

**MINUTES OF THE
JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-third Session
March 11, 2005**

The Joint Subcommittee on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order at 8:06 a.m. on Friday, March 11, 2005. Chair Bob Beers presided 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.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Bob Beers, Chair
Senator Dean A. Rhoads
Senator Bob Coffin

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Ms. Kathy A. McClain, Chair
Mr. Morse Arberry Jr.
Mr. Lynn C. Hettrick
Mr. Joseph M. Hogan
Mrs. Ellen M. Koivisto
Mr. Bob Seale

STAFF MEMBERS PRESENT:

Steven J. Abba, Principal Deputy Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Jeffrey A. Ferguson, Program Analyst
Laura Freed, Program Analyst
Michael Archer, Committee Secretary

OTHERS PRESENT:

Mary Keating, Administrator, Administrative Services Division, Department of Administration
Jeanne Greene, Director, Department of Personnel
Kim Foster, Administrative Services Officer, Department of Personnel
Andrew List, Executive Director, Nevada Association of Counties
Cynthia Baumann, Integrated Financial Services – Human Resources System Administrator, Administrative Services, Department of Personnel
Alan R. Coyner, Administrator, Division of Minerals, Commission on Mineral Resources
Don Henderson, Director, State Department of Agriculture
Rick Gimlin, Deputy Director, State Department of Agriculture
David Thain, DVM, State Veterinarian and Administrator, Animal Industry Division, State Department of Agriculture
Steve Grabski, Administrator, State Sealer of Weights and Measures, State Department of Agriculture

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CHAIR BEERS:

We will now discuss the Department of Administration indigent supplemental account.

ADMINISTRATION

Indigent Supplemental Account – Budget Page ADMINISTRATION-51 (Volume I)
Budget Account 628-3244

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

This account receives a tax of 1 cent on every \$100 of assessed property value. These funds are used to pay the medical expenses of indigent citizens in Nevada, and are administered through the Department of Administration and the Nevada Association of Counties (NACO).

CHAIR BEERS:

How is the money distributed to medical providers?

MS. KEATING:

Once, or twice, a year providers tally up their indigent care costs and submit that information to NACO. Since there are more requests for payment than money available, NACO makes reimbursement decisions on a pro rata basis. The Department of Administration then provides the funds to NACO for disbursement to providers.

CHAIR BEERS:

We are concerned about changes proposed by the Governor for the Health Insurance Flexibility and Accountability (HIFA) waiver?

MS. KEATING:

I know of no action being taken on that.

CHAIR BEERS:

Is there no sense of urgency to make these changes?

MS. KEATING:

I am not privy to conversations regarding this and do not wish to comment.

CHAIR McCLAIN:

We should hear from those promoting this program, but none of them are here today.

CHAIR BEERS:

We will revisit this issue.

ASSEMBLYMAN SEALE:

Is NACO getting a fee for administering the indigent supplemental funds?

MS. KEATING:

Yes, they charge a fee for processing and administration.

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CHAIR BEERS:

You are projecting property tax increases of 8.9 percent in fiscal year (FY) 2006 and 9.2 percent in FY 2007 to determine revenue in the next biennium. If legislation is passed to cap property taxes, will you be submitting a revision to this budget account?

MS. KEATING:

This projection was based on information from the Department of Taxation and our own Budget Division economist. In the event the property tax projection changes, our budget will need to be adjusted.

CHAIR BEERS:

We will now discuss the indigent accident account.

Indigent Accident Account – Budget Page ADMINISTRATION-53 (Volume I)
Budget Account 628-3245

MS. KEATING:

In the Base Budget on page ADMINISTRATION-53, of the *Executive Budget*, you will see the Department shows \$492,971 in real property taxes in FY 2005; however, the Governor shows \$11,028,993 for this same period. This disparity occurred because the 2003 Legislature felt the indigent accident account reserve was too high. Consequently, in FY 2004 we did not levy the 1.5 cent tax and instead used our reserve funds. This was only a one-year waiver of that collection and we have readjusted the numbers for FY 2005. The \$492,971 we received came from late tax collections for FY 2003, paid in the beginning of FY 2004.

CHAIR BEERS:

Are you going to consolidate these accounts?

MS. KEATING:

There is no proposal to consolidate these accounts.

CHAIR BEERS:

Will there be changes in the HIFA waiver creating a catastrophic indigent insurance plan?

MS. KEATING:

I have no first-hand knowledge of this. These accounts are kept separate by statute, and would require a Bill Draft Request (BDR) to change them.

CHAIR BEERS:

Do you know the date such legislation might be proposed?

ASSEMBLYWOMAN KOIVISTO:

It is being looked at in another subcommittee, but I have no knowledge of the status of that BDR.

