

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

**Seventy-Fourth Session
March 1, 2007**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on General Government was called to order by Chairwoman Kathy McClain at 8:05 a.m., on Thursday, March 1, 2007, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Kathy McClain, Chair
Assemblyman Tom Grady
Assemblyman Joseph P. (Joe) Hardy
Assemblyman Joseph Hogan
Assemblywoman Ellen Koivisto
Assemblyman David R. Parks

SENATE COMMITTEE MEMBERS PRESENT:

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

STAFF MEMBERS PRESENT:

Mark W. Stevens, Assembly Fiscal Analyst
Larry Peri, Principal Deputy Fiscal Analyst
Sarah Coffman, Program Analyst
Julie Diggins, Program Analyst
Todd Myler, Committee Secretary
Patricia Adams, Committee Assistant

**DEPARTMENT OF BUSINESS AND INDUSTRY
FINANCIAL INSTITUTIONS (101-3835)
BUDGET PAGE B&I – 114**

Chairwoman Kathy McClain opened the hearing on Budget Account (BA) 3835, Financial Institutions, and asked for an explanation regarding the Division's technology investment request for a \$500,000 computer system.



Senator Beers thought it would be more prudent to discuss this Division's request, coupled with the requests of other Department of Business and Industry divisions.

Ms. Laurie Flynn, Department of Business and Industry (DBI) Information Systems Manager 3, introduced herself.

Senator Beers said the Subcommittee preferred "commercial off-the-shelf software, and you appear to have arrived at a conclusion that a database and a programming tool is commercial off-the-shelf software."

Ms. Flynn called the Subcommittee's attention to a presentation ([Exhibit C](#)) that had been submitted to Staff previously. In that presentation, she summarized DBI's vision for the project to try and reduce the overall cost of the system. By implementing an enterprise solution [one software package that could potentially meet the needs of multiple agencies], she claimed that the amount of hardware and software needed could be reduced, while, at the same time, negotiating power would be increased. This presentation provided an overview of the project that showed tangible cost savings. She said there were three technology investment requests (TIRs) for the Divisions of Mortgage Lending; Financial Institutions; and Industrial Relations, whose request was for two separate systems. The original TIRs were developed by each agency. In the original design, there were separate servers, databases, software programs, and other pieces of hardware associated with the design of the separate applications. The presentation also showed the advantage of doing the comprehensive enterprise solution Ms. Flynn mentioned earlier.

Ms. Flynn then turned to page 6 of the presentation to show that the enterprise solution would have many systems, but would use one main menu and one database. This one database would also provide security for all of the systems.

On page 7, Ms. Flynn noted that the benefits of this comprehensive system were evident. First of all, this system provided standardization, which allowed for fewer systems and lower maintenance costs. Second, the system was easily available to other DBI agencies. Third, this availability allowed for knowledge sharing between user groups and agencies, which empowered the agencies to manage their own system. The last benefit pointed out on page 7 was overall reduced costs. She claimed that implementation costs, DoIT services, and vendor maintenance and support fees would all be reduced because of more volume from one large system, when compared to the costs of four separate systems.

Ms. Flynn then turned to page 8, which outlined some risks associated with implementing this type of system. The first possible risk she mentioned was agency cooperation; however, she claimed that in this instance, the agencies were already cooperating. The next risk she discussed was cost allocation. She said this was resolved by dividing the cost of the project equitably among the participating agencies. Data conversion was also a risk with implementation of new systems. When negotiating with vendors, Ms. Flynn mentioned that it would be a requirement for the vendors to have an appropriate data conversion plan, including how the data conversion would happen and who would be assigned to each portion of the conversion. This plan allowed for a lower project cost because it would be converting four data sets into one, instead of four old data sets into four new data sets.

In response to a question from Chairwoman McClain, Ms. Flynn said there was a spreadsheet further on in the presentation that showed the overall cost savings of this project.

Ms. Flynn continued on page 8, talking about the risk of not having prepared ahead of time for vendor negotiations. She said that having the next biennium to accomplish this would allow for sufficient time to provide the vendor with all the requirements needed for the new system. Finally, she mentioned the risk of system administration. Her plan to address this risk was to:

- Train one person in each participating agency to make necessary changes.
- Get the necessary training in order to be able to assist with backup support.
- Train a DoIT staff member who would provide more comprehensive administration support and reporting.
- Keep the option of using the vendor on a contract basis for this type of support, though she did recognize this would be more costly than administering it in-house or using DoIT.

Ms. Flynn then turned to page 9 of the handout to detail the assumptions she made when putting together this plan. First of all, she assumed that the cost to the Division of Industrial Relations (DIR) would be less because DIR had more usable hardware and technical resources available than the other agencies. However, she mentioned that with this enterprise system, she believed it would require a larger server for performance reasons and also additional disk space. She thought it was most appropriate to use DoIT for database administration in order to use its expertise.

Continuing on page 9, Ms. Flynn said she assumed that the vendor would be selected from a list put together for a "Good of the State" contract. This would be discussed on page 10. This type of contract would reduce the time needed to find a vendor and increase the time available for implementation. The next assumption she made was regarding ongoing maintenance costs. She said these costs would be equitably allocated to all the participating agencies. Ms. Flynn then discussed the assumption that production servers would be hosted by DoIT. She said DoIT had all the necessary safety, security, backup, and restorers necessary for the production phase of the project.

Ms. Flynn then commented on the "Good of the State" contract previously mentioned. She provided a brief overview of this process on page 10 of the handout. Any time an agency needed a new system, it was important to follow the processes and procedures the State had outlined in the Request for Proposal (RFP) process; however, she explained that with this new contract, which DoIT had already worked on for about six months, there would be several vendors pre-approved for systems that agencies would be able to choose from, thus avoiding the time consuming RFP process. This allowed for immediate negotiation with a vendor, which would save money over the implementation period. Normally, the RFP process would only allow for about a one year timeframe for implementation, which Ms. Flynn believed was, at times, too short; whereas, the "Good of the State" list of vendors allowed for more implementation time.

Chairwoman McClain asked why this enterprise system was not in the original budget submission.

Ms. Flynn said she was fairly new at her job, and she had observed how the separate projects mentioned previously were all funded separately. She thought it was difficult to negotiate a contract and still have enough time for implementation within the time allowed, especially because the budgeting process had already occurred.

Chairwoman McClain stated that DBI seems to amend all of its budget proposals. She asked whether Ms. Flynn had been unsuccessful in persuading the Budget Division to include her proposal and whether there was someone from the Budget Division present at the meeting. Chairwoman McClain then asked about the "Good of the State" contract. She wanted to know who conceived the idea and who authorized it, wondering why there was deviation from the standard RFP process.

Ms. Kristen Kolbe, Budget Analyst 4 from the Budget Division, said the Budget Division was aware of the proposal, but that during the Governor's recommendation phase of the budget cycle the proposal had not yet been produced for review or for insertion into the budget submission. Ms. Kolbe said that Ms. Flynn was currently working on compiling what was needed, but there was no budget amendment yet.

Chairwoman McClain asked whether a budget amendment was forthcoming.

Ms. Kolbe said the Budget Division had not yet received an amendment but were going to work with DBI to put the budget amendment together.

Chairwoman McClain asked whether the budget amendment would actually get submitted.

Ms. Flynn said that her first priority after taking the job was to make sure each of the individual agencies' TIRs were included in the budget request. Their goal was to make sure the TIRs were presented to give the Legislature the choice of accepting systems on a case-by-case basis, rather than providing the Legislature only the enterprise package option.

Chairwoman McClain acknowledged that limiting the Subcommittee's choices was a concern.

Ms. Flynn also noted that differences on how each project was to be funded played a role in the decision. She said they worked very closely with the Budget Division and the Legislative Counsel Bureau to present the enterprise package to the Subcommittee. She further explained that the individual TIRs were submitted to provide the Legislature and DBI agencies the flexibility needed in the event the enterprise package was not approved.

Senator Beers said he disagreed that the enterprise package was a good idea. He noted in the table on page 13 of the handout that the system was to handle approximately 100-150 transactions per day, while housing roughly 140,000 master records. Senator Beers stated that he carried 750,000 voter records in a Microsoft Access database on his laptop. Spending \$2 million computerizing 150 daily transactions and 140,000 records seemed like "hunting sparrows with a .357 Magnum." He asked that Ms. Flynn outline the tools that would be needed in this new system. Senator Beers also wanted to know how old the TIR cost estimates from the vendors were that Ms. Flynn used to compare the cost of the enterprise project against to demonstrate cost savings.

Ms. Flynn pointed out on page 12 of the handout that the overall price difference between building individual systems for the various agencies and building one enterprise system was approximately \$0.5 million.

Senator Beers asked how dated the TIRs were.

Ms. Flynn said the TIRs had been prepared in October 2006.

Senator Beers said, "You actually did a TIR on a four-user, 18,000 record database—not you, your agency?"

Ms. Flynn responded that the affected agencies had worked together and that it appeared costs were high for the size of database needed; however, she noted that the functionality of the system was much more involved than doing simple queries or reports. The agencies needed the application to handle licensing, tracking, and statistics, all with a Structured Query Language database behind the scenes. This type of database was not the kind that Microsoft Access supported.

Senator Beers noted that he would not recommend doing the project in Access either. Senator Beers said, if he needed a software package for the Mortgage Lending Division, for example, he would find a similar regulatory agency that was already using a computer system and purchase that system. Likewise, Senator Beers would find a financial institutions regulatory agency that already had a computer system and purchase that system. Senator Beers would discuss with the vendor any customizations that required changes to Nevada law. He thought it would be advantageous to discuss changes internally to Nevada law with regards to existing software. He claimed the smallest database in the request could be done in Access, though he admitted he did not know what that particular program's requirements were. He then said, "We are not the only state that tracks whether or not employers maintain workers' compensation insurance." The tasks were all routine tasks that all the other states, along with some smaller jurisdictions, used software to perform. Senator Beers said that Nevada was a small state and instead of developing its own systems to handle these commonplace tasks, the State should acquire the software from other states and modify the systems as necessary.

