

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

**Seventy-fourth Session  
April 5, 2007**

The Joint Subcommittee on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order at 8:05 a.m. on Thursday, April 5, 2007. Chair Bob Beers presided in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

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

**ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:**

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

**STAFF MEMBERS PRESENT:**

Joi Davis, Policy Analyst  
Melinda Martini, Policy Analyst  
Larry L. Peri, Principal Deputy Fiscal Analyst  
Mark W. Stevens, Assembly Fiscal Analyst  
Cynthia Clampitt, Committee Secretary

**OTHERS PRESENT:**

The Honorable A. William Maupin, Chief Justice, Nevada Supreme Court  
Ron Titus, Administrator and Director of the Administrative Office of the Courts,  
Office of Court Administrator, Nevada Supreme Court  
Deanna Bjork, Manager of Budgets, Administrative Office of the Courts, Nevada  
Supreme Court  
Mary Keating, Administrator, Administrative Services Division, Department of  
Administration  
Keith Wells, Administrator, State Motor Pool Division, Department of  
Administration

**CHAIR BEERS:**

When we last met, the Committee requested a prioritization of the approximately \$14 million of enhancements requested within the Judicial Branch budgets. The response to that request was a prioritization list that was 54 percent not prioritized. Approximately 28 percent of requests were

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considered high priority, 8 percent were medium priority and 10 percent were low priority. The Committee is interested in a more bell-curve distribution of requests.

Will the Committee see reductions in enhancement units requested by Governor Jim Gibbons?

## LEGISLATIVE JUDICIAL

### JUDICIAL BRANCH

THE HONORABLE A. WILLIAM MAUPIN (Chief Justice, Nevada Supreme Court):  
With all respect, in the ten years I have been on the Nevada Supreme Court, this is the most substantive interaction in terms of exchanges of information, requests and compliances, I have experienced before such a hearing of any in which I have participated.

Supreme Court – Budget Page COURTS-1 (Volume I)  
Budget Account 101-1494

We have responded to the Governor's letter and provided copies to the members of this Committee. The letter indicates in the Supreme Court budget account (B/A) 101-1494, we have more than met the requests for reduction. Based upon the updated projections for administrative assessment (AA) revenue and removals of considerable portions of the enhanced budget, the budget has been completely reconfigured. The Judicial Branch has a unique ability, because of the administrative assessment provisions, to change its budget.

We felt the process would be quite helpful. The prioritizations are broken down further than has been requested during past Legislative Sessions. Our viewpoint of what items are deemed high, medium and low priority has everything to do with the fact these funding measures were designed to make the operation of the Nevada Supreme Court more efficient. Many of the requests concern moving the operation of the Nevada Supreme Court into the twenty-first century with e-filing and Web-based case management systems. We have received considerable new information recently. The amount of administrative assessment revenue is fluid as we speak. Clark County has provided certain information that would ultimately enable the Nevada Supreme Court to fund many of the technological requests.

Attachment A of our response previously provided to your staff, (Ms. Melinda Martini, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau [LCB]) indicates there are approximately \$2 million of onetime enhancements that would be amortized into the second year of the biennium allowing a chance to recover the costs through administrative assessments. There are also onetime recoveries of AAs that will enable the Nevada Supreme Court to pay for the onetime requests.

As a result of the interaction between the Nevada Supreme Court and the Legislature and its staff, we have arrived at significant flexibility and creative abilities to accomplish our goals for the people of this State. The methodology will minimize the impact on the General Fund.

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CHAIR BEERS:

Apparently the Chief Financial Officer of Clark County District Court has determined the Las Vegas Justice Court has made a bank error in favor of the State. There is \$1.5 million in revenue on hand, a portion of which will be revenue for the Nevada Supreme Court.

There is also outstanding AA revenue in fines and delinquencies totaling \$25 million. Is it likely 20 percent will be collected over the next biennium?

CHIEF JUSTICE MAUPIN:

That is correct. We have written confirmation from the Court Administrator of the Clark County District Court.

CHAIR BEERS:

Was that included in the 8-percent increase in the document sent to Subcommittee members?

CHIEF JUSTICE MAUPIN:

The 8-percent increase projections concern the projections using more recent information than in August 2006 when we supplied our budget requests. Only a small amount of the fiscal year (FY) 2006-2007 figures were available at that time.

CHAIR BEERS:

Did the 8-percent figure include the Las Vegas Justice Court revenues?

CHIEF JUSTICE MAUPIN:

As part of the projection, we would include as revenues the funding we are sure to receive in the next fiscal year.

RON TITUS (Administrator and Director of the Administrative Office of the Courts, Office of Court Administrator, Nevada Supreme Court):

There were two sets of revenue figures from the Las Vegas Justice Court. One amount concerns how they previously processed partial payments with their old case management system. Under that system, they placed partial payments into a trust account and did not distribute those payments until payment was received in full. That was not statutorily correct. They have since installed a new case management system and are distributing partial payments as they are received. The trust account of \$1.5 million will be distributed once an audit can be made of their accounting system.

Since October 2006, the Justice Court has distributed partial payments which are reflected in the value-per-assessment used in the 8-percent calculation.

CHAIR BEERS:

Is that an average number, or is it partially reflected because there have only been three months of AAs distributed under the new case management system?

MR. TITUS:

Our projections provided two different values per assessment to the Subcommittee. One was the \$43 value computed in our budget preparations during August 2006. The other, \$45.92 value was an average of the one dollar

per assessment fee collected over the most recent three months. The delinquent accounts were evaluated when the new case management system was installed. It identified approximately \$25 million in delinquent accounts that had not been collected. The court administrator is confident at least 20 percent will be collected. The Nevada Supreme Court receives approximately 40 percent of the Las Vegas Justice Court collections.