CHAIR BEERS:

Why do you show an approximately \$30 million reserve for the indigent accident account at the end of FY 2007?

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MS. KEATING:

I am not aware of plans to adjust that amount. Perhaps NACO will choose to reduce that reserve as they did in FY 2004.

CHAIR BEERS:

Instead of waiving the levy every other year to reduce the reserve, why not just cut the existing tax in half?

MS. KEATING:

There is no current budget proposal to do that.

CHAIR McCLAIN:

Who comprises the Board of Directors overseeing the funds for medical care to indigent persons?

MS. KEATING:

The NACO would have that information.

CHAIR McCLAIN:

How are payments for these indigent accident victims initiated?

MS. KEATING:

The provider of medical services to the indigent accident victim applies to NACO for reimbursement of the cost of care.

CHAIR BEERS:

This program has been in the *Nevada Revised Statutes* (NRS) since 1941. The proceeds from this tax, at the current rate it is being levied, equals four times the annual amount of claims. The reserve at the end of FY 2007 amounts to ten years worth of claims. Where does the interest go on this large reserve?

MS. KEATING:

By statute, the interest goes into the indigent accident fund.

ASSEMBLYMAN SEALE:

Does it revert at the end of the biennium?

MS. KEATING:

That is correct.

ASSEMBLYMAN HETTRICK:

If we choose to use this money for federal matching dollars, I am concerned we may become obligated to an ongoing program we have created without having to account for it in the budget.

MS. KEATING:

These funds are not currently used in a federal match, yet the discussion of federal matching funds has been ongoing. We would be required to make quarterly and annual federal grant report filings. If we used these funds as a match, they could stay in these budget accounts, or they could go into other budget accounts if the particular grant allows for that. Usually, these funds can

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go into the account of other programs as long as that program is of a similar type. In that case, it would not require a budget adjustment.

ASSEMBLYMAN HETTRICK:

Are we talking about matching off the reserve or matching off the expenditures?

MS. KEATING:

We are talking about matching off the revenue. In this budget proposal the revenue is derived from levying the tax.

ASSEMBLYMAN HETTRICK:

In a year you do not levy the tax, where will you get the money for the federal match?

MS. KEATING:

In a year we do not collect the tax, we still have \$30 million of Nevada tax dollars in the reserve. The federal matching requirement calls for us to match one-half of the total expenses we are claiming. The source of our matching funds can be revenue dollars, reserve dollars, interest earnings or a combination of those. Our match does not have to come from the same budget account; however, we must spend the money for what the particular grant requires. You can only match dollars one time.

CHAIR BEERS:

We will now discuss the budget for the Department of Personnel.

PERSONNEL

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

JEANNE GREENE (Director, Department of Personnel):

I have prepared a handout titled State of Nevada Department of Personnel Budget Presentation to the Joint Subcommittee on General Government ([Exhibit C](#), original is on file in the Research Library).

CHAIR BEERS:

Why were some departments excluded from your personnel study?

MS. GREENE:

Some agencies did not meet the criteria for our study and some did not wish to participate. We did not study the Public Employees' Retirement System (PERS) because they are not part of the proposed unclassified pay bill. The proposed unclassified pay bill has been transmitted to the Legislature and covers the constitutional offices.

CHAIR MCCLAIN:

Referencing the handout, prepared by our Fiscal Analysis Division staff, titled Proposed Unclassified Service ([Exhibit D](#)), there are 512 positions being changed. What is the total number of positions you intend to convert?

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Ms. GREENE:

We will recommend an additional 301 positions be moved from classified to unclassified service. The positions listed in [Exhibit D](#) were already unclassified and we are merely applying the salary tier criteria to them.

CHAIR BEERS:

The number of positions being changed to unclassified will not change, but the dollar total will. How much will the dollar total be?

Ms. GREENE:

I do not know the total dollar amount at this time.

ASSEMBLYMAN SEALE:

Why was PERS not included in your study?

Ms. GREENE:

The PERS is not included in our proposed unclassified pay bill. Salaries for PERS employees are set by the PERS Board.

CHAIR BEERS:

Were the executive assistant positions in the agencies you have studied already unclassified?

Ms. GREENE:

Not all, but most of them were already unclassified.

CHAIR BEERS:

Did all the department director's, division administrators and bureau chiefs review these changes and approve them?

Ms. GREENE:

I dealt with the department directors and they consulted with their division administrators and bureau chiefs. The directors all had an opportunity to comment and adjustments were made based upon those comments. Some department directors, like from the Department of Education, have spoken out against this. When I relayed our proposal to them, they did not express these concerns to me.

CHAIR MCCLAIN:

What is the logic behind moving these classified positions to unclassified service?

