

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session  
February 10, 2005**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:01 a.m. on Thursday, February 10, 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 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  
Sandra Small, Committee Secretary

**OTHERS PRESENT:**

Charles Chinnock, Executive Director, Department of Taxation  
Barbara Smith Campbell, Reno, Chairman, Nevada Tax Commission  
Dino DiCianno, Deputy Executive Director, Department of Taxation  
Don Soderberg, Chairman, Public Utilities Commission of Nevada  
Crystal Jackson, Commission Secretary, Public Utilities Commission of Nevada  
Jeff D'Amario, Systems Operations Manager, Public Utilities Commission of Nevada  
Stacy M. Jennings, Executive Director, Commission on Ethics  
Julie Butler, Budget Analyst, Budget and Planning Division, Department of Administration  
Jeanne Greene, Director, Department of Personnel  
Kim Foster, Administrative Services Officer, Department of Personnel

SENATOR RAGGIO:

We will have an overview of the Department of Taxation budget.

**TAXATION**

Department of Taxation - Budget Page TAXATION-1 (Volume I)  
Budget Account 101-2361

CHARLES CHINNOCK (Executive Director, Department of Taxation):

I have with me Ms. Barbara Smith Campbell, Chairman of the Nevada Tax Commission (NTC); Mr. Dino DiCianno, Deputy Executive Director; Mr. Tom Summers, Deputy Executive Director; and Ms. M. Lynne Knack, Budget Officer and Administrative Services Officer.

BARBARA SMITH CAMPBELL (Chairman of the Nevada Tax Commission):

Since the adjournment of the 20th Special Session, we have been very busy. As legislators codified the new tax law, we knew it would be the responsibility of the NTC to respond to the statutory changes with corresponding changes to the Nevada Administrative Code. Every member of the NTC took this responsibility with serious thought and respect. Members of the NTC were designated to attend specific tax meetings through the regulatory process. Regulatory workshops were scheduled to commence within a month of the Special Session's adjournment.

We implemented a process of having weekly workshops from August through December. The meetings were videoconferenced from the Grant Sawyer Building in Las Vegas and the Legislative Building in Carson City. Access to the workshop was also available through the Internet by logging on to the Web site. Interested parties could make comments or ask questions by attending the meeting or faxing comments to each of the hearing rooms. We listened to many opinions. The NTC members debated the plain meaning of the law.

We had valuable input from industry representatives and legal opinions from the deputy attorney general and the Legislative Counsel Bureau (LCB). We were able to bring before the Legislative Commission for ratification the many regulations necessary for Taxation to administer those new tax laws. That success was a direct result of working partnerships with the NTC members, all of whom were maintaining regular jobs in the private sector, the Legislature, the Department of Taxation, the Gaming Commission, the Gaming Control Board, the Attorney General, the LCB and industry representatives. I want to thank them for their assistance and valuable input during that regulatory process.

Since the completion of the regulations governing the new tax laws, the NTC has reopened all the regulations dealing with property tax valuations and assessment practices. During the six months of debate and deliberations, those regulations have been rewritten and clarified. The NTC has authorized a special study for the valuations in the Lake Tahoe Basin which will test the valuation methodology for the Douglas County and Washoe County side of Lake Tahoe. That study is in progress and barring any more unforeseen difficulties in weather, Mr. Chinnock is anticipating completion of the Washoe County segment sometime in May 2005.

As you debate the upcoming issues concerning property tax, the NTC and Taxation will be prepared to administer any changes and enter into new regulatory workshops. The regulations for the calculation of the net proceeds of mines have been reopened and workshops clarifying the deductions for the calculation of the net proceeds tax are in process. All of this activity could not have taken place without the support of our executive director, his deputy directors and the staff of Taxation. It was with great pride and amazement that I watched them react with efficiency and speed to an urgent need to create regulations to administer the new taxes. The State of Nevada is fortunate to have the dedication and strength of character of Mr. Chinnock and his staff.

CHAIR RAGGIO:

We are well aware of the work and effort that was required following the 2003 Legislative Session's adjournment. We appreciate the NTC and the other agencies that you mentioned for the dedication, time and effort needed to work with the new tax revenue plan and the regulations. We are grateful the special

study is under way for the Lake Tahoe Basin. It not only accommodates their concerns, but the Statewide concerns. Property tax is one of the big issues we are facing. Your input is invaluable. I personally want to thank all of the Commissioners. What are their names?

MS. CAMPBELL:

Mr. David Turner, Reno; Mr. John Marvel, Elko; Ms. Joan Lambert, Reno; Mr. George Kelesis, Las Vegas; Mr. Hank Vogler, Ely; Mr. Thomas Sheets, Las Vegas; Mr. Robert Barengo, Reno; and myself.

CHAIR RAGGIO:

I wanted to mention them because I know you had many productive meetings. We do appreciate it. Your chairmanship is certainly appreciated.

CHARLES CHINNOCK:

I will go through the Department of Taxation budget handout ([Exhibit C](#), original is on file in the Research Library). We are committed to our mission and goals. I want to discuss our Unified Tax System (UTS). The appendix of [Exhibit C](#) shows the performance measures for Taxation.

The employees of Taxation never hesitated to step up to the plate to do what was necessary to get the job done. Teams were assigned to each of the new taxes. They met on an ongoing basis, addressed the requirements and needs and passed along their findings and actions to all members of Taxation. When Las Vegas became overwhelmed with workload, we sent staff from other offices to help. Our staff continues to work overtime. I want to thank the Finance Committee and Interim Finance Committee (IFC) for supporting funding necessary to succeed. Our job is to collect and distribute tax revenue.

We oversee the financial administration of local and county government's taxing jurisdictions. The growth in sales and use tax revenue from FY 2003 to FY 2004 is a result of implementation of new taxes and growth in the economy; probably at the ratio of 50:50. The numbers shown for FY 2004 are before 100 percent implementation of all the taxes. In FY 2005 we will approach the \$4 billion mark for revenue collections. As the economy moves forward and in accordance with the Economic Forum's projections, we will exceed \$4 billion in sales and use tax revenue collection in the next biennium.

Page 4 of [Exhibit C](#) is a continuation of the Base Budget from FY 2004. There have been some reductions for expenditures that will not continue. The FY 2004 Base Budget was also based upon those additional allocations and approvals from IFC. They result in provisions for UTS funding and additional staffing. The budget shown on pages 4 and 5 is basically the same for FY 2006 and FY 2007 except the primary difference is the UTS. Most of the expenses are for personnel with other expenses remaining the same with some changes in information services and demographic surveys. We are responsible for providing the State population demographic surveys. The primary enhancement request is to finish the UTS. We have requested \$14.3 million in FY 2006 and \$9.3 million in FY 2007. Fiscal Year 2007 is the fourth and final year of the project. The appendix provides an overview of the costs and return on investment of UTS.

Page 6 of [Exhibit C](#) shows our staffing breakdown. We have 323.51 full-time positions and 14 intermittent positions. Pages 7 through 10 give an overview and explanation of the responsibilities of each division.

SENATOR BEERS:

Page 6 shows an acronym, DOA, referring to personnel. What does that mean?