CHAIR BEERS:

Is this a new collection effort?

MR. TITUS:

The Las Vegas Justice Court has made significant changes in their collection efforts with the hiring of a new court administrator. Previous to the summer of 2006, someone who needed to make payment could not do so by credit card, telephone or the Internet. Payments were required to be made in person and individuals sometimes waited in line two or three hours. That has all changed. The previous practices had made it difficult for us to make a projection of the value-per-assessment.

CHAIR BEERS:

Is there the potential that other courts have similar circumstances concerning delinquent accounts?

MR. TITUS:

Every time any court has installed automated systems, the revenue collections have increased. The process includes sending out reminder letters within a day or two of the citations. The Las Vegas Justice Court is the largest court in the State. The next largest is the Las Vegas Municipal Court. I am unaware of any problems there. Other courts will eventually automate, but none will have an impact to compare with the Las Vegas Justice Court.

CHIEF JUSTICE MAUPIN:

For a number of years, there was a considerable administrative problem with the operation of the Las Vegas Justice Court. It was resolved when the Justice Court agreed to allow the Eighth District Court administration to manage the Justice Court. There has been considerable phased-in progress since that time. Our auditor is a new fixture in the Administrative Office of the Court (AOC). We have attempted to establish a plan as part of our current examination of the AOC itself. We plan to audit the major funding sources first but to further include rotational examinations.

CHAIR BEERS:

The current year-to-date assessments appear to be increasing by approximately 18 percent. That is close to the total percentage of change using your ultimate 8-percent growth for the number of assessments and the \$23.42 amount per assessment rate. Does the alternate plan sound reasonable for this budget?

MR. TITUS:

That is correct.

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CHIEF JUSTICE MAUPIN:

The Nevada Supreme Court has instructed the AOC to make conservative estimates. We are not trying to manipulate the allocation of General Funds. We are attempting to ensure the supplemental source of revenue for the courts is as accurate as possible. We want to avoid over projections and appearances before the Interim Finance Committee on an episodic basis to meet budgetary needs.

CHAIR BEERS:

The 8-percent AA figure incorporates your enhanced revenue on an ongoing basis from the Las Vegas Justice Court. However, the \$5 million, 20 percent of the \$25 million in new collectable receivables, is not included. Is this a onetime source of revenue or an ongoing enhancement?

MR. TITUS:

The \$1.5 million allocation from the trust fund is a onetime allocation which is not included in the projections. The impact it has on the cost-per-AA is included. The bad debt collection of \$5 million is onetime revenue, although bad debt collections will continue. We are unsure what the amount will be. The \$5 million should be considered onetime revenue spread over the biennium as it is collected.

CHAIR BEERS:

The \$1.5 million is not in the *Executive Budget*, but the impact of that amount on the revenue averages going forward is included.

MR. TITUS:

The \$1.5 million is expected to be received in the current fiscal year. That will result in a reversion. There is already a reversion of \$2.2 million in the Nevada Supreme Court budget.

CHAIR BEERS:

I will now close the hearing on B/A 101-1494 and open the hearing on B/A 101-1495.

Specialty Court – Budget Page COURTS-26 (Volume I)  
Budget Account 101-1495

Will most of the assessments also include a Specialty Court assessment?

MR. TITUS:

That is correct. We estimate approximately 96 percent of administrative assessments will include the Specialty Court assessment.

CHAIR BEERS:

Which assessments would not be included the added assessment?

MR. TITUS:

It is a factor of priorities. The first priority for collection is the general assessment which funds the Nevada Supreme Court and the AOC. A second priority is the local assessment of \$10 for facilities of the courts. The third is the Specialty Court administrative assessment (AA). As individuals make payments, they are applied in that order. We are accounting for a small

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percentage of individuals who will not pay or whose payments will not reach down to the third priority. Currently, the fourth priority is the fine that either comes to the General Fund or funds local general funds.

CHAIR BEERS:

Between those priorities and the bond forfeiture revenue projection, are we looking at \$715,000 in increased revenue in FY 2007-2008?

DEANNA BJORK (Manager of Budgets, Administrative Office of the Courts, Nevada Supreme Court):

The \$715,000 is revenue not currently recognized in the *Executive Budget* that will be brought forward from FY 2006-2007 to FY 2007-2008.

CHAIR BEERS:

I believe the Subcommittee will want to reduce the General Fund utilization for that amount going forward. The AOC requested the General Fund appropriation not be reduced.

Staff had suggestions on how to delete the General Fund allocations to the Specialty Court funding.

MARK W. STEVENS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

One decision for the Subcommittee will be a funding source for the Specialty Court if, in fact, additional funds are recommended. The Court has requested additional General Fund dollars for that purpose.

One option, if the Subcommittee wishes to keep the funding source in the realm of administrative assessments, would be to determine how much additional funds would be provided to the Specialty Court. A certain amount of funds are allocated to the Nevada Supreme Court from the regular administrative assessments in statute. That percentage could be adjusted, and administrative assessment funds could be allocated to the Specialty Court to increase its funding.

CHAIR BEERS:

Would we backfill any remaining shortage with General Fund in the primary Nevada Supreme Court budget?

MR. STEVENS:

That is correct. If the suggested option is utilized, the administrative assessments funds lost to the Nevada Supreme Court would be backfilled from the General Fund.

CHIEF JUSTICE MAUPIN:

That suggestion is interesting. If it can be done mechanically, it would be more consistent to follow that procedure with case law that governs the validity of administrative assessments. My main concern is crafting the Nevada Supreme Court operating budget. The operating budget is a mixed account. It has been our intent to submit a budget in which the AAs are supplemental and the General Fund appropriations are primary.