Ms. GREENE:

Currently about 5.5 percent of state employees are unclassified. If this proposal passes, it would bring that number up to about 7 percent. Among other states, the average is about 11-percent unclassified. The positions, with the exceptions of Public Information Officers (PIO), are in the category of policy-making positions. This proposal will provide more consistency to which positions are unclassified.

CHAIR MCCLAIN:

I do not agree these are all policy-making positions.

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CHAIR BEERS:

The way this is being proposed in the budget makes it difficult for us to approve some of these changes without approving all of them. This is because each level is not a separate enhancement unit. Within each budget the executive assistants, PIOs and, in some cases, department heads are all listed together.

MS. GREENE:

If you refer to [Exhibit D](#), you will see a criteria code listed next to each position. That code applies to the category of the position. If the Legislature chose, as an example, not to include PIOs, you could use that criteria code to exclude all of them from the proposal.

CHAIR BEERS:

Please explain the six recommended upgrades to the Nevada Employee Action and Timekeeping System (NEATS).

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

Please go to the brochure attached to the interior front page of [Exhibit C](#). Here you will see a diagram of our existing system and what we are proposing. Our current Integrated Financial System – Human Resources (IFS-HR) consists of Security Administration, Timekeeping, Employee Data Capture and Employee Development. We anticipate adding a Recruitment and Applicant Tracking module and an Employee Incident module.

CHAIR BEERS:

Let me interrupt this line of testimony to hear from the Executive Director of NACO about the indigent accident account we discussed earlier. Is it true that if an indigent incurs medical bills in excess of \$3,000 from a motor vehicle accident, and they are unable to pay, indigent accident account funds are used to pay the medical expenses?

ANDREW LIST (Executive Director, Nevada Association of Counties):

A levy of 1.5 cents on every \$100 of assessed property value goes into the indigent accident fund. The counties keep money in their local budgets for indigent care. However, once they exceed their budget for indigent care, and have paid the \$3,000 deductible, the counties can go to this fund for reimbursement of medical costs. Not all counties will exceed its indigent care budget during the year, and not all counties use this fund.

CHAIR McCLAIN:

Does the county levy its own property tax to cover their initial cost of indigent medical care?

MR. LIST:

Yes, but I do not know how they set the amount of tax. I will get that information for you.

The indigent accident fund has been overfunded. This is because the number of claims has gone down. However, the indigent supplemental account is underfunded.

CHAIR BEERS:

The annual proceeds of this indigent accident budget are four times the amount of claims. We could reduce the current 1.5 cent levy on property and still pay these claims. In addition to this excess revenue each year, there is a \$30 million reserve projected for the end of FY 2007 which equates to 10 years of claims coverage. Can you explain this?

MR. LIST:

The HIFA waiver program is designed to allow counties to consolidate these two funds in order to put more money in the underfunded account. A portion of those funds would also go to the state to establish a HIFA waiver program for certain groups based on their ability to pay. This would include pregnant women. It also provides small employers, with between 2 and 50 employees, a subsidy of \$100 per month for each employee they cover with medical insurance. The third group covered by the HIFA waiver would be certain individuals with resources above the Medicaid standard.

CHAIR BEERS:

We could cut the amount of tax required for this budget and still pay the current indigent medical costs. Would these HIFA waiver programs amount to a new tax increase?

MR. LIST:

Instead of keeping all this money in reserve, we want to shift it to help groups who are underinsured or not insured at all. A BDR was submitted, but I do not know the status.

CHAIR McCLAIN:

Will that BDR address the purposes for which these funds are to be used as set out in NRS chapter 428?

MR. LIST:

I do not know the wording in the proposed legislation; I do know there will have to be changes in the language of the NRS in order to allow these accounts to be commingled. If the rate of property tax levy is cut, we will not be able to cover these groups.

CHAIR McCLAIN:

If we cut the state funding to these accounts, will we lose the federal matching dollars?

MR. LIST:

Yes, the proposed legislation intends to use the funding to obtain more federal matching dollars.

CHAIR BEERS:

We will now return to the Department of Personnel budget. Is a bidding process used in acquiring the proposed new components of your IFS-HR?

MS. FOSTER:

The company that designed NEATS will do the proposed upgrades.

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E-276 Maximize Internet and Technology – Page PERSONNEL 6

CHAIR BEERS:

In decision unit E-276 you propose adding another level of approval to your time sheet processing. How are the time sheets processed now?

