

**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
May 6, 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 8:38 a.m. on Friday, May 6, 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. Lynn C. Hettrick
Mr. Joseph M. Hogan
Ms. Ellen M. Koivisto
Mr. Bob Seale

COMMITTEE MEMBERS ABSENT:

Mr. Morse Arberry Jr.

GUEST LEGISLATORS PRESENT:

Mark E. Amodei, Capital Senatorial District
Bonnie Parnell, Assembly District No. 40

STAFF MEMBERS PRESENT:

Bob Atkinson, Senior Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Tracy Raxter, Program Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Lora Nay, Committee Secretary

OTHERS PRESENT:

Dave McTeer, Chief, Information Technology Division, Department of Administration
Richard W. Stewart, Data Processing Manager, Department of Corrections
Jennifer L. Kizer, Administrative Services Officer, Division of Mental Health and Developmental Services, Department of Human Resources
Dale H. Capurro, Clinical Social Worker, Rural Clinics, Division of Mental Health and Developmental Services, Department of Human Resources

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P. Forrest Thorne, Executive Officer, Board of the Public Employees' Benefits Program
Martin Bibb, Executive Director, Retired Public Employees of Nevada

CHAIR BEERS:

Please refer to the handout entitled Joint Subcommittee on General Government Closing List #8 ([Exhibit C](#), original is on file at the Research Library).

ADMINISTRATION

Information Technology Division — Budget Page-ADMINISTRATION-26
(Volume I)
Budget Account 101-1320

TRACY RAXTER (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

There is one closing issue in this budget account (B/A) as outlined on page 2 of [Exhibit C](#). It is a recommendation by the Governor for one new information systems manager position. This position would accommodate the increased workload associated with the Division. The Division provides budgetary oversight for the information technology (IT) projects in B/A 1325.

Information Technology Projects — Budget Page-ADMINISTRATION-34
(Volume I)
Budget Account 101-1325

The Governor has recommended 17 projects over the biennium compared to 6 projects in the 2003-2005 biennium as outlined on the top of page 3 of [Exhibit C](#). In addition, the Division will provide direct project management for two IT projects in the Department of Administration and provide project management for the implementation of six modules for the Nevada Employee Action and Timekeeping System (NEATS). The Division has indicated project oversight on all of these projects will be a shared responsibility between the existing administrator position and the requested new position.

CHAIR MCCLAIN:

What is TOAD software and why have we not heard their budget?

CHAIR BEERS:

What is the TOAD software application?

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

The TOAD software is used to run queries. It is made by a company called Quest and is an acronym for a Tool for Oracle Application Developers.

CHAIR BEERS:

I will entertain a motion to close this budget with the additional information systems position, the manager position and staff technical adjustments.

ASSEMBLYMAN HETTRICK MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE BUDGET ACCOUNT 101-1320 WITH THE

ADDITIONAL INFORMATION SYSTEMS MANAGER POSITION AND WITH THE AUTHORITY OF STAFF TO MAKE TECHNICAL ADJUSTMENTS THAT MAY BE NECESSARY UPON CLOSURE OF THIS BUDGET.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR THE VOTE.)

MR. RAXTER:

There are a couple of overview issues. The first issue concerns project scope and project cost estimates. As noted in previous Subcommittee budget hearings, several of the projects recommended in this B/A do not have a clearly-defined project scope or a project cost estimate that adequately addresses the needs of the agency. These projects include the Agriculture Licensing and Payment System, Consumer Affairs Tracking System, the Labor Commissioner Wage Claim System and the Water Resources Video Conferencing System.

In closing this budget, the Subcommittee may wish to consider funding for each of these projects to provide a detailed requirements study, a gap analysis, and/or a request for proposal (RFP) to determine the resources necessary to develop a viable solution that can be provided by the proposed IT project. In addition, the Subcommittee may wish to consider appropriating the remaining project funds to the Interim Finance Committee (IFC) for allocation during the biennium upon submission by the agency of a detailed project plan, including cost estimates, based on the results of the requirements study, gap analysis and/or RFP.

The second overview issue regards contingency funding. The Subcommittee should note that all of the IT projects recommended in this account are budgeted in a single category. The Division indicated this provides flexibility in addressing cost or scope changes. However, staff should note this provides little budgetary control or accountability for individual projects. In addition, staff has identified four projects recommended in this budget account that have an explicit amount included for contingency ranging from 10 to 15 percent of the project costs. The contingency total is \$1.3 million.

The Subcommittee may wish to approve these projects by approving them in separate categories. In addition, the Subcommittee may wish to approve pooling the contingency amounts into an additional single, distinct category with a reduction in the total contingency amount of 20 percent. This would reduce the overall contingency from approximately 11 percent down to 9 percent for these four projects. This methodology would allow for changes in cost or scope to be managed through the budget revision (work program) process.

CHAIR BEERS:

Let us tackle these two overview issues first and then we will have staff walk us through each of the projects. The first issue is the proposal we may wish to consider approving these four identified projects with funding to provide a detailed requirements study, gap analysis and/or a request for proposal (RFP).

We can appropriate the remaining funds for these projects to the IFC. When an agency has submitted a detailed project plan to IFC, the funds may then be allocated to them. In addition, we may approve pooling the contingency amounts for the various projects into a single, distinct category with a reduction in the total contingency amount of 20 percent.

ASSEMBLYMAN HETTRICK MOVED TO RECOMMEND TO THE FULL COMMITTEE THAT FOR THE PROJECTS IN B/A 101-1325 WHICH DO NOT HAVE A CLEARLY-DEFINED PROJECT SCOPE OR PROJECT COST ESTIMATE, FUNDING BE PROVIDED FOR A DETAILED REQUIREMENTS STUDY, GAP ANALYSIS AND/OR REQUEST FOR PROPOSAL TO DETERMINE THE RESOURCES NECESSARY TO DEVELOP A VIABLE SOLUTION, WITH THE FUNDING FOR THOSE APPROVED PROJECTS TO BE HELD BY THE INTERIM FINANCE COMMITTEE PENDING SUBMISSION BY THE AGENCY OF A DETAILED PROJECT PLAN INCLUDING A COST ESTIMATE.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR THE VOTE.)

CHAIR BEERS:

Concerning contingency cost issues, the idea is to pull together all of the contingency amounts into one place where IFC is notified when any of that is accessed. Staff has suggested we reduce the total amount of the contingency appropriation for a couple of different reasons. One reason is that by pooling the resources we will be able to better deal with the projects as some of these projects have components of cost that do not seem appropriate for a contingency. We know, for example, the cost in the Department of Corrections of backfilling the positions that are going to be created when we pull people out of the field to do the project guidance team is not a contingency category.

ASSEMBLYWOMAN MCCLAIN MOVED TO CONSOLIDATE THE CONTINGENCY FUNDING INTO A SINGLE CATEGORY AND REDUCE THE TOTAL AMOUNT BY 20 PERCENT.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR THE VOTE.)

CHAIR BEERS:

Let us now consider each of the closing issues or project enhancement units in the order they appear in our closing document, [Exhibit C](#).

MR. RAXTER:

The first project, item No. 1 on page 6 of [Exhibit C](#) is a recommendation for the funding of \$711,300 in fiscal year (FY) 2006 for a system for the Department of Administration, Administrative Services Division and the State Public Works Board. This project would be a Web-based application to track financial information for multiyear projects primarily related to the Capital Improvement Program (CIP). The Administrative Services Division indicated this system would improve the tracking of accounting transactions, prevent duplication in data entry and provide an interface with the state Integrated Financial System for vendor payments. The Division has indicated it wishes to sole-source the project to the vendor that created the Nevada Executive Budget System (NEBS) and also the Nevada Employee Action and Timekeeping System (NEATS) due to the vendor's knowledge of the State's financial management systems.

CHAIR BEERS:

I would entertain a motion to accept the Governor's recommendation on this particular enhancement unit.

SENATOR RHOADS MOVED TO ACCEPT THE GOVERNOR'S
RECOMMENDATION FOR ENHANCEMENT UNIT E-225.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR
THE VOTE.)

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E-275 Maximize Internet and Technology — Page ADMINISTRATION-35

MR. RAXTER:

The next project, item No. 2 on page 7 of [Exhibit C](#) is Phase 4 of the Digital Microwave Upgrade Project ([Exhibit D](#)) for the Department of Information Technology (DoIT). The Governor recommended the funding of approximately \$3.1 million in FY 2006 and approximately \$4.2 million in FY 2007. This represents the final phase of the Digital Microwave Upgrade Project which is transitioning from an analog-based system to a digital system. The recommended funding for Phase 4 is 78-percent Highway Fund and 22-percent General Fund. The Subcommittee should note the department has provided information indicating the agencies currently supported by the Highway Fund. Utilization of the system represents 65 percent of the total utilization. With the recommended funding split for Phase 4, the Highway Fund will have contributed approximately \$2.4 million less than the amount reflected by the Highway Fund user agencies' estimated percentage of usage.

In approving this project, the Subcommittee may wish to approve an adjustment in the funding split between the Highway Fund and General Fund recognizing the 65-percent utilization of the system by Highway Fund agencies. This would increase the Highway Fund appropriation by \$2,380,947 and will reduce the General Fund appropriation by a corresponding amount.

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CHAIR BEERS:

I will accept a motion to approve decision unit E-275 with the adjustment for the additional Highway Fund appropriation in place of the General Fund appropriation.

ASSEMBLYMAN SEALE MOVED TO APPROVE DECISION UNIT E-275 WITH THE ADJUSTMENT OF THE HIGHWAY FUND APPROPRIATION AND A CORRESPONDING DECREASE IN THE RECOMMENDED GENERAL FUND APPROPRIATION TO REFLECT THE FUNDING OF THE PROJECT BASED ON USAGE.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR THE VOTE.)

