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

**Seventy-fifth Session**
**May 4, 2009**

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Cochair Bernice Mathews at 10:23 a.m. on Monday, May 4, 2009, in Room 4100 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 COMMITTEE MEMBERS PRESENT**:

Senator Bernice Mathews, Cochair
Senator Steven A. Horsford, Cochair
Senator Bob Coffin
Senator Joyce Woodhouse
Senator William J. Raggio
Senator Dean A. Rhoads
Senator Warren B. Hardy II

**ASSEMBLY COMMITTEE MEMBERS PRESENT**:

Assemblywoman Sheila Leslie, Vice Chair
Assemblywoman Barbara E. Buckley
Assemblyman Marcus Conklin
Assemblyman Mo Denis
Assemblywoman Heidi S. Gansert
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman Joseph (Joe) P. Hardy
Assemblyman Joseph M. Hogan
Assemblywoman Ellen Koivisto
Assemblywoman Kathy McClain
Assemblyman John Oceguera
Assemblywoman Debbie Smith

**COMMITTEE MEMBERS ABSENT**:

Assemblyman Morse Arberry Jr., Chair (Excused)

**STAFF MEMBERS PRESENT**:

Steven J. Abba, Principal Deputy Fiscal Analyst
Brian M. Burke, Principal Deputy Fiscal Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Tracy Raxter, Principal Deputy Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Michael Bohling, Committee Secretary

**OTHERS PRESENT**:

Andrew Clinger, Director, Department of Administration

COCHAIR MATHEWS:
We will begin the hearing with testimony from Mr. Andrew Clinger, Director, Department of Administration. Mr. Clinger, now that the Economic Forum has presented its projections, please advise the Joint Committee of the Governor's adjusted budget proposals.

ANDREW CLINGER (Director, Department of Administration):
The Governor's Staff and I are in discussions with the Governor concerning our recommendations. I do not anticipate having a recommendation to submit to the Legislature until Thursday, May 7, 2009.

COCHAIR MATHEWS:
Is there any truth to the newspaper stories indicating the Governor plans to propose further reductions?

MR. CLINGER:
The Governor's position is not to raise any additional revenue. We are examining other ways to balance the budget, including additional reductions in spending. The challenge is to maintain the State level of maintenance of effort (MOE) for federal education stabilization funding. Most of the reductions must be made in budgets outside of the education sector. It is difficult to balance the budget when 55 percent, consisting of education funding, cannot be reduced.

CHAIR LESLIE:
Is last week's statement by the Governor, regarding the reduction of State employee's salaries by 11 to 12 percent, no longer valid because we would be unable to meet the MOE for federal education funding?

MR. CLINGER:
We are still scrutinizing employee salaries in the noneducation sector. We are studying the options of furloughs and unpaid holidays instead of further reducing salaries.

CHAIR LESLIE:
Seventy percent of State employee salaries are in the education sector. Is the Governor considering 30- to 40-percent salary reductions for the noneducation workers who comprise the other 30 percent?

MR. CLINGER:
Of the $435 million in total budget reductions from proposed 6-percent salary reductions, $360 million is from education salaries. Based on discussions we have had, there will not be a recommendation for a higher percentage of salary reductions. We are studying furloughs and holiday pay as possible areas for spending reductions.

CHAIR LESLIE:
Establishing work furloughs and eliminating holiday pay still equates to reducing salaries. I understand the Governor's Office is in a difficult position, but without adding new revenues, we will be moving toward a shutdown of State government. We cannot wait until Thursday for the Governor's recommendations before closing the issue of State employee salaries.

MR. CLINGER:
We will provide the Governor's recommendations to the Legislature as soon as possible.

ASSEMBLYMAN HARDY:
Can you clarify what the Governor's recommendation will be for budget reductions in the Nevada System of Higher Education (NSHE)?