MR. CHINNOCK:

The Division of Assessment Standards values all centrally assessed property. They provide oversight of both locally assessed property and assessors. They have what is called the local government section which approves over 260 local government budgets and looks at all financing and debt service in the State of Nevada.

Pages 11 and 12 provide the background of events and actions that led to the decision to fund the UTS. There was recognition of a lack of information technology within Taxation going back as far as 1999. We do have somewhat of an integrated tax system, the Automatic Collection and Enforcement System (ACES). This was brought on board in the beginning of the 1990s. It never performed as advertised.

CHAIR RAGGIO:

Some of the programs were highly touted, such as ACES and Nevada Operations Multi-Automated System (NOMADS).

MR. CHINNOCK:

The ACES was designed to integrate business, sales and use taxes. It did a mediocre job at best. We had to build a separate desktop system for the 12 to 14 other taxes. All taxes in Nevada are currently collected through the mail. We run about 2.5 million pieces of mail each year through our mailroom. We use a lockbox for 80 percent of our tax returns. Various attempts have been made since 1999 to bring new technology to Taxation.

We were successful in getting funding in Assembly Bill (A.B.) No. 553 of the 72nd Session. There was a provision of \$27.5 million for implementation for new or changed taxes and for application of new technology for Taxation and other departments. Taxation went through a series of milestones to bring a vendor on board. We brought on Accenture which has led to planning, development and implementation of a new integrated tax system. We are now into Phase I of a four-year project. The UTS Chart 1, [Exhibit C](#), shows the project schedule. Completion of Phase I has been extended from March 2005 until May 2005 to allow for more user acceptance testing and to ensure a better product.

CHAIR RAGGIO:

Is the completion of Phase 1 specifically May 23, 2005? Is that possible? Is this going to impact the funding requirements we have in the budget?

MR. CHINNOCK:

Yes, to both of your first two questions. There should not be any funding impact. We are looking at the remaining phases of the project.

CHAIR RAGGIO:

Is 2008 the final implementation time?

MR. CHINNOCK:

Yes, we anticipate a June 2007 completion.

CHAIR RAGGIO:

The UTS Chart 1, [Exhibit C](#), shows June 2007. Is that the completion of all four phases?

MR. CHINNOCK:

The UTS Chart 2, [Exhibit C](#), shows the progression of the four phases. Phase 1 includes business license fee processing which includes online registration and payment and modified business taxes. Phase 2 includes sales and use tax and the data warehouse. Phase 3 will bring on all the other taxes. Phase 4 will bring in the module which includes risk-based auditing and case management.

CHAIR RAGGIO:

Will all of the tax processing be completed when we finish Phase 3?

MR. CHINNOCK:

Yes sir. We specifically designed Phase 1 that way so we will know, with the modified business tax and the business license fee, that the program works as advertised.

CHAIR RAGGIO:

You have moved Phase I implementation to May 2005 to have adequate training and understanding of the system. Does that change any of these other dates you have targeted?

MR. CHINNOCK:

It will not change the overall ending date of June 2007. It could jog some of those other dates such as April 2006 and January 2007, but it should not be substantial and should not impact the overall time frame.

CHAIR RAGGIO:

Will you know, in the near future, if those dates are going to be retargeted?

MR. CHINNOCK:

Yes sir. We are working with Accenture and a steering committee. We will report the new schedule to you.

CHAIR RAGGIO:

I know your goal is to move this along as expeditiously as possible.

MR. CHINNOCK:

The UTS Chart 3, [Exhibit C](#), shows the overall cost of the project. In FY 2007, there is a slight reduction from FY 2006 due to the project manager per-hour and quality assurance costs.

CHAIR RAGGIO:

How long have you been working with UTS Accenture? Has this been a good relationship?

MR. CHINNOCK:

We brought them on board six months ago. We are impressed and pleased with their work product. Everything we have worked on with them has been exactly as advertised and as hoped. They are devoting as many quality people as necessary. We have had no problems with them.

CHAIR RAGGIO:

Where are they based? Are they doing similar projects elsewhere?

MR. CHINNOCK:

They are in Indiana. They have about 17 different tax applications throughout the country.

CHAIR RAGGIO:

I ask these questions because, in the past, we have had many problems with vendors. I want to make sure they are on top of the project, they are dedicated and they retain the kind of staff necessary to stay on schedule.

MR. CHINNOCK:

We are aware of the problems of the past and your concerns. As a result, we specifically structured this program as we did with Phase 1 coming out so that it would show if Phase 1 works, then we know the rest of the phases will also work.

The UTS Charts 7 and 8, [Exhibit C](#), show return on investment as a result of UTS. Based on this information, we believe this system will pay for itself in five to seven years. The UTS Charts 9 and 10, [Exhibit C](#), show intangible benefits supportive of our taxpayers.

SENATOR CEGAVSKE:

Have we had any problems with stamp fraud with respect to the cigarette tax on page 5 of [Exhibit C](#)? Do you or the Attorney General investigate this?

MR. CHINNOCK:

The Legislature provided us with two compliance investigators for both liquor and tobacco surveillance. They have been working in the field and have found counterfeit stamps. We have had people making rounds in the field in Las Vegas, southern Nevada and northern Nevada. The word is getting around. We are working with The Bureau of Alcohol Tobacco and Firearms and neighboring states. I think we will see this program grow because of these efforts.

SENATOR CEGAVSKE:

Do you feel we have a handle on it now?

MR. CHINNOCK:

There are some serious problems out there. The penalties for having counterfeit products are a lot less than some of the more illicit things that go on in our country. Our program has been on board less than two years. The investigators have been in the field and developed relationships with the federal government and all neighboring states. We are moving forward and having success as a result.

SENATOR CEGAVSKE:

The Clark County District Attorney's Office has a wonderful program with respect to bad check collection. I would recommend that you look at the procedures they follow and what they do for businesses.

Have you estimated what our losses on the cigarette and alcohol online sales have been? Every once in a while we see these projected losses nationally. Where are we on our revenue?

MR. CHINNOCK:

We do not have a number on the losses with respect to the Internet. We are trying to develop those numbers. We are probably down about 6 percent in our overall cigarette sales. The reason we are down is that our tax is very close to the California tax. We estimated that we have 5 percent in cross-border sales, but it is probably closer to 20 percent. We have seen retailers along the California border whose sales have probably been cut in half as a result. No doubt, Internet sales have had an impact. The federal government is getting involved with respect to Internet sales. Other states, particularly Washington, are following up. They have subpoenaed United Parcel Service. We will look at all these areas eventually to determine the losses.

SENATOR CEGAVSKE:

One of the national conferences talked about the unintended consequences when we raise the cigarette and alcohol taxes. The black market just becomes bigger.

How many staff do you have now that are allocated to the live entertainment section? Are they online yet? They are in Phase 4, does that mean you have not assigned anyone to that area yet?

MR. CHINNOCK:

The admissions amusement tax staffing numbers we used were based on one auditor per 2,400 accounts; one revenue officer for every 5,000 accounts; and one tax examiner for 10,000 accounts. We applied those same staffing numbers for the live entertainment tax. We always estimated that live entertainment tax would be 5,000 or less accounts. We did not need many staff, but we had the issue of north and south. We have six individuals total north and south for the live entertainment tax. Maybe some administrative staff. We have about 350 live entertainment tax accounts on the non-gaming side.