In response, Ms. Flynn said that DBI had tried to do that. She said as part of the RFP process, DBI had looked around to find what else was available and what systems were currently in use. Ms. Flynn said the pricing on the enterprise project was "mid-range," which was prudent because proper funding was needed, especially considering the current stage of the RFP process.

Senator Beers said, "We have never written a software package under budget." He said that Nevada was enjoying "great success buying other states' software and modifying it to fit Nevada." He cited a large Department of Corrections software project that was implemented within its projected budget.

Ms. Flynn said that what DBI was proposing was an existing system, or a Commercial-Off-the-Shelf (COTS) solution. With any COTS solution, part of the functionality was to perform workflows that geared the system to each agency but which did not require much coding [programming]. She said the coding would not be performed by DoIT. The vendor would be held responsible for any needed coding. She said the system DBI was seeking was configurable, allowed for workflow performance, and did not require coding. The Division was seeking a COTS solution. She stated that the right system would be able

to meet the needs of several agencies, resulting in reduced overall expenditures in software and hardware. Instead of building silos [management systems incapable of reciprocal operation with other, related management systems], DBI would be building an enterprise solution that allowed for the addition of other DBI agencies in the future.

Senator Beers noted, "If we didn't have silos, then all bread would be a combination of corn and wheat." Silos were not always an undesirable alternative. Senator Beers stated the proposed agencies involved in this were "disparate agencies with absolutely no commonality between them, other than that they deal with the world of business and regulating different businesses." The activities of the Division of Industrial Relations and the Division of Financial Institutions did not overlap very often.

Ms. Flynn contended that the agencies had similar fundamental technical needs.

Senator Beers asked that discussion be temporarily suspended on this matter to accommodate the travel needs of another agency. He requested that Ms. Flynn assemble for later discussion the tasks and uses required of the enterprise package by each of the agencies. According to Senator Beers, Ms. Flynn was redefining the term "COTS" as understood in state government circles. He said she did not have the benefit of knowing how poorly the State had done previously in managing contractors who wrote software packages for state of Nevada use. Senator Beers said it had been approximately five years since the State had begun "finding other states' systems and implementing them." He stated that he needed clarification on what she meant by COTS and what she was proposing because the enterprise package currently was not making sense. Senator Beers failed to see commonality between the agencies that were being addressed with this proposed system, other than Ms. Flynn's position as Information Technology Manager for DBI. He said he recognized it would be easier for her if there was only one database and one server to work with. However, he did not see how this plan would benefit the agencies. Senator Beers believed that under the enterprise package plan four different software packages would be written, or rather the State would be managing a vendor, who would be writing four software packages. Senator Beers said the Subcommittee would invite Ms. Flynn back later in the meeting to further discuss this issue.

Chairwoman McClain then opened discussion on the BA 3952, Athletic Commission.

DEPARTMENT OF BUSINESS AND INDUSTRY
ATHLETIC COMMISSION (101-3952)
BUDGET PAGE B&I – 209

Chairwoman McClain recognized Skip Avensino, Athletic Commissioner.

Mr. Avensino stated that the Chairman, Tony Alamo, and the other Commissioner, Sig Rogich, who spearheaded a health and safety study were not present. He invited questions on the budget, but stated he was there to specifically address the health and safety measures adopted by the Commission in July 2006, many of which could not be implemented without appropriate funding by the Legislature. These health and safety measures were adopted because there were two boxing-related deaths in 2005. As a result, Mr. Avensino appointed a "blue-ribbon committee" to study the circumstances surrounding the deaths and to make recommendations. The study was

conducted over a nine-month period and involved interviews of thousands of individuals in the boxing industry, including mixed martial arts as well. After the study was completed, the committee made proposals which were adopted by the Athletic Commission.

First, Mr. Avensino explained it was recommended that every boxer should receive a mandatory Computed Tomography (CT) Scan after a fight to assess whether any severe injuries occurred during the bout, and to use the CT Scan results to prevent similar injuries from occurring in the future. If a serious injury was detected, then the fighter would be taken to the hospital for treatment. The cost of these CT Scans would be approximately \$242,000. The Commission was attempting to receive funds from third parties as much as possible. Rather than purchasing a portable CT Scan machine, it was determined the boxers would be transported from the ring to the scanning facility.

Second, Mr. Avensino stated the committee recommended that the Commission hire a part-time physician, either as a state employee or on contract. Because boxers came from all over the world to box in Nevada, staff was needed to review the medical records of applicants for boxing licenses. He said it was not the job of ringside physicians to research boxers' medical records. The Commission was asking the Subcommittee to approve \$100,000 to hire the physician to review medical tests and to make the necessary telephone calls around the world to determine whether the individual scheduled to box was indeed the person that applied for the license. Mr. Avensino said the telephone research was important because the Commission had experienced instances where boxers had borrowed records from other individuals to pass the necessary tests.

Third, Mr. Avensino said the safety committee recommended mandatory testing for steroids and other drugs. He said the promoters could not always be charged for these tests because the Commission felt it was important to test two to three months before a bout. According to Mr. Avensino, boxers were always tested before a fight—some might pass and some might not. If the boxers were checked two months prior to their fight when the steroids were being administered, the license could be denied before they arrived in Nevada.

Finally, the appointed committee recommended education about the safety measures to be adopted. Accordingly, the Commission asked for \$5,000 to print up the necessary materials regarding the new safety standards. Mr. Avensino felt it was important to maintain Nevada's leadership in the sport of boxing, and that demonstrating the Commission's concern for safety was necessary for the continuation of Nevada's leadership position.

Chairwoman McClain asked why the costs associated with the adopted recommendations were not included in The Executive Budget.

Mr. Avensino said he did not know why these costs were not included. He mentioned that on July 12, 2006, the Commission adopted all the measures recommended by the health and safety committee. Those funds were included in the budget submitted to the Governor. Mr. Avensino believed the funding was approved by the Governor at that time. What happened after that, he did not know. The Commission had only recently discovered that the funding was not in The Executive Budget. Mr. Avensino said that Mendy Elliott, DBI Director, was also confused about the lack of funding in the budget for these recommendations.

Chairwoman McClain asked whether Ms. Elliott knew why this funding was left out.

Ms. Elliott said that when the lack of funding was discovered, DBI tried to work with the Governor's office to have it placed back in The Executive Budget. Different avenues were pursued to accomplish this, one of which was placing the request in a Bill Draft Request (BDR) with the support of legislators from the Subcommittee. The Department had also considered asking for an exception so that the enhancements could be included in the Commission's budget.

Ms. Elliott then elaborated on the request for the part-time physician. She said the position would facilitate creating a research project to determine what the impacts of boxing were on the brain. Ms. Elliott did not know much about boxing, but said when she first accepted her position and learned what the Commission was attempting, she viewed the research project as a learning tool to work with the University of Nevada and its medical students. This would provide the medical students the opportunity to work side-by-side with a world renowned neurologist in six-month intervals as they went through boxers' files to determine what the neurologic impacts were. Ms. Elliott said, "We have the responsibility...as the world leader for boxing to actually be proactive rather than reactive." A boxing-related death would shut down the industry for months at a time. A Boxing shutdown represented lost revenue to the State, so the safety committee's recommendations made sense. This was why it was important to present the proposals to the Subcommittee, even though it had not been included in The Executive Budget, according to Ms. Elliott.

Chairwoman McClain said the Subcommittee did not dispute the recommendations but was concerned the funding was not in the Commission's budget. She then asked whether a budget amendment was forthcoming or whether a BDR was going to be submitted.

Ms. Elliott said there was a BDR that would be submitted to the Assembly through Assemblyman Harvey Munford.

Chairwoman McClain noted that she thought it was too late for that.

Mr. William Maier, DBI, Administrative Services Officer, stated this was a "transitional issue" for both DBI and also for the Athletic Commission. He acknowledged that the initial presentation did not have enough documentation to appropriately submit the proposals. He then apologized because the Subcommittee would not have the opportunity to adequately review the proposals. He requested that the Subcommittee allow for a budget amendment and also for a subsequent hearing regarding the proposals at a later date.

Chairwoman McClain noted that the Governor had submitted a balanced budget and that she needed to know how this program would be paid for.

Mr. Maier said the funding of the recommendations had not been addressed through the Governor's office or the Budget Division and that DBI did not yet have a plan regarding paying for the proposed enhancements. He said DBI needed review its options.

Chairwoman McClain noted that funding needed to be addressed very quickly.

Mr. Maier said he was told this amendment needed to be submitted that day.

Assemblyman Grady noted that it was March 1, and the session only lasted 120 days. He asked for a date that the budget amendment would be submitted.

Mr. Maier related that discussions regarding an amendment had already taken place, and with the detail DBI had received, he believed DBI could support the request and submit a "well-presented" decision unit the same day.

Senator Beers asked whether staff knew the revenues collected by the Athletic Commission that the Economic Forum projected would go into the General Fund.

Assembly Fiscal Analyst Mark Stevens said the revenues would be approximately \$1.5 million for FY 2007.

Senator Beers noted that amount was considerably less than the \$3.75 million deposited in FY 2006. He then asked what would happen to the State's revenues if the safety program was not approved.

Mr. Avensino said he believed it had the potential to "impede the sport dramatically." He thought that if licensees were not assured of necessary health and safety measures, they would not box in Nevada. He noted, however, that the revenues from FY 2007 were down because of penalties imposed for drug use and other problems the Commission was trying to fix. Mr. Avensino said there were currently 10 fighters scheduled to appear before the Commission in disciplinary hearings. He said he thought the revenue flow from disciplinary hearings would continue for some time until the education initiative spoken of previously began in earnest. In FY 2006, the Commission had projected revenue of \$1.35 million, when the actual revenue received totaled over \$3 million. He believed the current projection of \$1.35 million was very low because of the popularity of mixed martial arts. This sport had generated large, unexpected revenues, and he did not believe those numbers were contained in the revised budget.