MR. CLINGER:
We are facing revenue reductions in the Local School Support Tax (LSST) and in local property taxes. When we compensate for these revenue reductions in Kindergarten through Grade 12 (K-12), it increases the K-12 percentage of the budget. If we make reductions in areas other than education budgets, the percentage of education funding increases. With this in mind, there is not necessarily an issue in meeting the MOE for federal education funding. When we increase education appropriations to match declines in local revenues and reduce noneducation budgets, we increase the percentage of education funding.

ASSEMBLYMAN HARDY:
Are you suggesting the original 36-percent reduction to the NSHE funding will be increased?

MR. CLINGER:
No. There would not be further reductions to the NSHE budgets. The budget reductions would remain at 36 percent. When I speak of the education portion of the budget, I am combining the K-12 and the NSHE budgets. The MOE calculation is a combination of the K-12 and the NSHE funding. Because we are compensating for the shortfalls in local revenues with General Fund appropriations, we are increasing the percentage of funding for education as a whole.

COCHAIR MATHEWS:
Thank you for clarifying that point, Mr. Clinger. The NSHE cannot afford the 36-percent budget reduction recommended by the Governor and we all need to work to resolve this issue.

ASSEMBLYWOMAN BUCKLEY:
We are on a tight schedule to finish all budget closings by May 8, 2009. An awareness of the Governor's proposed budget revisions will be critical to completing the budget closings. If you are not planning to further reduce the NSHE budgets and cannot reduce the K-12 budgets, where do you plan to reduce funding?

MR. CLINGER:
We are in the process of analyzing which budgets can be reduced. We will provide the Governor's recommendations on Thursday at the latest. It could be sooner.

ASSEMBLYWOMAN BUCKLEY:
Are additional salary reductions of 12 to 13 percent being considered, as reported from the Governor's Office?

MR. CLINGER:
We are considering eliminating holiday pay and implementing furloughs.

ASSEMBLYWOMAN BUCKLEY:
Those are all pay reductions. Will the Governor's proposal include retaining the proposed 6-percent salary reductions as well as unpaid holidays and furloughs, for total salary reductions of up to 13 percent?

MR. CLINGER:
We do not have a target number. We are considering different options with holidays and furloughs. I do not know if we will reach an 11- or 12-percent level in salary reductions.

ASSEMBLYWOMAN BUCKLEY:
In addition to eliminating holiday pay and implementing furloughs, what other reductions are being considered?

MR. CLINGER:
There are a multitude of options we are discussing. When we have the plan finalized, I will present it to this Joint Committee.

ASSEMBLYWOMAN BUCKLEY:
Are you considering further reductions to specific budget accounts or blanket reductions across all accounts? What information do you have to help the Legislature in planning budgets for the biennium?

MR. CLINGER:
There may be a couple of items specific to a budget account, but most of the options under consideration will affect all accounts. Based on the Governor's recommendation, the Legislature will not need to make changes to every budget.

ASSEMBLYWOMAN BUCKLEY:
What total amount of savings is the Governor's Office hoping to achieve with further reductions?

MR. CLINGER:
When we factor in funding the State will receive from the American Recovery and Reinvestment Act of 2009 (ARRA), the target figure for additional reductions is between $450 million and $500 million.

ASSEMBLYMAN HARDY:
What is the amount of total reductions in the Governor's original proposed budget?

MR. CLINGER:
The Governor's proposed budget was $632 million less for FY 2009-2010 and FY 2010-2011 than the Legislatively approved budget for FY 2007-2008 and FY 2008-2009.

COCHAIR HORSFORD:
Based on the Governor's ARRA application approved by the U.S. Department of Education, there is a MOE requirement. If we reduce education salaries by

6 percent, as initially proposed in the Governor's budget, will the certification on percentages for the MOE requirement be met?

MR. CLINGER:
When we make reductions in noneducation sectors and add General Fund appropriations to education budgets to compensate for lost local revenues, we more than meet the certification on percentages required by the MOE. The Governor's recommended budget, as submitted, contained a MOE of approximately $150 million. With additional reductions in other areas and compensation for local revenues, the MOE is not necessary.