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E-276 Maximize Internet and Technology — Page ADMINISTRATION-35

MR. RAXTER:

The next project is a recommendation for funding of \$105,875 in FY 2006 for a Data Mart enhancement module to the existing NEBS, as outlined on page 7 of [Exhibit C](#). This would expand the reporting and analysis capabilities for users of the NEBS. Currently, users of the system have to ask the Budget Division staff to run queries on the production database. The Division has three problems concerning these requests. One, it takes time away from staff during critical budget periods so queries can only be run as time permits which can hold up agencies in performing analysis needed to develop their budgets. The second problem is the potential increased load on the NEBS server. The Division indicates they are making sure there is enough space on the server to allow the Data Mart system to coreside on that server. The third problem is that the Budget Division is not able to give other agencies access to the production server due to the security setup of NEBS. They would have to give the agencies access to all the data information including confidential budget information.

CHAIR BEERS:

Creating this Data Mart puts reporting power into the hands of more users and also results in more reports generated on the system thus increasing demand on the box.

SENATOR COFFIN:

How long has it been since an analysis has been completed by the Executive Branch and the Legislature? What is really confidential, agency to agency? If this is a choke point, this fact of confidentiality, I am curious as to how long it has been since the system was reviewed. What do we really have to say that cannot be seen one agency to another?

CHAIR BEERS:

Is it confidentiality or not wanting to give agencies the ability to change their budget information after it has been submitted?

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MR. McTEER:

The confidentiality is in statute. When the budget goes into the Governor's recommended phase, it is confidential to everyone. Even the agencies cannot see their own budgets. The agencies can still see what is in agency requests, but until the Governor publishes his *Executive Budget*, on the day of the State of the State speech, that budget is confidential in its entirety. That is only one of the factors we enumerated in wanting to create this Data Mart. We also envision, as we build more biennium budgets into NEBS that we will have multiple biennium queries we want to make available to the user so they can make long-term graphs and statistical analyses to help them arrive at a reasonable budget in the future.

CHAIR BEERS:

Will we be able to do that?

MR. McTEER:

Yes sir, the data will be available to anyone and will not be confidential which is one of the reasons why we want to put the data in a separate Data Mart. Along with the efficiency of queries, the Data Mart will be structured to be efficient for reporting purposes as is common with any data warehouse. It will be available as public information.

SENATOR COFFIN:

It seems like one of the reports is a seasonal affair. I understand the issue of budget secrecy as a practical matter, but that is only 6 months out of every 24. How is this handled, is it a machine problem?

MR. McTEER:

No sir, it is not a machine issue. The issue is a problem in the structure of the operational database. We can carefully control the security for the people we allow access, but it is not easy to separate databases. If an agency requests information located in the data warehouse, that information is public, yet we must keep a piece of the operational section confidential for when we go into the Governor's recommendation phase in preparing his *Executive Budget*.

ASSEMBLYWOMAN MCCLAIN MOVED TO APPROVE DECISION
UNIT E-276 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR
THE VOTE.)

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E-277 Maximize Internet and Technology — Page ADMINISTRATION-36

MR. RAXTER:

Page 8 of [Exhibit C](#) is a request for \$10.9 million in FY 2006 and \$207,931 in FY 2007 for the Department of Corrections Offender Tracking Information System. This system would be a replacement of the department's primary information system that is utilized for intake processing, offender identification,

sentencing tracking, security threat group tracking, disciplinary actions and a number of other functions.

The current system was developed in house over 17 years ago. It resides on an obsolete database platform and operating system. Also, the current system has a separate database for each institution and the central office. This necessitates a daily balancing process to update the central database and account for all new inmate admissions, transfers between facilities and discharges.

The *Executive Budget* also includes funding within the Department of Corrections director's office account for six new positions associated with the replacement of the Nevada Correctional Information System (NCIS). Five of these positions are added in the first year and the sixth position would be added in the second year of the biennium.

Staff recommends technical adjustments reducing the hardware costs by \$74,172 based upon updated pricing. Staff is also recommending the elimination of \$360,000 for second-year maintenance costs on the application software license. Since the project has an 18-month implementation period, staff feels the software costs for the second year could be deferred until FY 2008. Staff also notes that pending legislation, Senate Bill (S.B.) 502, would provide the same amount of funding for this system.

SENATE BILL 502: Makes appropriation for implementation of Offender Tracking Information System for Department of Corrections. (BDR S-1415)

CHAIR BEERS:

Mr. McTeer, do you have a problem with either of the recommended adjustments?

MR. McTEER:

No sir, I do not, but I do not know if the Department of Corrections may have a problem with the license. It makes sense to me that if we are not going to bring the system up until the second year, we would not need that license money until then.

CHAIR BEERS:

Those who are in the audience are shaking their heads no. Do you believe S.B. 502 is no longer required? Would it be any good now?

MR. McTEER:

That is correct sir, it is no longer needed. The RFP will not be released until after the budgets have closed.

CHAIR McCLAIN:

Is this system going to be able to have an interface with the Criminal History Repository so they can communicate with each other? There is a big problem getting updated information in the Criminal History Repository.

RICH STEWART (Data Processing Manager, Department of Corrections):

We are going to be interfacing anyone we possibly can as far as departments go. Hopefully, the new system will not be as limited as the current system.

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CHAIR MCCLAIN:

At best, data could be cross-checked. If information from the courts indicates someone has been sentenced, and another department has that person identified under a different scenario, there ought to be a way to make sure everything is coordinated and accurate.

CHAIR BEERS:

I will accept a motion incorporating the two staff adjustments and otherwise approve decision unit E-277.

ASSEMBLYWOMAN MCCLAIN MOVED TO ACCEPT STAFF RECOMMENDATIONS FOR DECISION UNIT E-277 THAT WOULD REDUCE THE PROJECT BUDGET BY \$74,172, AND FOR THE ELIMINATION OF \$360,000 IN SECOND-YEAR MAINTENANCE FEES ON THE SOFTWARE LICENSE.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR THE VOTE.)

E-278 Maximize Internet and Technology — Page ADMINISTRATION-36

MR. RAXTER:

The next recommendation by the Governor is for the funding of \$342,478 in FY 2006 and \$26,823 in FY 2007 for a new information system for the State Department of Agriculture's Bureau of Weights and Measures.

AGRICULTURE

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

Currently, the bureau utilizes five stand-alone databases. The department asserts a new licensing and payment system is needed because the current system is unable to provide accounting information and requires significant work to maintain because data must be entered manually. The Subcommittee should note that the department originally submitted two Technology Investment Requests (TIR) for licensing and payment systems—one for the Bureau of Weights and Measures and one for the Division's chemistry laboratory. The two systems were originally designed to be codependent; however, the *Executive Budget* only recommended funding for the system for Bureau of Weights and Measures. Accordingly, the department worked with DoIT to revise the TIR document. They have indicated the revised TIR recommends \$91,100 in FY 2006 to issue an RFP determining the actual cost for the Bureau of Weights and Measures system. The additional cost to create and implement a system is estimated at \$409,748. The Department is recommending the \$91,100 be approved in this B/A for FY 2006 in order to issue the RFP and to place the remaining \$278,201 in funding recommended by the Governor in the IFC Contingency Fund for allocation to the department after the RFP has been

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issued and responses have been received. The department could request, from IFC, the additional funds needed to complete the project up to the \$278,000 or put the project on hold until the 2007-2009 biennium.

SENATOR RHOADS MOVED TO APPROVE DECISION UNIT E-278
ACCORDING TO STAFF RECOMMENDATIONS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR
THE VOTE.)

E-279 Maximize Internet and Technology — Page ADMINISTRATION-37

MR. RAXTER:

The next project is a recommendation by the Governor to fund Phase III of the Division of Mental Health and Developmental Services (MHDS) AVATAR system as outlined on page 9 of [Exhibit C](#). The current biennium includes \$2.1 million for this project. The first phase consisted of statewide financial and pharmacy reporting modules. The second phase consists of an electronic medical records module currently targeted for completion in FY 2006.

In the third phase, the Governor recommends funding of \$1.2 million to provide for completion and implementation of the clinician workstation module and an order entry module for prescription orders. Staff has noted hardware costs in the recommendation include 135 desktop computers with software, 23 network printers and 55 workstation printers. The MHDS has advised staff that none of this equipment duplicates any equipment being recommended in their agency operating budget. Staff would recommend technical adjustments for computer hardware prices based on current pricing provided by the Purchasing Division.

ASSEMBLYMAN HOGAN MOVED TO RECOMMEND TO THE FULL
COMMITTEE TO AUTHORIZE STAFF RECOMMENDATIONS FOR
DECISION UNIT E-279 WITH STAFF AUTHORITY TO MAKE ANY
NECESSARY TECHNICAL ADJUSTMENTS UPON CLOSURE OF THIS
DECISION UNIT.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR
THE VOTE.)

E-280 Maximize Internet and Technology — Page ADMINISTRATION-37

MR. RAXTER:

The next project, on page 10 of [Exhibit C](#), is a recommendation of funding of a data redundancy and disaster recovery site for DoIT. [Exhibit E](#) provides background information explaining a virtual tape-storage facility for the

department. The funding recommendation for this system is approximately \$1.8 million in General Fund appropriations. The Subcommittee should note there is additional funding included in the DoIT budget of \$294,797 in FY 2006 and \$209,352 in FY 2007. The Subcommittee previously approved the funding portion from B/A 1385 in the budget closing for the department. In closing the budget, the Subcommittee approved repayment of the General Fund appropriation over a four-year period beginning in FY 2007 instead of the eight-year period recommended by the Governor.

Staff would recommend approval of the remaining funds for this project as included in this decision unit.