Senator Beers asked whether boxing-related deaths usually occurred after the fight because of undetected bleeding in the brain. He indicated that death sometimes did not occur for hours after the fight had ended. He asked whether a "post-bout" CT Scan would detect this type of injury.

Mr. Avensino said that it would pick up on those injuries and that was the reason for the suggestion of the CT Scan. He said there were "a few precious moments" after a fight to have the boxers checked out. Mr. Avensino claimed that lives could be saved by performing the necessary surgery as soon as possible. He thought that when boxers went home or out to dinner after a match these injuries would go undetected.

Because of that response, Senator Beers believed supporting the increased medical service was something the Subcommittee should recommend.

Dr. Hardy noted that people who boxed and practiced martial arts could be injured at other places and at other times. He said he was concerned that the goal was to prevent death and not to prevent injury. In his mind, the injuries were the issue. He recognized that boxing was not a sport that would be stopped, but asked how injuries could be prevented, especially the repetitive

injuries that led to problems later in life, such as Parkinson's Disease, that did not necessarily involve bleeding in the brain. He said the Commission and the Subcommittee had an obligation that was "bigger than death" in this instance. He said he was anxious to begin doing the proposed CT Scans immediately after fights to find bleeding in the brain, but said there should also be pre-fight brain imaging on boxers who had repetitive injuries to the brain, however small those injuries may have been. He was not sure that doing research through the University was sufficient because of the obligation to prevent injury to begin with. He then suggested that prefight scans be included in the budget amendment.

Mr. Avensino assured Dr. Hardy that the health and safety committee had made suggestions in the prevention area that had already been implemented, such as a minimum of three ring-side physicians at every fight. Mandatory MRIs were performed before a license was granted. Additionally, drug and steroid testing was performed, and the Commission had also increased the size of the boxing gloves. The Commission allowed the fighters to drink electrolyte and isotonic drinks during bouts. Moreover, the Commission continued to educate ring officials. Mr. Avensino contended that the referees knew when to stop a fight. He said that referees were encouraged by the Commission to stop fights if any problems developed. He stressed that the Commission was committed to preventing injuries, but said the CT Scan was aimed at protecting a fighter from dying when head blows had been sustained during a bout.

Senator Rhoads noted that Mr. Avensino had mentioned that fights could potentially move to other venues if these safety measures were not practiced. He asked how many other countries used CT Scans after fights.

Mr. Avensino said there were few countries that used CT Scans. He reiterated that Nevada had always been the leader in the boxing industry and that the Commission wanted to maintain that position by assuring licensees of the highest levels of health and safety in the world. He then acknowledged that some fights would be lost as a result of Nevada's vigilance toward health and safety. However, he believed that with new safety measures in place, fighters would feel more comfortable boxing here. He also said that promoters favored holding matches in the state of Nevada.

Chairwoman McClain asked whether there were other venues that provided these safety measures, such as New York City.

Mr. Avensino said that New York provided boxers "heightened levels" of protection and used several full-time physicians. He again pointed out that the Commission was only asking for one part-time physician, even though New York held just about half of the bouts as Nevada. He was unfamiliar with New York's policy about CT Scans, but said it had very strict regulatory measures for health and safety.

Chairwoman McClain asked that the Budget Division commit to submitting the budget amendment that same day.

Assemblyman Parks asked whether there was a proposal to do away with the Medical Advisory Board (MAB).

Mr. Avensino said there was a proposal to do away with MAB. It was passed by the Commission as a result of the health and safety committee recommendations.

Mr. Parks thought there would be greater need for MAB given the measures that were going to be put into effect.

Mr. Avensino said that MAB had not been meeting. The health and safety committee recommended that it would be better for the Commission to have a committee with a similar structure to MAB. This component was contained in a BDR submitted by Assemblyman Munford, who was a member of the health and safety committee. It was proposed in the BDR that this new committee report directly to the Commission to assure the health and safety measures were implemented.

Mr. Parks then asked why drug testing costs were not fully paid for by the promoters.

Mr. Avensino said all of the current drug testing was paid for by the promoters. The Commission, however, was asking for a fund of \$25,000 to test licensees before the promoter came under the State's jurisdiction. For example, if a Russian boxer sought a license to box in Nevada, the Commission wanted to make sure that a drug test to be conducted in Russia could be ordered well ahead of time. Mr. Avensino said the Commission had no jurisdiction to obligate for such tests under current law.

Mr. Parks then asked whether the CT Scans would be paid for by the promoters as well.

Mr. Avensino said the proposal involved contracting with a provider in Reno and Las Vegas on a bout-by-bout basis. Additionally, there was a potential contract with a transporting company to take the fighters from the ring to the testing location. He said that the cost of a portable CT Scanner could be as much as \$450,000.

Mr. Parks asked whether the proposed part-time physician would operate independently.

Mr. Avensino said the physician would operate on a consulting contract basis.

Chairwoman McClain invited the Budget Division to address when this budget amendment might be made available to the Subcommittee.

Ms. Kolbe said that language had been prepared for presentation to the Budget Division that afternoon, at which time the budget amendment would be discussed with Andrew Clinger, the Director of the Department of Administration. Mr. Clinger would then have to make his budget amendment recommendations.

Chairwoman McClain wondered whether staff would be advised in regard to the budget amendment.

Ms. Kolbe said staff would be advised one way or the other.

Chairwoman McClain requested that the budget amendment, if approved, be submitted to staff within the next 48 hours.

Ms. Kolbe agreed.

Chairwoman McClain commented that the ticket surcharge revenue needed to align more exactly with the amateur boxing program expenditures and suggested that the two staffs work together to rectify the problem. She then asked about money that was borrowed from the Amateur Boxing Fund in violation of Nevada Revised Statutes 353.260, stating that this was a restricted fund and money to meet the budgetary shortfall should have been requested through the Interim Finance Committee (IFC). She admonished the Commission in regard to unauthorized overspending of the budget and borrowing restricted funds to cover shortfalls. Chairwoman McClain then asked that policies to manage overtime be sent to Staff.

Senator Beers expanded on Chairwoman McClain's comment on the borrowing from the Amateur Boxing Fund. He suggested that it might be beneficial to include in Assemblyman Munford's BDR a change in statute regarding the ability to borrow money from the Amateur Boxing Fund, noting this was the third time this had happened. He said this was a minor matter and that it might be easier to change the statute than to change the Commission's behavior.

Mr. Avensino said this was the first he had heard of the unlawful borrowing, calling it "despicable" and promised that the Commission would properly address this issue to make sure it would not happen again.

Ms. Elliott stated that she had regular discussions with the Commission, and fiscal responsibility would be addressed.

Mr. Grady asked about CT Scans for bouts that took place in rural communities, such as Gardnerville and Yerington.

Mr. Avensino acknowledged that there were bouts at least annually in the Gardnerville area, occasionally in Yerington, and also at Lake Tahoe. He said that arrangements would be made with local medical facilities to provide the CT scans. He said he would try and make sure this was included in the requested funds. He noted that the \$242,000 request included the foreseeable bouts in 2007.

Mr. Maier commented about the borrowing from the Amateur Boxing Fund mentioned earlier. He said it stemmed from the type of account it was. He claimed it was a General Fund account with overtime issues that contributed to overages. The latest issue with the borrowing occurred because of terminal annual leave. He noted there was a time delay to request a supplemental appropriation for this type of expenditure. He said the account had to be balanced, and the only revenue to balance the account was in the Amateur Boxing Fund. He attributed this problem to the budget system, and not to an intentional misuse of funds.

Chairwoman McClain said that IFC existed to allow for those types of transactions to take place properly.

Mr. Maier acknowledged this type of transaction needed to be presented to IFC as a supplemental request.

Chairwoman McClain closed the hearing on the Athletic Commission and noted that the Subcommittee was awaiting the amendments mentioned.

DEPARTMENT OF BUSINESS AND INDUSTRY
DAIRY COMMISSION (233-4470)
BUDGET PAGE B&I – 203

Chairwoman McClain opened the hearing on BA 4470, Dairy Commission, asking for some background on the Commission before the Subcommittee began asking questions.

Mr. Mark French, Dairy Commission Executive Director, introduced himself and noted he took his position in November 2006. The Dairy Commission was a self-funded agency created in 1955. In 2001, the Legislature moved the health inspection duties from the Department of Health and Human Services to the Dairy Commission, requiring the Commission to inspect farms and plants in Nevada that handle dairy products.

Chairwoman McClain asked for the number of dairy farms and processing plants located in Nevada.

Mr. French said there were 34 dairy farms and 4 processing facilities. There were also three or four container facilities that manufactured containers for the dairy products that were also subject to inspection.

Chairwoman McClain asked how many investigations were performed annually.

Mr. French said approximately 2,000 investigations were performed every year. He then asked for clarification on whether the Chairwoman meant stabilization investigations or dairy farm inspections, noting they were different operations. The stabilization and marketing plans investigations involved regulating the dairy products that were distributed and sold in Nevada. Inspections of the dairy farms were not investigations.

Chairwoman McClain then asked whether the investigations mentioned were a combination of investigations and inspections.

Mr. French clarified that there were field investigators that visited restaurants, markets, and so forth to find out whether there were new products coming into the State without the Commission's knowledge. Most of these would be imported products brought from locations such as Greece, Russia, France, and Mexico.

Chairwoman McClain noted that the projected number of investigations was less than actual numbers in FY 2005 and FY 2006.

Mr. French said that was a result of federal activities and other state activities that facilitated inspection of products before they came to Nevada. For example, many products from Greece were inspected by the state of New York in the ports of arrival.

Chairwoman McClain said there were 4,500 investigations projected in FY 2006, but actual investigations conducted were 2,379. Projections in FY 2008 and FY 2009 were lower than previous projections as well.

Mr. French stated that the investigations were reduced because the number of audits the Commission performed had increased. With increased audits, there was constant monitoring of these businesses, so investigations were not as

necessary. Additionally, the Commission had eliminated an investigator's position, which also contributed to the lower number of investigations.