Ms. FOSTER:

Currently, 43 percent of employees are entering the information electronically. The NEATS allows them to enter their time on an electronic time sheet which is then forwarded to their supervisor for an electronic signature. The information then enters the system that night. Our proposed enhancement will allow another level of approval by a pay clerk. This is necessary because our payroll is complicated by federal and state regulation, items a supervisor does not see on a regular basis and might miss. This change allows pay clerks, who are more skilled in these regulations, to review the sheets. Under the current system, the pay clerks review the time sheets, but often have to make time-consuming adjustments before they can be posted to the system.

CHAIR BEERS:

How many of those kind of adjustments were done by the pay clerks in FY 2004?

Ms. FOSTER:

I do not know, but I will get you that information.

CHAIR BEERS:

That information will help us determine the cost of that process.

ASSEMBLYMAN SEALE:

Does this system apply to all state payrolls?

Ms. FOSTER:

It includes all statewide payrolls, with the exception of the University and Community College System of Nevada, the Legislature and retirees.

E-278 Maximize Internet and Technology – Page PERSONNEL-7

CHAIR BEERS:

How many employee incident reports occurred in FY 2004?

Ms. FOSTER:

I do not know how many there were in FY 2004. We propose putting all incident reports in a centralized database so we can track them.

CHAIR BEERS:

Are these incidents dealt with by management at the local agency level?

Ms. FOSTER:

The agency managers would be entering the information to the system about these incidents.

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CHAIR BEERS:

Will it be difficult for the managers to remember how to use this component of your system if they only input such information a few times each year?

Ms. FOSTER:

This new capability will be incorporated into the current NEATS system; therefore, these managers will already be familiar with the look and feel of the system. It should be relatively easy for them to figure out how to record these incidents.

CHAIR BEERS:

Has the NEATS vendor already written these enhancements for another state?

Ms. FOSTER:

No, we currently have an agreement with the vendor giving them rights to market what they develop for us in return for us not having to pay maintenance or upgrade fees.

ASSEMBLYMAN SEALE:

What is the purpose of gathering this incident information?

Ms. FOSTER:

We will perform trend analysis studies of this information and implement corrective measures or training programs. It will ensure the agencies are meeting regulatory guidelines for processing incidents in a timely manner.

ASSEMBLYMAN SEALE:

Will this benefit the state financially?

Ms. FOSTER:

The state is potentially liable if we do not meet these requirements. There has been a significant increase in the cost of rendering decisions and hearings for appeals. We want to be proactive in order to lower these costs.

CHAIR BEERS:

Have we missed any regulatory guidelines for processing such incidents?

Ms. GREENE:

We have missed no guidelines.

E-279 Maximize Internet and Technology – Page PERSONNEL-7

CHAIR BEERS:

In decision unit E-279, what kind of overtime is tracked that is not already being tracked as part of our current payroll processing?

Ms. FOSTER:

There is a statute and a regulation that require preapproval of overtime and annual leave. Currently, we do not have an electronic means of doing that. There is no consistent procedure.

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CHAIR BEERS:

Are there specific problems with the way it is now processed by the agencies?

Ms. GREENE:

We see this as a benefit to auditors of the system. The preapprovals are now done on paper documents and filed in a single area; whereas, the time sheets are electronic. This makes it difficult for the timekeeper to find the date of preapproval. The proposed upgrade would merge the two systems.

CHAIR BEERS:

How will the proposed electronic signatures work?

CYNTHIA BAUMANN (Integrated Financial Services – Human Resources System Administrator, Administrative Services, Department of Personnel):

The NEATS system has an audit log which represents the identification (ID) of the individual who performs a transaction on the system. The ID is unique and requires a password.

CHAIR McCLAIN:

Do you think the price of all these upgrades to your system is fair?

Ms. FOSTER:

We began our partnership with the vendor in 1999, and they have been successful in everything we have asked of them. They meet their deadlines and bring projects within, or under, budget. We have looked at other vendors and they would charge more for the same work. We do not have to pay for upgrades or ongoing maintenance fees which will save us between \$200,000 and \$400,000 over the next five years. This vendor can provide new modules which operate on existing platforms and integrate well with existing systems.

CHAIR McCLAIN:

Do you think the decision to pay for their research and development is reasonable?

Ms. FOSTER:

If we brought in a new vendor at this point, it would take a great deal of time for us to exchange information. The time and expense we would incur from that is more than what we lose allowing our existing vendor the research and development rights.

CHAIR BEERS:

What is the cost of a maintenance fee for this software?

Ms. FOSTER:

We were paying the previous vendor between \$80,000 and \$90,000 per year for our records system software maintenance.

CHAIR BEERS:

How much did the existing payroll system cost?

Ms. FOSTER:

It cost about \$15 million.

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CHAIR BEERS:

With regard to the occupational study you conducted, why was it not applied across all departments?

Ms. GREENE:

We conduct occupational studies on a systematic basis. Though we only looked at certain occupational groups and subgroups, it extended to those groups within all departments. We do not look at all occupational groups every year.