ASSEMBLYWOMAN KOIVISTO MOVED TO RECOMMEND TO THE FULL COMMITTEE TO ACCEPT STAFF RECOMMENDATIONS FOR DECISION UNIT E-280.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR THE VOTE.)

E-281 Maximize Internet and Technology — Page ADMINISTRATION-38

MR. RAXTER:

Page 11 of [Exhibit C](#) explains the recommendation by the Governor for the General Fund appropriation of \$363,743 in FY 2006 and \$63,680 in FY 2007 to purchase and implement a commercial off-the-shelf software package for the Consumer Affairs Division for a tracking system. The Division currently has multiple databases, including an outdated DOS-based FoxPro application. The proposed system would replace this outdated system and also consolidate multiple applications (FoxPro, Access, Excel and Word) and provide connectivity between the Reno and Las Vegas office with a single-integrated database. The Division anticipates posting of some information on a Web site for public access.

The Subcommittee should note that the Fiscal Analysis Division received notification from the Department of Administration indicating the recommended funding for this project should be reduced by \$33,127 over the biennium to \$334,045 in FY 2006 and \$60,251 in FY 2007. This would match the amount included in the revised TIR document provided by the department.

During the Subcommittee budget hearing on March 25, 2005, the agency was asked to consider expanding its current Access database in lieu of implementing a commercial off-the-shelf-system (COTS). The Division has indicated it needs the capability to utilize one database for both Reno and Las Vegas. I would also note the Division has indicated it would process approximately 6,000 cases each year.

In closing this decision unit, the Subcommittee may wish to consider one of two options. One would be to approve the Governor's recommendation for funding

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of a COTS with a reduction in the funding level of \$29,698 in FY 2006 and \$3,429 in FY 2007 as reflected in the revised TIR document. Or, the Subcommittee may wish to consider only funding a detailed requirements study and gap analysis at a cost of \$40,000, as estimated by the department. The remaining \$354,296 could be appropriated to the IFC with the understanding the department could come to the IFC to request the additional funds needed to complete the project or the department could put the project on hold until the 2007-2009 biennium.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO ACCEPT OPTION B AS EXPLAINED IN ITEM NO. 8 ON PAGE 11 OF [EXHIBIT C](#).

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

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E-282 Maximize Internet and Technology — Page-ADMINISTRATION-38

MR. RAXTER:

Item No. 9 on page 11 of [Exhibit C](#) is a recommendation from the Governor for the funding of \$241,089 in FY 2006 and \$51,761 FY 2007 for purchase and implementation of a database system to integrate existing applications, improve data integrity and system reliability for the Office of the Labor Commissioner. This system would support wage claim tracking, tracking of audits, enforcement action and settlements and perform various accounting functions, including cash receipts and check generation.

The Subcommittee should note the TIR document indicates a determination has not been made on the appropriate procurement option for this system. The Division is looking at several options, including a COTS system, developing a custom system, modifying the existing system or transferring a system from another agency. The Division has indicated a requirement study will be performed prior to selecting the appropriate cost-effective solution.

During the hearing on this project on March 25, 2005, the Subcommittee indicated consideration would be given only to funding a requirements study and gap analysis to determine the agency's technology needs for this system. The agency has provided an estimated cost for the requirements study and gap analysis of \$33,231. Staff recommends the Subcommittee consider option b on requirements study. The IFC would be appropriated the remaining \$259,619 with the understanding that the department could request the additional funds needed to complete the project or put the project on hold until the FY 2007-2009 biennium.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO ACCEPT THE STAFF RECOMMENDATION OF OPTION B ON PAGE 12 OF [EXHIBIT C](#).

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SENATOR COFFIN SECONDED THE MOTION.
THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND
ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

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E-283 Maximize Internet and Technology — Page ADMINISTRATION-39

MR. RAXTER:

In item No. 10, on page 12 of [Exhibit C](#), the Governor recommends a General Fund appropriation of \$55,000 in FY 2006 to fund a central video conferencing system to be located in the Division of Water Resources hearing room in the new Department of Conservation and Natural Resources (DCNR) building in Carson City. Staff would note the TIR document for this project was provided to staff the day before the March 25 Subcommittee budget hearing. The TIR document indicates the agency may request additional resources in future bienniums to expand the system's capabilities.

During the Subcommittee's budget hearing for this project, the Division indicated there is proposed funding for a Las Vegas component with a cost estimated at \$17,000. In response to questions from staff, the DCNR indicated non-General Fund money would be coming from the Las Vegas Basin Water District Account (B/A 4211) which is funded with water assessment fees.

Staff has concerns about this project due to the late submission of the TIR document after the *Executive Budget* was submitted; and, due to the understanding there is a separate component that was not included with the original system. Staff recommends funding for this project be appropriated to IFC for allocation to the DCNR upon completion of a detailed plan that incorporates a system that would meet the needs of the department in both the Carson City and Las Vegas offices.

Staff also recommends including the transfer of funds from the Las Vegas Basin Water District account (B/A 4211) into this account in support of the total system upon approval of the plan by the IFC.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO ACCEPT STAFF RECOMMENDATION.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND
ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

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E-285 Maximize Internet and Technology — Page ADMINISTRATION-39

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO ACCEPT THE GOVERNOR'S RECOMMENDATION FOR ITEMS NO. 11 AND 12 ON PAGE 13 OF [EXHIBIT C](#).

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND
ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

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E-287 Maximize Internet and Technology — Page ADMINISTRATION-40

MR. RAXTER:

[Exhibit C](#), page 13, item No. 13 is a recommendation by the Governor for the funding of \$17,000 in FY 2006 for a portable video conferencing system for the Division of Environmental Protection. This system would be located in the DCNR building in Carson City. However, the department has indicated equipment could be moved to different rooms and locations to suit the Division's needs.

SENATOR COFFIN MOVED TO RECOMMEND TO THE FULL COMMITTEE
TO CLOSE DECISION UNIT E-287 BY ACCEPTING THE GOVERNOR'S
RECOMMENDATION.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND
ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

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E-288 Maximize Internet and Technology — Page ADMINISTRATION-40

Item 14, on page 13 of [Exhibit C](#), is a recommendation by the Governor for the funding of \$204,904 in FY 2006 and \$166,112 in FY 2007 for a tele-mental health video conferencing system for MHDS rural clinics. The Subcommittee should note that the Nevada Mental Health Plan Implementation Commission report, Legislative Counsel Bureau (LCB) Bulletin 05-8, included a recommendation that urged MHDS to develop tele-mental health capacity for rural Nevada. Staff has noted that in this decision unit there are 16 desktop computers and 16 workstation printers dedicated to clinicians and clients for use in this project. The Division reviewed the hardware requests and advised staff that it does not duplicate any replacement equipment items that are being recommended in the rural clinic's operating budget.

Staff would also note that the TIR document, as presented, included a recommendation to reduce contract psychiatrists' travel costs by approximately \$79,200 in each year of the biennium. The Subcommittee should note that the Joint Subcommittee on K-12/Human Resources closed the rural clinics' budget and reinstated the \$79,200 for each year. In response to a question from that Subcommittee to the division administrator regarding being given a choice between having the video conferencing system or reinstating the travel costs, the division administrator preferred having the psychiatrists travel costs reinstated in lieu of the video-conferencing system.

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Staff has made technical adjustments to the computer costs as recommended in decision unit E-289 based on current pricing from the Purchasing Division.

ASSEMBLYMAN HETTRICK:

I am concerned that Assembly Bill (A.B.) 9, having died in committee, would have allowed people to provide mental health services in the rural areas. We would need a psychiatrist if providing the travel costs is going to work; otherwise, the travel cost allocation is going to be useless. Maybe the only way we are going to get anyone to do psychiatric work in the rurals is to have video conferencing. We need to have one of the two, either A.B. 9 and travel costs or video conferencing with the hope someone will still do the work.

ASSEMBLY BILL 9: Limits liability of certain persons, corporations and associations that contract to provide medical services for Division of Mental Health and Developmental Services of Department of Human Resources. (BDR 3-237)

JENNIFER L. KIZER (Administrative Services Officer, Division of Mental Health and Developmental Services, Department of Human Resources):

I cannot answer your questions in regard to A.B. 9. All I can do is reiterate what Dr. Carlos Brandenburg, Administrator, MHDS, testified in the hearing that the best psychiatric practice is performed face-to-face. We cannot eliminate psychiatric services in the rural clinics. The tele-mental video system is supplemental and is for emergencies or after hours when there are vacancies. Dr. Brandenburg felt strongly that travel funds needed to remain in the budget so services could be provided.

ASSEMBLYMAN HETTRICK:

I understand the travel budget of \$79,200 has already been passed. We can allow for flexibility if we are not going to have anyone traveling to the rural areas. Perhaps the only service we are going to be able to provide is by video conferencing.

CHAIR BEERS:

With the \$79,200 in travel costs, would the video conference system still be needed?

ASSEMBLYMAN HETTRICK:

I would say no, but if MHDS does not get A.B. 9 passed, then they have the ability to go to the \$79,200 for the video.

CHAIR BEERS:

Is A.B. 9 still alive?

ASSEMBLYMAN HETTRICK:

No, it is dead. We either have to get it back somewhere or MHDS is not going to have anyone willing to travel to the rural areas anyway; so it would not matter.

DALE H. CAPURRO (Clinical Social Worker, Rural Clinics, Division of Mental Health and Developmental Services, Department of Human Resources):

There has been a problem with recruitment of psychiatrists for the rural areas. The best practice is for psychiatrists to be able to see clients frequently, particularly when clients are in emergency situations or need more frequent care than can be provided bi-monthly or every month-and-a-half. The tele-mental video would augment the problem of recruiting psychiatrists. At the same time, no psychiatrist wants to rely completely on tele-mental video. They want to see their clients face-to-face. Tele-mental video gets us over some rough spots, but travel money will get the client with the psychiatrist.