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CHAIR MCCLAIN:

I do not want to see the Specialty Courts shortchanged in any way. I also do not want to backfill the Specialty Courts with General Fund allocations. I support the suggestion. It would allow the Specialty Courts to continue through support from the AA fees as intended.

CHIEF JUSTICE MAUPIN:

Use of the AA funds for that purpose is an interesting concept. There is a companion measure that must be taken; otherwise, it would undermine the General Fund erosion from B/A 101-1494.

CHAIR BEERS:

Is a bill containing that provision currently in process?

CHIEF JUSTICE MAUPIN:

That is correct.

MR. TITUS:

The bill is currently in the Assembly Committee on Ways and Means. The intent was to use a part of the reversion for Specialty Courts.

CHAIR BEERS:

Is the bill exempt?

MR. STEVENS:

The bill, Assembly Bill (A.B) 166, is exempt. Part of the bill requests the Specialty Courts become a non-reverting account. Based on the presentation of the budget, it contains General Fund allocations and the \$7 AA for the Specialty Courts. The bill, if approved, would authorize the account to be non-reverting. If the option under discussion is approved by the Assembly Committee on Ways and Means and the Senate Committee on Finance, there would be no General Fund allocations to the Specialty Courts.

**ASSEMBLY BILL 166**: Makes various changes to provisions governing administrative assessments. (BDR 1-662)

MR. TITUS:

Perhaps the bill could be amended to allocate the funding to the Specialty Courts.

CHAIR BEERS:

It appears the AOC has requested the deletion of decision unit E-254 in B/A 101-1494 concerning the reorganization of the Office of the Clerk of the Supreme Court by adding two positions.

E-254 Working Environment and Wage – Page COURTS-5

CHIEF JUSTICE MAUPIN:

That is correct. In the last two years, as part of an ongoing study of the internal workings of the court, we determined some functions of the Court Clerk's office could be reallocated making it more efficient. That request can be deferred until the next Legislative Session. We are no longer requesting the legal counsel and

operations manager positions. The associated remodel costs are deleted also, totaling \$494,323.

CHAIR BEERS:

Have the base salaries been adjusted and recalculated? There have been changes in positions. Two District Court Judges are now serving on the Nevada Supreme Court. The new appointments will not be receiving longevity pay for a salary savings of \$298,068.

Ms. BJORK:

That is correct.

CHAIR BEERS:

Have the courts suggested the expansion of the longevity formula be deleted?

CHIEF JUSTICE MAUPIN:

That request was placed in the *Executive Budget* as an informational item from the Governor's Task Force on Compensation for Supreme Court Justices and District Court Judges. It is my understanding it was never a budget request. That item is not needed as part of the salary package.

CHAIR BEERS:

Have the augmented pay for the Chief District Court Judges and for the Chief Justice been withdrawn?

CHIEF JUSTICE MAUPIN:

That is correct.

CHAIR BEERS:

Has decision unit E-275 in B/A 101-1494, for the e-filing project, been increased through a budget amendment?

E-275 Maximize Internet and Technology – Page COURTS-7

Ms. BJORK:

A supplemental appropriation of \$60,000 had been requested to cover the cost associated with e-filing due to a salary increase. Due to an increase in the contract, we have requested the supplemental appropriation be decreased by \$60,000 and the e-filing decision unit be increased by that amount.

CHAIR BEERS:

Has another budget amendment been requested for increased costs associated with the Regional Justice Center in Clark County?

Ms. BJORK:

A letter was received from Clark County advising us our operating and maintenance costs for FY 2007-2008 would increase to more than what was contained in the original budget request. The requested increase would also be necessary in FY 2008-2009.

CHAIR BEERS:

How often is the rent increased?



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MR. TITUS:

It is my understanding the county can increase the rent annually. Theoretically, the increase is for maintenance and services. The rent amount is a fixed amount in the 20-year contract.

CHAIR BEERS:

This is like a care and maintenance charge?

MR. TITUS:

That is correct.

Ms. BJORK:

We pay a fixed percentage of the operating and maintenance costs. As those costs increase, our costs also increase.

CHAIR BEERS:

Was the county able to project for FY 2008-2009?

Ms. BJORK:

I made that projection.

CHAIR BEERS:

I would like the Nevada Supreme Court to reconsider its prioritization.

CHIEF JUSTICE MAUPIN:

We are more than willing to negotiate. Based upon our interaction with the Governor, he made requests to cut the budgets and we responded. We discussed the changes with Governor Gibbons on April 4, 2007. He tentatively believes we have met his expectations. On that basis, we believe our budget is reasonable under the circumstances for B/As 101-1494 and 101-1484.

Division of Planning & Analysis – Budget Page COURTS-48 (Volume I)  
Budget Account 101-1484

CHAIR BEERS:

We are considering all of your budgets as one unit at this time.

District Judges' Salary – Budget Page COURTS-17 (Volume I)  
Budget Account 101-1490

District Judge/Surviving Spouse Retirement – Budget Page COURTS-20  
(Volume I)  
Budget Account 101-1491

Senior Justice & Senior Judge Program – Budget Page COURTS-21 (Volume I)  
Budget Account 101-1496

Judicial Travel and Support – Budget Page COURTS-35 (Volume I)  
Budget Account 101-1493

Law Library – Budget Page COURTS-30 (Volume I)  
Budget Account 101-2889

CHIEF JUSTICE MAUPIN:

I understand. We cannot prioritize salaries for the District Court Judges' salaries through the Nevada Supreme Court operations budget. We cannot trade one dollar for another. The District Court Judges' salaries have nothing to do with the operation of the Nevada Supreme Court, nor do the salaries of the Nevada Supreme Court Justices. It would be unwise for us to do that. We understand the shortfall and the difficulties the Legislature is working under. We will do our best to work with the Subcommittee and its staff. We are willing to work toward a reasonable proposal that provides maximum benefit for the people of this State in terms of the delivery of the Nevada Supreme Court's dispute resolution services.