Chairwoman McClain then asked whether the Commission's revenue projections were also going to drop.

Mr. French said the revenue projections were to remain constant. He did not know why the revenues were projected as such, but mentioned that he would provide more information later.

Chairwoman McClain asked whether Mr. French anticipated raising rates or fees.

Mr. French said the Commission was not planning on raising rates or fees, but noted there was a possibility of a decrease in fees because of the growth in the industry.

Senator Beers noted that cuts in spending were needed because the actual revenue was significantly lower than projected. He said expenditures were projected to increase and that using the Commission's reserve to cover costs was a temporary solution.

Mr. Maier said the Commission had authority to determine the assessments levied and adjusted assessments to address revenue needs.

Mr. French noted that the Commission met monthly.

Mr. Maier said that assessments had been reduced in response to lower expenditures. The previous Director had eliminated several positions, which also reduced assessment revenue. He then said that more information would be provided. The Commission had endeavored to not collect more revenue than needed.

Senator Beers said the shortfall in revenue came from all assessments with the exception of yogurt assessments. He did not believe that the amount of the assessment was causing the shortfall, but thought it could be the volume instead.

Mr. French verified that volume caused the shortfall. Yogurt had become more popular and was one of the fastest growing dairy products available. As yogurt sales increased, the other assessments were adjusted downward accordingly. The Dairy Commission preferred not to adjust assessments more often than annually because this revenue was volatile.

Senator Beers asked whether Mr. French was sure that all of the milk was being assessed.

Mr. French said all the milk was assessed. Commission auditors ensured that all dairy products in Nevada were assessed.

Senator Beers asked Mr. French whether he understood the Subcommittee's time constraints in relation to the needed information.

Mr. French said he understood.

Senator Beers noted that Mr. French was unprepared to address the Subcommittee's questions about this budget.

Mr. Mark Stevens, Assembly Fiscal Analyst, said the Subcommittee needed to know how realistic the projected revenues included in The Executive Budget were. Yogurt assessments increased from \$412,000 in FY 2006 and to \$448,000 in FY 2008. Ice cream assessments were projected to increase from \$120,000 in FY 2006 to \$230,000 in FY 2008. Milk and cream assessments were projected to increase from \$272,000 to \$376,000, and cottage cheese assessments were projected to nearly double. Butter assessments were also projected to approximately double. The Subcommittee needed clarification on whether these were realistic revenues based on the actual numbers from 2006. He acknowledged there could be logical reasoning behind the projections; however, further explanation was needed.

Chairwoman McClain asked whether Mr. French understood what was needed.

Mr. French said he understood.

Chairwoman McClain said the information was needed very shortly.

Mr. French said he would provide it the next day.

Chairwoman McClain then asked about a 9-passenger Sport Utility Vehicle (SUV) that had been requested, noting its high price and also that a more inexpensive vehicle, such as a van, might adequately serve the same purpose.

Mr. French said the SUV was requested for the Commission's Las Vegas office. Its main use was for picking up the Dairy Commissioners every other month, mentioning that it needed to be a vehicle that would transport people, yet be durable enough to haul milk-testing equipment.

Chairwoman McClain asked whether the Commission had access to the State Motor Pool.

Mr. French said the Commission had access to the State Motor Pool, but did not use it.

Chairwoman McClain asked whether this vehicle was to be used for just one meeting a month.

Mr. French stated that the vehicle was also needed for hauling equipment, which was a daily occurrence.

Chairwoman McClain asked for clarification on Mr. French's comment about the vehicle's main purpose being picking up the Commissioners.

Mr. French said the Commission needed a vehicle large enough to pick up the Commissioners and legal counsel for bi-monthly meetings in Las Vegas. During the rest of the time, the vehicle would be used for inspections on farms and processing facilities.

Chairwoman McClain asked what vehicle the Commission was currently using.

Mr. French said the private vehicle of the inspector who visited farms and processing plants was used. He mentioned that the Commission used to have a large Jeep Grand Cherokee [mid-size SUV], but that it was stolen two years ago. The only other vehicles the Commission had were Chevrolet Cavaliers [compact sedans], which did not adequately serve the Commission's needs to haul equipment.

Chairwoman McClain said she was not sure the SUV request could be justified.

Mr. French reiterated that the equipment hauled around was for testing at the farms and processing facilities.

Chairwoman McClain asked whether the Commission had been hauling the equipment in a Cavalier the last two years.

Mr. French said the inspector hauling the equipment had been using his own vehicle. When the Commissioners arrived at the airport, Mr. French usually transported them with his personal vehicle. He said that his vehicle was an SUV, but that in addition to his SUV, the Commission also needed to use a Cavalier for transport.

Senator Beers asked whether the State had insurance to cover vehicle replacement in the case of theft.

Mr. Stevens said the State had vehicle theft coverage with deductibles.

Senator Beers asked whether the Dairy Commission made an insurance claim when the previously mentioned Jeep had been stolen.

Mr. French said they received approximately \$1,200 from the claim. That money was held onto for the purpose of being placed in the current budget request. He noted that perhaps the vehicle should have been replaced immediately. Mr. French then said that the employee doing the inspections in southern Nevada was leaving State service.

Senator Beers asked why this individual was leaving.

Mr. French said the individual was relocating to Bozeman, Montana.

Senator Beers mentioned there was an "almost sure adjustment" forthcoming in the Commission's revenue projections, noting the Commission was making a "fairly deluxe" replacement vehicle request.

Mr. French said he would examine the request further and would change the vehicle requested to something more appropriate. He said this request was made prior to his appointment as Executive Director and that he would provide further clarification on whether a different vehicle would suffice. He noted that he would check with the Commissioners to see what their preferences were.

Senator Beers also asked why there was an increase in Out-of-State Travel funds requested.

Mr. French explained that the Out-of-State Travel was for conventions and association meetings. In FY 2007, there were no Out-of-State Travel expenditures because Nevada hosted the convention. In FY 2008, the convention was to be held in Portland, Maine, and then in Sacramento,

California in FY 2009. He said because the locations were scheduled ahead of time, the travel requests were not just based on past biennium numbers. The requests were based on knowledge of where the conventions were being held.

Senator Beers asked about a performance indicator regarding license audits. He wanted to know why the number of facilities audited was not the 100 percent projected, but rather 79 percent.

Mr. French said the Commission's emphasis was placed on some licensees that were "giving us trouble" and were therefore audited more often.

Senator Beers asked whether the change in the facilities being audited constituted a change in policy for the Commission.

Mr. French said he had changed internal policy in order to address problematic licensees, rather than performing routine audits with entities whose records he already knew were accurate. He thought it was not effective to spend a week auditing licensees he knew had no problems. He thought auditors should focus on problem licensees instead.

Senator Beers asked how many more staff were needed to achieve 100 percent audit coverage.

Mr. French said it would not require more staff to achieve 100 percent coverage because he had made other changes.

Senator Beers noted that the future audit performance indicators had dropped from 100 percent estimated in FY 2007 to 87 percent in FY 2008 and to 85 percent in FY 2009.

Mr. French assured Senator Beers that the actual percentages would be higher. He said those projections were derived in September of 2006.

Senator Beers asked whether 100 percent of the licensees would be audited.

Mr. French said he would get as close to 100 percent as possible.

Senator Beers asked what Mr. French's goal for audit coverage was.

Mr. French said the goal was 100 percent, but that he thought a realistic projection would be 95 percent or higher because Mr. French could not tell whether problems would arise that would require audit work to be redirected.

Senator Beers said the Subcommittee needed to know what the performance indicator projections should be for the next biennium. He noted that it appeared whoever made the projections merely adjusted the indicators "downward to a suppressed level of performance."

Mr. French mentioned there were two fewer investigators than in 2006. He said it was no longer necessary to investigate the same things repeatedly. He explained that the number of staff was down from 17 to 14.

Senator Beers asked whether the completed agency investigations of 2,250 in FY 2008 and 2,200 in FY 2009 were realistic.

Mr. French said he thought they were realistic, noting that he did not believe it necessary to "bother the businesses" that were operating correctly.

Chairwoman McClain asked why the Attorney General's Cost Allocation was projected to increase from \$11,000 and \$1,000 respectively, to over \$100,000. She asked whether the Commission had used the Attorney General's Office (AGO) substantially in the past year or two.

Mr. French said the Commission had not used the AGO because it had its own private counsel.

Senator Beers explained that the Subcommittee was unsure how the Attorney General Cost Allocation projections had been arrived at by other agencies as well. He then asked whether the Dairy Commission had used the AGO four years ago.

Mr. French said they had not.

In response to questions from Senator Beers and Chairwoman McClain, Mr. French said the Commission had used the AGO recently, but that the most ever spent on the AGO in a year was approximately \$10,000. He said that was a few years previous when Nevada's dairymen had filed a lawsuit against the state of California that went to the United States Supreme Court. The AGO wrote some briefs for that case.

Chairwoman McClain asked when the use occurred, while Senator Beers asked whether the Commission had been billed at that time for the AGO services.

Mr. French said the Commission was billed at that time and believed it happened in calendar year 2004 or 2005.

Senator Beers asked if it were possible that the Attorney General's Office worked on the case that was not billed for at that time.

Mr. French said the AGO had not, stating that the dairy farmers had their own representation.

Mr. Warren Goedert, Partner in the law firm Goedert & Associates, acted as counsel for the Dairy Commission. He said he participated in the briefs prepared for the aforementioned case. He said he was paid on a contracted rate. The Commission seldom used the AGO. The case in question was a landmark case in which Nevada's dairy farmers were being assessed differently than California's dairy producers. This had a large impact on Nevada's dairy industry. The Nevada Dairy Commission authorized Mr. Goedert to file amicus curiae briefs, or friend of the court briefs, to assist the Nevada dairy producers with the lawsuit. The case was lost in United States District Court and also in the Ninth Circuit Court of Appeals, but was won in the U.S. Supreme Court. This court dealt with interstate commerce in that California was charging Nevada producers more than California producers. Through that process, the Nevada Attorney General was also involved, but Mr. Goedert wrote at least two amicus curiae briefs, and the Attorney General's Office wrote a third.