ASSEMBLYMAN HETTRICK MOVED TO RECOMMEND TO THE FULL COMMITTEE TO APPROVE DECISION UNIT E-288 IN ITEM NO. 14 OF [EXHIBIT C](#) WITH MINOR ADJUSTMENTS AS RECOMMENDED BY STAFF.

CHAIR MCCLAIN:

Does the motion include both the video conferencing and travel components?

CHAIR BEERS:

Yes, it does.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND ASSEMBLYWOMAN KOIVISTO AND SENATOR RHOADS WERE ABSENT FOR THE VOTE.

SENATOR COFFIN:

I just looked up A.B. 9 and have been trying to figure out where we are because it has a limitation on liability. The only connection A.B. 9 has to the travel costs for psychiatrists is that it was requested by MHDS. Is liability the deterrent for getting people to work in the rural areas?

ASSEMBLYMAN HETTRICK:

The issue is that there are few psychiatrists willing to travel to the rural areas. For the limited amount of business and contract money they receive, without some type of limitation on the liability, we cannot hire anyone for this service. Assembly Bill 9 was in the process of being amended to limit the liability to the rural counties, but it failed. That is unfortunate because there are few psychiatrists available to practice in rural Nevada. When psychiatrists refuse to practice due to problems concerning liability, the system is essentially shut down. There is not enough service available. This is not like being in downtown Las Vegas. If we do not do something, the likelihood of having good service in the rurals is minimal. We are spending millions on trying to provide mental health services in the State of Nevada and those services will be severely limited in the rural areas.

SENATOR COFFIN:

Why do you consider it more likely that people in the rural areas are going to sue psychiatrists? Psychiatrists' insurance policies should cover them wherever they are.

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ASSEMBLYMAN HETTRICK:

It is not a matter of psychiatrists being more likely to get sued; the problem is there is so little business for them. Therefore, the income generated by rural calls makes it impractical for psychiatrists to take a liability risk. They can work in downtown Las Vegas all day, every day, filling in every single hour without the travel time.

E-289 Maximize Internet and Technology — Page ADMINISTRATION-41

MR. RAXTER:

Item 15, on page 14 of [Exhibit C](#), concerns a recommendation from the Governor to fund \$37,860 in FY 2006 in support of a video-conferencing system for the Lake's Crossing Facility for the Mental Offender. This system would be utilized to conduct competency and civil commitment proceedings with Clark County and the rural areas of Nevada. The Division identified \$1,468 per year in overtime costs attributed to staff travel that could be eliminated. The Joint Subcommittee on Human Resources/K-12 closed the Lake's Crossing budget authorizing staff to eliminate overtime costs if this decision unit is approved. Staff has technical adjustments on computer hardware costs related to current pricing from the Purchasing Division.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO APPROVE ITEM NO. 15 ON PAGE 14 OF [EXHIBIT C](#) WITH STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY, ASSEMBLYWOMAN KOIVISTO AND SENATOR RHOADS WERE ABSENT FOR THE VOTE.)

E-290 Maximize Internet and Technology — Page ADMINISTRATION-41

CHAIR BEERS:

Decision unit E-290 has been withdrawn by the Governor.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO NOT APPROVE ITEM NO. 16 ON PAGE 14 OF [EXHIBIT C](#).

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY, ASSEMBLYWOMAN KOIVISTO AND SENATOR RHOADS WERE ABSENT FOR THE VOTE.)

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E-426 Enable, Motivate, and Reward Self Sufficiency — Page
ADMINISTRATION-42
E-427 Enable, Motivate, and Reward Self Sufficiency — Page
ADMINISTRATION-42

MR. RAXTER:

Item 17, on page 15 of [Exhibit C](#), concerns a recommendation by the Governor to fund decision units E-426 and E-427 totaling \$526,954 for an automated-pharmacy system and related equipment for Southern Nevada Adult Mental Health Services and Northern Nevada Adult Mental Health Services. This automated system would serve inpatient hospital facilities. In response to questions from the Subcommittee, the Division indicated these two decision units could be consolidated into one module for a combined biennial cost of \$269,452 in FY 2006 and \$201,960 in FY 2007. The result is a reduction of \$55,542 over the amount included in the *Executive Budget* and would align the recommended funding to the amount included in the TIR document for this project.

The automated-pharmacy system is designed to reduce medication errors, provide for the delivery of medications after normal working hours and on weekends and holidays, and allow for orders to be administered through a wireless connection by a pharmacist from any location. The system would be compatible with the existing AVATAR system and would allow for computerized physician order entry and the automatic dispensing of medications.

Staff recommends approval of this decision unit with the adjustments in funding to reflect \$269,452 in FY 2006 and \$201,960 in FY 2007.

ASSEMBLYMAN SEALE MOVED TO RECOMMEND TO THE FULL COMMITTEE TO APPROVE STAFF RECOMMENDATIONS FOR ITEM NO. 17 ON PAGE 15 OF [EXHIBIT C](#).

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY, ASSEMBLYWOMAN KOIVISTO AND SENATOR RHOADS WERE ABSENT FOR THE VOTE.)

E-450 Effectiveness of Family Services — Page ADMINISTRATION-43

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO APPROVE GOVERNOR'S RECOMMENDATION, ITEM NO. 18 ON PAGE 15 OF [EXHIBIT C](#).

ASSEMBLYMAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY, ASSEMBLYWOMAN KOIVISTO AND SENATOR RHOADS WERE ABSENT FOR THE VOTE.)

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MR. McTEER:

I have a question concerning the contingency on page 6 of [Exhibit C](#). Will the Chair clarify what the Subcommittee decided?

CHAIR BEERS:

The identified contingency for all projects is going to be put into one budget category. When the contingency is accessed, IFC must be notified. There will also be a 20-percent reduction in the total contingency amount.

EMPLOYMENT, TRAINING AND REHABILITATION

DETR, Employment Security — Budget Page ESD-1 (Volume II)
Budget Account 205-4770

MR. RAXTER:

The first budget account for the Division of Employment, Training, and Rehabilitation (DETR), Employment Security is B/A 205-4770. One major closing issue in this B/A is an amendment to reduce revenues and expenditures in the Employment Security Division account by \$3,348,050 in FY 2006 and \$3,614,118 in FY 2007. This represents the elimination of 33.53 vacant positions and associated operating, equipment and training costs for those positions. This also represents the elimination of \$1,250,000 per year for the hiring of intermittent positions.

E-250 Working Environment and Wage — Page ESD-5

In decision unit E-250, there is a recommendation by the Governor of \$1.4 million for each year of the biennium for the hiring of 40 intermittent positions for the Division. The net of these two decisions would be continued funding of \$150,000 per year for intermittent staff. The budget reductions are a result of an expected reduction in funding from the U.S. Department of Labor for the administration of the Unemployment Insurance (UI) program and to align expected revenue and expenditures for the other federally-funded programs administered by the Division.

The total expected reductions are approximately \$5 million per year. A portion of these budget reductions is located in the DETR Administration account and also in the DETR IT budget which was previously approved in the budget closings for those accounts.

E-255 Working Environment and Wage — Page ESD-6

Other items in this budget account include a recommendation by the Governor for additional funding for utility inflationary increases. Decision unit E-255 includes funding for the Division's pro rata share of the building operating costs for the new Las Vegas administrative building. The Division reexamined their allocation basis and recommended a change to allocate by building square footage per full-time equivalency position. The result is an adjusted additional utility cost of \$53,824 in each year of the biennium.

There are other technical adjustments in this account concerning computer pricing for hardware and software costs based on the Purchasing Division's pricing as outlined on pages 17 and 18 of [Exhibit C](#).

DETR, CAREER ENHANCEMENT PROGRAM — Budget Page ESD-12 (Volume II)
Budget Account 205-4767

E-250 Working Environment and Wage — Page ESD-15

MR. RAXTER:

There are several closing issues in B/A 205-4767. One issue is the recommendation by the Governor for the addition of ten new positions to provide employment and training services. These positions would address projected increases in the number of skilled workers needed in Nevada. An estimated 90,000 new jobs will be created in Nevada during the 2005-2007 biennium, and the labor force is projected to increase by approximately 50,000 workers each year.

The recommended ten new positions would increase the staffing of this program by about 20 percent. The Division has indicated the ten new positions would allow for the servicing of an additional 1,312 clients in FY 2006 and approximately 2,500 additional clients in FY 2007. Also included in decision unit E-250 is the recommendation for \$1 million annually, for additional skills enhancement training, over and above the Base Budget amount. During the 2003 Legislative Session, approximately \$6 million was approved for skills enhancement training. However, during FY 2004, the agency only expended \$4.2 million.

Senate Bill No. 423 of the 72nd Session expanded this training program to not only include training for unemployed workers but also to include training for employed workers. The Division has provided information indicating they are going to be issuing an RFP in July to expand the number of providers who give this training. Staff also recommends technical adjustments for the computer hardware and software costs for the new positions.

The second major issue, as depicted on page 20 of [Exhibit C](#), concerns a recommendation for the funding of \$400,000 in each year of the biennium for ten intermittent positions to continue the Reemployment Services Program. This program interfaces with the UI program to assist claimants who are in jeopardy of exhausting their unemployment benefits. The program provides intensive services to help these workers return to the workplace before their benefits end. This program has produced savings of approximately \$1.4 million annually to the Unemployment Trust Fund as well as a reduction in charges to Nevada employers. This federally-funded program is expected to expire on June 30, 2005.