SENATOR COFFIN:

The Governor is an officer of the court, although he has not practiced in a long time. When you held discussions with him, did you feel he had a grasp of the same concept just outlined?

CHIEF JUSTICE MAUPIN:

I believe that is the case. We met for approximately 30 minutes with the Governor, his budget staff and his legal staff. We felt it was a productive discussion. We wanted to demonstrate our respectful attempt to meet his request.

SENATOR COFFIN:

With separate branches of government, I would like to know the Governor has an understanding of the posture of the Nevada Supreme Court.

CHIEF JUSTICE MAUPIN:

I cannot speak for Governor Gibbons. We did not discuss a high, medium and low prioritization. We discussed the conceptual problem of prioritization of Specialty Courts and Judicial salaries against the Nevada Supreme Court operating budget. Governor Gibbons seemed to grasp our position and agreed our branch of government should participate in the necessary budget reductions. We stressed the proposed reduction was far in excess of our share of the projected shortfall.

SENATOR COFFIN:

If one group is exempted from budget decreases, it falls more heavily to other groups. I would like to see such a proposal. I concur that Judicial salaries cannot be grouped with the Nevada Supreme Court operations.

CHIEF JUSTICE MAUPIN:

That is underscored by the fact we have no control over salary levels. That is a decision of the Legislature. A bill is pending containing a salary package. The Legislature will eventually approve a salary package that reflects what it thinks is fair compensation for the Judiciary, whether or not salary increases are included.

CHAIR BEERS:

I understand your position. It will fall on this Subcommittee to make those prioritizations.

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If the Subcommittee approves the alternative schedule for administrative assessments, the other budget accounts that are fully funded with AA revenue will also increase. Some of the budgets currently contain enhancements funded with General Fund increases. Others will be funded with administrative assessment revenues.

MR. TITUS:

The accounts fully funded by administrative assessments, such as the AOC, Judicial Education and the Uniform System of Judicial Records, contain no General Fund requests in their enhancement units.

Administrative Office of the Courts – Budget Page COURTS-42 (Volume I)  
Budget Account 101-1483

Uniform System of Judicial Records – Budget Page COURTS-58 (Volume I)  
Budget Account 101-1486

Judicial Education – Budget Page COURTS-66 (Volume I)  
Budget Account 101-1487

Those enhancement units are fully funded by administrative assessments. We have the authority to carryover reserves. We fund enhancements as revenues are received. It is the practice to carryover three or four months of reserve at the end of each fiscal year to allow time for disbursements to be received.

CHAIR BEERS:

If the Subcommittee considers all enhancement units and adds the low-priority decision units, there would be approximately \$2 million in reduced General Fund costs. Additionally, \$3.8 million in new administrative assessment revenue provides a budget of \$5.6 million. When the Governor asked the Judicial Branch for reductions totaling \$7.5 million, was his thinking that included the Judicial salaries that must be separated?

CHIEF JUSTICE MAUPIN:

I believe that was the tenor of his letter. He appeared to address a gross reduction figure in the budget. We indicated to him that whatever decision was made concerning salaries, it was less than the Governor's Task Force on Compensation for Supreme Court Justices and District Court Judges recommendation and a reduction in that account. The Governor was including the Specialty Courts in the \$7.5 million budget reduction request.

CHAIR McCLAIN:

Do you believe the operating budget of the Nevada Supreme Court has been reduced to the lowest possible amount?

CHIEF JUSTICE MAUPIN:

We believe we have met the expectations.

CHAIR McCLAIN:

Other issues are the Specialty Courts and District Judges' salaries?

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CHIEF JUSTICE MAUPIN:  
That is correct.

CHAIR MCCLAIN:  
If the Subcommittee accepts the recommendations for the Nevada Supreme Court operating budget, must it decide what to do concerning funding for the Specialty Courts and District Judges' salaries?

CHIEF JUSTICE MAUPIN:  
That is correct.

CHAIR MCCLAIN:  
I consider Specialty Courts a greater need than salaries. I do not understand how any entity could request a 30-percent salary increase when we are facing such a severe budget shortfall. State employees typically receive salary increases of 2 to 4 percent on an occasional basis.

CHIEF JUSTICE MAUPIN:  
I am not present to make a proposal for salaries. We respect your viewpoint. I expect a presentation on the salary bill in the coming week. The District Judges will be present and they are the primary stakeholders. They will come before the Senate Committee on Finance.

There is an inference I would like to address.

It appears the assumption is the Nevada Supreme Court, and I, are here to lobby for our pay raise. Members of the Nevada Supreme Court will show up and work, in the same way, regardless of whether the pay raise is approved and whether it happens or whether it doesn't happen. You pick the number and we will show up.

CHAIR MCCLAIN:  
I appreciate your comments and I believe you. I think District Court Judges feel the same way.

CHIEF JUSTICE MAUPIN:  
That is my understanding also.

There has been discussion concerning our interaction with Governor Gibbons, particularly in response to Senator Coffin's question. Whether there was a complete agreement on exact budget numbers, the Governor understood the position of the Nevada Supreme Court.

The substantive interaction between the branches of government has been appreciated. Since 1997, the Nevada Supreme Court has appeared before each Legislature with modest enhancement proposals. We have attempted to optimize our resources. It is circumstantial that these enhancement requests come at a time when the State has experienced a budget shortfall. This budget was constructed in August 2006. The seriousness of the shortfall was not realized until after November 2006. The Nevada Supreme Court is willing to work with all entities to address the best solutions.

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CHAIR BEERS:

I appreciate the time, effort and energy everyone is placing on these decisions. I will now close the hearing on the Judicial budgets and open the hearing on the Joint Subcommittee on General Government Closing List #2 ([Exhibit C](#)).