CHAIR BEERS:

Do we now have a complete list of all changes resulting from the occupational studies?

Ms. GREENE:

Yes, we have not made any recent changes. This is an ongoing process. We met with Department of Transportation earlier this week to study some of their maintenance positions. They are federally funded and sometimes go to the Interim Finance Committee (IFC) for upgrades; therefore, we might see some changes in that group.

CHAIR BEERS:

Will this be done before we close our budget?

Ms. GREENE:

It probably will not be completed by then because any change has to be approved by the Personnel Commission, and they do not meet again until the end of March 2005.

CHAIR BEERS:

Your FY 2007 reserve would cover 72 days. We would like to see it at about 60 days.

Ms. FOSTER:

Our reserve is now under 60 days.

CHAIR BEERS:

Please comment on the personnel analyst position you propose to add in your Las Vegas office.

Ms. GREENE:

This position is for our sexual harassment investigative unit. We currently have two investigators and a supervisor in northern Nevada, and one investigator in the south. Because of the increasing number of complaints coming from that area, we feel another position is necessary.

CHAIR BEERS:

What is the average number of days for a case to be completed?

Ms. GREENE:

On average, it takes 32 calendar days to complete a case. There is little difference between the processing time in the north and south because we routinely send personnel from the north to help with work in the south.

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CHAIR BEERS:

Can we move a position from the north to the south instead of adding a new position?

Ms. GREENE:

With this new position we can improve our processing time.

CHAIR BEERS:

Please provide us with a comparison of case processing time between the north and south.

CHAIR MCCLAIN:

What is the number of state employees in each area of the State?

Ms. GREENE:

I do not have that exact information. However, in terms of percentage, approximately 49 percent of state employees are in the north, 37 percent are in the south and 14 percent are in rural areas.

CHAIR BEERS:

Does that represent actual employees or positions? Are the position vacancies higher in rural counties?

Ms. GREENE:

Those numbers represent positions. I do not know if there are more position vacancies in the rural counties. Our total vacancy rate is about 8 percent.

CHAIR BEERS:

Clark County had a high vacancy rate for the Nevada Highway Patrol until they opened a training academy there.

Ms. GREENE:

We have a difficult time recruiting medical professionals for the rural counties.

CHAIR BEERS:

Where do you intend to put your new personnel analyst? Will the space issue create new budget implications?

Ms. FOSTER:

We have already provided for that in our budget.

Ms. GREENE:

If the proposed position is approved, we will move the position to a new location and offset this expense by removing travel funding for the investigator we routinely send to the south.

E-277 Maximize Internet and Technology – Page PERSONNEL-6

CHAIR BEERS:

In decision unit E-277, why do you need the requested program officer position?

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Ms. FOSTER:

Our user base is increasing substantially. With the rollout of the remaining NEATS modules, particularly Timekeeping, we will need additional assistance on our help desk. We are now receiving an average of 1,178 calls each month to the help desk, and are using temporary help for this. This is not a temporary surge in calls due to the implementation of the new components to this system, but rather a growing user base. We have space in our office for this employee.

CHAIR BEERS:

Are any of the larger agencies able to provide you with help in this capacity?

Ms. BAUMANN:

A few larger agencies have people familiar with the system and able to help with particular programs. However, there are many diverse aspects to the overall system; therefore, it would be difficult for one individual to know it all.

CHAIR BEERS:

Have you done any customer service surveys to determine their level of satisfaction with your help desk?

Ms. BAUMANN:

We have not done any yet.

CHAIR BEERS:

Are you completely eliminating the current temporary help desk people by adding this position?

Ms. FOSTER:

Yes, and we have addressed that in our budget.

CHAIR BEERS:

What type of cost-savings projects has the Certified Public Manager (CPM) program developed? When will the next training cycle begin?

Ms. FOSTER:

The program takes 18 months for participants to advance through the six levels of training. Feedback from participants has been positive. The next cycle will begin in July 2005. We anticipate from 20 to 25 participants in each class on an ongoing basis. We choose participants based on the population of each agency. We are using the CPM program as a tool to replace the large number of managers planning to retire in the next few years. We let the agency managers decide who will best fill a particular position within an agency.

CHAIR BEERS:

There are leadership programs run by various Chambers of Commerce around the State. I can see some parallels with the CPM. Typically, these programs consist of 9 to 10 months of weekly meetings which provide information on various aspects of the community. Their selection process not only looks for individuals who demonstrate the fundamental skills required for the position, but also tries to provide a mix of people with backgrounds in business, government and industry. You might want to look into something like that.