The reserves in this B/A are projected to decrease from about \$4.6 million at the beginning of FY 2006 to \$2.6 million at the end of the FY 2007. The funding source for this account is the 0.05-percent employer contribution on taxable wages paid. This rate has been established in *Nevada Revised Statute* (NRS) 612.606.

E-255 Working Environment and Wage — Page ESD-16

Other closing items include a budget adjustment recommended by the Governor for the additional funding for utilities inflation. This budget includes the pro rata share of building operating costs for the new Las Vegas administrative building. Staff recommends an adjustment to reduce utility costs in FY 2007 by \$390 to reflect the change in the allocation methodology for the building operating costs as outlined on page 21 of [Exhibit C](#).

ASSEMBLYMAN SEALE MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE BUDGET ACCOUNT 205-4767 ACCEPTING THE TEN NEW POSITIONS, WITH STAFF'S TECHNICAL ADJUSTMENTS FOR THE HARDWARE AND SOFTWARE COSTS; WITH THE FUNDING OF \$400,000 A YEAR FROM THE RESERVE TO CONTINUE THE REEMPLOYMENT SERVICES PROGRAM AND OTHER STAFF TECHNICAL ADJUSTMENTS; TO AUTHORIZE STAFF TO MAKE ADJUSTMENTS TO THE DETR ADMINISTRATIVE COST ALLOCATION BASED ON FINAL APPROVAL OF THE OTHER BUDGETS WITHIN THIS DEPARTMENT.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

ASSEMBLYMAN HOGAN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE BUDGET ACCOUNT 205-4770 ACCEPTING THE BUDGET AMENDMENT AND OTHER STAFF TECHNICAL ADJUSTMENTS; TO INCLUDE STAFF AUTHORITY TO MAKE ADJUSTMENTS FOR THE DETR ADMINISTRATIVE COST ALLOCATION BASED ON FINAL APPROVAL OF THIS BUDGET ACCOUNT.

ASSEMBLYMAN SEALE SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

DETR, Employment Security — Special Fund — Budget Page ESD-20 (Volume II)
Budget Account 235-4771

DETR, Information Development and Processing — Budget Page DETR-9
(Volume II)
Budget Account 101-3274

E-710 Replacement Equipment — Page DETR-13

MR. RAXTER:

Budget account 235-4771 is the Employment Security-Special Fund used to pay costs of administering employment security laws that may not be charged

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against federal grants. Closing issues as shown on pages 22 and 23 of [Exhibit C](#) include a recommendation by the Governor to transfer funding from this account to the Information Development and Processing BA 3274 for the replacement of equipment. That B/A was closed previously by the Subcommittee. In addition, the Budget Division has submitted a budget amendment to transfer an additional \$572,925 in FY 2006 and \$521,504 in FY 2007 to transfer funding from this account to the Employment Security Division account. This proposal is recommended due to the federal funding reductions as previously indicated.

E-275 Maximize Internet and Technology — Page ESD-22

The second item is the Governor's recommended funding of \$1,461,313 for the completion of the rewrite to the Unemployment Insurance Contributions Automated Reporting System. This system was initiated in FY 2002. The Internet employer registration and wage reporting modules are expected to be completed in July 2005. The Budget Division has submitted budget amendment No. 51 to delete the funding recommended in the *Executive Budget* for this decision unit due to the expected reduction in federal funding for administration of the UI program. During the 2005-2007 biennium, options will be reviewed for the completion of this system including the planned accounting module. Any proposed enhancements for funding will be submitted to the 2007 Legislature.

M-425 Deferred Facilities Maintenance — Page ESD-21

E-730 Maintenance of Buildings and Grounds — ESD-23

Other closing issues include decision units M-425 and E-730 listed on page 23 of [Exhibit C](#). The Governor recommends funding of \$107,600 for deferred building maintenance and \$847,000 for regular building maintenance for agency-owned buildings. Staff recommends approval of these two decision units with a reduction of \$35,600 by deleting the maintenance projects for the Incline Village building that is proposed to be sold.

E-255 Working Environment and Wage — Page ESD-21

E-256 Working environment and Wage — Page ESD-22

There are other decision units for furnishings and equipment for the new Las Vegas administrative building and also for any moving costs.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO NOT APPROVE DECISION UNIT E-275 AND TO APPROVE CLOSING THE REST OF B/A 235-4771 ACCORDING TO STAFF RECOMMENDATIONS.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

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PUBLIC EMPLOYEES' BENEFITS PROGRAM

Retired Employee Group Insurance — Budget Page PEBP-10 (Volume III) Budget Account 101-1368

BOB ATKINSON (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Budget account 101-1368 was designed to defray a portion of the health insurance premiums for employees who retire from State service and continue to participate in the State's group health insurance plan. This account accumulates the assessments for the retiree subsidy for group insurance. Decisions relative to the amount of that subsidy are made in B/A 1338. If we were to close this account, it would be with the understanding that adjustments would have to be made based on whatever decisions are made in B/A 1338.

On page 28, of [Exhibit C](#), there is a mistake in the second paragraph. I indicated the proposed new subsidies under the budget amendment would provide 67 percent of the cost of insurance for the retiree and 45 percent of the cost for dependents. At the time I was putting this information together, it did not occur to me that the average years of service for the retiree is greater than the 15-year base-subsidy rate of 100 per cent. The percentages would remain the same as they had been in the past. An average subsidy would be intended to cover 78 percent of the cost for the retiree and 57 percent of the cost for dependents. In the last sentence, the 67-percent figure should read 78 percent and in the next line, the 45 percent should read 57 percent.

CHAIR BEERS:

Are you suggesting the amount of the premium paid by the State is staying the same, not the amount of the percent? We are not making a significant adjustment in the amount or the scope of the subsidy that we now have.

MR. ATKINSON:

That would be correct based on the average years of service. Retiree subsidy is difficult to explain because the subsidy for the retirees ranges from 25 percent of the base subsidy amount to 137 percent of the base subsidy amount. For each person there can be a lot of variety.

There is a discussion under "Other Items" concerning the elimination of the retiree subsidy. The Subcommittee requested information on how the amounts were developed. The amount we heard in the State of the State address was \$500 million over 30 years. I have listed the rough assumptions that were used to develop that amount On page 29 of [Exhibit C](#) there is an accumulation of the amounts based on those assumptions. These are amounts that were put together rapidly, at the time, they were needed for the State of the State address. The Fiscal Analysis Division did not do the calculations of those amounts and makes no representations about them. I am just reiterating what was given to us. Projections by an actuary would be needed if we were going to be accurate in those calculations. The actual savings is predicted to begin in 2011 and will reach a cumulative \$1 million in 2017.

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SENATOR COFFIN:

Senator William J. Raggio, Washoe County Senatorial District No. 3, may be bringing S.B. 484 from the desk to the Floor today for discussion and amendments that have been proposed. This is a hard deal. We have had to adjust the amendments several times.

Senator Dina Titus, Clark County Senatorial District No. 7, and I have proposed a couple of amendments but I do not know if we are going to reach resolution in the Senate. Certainly, if Senator Raggio wants to move the bill out without amendments, then that is what will happen. The Assembly would then be handling S.B. 484. I have a doubt on whether or not the Assembly will pass the bill.

Is this budget account something we should wait to close or should we close it based upon assumptions of what may happen to S.B. 484?

SENATE BILL 484: Revises provisions governing programs providing health insurance coverage to public personnel. (BDR 23-1364)

CHAIR BEERS:

I do not think S.B. 484 has an impact on the rest of this budget. Its reference is included in this closing for discussion and informational purposes. It has no impact on this budget for this biennium. If it passes, it will not have any impact for 20 or 30 years.

SENATOR COFFIN:

There will be a fiscal impact starting in the second year if one of the amendments passes.

CHAIR BEERS:

I am not familiar with your amendments. I know the amendments discussed in committee would still not have a fiscal impact for decades.

SENATOR COFFIN:

My amendment proposes to create a matching fund for new hires so both they and the State will contribute toward their potential retiree health benefit from the beginning of their employment. I recognize the fact this is a problem. I am speaking for the benefit of the Assemblymembers here today because I do not think they knew this was coming.

CHAIR BEERS:

The only information they have heard is from the three sentences in the State of the State address. That does not impact this budget account closing. If a bill is processed that will impact this budget we will revisit this budget account or include additional funding in the bill.

SENATOR RHOADS MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE BUDGET ACCOUNT 101-1368 GIVING STAFF THE AUTHORITY TO CHANGE THE CALCULATED AMOUNTS BASED ON DECISIONS THAT WILL BE MADE IN CLOSING THE PEBP BUDGET.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

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THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND
ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

CHAIR BEERS:

We should include the news that LCB agrees with the Executive Branch in that the scope of the State subsidy for health costs is not changing this biennium.

Active Employees Group Insurance — Budget Page PEBP-12 (Volume III)
Budget Account 101-1390

MR. ATKINSON:

This is a new budget account proposed this biennium and is designed to function in the same way the Retired Employees' Group Insurance account functions. A centralized collection account for the State contribution, made by each State agency on behalf of each State employee, will be provided. The State contribution made on behalf of each employee defrays a portion of the insurance premiums for those State employees and their dependents.

The amounts in this budget account would need to be adjusted based on whatever closing decisions are made in B/A 1338. On page 31 of [Exhibit C](#) under "Other Items," staff notes that legislation has to be introduced to establish the amount of this subsidy and the retiree base subsidy amount. To date, that legislation has not been requested.

CHAIR BEERS:

The chart, on the bottom of page 30 of [Exhibit C](#), illustrates the variation in the rates over the years.