SENATOR CEGAVSKE:

Would that be the same for the bank branch excise tax?

MR. CHINNOCK:

The bank branch excise tax is relatively easy to administer so we did not request any additional staff. We rolled it into additional duties for excise tax personnel.

SENATOR CEGAVSKE:

How many excise tax personnel do you have?

MR. CHINNOCK:

We have about 1.5 persons assigned to every excise tax: cigarette tax, liquor tax, the list goes on like car rental and lodging.

SENATOR CEGAVSKE:

There are bill drafts to repeal some of the taxes from last session. If that occurs, would you still have the same personnel requirements? This is something we will be dealing with if that happens.

MR. CHINNOCK:

There would be staffing reductions. Every time we talked about a particular tax, we attached certain staffing requirements to that tax.



SENATOR BEERS:

If we eliminate some of these taxes, it would probably change the scope of your information technology project. Could you come back to the subcommittee with an analysis of how a decrease or increase will affect UTS costs? The ideas I have heard are eliminating the live entertainment tax; changing the franchise tax per location on banks; and capping the wage on the modified business tax similar to the state unemployment tax.

I am confused about the budget and the timeline for the UTS project because the schedule appears to conclude the project at the end of FY 2007. You have a substantial amount of dollars that are shifted beyond FY 2007. Is that because there is a retention?

MR. CHINNOCK:

I do not believe so. I think there are ongoing maintenance costs. I will come back with a line-by-line explanation of the FY 2008 costs.

The UTS Chart 2 of [Exhibit C](#) shows the modified business tax coming online in Phase 1 with the balance of the taxes in Phase 2 or 3 of the project. One of the reasons for selecting Accenture was the ability to rapidly make changes.

SENATOR BEERS:

Taxation's Performance Indicator 3 shows you fell a little bit behind your goal.

MR. CHINNOCK:

Actually, we fell a lot behind. Because of the new taxes, our telephone calls increased by 360 percent. The walk-in traffic and written correspondence doubled. Our goal is to answer all correspondence within 30 days. We are not doing that. We are still out probably 60 days and sometimes longer. When we prepare written correspondence, usually we are talking about rulings or advisory opinions and they have to be very precise and accurate. With the number of new taxes and issues that arose, it is taking quite a long time.

We had all of our revenue officers, who are collectors, and auditors to answer telephones, perform counter work for walk-ins, and help with correspondence. We had expected by this time we would see the number drop. We are now addressing the telephone calls within the statistics. We are handling the walk-in traffic. At the end of the month, when returns are due, we have lines into the hallways. We are behind on written correspondence. We do not have normalcy as it relates to the number of customer contacts. With the increases we have seen, it is difficult to meet our performance goals. We may have to adjust those goals in the future. Phase 4 of the UTS project is going to provide some additional tools which in the long run will help. In the meantime, we are doing double-duty, overtime and all the other things to get the job done.

SENATOR BEERS:

Are some of the written opinions one-time only or can they apply to others who ask the same question?

MR. CHINNOCK:

We have a group of tax examiners who primarily answer the telephones and respond to standard taxpayer inquiries. Complex or unique situations get one of two responses. One is a ruling done by our personnel at Taxation based on precedence, but we still have to look at the facts. We have one other category



involving a complex situation requiring a specific legal advisory opinion from the Attorney General's office.

SENATOR BEERS:

The legal advisory opinion cannot be used again because they are unique.

MR. CHINNOCK:

Yes, they are typically confidential and unique. They apply to only that particular case. If there are enough questions on the same topic, we realize the need to issue something to the public. Then we get involved with a regulation so that everyone knows about the interpretation.

SENATOR BEERS:

The online system for the modified business tax is Phase 1. I do not see any credit card charges in your budget.

MR. CHINNOCK:

We anticipated using credit card charges, but it is such a complex matter. The State's Strategic Planning Committee decided to have an enterprise-wide credit card e-payment engine. Our desire, with respect to the Automated Clearing House (ACH) debit, is to absorb those costs. With credit cards, our desire is to allow that to be a convenience fee. The problem with that is some credit cards do not allow attachment of a convenience fee. Because of all the separate issues involved with the e-payment engine, which involves many of the departments, we must come to a resolution and position on that issue.

SENATOR BEERS:

It sounds like the entire State's credit card charges are going to go somewhere and we do not know where.

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

Mr. Chinnock is correct. They have no funding in their budget to pay credit card fees. The Secretary of State and Department of Motor Vehicles have funding in their budgets. It will be up to whatever the Legislature decides as to how they want the payment of taxes to be handled, be it credit cards or e-payment. If you want to encourage businesses to pay more timely based on e-payment, you may wish to absorb that cost if it can be demonstrated that Taxation would save staffing.

MR. CHINNOCK:

Looking at neighboring states, we have not seen a substantial use of credit cards though it is growing. We thought, instead of attacking everything at once, we would start out slow and see the result of ACH, debit and electronic checks before moving into another arena. The regulations will address all of these before bringing them online since it is also a problem for other departments.

SENATOR BEERS:

Taxation's collections per audit have gone up. Is that a result of our discussion last session on interpreting the taxpayer's bill of rights or the change in statute?

MR. CHINNOCK:

Page C1, [Exhibit C](#), shows some of the numbers to which you are referring. The numbers we show for audit under net collections and gross billings are suffering

because the last two years we have many of our auditors handling other responsibilities. As a result of looking at indicators of noncompliance, we are looking at the number of audits resulting in collections. We have now set a basic monthly rate for our auditors. I expect from this point forward we will see enhanced conformance in compliance. Phase 4 of UTS will have a module for risk-based auditing.

SENATOR BEERS:

Last year you mailed everyone who files a Schedule C, D, E or F a letter. I presume that was a database you received from the Internal Revenue Service (IRS). What percentage of people exempt from tax received this letter? Are you going to do that annually? Do you have a mechanism to eliminate those people who are exempt?

MR. CHINNOCK:

We have two databases: IRS with about 250,000 businesses and the Secretary of State with 220,000 corporations. We were sending out 25,000 letters each month for a few months. We got behind and backed off to where we are sending out nominal amounts to catch up on the backlog. We will continue with those efforts. We will be able to identify those that can be eliminated. We will probably use those databases for another year.

SENATOR BEERS:

I had people who said that rather than write you back and say they are not eligible or exempt, they threw it away. How do you tell the difference?

MR. CHINNOCK:

Next year they will get a notification. In order to get off the list, people must respond to the notification.

SENATOR COFFIN:

Your presentation before the combined tax committees was excellent. Everybody really liked it. It was the least boring exposition of the State's taxation system anyone had ever seen. I assume you will be attending as many meetings as possible because ideas are bubbling all over. We need to know if any of these ideas of various solutions to property tax problems are going to affect your budget. Some of them may call for additional manpower; we just do not know. Have you sensed anything here that is going to add to your workload?

MR. CHINNOCK:

I have heard concerns of timing and implementation. Whatever happens cannot impact the system of valuation or we are looking at a longer-term solution. Because of the uniform and equal clause of the Nevada Constitution, we also review centrally assessed properties. We will make sure to keep you advised of any potential problems.