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MS. GREENE:

We have a governing committee for the CPM program, which consists of agency department directors, as well as representatives from the cities of Las Vegas and Reno, NACO, and the Legislative Counsel Bureau. We will present your idea to them for consideration.

ASSEMBLYMAN HOGAN:

If there are that many people completing the CPM program every 18 months, it appears this may have a tremendous impact on achieving diversity at higher management levels within all of these agencies. What provisions do you have to represent the full range of people in relationship to their availability in the workforce?

MS. GREENE:

We will add that to our selection criteria.

CHAIR BEERS:

We will now discuss the budget for the Department of Minerals.

MINERALS

MINERALS – Budget Page MINERALS-1 (Volume I)
Budget Account 101-4219

ALAN R. COYNER (Administrator, Division of Minerals, Commission on Mineral Resources):

The Division had nine employees, seven in Carson City and two in Las Vegas. We are part of the Commission on Mineral Resources which is a seven-member board appointed by the Governor. We are active in industrial relations and public affairs outreach, minerals education and the abandoned mines program. In addition, we administer the bond pool for reclamation and regulate the oil, gas, and geothermal well drilling in Nevada. Our performance indicators are at, or have exceeded, our goals, and the financial health of the Division is good. Our dominant revenue stream is from mining claim filings, and those filings have been going up significantly. We have no General Fund money in our budget.

Please refer to my three handouts titled Memorandum: Request for Additional Unclassified Position Field Inspector, Oil Gas, and Geothermal ([Exhibit E](#)), MINERALS 101-4219 ([Exhibit F](#)) and State of Nevada Budget Division Line Item Detail & Summary 2005-2007 Biennium (FY 06-07) ([Exhibit G](#), original is on file at the Research Library). [Exhibit E](#) and [Exhibit G](#) contain our revised budget request which differs from the information shown in the *Executive Budget*.

CHAIR BEERS:

What is the financial condition of the bond pool? Have you received any reclamation claims?

MR. COYNER:

The pool is in good shape with a balance of \$1.06 million. We had one claim this year which is the first forfeiture we have ever made out of the bond pool. The payment was \$180,000 to the U.S. Bureau of Land Management (BLM) for

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cleanup of hazardous material at the abandoned Gooseberry Mine, just east of Reno. We have a \$269,000 liability at that site.

CHAIR BEERS:

What changes to the *Executive Budget* are you proposing?

MR. COYNER:

Our program manager left us in December 2004. We subsequently reexamined the position and decided to remove the programmatic duties. This will allow for more field inspection which we are falling behind on, especially in the area of geothermal well inspection. The new position described in [Exhibit E](#) will be unclassified, and titled Field Inspector for Oil, Gas and Geothermal. The total budget impact for the biennium will be \$158,496. There would be no additional office space or vehicle required. The new position will be paid less than the old one which will result in savings. The BLM has given a verbal commitment of \$30,000 per year for the next 2 years which we have not calculated in this budget request.

ASSEMBLYMAN HOGAN:

Why does the reclamation bond pool have so few reclamation claims? Is this an indication that sites are not being cleaned frequently?

MR. COYNER:

The Commission raised the requirements to enter the bond pool, including the amount of premiums and the amount of deposit that is required upon entrance. This has resulted in a limited number of applicants.

ASSEMBLYMAN HOGAN:

Are the inspections increasing or decreasing? Do you also perform mine inspections?

MR. COYNER:

The relative increase in geothermal inspections has gone from 15 wells to 30 wells in the last year. We have had no increase in the inspections of oil and gas wells during that same period. Most oil well inspections are done by the BLM. The proposed position will concentrate on geothermal inspections. We do not conduct mining inspections.

SENATOR RHOADS:

Are there any inspectors in eastern Nevada where most of the gold mining is done? What are the duties of your two employees in Las Vegas?

MR. COYNER:

We are in Carson City to be close to exploration geologists and the Nevada Mining Association. We regularly send personnel to meet with mine managers in eastern Nevada.

The employees in our Las Vegas office perform public outreach, minerals education and abandoned mine safety. They also interact with the McCaw School of Mines in Henderson, Nevada.

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SENATOR RHOADS:

Are we still having trouble with reclamation bonding for the major mines?

MR. COYNER:

Things are moving forward, but at a higher cost. Corporate guarantee is no longer available on public lands. Big companies are moving forward with projects and becoming bonded. It is no longer a crisis.

ASSEMBLYMAN HETTRICK:

Please change your performance indicators to numbers, rather than percentages, so we can see the amount of work actually being accomplished.

MR. COYNER:

I produce an annual report with specific numbers, but I do not have it with me today. To date, we have located over 10,000 abandoned mine openings of which 8,000 are secured. Many of them are on private property and I have no power to close those openings.