ASSEMBLYMAN HETTRICK MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE B/A 101-1390 WITH THE PROVISION THAT STAFF BE GIVEN THE FLEXIBILITY TO ADJUST THIS ACCOUNT BASED ON THE DECISIONS MADE IN CLOSING THE PEBP PROGRAM BUDGET ACCOUNT.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY AND
ASSEMBLYWOMAN KOIVISTO WERE ABSENT FOR THE VOTE.)

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Public Employees Benefits Program – Budget Page PEBP-1 (Volume III)
Budget Account 625-1338

CHAIR BEERS:

Before we listen to staff's overview, let us discuss Medicare-eligible retirees. The State's health plan has, at the command of the Legislature, decided to commingle the pool of retirees and the pool of active employees. That commingling has had the effect of subsidizing the health costs of the retiree population. In the change, the Program lumped together retirees who are Medicare-eligible and retirees who are not.

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Retirees who are Medicare-eligible have Medicare insurance as their primary insurance. Medicare pays all claims first and their secondary program is the State health insurance which will pay the remaining portion of the claim. Non-Medicare eligible retirees have all of their insurance through the State's PEBP plan, and, presumably, their costs to the State plan are significantly higher because non-Medicare eligible retirees do not have other primary insurance. How can we justify treating Medicare-eligible and non-Medicare eligible retirees the same?

CHAIR McCLAIN:

We cannot justify treating the two groups the same. This is the problem we need to correct.

A Medicare-eligible retiree who pays the part B premium has access to only the vision, dental, prescriptions and mental health coverage. The vision, dental, prescriptions and mental health coverage are the only things that should be commingled. Doctors and hospitals should not be commingled because they are paid for by the federal government.

I want this problem corrected so the Medicare-eligible retirees, who consider PEBP to be their secondary insurance, are outside of the commingling proposal.

CHAIR BEERS:

That is basically what I said.

CHAIR McCLAIN:

No, you asked them to justify it. I do not want to justify it. I want it fixed.

CHAIR BEERS:

What is the justification for combining those two disparate groups?

P. FORREST THORNE (Executive Officer, Board of the Public Employees' Benefits Program):

If the Legislature wants us to remove the Medicare-eligible retirees from the commingling, then change the law. That is a simple fix.

The law does not differentiate between a non-Medicare and a Medicare-eligible retiree; it directs us to commingle actives and retirees.

CHAIR BEERS:

Would you agree that the costs for the two groups are different?

MR. THORNE:

Yes, the costs are different.

CHAIR BEERS:

Is there some common-sense justification for separating Medicare-eligible retirees from non-Medicare eligible retirees?

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MR. THORNE:

There is some justification. If Medicare-eligible retirees are removed from commingling, they should be taken out of the program entirely and treated as the separate type of program that they are. The result would be an increase in the costs and the subsidy requirement for non-Medicare retirees and actives.

The savings we have from the free Medicare-eligible part A, which covers hospital costs, is spread out over the entire population instead of remaining with one part of the population.

CHAIR BEERS:

Do you have an estimate of the amount of additional costs that would be put on the actives and non-Medicare eligible retirees?

MR. THORNE:

On the average, the increased cost for the remaining 27,000 participants versus the 2,800 on Medicare would go up approximately \$10 per month.

CHAIR MCCLAIN:

Is that amount for the subsidy or is it a premium?

MR. THORNE:

That is the premium.

CHAIR MCCLAIN:

That is not the premium to the employee.

CHAIR BEERS:

That is the premium to the employee. That is 20 percent of what roughly would be a premium cost to the employee.

CHAIR MCCLAIN:

We have a huge reserve. Why cannot it be used? That is the problem.

CHAIR BEERS:

What is the grand total of that 20-percent figure? Is it \$270,000 a month and \$3 million over the course of a single year?

MR. THORNE:

Yes. The estimated amount is \$3.3 million.

CHAIR BEERS:

What is your anticipated ending reserve?

MR. THORNE:

Our anticipated ending reserve is \$65 million. Is that what you are talking about for this year?

CHAIR BEERS:

No, what is your anticipated reserve, including the budget amendment, for June 30, 2006?

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MR. THORNE:
The anticipated reserve would be \$45 million.

CHAIR BEERS:
We could probably take the \$3 million effect out of your reserve over the course of the first year and then instruct you, for the second year, to not include that \$3 million reserve subsidy and then reprice the plan. Does that idea sound feasible?

MR. THORNE:
We would have to redo all of the rates.

CHAIR BEERS:
We are suggesting that you do not redo the rates for the first year. Since you have already started enrollments, leave those rates in place.

MR. THORNE:
Are you suggesting we take the surplus and spread it proportionately across all of the Medicare-eligible retirees?

CHAIR BEERS:
No, I am not. You stated that the impact of putting the Medicare-eligible retirees into a group of their own would result in a recalculation of their rates which would decrease quite a bit because they have a primary insurance ahead of the State. You said that would create a \$3 million annual impact on everyone else. We are suggesting that for the first year we fund the \$3 million impact out of the reserve. For the second year, you will recalculate the rates for the group of 27,000 without the Medicare-eligible retirees.

MR. THORNE:
We can do that with a change in the statute.

CHAIR BEERS:
We can change the statute.

MR. THORNE:
We will administer the law however it is written.

CHAIR BEERS:
I understand your comment. Mr. Stevens, as the senior staff member present today, does this Subcommittee have the authority to request a bill?

MARK W. STEVENS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Council Bureau):
If you authorize the bill draft, we would go to the Chairs of the Senate Committee on Finance and the Assembly Committee on Ways and Means to get their approval. Then the LCB Legal Division would create the bill draft request.

CHAIR BEERS:
Is it the desire of the Committee to have such a bill draft drawn up?

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SENATOR COFFIN:

That is my desire; however, I do want to give the agency a chance to digest all of this. If we request the bill draft, let us make it flexible enough so it can meet any changes we might want, based upon what we hear from the agency. I am sure they are going to need a few days to do the numbers, and I hope they will give us a few options. While we are telling them what to do, we need to make sure they give us what we want and, at the same time, suggest a couple of other options. We need to make sure we understand all of the implications of our request.

ASSEMBLYMAN HETTRICK:

Is there anything else that can be suggested? Do we need to request a bill to move forward?

CHAIR McCLAIN:

I also want to know what the new premium will be for the Medicare-eligible retirees.

CHAIR BEERS:

Is it possible that, under this plan, the Medicare-eligible retirees' premiums would increase because they are no longer being commingled with active employees?

CHAIR McCLAIN:

Is it possible to roll the rates back to last year's, which was \$78, and add an inflation factor?

CHAIR BEERS:

No, it is not possible. Last year's rates were subsidized by the consumption of the reserve. Medical costs are increasing every year. You cannot just roll back rates. Last year's rates were artificially suppressed.

CHAIR McCLAIN:

Could we put in an inflation clause?

MR. STEVENS:

Whatever happens with the PEBP budget, there is going to be a change in the monthly contribution allocated in each of the other budgets. When that happens, every budget will fall out of balance. Our analysts will need time to make new calculations and rebalance the accounts. Only a limited amount of time is available to produce the numbers, put them in an appropriations act and then authorize the act.

CHAIR BEERS:

The Committee needs to keep in mind that last year's premiums, for everyone, were subsidized by spending down the reserve. Last year's premiums and percentage increase were lower than the year before. There is going to be a bubble effect. That is a difficult thing for an individual participant in the plan to accept.

It is quite possible that moving Medicare-eligible retirees into a group of their own and also removing the benefit of commingling with the active employees

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would actually result in increasing their premium. Is there any way we can get a quick preliminary calculation?

MR. THORNE:

We can provide a rough one. It is possible the rates could be higher than they would be with commingling. We do not know what we are going to be dealing with. One reason is that there is no catastrophic protection under Medicare and that is where the bulk of our dollar payout is. The other large area is the cost of prescription drugs. Medicare retirees, on an average, use nearly three times the number of prescriptions as do the actives and non-Medicare eligible retirees. Drug costs are stabilizing, as they are not going up as rapidly as they were, but they are still the most volatile piece we have. That is all tied into how we handle Medicare part D. The Medicare part D does not negotiate for the cost of drugs. There are a lot of issues. I cannot say for sure that rates would not increase.

CHAIR BEERS:

I find it counterintuitive that Medicare-eligible retirees use three times the pharmaceuticals as non-Medicare eligible retirees.

MR. THORNE:

They use more than non-Medicare eligible retirees and actives combined.

CHAIR BEERS:

Do you have a comparison against the non-Medicare retirees?

MR. THORNE:

No, I do not.

CHAIR MCCLAIN:

When I compare last year's rates with the State subsidy, it looks like they are lined up between the non-Medicare eligible retirees and the Medicare-eligible retirees. While they are different subsidies, they are not that far off. The subsidies in this year's plan are not out of whack with last year's. Last year the Medicare-eligible retirees were not commingled and their rates were \$78 and now the proposed rates have increased to \$478. I do not understand how commingling 2,700 people is going to make that particular rate increase by \$400 a month when nothing else has increased.

MR. THORNE:

We have gone through this in a number of ways, but the rate is not going up to \$478 a month as there was an additional subsidy.

CHAIR MCCLAIN:

Just look at this from the retiree's point of view, from \$78 to \$478. I understand you are planning to send them a \$66 check every month. Let the retirees pay their own part B and just commingle the services they use outside of the primary health care insurance to give them a decent rate. I know catastrophic coverage begins in Medicare at 61 days. I cannot imagine many people are using that coverage. Have you ever had anyone in the hospital for 61 days?

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MR. THORNE:
My father was.

CHAIR MCCLAIN:
Well, the chances of that happening are very slim.

MR. THORNE:
We can make 90 percent of the Medicare retirees happy, but every year, we are going to put 5 to 10 percent of them on Medicaid and bankrupt them. That is the difference of catastrophic coverage.