Depending on property tax and LSST revenues, the State is contributing approximately $450 million in additional State funding toward education. Based on the Governor's recommended budget, I was calculating approximately $150 million for the MOE. By appropriating an additional $450 million in State support to compensate for reduced local revenues, we have funded far beyond the MOE requirement.

COCHAIR HORSFORD:
Based on the Economic Forum's revenue projections and the Governor's position on no new revenue sources, further reductions would be necessary to balance the budget. With a 6-percent salary reduction to K-12, the MOE requirement cannot be met.

MR. CLINGER:
Are you referring to an additional 6-percent reduction or the 6-percent reduction recommended in the Governor's budget? If that is what you are suggesting, you are correct. If we reduce salaries an additional 6 percent across all budgets, we will reduce the level of funding toward K-12 and will not meet the MOE requirements.

COCHAIR HORSFORD:
Is the Governor's intention to exempt the K-12 budgets from any further reductions based on the Economic Forum's revenue projections and the MOE certification which has already been submitted and approved?

MR. CLINGER:
No. There may still be small reductions to the education budgets.

COCHAIR HORSFORD:
Is this beyond the 6-percent reduction and other reductions already proposed to the K-12 budgets?

MR. CLINGER:
There could be small reductions in addition to the original 2.6-percent and 35.9-percent reductions to the K-12 and NSHE budgets. New budget reduction recommendations to K-12 and the NSHE would be much less than reductions in other areas.

COCHAIR HORSFORD:
The 2.6-percent reduction to K-12 budgets did not factor for growth and inflation.

MR. CLINGER:
The 2.6-percent reduction is net of growth.

COCHAIR HORSFORD:
Budgets outside of education account for approximately 30 percent of the *Executive Budget*. Based on the statements made last week by the Governor in his press conference regarding additional salary reductions, what would the percentage of these salary reductions be if you exempt the education budgets?

MR. CLINGER:
Again, we are not considering a percentage of salary. We are considering furlough days and the elimination of holiday pay. We recognize savings will be less because we cannot reduce education funding.

COCHAIR HORSFORD:
Are you considering 30- to 40-percent salary reductions for all noneducation employees? Have you calculated this scenario?

MR. CLINGER:
We are not going to propose 30- to 40-percent salary reductions.

COCHAIR HORSFORD:
Are you planning across-the-board reductions to all budgets?

MR. CLINGER:
We will be considering areas outside of the education budgets.

COCHAIR HORSFORD:
Will this include budgets which have already faced reductions of 38 to 40 percent?

MR. CLINGER:
They are all on the list, but nothing has been finalized.

MARK W. STEVENS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
During the Work Session on April 1, 2009, we reviewed decision units E-670, E-671, E-672 and E-673. These decision units consist of the Governor's recommended 6-percent salary reduction, suspension of merit increases, suspension of longevity pay and adjusted group insurance recommendations included in the *Executive Budget*.

E-670 Temporary 6% Salary Reduction

E-671 Suspend Merit Salary Inc for FY10 & FY11

E-672 Suspend Longevity for FY10 & FY11

E-673 Implement SAGE Commission Recommendation

In decision unit E-670, the Governor recommends temporarily reducing compensation for all employee groups by 6 percent effective July 1, 2009**.** The total reduction over the biennium is $435.3 million. In the information provided by Staff, there is a table showing the total amount of the reductions for State, University and school district employees.

Options the Joint Committee may wish to consider include:

- Approve the Governor's recommendation to temporarily reduce salaries by 6 percent for each employment group.

- Approve reducing salaries for all employment groups, but at a percentage less than recommended by the Governor.

- Retain salary levels for all employee groups at existing levels. This would require additional General Fund support of $215.8 million in FY 2009-2010 and $219.5 million in FY 2010-2011.