CHAIR BEERS:

If your revenue continues at current levels, it will reduce your reserve to zero by the end of the biennium.

MR. COYNER:

In our revised budget we are showing a reserve of \$305,956 at the end of the biennium. This budget is projected at flat revenue across the board.

CHAIR BEERS:

How are geothermal fees assessed?

MR. COYNER:

There is a schedule of fees. Some are for permits and some are for use. The Commission sets the fees.

CHAIR BEERS:

I would look toward these geothermal fees to make up for any decrease in other revenue. Does the Motor Pool service your vehicles?

MR. COYNER:

The motor pool will not allow us to rent pickup trucks from them because of the hard terrain we cover. We are asking for an additional truck in our budget. However, the Motor Pool does service our vehicles.

CHAIR BEERS:

We will now discuss the Department of Agriculture budget.

AGRICULTURE

AGRI, Gas Pollution Standards – Budget Page AGRI-9 (Volume I)
Budget Account 101-4537

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DON HENDERSON (Director, State Department of Agriculture):
I would like to read my prepared statement titled Joint Finance Committee on General Government, NDA FY05-07 Budget Hearing, March 11, 2005, ([Exhibit H](#)).

CHAIR BEERS:
Why are your enhancements funded by transfers from the Department of Motor Vehicles (DMV) when you have an increasingly large reserve from which you could draw that funding?

RICK GIMLIN (Deputy Director, State Department of Agriculture):
The DMV makes a variety of distributions to other agencies including ours. Since we cannot go to this fund during the year, we are trying to build enough reserve into the account to cover six months worth of expenses. This account requires expensive equipment and if this machinery breaks during the year, we must have the reserve to repair or replace it.

CHAIR BEERS:
We want your reserve to cover no more than 90 days.

MR. GIMLIN:
I understand.

AGRI, Plant Industry - Budget Page AGRI-16 (Volume I)
Budget Account 101-4540

CHAIR BEERS:
The General Fund pays for your entire cost of replacement equipment. Can other revenue sources within the plant industry budget pay a portion of the costs?

MR. GIMLIN:
I have included every fee component in this budget, short of raising fees.

CHAIR BEERS:
Why is raising fees not an option?

MR. HENDERSON:
That is the Governor's instructions to us.

CHAIR BEERS:
After years of increasing, why do you anticipate your pest control fees to decrease in this biennium?

MR. GIMLIN:
This projection was made on a three-year average.

CHAIR BEERS:
If you use a three-year average, your fourth year will appear to go down because the average will always produce a lower amount. A three-year average of the hard number of revenue does not make sense to me.

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MR. GIMLIN:

In this particular program we tend to see increases each year in the actual receipts we collect. The number of pest control operators is tied to the growth in our population.

CHAIR BEERS:

Please look at those figures again and come back to us with a reasonable forecast of anticipated revenue based on historical data and growth in population rather than an average.

MR. GIMLIN:

We will see what we can do.

MR. HENDERSON:

Is your request specific to pest control licenses?

CHAIR BEERS:

We might expand it as we go through this budget. We will now discuss the livestock inspection budget. Explain why you want to add these two full-time positions.

AGRI, Livestock Inspection – Budget Page AGRI-39 (Volume I)
Budget Account 101-4546

E-225 Eliminate Duplicate Effort –Page AGRI-43

E-226 Eliminate Duplicate Effort – Page AGRI-43

MR. GIMLIN:

I used intermittent brand inspectors because their hours fluctuate so much. My proposal now is to pull these 5.03 full-time equivalent (FTE) positions out of the *Executive Budget* and put them back into the budget as seasonal employees which is more appropriate to the work they do. Decision unit E-225 pulled them out of the budget, and we put them back in the adjusted Base Budget.

CHAIR BEERS:

Please take that change out of your Base Budget and present us with a corrected enhancement unit showing the cost of putting these positions back in your budget. Are you adding two new positions in decision unit E-226?

MR. GIMLIN:

In E-226 we convert two intermittent positions working irregular hours into full-time positions.

CHAIR BEERS:

Where is the offsetting decrease from their current cost as intermittent employees?

MR. GIMLIN:

These positions did not show up as an FTE on the system before. I will provide you with details of these costs.

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CHAIR BEERS:

We will need this information as soon as possible. Do full-time intermittent employees get benefits?

MR. GIMLIN:

Their benefits are greatly reduced.

CHAIR BEERS:

Would that result in a 25-percent increase in the cost for the change you are proposing?

MR. GIMLIN:

It is a possibility.

CHAIR BEERS:

Hopefully, these changes will eliminate the negative reserve balance occurring in your Base Budget.

MR. GIMLIN:

It points out that we should not have intermittent positions showing up as FTEs.