The first budget on which we will consider closing recommendations is the Judicial College and College of Juvenile and Family Justice, B/A 101-1302.

## FINANCE AND ADMINISTRATION

### ADMINISTRATION

Judicial Coll & Coll of Juvenile & Family Justice – Budget Page ADMIN-9  
(Volume I)  
Budget Account 101-1302

JOI DAVIS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

There are no closing issues in this budget and staff would recommend the budget be closed as recommended by the Governor.

ASSEMBLYMAN HOGAN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE B/A 101-1302 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

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CHAIR BEERS:

The next budget is Administrative Services, B/A 716-1371.

Administration - Administrative Services – Budget Page ADMIN-16 (Volume I)  
Budget Account 716-1371

Ms. DAVIS:

There is no General Fund allocation in B/A 716-1371. The account is recommended for closure as recommended by the Governor with technical adjustments that may be needed regarding cost allocations, revised computer prices and other needs.

ASSEMBLYWOMAN McCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE B/A 716-1371 AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS BY STAFF AS NECESSARY.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

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CHAIR BEERS:

The next budget to be considered is the Deferred Compensation Committee, B/A 101-1017.

Deferred Compensation Committee – Budget Page ADMIN-21 (Volume I)  
Budget Account 101-1017

MS. DAVIS:

This budget account has not previously contained allocations for positions. However, the *Executive Budget* recommends two positions; an executive officer and an executive assistant position to begin on January 1, 2008, in the unclassified service. Page 4 of the closing document, [Exhibit C](#), lists the costs for the two positions including operating, rent, travel, and equipment costs.

The members of the Deferred Compensation Committee appeared before the Subcommittee and indicated the types of duties expected from the executive officer and executive assistant. Those duties are listed on page 5 of [Exhibit C](#). In addition, the expectation is for the individuals to work with local governments to enhance, increase participation in the Deferred Compensation Plan and to conduct annual surveys of participants which are currently not being conducted. Also, they would review what other jurisdictions are doing, consider best practices and serve as the contact person for providers, vendors and participants.

Page 6 of [Exhibit C](#) states the Chair of the Deferred Compensation Committee performed a query through a national service and received 13 responses from states and local governments. Four states and one city have similar positions. Four states and one city do not. Two states and one county have some form of staff.

The Deferred Compensation Committee contracts with Segal Advisors for financial assistance, quarterly analysis and investment reports. Segal Advisors is also currently under contract to prepare a Request for Proposal (RFP) and conduct vendor searches.

At the bottom of page 6 of [Exhibit C](#), the two current providers are The Hartford and ING. Those vendors have staff dedicated to the Deferred Compensation Plan. The Committee testified and provided supplemental information following the Subcommittee hearing that they spend approximately 20 hours a week on deferred compensation activities. The 20 hours a week is the combination of time spent by the 5 members of the Deferred Compensation Committee.

Page 7 of [Exhibit C](#) lists options for the Subcommittee's consideration. The positions can be approved as outlined. Positions could be approved for a half-time management analyst and a half-time administrative assistant. Another consideration would be to consider a full-time management analyst position.

CHAIR MCCLAIN:

One option I had considered was to utilize our aging workforce by hiring two half-time positions.

CHAIR BEERS:

To the extent that option is considered, we would reduce the retirement plan for those individuals who would fill the half-time positions. Clearly, a number of states do not hire staff specifically for their plans. Are we imposing on two gracious volunteers to significant excess? Perhaps two fresh volunteers would step forward to alleviate the need to fund positions to achieve our goals.

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

I have served nine years on the Deferred Compensation Committee. I have watched this Plan grow from over \$100 million and approximately 6,000 participants to over \$400 million and the inclusion of 18 local governments. We have approximately 14,000 to 15,000 participants. It is a success story and we advocate the Deferred Compensation Plan for all government employees. At this point, we are convinced the Deferred Compensation Plan needs professional management. The Deferred Compensation Plan is expected to continue its growth.

In my opinion, because of the new pricing structure going forward in FY 2007-2008, the request will have no impact on the participants. Through the 12b-1 fees, those paid back to the participants, they will experience no impact. Because of the growth of the Deferred Compensation Plan, we have been advised, once a plan is worth approximately \$200 million, there is more buying power. Once a plan hits the \$500 million mark, a plan must consider whether to unbundle because the two vendors make a large profit from the Deferred Compensation Plan. The vendors pay 4 to 4.5 percent in the stable-value account. Nevada is extremely conservative with approximately 40 percent of our investment in stable-value accounts. The vendors earn 7 to 9 percent. Once the Deferred Compensation Plan is unbundled, it can provide a better fee structure. I envision we will be at the \$500 million mark in 2 or 3 years. I expect to see a bill proposed in the next Legislature to unbundle the Deferred Compensation Plan at the end of the vendor contract. The contract starts in FY 2007-2008 and will end in FY 2012-2013.

I have a full-time job, yet I spend time daily working for the Deferred Compensation Plan. I know the skill set for management analyst positions. I respectfully disagree with the proposal. The Deferred Compensation Committee wants to hire someone who is a chartered financial analyst, someone with a higher skill set. They need to manage vendors, participants and funding sources. Segal Advisors are outside consultants that review investment options.

If the Subcommittee does not feel the Deferred Compensation Plan needs full-time employees, the half-time employees should be in the unclassified service with professional skills. Perhaps contract funding could be added for temporary services if the Subcommittee does not wish to hire two positions.