Senator Beers asked whether the Commission was billed by the Attorney General for work on the brief.

Mr. Goedert said the Commission was billed.

Chairwoman McClain closed the hearing on the Dairy Commission's budget and opened the hearing on BA 3900, Labor Commissioner.

DEPARTMENT OF BUSINESS AND INDUSTRY
LABOR COMMISSIONER (101-3900)
BUDGET PAGE B&I – 214

Chairwoman McClain recognized Michael Tanchek, the Labor Commissioner, and noted the only budget issue was a proposed purchase of ten copies of antivirus software, when only five were needed. She also suggested that performance indicators be presented in numbers rather than in percentages.

Mr. Tanchek said the budget submitted was designed to maintain the status quo in his office. The Office of the Labor Commissioner had 20 staff in total. Nine of the staff were investigators, and seven were support staff who worked with the investigators. The Office was charged with enforcing the Nevada labor laws that were not delegated specifically to another agency, such as the Department of Employment, Training and Rehabilitation or the Nevada Equal Rights Commission (NERC). Some matters were more appropriately handled directly through the court system. One of the Office's most common tasks was the collection of unpaid wages. In calendar year 2006, Labor Commission investigators handled over 2,600 cases of unpaid wages and recovered approximately \$1.5 million for the aggrieved workers. Additionally, Mr. Tanchek was responsible for determining the prevailing wages to be paid on all public works projects, as well as ensuring that the wages were paid and the prevailing wage laws were enforced. The Office also licensed employment agencies, which were diminishing in numbers because of the rise in online job posting entities such as monster.com. The Office also administered apprenticeship programs through the State Apprenticeship Council. Currently, there were over 200 registered programs with over 9,500 apprentices in Nevada.

Senator Beers noted the Equal Employment Opportunities Commission (EEOC) opened an office in Las Vegas and asked whether that had an impact on the Office.

Mr. Tanchek said it had not had any impact and said he was unaware the EEOC had opened an office in Las Vegas. Generally, the Commissioner dealt with NERC and had very little contact with EEOC.

Chairwoman McClain closed the hearing on this budget account and opened the hearing on BA 1374, Employee Management Relations Board.

DEPARTMENT OF BUSINESS AND INDUSTRY
EMPLOYEE MANAGEMENT RELATIONS BOARD (101-1374)
BUDGET PAGE B&I – 220

Chairwoman McClain recognized Ms. Julie Contreras, Commissioner for the Employee-Management Relations Board (EMRB).

Ms. Contreras introduced herself and explained that this board dealt with local government employers throughout Nevada and also the local government employees who were represented through collective bargaining. The EMRB consisted of three Governor-appointed Board members and were charged with rendering timely, fair, and impartial decisions about labor disputes. This was

the smallest agency within DBI having two full-time employees and the three-member Board that heard the prohibited labor practice disputes.

Ms. Contreras said that within the budget request, current funding levels were maintained for the two full-time positions, with two enhancements. The first enhancement, E275, was a request to purchase a laptop computer. The EMRB office was in Las Vegas; however, the Board traveled throughout the State to conduct hearings. Most of the hearings occurred in Reno and Las Vegas, but occasionally took place in other areas such as Pershing County. The laptop was requested to enable Ms. Contreras to draft decisions and orders for the Board immediately so the decisions and orders could be signed and distributed to the concerned parties as soon as possible.

The second enhancement request, E325, was a request for In-State Travel for the Board members and for Ms. Contreras to conduct Board business.

Chairwoman McClain noted a significant increase in the travel budget. She asked how many trips were made annually.

Ms. Contreras said that two Board members currently were in Las Vegas, with a third in Gardnerville. When there were hearings in Las Vegas, the In-State Travel involved only one member. Conversely, when the hearings were in Reno, the In-State Travel involved two Board members and Ms. Contreras.

Chairwoman McClain said it appeared 36 trips would be made annually, but in FY 2006 there were only 17 trips taken.

Ms. Contreras said that in FY 2006, she mediated a number of cases that settled before hearings were needed. At this point in FY 2007, however, 15 meetings had already been held, with another 12 to 13 anticipated before the end of June, for a total of 27 or 28.

Chairwoman McClain asked whether it was difficult to project how many meetings EMRB would have in a year.

Ms. Contreras said the number of meetings was unpredictable because the Board had no way of knowing how many prohibited practice complaints would be filed in a year. Currently, there were only 16 cases filed through this fiscal year. In the previous year, there were 44 cases filed.

Chairwoman McClain disclosed that she worked for a local government agency and was a member of the Service Employees International Union.

Senator Beers noted that the Board was receiving three and a half complaints per month and was approaching \$250,000 in General Fund expenditures. He asked whether other states had these types of disputes settled by regular courts.

Ms. Contreras said that Michigan used a "full judicial panel" that heard these cases with 12 attorneys on staff. In contrast, EMRB staff consisted of herself and a secretary, who supported the part-time, three-member Board. She noted they had no investigative powers, which required the concerned parties in the disputes to do the "leg work" and hire their own attorneys.

Senator Beers asked whether the laptop requested could replace one of the two desktop computers the agency already had.

Ms. Contreras said that it could.

Senator Beers noted there were two copies of Microsoft Office XP in E715. He asked whether the two computers purchased during the current biennium already had this software.

Ms. Contreras said that request could probably be removed from the budget.

Senator Beers asked Committee Staff whether that was something that could be handled when the budget was closed.

Staff indicated that it could be removed at that time.

Chairwoman McClain closed the hearing on this budget account.

DEPARTMENT OF BUSINESS AND INDUSTRY
FINANCIAL INSTITUTIONS (101-3835)
BUDGET PAGE B&I – 114
DIVISION OF MORTGAGE LENDING (101-3910)
BUDGET PAGE B&I – 151
MORTGAGE LENDING RECOVERY (101-3912)
BUDGET PAGE B&I – 161
MORTGAGE LENDING EDUCATION & RESEARCH (101-3913)
BUDGET PAGE B&I – 163

After a brief recess, Chairwoman McClain opened discussion on BA 3910, Division of Mortgage Lending, by noting there were issues regarding the reserve in the account. For example, in BA 3910, she said there were projected new revenues of \$3.7 million, but that revenues were overstated by \$2.2 million. Chairwoman McClain calculated that if revised revenues were used to determine the budget amounts, the reserve would not last through the biennium. In other words, the Division was spending more than it was taking in. She asked whether that revenues were overstated in E325.

Mr. Scott Bice, Commissioner, Mortgage Lending Division, introduced himself and agreed that the revenues were overstated.

Chairwoman McClain noted that the budget would be adjusted accordingly. She then asked Mr. Bice for a good starting point to make the necessary adjustments, highlighting the 28 new positions requested.

Mr. Bice said the first thing that could be addressed was in BA 3912, Mortgage Lending Recovery. This was funded by \$500,000 of reserve money because of two things: first, the time constraints associated with the budget process, and second, the Governor's stance of "no new fees." Therefore, BA 3912 would be eliminated because BA 3913, Mortgage Lending Education & Research, called for new fees. As a result, BA 3912 would not be sustainable without the fee revenue coming into BA 3913.

Chairwoman McClain asked whether BA 3912 could be removed from the budget.

Mr. Bice replied that it could be removed.

Chairwoman McClain asked what should be done with BA 3913.

Senator Beers asked for clarification on whether both budget accounts were to be removed.

Mr. Bice said that only BA 3912 would be removed but that BA 3913 would remain because it was funded by current licensee fees.

Senator Beers noted that BA 3913 was going to need to be amended because the new fees no longer applied.

Mr. Bice verified Senator Beers' comment.

Senator Beers then asked whether Mr. Bice had this particular budget amendment with him.

Mr. Bice said he did not have the budget amendment with him.

Senator Beers asked when Mr. Bice thought a budget amendment would be submitted to the Subcommittee.

Ms. Kolbe from the Budget Division said the amendment was completed the previous evening and was now on Andrew Clinger's [Director of Budget Division] desk.

Chairwoman McClain asked Ms. Kolbe how many budget amendments were on Director Clinger's desk.

Ms. Kolbe said she did not have that information.

Chairwoman McClain noted that the Legislature did not have much time to deal with issues like this. She said the Subcommittee was going to get the work done whether it had the necessary information or not. Ms. McClain told the Budget Division to get the job done and suggested that any agencies who wanted to amend their budgets should work overtime, if necessary, to complete the amendments.

Senator Coffin addressed Mr. Bice regarding a conversation the two had about the needs of the Mortgage Lending Division in light of problems that had occurred in Nevada because of "the AmeriQuest debacle," which happened 14 months ago. At that time, Senator Coffin requested a BDR to address the situation. He asked whether Mr. Bice had placed in the budget any of the needs that had been discussed in that conversation, especially additional personnel.

Mr. Bice said the budget was built around those needs, but referred to the adjustments that were going to be made because of the overstated revenue. The budget request included 28 additional positions to perform the examinations and investigations that would allow the Division to fulfill its statutory requirements of annual examinations. Those positions were to be hired at intervals starting in January 2008 to allow for any contraction in mortgage lending.

Senator Coffin asked how many of those positions actually made it through the budget process into The Executive Budget.

Mr. Bice mentioned that all the positions originally built in made it through the process; however, he reiterated that Chairwoman McClain had pointed out that revenues were overstated, and the Division needed to find the money to fund those positions.

Senator Coffin stated that funding was implicitly provided for in any bill that added positions. However, he wanted to know whether his BDR was still needed, referring to additional authority discussed during the conversation between Senator Coffin and Mr. Bice, and noted that such authority would have to come through legislation. He then asked whether the authority was coming in the form of an administration bill or whether the agency was relying on Senator Coffin's BDR.

Mr. Bice explained that some of the issues in Senator Coffin's BDR involved consumer protection, which the agency's BDR did not contain.

Senator Coffin said he would proceed with his BDR and wanted to speak with Mr. Bice later in the day so that the BDR could be advanced in the process.