CHAIR LESLIE:
Regarding salary reductions, to what parameters must we adhere in meeting the requirements of ARRA education funding?

MR. STEVENS:
The Governor submitted an ARRA funding application for education which has been approved by the federal government. The Governor requested a waiver from the MOE requirement to fund the NSHE at the $600-million to $620-million level in each year of the biennium. To receive the waiver, the State must certify it will maintain the percentage of education funding which existed in FY 2008-2009. The State must then continue this percentage of funding into FY 2009-2010 and FY 2010-2011.

The Governor's waiver includes a reduction of $139 million in education appropriations which would be backfilled with ARRA funding. The additional available funding would be proportionally allocated to the NSHE and K-12 budgets. Fiscal Staff calculates most of this funding would go to the NSHE budgets because of the reduced funding the NSHE received in the Governor's recommended budget.

The percentage of funding allocated to education in FY 2008-2009 is approximately 53.29 percent. This percentage must be maintained in FY 2009-2010 and FY 2010-2011. The *Executive Budget* was released with a percentage of education funding lower than 53.29 percent. If education salaries are reduced at a level less than the 6 percent recommended by the Governor, it will improve the overall percentage of education funding. Initial calculations by Staff indicate we will meet the 53.29-percent requirement if we add back 2 percent of the education salaries.

CHAIR LESLIE:
If Staff's calculations are correct, we cannot reduce salaries by 6 percent because it would not maintain the MOE for the ARRA funding. The highest salary reduction we can make is 4 percent.

MR. STEVENS:
Based on areas of the budget which have closed, and Staff's assumptions on areas which are planned to close, a 2-percent salary addback should meet the 53.29-percent requirement.

ASSEMBLYWOMAN BUCKLEY:
This is one of the most difficult decisions we have to make in closing the budgets. None of the Legislators want to reduce salaries, but our projected revenues are 44 percent less than what is necessary to fund current services. The Economic Forum's projections of May 1, 2009, confirmed the information this Joint Committee received from Staff regarding revenue. With a 44-percent shortfall, the Legislature is forced to make reductions we would prefer not to make.

Based on Staff's information regarding the ARRA funding for education, a viable option is to reduce funding to the school districts by approximately $192 million. How these reductions are implemented will be decided by the elected school boards. I suggest reduced funding to NSHE budgets at a similar level, equating to a 4-percent salary reduction. For State employees outside of the education sector, we could consider implementing an unpaid furlough of one day a month for both years of the biennium. In the second year of the biennium, we should consider implementing a trigger mechanism to reinstate salaries proportionally for these three groups of State employees if the economy and revenues improve. I would exempt the Department of Cultural Affairs employees who have already had their hours reduced from five days a week to four days a week from any further salary reductions.

> ASSEMBLYWOMAN BUCKLEY MOVED TO REDUCE GENERAL FUND APPROPRIATIONS TO THE K-12 BUDGETS BY APPROXIMATELY $193.6 MILLION, EQUATING TO A 4-PERCENT LEVEL OF REDUCED SALARY FUNDING; TO REDUCE GENERAL FUND APPROPRIATIONS TO THE NSHE BUDGETS BY APPROXIMATELY $46 MILLION, EQUATING TO A 4-PERCENT LEVEL OF REDUCED SALARY FUNDING; TO IMPLEMENT AN UNPAID FURLOUGH OF ONE DAY A MONTH IN BOTH YEARS OF THE BIENNIUM FOR NONEDUCATION SECTOR STATE EMPLOYEES; TO IMPLEMENT A TRIGGER MECHANISM TO REINSTATE SALARY REDUCTIONS PROPORTIONALLY FOR ALL THREE GROUPS OF STATE EMPLOYEES IF THE ECONOMY AND REVENUES IMPROVE; AND TO EXEMPT ALL DEPARTMENT OF CULTURAL AFFAIRS EMPLOYEES WHO HAVE HAD THEIR HOURS REDUCED FROM FIVE DAYS A WEEK TO FOUR DAYS A WEEK FROM ANY FURTHER SALARY REDUCTIONS.
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> ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

SENATOR RAGGIO:
This motion comes as the result of extensive discussions. This is not an easy decision. This is a lesser salary reduction than the Governor's initial recommendation and less than what the Governor has indicated he will further propose by amendment to the *Executive Budget.* We are required to take this step as a result of declining revenues projected by the Economic Forum.