If the Subcommittee does not wish to hire any positions, then provide contract funding to hire a contracted employee from Morgan Stanley Dean Witter. I am

cautious about this option as the Deferred Compensation Committee would be managing another vendor. Vendors need management. Someone from the State, dedicated to the Deferred Compensation Plan, must manage vendors. An unclassified employee would allow the Committee to manage policy issues and allow the executive officer to manage the day-to-day management of the vendors and participants.

It is the intent of the Deferred Compensation Committee to encourage more local governments to join the Deferred Compensation Plan. The buying power of local governments in this Deferred Compensation Plan, versus working on their own, is far greater. I spoke yesterday with the attorney for the Virgin Valley Water District. He has 14 employees. There is no way they could invest in a plan on their own.

CHAIR BEERS:

I accept Ms. Keating's suggestion for an unclassified executive director and contract secretarial services.

ASSEMBLYMAN HARDY:

I concur with the Chair. When an RFP is done to solicit vendors, is there a way to have the vendors' RFP include an assessment fee toward the salary costs for a professional manager of the Deferred Compensation Plan?

MS. KEATING:

The Deferred Compensation Plan is currently in the RFP process. Our Website has a link to the RFP. That suggestion is contained in the RFP. Another function of the executive officer would be to work with the pay centers to ensure the pay centers make signing up for the Deferred Compensation Plan as easy as possible. If we have electronic sign-up procedures, we can increase the number of participants. The RFP requires vendors to cover 100-percent payment of the employee costs, and they are required to disclose their 12b-1 fees.

ASSEMBLYMAN HARDY:

When I do the math for a plan worth \$400 million with a 4.5 percent return, people should be knocking down our door to be awarded the contract. They will be more than willing to pay for the employee costs.

MS. KEATING:

The bid is published and there have been seven or eight confirmations from large national vendors such as ING, The Hartford, Nationwide and others.

ASSEMBLYMAN HOGAN:

Please clarify the current status of the RFP. It seems to me if we are close to the next benchmark of \$500 million and new steps such as electronic applications, it would be wise to write the contract for a shorter period of time.

MS. KEATING:

That was considered; however, it would be expensive and time consuming for a Deferred Compensation Plan of this size to migrate every two years. It would not be in the best interest of the participants. The RFP has been published. We hope to award a bid in mid-June 2007. We are not unhappy with our current vendors. The ING has been in the Deferred Compensation Plan for 5 years



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starting with \$10 million and is currently over \$50 million. A short contract would not be appreciated by participants. The contract is a five-year contract. I will be retiring from the Committee when my term is complete in October 2008, but someone will be before this Subcommittee in the next Legislative Session requesting changes in the makeup of the Committee to include local governments and perhaps to unbundle the Deferred Compensation Plan.

CHAIR BEERS:

Are local governments currently prohibited from participation in the Deferred Compensation Plan?

MS. KEATING:

No, sir, local governments are participating. I was referring to allowing a representative of local governments to serve as a member of the Deferred Compensation Committee.

CHAIR MCCLAIN:

I would disclose I am a member of the Deferred Compensation Plan through Clark County.

CHAIR BEERS:

I would disclose my wife is a member of the Deferred Compensation Plan.

MS. KEATING:

Local governments were allowed to join the Deferred Compensation Plan in the previous contract RFP. An interlocal agreement is drafted and they utilize the same application form as State employees.

CHAIR BEERS:

Assemblyman Hogan's point is well taken. It would be a shame to hire an executive director and be locked into a 5-year contract if the Deferred Compensation Plan assets increase to \$500 million within 7 months.

MS. KEATING:

It would not change the duties of the executive director.

CHAIR BEERS:

In your testimony, you stated the buying power of the Deferred Compensation Plan changes once the Deferred Compensation Plan reaches \$500 million in assets.

MS. KEATING:

That is correct. Then the Deferred Compensation Plan would be managed similar to the way the Public Employees' Retirement System (PERS) is managed.

CHAIR BEERS:

Except, we are about to enter a five-year contract six months after an employee is hired who will devote their time to growth of the Deferred Compensation Plan. Could there be a one-year extension to the current contract to allow this employee to be hired and work with Deferred Compensation Plan growth prior to a new contract?

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MS. KEATING:

The statutes require the bid to be let every five years. The RFP contains provisions for beneficial changes. It requires disclosure information such as the 12b-1 fees. The Committee would desire to proceed with the RFP. Our contracts always contain a clause with the ability to terminate the contract.

CHAIR BEERS:

Should the statute requiring two vendors be changed at this time? Is that what is meant by the term "unbundling"?

MS. KEATING:

That is correct. I understand why the current statute was established, but the Deferred Compensation Plan is different than it was ten years ago. There is no question in my mind that we lose some economies of scale by having two vendors. There are many ING participants who would not be pleased to be precluded from a choice of two vendors. Ultimately, unbundling would be a better plan once greater assets are in place.

CHAIR BEERS:

Staff, can this Subcommittee pass a resolution to the Assembly Committee on Ways and Means and the Senate Committee on Finance for a bill introduction to eliminate the two-vendor requirement?

MR. STEVENS:

The Subcommittee could request the full Committees to introduce a bill for anything related to its work.

CHAIR BEERS:

Are there other changes that should be made if a bill is requested?

MS. KEATING:

Not at this time. I need to present the proposal to the Deferred Compensation Committee prior to such a bill passage. We are not there yet. We are trying to take steps logically and in the best interests of the participants. Sometimes moving too fast is not a good idea.

SENATOR COFFIN:

How do we avoid a conflict of interest if we have an employee, working for the State, whose salary is provided through the vendor contract?

MS. KEATING:

The individual will work for the State of Nevada. I do not view it any differently than the funding streams received by the Public Service Commission (now the Public Utilities Commission) which is totally funded by the agencies they regulate. It did not seem to cause an issue. If the employee worked for the vendors, it would create a problem. I do not see a conflict.

