

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session
February 9, 2005**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:03 a.m. on Wednesday, February 9, 2005, in Room 2134 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.

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

STAFF MEMBERS PRESENT:

Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Carol Simnad, Committee Secretary

OTHERS PRESENT:

Lorraine T. Hunt, Lieutenant Governor, Office of the Lieutenant Governor
Andrew Clinger, Deputy Director, Budget Division, Department of Administration
Valerie M. Rosalin, R. N., Director, Office for Consumer Health Assistance,
Office of the Governor
Teresa Rogers, Operations, Office for Consumer Health Assistance, Office of
The Governor
Paul V. Townsend, Legislative Auditor, Audit Division, Legislative Counsel
Bureau

CHAIR RAGGIO:
Are there any bill draft request (BDR) introductions?

SENATOR RHOADS:
We are asking for \$150,000 to facilitate small rural airports.

SENATOR BEERS:
There is a federal match available of 95 cents for every 5 cents we fund that can be used on capital infrastructure projects for funding rural airports. With the value of federal dollars, we think this is a good idea.

CHAIR RAGGIO:
Is this amount for the biennium?

SENATOR RHOADS:
Yes, sir.

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CHAIR RAGGIO:
May I have a motion to introduce this BDR?

SENATOR COFFIN MOVED TO INTRODUCE A BILL DRAFT TO APPROPRIATE \$150,000 WITH MATCHING FEDERAL FUNDS TO FINANCE RURAL AIRPORTS.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

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CHAIR RAGGIO:
The Finance Committee has been asked to introduce a bill draft request for the appropriation of \$100,000 in each year of the biennium for the funding of the Winter Olympics that will be held in the Reno-Tahoe area in the future.

SENATOR COFFIN MOVED TO INTRODUCE A BILL DRAFT TO APPROPRIATE \$100,000 IN EACH YEAR OF THE BIENNIUM FOR FUNDING OF THE WINTER OLYMPIC GAMES TO BE HELD IN THE RENO-TAHOE AREA.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

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CHAIR RAGGIO:
We will open the hearing on the budget for the Office of the Lieutenant Governor.

ELECTED OFFICIALS

Lieutenant Governor – Budget Page ELECTED–30 (Volume I)
Budget Account 101-1020

LORRAINE T. HUNT (Lieutenant Governor, Office of the Lieutenant Governor):
I will read from my prepared statement ([Exhibit C](#)). I serve as President of the Senate and as acting-Governor in the event the Governor is unable to serve.

I am chair of both the Nevada Commission on Economic Development and the Nevada Commission on Tourism, and Vice Chair of the Board of Directors for the Nevada Department of Transportation. I also serve on the Governor's Cabinet.

My office is composed of one elected official and six unclassified employees. I have staff offices in Carson City and Las Vegas.

Among my goals: Maintaining and improving our great State's competitive edge in national and international tourism in order to sustain and support Nevada's largest employer, the leisure and hospitality industry. I also focus energy toward economic diversification, as well as support for small businesses in our State. It is my hope to foster and assist the pioneer entrepreneurial spirit that built the foundation of our great State.

The People's Republic of China is a nation with enormous potential benefits for Nevada. During 2004, I led a delegation to Beijing, China to open a Nevada Tourism Commission office there. Nevada is the only state in America that can legally market tourism in China.

CHAIR RAGGIO:
Why is that?

LIEUTENANT GOVERNOR HUNT:
We are the only state in the United States that is licensed for this.

Recognizing the need to continue to attract visitors to northern Nevada by promoting key natural resources, I worked to spearhead a successful effort to improve Wingfield Park in downtown Reno contributing to the revitalization and redevelopment of the city. As part of this effort, I chaired the Truckee River White Water Steering Committee creating the first kayak slalom course to run through an urban core. Phase 1 of this undertaking is complete. Phase 2, which is Rock Park in Sparks, is well under way. I have been working with the committee to complete all phases of a 24-mile course from Verdi to Vista.

CHAIR RAGGIO:
This is a very successful program, even with only Phase 1 complete.

LIEUTENANT GOVERNOR HUNT:
We are getting a great deal of positive international publicity and there will be more to come.

SENATOR BEERS:
Are there any plans for your steering committee to eventually put on large events, such as races, that would attract more visitors?

LIEUTENANT GOVERNOR HUNT:
Yes, we are working in conjunction with all the people along the river, the Nevada Commission on Tourism and the Reno Sparks Convention Authority to produce all sorts of international events on this slalom course.

In addition to duties I have outlined here, my staff and I provide an essential service to both Nevada residents and, in some cases, to residents of other states with a constituent assistance program. Constituents in need of information and assistance with federal, State and local agencies make daily contact with our office. Information to the citizens of Nevada is provided through publications, the Internet, the media and by participating in community gatherings on issues of importance to the public.

Another important duty I perform is representing our State as a frequent host for delegations of foreign dignitaries and diplomats and conducting meetings to promote economic development and tourism in the State of Nevada. Part of my

efforts include bringing successful Nevada entrepreneurs together to share insights and ideas in order to bring new businesses to Nevada.

