ASSEMBLYMAN MARVEL:

Do I understand you do receive some of the inmate funds?

MR. NIX:

We are paid that money and it goes into the fund for the reimbursement of victims.

ASSEMBLYWOMAN WEBER:

How do people find out about your service and what amount of cases happen in Nevada? Assuming most of the cases come from Clark County, is there an 800 number for people in other parts of the state?

MR. NIX:

The bulk of our referrals come from our providers. The hospitals know if they have a victim of crime, their chances of getting paid if the person has no insurance are enhanced if the person qualifies under the Victim's of Crime Program. There is a strong outreach program by working with the rape crisis centers, various social service agencies that provide direct services to victims, police agencies and hospitals. The front-line providers know about the Program and refer victims because that is how they will most likely be paid.

ASSEMBLYWOMAN WEBER:

Approximately 2,500 applications are received each year. Eligibility is assessed and approximately 20 percent to 25 percent are approved for assistance.

ASSEMBLYMAN HETTRICK:

I see a filing fee listed in the budget. Does the victim pay a filing fee to access the services of the Program?

MR. NIX:

The filing fees are a percentage of such fees collected by the courts.

ASSEMBLYMAN HETTRICK:

You stated a position was being dropped in your testimony, but eight positions are shown all the way across the budget.

MR. NIX:

We are downgrading that position to a clerical position. We will not replace the compensation officer.

SENATOR BEERS:

Could you provide the numbers used to develop the charts in the *Executive Budget in Brief* ([Exhibit D](#)) to the Committee staff?

MR. COMEAUX:

We will provide that detail.

CHAIR RAGGIO:
Seeing no further business before the Committee, we are now adjourned at
4 p.m.

RESPECTFULLY SUBMITTED:

Cindy Clampitt,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____

Assemblyman Morse Arberry Jr., Chair

DATE: _____