CHAIR BEERS:

We will now discuss the veterinary medical services budget.

AGRI, Veterinary Medical Services – Budget Page AGRI-49 (Volume I)
Budget Account 101-4550

DAVID THAIN, DVM (State Veterinarian and Administrator, Animal Industry Division, State Department of Agriculture):

We have been working with Nevada Department of Wildlife on two projects. One has to do with chronic wasting disease in deer and elk, with cases already reported in neighboring Utah. It is similar to Mad Cow disease in that it is fatal to the animal and is transmitted by the saliva, urine and feces. The other program is developing birth control for wild horses. We have two potential vaccines which are giving us encouragement. For this we have funding from other sources like the University of Nevada, Reno and the U.S. Department of Agriculture. I am confident we can get it done without the expenditure of General Fund money.

CHAIR BEERS:

We will now discuss the weights and measures budget.

AGRI Weights & Measures – Budget Page AGRI-57 (Volume I)
Budget Account 101-4551

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MR. GIMLIN:

We are asking for funds from the Petroleum Inspection Tax to be used for this budget account. Since that money goes into the General Fund, it is appropriate that we ask for it back from the General Fund.

CHAIR BEERS:

Has Assembly Bill (A.B.) 105 been heard yet?

ASSEMBLY BILL 105: Makes appropriation to State Department of Agriculture for acquisition of equipment for State Sealer of Weights and Measures. (BDR S-1223)

MR. GIMLIN:

No, we have not testified on that bill yet.

SENATOR RHOADS:

Why do you bill your customers each year when you only check the scales every other year?

MR. HENDERSON:

A few years ago we went from charging an inspection fee to issuing an annual certification license. That resulted in a 100-percent increase in the cost of livestock scale inspections. We did not anticipate this problem when we implemented the change. The Board of Agriculture is looking into this.

CHAIR BEERS:

Do you intend to keep the full 0.55 mill assessment?

MR. HENDERSON:

Originally the imported fuel inspection fee was set at 0.50 mill per gallon. It has since increased to 0.55 mill. The additional 0.05 mill assessment goes directly to our petroleum testing laboratory.

CHAIR BEERS:

Was the petroleum testing lab established prior to the 0.05 mill increase?

STEVE GRABSKI (Administrator, State Sealer of Weights and Measures, State Department of Agriculture):

The petroleum testing lab was established prior to the 0.05 mill increase, but it was much smaller than it is now. The addition of the 0.05 mill has allowed us to work on developing cleaner fuels to improve air quality.

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MR. HENDERSON:

The original 0.50 mill went directly to the General Fund to support the activities of the Sealer of Weights and Measures. Historically, about \$275,000 has been coming back from the General Fund to this program. There is a net gain to the General Fund in this program. Because of past state budget problems, we have put off asking for equipment replacements. We now find ourselves behind in replacing this equipment. It is critical that our measurement equipment remains accurate.

CHAIR BEERS:

We will now discuss the Mormon cricket and grasshopper budget account.

AGRI, Mormon Cricket & Grasshoppers – Budget Page AGRI-73 (Volume I)
Budget Account 101-4556

MR. HENDERSON:

The crickets have begun to hatch. We are hoping for cold, wet weather to reduce their numbers. We are using the same non-reverting \$1.3 million federal grant that we used last year to treat areas of infestation. We are finding that in areas we have already treated, the crickets are laying fewer eggs. We hope to expand the areas we treat.

CHAIR McCLAIN:

Will this federal money be sufficient to eradicate the crickets?

MR. HENDERSON:

Yes. Cricket numbers are cyclic. Our intent is to keep some federal money in reserve to be ready when the next cycle occurs.

CHAIR BEERS:

We will now discuss your administration budget. Have you settled on a purchase price for the land in Elko on which to build your branch office?

AGRI, Administration – Budget Page AGRI-1 (Volume I)
Budget Account 101-4554

MR. HENDERSON:

The Division of State Lands appraisal differed from the property owner's appraisal by \$75,000. The Division of State Lands now feels the owner's appraisal is more accurate and has sent an offer at that price. We are waiting for an acceptance, and hope to come back to the Legislature with a revised Capital Improvement Program.

CHAIR BEERS:

Your cost allocations need to be reworked. Come back to this Committee next Thursday with all your cost allocation entries reversed. We do not want to see any cost allocations in your budget. We will then work with you on your cost allocation methodology.

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There being no further business before this Committee, we are adjourned at 11:05 a.m.

RESPECTFULLY SUBMITTED:

Michael Archer,
Committee Secretary

APPROVED BY:

Senator Bob Beers, Chair

DATE: _____

Assemblywoman Kathy A. McClain, Chair

DATE: _____