We held an entrepreneurial roundtable in 2003 and began an exciting partnership between the State of Nevada and the Center for Entrepreneurship and Technology (CET).

The mission of the CET is to emphasize the need to diversify the economy in Nevada by focusing on start-up businesses using advanced technology as a key element in their business models. We recently received \$400,000 in federal funding for this purpose.

CHAIR RAGGIO:
What is CET?

LIEUTENANT GOVERNOR HUNT:
It is the Center for Entrepreneurship and Technology. We started this in 2003. It was a result of a forum that brought together all of the high tech people throughout the State to discuss what we could do to spend more time talking to each other.

CHAIR RAGGIO:
How was that funded?

LIEUTENANT GOVERNOR HUNT:
We funded it through our Economic Development Agency budget. We had some inexpensive forums and roundtables and now it has developed into CET. We received a grant from the Kaufman Foundation, the center for entrepreneurship throughout the United States. The CET is attracting the right people at the right time.

CHAIR RAGGIO:
It seems like something the Gates Foundation would be interested in.

LIEUTENANT GOVERNOR HUNT:
We will pursue that. We want to advance Nevada's role in attracting high tech companies of the future. This is going to be the key to our high-wage, high-paying jobs in participating in the global economy of the future. We have some great opportunities.

The Office of the Lieutenant Governor oversees tourism and economic development in Nevada. This budget will help further those endeavors in our State.

We rely on our vibrant and robust economy to sustain the quality of life in our State. As our revenues grow, so do our opportunities to fund education, health care and other needed public services.

SENATOR CEGAVSKE:
I would like to thank you for the role you have played. You have done an outstanding job for the State.

Is there anything you are doing to promote entrepreneurship in the schools, like the program my son went through in Mrs. Edward's class at Argyle Grey School?

LIEUTENANT GOVERNOR HUNT:

The Kaufman Foundation has several programs I would like to bring into the State for our schools. Kindergarten through 6th grade is important. This is when entrepreneurship has to be taught. By the time students are in higher education, it is not as beneficial as in the early grades. We have this on our radar screen. It is one of my goals, but no programs have been developed yet.

SENATOR CEGAVSKE:

Is this something we could be looking at in the next couple of years?

LIEUTENANT GOVERNOR HUNT:

I hope so. If you could help me in this effort, I would appreciate it. I realize the importance of this goal.

SENATOR CEGAVSKE:

Great, I will look into this.

SENATOR RHOADS:

I would like to applaud your efforts in rural Nevada. I cannot think of any Lieutenant Governor who has spent more time in rural Nevada in the last six years than you. You have really made a difference. I know Elko has many things going on and Ely is starting to show interest. We really appreciate it.

LIEUTENANT GOVERNOR HUNT:

I had the advantage of working in the private sector as a Commissioner for Tourism. I have spent a lot of time in the rural sector of our State. As an entrepreneur and businesswoman, I saw many opportunities not being utilized. When I became Lieutenant Governor, I was able to make some of those visions come true.

CHAIR RAGGIO:

Will you be presenting your budget to the Committee?

LIEUTENANT GOVERNOR HUNT:

Yes.

CHAIR RAGGIO:

It looks like the budget is requesting \$18,000 each year for out-of-State travel. How do you determine which trips are paid from the Economic Development and Tourism budgets and those trips which come out of this budget?

LIEUTENANT GOVERNOR HUNT:

I determine if my presence is necessary. It is important for the international trips to have one of Nevada's highest officials travel there since they deal with a great deal of ceremony. I pay for the trips from the Tourism budget first and my budget last. We now find we are getting outside sponsors, particularly for our trips to the Chinese and international markets. We find the governments of these countries are inviting us to attend. We try to utilize all of these government invitations and sponsorships prior to using our budget.

CHAIR RAGGIO:

You used all your budget last year for out-of-State travel. It looks like this figure is static. What is the reason for the large increase for in-State travel?

LIEUTENANT GOVERNOR HUNT:

One of the reasons for the increase was the Special Sessions that were not included in my budget.

CHAIR RAGGIO:

No new personnel were requested?

LIEUTENANT GOVERNOR HUNT:

No new personnel were requested. We still have six people on staff.

CHAIR RAGGIO:

We will have an opportunity to go into more detail on programming when we review the budgets for Economic Development and Tourism.

SENATOR BEERS:

Are you anticipating more Special Sessions?

LIEUTENANT GOVERNOR HUNT:

I hope not, Senator Beers.

SENATOR BEERS:

I think a large portion of the increase in your in-State travel budget is in your Base Budget rather than enhancement.

LIEUTENANT GOVERNOR HUNT:

That is correct.

SENATOR BEERS:

That does not mean you are planning any more Special Sessions?

LIEUTENANT GOVERNOR HUNT:

No sir. It is important that I be there to see what they are doing, since we are such a large State, geographically, and especially with all of the new programs in rural Nevada. There are many focus group meetings that I need to attend. If I cannot be there, my staff must attend. There have been instances where I have used my own funds to attend these meetings. This aggressive outreach program we have been doing in places such as Lovelock, Battle Mountain and throughout the State requires my presence to analyze specific needs of each of these rural areas.