Chairwoman McClain reiterated that BA 3912, Mortgage Lending Recovery, would be eliminated, but said there were other issues to discuss regarding BA 3913, Mortgage Lending Education & Research. She thought the budget account might not be needed. She asked whether there were other organizations that performed similar functions.

Mr. Bice said there were seven organizations that could approve continuing education classes. He said the Division was attempting to consolidate the responsibility for training class approval within the Division to provide consistency. With seven different entities approving training classes, there were potentially seven different sets of guidelines. Mr. Bice said it was common for one group to approve a class, while another group would reject it.

Chairwoman McClain wondered why two people were required to perform these tasks. She asked whether that was something that could be handled by the Division within current budget limitations.

Mr. Bice said that in the agency's BDR, it was requested to increase the upfront education hours and amount of testing before a mortgage lending license was issued, rather than just providing for continuing education. Not only were there hundreds of courses currently available, he anticipated there would be many other courses available in the future to fit the proposed licensing requirements.

Senator Beers asked what problem the proposed licensing requirements addressed.

Mr. Bice said that the requirements assured that individuals working in the mortgage industry were properly educated, as opposed to the current requirements which involved no more than paying a fee, getting licensed, and then receiving 10 hours of education after having worked as an agent. He said, based on complaints received and exams administered by the agency, the 11,500 agents currently working in the industry were not properly educated.

Senator Beers noted he had not received one complaint regarding the lack of education required of the mortgage lending industry. Because of the significant overstatement of the Division's revenue, Senator Beers said the Subcommittee would have to reduce the budget somewhere.

Mr. Bice said the most critical need the Division had was for examination and investigation staff.

Because the revenues were so overstated, Chairwoman McClain said she hoped no further changes to the fee structure would be proposed by the Division.

Mr. Bice said the BDR submitted allowed for a lowering of fees, but did not allow for fees to be increased.

Chairwoman McClain asked whether the current authority held by the Division only allowed for fees to be lowered.

Mr. Bice said the current statutes specified what the fees were, but the Division's proposed legislation would allow the Division to set the fees at any level up to those amounts.

Chairwoman McClain asked what the current statute said regarding the fees charged by the Division.

Mr. Bice said the current statute stated that it cost \$1,500 to file an original application for a mortgage broker's license, \$1,000 to be licensed initially, and \$500 annually to have the license renewed [NRS 645B.050].

Chairwoman McClain asked whether the Division currently had the authority to charge less.

Mr. Bice said the Statute currently did not allow the Division to charge less than those amounts, but that the BDR submitted would allow the lowering of those fees to prevent the buildup of excessive reserves.

Chairwoman McClain thought that fees were reduced in the last biennium.

Mr. Bice stated that in the last biennium, the Division of Mortgage Lending had no legislation passed that allowed for the reduction of fees.

Chairwoman McClain noted that in FY 2006 the Division reduced its agent renewal fee from \$170 to \$100.

Mr. Bice clarified that the only fee which the Division could statutorily lower was the agent renewal fee [NRS 645B.430].

Chairwoman McClain noted that Mr. Bice had agreed that revenues had been overstated and asked whether the Division planned on raising the agent renewal fee to compensate for reduced revenue.

Mr. Bice said, "That's the only fee we can change." The only other sources of increased revenue were through more examinations or increased investigative time.

Chairwoman McClain asked whether raising the agent renewal fee had been discussed.

Mr. Bice said it had not been discussed.

Chairwoman McClain asked how much Mr. Bice thought it would have to be raised if that option was explored.

Mr. Bice said if the agent renewal fee was raised to the maximum of \$170, it would generate just over \$1 million in additional revenue.

Chairwoman McClain said the Subcommittee preferred that the Division not raise the fee, but rather operate within its budget.

Senator Beers noted that it appeared to him that the Subcommittee needed to make cuts from the budget as submitted. He asked whether the forthcoming budget amendment contained adjusted revenues. The Senator then noted that Mr. Bice would probably have to submit a list of prioritized positions.

Ms. Kolbe stated that the budget amendment did not reduce the projected revenues and that additional information was needed from the Division and the Department of Business and Industry (DBI) in order to proceed.

Senator Beers asked Ms. Kolbe whether work on the Division's budget should be suspended, noting it was a significant reduction in revenue and that expenses would have to be correspondingly reduced.

Ms. Kolbe said the Budget Division would wait to receive more information from the Division of Mortgage Lending to make appropriate adjustments. She said she would work closely with Mortgage Lending on this issue and also with Subcommittee staff.

Senator Beers invited Ms. Mendy K. Elliott, the DBI Director, to the stand to commit to a date that the needed information would be provided.

Ms. Elliott said that DBI was meeting with the Budget Division that afternoon to review all the issues that had come up not only with the Mortgage Lending Division, but also with other DBI agencies as well. She said DBI intended to forward the requested clarification that afternoon, but was unsure how much time the Budget Division would need to review the information.

Chairwoman McClain suggested the positions requested be discussed further between DBI and the Budget Division because temporary staff was left in the budget, yet three or four positions were still requested to replace the temporary staff. She also suggested the other requested positions be discussed to determine those with the highest priority.

Senator Coffin asked that Ms. Elliott and Mr. Bice meet with him after the meeting regarding Senator Coffin's BDR that was mentioned earlier. He said the bill would have included adding personnel, but did not recall whether it addressed increasing fees. He noted that much had transpired since he requested the BDR 14 months prior. Senator Coffin was unaware of the Governor's stance on fee increases, but said he had reacted after thousands of Nevadans got "ripped off" by AmeriQuest for millions of dollars. Senator Coffin supported higher fees the Division needed to fund additional personnel to prevent such scams from happening again, and he wanted to know what the Governor's official position was going to be about raising those fees. He noted that a General Fund appropriation only lasted for two years. If in fact more fee revenues were needed, Senator Coffin said the Division should strive to secure those revenues and abandon previous efforts to lower fees; otherwise,

consumers could be at risk. He noted that a choice was going to have to be made between lower fees and the interests of consumers.

Ms. Elliott said she would meet with Senator Coffin after the meeting.

Chairwoman McClain said that no one was disputing Senator Coffin's stance. However, the Subcommittee needed to create a "reasonable budget" and that some of the positions were going to have to be cut. For example, there were three existing compliance audit investigator positions that resolved 76 percent of the existing complaints, yet the Division was requesting three more of those positions. At that rate, she contended the Division would be able to resolve far more complaints than they received.

Senator Coffin said the statistics could not be relied upon. He noted that one complaint might be against a billion-dollar company, which would require a large-scale investigation; whereas, there might also be a complaint against a mortgage broker for mishandling a deed. He thought the scale may not be revealed in the numbers. He mentioned that he wanted the Division to help the Subcommittee understand the magnitude of the problems being investigated.

Chairwoman McClain understood his argument.

Mr. Bice said that in calendar year 2005, there were 580 complaints filed. In 2006, complaints jumped to 848. He attributed the increase in complaints resolved to a reallocation of staff to handle those complaints.

Senator Beers noted that he did not know if any analysis had been performed to determine what the Division of Mortgage Lending's high profile failures were. He was not sure whether it was due to inadequate staffing or whether the Director did not appropriately allocate personnel to handle the most important issues first. He thought it premature to jump to conclusions. In the interest of time, he asked whether Subcommittee staff could attend the meeting with the Budget Division that afternoon.

Ms. Elliott agreed. She then apologized for the lack of coordination between DBI agencies. She assured the Subcommittee that the problems with the DBI agencies' budgets that had occurred would not happen in the next biennium.

Chairwoman McClain thanked Ms. Elliott for her apology and noted it was on the record. She then noted that the reserves of the Division of Financial Institutions were similarly declining and said DBI needed to address that issue as well. She noted that staffing needed to be addressed, along with revenues, and any additional office space needed for the new positions.

Mr. Bice noted the costs for moving expenses and new space was associated with the new positions.

Chairwoman McClain thought the additional space would not be needed then.

Mr. Bice clarified that what was asked for in the budget request was needed for the proposed new staff.

Chairwoman McClain asked where the temporary employees were and where they were going to move to.

Mr. Bice said temporary staff was working in the Division's existing space.

Chairwoman McClain asked whether the temporary staff would still be needed if permanent positions were approved.

Mr. Bice said the additional space was needed for the additional examiner and investigator positions. These positions were not in the field all the time. They performed report writing and other functions that required the use of office space.

Chairwoman McClain suggested a review of needed office space be included with the forthcoming budget amendment.

Chairwoman McClain then invited Ms. Laurie Flynn to return and address the Subcommittee regarding the computer software discussed at the beginning of the hearing.

Senator Beers added an observation directed to Ms. Elliott that BA 3835, Financial Institutions, contained an issue regarding a significant decline in the reserve.

Mr. Steven Kondrup, Acting Commissioner for the Financial Institutions Division, explained that the reason for the declining reserve was that the database system was to be paid for from the reserve and there was no provision to replace those funds. He claimed that depository assessments were understated by approximately \$400,000 per year, which would make up for the decline in the reserve.

Chairwoman McClain noted that the assessment fee revenue was understated, thereby reducing the ending reserve balance.

Mr. Kondrup said the depository assessments should have been listed as \$2.2 million instead of the \$1.7 million contained in the budget.

Chairwoman McClain said that was what the Subcommittee needed to know.

Mr. Kondrup added further that the reserve would accordingly increase to a more appropriate level.

Senator Beers said the revenue adjustment should be included in the forthcoming budget amendment.

Chairwoman McClain then resumed the discussion with Ms. Flynn regarding the database package discussed earlier by asking who authorized the pursuit of the aforementioned "Good of the State" (GOS) contract. She also wondered whether the vendors selected for the list Ms. Flynn had referred to were required to go through a process similar to RFP process.

Ms. Flynn explained that the GOS contract was recommended through DoIT contracts and also through the Purchasing Division. There were several agencies not associated with DBI that were interested in getting similar systems that facilitated the application for and issuance of licenses. Rather than go through various independent, time-consuming RFPs, it was decided that one RFP process to create the GOS contract was better because it would qualify many vendors that offered these types of systems. Ms. Flynn pointed out that these vendors had already worked for the state of Nevada and various other states.