Nevada is not the only state dealing with these types of issues. Almost every state is implementing salary freezes or reductions. We appreciate the effort and dedication of public sector employees. If we could allow some flexibility to exempt employees in critical positions as well as those working for the Department of Cultural Affairs, I would support the motion.

ASSEMBLYWOMAN BUCKLEY:
That is the intent of the motion. I would like to thank our State employees. It was they who proposed the alternative of implementing furloughs as opposed to salary reductions. In this manner, retirement benefits will not be affected, and employees would not have to fight to have their salaries reinstated because their base salaries would remain unchanged.

COCHAIR MATHEWS:
Would the furloughs apply to NSHE or K-12 employees who have contracts?

ASSEMBLYWOMAN BUCKLEY:
The furloughs would apply to all classified and unclassified State employees. The school districts set their own salary levels.

COCHAIR HORSFORD:
Making this decision is important with respect to making other budget decisions. Our main focus is to preserve as many jobs as possible. This approach allows our employees to preserve their livelihoods and is a shared responsibility all Nevadans must take to balance this budget in a manner which protects education.

I recommend including in this motion the hold-harmless provision for contributions the Public Employees' Retirement System (PERS) made by employees affected by the furlough. In addition to job security, retirement security is also important to our constituents.

ASSEMBLYWOMAN BUCKLEY:
I would like to include Senator Raggio's and Senator Horsford's suggestions in my motion.

CHAIR LESLIE:
I concur.

ASSEMBLYMAN DENIS:
I would like to disclose I am an employee of the State and work for the Public Utilities Commission.

ASSEMBLYMAN HARDY:
Is it correct the hold-harmless provision is for the furlough of 12 days per year?

COCHAIR MATHEWS:
Yes.

CHAIR LESLIE:
A lot of consideration went into determining the figure of 4 percent for salary reductions. We spent four months coming to this point and it is important to remember we did not set a targeted budget figure. We value our employees. Every Legislature ever involved in this discussion has placed employee welfare first and foremost. It is our hope people will understand our decision. We know this enforced furlough is a hardship, and if the economy rebounds, we will reevaluate this action. In keeping with our theme of shared sacrifice throughout the entire budget, this is the best we can do.

COCHAIR MATHEWS:
I understand what this decision will mean to State employees, but it is something we have to do to keep the State out of a bigger budget hole.

ASSEMBLYWOMAN GANSERT:
It is critical this reduction still allows us to meet the MOE to receive the ARRA funding for education.

ASSEMBLYWOMAN SMITH:
When the Legislative Session began in February, I did not think we would be voting for something like this, but we have seen our revenues continue to decline. States across the country are trying to mitigate the harm to their employees. I appreciate the efforts of my colleagues and the understanding of the people we are affecting.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. STEVENS:
The next topic for discussion is decision unit E-671. The Governor recommends suspension of merit salary increases for all employee groups during FY 2009-2010 and FY 2010-2011. The total value of this reduction is $206.5 million for the biennium.

All three employee groups have different methods upon which they base their merit or step increases:

- There are 10 steps in the compensation schedule for State and NSHE classified employees who receive a merit increase each year, based on satisfactory work performance, until their maximum salary is reached. The average merit increase is approximately 4.5 percent per year until the maximum salary is reached.