SENATOR BEERS:

Is there a way to devise methods to quantify the success of bringing new markets to rural Nevada?

LIEUTENANT GOVERNOR HUNT:

We can do that.

CHAIR RAGGIO:

I too want to thank you for your efforts. Over the years, those persons who have served in the position of Lieutenant Governor have spent money out of

their own pockets to maintain the Office because they are required to do so many things and to represent the State. As many people as I can remember, whether it was Harry Reid, Paul Laxalt, Myron Leavitt, Sue Wagner or Bob Cashell have all gone into their own pockets to sustain this position, so we appreciate your commitment.

We will close the budget on the Office of The Lieutenant Governor and go to the budget of the Office of the Governor.

OFFICE OF THE GOVERNOR

Office of the Governor – Budget Page ELECTED-1 (Volume I) Budget Account 101-1000

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

I will be presenting the Office of the Governor's budget and the Mansion Maintenance budget. The Base Budget of the Governor continues funding for 21 full-time positions. The Governor's Office budget is funded 100 percent from General Fund appropriation. In the Base Budget any one-time funding has been removed and it continues operation at status quo.

Under M-100 there are increases to electricity and natural gas and rate changes for internal service funds. The standard inflation decision units are presented throughout the *Executive Budget*. The different rates associated with these are in Volume III, APPENDIX-1, of the *Executive Budget*. You can see the internal service fund rates and the increases they represent.

Unit M-300 shows inflationary increases for fringe benefits. If you look in the APPENDIX in Volume III of the *Executive Budget*, you will see the fringe rates and increases that were used to build the *Executive Budget*.

Decision unit M-305 is the 2-percent cost-of-living (COLA) adjustment for the Governor's budget. This is 2 percent in each fiscal year. In the line item General Fund Salary Adjustment, page ELECTED-2, Volume I, there are no General Funds to support this within this account. That funding is placed within a salary adjustment account. The Governor's Office presents a justification to the Board of Examiners to request that funding.

Decision unit E-250 recommends an additional \$25,000 each year in personnel expenditures. This will give the Governor's Office flexibility to hire temporary or intermittent staff.

Unit E-710 is the routine replacement of computer hardware and software in the Governor's Office budget. We are replacing seven personal computers in each year of the biennium. In the first year there is funding to upgrade the software package called Capital Correspondence. It helps track correspondence with constituents.

The final decision unit in the Office of the Governor is E-900. In the 2003 Legislative Session, A.B. No. 441 passed which created the Nevada Commission on Homeland Security. The funding was placed in the Governor's budget. This budget recommends transferring that Commission to the

Department of Public Safety. The new budget for the Department of Public Safety is the Homeland Security budget in Volume III of the *Executive Budget*.

CHAIR RAGGIO:

That was covered in the pre-session review of the budget. Is it clear that Homeland Security will be a division or agency within the Department of Public Safety?

MR. CLINGER:

That is correct.

CHAIR RAGGIO:

Who is going to head that?

MR. CLINGER:

General Giles E. Vanderhoof, The Adjutant General of Nevada, will head this agency.

CHAIR RAGGIO:

What is the situation regarding the energy advisor position?

MR. CLINGER:

The energy advisor is a position within the Governor's Office budget. It is part of the 21 positions that are included within the Base Budget.

CHAIR RAGGIO:

Is that funded by the General Fund?

MR. CLINGER:

Yes, sir.

CHAIR RAGGIO:

Is federal funding available for the energy advisor position? I note other federal funding exists for that agency.

MR. CLINGER:

I do not know if there are any other federal funds available for that position, but that is something we will look into.

CHAIR RAGGIO:

There are some adjustments coming in from the Governor's Office budget. You may want to look at that as well.

SENATOR BEERS:

Our staff has pointed out that the advisor on wildlife conservation in rural Nevada is funded with federal funds that are going to run out at the end of this fiscal year. What is going to happen with that position?

MR. CLINGER:

I thought that position was funded under the General Fund.

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GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

That position is currently funded in the Nevada State Division of Forestry's budget. The funding runs out on June 30, 2005, and there is no continuation of funding provided in that budget.

MR. CLINGER:

I will check on that and report back to the Committee.

CHAIR RAGGIO:

Please let us know if you are going to continue the position and how it will be funded. You have not asked for additional personnel. What is the plan to utilize the space within the annex?

MR. CLINGER:

The Governor's Office is going to expand into the annex space. I am told the office space they currently have on the second floor is crowded. This will give them additional room that is needed now.

CHAIR RAGGIO:

Where is the Office of the State Controller located?

MR. CLINGER:

The Controller's office moved to the building that was formerly occupied by the Employers Insurance Company of Nevada.

CHAIR RAGGIO:

Is there an additional rent expenditure to cover that enlarged space?

MR. CLINGER:

That is correct.

CHAIR RAGGIO:

There is a provision here for \$20,000 for the Governor's portrait. Is that adequate?