Chairwoman McClain asked Ms. Flynn to verify that the vendors went through an RFP process to be placed on the list.

Ms. Flynn verified that vendors placed on the list went through an RFP process.

Senator Beers asked whether this list was already created.

Ms. Flynn said the process would be completed in April or May 2007.

Senator Beers asked when the list of approved vendors would be published.

Ms. Flynn said the list would be compiled when the RFP process was complete. That would allow agencies to see what types of systems the vendors could provide and select a vendor off of the list without going through an additional RFP process.

Chairwoman McClain asked how much work would be saved by the Purchasing Division because of the GOS contracts.

Ms. Flynn said the GOS contract had already been used and proven in the case of imaging systems. There were several vendors already approved to provide imaging systems, one of which was High Desert Imaging. The GOS process allowed agencies to compare vendors to see which vendors met their needs and then to move right into contract negotiations.

Senator Beers asked whether this was done without an RFP.

Ms. Flynn clarified that the RFP process was completed ahead of time and that the vendors would already be approved by the State.

Senator Beers said he understood GOS contracts would work in the case of computer hardware, but thought that bypassing the RFP process for specific computer projects could lead vendors to abuse the contracting process.

Ms. Flynn said that the GOS contract was valid for four years. She thought it was prudent for agencies choosing from the pre-approved list to identify vendors who fit their specific needs and to make sure the projects could be completed within their respective budgets. She said, however, that if the list did not contain a vendor that would fit a particular agency's needs, that agency could still go through the traditional RFP process. Part of the RFP process involved negotiating hourly rates. Because of the GOS contract, vendors would have the same hourly rate for four years, which, Ms. Flynn contended, would save the State money.

Senator Beers felt that four years was too long when contracting for computer technology. He stated that prices for computer technology had dropped by at least 20 percent per biennium since he had been a legislator. Senator Beers questioned why a four-year price schedule in technological areas was advantageous.

Ms. Flynn said that in this instance, the negotiation of hourly rates was a key factor for consideration, especially when there were implementation costs that involved hourly charges. In a four-year time period, hourly rates could rise significantly; moreover, Ms. Flynn claimed that the cost of components would

rise as well. These costs typically rose at a rate of five to seven percent annually.

Senator Beers asked why the Subcommittee was first hearing about this type of process from DBI rather than the Purchasing Division, the Department of Administration, or DoIT.

Ms. Flynn said it was not within her purview to respond.

Senator Beers said the Subcommittee had been introduced to other technology projects at other agencies in the current session, and DBI was the only department or agency making such a GOS contract proposal. He then asked Ms. Flynn whether this enterprise solution would only be available to DBI agencies.

Ms. Flynn said the Board of Pharmacy and Health and Human Services were also involved in the process. She also thought the Department of Public Safety might be looking at a similar system as well.

Chairwoman McClain asked her to clarify that these other agencies were anticipating having this particular type of vendor list.

Ms. Flynn verified that it was the vendor list she was referring to and said she believed in the process and that this type of arrangement was a good idea.

Senator Beers said the real problem was that each state agency wanted to create a new computer system from scratch. He said it was not possible to capture a comprehensive list of government software vendors in such a process. Senator Beers contended that many states had already created the kinds of systems DBI needed, such as an industrial insurance tracking system. He asked why the state of Nevada would want to write new software.

Ms. Flynn said she was not recommending that a new system be written. She was recommending that a system which was already in place in many states, including Nevada, be used. Several vendors that were already doing business with the state of Nevada would be on the list.

Senator Beers asked whether these vendors already had put in place an industrial insurance tracking system in other states.

Ms. Flynn said an insurance tracking system was being used in other states.

Senator Beers asked for an example of the vendors that would be on the vendor list, such as IBM.

Ms. Flynn clarified what she meant by a commercial-off-the-shelf (COTS) solution versus a custom-built system. Either solution needed detailed requirements from the agency. A custom-built system was designed for an agency to address its specific needs. These types of systems were built from scratch. She said that development tools such as .net or Oracle were used in such instances. The COTS solution had a base system that had core business functionality already built in. An agency with a COTS solution at times needed to make some configurations or modifications, with perhaps some small customizations to meet agency needs; however, the base system was written ahead of time. Although IBM was not one of the vendors in question, Ms. Flynn mentioned Versa, CAVU, GL Suites, and CSDC. She claimed there were five to

seven vendors offering this type of COTS solution to state agencies. She said those companies already did business with Oregon, Virginia, North Carolina, and Florida, and those systems were of varying sizes.

Senator Beers asked for clarification on how the systems varied.

Ms. Flynn said the system sizes and types of agencies in question were different. These vendors also provided systems to equivalent agencies such as mortgage lending, financial institutions, and industrial relations.

Ms. Flynn then addressed the issue of commonality between agencies. She said the basic functionality needed among the divisions included: granting licenses; managing cases; receiving and processing applications; performing exams, inspections, and investigations; giving certifications; enforcing laws and regulations; collecting fines; issuing citations; collecting payments and fees; and reporting on all of these activities.

Senator Beers said this would not help the Department of Corrections (DOC), the Highway Patrol, or Department of Motor Vehicles. He still was unconvinced this was a good process because of how rapidly technology changed. The system recently completed for DOC performed well but had not been available four years ago.

Ms. Flynn said the list would be created now, allowing DBI to take advantage of the situation to meet their current needs. She claimed that in four years, if another state agency was ready to change systems, it could look at the vendors on the list and then try to negotiate a reasonable price. Ms. Flynn thought it prudent for any agency considering systems such as these to determine whether it would be getting the most appropriate price, whether the system would meet its needs, or whether technology had changed significantly. No agency would be forced to select a vendor from the list. A GOS contract would simplify the process if the agency chose to work with an approved vendor and allowed for negotiating power to reduce fees and costs, according to Ms. Flynn.

Ms. Flynn reiterated that the primary advantage to the GOS contract was that hourly fees would be constant for the four-year contract period. Certain functionality, or the requirement to hold a certain system "in escrow," or guidelines that typical technological projects needed were also considerations that the GOS contract would delineate. With custom projects, every part of the system needed to be built. With COTS solutions, agencies analyzed how the existing system would match their particular needs. At that point, business decisions needed to be made regarding the changing of processes to more appropriately match the system. Additionally, different configurations needed to be made. For example, if a field in the COTS base system was labeled as certification, but the agency needed it to be registration, then a minor system change could be made without the need for new coding or programming.

Ms. Flynn then explained that any customization to meet agencies' needs which involved new coding or programming would be performed by the vendor. This was the exception and not the rule, but that it was typical of any COTS solution.

Ms. Flynn noted that these COTS solutions also contained base reporting functions. However, it had been discovered that these systems needed information or changes unique to Nevada or to the agency to make the reporting

more useful. She said that if a standard tool such as Crystal Reports were used, the agency would be able to make those changes rather than involving the vendor. DoIT also had the capacity to make necessary changes that were more comprehensive. The vendor only needed to make changes that were beyond DoIT's capacity.

Ms. Flynn said these were the fundamental differences between a custom-built system, which used programming tools, and a COTS system. With a COTS system, there was no programming involved: the vendor delivered a base system, and the agency determined how the system matched its needs.

Senator Beers asked why a vendor list would be restricted to the four-year GOS contract. For example, he asked how a new market entrant might be found if new proposals were not solicited.

Ms. Flynn said this vendor list did not preclude the need for research on what is available. The GOS process was not intended to allow agencies to forgo the necessary "homework" when selecting a vendor, from not only a technological standpoint, but also from a fiscal standpoint. This was not intended to allow agencies to simply select a vendor from the list because it was easy to do.

Senator Beers asked whether this GOS list had been advertised and proposals were being collected currently.

Ms. Flynn said the proposals had already been collected and were being evaluated.

Senator Beers asked who was evaluating the proposals.

Ms. Flynn said there was an evaluation team coordinated by DoIT Contract Administration.

Senator Beers asked whether Ms. Flynn had initiated this project or whether she had inherited it as part of her position.

Ms. Flynn said when she began working for DBI, that DBI was one of several agencies interested in doing an RFP for this type of system. Because several agencies were seeking similar systems, DoIT Contract Administration and the Purchasing Division recommended a GOS contract. Ms. Flynn admitted being initially skeptical, but because she had been part of the development of the GOS contract, she thought use of the GOS contract would simplify the procurement process. According to Ms. Flynn, the GOS contract would help other agencies by allowing them to implement systems more quickly than the traditional RFP process. She again asserted that completing a system within a biennium after going through the RFP process was difficult.

Dr. Hardy said he was concerned that technology vendors did not stay in business long enough to provide the kind of long-term service needed with systems such as these. He asked whether that had been considered during the development of the GOS contract.

Ms. Flynn said business viability was considered and the GOS contract would require the vendor would to make its code or system available, in the event the vendor went out of business, so that the State could take over the servicing of the system. She said steps were also taken to assure that the vendors selected were financially stable. Additionally, the technologies used to create the

systems were also taken into account to ensure the system could be supported independently of the vendor.

Dr. Hardy asked whether the systems could be supported in-house with the State's current resources.

Ms. Flynn said that with DoIT support, these systems could be supported.

Senator Beers asked Ms. Flynn how TIRs were prioritized. He said that, historically, the Legislature had received more TIRs than were approved and implemented.

Ms. Flynn asked for clarification.

Senator Beers noted that DBI was not the only department that had technological needs. For example, the Department of Education and Highway Patrol had needs as well. He said there was a process to prioritize the various agencies' needs which involved the Budget Division and DoIT.

Ms. Flynn said she was unsure about the process statewide, but said that DBI considered audit issues, current performance, and additional needs.

Senator Beers asked her whether the four TIRs from DBI were already approved when she began working with DBI.

Ms. Flynn said they were not.

Senator Beers asked whether the TIRs had been prepared when she started.