SENATOR COFFIN:

The last time we touched the tax code was 2003 and we messed up your work program a good deal. It happened, in a sense, by accident because of last-minute changes in the proposed statute, so watch this closely.

MR. CHINNOCK:

The two entities that value or assess property in the State, the assessors and the Department of Taxation, work very closely with each other. We will be able to come back and tell you about those impacts.

DINO DiCIANNO (Deputy Executive Director, Department of Taxation):

As Mr. Chinnock indicated, the Chair sponsored S.B. No. 314 of the 72nd Session. Based upon that bill, Taxation contracted in a collaborated joint venture with the University of Nevada, Reno and the University of Nevada, Las Vegas to conduct a study based upon the level of e-commerce that was occurring in Nevada. Their study reviewed the 2003 period. I will review the handout, E-Commerce Business Activity in Nevada ([Exhibit D](#), original is on file in the Research Library). Based upon 50,000 businesses located in the State of Nevada, the study sampled approximated 12,000 businesses. Based upon that sample, they reached the conclusions listed on page 2 of [Exhibit D](#) including that Nevada is a net importer.

SENATOR BEERS:

Are these Nevada only statistics?

MR. DiCIANNO:

Yes.

SENATOR COFFIN:

Does that include catalog sales?

MR. DiCIANNO:

Catalog sales are part of consumer purchases and included in number 9, page 2 of [Exhibit D](#) in the figures for the consumer portion of e-commerce.

SENATOR BEERS:

I suppose, instead of a rebate, we can have people just buy on the Internet.

MR. DiCIANNO:

That assumes that the Internet is tax free.

SENATOR BEERS:

What is streamlining?

MR. DiCIANNO:

In A.B. No. 514 of the 72nd Session, the State of Nevada was brought into conformance with the Streamlined Sales and Use Tax Act Agreement. I am the voting member for the State. I will be going to Atlanta, Georgia in March to convince that group of folks that Nevada does conform.

SENATOR BEERS:

Would this impose, at the federal level, each state's sales tax on Internet transactions?

MR. DiCIANNO:

Yes.

CHAIR RAGGIO:

Has Congress put a moratorium on that and extended it?

MR. DiCIANNO:

That is correct. Until Congress acts to overturn *Quill Corporation v North Dakota*, the states will not be allowed to tax Internet sales.

CHAIR RAGGIO:

Has the moratorium been extended four years? Originally, it was going to expire in August. The likelihood of states being able to tax Internet sales is far distant.

MR. DiCIANNO:

I believe it is three years. To clarify, there is a moratorium on Internet taxes which has been extended. The e-commerce sales tax by states is currently under the purview of the U.S. Streamlined Sales Tax Project. This project adopted a Streamlined Sales and Use Tax Agreement. It would take an act of Congress to allow the states to tax those sales.

SENATOR BEERS:

Is the alternative to reduce the sales tax and shift the revenue to other nontransaction-based taxes? Are states talking about that?

MR. DiCIANNO:

That is in your purview.

SENATOR BEERS:

Since you are in this national group, have you heard any discussion of other states looking at a shift?

MR. DiCIANNO:

Not that I am aware.

SENATOR TITUS:

Was the art tax part of this streamlining?

MR. DiCIANNO:

That is correct. One of the requirements of the agreement is that we can no longer have what were referred to as split-rate exemptions such as the fine art tax to which you are referring, the trade-in allowance and others. The 2-percent portion was not exempt, but the local portion was. We would either have to have a full exemption or no exemption to participate.

CHAIR RAGGIO:

Thank you for the report. It is very complete. The University Bureau of Business and Economic Research and the Center for Business and Economic Research are the ones who conducted this study.

There being no other questions, we will close the hearing on the Department of Taxation budget.

Before we go to the next budget, we have before us a bill draft request (BDR). The BDR S-449 requested by Nye County would make an appropriation of \$300,000 to the Office of Veterans' Services for expenses relating to the establishment of the office of coordinator of services for veterans in Nye and Esmeralda Counties.

**BILL DRAFT REQUEST S-449:** Makes appropriation for an office of Veterans' Services Coordinator in Nye and Esmeralda counties. (Later introduced as [Senate Bill 50.](#))

SENATOR COFFIN MOVED TO INTRODUCE BDR S-449.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The BDR S-449 will be a Committee introduction. We will open the hearing on the budget for the Public Utilities Commission.

Public Utilities Commission of Nevada - Budget Page PUC-1 (Volume I)  
Budget Account 224-3920.

DON SODERBERG (Chairman, Public Utilities Commission of Nevada):

I want to introduce my staff: Ms. Crystal Jackson, Commission Secretary, performing as chief administrative officer who handles our budget; Ms. Donna Wickham, Assistant Commission Secretary, who assists with the budget and supervises a number of our fiscal functions and personnel matters; and in the audience are people who are expert in our electronic filing system, a key component of our budget.

CRYSTAL JACKSON (Commission Secretary, Public Utilities Commission of Nevada):

The Public Utilities Commission (PUC) biennium budget request is built around the annual regulatory assessment of 2.6 mills for both years of the biennium. The statutory maximum is 3.5 mills. The FY 2003 operating revenues were used to develop this budget as it has historically provided the PUC, as well as the Bureau of Consumer Protection (BCP) with a reliable and somewhat predictable base revenue projection. Should revenues be higher or expenditures lower than projected, the PUC will adjust the annual assessment for FY 2006 and FY 2007. The PUC, in its continued efforts to reduce its reserve level and its commitment to create operating and administrative efficiencies, has lowered its annual assessment for three consecutive years. The annual assessment for FY 2005 is set at 1.9 mills. This is not a sustainable rate for an agency our size. The PUC reserve balance projected in FY 2005 is \$3.4 million. If the PUC budget is approved with the regulatory assessment set at 2.6 mills, the reserve balance is estimated to be \$2.5 million by FY 2006. This is an optimum reserve level for an agency our size.

In the area of expert consultants, we are asking for \$850,000 for the biennium to assist the PUC in performing its function of regulating the utility industry and meeting the demands in a dynamic and ever-changing industry, especially in the areas of general rate case support, telecommunications and federal energy legislation. The PUC is asking for \$130,000 to fund and administer an aggressive training and development plan to meet the needs of the many diverse and highly technical occupations which demand unique and specialized training. Our training and development plan also provides incentives and recruitment tools for attracting and retaining key staff.

The PUC's budget request for information services includes approximately \$435,000 for new and replacement computer hardware and software to upgrade and standardize applications and to provide the PUC with remote access and off-site computing capabilities. It will also maximize the productivity of staff. We have submitted unclassified salary adjustments for 11 targeted positions and two reclassifications to remedy internal inequities, to align salaries with comparable classified/unclassified positions in other State agencies and to attract and retain employees. The fiscal impact of these salary adjustments is approximately \$116,000 over the biennium.