MR. CLINGER:

Yes, sir. There is a one-shot appropriation recommended in the Governor's budget, and we feel that is adequate.

CHAIR RAGGIO:

Does this occur at the end of each Governor's term?

MR. CLINGER:

Yes, sir.

CHAIR RAGGIO:

We fund the amount of money necessary for the transition during the last two years of a Governor's term. What is suggested, \$50,000?

MR. CLINGER:

The funding for the transitional expenses for the Governor Elect are in the section titled Budget and Planning, account 101-1340 which is under the Administration budget and there is \$50,000 in fiscal year (FY) 2007 for that.

CHAIR RAGGIO:

Has that worked well with the nonclassified positions in the Governor's Office?

MR. CLINGER:

Yes, it has worked well. It gives the Governor's Office flexibility.

CHAIR RAGGIO:

Has there been turnover?

MR. CLINGER:

No, there has not been much turnover since I have been involved with this account.

CHAIR RAGGIO:

It would be helpful if you would provide our fiscal staff with the salary comparisons for those positions and current salaries so that they can see how it is being utilized.

MR. CLINGER:

We can provide that information.

CHAIR RAGGIO:

We will now turn to the budget for Mansion Maintenance.

Mansion Maintenance – Budget Page ELECTED-6 (Volume I)
Budget Account 101-1001

MR. CLINGER:

Mr. Chairman, the Mansion Maintenance budget continues funding for three positions, an executive chef and two executive assistants. It has the same inflationary-type decision units in it, M-100 and M-300, and has a decision unit for the 2 percent COLA.

CHAIR RAGGIO:

The State of Nevada owes a debt of gratitude to the First Lady, Dema Guinn. The Mansion and the grounds have never looked better. I know she has personally done a great deal for the maintenance of the Mansion as well as the outdoors. She has planted flowers and roses. It is a real commitment and I know she has put her heart and soul into that effort. There is an effort now for some private funding to do some things in the Mansion that have been deferred. We are not being asked to do this at State expense. We owe them a great deal of appreciation. The furnishings in the Mansion are largely the personal furnishings of the Guinn Family. We are going to have to seriously look at, when there is a new incumbent, what is going to be necessary to furnish the Mansion. We have not provided much in the way of furnishings for the Governor's Mansion in these budgets. We have only looked at maintenance and repairs. These budgets have been sparse over the years. The food and host fund expenses are only \$4,000 in one year and \$10,000 in 2007. Is that adequate for the amount of entertainment required of the Governor?

MR. CLINGER:

The first year in the budget there was \$11,000 allocated for the host fund and \$13,000 for food. In FY 2007 there is almost \$68,000 for food and \$18,000 for the host fund account which should be adequate.

CHAIR RAGGIO:

I would like to ask Senator Rhoads to contact the First Lady to see what is necessary to maintain the Mansion. The First Lady and Governor have been reluctant to ask for anything in the past.

SENATOR RHOADS:

Yes, I will.

CHAIR RAGGIO:

We will now look at the budget for the Office for Consumer Health Assistance.

Gov, Consumer Health Assistance – Budget Page ELECTED-17 (Volume I)
Budget Account 101-1003

VALERIE M. ROSALIN (R.N., Director, Office for Consumer Health Assistance, Office of the Governor):

My complete prepared presentation will be referred to during my testimony ([Exhibit D](#)).

The mission of the Governor's Office of Consumer Health Assistance, (GovCHA), is to allow Nevadans all the information they need regarding their patient rights and health care concerns. To advocate as ombudsmen and educate consumers and injured employees in the understanding of their rights and responsibilities under various health care plans and policies as well as industrial insurance.

CHAIR RAGGIO:

The GovCHA is the Consumer Health Assistance Agency?

Ms. ROSALIN:

It is The Governor's Office of Consumer Health Assistance.

Ms. ROSALIN:

In unit E-710, the funding from the Division of Industrial Relations for salaries and operations was continued. Due to transfers or voluntary leaves of absence from State service, those employees have not been employed with GovCHA since February 2000. New employees were hired and a designation for a quality assurance specialist was created. Nurses for medical reviews and workers compensation specialists were hired. The equipment used by GovCHA is surplus transferred from the State Industrial Insurance System (SIIS) and other State agencies, thus requests for equipment replacement on our E-710 decision unit. Staffing has been reduced to eight and funding has been adjusted to reflect the areas of operations, general budget, Medicaid, workers' compensation and hospital patients. With the transfer of the office of hospital patients, we call Bureau for Hospital Patients, in July, 2001, we added a quality assurance specialist. The hospital assessments calculated by the Department of Health Care Finance and Policy are sent to administrative services for the general budget. As consumer advocates, we have saved over \$8 million for consumers and have been contacted by over 10,000 Nevadans. For this month of February, our workers' compensation quality assurance specialist has saved over \$1,000,500 for an injured worker and \$47,108 in January.

CHAIR RAGGIO:

Please give us some examples of how the savings of \$8,000,000 was measured?