Ms. Flynn said they were not.

Senator Beers asked her when she started in her job.

Ms. Flynn said she started work May 1, 2006, and explained that some of the work on the TIRs had been completed for some of the agencies, including the Division of Mortgage Lending (DML). By the time she began her employment, negotiations with a particular vendor had already begun. When it was realized that working with that vendor was no longer an option, new TIRs for DML and Financial Institutions were submitted.

Senator Beers asked how the costs in the cost comparison on page 11 of the handout ([Exhibit C](#)) were generated.

Ms. Flynn said she evaluated the individual costs of each database system requested by the agencies based on the quotes she had received. Her cost estimates were mid-range estimates, reflecting what average systems would cost. In doing this cost evaluation, she considered the base requirements the vendor provided.

Senator Beers asked her to clarify "the vendor."

Ms. Flynn corrected her statement to be "a vendor." She considered what the typical hardware and software requirements were.

Senator Beers asked whether she was working together with a vendor to develop an RFP.

Ms. Flynn said, "In this case, no." When she started in May of 2006, the agencies were already working with a particular vendor.

Senator Beers asked whether, coincidentally, all the agencies involved coincidentally selected the same vendor.

Ms. Flynn said the system the agencies were dealing with had already been implemented in one of the DBI agencies.

Senator Beers asked which system had been implemented.

Ms. Flynn explained that this database system was the one used for her mid-range cost comparison.

Senator Beers asked her to verify this was a system within the State currently.

Ms. Flynn said the existing system was within the Real Estate Division (RED). This was, however, the first request for this type of system for Financial Institutions and the second for DML, because the first approved request for DML could not be implemented within the needed timeframe.

Senator Beers asked whether Ms. Flynn had "the metrics" for the system that RED used.

Ms. Flynn said she did not have that information.

Senator Beers asked her to provide it.

Ms. Flynn said she would.

Senator Beers asked her to continue on regarding the vendor she was working with.

Ms. Flynn noted that the Division of Industrial Relations (DIR) was making its first budget request for a database system. She then researched the selected vendor, along with others, noting that the vendor whose cost figures she used had mid-range pricing. She used that vendor's base pricing and also its hardware and software requirements to arrive at the pricing for the individual systems that had been requested by each agency. She also determined what the future maintenance and DoIT Services costs would be. With all this, she assembled the total estimated cost.

Ms. Flynn explained that when she realized how much each separate system was going to cost and also noted the commonality between the agencies' needs, she determined that an enterprise solution would be more prudent.

Senator Beers asked the name of the vendor.

Ms. Flynn said the vendor was CAVU [Clear Altitude Vision Unlimited]. The large costs for the individual systems and also for the enterprise system were compiled. She noted that the enterprise system would require bigger servers, but would require less hardware overall. The cost for the enterprise package was significantly less than purchasing four individual systems. This package would also have lower maintenance and licensing fees as well.

Senator Beers said, "So the real estate vendor showed you how by directing all our business to them, they could save you money."

Ms. Flynn said that the intention with RED's implementation was to ultimately build an enterprise system. However, some of the assumptions made at that time did not come to fruition. For example, for every agency added to the system, the vendor promised a \$200,000 reduction in fees. The prices provided in the cost comparison included that discount.

Senator Beers noted that the current proposal would constitute the second through the fifth DBI projects CAVU would be undertaking.

Ms. Flynn stated that each agency would get a \$200,000 reduction. When considering the original system cost, each agency would have had to pay approximately \$1 million.

Senator Beers noted that four agencies saving \$200,000 each would amount to \$800,000, but that the total cost savings listed on page 11 of the handout was only \$656,594.

Ms. Flynn explained that the costs in the table reflected the \$200,000 discounts. Additionally, part of the original plan when RED implemented their system was to add agencies to the existing server; however, the vendor did not recommend doing this for performance reasons.

Chairwoman McClain asked whether this vendor had responded to the RFP for the GOS contract.

Ms. Flynn said the vendor had responded but added that the GOS process was not yet complete.

Chairwoman McClain noted that Senator Beers was not yet convinced and suggested that more detail on the cost savings and the need for the system be included in the forthcoming budget amendment. She also asked whether the new systems being considered would allow for credit card transactions and e-pay.

Ms. Flynn said that all of the systems considered allowed for credit card transactions and e-pay through the Internet. She further stated that DBI would have to work with the Treasurer to integrate the systems for this service because of financial reconciliation issues.

Chairwoman McClain thanked Ms. Flynn for her testimony.

Senator Beers noted that he might have to meet with the Director, Ms. Elliott.

Ms. Flynn said she was happy to meet with anyone to further discuss the enterprise solution.

Chairwoman McClain closed the hearing on Budget Accounts 3835, 3910, 3912, and 3913.

DEPARTMENT OF BUSINESS AND INDUSTRY
NEVADA ATTORNEY FOR INJURED WORKERS (101-1013)
BUDGET PAGE B&I – 196

Chairwoman McClain opened the hearing on BA 1013, Nevada Attorney for Injured Workers and recognized Ms. Nancyann Leeder, the Nevada Attorney for Injured Workers (NAIW).

Senator Beers asked how much NAIW's computer system cost.

Ms. Leeder said they had budgeted for \$305,000 in the 73rd Legislative Session, noting that most of the cost was for DoIT Services and not for the vendor.

Senator Beers asked whether the system was still being implemented.

Ms. Leeder said it was currently in the design phase of the project, which was very time consuming.

Senator Beers agreed that it was time consuming.

Ms. Leeder further explained that the vendor had spent significant amounts of time on the project because the vendor was not aware of the complexity needed in the system when the initial bid was placed. She gave the example of the system trying to create one-on-one relationships when it was not possible. The vendor was then customizing the system to take care of NAIW's needs. She thought these customizations would reduce hostility toward the new system.

Senator Beers noted that it probably would not reduce hostility.

Ms. Leeder explained that her staff had already been exposed to the new system and that staff was able to witness regular updates and administrative training. The administrative team was actively working with the vendor to make the necessary adjustments. She estimated that the project would be completed prior to the end of FY 2007. She mentioned that the budget NAIW received for the project was a two-year budget, that the project was begun immediately, and that the RFP process was not completed until September 2006, with the contract beginning in October. She also noted NAIW's new system was a COTS system.

Chairwoman McClain dispensed with an agency introduction and asked that Ms. Leeder begin discussing E275.

Ms. Leeder said E275 was for additional developer funds for the aforementioned case management system. These funds were needed because the customization, according to the vendor, cost more. The additional cost was for templates and reporting.

Chairwoman McClain asked whether the budget submittal requested system maintenance funds.

Ms. Leeder said there were maintenance funds requested and also noted that as part of the contract, a one-year warranty was negotiated. The warranty was mainly for technical support over the telephone.

Chairwoman McClain asked why the Attorney General Cost Allocation was projected to increase so dramatically.

Senator Beers then asked how many attorneys worked in NAIW.

Ms. Leeder said there were 14 attorneys working for NAIW, with approximately half of those having substantial private practice experience.

Chairwoman McClain inquired about the services provided to NAIW by the Attorney General's Office (AGO).

Ms. Leeder said that NAIW used about \$3,000 worth of Attorney General services per fiscal year. She said the AGO examined contracts for NAIW from the state's perspective; whereas, her attorneys looked at contracts from the agency's and also the clients' perspectives.

Chairwoman McClain explained the Subcommittee was having difficulty with every agencies' Attorney General Cost Allocations because they were significantly higher than previous sessions.

Senator Beers noted that the NAIW budget had more than a 100-fold increase in Attorney General costs. He asked why that might be.

Ms. Leeder did not know why that was so high. Her agency had asked the Budget Division why this was and were told that it was out of the agency's control.

Senator Beers asked whether there had been any substantial increase in NAIW's usage of the AGO.

Ms. Leeder said there had not been. She noted that NAIW would discuss issues with the AGO regarding personnel problems, for example, to verify that the law was still the same as when Ms. Leeder was practicing discrimination law and personnel law.

Chairwoman McClain asked about replacement office furniture, wondering where confidential files were currently stored.

Ms. Leeder said NAIW currently had many file cabinets. She claimed there was higher workload with each file because they had recently switched to a "private system" that generated more paperwork. She said that NAIW tried to get more file cabinets each legislative session to lock away files. She mentioned there were new hutches and cabinets in E720 to accommodate this need.

Chairwoman McClain asked whether NAIW had considered digitally imaging their paperwork to avoid needing so much paper.

Ms. Leeder said that NAIW's retention schedule required them to keep documents for seven years. She said that schedule would have to be changed. Additionally, she felt the agency needed the paper because of the convenience of examining documents and copying them. Ms. Leeder mentioned that in E710 a request for replacement scanners was made because the old scanners were very slow. The Supreme Court was converting to an e-filing system in the current month. The 8th Judicial District Court in Clark County already received e-filings, and Washoe County was currently converting as well. Therefore, more scanning was needed to assist with these e-filings. She acknowledged that

NAIW needed to eventually switch to an imaging system, but did not think the time had yet arrived.

Chairwoman McClain asked about the reclassification of a position that resulted in a much higher salary.

Ms. Leeder said that decision unit E805 was to reclassify a position into the administrative services officer series because that position had demands consistent with the higher class.

Chairwoman McClain asked whether State Personnel agreed with the change.

Ms. Leeder said that Personnel agreed with it because the job functions had been performed for some time. She then introduced Julie Wisbar, the Legal Office Manager, whose position was to be reclassified.

Chairwoman McClain closed the hearing on this budget account and adjourned the meeting at 10:51 AM.

RESPECTFULLY SUBMITTED:

Todd Myler
Committee Secretary

APPROVED BY:



Assemblywoman Kathy McClain, Chair

DATE: _____

Senator Bob Beers, Chair

DATE: _____

EXHIBITS			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government</u>			
Date: <u>March 1, 2007</u>		Time of Meeting: <u>8:00 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Laurie Flynn / Department of Business and Industry	Enterprise Solution packet