To implement new State and federal requirements for the gas pipeline safety program, we are requesting three additional full-time gas pipeline engineers. Two would be for FY 2006 and one in FY 2007. The cost would be \$444,000. Up to 50 percent of these costs are reimbursable through a federal grant. The PUC pipeline safety engineers conduct safety inspections of natural and propane gas distribution and transmission systems statewide. The U.S. Department of Transportation's Office of Pipeline Safety audits the program annually. In the last four out of five audits, we have received the highest possible score resulting in 50 percent reimbursement of program costs. The Office of Pipeline Safety has recommended that the PUC add these new positions to manage the growth in construction and the new requirements that include the federal operator qualification rule and the integrity management rule. This is in addition to the administration of the PUC's one-call regulations.

The Call-Before-You-Dig program requires additional resources to investigate and respond to complaints. The PUC's current staffing resources in this area are not adequate to complete the inspections mandated by the federal program. Given the hundreds of miles of new main and service pipes associated with the growth in the State, three new gas pipeline engineers are needed to sustain the quality and coverage of our pipeline safety program and to continue to qualify for federal funding. The PUC is also requesting \$24,000 for replacement of one safety vehicle for the gas pipeline program in FY 2006.

The largest component of PUC's budget is the request for an electronic filings and records management system. Please refer to the handout entitled The PUCN's EFRM Summary ([Exhibit E](#)). The Electronic Filings and Records Management System's (EFRM) primary goal is to implement the technologies and processes necessary to support the acceptance and management of legally defensible electronic documents and records and to collect associated fees, both over the counter and over the Internet. The PUC's core business process evolves around the acceptance and processing of filings. These filings include rate changes, deferred energy, merger and acquisitions, name changes, discontinuance of service, request for authority, rule making and investigations, to name a few. We have over 60 filing types with various statutory and regulatory deadlines. Our current process is manual with tracking assistance from an in-house database known as the docket tracker. Information contained in that database is textual in nature and is only summarized. Our filings consist of applications, petitions, testimonies and comments submitted over the counter in paper form with an original and nine or more copies. Management and processing of these paper filings is difficult and time consuming. The utilities we regulate physically have to come to the PUC office during business hours to make their filing and to bring in a check. Sometimes this requires utilities to rent a truck in order to bring all the copies that are necessary for the filing. Other documents and processes that would be included in the EFRM would be the

discovery of information, the tracking of docket participants, creation of agendas, calendaring, notices, annual reporting required by utilities, some gas and railroad safety, and client and consumer complaint tracking.

CHAIR RAGGIO:

Is it the goal to have all of these filings done electronically? When do you expect you would be able to implement EFRM if it is approved?

Ms. JACKSON:

Yes, that is the goal. We have the project broken into two segments: Segment 1 would be approximately 40 weeks; Segment 2 would be 30 weeks.

CHAIR RAGGIO:

Would it be completed within one year or less?

Ms. JACKSON:

Yes, hopefully.

Our business processes are mature, but our technology supporting those processes is not. Some challenges for commissioners and staff include aligning the PUC with the Governor's priorities for State government. The priorities are to maximize Internet use and other technologies to make government more accessible and economical and to develop, implement and improve electronic communication. We do post some of our documents on our Web site. Those postings are only documents that the PUC issues. We do not post anything we receive from regulated utilities or outside parties.

The Division of Internal Audit recommended that the PUC evaluate the benefits of implementing an electronic filings and record management system. We would also like to conform with the federal government Paperwork Reduction Acts of 1980 and 1995 and The Paperwork Elimination Act of 1988. It is estimated that we process and manage over 500,000 pages each year in filings alone. We do business with the Federal Energy Regulatory Commission, Federal Communications Commission, Eighth Judicial District Court in Clark County, Bankruptcy Court, Federal Court and Nevada Supreme Court. All have gone to some form of electronic system. The electronic system will make the PUC more efficient in its day-to-day operation and will make working with the PUC easier. It will enhance the PUC's core business mandates and reduce the response time in all we do. In January 2005, we received 50 filings compared to 30 filings in January 2004. In December 2004, we received 44 filings compared to 34 in December 2003. In November of 2004, we had 56 filings compared to 30 filings in November 2003. The State's major utilities, attorneys and general public have written letters in support of an electronic system.

We currently have eight in-house databases. Each of these databases function separately and contain redundant information because the systems are not integrated and cannot share information. The new system would integrate all this information into one industrial strength database. Information would be available as soon as it is received. The public information would be available 24 hours a day, 7 days a week. The ability to manage and control access to sensitive and confidential information is essential. Multiple-user access to a file will be possible. The online search capabilities of our filings, records and documents are a major part of the proposed system. Collaboration with colleagues will be a snap, as will the ability to work remotely. We will also be



able to track PUC compliance orders electronically. The documents and records will be managed electronically in accordance with the Nevada Electronics Committee regulations and State laws. The system will eliminate concerns regarding disaster recovery and security. Currently the working paper copies are all we have.

CHAIR RAGGIO:

What do you do with all those copies?

MS. JACKSON:

The copies are dispersed among the individuals who are assigned to that particular case.

There are two consecutive project segments. Segment 1 is the records management application. That segment builds the infrastructure and lays the foundation. It will implement a Department of Defense Design Criteria Standard for Electronic Records (DOD 5015.2) compliant records management application and begin the process to accept electronic filings and records. It will also image-enable our existing applications. It will make information now on paper immediately available for electronic search and retrieval. This includes the training of technical staff and users of the records management system. The hardware and software will be housed at the Department of Information Technology (DoIT). This segment will take approximately 40 weeks.

Segment 2 is for application redesign and development. This will leverage the capabilities of Segment 1 and consolidate the eight databases into one industrial strength database. This segment is expected to take approximately 30 weeks.

The DoIT sent a request for information to vendors in February 2004. We received eight responses. We narrowed the responses to the two best-value viable options. Keep in mind the definition of best value is the most benefit for the investment. It may not be the best cost or quickest solution. We have estimated the cost of the project for Segments 1 and 2, based on the vendor estimates of last year, to be \$1.3 million for FY 2006 and FY 2007. There will be ongoing costs which include quality assurance, ongoing software licensing, maintenance and upgrades estimated at \$400,000. The PUC does have funding available in its reserve account for this project.

CHAIR RAGGIO:

Your chart, page 3 of [Exhibit E](#), indicates that over a four-year period the cost is a little more than \$3 million and that it would be payable out of your reserve.

MS. JACKSON:

The four-year period cost would be \$1.7 million which would be covered by the reserve.

CHAIR RAGGIO:

What mill assessment did you say your budget is based upon? Are you raising the mill assessment?

MS. JACKSON:

The budget is based on a 2.6 mill assessment. Our current mill assessment is 1.9 mills.

CHAIR RAGGIO:

Is there also an additional assessment for the BCP?

Ms. JACKSON:

That is correct.

CHAIR RAGGIO:

This is going to be an increase.

Mr. SODERBERG:

As you are aware, the PUC was operating with a large reserve. The PUC worked with the LCB fiscal staff and the budget office to ascertain what would be a proper reserve for us. We began to work down the reserve by collecting less than the PUC needed. When it appeared the PUC's largest mill assessment payer might declare bankruptcy, we backed away from reducing the reserve. The bankruptcy did not happen and the PUC went back to reducing the reserve. We base the budget on a 2.6 mill, but charge less in order to reduce the reserve.