Ms. ROSALIN:

If it was a denied benefit, such as hip surgery which would cost \$27,000, the prosthesis itself would cost \$5,500. The insurance company denied the claim because the material in the hip replacement was titanium instead of the usual material. When we appealed, excluding the prosthesis, the claim was paid and they then decided, because of his age, he should have the titanium hip. That was a total of \$27,000. If we have a hospital bill, for \$100,000 and the person is not insured, that person should receive a 30 percent discount according to Nevada Revised Statutes. A certain amount can be waived and payments can be arranged. Hospitals write off some amounts. In the end, all of our records are auditable and savings can be calculated. We have paperwork to document the savings.

Senator Michael Schneider has a BDR for the creation of a workers' compensation ombudsman. This would enhance our recognition and workload by mandating Nevada employers to notify their employees of the function of the Governor's Office for Consumer Health Assistance. Our outreach efforts are limited towards worker's compensation because employers are unwilling to give our information to their employees. As a statute, it would require employers to inform their employees of our services. Our recommendation would be, via the Division of Industrial Relations, to post a Workers' Compensation poster in each employer's office and new employee packets. The Employee's Claim for Compensation/Report of Initial Treatment, C-4 form, could also contain our contact information. Our work and dedication to assist Nevadans lends itself to our goals and visions beyond being the first source of advocacy for consumers and providers with health care issues. It is to expand our services by becoming the reference point for health information for researchers and stakeholders whereby policies to improve health care in Nevada are made.

BILL DRAFT REQUEST 18-246: Creates a Workers' Compensation Ombudsman Program.

SENATOR CEGAVSKE:

What year did you come to this position?

Ms. ROSALIN:

I started working in this position in October 2001.

SENATOR CEGAVSKE:

How many Nevadans have contacted your agency? What was the resolution of these cases? How many people are still waiting for your services? What is our cost for Senator Schneider's BDR?

CHAIR RAGGIO:

We have the executive report here for the Consumer Health Assistance Division of the Governor's Office ([Exhibit E](#), original on file in the Research Library).

SENATOR CEGAVSKE:

On what page is this information?

TERESA ROGERS (Operations, Office for Consumer Health Assistance, Office of the Governor):

We have a chart that shows the information you need on page 15 of [Exhibit E](#). The numbers on this page are broken down by how the people contacted us, whether it was in person, by telephone, Internet or mail. Approximately 92 percent of these requests are resolved within 60 days.

CHAIR RAGGIO:

Senator Schneider's BDR has not been submitted to the Senate yet. When it does, we will have a fiscal note to let us know the cost of this legislation.

SENATOR BEERS:

On page 15 of [Exhibit E](#), the source of the contact inquiries indicates your Web site visits are trending down a little, but performance indicators on page 17 of [Exhibit E](#) imply your 2004 indicators are up. The caseload volume was below projection in consumer cases, but why was it up in contacts? Is this due to the Internet?

Ms. ROGERS:

It is actually not due to the Internet. It covers everything. It has a great deal to do with our outreach program; how we are getting the word to the Nevada public that we exist. Our contacts are increasing. They do not always end up being something we handle as a case. It may not be something that needs research by our office.

SENATOR BEERS:

Due to the significant disparity between having more calls that do not result in cases, do we need to adjust your goals for the future?

Ms. ROGERS:

It is very possible. I know when we were working on these performance indicators, we were using a flat 10 percent because we were trying to project a realistic number. It is possible that these numbers should be adjusted.

SENATOR BEERS:

Will you bring us the adjustments?

Ms. ROGERS:

We definitely can.

CHAIR RAGGIO:

What affect has the closing of the Carson City office had on the citizens of northern Nevada seeking assistance from your agency?

Ms. ROSALIN:

It has not affected it that much since we come here often for outreach programs. We conduct health fairs and radio interviews. We have articles in several special interest newspapers.

CHAIR RAGGIO:

Do people feel they have the same access?

Ms. ROSALIN:

We have an 800 number and the Internet.

CHAIR RAGGIO:

If you are prepared, would you be able to go through this report and highlight areas for this Committee this morning since we have not had a chance to review this report?

SENATOR CEGAVSKE:

I am still not able to find the number of people that we were unable to assist. Is there another area in your report to review or is this something you are just not calculating? I am interested in how many people came in, how many cases got resolved versus those that were not resolved, how long did it take for resolution and so forth.

Ms. ROGERS:

We do not count cases that are still being worked in this year's report because they are still being worked in the new year. Our next executive report would count those cases. We do not calculate cases that are closed prior to the 60-day window. We can calculate this, but we have not done so in the past.

SENATOR CEGAVSKE:

I would like to see what cases you had in the years since this office has been open. How many cases did you have year by year. How many carryovers from year to year, is that possible? I would like to see these numbers to see how long a person is in the system.

Ms. ROGERS:

Yes, I will get that information for you.

SENATOR TITUS:

You have outreach programs through many organizations. Do you have an outreach program through the hospitals directly?

Ms. ROSALIN:

I met with Mr. Bill Welch and his staff in the north and the south. We do have contacts in each one of the hospitals and we assist with getting the information to patients. We have also asked the hospitals to put our information on the discharge forms. To date, not all the hospitals have done that, but we are still working at having our information given to all patients that are entering hospitals in Nevada.