- University professional employees are eligible for a merit increase each year. A total of 2.5 percent of total professional salaries, not including professional positions above the level of assistant dean, is budgeted to finance merit increases for professional employees each year. Community college professional merit is based on a step system similar to State employees. Merit for university campus professionals is not based on a set percentage and therefore varies among the professional employees who receive an award. While all professional employees at university campuses are eligible, merit is not awarded to all professional employees each year.

- School district personnel are eligible for a merit increase each year based on years of service and attaining additional educational experience. Merit increases are therefore the primary mechanism for recognizing experience and the acquisition of additional qualifications. Earlier this Session, the Department of Education testified that it appears the majority of districts

- would not likely pass a funding reduction for merit increases on to personnel, but instead draw down ending fund balances and reduce staffing levels in order to finance the funding reduction related to merit increases.

Options the Joint Committee may wish to consider include:

- Approve the Governor's recommendation to suspend merit salary increases for all employee groups during the upcoming biennium.

- Approve merit salary increases at a reduced level during the upcoming biennium.

- Approve merit salary increases at current levels for all employee groups. This would require additional General Fund support of $67 million in FY 2009-2010 and $139.5 million in FY 2010-2011.

The Subcommittees will be closing the Distributive School Account (DSA) on May 6 and the NSHE budgets on May 8. The discussions on merit salary increases can take place during those hearings as well. However, there are no hearings scheduled in which to discuss State employee merit salary increases other than in full Committee or this Joint Committee meeting.

ASSEMBLYWOMAN BUCKLEY:
The budget closings for the DSA and the NSHE will occur later this week, but today is the only opportunity to vote on the State employee merit salary increases. The unfortunate reality is we must suspend merit salary increases for State employees. We must choose between preserving people's health insurance and what we would like to add back to the budget.

> ASSEMBLYWOMAN BUCKLEY MOVED TO SUSPEND MERIT SALARY INCREASES FOR NONEDUCATION SECTOR STATE EMPLOYEES IN FY 2009-2010 AND FY 2010-2011 AS RECOMMENDED BY THE GOVERNOR.
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> ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.
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> ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.
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> SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. STEVENS:
In decision unit E-672, the Governor recommends suspending longevity payments to State and classified university employees. This suspension would take effect on July 1, 2009. State employees are entitled to longevity payments beginning with their eighth year of State service starting at $150 each year and reaching a maximum of $2,350 each year. Savings to the *Executive Budget* would be $3.3 million in FY 2009-2010 and $3.7 million in FY 2010-2011.

CHAIR LESLIE:
This is a difficult decision we do not make lightly or gladly, but we want to protect the health insurance of State employees.

ASSEMBLYWOMAN LESLIE MOVED TO SUSPEND LONGEVITY PAYMENTS TO STATE AND CLASSIFIED UNIVERSITY EMPLOYEES IN FY 2009-2010 AND FY 2010-2011 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. STEVENS:
The final item for discussion is decision unit E-673, which implements the Spending and Government Efficiency (SAGE) Commission recommendations on active and retiree health insurance.

There are two decision units within the Public Employees' Benefits Program (PEBP) implementing the reductions recommended in the *Executive Budget.* The first decision unit is E-660. This decision unit reduces the group insurance plan benefits based on recommendations from the Board of the PEBP.

In the information provided by Staff, there is a table outlining the changes recommended by the Board of the PEBP. These changes include the following:

- Holding HMO premium increases to a maximum of five percent.
- Eliminating the Health Assessment Questionnaire and the incentives for participation.
- Instituting a single deductible for the Preferred Provider Organization plan of $725 for individuals and $1,450 for families, as opposed to current deductibles of $500 for individual and $1,000 for families on the low deducible plan.
- Reducing the amount of the premium covered by the State subsidy in each coverage tier, thus increasing the participant deduction.
- Eliminating the State subsidy for retired employees who retire after June 30, 2010, with less than 15 years of service.
- Allocating the Medicare Part D subsidy revenue received between the PEBP and Medicare-eligible retirees.