CHAIR MCCLAIN:
That many are put on Medicaid?

MR. THORNE:
Yes, on Medicaid.

CHAIR BEERS:
We do not like any of the answers that you are giving us today. Do you think you could have any kind of preliminary information? I have been working on this issue for about 16 hours now. It has just occurred to me that by pulling the Medicare-eligible retirees out of the pool that includes the actives, we could create the kind of rates we saw last session that prompted us to pass the commingling bill in the first place. I would like to be able to understand that possibility quickly.

MR. THORNE:
My answer is that you have a 95-percent chance of that not happening.

The commingling issue goes back to the 71st Legislative Session. It has taken this long to figure out how we could do something to bring in all of the retirees without creating an additional imputed income to the Medicare-eligible retirees on top of everything else.

CHAIR BEERS:
Mr. Bibb and Dr. Richardson, as the two primary advocates for separating out the Medicare-eligible retirees, I want you both on the record acknowledging that you are aware of the possibility that by no longer commingling Medicare-eligible retirees with actives, their rates could increase.

MARTIN BIBB (Executive Director, Retired Public Employees of Nevada):
That is a possibility. Our position has never been to eliminate commingling. The question is, how is the commingle accomplished? Presently, the parts of a Medicare-eligible retiree's coverage for which Medicare is not primary are commingled. We credit their rate for the portions of their coverage that are paid primarily by Medicare which would be everything other than dental, vision and pharmaceutical. In statute, there is not a specified formula as to precisely how commingling has to be accomplished. At yesterday's PEBP board meeting there was a statement by counsel that there has been no informal or formal legal opinion from the Attorney General nor has one been requested.

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CHAIR BEERS:

Is it legal for us to offer different groups dissimilar sets of benefits based on whether they are Medicare-eligible or not?

MR. THORNE:

No, in fact, there are some lawsuits to that effect. There is one going on in either Pennsylvania or Ohio. Different benefits may be offered as an option. If we consider aggregate benefits for a non-Medicare retiree, an active, or a Medicare-eligible retiree, the group that has the better benefit at the lowest cost is actually the Medicare-eligible retiree.

Lifetime public employees in the State of Nevada do not have service in the private sector where they would have accumulated quarters for Medicare. Consider two side-by-side public servants who retire from State service, one went on and got quarters from Medicare in the private sector and one who did not and worked his/her entire career for the State and was hired prior to April 1, 1986. At that time Medicare costs were split from the social security tax which only affected those who were hired after April 1, 1986. The potential for the employee who put in time in the private sector and became Medicare-eligible will have a better benefit than the one who did not become eligible because he/she/ spent his/her entire career with the State program.

There is a potential equity issue. The plan is structured, as proposed for July 1, 2005, that both retiree groups and the actives would have exactly the same total benefit and they would be paying the same total premium. That was how we tried to implement the commingling requirement.

CHAIR BEERS:

I understand. Is it true that up until now, you have only offered a subset of benefits to Medicare-eligible retirees?

MR. THORNE:

They have the same benefits as a non-Medicare retiree or an active employee

CHAIR BEERS:

You have not had a special cutout that just does vision, dental and pharmaceutical?

MR. THORNE:

No, we have not.

CHAIR BEERS:

Is it illegal for you to do so?

MR. THORNE:

That is correct. We cannot provide a separate coverage when someone gets to age 65. We could provide the same coverage and offer an additional option which is a different situation.

CHAIR BEERS:

You could add on but you cannot subtract from?

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MR. THORNE:

The question in talking about the commingling is whether or not we should commingle the Medicare retirees with the rest of the participants. If we are not going to commingle everything, then we should not commingle anything. They should be looked at as a group; otherwise, you continue to have active employees and non-Medicare eligible retirees subsidizing a portion of the Medicare-eligible retiree coverage. Either you do that entirely, or you do not do it at all. If they want to stand alone and have the benefit of the Medicare coverage reflected in their costs, then that is the way it should be.

CHAIR BEERS:

That is the law.

CHAIR MCCLAIN:

How can you say everyone is subsidizing a Medicare-eligible retiree when their primary insurance is being paid by someone else? The claims from their primary insurance are also being paid by someone else.

MR. THORNE:

Medicare does not pay for prescription drugs.

CHAIR MCCLAIN:

Let us talk about the big claims, the real ones, the doctors and the hospitals.

MR. THORNE:

Those are the pieces, the dental, vision and especially the prescription drug that are commingled across all participants because we pay them in the same way. We are the primary on those benefits, not Medicare. Concerning the Medicare benefits, you are correct, there is no subsidy in that direction and that is reflected in the current rates for Medicare-eligible retirees.

CHAIR MCCLAIN:

What about the rates in 2004? How did you justify that low rate?

MR. THORNE:

We had a surplus projected for this current fiscal year. The Board wanted to provide some additional benefit with onetime money so we did a reduction in the cost to all of the participants, not just to Medicare-eligible retirees.

CHAIR MCCLAIN:

I cannot understand how raising the rates for a Medicare-eligible retiree by \$400 a month can be justified. That needs to be fixed.

CHAIR BEERS:

Mr. Bibb, has the manner of actions taken by the PEBP Board been illegal or has it been a misunderstanding on your part? It is illegal for that to have happened, and it is illegal for us to do it now?

MR. BIBB:

I am not sure, with the second retelling of that issue, that my understanding is the same as it was after the first one. I thought I heard Mr. Thorne say that the

commingle for Medicare-eligible retirees was dental, vision and pharmaceutical. Is that what you are saying is not permissible?

CHAIR BEERS:

No, I think he is saying that those are the areas where there is the most utilization by everyone, but is particularly acute in Medicare-eligible employees because they are subsidized on the other costs by Medicare. It is a matter of plan offering. I do not believe that we can either have a special plan that eliminates what you are suggesting or we can eliminate catastrophic coverage.

MR. BIBB:

I was not suggesting that we eliminate catastrophic coverage. I was saying that I thought the only portions of the plan that were commingled were dental, vision, and pharmaceutical for the reason that those were the three areas that were not primary pay for Medicare. We are concerned that we are eliminating, under the proposal for July 1, 2005, the Medicare-eligible retiree category which has a significantly lower rate.

The plan's own consultant said, back when the commingling bill was created, that Medicare-eligible retirees save the plan between 50 and 67 percent of the cost or 50 to 67 percent of their coverage is picked up by Medicare. We recognize there are some pharmaceutical loads that are higher for retirees, but, at the same time, there was recognition by the plan that the savings were there. That is why the separate rate category has always existed for that group. Yet, eliminating that category is what is being proposed and thus the subsequently lower rate for those whose primary payer is Medicare.

CHAIR BEERS:

You are basing your belief on the opinion of a consultant. Consultants to this Legislature swore up and down that our revenue was unstable. In the wake of September 11, 2001, we learned that our revenue is more stable than almost all other states. Consultants' opinions are cheap. Sometimes they are expensive, but they are always something where you want to get many consultants' opinions and then find a consensus That is why there is 63 Legislators.

MR. BIBB:

I am not familiar with that particular analogy. I know that within this plan, historically, there has always been a Medicare-eligible category because the plan always recognized the Medicare-eligible retiree category. The plan always recognized those costs were borne by some other entity besides this plan.

CHAIR BEERS:

There are many issues. Medicare-eligible retirees are generally older than non-Medicare eligible retirees by definition and would have higher costs. We have a choice. We can pull the Medicare-eligible retirees out of the commingled active/retiree plan and hope that the Medicare benefits reduce their overall cost to the point where the plan becomes more affordable. However, we take the simultaneous risk that without commingling Medicare-eligible retirees with the actives, and without the subsidy of the actives, their rates could go up. If that is our choice, what is your preference?

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MR. BIBB:

The whole notion of commingling is one which has already been defined and determined.

CHAIR BEERS:

It is.

MR. THORNE:

It is the State law that addressed the commingling. Commingling is bringing together the claims experience of all the participants to develop rates. That is what we have done.

CHAIR BEERS:

Is it the desire to have a subset of benefits available to Medicare-eligible retirees?

MR. THORNE:

Medicare-eligible retirees want the same benefits but to have it recognized in the rate structure that Medicare pays first for the medical portions of their benefit plan. They will still have the catastrophic protection.

CHAIR BEERS:

What would be your mechanism to achieve that desire?

MR. THORNE:

We could take all of the Medicare-eligible retirees in the plan and rate them separately for the same benefit plan and adjust their rates for the Medicare payment as their primary carrier. There would be no sense to include a provision to reimburse Medicare part B because you would be trading dollars. They would not be commingled.

CHAIR McCLAIN:

We need to define commingling and some other definitive terms for the next rate decision.

CHAIR BEERS:

Citing the law that organized our health benefit plan, how would you define commingling?

CHAIR McCLAIN:

I do not have the exact language. It needs to provide a different calculation for the participants who have another primary insurance such as Medicare.

MR. THORNE:

It would be permitted to not commingle the Medicare-eligible retirees because the aggregate benefit has not been changed. The only difference becomes who is paying the costs. Medicare pays first and then we pick up the rest.

CHAIR BEERS:

In order to not commingle Medicare-eligible retirees we have to separate them from the active employees.

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MR. THORNE:

Instead of commingling actives and retirees, a change in the law could be to commingle actives and non-Medicare eligible retirees. You insert the word "non-Medicare" retiree and you have accomplished this.

CHAIR MCCLAIN:

Would it work better if you referred to any of the participants who have other primary care insurance? Later you may develop some different programs.

MR. THORNE:

No, it is not feasible to determine who is an active employee with a spouse who is working and is provided coverage through their employer while that active employee is receiving coverage through us. We would have to know about those active employees and take them out as well. It is easier to identify Medicare-eligible retirees.