SENATOR COFFIN:

There are only one or two vendors. It seems inconceivable the individual employed by the State would not know a vendor was paying a fee that supported their salary.

MS. KEATING:

The fees come from the investment options. The entities make their money by investment in different investment options. There are 30 or 40 investment options and those are the entities that pay the fee associated with the salary. One entity does not pay the entire salary.

SENATOR COFFIN:

I am not necessarily comfortable with the way the Public Utilities Commission is funded either.

MS. KEATING:

The PERS is funded in the same manner. I do not see a conflict if the employee works for the Deferred Compensation Committee.

SENATOR COFFIN:

Regarding the choice between two vendors or one vendor, is it possible to quantify their work? Two vendors provide competition. What happens with only one vendor?

MS. KEATING:

We put performance indicators and deliverables into the contracts. Segal Advisors was hired as professionals to manage the contracts. Auditors review the performance within those performance indicators and with central payroll. Participants can be in both Plans at the same time; however, the Internal Revenue Service places a limit on the total amount that can be invested. We audit those limits.

SENATOR COFFIN:

Do we have a set plan on investment returns?

MS. KEATING:

The RFP contains a request for the current two vendors to provide their best options of what is available. That is the primary task of Segal Advisors. We use benchmarks such as Morningstar ratings and Segal Advisors provides investment management. With our current buying power, we have nothing less than three-star funds. We also have some four- and five-star funds.

SENATOR COFFIN:

I offer that because the Subcommittee is aware of the competitive nature of the PERS Plan.

CHAIR BEERS:

The investments at the PERS are directed by the PERS. In the Deferred Compensation Plan, the investments are directed by the individual participants.

SENATOR COFFIN:

Do they choose between fixed versus variable investments?

CHAIR BEERS:

No, it is in absolute terms. The aggregate rate of return is not actually a performance measure.

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SENATOR COFFIN:  
How many individuals are making bad choices?

MS. KEATING:  
We spend time advising and educating participants on asset allocation. The Committee, through its advisors, chooses what we believe are best in class offerings. The participants choose from within those offerings. Nevada has chosen a conservative approach. Forty percent of our funds are in a 4.5 percent stable-asset account.

ASSEMBLYWOMAN KOIVISTO:  
I will disclose I am a participant in the Deferred Compensation Plan, but it will not affect me any more than anyone else in the Plan and I will be voting on this budget.

CHAIR BEERS:  
Is there a motion to recommend to the full Committees to introduce legislation changing the provisions so the Plan, at its option, can contract with one or two vendors at the direction of the Deferred Compensation Committee and to close this budget with the addition of an unclassified executive director and associated costs and contract-based secretarial services?

ASSEMBLYWOMAN McCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO REQUEST LEGISLATION CHANGING THE PROVISIONS TO ALLOW THE DEFERRED COMPENSATION COMMITTEE TO HAVE THE OPTION TO CONTRACT WITH ONE OR TWO VENDORS AT THE DIRECTION OF THE DEFERRED COMPENSATION COMMITTEE; TO CLOSE B/A 101-1017 WITH TECHNICAL ADJUSTMENTS AND THE ADDITION OF AN UNCLASSIFIED EXECUTIVE DIRECTOR WITH ASSOCIATED COSTS AND CONTRACT-BASED SECRETARIAL SERVICES.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR BEERS:  
We will now consider the budget for the Merit Award Board, B/A 101-1345.

Merit Award Board – Budget Page ADMIN-24 (Volume I)  
Budget Account 101-1345

MS. DAVIS:  
There are no closing issues in this account, and staff recommends the account be closed as recommended by the Governor.

ASSEMBLYWOMAN McCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE B/A 101-1345 AS RECOMMENDED BY THE GOVERNOR.

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SENATOR COFFIN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

\* \* \* \* \*

CHAIR BEERS:

The next budget to be considered is the State Motor Pool, B/A 711-1354.

Motor Pool – Budget Page ADMIN-52 (Volume I)  
Budget Account 711-1354

MS. DAVIS:

This budget has one closing issue, which is the request for a new position. The agency is seeking a program officer I position to oversee operations in the Las Vegas Motor Pool facility. At the top of page 10, [Exhibit C](#) shows the current structure of existing staff for the three Motor Pool facilities. This position is requested and recommended by the Governor for oversight of the new Las Vegas facility. There is currently a program officer I who oversees the three facilities.

The agency testified at the Subcommittee hearing that this position would bring much-needed managerial oversight to the agency. Staff sees this request as reasonable.

The next consideration is the new Las Vegas Motor Pool facility. The agency is on target to move into the new facility on approximately April 15, 2007.

The bottom of page 10 of [Exhibit C](#) lists the proposed Motor Pool rate changes contained in the *Executive Budget*. The agency hopes the rate changes will stabilize their revenue stream. The agency is making other requests listed on page 11 of [Exhibit C](#). Once the decision is made on the new position request, staff recommends the account be closed as recommended and technical adjustments that may be needed related to the number of vehicles to be purchased that might affect the transfer of costs from this account to the next budget to be considered.

ASSEMBLYWOMAN McCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE B/A 711-1354 WITH STAFF RECOMMENDATIONS AND THE AUTHORITY TO MAKE TECHNICAL CHANGES AS NECESSARY.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

ASSEMBLYMAN PARKS:

Will we be discussing the requested purchase of 35 vehicles?

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CHAIR BEERS:

Those are requested in the next budget.

THE MOTION PASSED UNANIMOUSLY.

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CHAIR BEERS:

The next budget to be considered is the Motor Pool Vehicle Purchase budget, B/A 711-1356.

Motor Pool Vehicle Purchase – Budget Page ADMIN-60 (Volume I)  
Budget Account 711-1356

SENATOR COFFIN:

We have just closed a budget that does not include inflationary costs for gasoline prices.