SENATOR TITUS:

That would be a great idea, to have the hospitals hand out this information to the patients. What would it take to get the hospitals to do that?

Ms. ROSALIN:

Right now we are just having planning discussions on how to proceed. I do not know if it would take a statute to formally enact this idea.

SENATOR TITUS:

If we did enact a statute for this, would you have enough money to print the information and get it out to all the hospitals?

Ms. ROSALIN:

We give them all of our flyers and brochures and request they be posted in all of their facilities. We would give them this information and the hospitals would do the printing so that this cost would not be from our budget.

CHAIR RAGGIO:

Will you be able to give us an orientation on your executive budget since we have not had a chance to look at it?

Ms. ROSALIN:

On page 1 of [Exhibit E](#), I have given the history of our office and what has been added to our organization since the 1999 Legislative Session.

SENATOR RAGGIO:

Just let us know what we can find in this report.

Ms. ROSALIN:

We have four sources of funding: General Funds, the Bureau for Hospital Patients Assessments, workers' compensation and Medicaid.

CHAIR RAGGIO:

What is the assessment now for hospital patients?

Ms. ROSALIN:

There is an assessment of \$135,000 for each year.

CHAIR RAGGIO:

Is that assessed for each hospital?

Ms. ROSALIN:

Yes, there is a formula calculated by the Department of Health Care Financing and Policy. I know what the formula is, but I do not have it with me.

CHAIR RAGGIO:

What is the assessment for Workers' Comp?

Ms. ROSALIN:

Workers' Compensation is from the Department of Industrial Relations. That has decreased with our workload and staffing. We only have one designated workers' compensation specialist. The workload is divided among the clerical staff. The workload has shifted from workers' comp to Medicaid. Our increased cases are in Medicaid.

CHAIR RAGGIO:

The Bureau of Hospital Patients assessment is in place, but has the reserve not been building up to more than necessary?

Ms. ROSALIN:

I do not have that information.

CHAIR RAGGIO:

The budget recommends a reserve of \$156,000 in 2006 and \$196,000 in 2007, is that going to increase?

MR. CLINGER:

We are currently bound by statute on that assessment.

CHAIR RAGGIO:

Can we change that? Please recommend to our fiscal staff what needs to be changed.

MR. CLINGER:

We can look at that.

MS. ROSALIN:

In 2004 we had 3,743 contacts to the office. Of those we do not always have to open a case. There were 2,117 that became cases which we had to do extensive investigation, contacting providers or insurance companies or somehow representing or advocating on their behalf. The contacts we did not have to open were those that we just made a quick phone call or directed them where to find the information they needed.

CHAIR RAGGIO:

Do you find that the providers you contact are cooperative?

MS. ROSALIN:

Yes, when we say this is the Governor's Office calling on behalf of a certain client, just our introduction initiates a positive response from the providers. Hospitals' cooperation has increased substantially since we have taken over the Bureau for Hospital Patients.

SENATOR BEERS:

Explain why the workers' comp caseload seems to be going down. I have just pulled up the Nevada Attorney for Injured Workers (NAIW) budget and it does not show any significant decreases in caseload or funding. What do you think is going on there?

MS. ROSALIN:

There is resistance in having a workers' comp ombudsman because giving the injured worker all that information helps them navigate more quickly. We work closely with NAIW as well as our workers' comp insurer. We are used for information, we are not involved with any part of the litigation. The workers' compensation person that I have now has been in this position for about one and one-half years. She has 16 or 17 years of experience in claims adjustment, is well informed and has helped injured workers. Our greatest challenge is letting the workers know about our services.

SENATOR BEERS:

Our concern is as the workers' comp percentage of your office goes down, the General Fund portion goes up, and that is what we are trying to avoid. Are you calculating the percentages for your revenue based on the time spent working on these cases or the number of cases?

MS. ROSALIN:

The time spent on each of the cases.

SENATOR BEERS:

So it is time based?

Ms. ROSALIN:
Yes.

CHAIR RAGGIO:
Please give us the page numbers as you continue with your budget.

Ms. ROSALIN:
On page 6 of [Exhibit E](#) you will find our referral sources. We receive many of our referrals from legislators themselves or from other agencies. The Office of the Attorney General has referred patients to us as well as the Division of Insurance. This occurs because we have medical review. If we have complex cases, I am a nurse with over 30 years of nursing experience. I have two nurses on staff to do medical reviews as well. We have a physician on contract who handles complicated case reviews. Page 7 of [Exhibit E](#) shows most of our contacts are by telephone. We are hoping to increase our clientele base. In the Carson City office, we did not have many people coming in. We think it might be due to several moves of the office. Our contacts are increasing due to a stable office in Las Vegas that has only been operational since November of 2003.

Ms. ROGERS:
We have a Web site, www.RXHelp4NV.org, the public can access and go through the application process to see if the drugs they need are available.

CHAIR RAGGIO:
We do receive a lot of mail from the pharmaceutical companies indicating programs they have for low-income individuals. Many people do not have access to a Web site. How do you get the information to them?