SENATOR COFFIN:

It would be better served if we gave the parties a chance to consider the issues we have presented to them. We are hearing contradictory opinions about what is in State law and what is the federal law. We need to provide time for our staff to look at the documents they prepared to determine if they need to be reeducated.

CHAIR BEERS:

You need to return with information on the issues we have discussed. We want Medicare-eligible retirees to have a rate which reflects Medicare as their primary insurer and PEBP as their secondary insurer. If, in the process, we end up increasing their rates because they are no longer commingled with the actives, then we do not want that solution.

MR. THORNE:

I can guarantee that the rate for the non-commingled would be lower.

CHAIR BEERS:

We have one more issue we need to tackle and that is the budget amendment that proposes transferring a significant amount of money out of the reserves of PEBP and into the General Fund.

SENATOR AMODEI (Capital Senate District):

I have had a chance to review the issues you have just discussed concerning what the law requires or does not require. Is this a separation, and do you leave them together or establish different rates based on who is the primary payer?

I have brought a memorandum from the Office of the Attorney General dated August 24, 2001, and I will provide copies to the Committee ([Exhibit F](#)).

This memorandum is addressed to, Mr. David M. Smith, Acting Chairman, PEBP, and is from Mr. Brett Kandt, Senior Deputy Attorney General, Civil Division Contract Unit. It provides three lines of legal authority stating, "The commingling of claims experience mandated by section 1 AB 564, (NRS 287.043(2)(a) as amended) includes the commingling of claims experience of the state Medicare retirees with the claims experience of active workers and

pre-Medicare retirees." These three lines of legal opinion concerning commingling are what I have been able to find in the record. I am not attempting to impugn or offend anyone, but this memorandum is not an exhaustive legal analysis by someone who has to represent the State in any capacity before any tribunal that deals with loss.

I will also provide, for your record, a copy of a letter addressed to me and dated with today's date, May 6, 2005, ([Exhibit G](#)), and is signed by Ms. Brenda J Erdoes, who you probably know as the Legislative Counsel and to whom, I suspect, Senator Coffin's questions will ultimately be given. I will not read the whole letter though I will read the concluding line that states, "In conclusion, it is the opinion of this office that neither NRS 284.0434, nor any other law, requires the commingling of the claims' experience of Medicare retirees and non-Medicare retirees." It refers to the legislative history of A.B. 286 of the 72nd Legislative Session. I would suggest to you, that your options for how you deal with this issue are completely open in a legal sense.

CHAIR BEERS:

Our Committee has concluded that we do not want to commingle Medicare-eligible retirees.

SENATOR AMODEI:

Relying on commingling versus non-commingling is not the issue. The bottom-line issue is what will be the cost to the people in the plan. Whether you call them commingled, or use any other term, when you have people who have a different primary insurer, how do you establish their rates in your plan? Commingling is of little importance when establishing their rates.

Though I am not a money committee member, I would suggest one other thing. If you have heard testimony that asserts by taking these people out of the plan it is going to increase other people's premiums or there is some element of subsidy, at least in an operational sense, from those people who are not in a primary insured's position.

CHAIR BEERS:

Before your arrival, we quantified that at \$3 million a year.

SENATOR AMODEI:

In my nonprofessional fiscal opinion, there seems to be a good deal for having them floating around when you are not the primary insurer. The concept I will leave with you is that we need to elevate this. I understand the challenges of dealing with budgets. This is a money issue and the retired people you are dealing with do not have a lot of options. They are not at a point where they can get another job. In most instances, they are not at a point where they can access other insurance options which are in any way, shape or form affordable. When we talk about our concern with what our insurance premiums are for medical care providers in this State, which we have had special sessions for and those sorts of things and we talk about unacceptable increases in property tax, can we apply some of that same value judgment here? This is not a bust-the-budget issue; it is get the right thing done.

Some of you may discount me because I am from Carson City where there is a preponderance of State employees. However, if you were to review a demographic of people in public service, you will know that you have more and more employees in Clark County because that is where the population is and that is where services are needed. Many public service people also live in the Truckee Meadows and perform duties in northeastern Nevada. This issue is not just about some people who happen to live in and around Carson City.

In reference to your current topic, remember the 18th Special Session between 2001-2003? According to the State Constitution, it is the 63 people in this branch of government that appropriate money. The other branch creates the budgets that this branch appropriates. What you decide to do with the money is what happens with it. I am not setting up any adversarial situation, but this is the branch with the responsibility for how the money is ultimately spent.

When we talk about what we are going to do, the bottom line to the person on the street is that we have moved ten figures worth of money out of PEBP and into other areas of the budget. That is the proposal. We hear things about a policy of stability and predictability. I have only been a Senator since 1999, and since then we have really messed up PEBP; we have put major cash infusions into it; we have raised rates to those people; and we have raised those rates to rebuild the reserve.

Even though the State picks up most of the cost of the plan, the people in the plan have participated in rebuilding the reserves several times. With the exception of our actions during that special session, the people have participated. You are looking at a proposal to help the participants in the spend down, but I suggest that stability and predictability are the things we ought to strive for.

We, as the State, are in the insurance business. If an insurance company that was regulated by the insurance commissioner was raiding the reserves, it might raise some eyebrows. God knows if it is the right thing to do or not. Assemblywoman Bonnie Parnell and I have asked for an amendment to be drafted. We ought to conduct ourselves as an insurance company. We ought to comply with the things that apply for health insurance companies. We ought to be regulated by the insurance commissioner. We ought to endeavor to establish a fund when things are going well, to stabilize rates for the people who participate in PEBP. That is being prudent.

There is a federal law concerning a 60-day spend down. Take it out of PEBP and find a place for it in the State budget, maybe the rainy day fund, but not a sub-account, and put money in to help stabilize it.

If you want stability and predictability, you need to start acting like an insurance company. Maybe we ought to tie rate increases to medical CIP or whatever; but, offering a benefit which is undefined from year to year has got to stop. It is time to stop the culture of accounting and budgetary talk and decide we are going to put this on a sound footing. There is no one in the State that thinks medical care costs are going to decrease. No one should leave this room saying anyone is advocating reductions for anything. We have to stop the yo-yo

situation where PEBP is redefined from year to year. For all intents and purposes, stability and predictability are non-existent.

I am willing to help and assist in any way I can. This is not about personalities. This is about recognizing we are in the insurance business and we need to start acting like it. Quit speculating on what the federal government says and go to lawyers to get answers to your questions. We need to provide a rate based upon our position in terms of primary payer without getting into whether there is commingling or not. You can do that effectively in the rates you charge. You have an opinion from Legislative Counsel.

You are never going to achieve stability or predictability in terms of what the cost will be to a person or the State from year to year until you start acting like an insurance company. Either that or get out of the business which is what we did with the State Industrial Insurance System. Act like an insurance provider instead of wondering what may happen in 2007 or what will happen in 2009.

ASSEMBLYWOMAN BONNIE PARNELL (Assembly District 40):

I wholeheartedly agree with Senator Amodei who represents the same district and I could not say anything better than he did.

We, as a legislative body, cannot stand by and allow any group a 600-percent increase in their health insurance premiums; especially to those who can least afford it. I consider this inhumane and it is inconceivable that we would even consider passing such an increase on to this group of people.

In 1999, I spoke before the PEBP board and told them they needed to start doing something to stabilize rates. What we have consistently seen, since 1999, is that every single year, not even every two years, but every single year one group spikes 400 to 600 percent while, at the same time, other groups in the program have their rates decreased. Two years ago it was the non-State retirees who received a substantial increase in their rates.

My long-term goal is to have something defined in statute where increases and decreases in rates occur within a reasonable amount and start stabilizing PEBP.

CHAIR BEERS:

Mr. Thorne, could you tell us the federal law under which our plan is organized and controlled.

MR. THORNE:

The regulations we follow at the federal level are derived from the Public Health Service Act. These regulations bring governmental entities in line with other federal laws, though as a self-insured trust fund, governmental entities are not covered under the Employee Retirement Income Security Act (ERISA). We are not technically covered under the Consolidated Omnibus Budget Reconciliation Act (COBRA) either. However, there are elements of the Public Health Service Act that basically accomplish the same things.

CHAIR BEERS:

Do you have a title number or other specific information?

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MR. THORNE:
Not off the top of my head.

CHAIR BEERS:
Could you get that information to staff by the end of the day?

MR. THORNE:
Certainly.

CHAIR BEERS:
The reserve was created with contributions of 80 percent from employers and 20 percent from employees. It is the Chair's goal to use the 20 percent of the reserve to create some type of an employee benefit that would be one time in nature and would not involve subsidization of rates on an ongoing basis.

The reserve was used to subsidize rates which led to artificially low rates and the misperception that we are misusing the funds. Subsidizing the rates by lowering them and then in the following year eliminating the subsidy in order to create more realistic rates appears to be a substantial increase and no one remembers the kindness of having subsidized the previous rates.

It is my hope to use the 20 percent of the reserve money to give the onetime benefit to employees. The remaining 80 percent is the government's to use as it will. I look forward to hearing what you have to say on how we should fix the Medicare-eligible retiree issue.

SENATOR COFFIN:
I am not sure I agree with your directions and I want to make sure we leave this issue wide open without giving them guidelines they have to follow.

CHAIR BEERS:
That part is totally up to us. From their side, they have a budget amendment that reduces their reserve. What happens to the amounts that we take out is up to the Legislature.

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There being no further business to come before the Subcommittee, we are adjourned at 11:00 a.m.

RESPECTFULLY SUBMITTED:

Lora Nay,
Committee Secretary

APPROVED BY:

Senator Bob Beers, Chair

DATE: _____

Assemblywoman Kathy A. McClain, Chair

DATE: _____