CHAIR RAGGIO:

With the enhancements we are talking about, the PUC is projecting a reserve of just under \$2 million.

Mr. SODERBERG:

That is correct.

Ms. JACKSON:

The PUC regulates nearly 600 utilities. We receive approximately 500 filings annually. The PUC must position itself to use technology to mitigate the demands and costs of regulation. We must also find ways for the utilities to reduce their costs associated with adhering to regulations.

CHAIR RAGGIO:

Your budget also recommends some changes in unclassified salaries. How many positions are there? Is this in addition to the cost-of-living allowance (COLA)?

Ms. JACKSON:

There are a total of 11 positions. The recommended changes are in addition to COLA.

SENATOR CEGAVSKE:

I want to make note of the fact that not all the individual budget recommendations for changes in salary include the COLA increase. It is quite a hike when we look at all the areas requesting increases. Why are we reducing the salary for two positions when everyone else is getting an 8- to 11-percent increase?

Mr. SODERBERG:

We are making PUC salaries consistent with similar agencies in the State. We are also making salaries consistent within the agency. The PUC has some managers making \$6,000 more than other managers for no apparent reason. When our proposal was run through the new tier system the Department of Personnel devised, the salaries came close to what we asked for; two salaries resulted in an \$85 a year reduction.

SENATOR BEERS:

I am concerned that you are basing your raises on efficiency and reducing your reserve. In FY 2005, 49 personal computers will be replaced that are not capable of running your new system and will have to be replaced in FY 2006.

MS. JACKSON:

You are correct. PUC has historically been on a three-year replacement cycle. We believe we should be on a two-year replacement cycle. We have not been able to manage an accelerated schedule because there are only two individuals, one in Carson City and one in Las Vegas, responsible for installing the replacements. We have asked for an accelerated two-year schedule for the new system. Our current cycle does not allow all personnel to be on the same application. It is important, moving forward to the new system, that we have all employees on the same application at the same time.

SENATOR BEERS:

Have you already bought these 49 computers?

JEFF D'AMARIO (Systems Operations Manager, Public Utilities Commission of Nevada):

No, I based the replacement cycle on the DoIT schedule. The schedule says leading-edge users should follow a two- to three-year replacement schedule. I feel that everyone in our agency is a leading-edge technology user in that the appropriate personnel can access every filing we receive. We need to have everyone using the same level in order to interchange information.

SENATOR BEERS:

I do not believe that a generation is down to one year. Therefore, I will not call a three-year-old computer a third generation computer. I do not believe that you have to have everyone operating on the same central processing unit. It may be easier to operate the network if everyone is on the same operating system. It mystifies me that the 49 computers you would buy this year cannot run the application that you will implement next year. Maybe we should have a staff meeting, including a DoIT person, to see if we can rework this.

MS. JACKSON:

We would be happy to do that.

CHAIR RAGGIO:

This budget does go to Senator Beers' subcommittee. Senator Beers and staff will monitor this situation.

I am a shareholder in the firm of Jones Vargas which represents clients before the Public Utilities Commission. I need to make this disclosure.

We will close the budget on the Public Utilities Commission and open the budget of the Ethics Commission.

ELECTED OFFICIALS

STACY M. JENNINGS (Executive Director, Commission on Ethics):

The Commission is charged with five issues under statute as listed on page 1 of the handout, Nevada Commission on Ethics ([Exhibit F](#)). Financial disclosure statements are required from those appointed to public office and earn more than \$6,000 per year. The Commission is a legislative executive commission. It has four members appointed by the legislative commission. Mr. Merle Berman resigned February 9 as a commissioner in order to run for Secretary of State. The legislative commission will appoint someone to replace him. The IFC, in September 2004, funded a research assistant position in Las Vegas to supplement the existing staffing. The proposed budget requests a full-time investigator in Las Vegas. The Commission was funded prior to 2003 with General Funds only. The 2003 Legislature asked the source of the Commission's cases. Attachment 1 in [Exhibit F](#) indicates calendar years (CY) 2001 and CY 2002 with 66 cases. Of those, 65 percent of our cases came from city and county government and 35 percent came from the State, Executive Branch or Legislature. The 2003 Legislature proposed a cost-share on the agency budget. That was done through legislation and is codified as Nevada Revised Statutes (NRS) 281.4647. Every two years we look at the source of our caseload. The current breakdown is in Attachment 1 in [Exhibit F](#). From CY 2003 through CY 2004, 65 percent of our cases came from city and county government and 35 percent came from the State, Executive Branch or Legislature.

CHAIR RAGGIO:

How are those funds allocated that come from local governments?

MS. JENNINGS:

Pursuant to statute, the 65 percent funded by local government is broken down on a share basis for cities and counties over 10,000 population. We bill them twice a year and they pay August 1 and February 1.

CHAIR RAGGIO:

Do only the cities and counties over 10,000 contribute toward that fund?

MS. JENNINGS:

That is correct.

Page 2 of [Exhibit F](#) shows the requests for opinion filed by fiscal year. In the statistics for the CY 2003 and CY 2004 caseload shown in Attachment 1 of [Exhibit F](#), the 160 requests for opinions over that period were used to project the budget for this biennium. There has been a 142 percent increase in caseload. We investigate about 50 percent of the cases that we receive. About 80 percent of everything we investigate is dismissed at panel. The panel process that the Legislature and the Governor created in 1999 works to weed out frivolous or no merit complaints. In 2003, the Legislature gave us 45 days to complete investigations. With the increase in caseload, we have not been able to meet that goal. With the increased positions in this budget, I will be able to catch up and be on target by 2007. Roughly 22 percent of our requests for opinion are advisory in nature. That means the public officer comes to us and we provide advice on how the ethics laws apply to their particular situation. We have a couple of opinions right now under judicial review. We think that is a good indicator of the quality of the Commission's decisions. We are supporters of educational programs. We think that it is one of the best things the executive director is charged with under statute. It is a good way to get out and work

with the cities, counties and State officers about how to stay out of trouble. We get consistently good ratings on the training presentations.

CHAIR RAGGIO:  
What are you doing on educational programs?

MS. JENNINGS:  
I provide an overview of the ethics in government law and speak about the specific provisions of the code of ethical conduct, disclosure and abstention, and opinions the Commission has issued.

CHAIR RAGGIO:  
Where do you conduct these presentations?

MS. JENNINGS:  
All around the State. I conducted one Monday night in Carson City for the boards and commissions and last week in Esmeralda County in Goldfield for their county officers. These presentations have been provided in Elko, Reno, Pahrump and Boulder. I have conducted numerous presentations in the Las Vegas area; anywhere people ask me.

CHAIR RAGGIO:  
Do you do that yourself? You only have four or five people.

MS. JENNINGS:  
Yes, currently I do them all. Right now we have our administrative assistant and myself. Our legal counsel is on medical leave and there are only two staff right now. The legal research assistant starts work February 28. That will provide some help.

SENATOR BEERS:  
Where is your legal research assistant going to be housed?

MS. JENNINGS:  
She will be housed in Las Vegas as will the proposed investigator. She will be in Carson City for a couple of weeks for training.

SENATOR BEERS:  
Do you have a Las Vegas office?