Ms. ROGERS:
Our specialists can work with individuals in the office, or over the phone, to enable them to get the medication they need. We will actually send a printout to the individuals showing the completion of their order even if they do not have Web access. There were 21,684 Web site hits. We get this information from the PHARMA Web master who handles that site for us. Our site had 2,084 searches, some of those were by specialists in our office as well as by the public. Of these searches, 70 percent were matched with programs that would enable these people to get the drugs they needed at no charge.

Ms. ROSALIN:
On page 14 of [Exhibit E](#), our external review of denied benefits by managed care insurers program started in July 2004. We receive our information from seven certified external review organizations. We notify the insurance providers to contact us if they are going to conduct an external review. They no longer have the final say. The perception is this review is more objective in reviewing cases. We have had eight case reviews and there has been a 50 percent overturn on claim denials.

On page 18, assistance by region, 34 percent of our cases come from the north and 62 percent come from the south. This rate was about the same when we had an office in Carson City.

SENATOR RHOADS:

Are you making an effort in the rural Nevada counties to get your information to them?

Ms. ROSALIN:

Yes, we are. We have met with Senior Citizen Centers and Chambers of Commerce to make contact in the rural areas

SENATOR RHOADS:

Do you have enough travel money?

Ms. ROSALIN:

We have asked for more.

CHAIR RAGGIO:

Did you receive it?

MR. CLINGER:

Yes, they have received the money they requested.

Ms. ROSALIN:

The Bureau for Hospital Patients, page 28, shows the accumulative savings for the Bureau. In our first audit, under the Department of Business and Industry, we had about 120 average cases each year. We now do that in about two months if not more. We have increased our information to the public that they can receive this assistance. We have even been on television several times. We have over a \$2 million savings on just Bureau for Hospital Patients that goes for the assessments.

CHAIR RAGGIO:

Mr. Clinger, this agency has spent about \$3,000 for in-State travel. Is that correct?

MR. CLINGER:

Yes, they were funded for their base travel budget. I do not recall a request for an increase in this budget.

Ms. ROGERS:

We asked for a revision so some of the money for in-State travel could be used for out-of-State travel because our out-of-State travel budget did not allow for travel for training activities that the director needed to attend. The in-State travel budget has gone down from the work program amount because we no longer have travel involved between here and Reno.

CHAIR RAGGIO:

I would like our fiscal staff to work with this agency to determine their need in order to increase services to rural counties.

Ms. ROSALIN:

On page 49 is our breakdown of savings by area. This graph indicates the breakdown of savings in each area bringing us to our \$2 million in savings. This also shows our cumulative savings of almost \$8 million. Our vision is to do a lot more in 2005.

CHAIR RAGGIO:

We will now close the budget discussion on the Office for Consumer Health Assistance and look at the audit summaries.

LEGISLATIVE BRANCH

Legislative Counsel Bureau – Budget Page LCB-1 (Volume I)
Budget Account 327-2631

PAUL V. TOWNSEND, Legislative Auditor, Audit Division, Legislative Counsel Bureau:

You have before you a copy our Audit Report Summaries ([Exhibit F](#), original on file in the Research Library.)

CHAIR RAGGIO:

Are these copies of all that we have received previously, or are these new summaries?

MR. TOWNSEND:

This is a copy of each audit which was issued over the biennium.

CHAIR RAGGIO:

We have appointed an audit subcommittee.

MR. TOWNSEND:

I would like to point out the importance of this Committee to ensure our audit recommendations are implemented. Every two years we look at the impact of our prior audit recommendations. Over the last two years, we have documented either revenue enhancements or cost savings of \$25 million occurring as a result of our audit recommendations of the previous years. You will see how the packet is organized in the table of contents. There is a one-page summary for each audit. This corresponds to a page in the Governor's *Executive Budget*. Each one-page summary will be followed by either a 60-day plan of corrective action on how the agencies intend to correct problems or the Department of Administration's 6-month report, where they verify the status of the recommendations.

On page 20 of [Exhibit F](#), the education section, many of our efforts in the last biennium were in education. This is the highlight for Washoe County School District and this is followed by the Washoe County School District's 60-day plan of corrective action. This plan will show how they are going to implement the recommendations contained in the audit report. On page 42 of [Exhibit F](#), we have the highlights for the Clark County School District. That report was just issued last month, so time has not yet elapsed where we would have the 60-day plan. We do expect to receive that by April 4, 2005.

SENATOR BEERS:

I have a BDR to limit the number of off-site administrators that can be employed by a school district based on a ratio relating to the number of schools in that district. The reason for this BDR is that the Clark County School District has too many administrators that are not at the school site. The superintendent has cited the audit report as evidence that this cannot be true because they are

midline in the administrators per pupil ratio. Recently, you told me that off-site administrators were not calculated in this audit study. Please explain.

MR. TOWNSEND:

A comparison of staffing ratios to peer groups around the country was part of this audit report. We used information from the National Center for Education Statistics as a comparison model for our study. It has proven to be very reliable. The statistic we used was for on-site administrators due to consistency of data. When you look at off-site administrators, there are district offices and definitional problems as to what defines an administrator.