The second decision unit, E-661, represents the Governor's recommendation for additional budget reductions in the PEBP. These reductions are generally based on the SAGE Commission recommendations, but the Governor's recommendation made additional reductions as well. These recommendations include the following:

- Establish the base subsidy to cover 75 percent of the premium for active employees, versus the current subsidization of 95 percent for most employees.

- Eliminate the subsidy for all Medicare retirees beginning July 1, 2009.

- Eliminate the subsidy for any employee who retires after July 1, 2009.

- Reduce the subsidy for existing non-Medicare retirees by 50 percent over the biennium.

The impact of the subsidy rates can be seen in the information provided by Staff. The total reductions in the budget included for all employee groups are $73.9 million in FY 2009-2010 and $84.6 million in FY 2010-2011.

Options the Joint Committee may wish to consider include:

- Approve the Governor's recommendations for health insurance coverage, saving $158.5 million in General Fund over the biennium.

- Eliminate the recommendations within decision units E-661 or E-673 for health insurance. This would basically be in accordance with the PEBP Board recommendations and would require adding back $158.5 million in General Fund to the budget over the biennium.

- Eliminate the E-661 and E-673 decision units for health insurance reductions, but replace them with some other cost-saving measures for health coverage, thereby reducing the General Fund add back required.

ASSEMBLYWOMAN BUCKLEY:
When deliberating these items, we understood reducing people's salaries, eliminating merit increases and longevity payments and massive reductions in health insurance coverage would be the equivalent of reducing salaries by 13 percent or more. In these difficult economic times, people are worried about losing their health insurance. This is one of the most important benefits to preserve.

Eliminating the subsidy to current retirees is unacceptable. We hire individuals with promises and it is our obligation to fulfill them. We have heard many retirees with preexisting conditions state they will have no other health-care option if we eliminate their health insurance. To suggest changing programs for new employees is acceptable, but it is not acceptable to add so much of the cost burden to active employees and retirees.

> ASSEMBLYWOMAN BUCKLEY MOVED TO APPROVE DECISION UNIT E-660 AS RECOMMENDED BY THE PEBP BOARD; NOT TO APPROVE DECISION UNIT E-673; AND NOT TO APPROVE DECISION UNIT E-671.
>
> SENATOR HORSFORD SECONDED THE MOTION.

ASSEMBLYWOMAN KOIVISTO:
I would like to disclose I am a State retiree and covered by the PEBP.

SENATOR RAGGIO:
As a legislator, I pay for the premiums required for coverage under the PEBP. I understand the motion and ask that it not preclude further action to reform the PEBP in the future. I would like a clear understanding this is not a final action which would preclude us from considering other changes in the PEBP.

ASSEMBLYWOMAN BUCKLEY:
As I understand the Governor's recommendation, it is to change the rules of the PEBP for existing retirees and current employees who made choices based on what was promised. Members of the Legislature suggesting additional items for new employees, which would not change the rules for active employees and retirees, should have their suggestions considered.

ASSEMBLYWOMAN GANSERT:
We should not make decisions which affect retirees, but I am concerned with the amount of the add back.

ASSEMBLYMAN HARDY:
I concur with Assemblywoman Gansert's statements.

> ASSEMBLY: THE MOTION CARRIED (ASSEMBLYWOMAN GANSERT AND ASSEMBLYMAN HARDY VOTED NO).
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> SENATE: THE MOTION CARRIED UNANIMOUSLY.

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COCHAIR MATHEWS:
There being no further business before the Committee, the meeting is adjourned at 6:19 p.m.

RESPECTFULLY SUBMITTED:

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Michael Bohling,
Committee Secretary

APPROVED BY:

_________________________________________
Senator Bernice Mathews, Cochair

DATE:____________________________________

_________________________________________
Assemblywoman Sheila Leslie, Vice Chair

DATE:____________________________________