MS. JENNINGS:  
That was funded by IFC in September.

I want to highlight a few things in our budget. About 71 percent of our budget is in the form of personnel requests. We have money for court reporting and investigations. Some of the investigations amount in the base year has been used to offset the cost of a permanent investigator. We have annualized the rent for the Las Vegas office and the increased rent for the Carson City office. We are moving next week to a new location in Carson City with more space. We are asking for funds for a telephone system, security system, computer networking and a printer. We did not have anyone to network with before. We were audited in FY 2004 by the LCB and they found no deficiencies.

SENATOR RAGGIO:

What are you doing with \$20 in the Las Vegas office?

MS. JENNINGS:

I believe it is antivirus software.

We are asking for funding for travel for training, equipment and salary adjustments. Our budget is going up from \$419,000 for FY 2006 to \$602,000 in FY 2007. The budget will be funded by 65 percent assessments on local government and 35 percent funded by the General Fund. When the Commission submitted the budget request to the Governor's office, I did submit a breakdown of our request to the League of Cities and to the Nevada Association of Counties showing how it compared to what they paid in the last two years. On January 28, 2005, I sent them a breakdown based on the Governor's recommended budget and what the city and county cost share would be. I have provided that information to you in Attachment 2 of [Exhibit F](#). The cities and counties pay one-half in February and one-half in August.

The BDR 23-272 requests technical changes to some of the statutes we have seen over the last two years. The Commission would like to create a separate definition of public officer as it pertains to complaints. There are a number of people who do not meet the definition of a public officer. People on planning commissions who exercise a lot of policy do not meet the definition of public officer because they do not spend funds. There are many boards and commissions that people serve on that are not purely advisory, do not have a budget, but do have significant discretion in making either policy or law recommendations. For the purpose of investigations and advisory opinions, we would like to change the definition from an "and" to an "or." If you are enforcing policy, enforcing state law or spending money, you would be considered a public officer for purposes of investigations of public power, trust or duty.

**BILL DRAFT REQUEST 23-272:** Makes various changes to the Ethics in Government Law.

CHAIR RAGGIO:

The financial disclosure laws may make it difficult to get people to serve on these boards. Does your recommendation include exempting some of these people? Any kind of board takes some action. Are we going overboard on the financial disclosure requirements?

MS. JENNINGS:

The 2003 Legislature changed the law so that everyone who is elected to office must file. Board members are "loosely" elected, including the Conservation Districts. The State Department of Conservation went to the Attorney General's (AG) office and asked if the members are public officers. On January 14, the day before the filing deadline, the AG issued an opinion saying if they are elected at a meeting, then they are public officers.

CHAIR RAGGIO:

I understand that. Is that what we are after? Should this law be changed?

Ms. JENNINGS:

My argument last Session was that the appointed public officers have the same problem. Many were serving on State boards and commissions. They might make \$80 a day and meet four times a year. They were filing disclosure forms late and getting fined so we were going to lose volunteers. We changed the threshold to \$6,000 for appointed public officers. You could place a similar threshold on elected public officers. Last session the policy was they wanted everyone elected to file. The Commission does not have a position. We accept the appointed filings and give the late ones to the Secretary of State's office to collect fines. The Commission will do whatever you want us to do as far as the form and who has to file.

CHAIR RAGGIO:

We will get into this topic in our other committee.

SENATOR BEERS:

Where do your fines go?

Ms. JENNINGS:

Our fines go to the State General Fund.

SENATOR BEERS:

You have a \$5,000 line item called Civil Penalties.

Ms. JENNINGS:

The \$5,000 is the Ms. Frances Deane fine. This year we are collecting about \$12,000. Those collections are then reverted to the General Fund. We must have a line item for the collection and the reversion.

SENATOR BEERS:

The current year would include the Controller's payments.

Ms. JENNINGS:

Yes. We have projected \$5,000 for the next biennium.

SENATOR BEERS:

Could you bring or send over a list of your fines that are currently not collected?

Ms. JENNINGS:

We prepare a quarterly report for the Controller's office. Ms. Deane was on a \$500 per month payment plan for her \$5,000 fine. It will be paid off at the end of the fiscal year. We assessed another \$5,000 fine and it was paid in full. The only one on the books is Controller Augustine's fine.

SENATOR BEERS:

It sounds like you do not need to do that list. If you get your investigator, can we eliminate the \$14,000 in contract investigative costs you have in your budget?

Ms. JENNINGS:

That category now covers \$5,000 per year for Lexis Nexis membership and expenditures for purchasing public records, video tapes and Federal Express. The Governor's budget does pull out the amount of money that was in that line item for contract investigations.



SENATOR BEERS:

Page ELECTED-167 of the budget indicates you submitted a request reducing your investigations and paralegal costs, but the Governor's recommendation increases it to the FY 2004 actual. Where in the FY 2004 actual and your work program are your contract investigation costs?

MS. JENNINGS:

That is in Category 15.

JULIE BUTLER (Budget Analyst, Budget and Planning Division, Department of Administration):

I did back out the investigation costs in this category. As Ms. Jennings stated, additional funds were needed in that category as well as paralegal costs. I can go back and look at this.

Chair RAGGIO:

Mr. Mark Stevens can work with you to make sure we all know what is in this budget.

SENATOR BEERS:

In FY 2006 we have a recommendation for equipment costs of \$16,420.

MS. JENNINGS:

We need to buy equipment for the permanent location in Las Vegas: \$7,000 for a phone system, security system, furniture, network printer and other computer items.

SENATOR BEERS:

Is this a two-person office?

MS. JENNINGS:

It will be two persons and I will spend some time there.

SENATOR BEERS:

Who is advising you on a \$7,000 phone switch?

MS. JENNINGS:

That is what it cost when we bought the one for the Carson City office. It is a Northstar telephone system with voice mail.

CHAIR RAGGIO:

Mr. Mark Stevens can work with them on this also. Have you been asked for fiscal notes on the BDR?

MS. JENNINGS:

Not at this point. It has not been introduced. I do not think our BDR will have a fiscal impact.

CHAIR RAGGIO:

We will close the budget for Commission on Ethics and open the hearing on the Department of Personnel.

PERSONNEL

Personnel - Budget Page PERSONNEL-1 (Volume 1)  
Budget Account 717-1363

JEANNE GREENE (Director, Department of Personnel):

I will give an overview of the handout you have, State of Nevada Department of Personnel, Budget Presentation to the Senate Committee on Finance ([Exhibit G](#), original is on file in the Research Library). The Department's major functions are depicted in the introduction as well as our organization chart and a profile of a State employee. Ms. Kim Foster and I will go over our enhancement units.

SENATOR COFFIN:

I have asked at previous meetings for specific data on turnover. We can generally guess why they are leaving, but I want the hard data.

MS. GREENE:

We capture the information on why they leave State service. We can probably also capture the age and occupation.