SENATOR BEERS:

This report did not study off-site administrators?

MR. TOWNSEND:

That is correct. We looked at their total administrative costs which would include people working off site. This figure compared favorably with their peers. We did not specifically look at the off-site administrators.

On page 43 of [Exhibit F](#) is the university audits. The A.B. No. 148 of the 72nd Session required us to look at a number of issues at the university system. We separated this request into five separate audit reports. Page 43 is the first of these five reports which is the State-wide programs. You will have more detailed information when you read the audit reports on the University of Nevada Reno (UNR) and University of Nevada Las Vegas (UNLV). On page 46, we have our audit of the validity and reliability of enrollment data. The full time equivalency counts are important, as they drive the State-funded portion of the University budgets. We went to many institutions and looked at the methods and processes they employed in calculating this figure, and we verified their counts were valid and reliable. On page 49, we looked at the University investment policies and procedures. We looked at other authoritative institutions around the nation and compared their policies and procedures, made decisions regarding the best practices and made recommendations to our Universities in those areas.

On page 58, we looked at the capital construction projects, the contracting and bidding procedures. This is probably our most critical audit of the series. We found a number of projects were done without using competitive bidding practices.

SENATOR COFFIN:

Is this the audit report that addressed the poor cost effectiveness of the energy retrofit? We initiated this retrofit to save money, but we ended up spending more money.

MR. TOWNSEND:

Yes, that is correct. There were several instances where the payback per year of the energy retrofits were not achieved. In one case, there was a \$60,000 difference between what was supposed to be saved and what was actually saved.

SENATOR COFFIN:

Did we correlate these instances to the projects done without bids?

MR. TOWNSEND:

A large number of projects were done without bid, so I think it would be safe to say that was probably the case.

Page 59 is our cost of administration, athletics and host accounts. We did a peer analysis and compared the institutions to their growth over the last several years. We found their administrative costs to be reasonable. In the area of athletics, the travel policies could be strengthened. They need guidance to insure that their host expenditures are appropriate.

SENATOR MATHEWS:

When you look at the athletic travel, are you looking at both men and women sports, or as a composite?

MR. TOWNSEND:

We looked at the numbers as a composite, but there were instances where we broke it down. The area where we felt they needed more policies was chartered air costs.

SENATOR MATHEWS:

Have you looked at the gender equity of cost for the men's teams flying and the women's teams driving?

MR. TOWNSEND:

We looked at the lack of policies for the charter airlines and made our recommendations accordingly. We did not go into the specifics of gender equity.

Page 88 is an audit of the Division of Child and Family Services. We found several significant issues in the billing process for the Medicaid program. We found that the correct rates were not always charged. They had the ability to charge full cost under the program, but they were not always doing that. We estimated they could go back over the past two years and retroactively bill Medicaid and potentially collect as much as \$3 million. It is my understanding that they are doing that right now. It is estimated they could collect as much as \$2.5 million annually. When this report was presented to the subcommittee, Senator Coffin suggested we send a letter to the director of the Department of Human Resources and make sure this similar situation was not happening in the other divisions. We did as Senator Coffin advised. The director has instituted a procedure where they will be reviewing all rates for all divisions annually.

The final example I would like to give is on page 109, The Office of Veterans' Services. Our audit found there were severe problems in the handling of the wards' accounts in the Reno office. These are veterans that are not able to handle their own financial affairs. There was a lack of documentation on what had been spent, numerous errors and adjustments and the accounts were not reconciled to the State's accounting system. We have worked with Veterans' Services and they hired a certified public accountant to correct these errors. I want to give the Office of Veterans' Services credit for correcting problems when they were brought to their attention.

CHAIR RAGGIO:

Have all the agencies and departments audited accepted the recommendations?

MR. TOWNSEND:

Yes, in particular with the University and College System of Nevada, we had a high level of cooperation. All recommendations were accepted.

CHAIR RAGGIO:

I suggest that the Audit subcommittee review all the plans for corrective action. Then please report to the Finance Committee so we will know all corrective actions are appropriate and in place.

SENATOR COFFIN:

Do we know if a significant number of bills are requesting audits of agencies? It can be a problem if they come at the end of session.

MR. TOWNSEND:

I am aware of two bills currently. One is for the Department of Wildlife and the other is for the Las Vegas Monorail.

SENATOR COFFIN:

We need to give specific directions as to what is needed from future audits. This will alleviate many hours of work by focusing only on our areas of interest.

CHAIR RAGGIO:

We compliment you, Mr. Townsend, and the Audit Division for an outstanding job. You have a professional and dedicated staff.

MR. GHIGGERI:

The Fiscal Division is gathering the responses we have received from the first two weeks of budget overviews. Those will be bundled and your first delivery will arrive on Friday, February 11, 2005 to your offices.

CHAIR RAGGIO:

There being no further business to discuss at this time, I will adjourn the meeting at 9:39 A.M.

RESPECTFULLY SUBMITTED:

Carol Simnad,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____