CHAIR BEERS:

Page 12 of [Exhibit C](#) is a letter from the agency discussing the gasoline pricing issue. Essentially, the agency's response is they are challenged to keep their rates competitive, yet sufficient to cover costs.

Ms. DAVIS:

Budget account 711-1356 includes the decision units for the replacement and purchase of new vehicles in various budget accounts. Staff recommends the budget be closed as recommended by the Governor with technical adjustments that might be needed due to a change in the number of vehicles requested in other budget accounts.

Page 14 of [Exhibit C](#) contains a table of the vehicles being requested in each year and includes the one-shot appropriation in A.B. 205 for 77 vehicles. If any adjustments occur, based on the approval of other budget accounts that contain requests for vehicles, adjustments may be necessary.

**ASSEMBLY BILL 205:** Makes an appropriation to the Department of Administration for the purchase of motor pool vehicles. (BDR S-1208)

ASSEMBLYMAN PARKS:

I see the vehicles requested by the Division of Parole and Probation (P&P), Department of Public Safety in A.B. 205. Do we know what kinds of vehicles are being requested? Are they full-sized vehicles or police-package vehicles?

KEITH WELLS (Administrator, State Motor Pool Division, Department of Administration):

The P&P is requesting full-size and mid-size sedans. We attempt to purchase police package vehicles for this agency at the minimum level of police equipment. For example, those units would not be equipped with cages. The vehicles are equipped with an upgraded wiring harness to accommodate the lighting and radio system requirements. They are equipped with a slightly enhanced performance package. Police vehicles are equipped in approximately five different tiers and these vehicles would be in the lowest category.

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ASSEMBLYMAN PARKS:

Please provide a comparison of the differences between a standard mid-size vehicle and an entry-level police-package vehicle.

MR. WELLS:

I will provide that information to the Subcommittee.

SENATOR COFFIN:

Do I understand the vehicles will not be equipped with interceptor engines, but they will have enhanced suspensions?

MR. WELLS:

That is correct. We will purchase vehicles such as police-package Chevrolet Impalas. They are equipped with a slightly enhanced engine, but the primary upgrades are the suspensions and wiring harnesses.

SENATOR COFFIN:

Does the P&P require undercover vehicles?

MR. WELLS:

The agency has not requested undercover vehicles. The agency wants to be obvious. Their officers now wear uniforms.

SENATOR COFFIN:

Do you have information on how many alternative-fuel vehicles are included in the request?

MR. WELLS:

I do not have the exact number; however, approximately 24 percent of our fleet is alternative-fuel vehicles. We purchase as many alternative-fuel vehicles as possible. The percentage will remain at approximately 24 percent because the majority of the vehicles being requested are for the P&P which is exempt from alternative-fuel usage.

I will be buying hybrid and flexible-fuel vehicles as much as possible. The State Motor Pool has an aggressive alternative-fuel program.

SENATOR COFFIN:

I had hoped the State Motor Pool could tell us which hybrid vehicles perform best. I would hope a report could be provided in the next Legislative Session.

MR. WELLS:

I will be happy to provide a report over the next biennium.

SENATOR COFFIN:

Have any of the hybrid vehicles been retired?

MR. WELLS:

No, the first round of alternative-fuel vehicles will be retired this year.

SENATOR COFFIN:

How many miles of service do the batteries in the hybrid vehicles provide?

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MR. WELLS:

The highest-mileage hybrid vehicle in the fleet has approximately 60,000 miles. There have not been many problems with the hybrids. Recently, however, two hybrid vehicles have had significant issues. One was new and the engine failed.

SENATOR COFFIN:

Which engine failed?

MR. WELLS:

The primary gasoline engine, not the hybrid engine, failed. There was also a Toyota with a major issue. The technology has been available a long time and it is a good technology.

ASSEMBLYMAN HARDY:

I own two hybrid vehicles and they both work well. I became aware there are businesses in the State that add the police upgrades to vehicles purchased. Does the State purchase the vehicle and send it to such a company to complete the equipment installations? Do we ensure benefit to Nevada businesses in that regard? Do we track businesses that provide those services?

MR. WELLS:

My office would not be the proper agency to provide that information. We provide many law-enforcement vehicles to agencies such as the P&P and the Nevada Gaming Commission. Those are unmarked units with no lights or sirens, but they do have radio systems. The Nevada Highway Patrol would be the best agency to answer that question. It is my understanding they do not outsource those functions often.

ASSEMBLYMAN PARKS:

I toured the Nevada Highway Patrol facility for storage and conversion of vehicles at the Department of Public Safety. Their staff provides those functions. They take equipment from older vehicles that still have a useable life to place in new units.

CHAIR BEERS:

I would accept a motion to close this budget giving staff the authority to adjust pricing and numbers of vehicles pending closure of other budget accounts and passages of legislation in which vehicles are requested and authority to adjust transfers received for vehicle depreciation from the State Motor Pool budget based on the number of vehicles purchased.

ASSEMBLYWOMAN McCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE B/A 711-1356 GIVING STAFF THE AUTHORITY TO ADJUST PRICING, NUMBERS OF VEHICLES, VEHICLE TRANSFERS AND DEPRECIATION, LEGISLATION AND CLOSURE OF OTHER BUDGETS.

SENATOR COFFIN SECONDED THE MOTION.



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THE MOTION PASSED UNANIMOUSLY.

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CHAIR BEERS:  
Seeing no further business before the Subcommittee, we are adjourned at  
9:46 a.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Cynthia Clampitt,  
Committee Secretary

APPROVED BY:

\_\_\_\_\_  
Senator Bob Beers, Chair

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

\_\_\_\_\_  
Assemblywoman Kathy McClain, Chair

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