KIM FOSTER (Administrative Services Officer, Department of Personnel):

I am going to read the enhancement information starting on page 6 of [Exhibit G](#). Page 8 of [Exhibit G](#) requests improvements in the Certified Public Manager Program. This program is a nationally recognized and accredited leadership development program for public sector managers and supervisors. Over 26 states and the federal government participate in this program. We have 43 participants in this program, 25 in the north and 18 in the south. Since the program started we have seen ten people promoted. We apply for accreditation in late spring and plan our first graduation November 2005. We have received excellent class ratings and overwhelming acceptance by agencies, department heads and participants. The participants are required to do quality improvement projects. They select an area in their work environment where issues exist. They analyze the issue and write a report to come up with a solution. Many states have seen return on investment in this area.

CHAIR RAGGIO:

Who does the program?

MS. FOSTER:

This is a national program which has a consortium overseeing it.

CHAIR RAGGIO:

You are going to have 80 participants. Are they doing it by correspondence?

MS. FOSTER:

No, it is a six-level program. They are released from work for a solid week. We have contract trainers come in.

CHAIR RAGGIO:

Do the funds you asked for cover the cost of the contract services?

Ms. FOSTER:

That is correct. We want to send 80 participants through the program. There would be two consecutive sessions of the program. With only one session running, we do not have a way for a participant to make up a level.

The brochure in the front of our handout [Exhibit G](#) describes our Integrated Financial Systems – Human Resources (IFS-HR). Advantage-HR is our system of record for payroll and personnel transactions. That system was our year 2000 fix. Currently we have approximately 550 people using the system. The HR Data Warehouse stores the data accumulated in Advantage-HR. It is an excellent tool for providing management with reports. It has position, overtime, leave, pay and demographic information. You can summarize information at a Statewide level, drilling down to the employee level. The information can be downloaded into Excel spreadsheets then sorted and manipulated any way you want. The Nevada Employee Action and Timekeeping System (NEATS) has several components. The timekeeping component allows an employee to electronically send a time sheet to the supervisor who electronically applies a signature; the information is entered into the system and creates a paycheck. The Employee Data Capture component allows employees to change personal information such as phone numbers, beneficiary name changes and emergency contacts. The Employee Development component is a training registration and tracking system. It allows employees to register for classes; the request goes to the supervisor for approval; once approved, an e-mail is sent letting the employee know the class scheduled. Transcripts are also available through this system. The security administration component centralizes security needs for NEATS, Advantage-HR and HR Data Warehouse.

Personnel's proposed budget requests a new help desk position. Advantage-HR has 550 users. The HR Data Warehouse has 840 users. The NEATS has 16,000 users which is all of the State employees. We are continuing to rollout the online time sheet system. We were getting 230 help desk calls each month. Page 10 of [Exhibit G](#) shows how the number of calls have risen.

SENATOR BEERS:

Is this just servicing Personnel staff or is it servicing technology staff throughout the State?

Ms. FOSTER:

It primarily services the HR portion of IFS. We assisted with the Nevada Executive Budget System (NEBS) when it went online.

SENATOR BEERS:

Some parts of the IFS are used in the agencies. Is any part of the HR decentralized and accomplished by agency people or is it entirely with you?

Ms. FOSTER:

The Advantage-HR was rolled out to a subgroup of personnel and payroll clerks totaling about 550 users. The HR Data Warehouse for reporting has 840 users. The NEATS has the whole employee base of 16,000.

SENATOR BEERS:

Is the help desk you are talking about staffing currently assisting all of those people?

Ms. FOSTER:  
Exactly.

Ms. GREENE:  
We are requesting approval to replace our applicant tracking system. The current system is about 20 years old. It is an older proprietary client server technology. We are experiencing about eight hours of down time every month which delays the agencies in filling their positions when we are not able to process the applications. We expend extensive resources to keep this system working. The outside agencies are having problems dialing into the system. The system is run by two individuals out of Sacramento. It is a very small company. They are not always available to meet our needs. We feel like we are in a vulnerable position if they are not available or decide to retire. We are looking to replace the system in three phases.

Ms. FOSTER:  
Pages 14 through 16 of [Exhibit G](#) describe extensions to the NEATS in the time sheet approval, employee claims, leaves and overtime pre-approval areas.

CHAIR RAGGIO:  
Is this program going to help get a handle on overtime pre-approval?

Ms. FOSTER:  
I think it will definitely help. There is a statute that requires pre-approval of overtime and written authorization for overtime and leave. All the agencies implement their own policy as to how to comply with the statute. There is no consistent way to do it throughout the State. I think this will set a standard and a way for all agencies to do it.

Pages 17 and 18 of [Exhibit G](#) describe expansions to the NEATS in the employee development module.

Ms. GREENE:  
We are requesting a new position to conduct sexual harassment investigations as described on Page 19 of [Exhibit G](#). That position would be based in the south.

SENATOR MATHEWS:  
Where would you put other kinds of employee complaints such as in the last Special Session?

Ms. GREENE:  
We do not investigate other types of complaints. We only have the authority to do the sexual harassment and Title VII discrimination complaints. Employees have other avenues. They can file a grievance which goes up through their agency to the Employee-Management Committee which is a committee appointed by the Governor. There have been talks about expanding our authority. We would be willing to discuss that further.

Ms. FOSTER:  
Last session we were approved to bring in a digital image system for employee records. We did this in partnership with the State's Micrographics and Imaging Program. The system is doing an excellent job for us. However, we have to maintain two systems because part of the information resides on microfilm and

the other part on digital image. Information on digital image only requires the push of a button to create a hard copy within seconds. The information on microfilm requires one to pull each tape where a record resides, scan it to find the document, then print on a reader-printer which is not very legible. We are asking to convert over two million records from microfilm to the digital image server.

SENATOR BEERS:

Is the illegibility due to the printer and not the image on the microfilm?

Ms. FOSTER:

I think it is the reader-printer. I will have to check on that.

SENATOR BEERS:

Is it the same system I might find in the library to look at archived newspapers?

Ms. FOSTER:

I am not familiar with the library system.

SENATOR BEERS:

Does it look okay when you see it on screen?

Ms. FOSTER:

It is fairly clear.

Ms. GREENE:

Our remaining requests are minor and described on pages 21 through 24 of [Exhibit G](#).

Chair RAGGIO:

Do you have any comment on the Unemployment Compensation budget?

State Unemployment Compensation - Budget Page PERSONNEL-14 (Volume I)  
Budget Account 101-1339

Ms. FOSTER:

The State Unemployment Compensation budget is managed by the Department of Personnel. Its revenues are brought in through payroll assessments. We pay on actual claims.

Chair RAGGIO:

Is everyone eligible except elected officers and the judicial branch?

Ms. FOSTER:

Exactly. We have looked at the trends, pages 25 and 26 of [Exhibit G](#) and made projections on what to expect in the future.

Chair RAGGIO:

There is interest by the Committee on the proposed unclassified service changes. We do not have time this morning, but we may ask you to come back on that.

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February 10, 2005  
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MS. GREENE:  
I would be happy to submit something in writing. If you have follow-up questions, give me a call.

Chair RAGGIO:  
Tomorrow's meeting we have the State Treasurer and State Controller. We have a lot to cover. There being no further business, the meeting is adjourned at 10:50 a.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Sandra Small,  
Committee Secretary

APPROVED BY:

\_\_\_\_\_  
Senator William J. Raggio, Chair

DATE: \_\_\_\_\_