MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-Fifth Session
February 9, 2009

The Committee on Ways and Means was called to order by Vice Chair Sheila Leslie at 8:10 a.m. on Monday, February 9, 2009, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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/75th2009/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).

COMMITTEE MEMBERS PRESENT IN CARSON CITY:

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 PRESENT IN LAS VEGAS:

Assemblyman Morse Arberry Jr., Chair

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Carol Thomsen, Committee Secretary
Vickie Kieffer, Committee Assistant

Vice Chair Leslie introduced Paul Townsend, Legislative Auditor, to the Committee and stated that he would present a review of Exhibit C, "Legislative Counsel Bureau, Audit Division, Audit Report Summaries."

Mr. Townsend introduced Stephen Wood, Chief Deputy Legislative Auditor, Audit Division, Legislative Counsel Bureau (LCB), to the Committee. Mr. Townsend asked members to review the first page of Exhibit C that contained a Memorandum dated February 2, 2009. He stated that the Memorandum explained the importance of the legislative money committees in the audit follow-up process.

During the interim, said Mr. Townsend, the Legislative Commission's Audit Subcommittee expended a great deal of effort to help ensure that agencies implemented audit recommendations. Agencies often had to return to one or more meetings to report on the progress made in the implementation of audit recommendations. Mr. Townsend advised the Committee that every two years the Audit Division reviewed the information and identified the monetary benefits realized from past audit recommendations. Over the past two years, the Audit Division determined that approximately $68 million in benefits had been realized, either through enhanced revenues or cost savings created by prior audit recommendations.

Ultimately, said Mr. Townsend, state agencies were required to appear before the Legislature to present their budgets to the money committees. Those agencies wanted to ensure that all discrepancies and problems that were discovered through the audit process had been addressed.

The exhibit also contained a Table of Contents, and Mr. Townsend explained that agency audits were listed along with the corresponding page in The Executive Budget. He said the exhibit contained audit highlights followed by either a 60-day plan prepared by the agency or the 6-month report prepared by the Department of Administration. The plans and reports were part of a very elaborate audit follow-up process that had been established in the *Nevada Revised Statutes* (NRS). Mr. Townsend opined that Nevada's audit process was probably one of the best in the country.

According to Mr. Townsend, after an audit was presented the agency had 60 days to provide a written plan of corrective action that outlined how the audit recommendations would be implemented. Mr. Townsend stated that 6 months after an agency submitted its written plan the Director of the Department of Administration, through the Division of Internal Audits, would issue a report after determining the status of the agency in addressing the audit recommendations. The Director of the Department of Administration would then prepare a written report for the Audit Division of the LCB. Mr. Townsend said the reports were reviewed at the next available meeting of the Legislative Commission's Audit Subcommittee. At that point, he explained, agencies were often asked to appear and explain why the recommendations had not been implemented.

Mr. Townsend stated that the tab "Commerce/Industry" in Exhibit C contained the audit highlights for the Division of Mortgage Lending. He noted that the Audit Division had issued that audit in December 2008. The audit indicated that the Division had not consistently provided adequate regulation of mortgage companies. Mr. Townsend commented that the audit also indicated that during calendar year 2007, the Division had not met its statutory duty to perform annual examinations of licensees. Mr. Townsend referenced page 26 of the exhibit under the heading "Principal Findings," which contained a list of bulleted items that depicted the results from the audit of the Division of Mortgage Lending.

According to Mr. Townsend, the audit also indicated that the Division had not collected approximately $490,000 in assessments from its licensees during fiscal year (FY) 2007 and FY 2008. The audit pointed out that a better monitoring system was needed for collection of administrative fines and settlement agreements. He noted that the audit identified 18 unpaid fines and agreements with a total due of approximately $975,000. According to Mr. Townsend, when he presented the summary to the Legislative Commission in December 2008, the Chairman of the Commission expressed concern about the audit findings and asked Mr. Townsend to discuss the audit with the Legislature.

Mr. Townsend advised that because of the work involved in collections, the Audit Division periodically identified collection problems during agency audits. The audit of the Division of Mortgage Lending discovered that, in some cases, it took six months before a letter would be sent requesting payment. Mr. Townsend pointed out that, in some cases, companies had gone out of business and left the state, and there was little likelihood that assessments and fines could be collected. However, the Division should have a process in place to ensure that it took prompt action and followed procedures in its collection process. Mr. Townsend indicated that would, at least, present the best opportunity for the collection of fines and assessments.

Mr. Townsend advised the Committee that the Audit Division was conducting an audit to review the issue of collections from a statewide perspective. He acknowledged that the State Controller had also shared concerns about the receivables issue.

Assemblywoman McClain asked whether the State Controller had oversight of fine collections throughout various state agencies. Mr. Townsend replied that agencies were required to provide a quarterly report of accounts receivable to the Controller's Office. However, when the Audit Division conducted an audit of that process it found that not all agencies were complying with that requirement. According to Mr. Townsend, the accuracy of the reports was also questioned. He explained that the issue of statewide collections would be addressed during the aforementioned audit to discover ways to improve that process.

Continuing his presentation, Mr. Townsend called the Committee's attention to page 40 of Exhibit C, which depicted the results of the audit of the Division of Health Care Financing and Policy (HCF&P) regarding Medicaid. He said the audit discovered that HCF&P had not implemented sufficient procedures to identify improper Medicaid payments resulting from fraud, abuse, or non-compliance with established billing procedures. Mr. Townsend stated that as a result, the Audit Division's review of certain high-risk claims found about $19 million in overpayments and errors. Many of the errors originated when a Medicaid claim was paid as a percentage of billed charges, as opposed to a scheduled Medicaid charge that could be identified in the agency's computer system. Also, said Mr. Townsend, many errors dealt with the services provided by dialysis clinics related to end-stage renal disease.

Because of the extensive nature of the overpayments, Mr. Townsend stated that the Audit Division had forwarded the information to the Medicaid Fraud Control Unit of the Attorney General's Office. He noted that the six-month report indicated that HCF&P had taken prompt action to address the recommendations made by the Audit Division, and he felt HCF&P deserved credit for that action. Mr. Townsend said that out of 18 audit recommendations, all but two had been fully implemented by HCF&P, and the agency recently reported that it had collected approximately $12 million of the identified overpayments.

Assemblywoman Gansert asked whether the audit determined that HCF&P had a system in place that ensured Medicaid was the payer of last resort. She understood there were initial checks within the system, but she was not aware whether those checks ensured that Medicaid was the last entity billed for payment. Mr. Townsend replied that the audit made recommendations relating to the billing of Medicaid. He noted that the audit discovered instances where Medicare should have been billed, but Medicaid had actually paid the bill. Those cases usually involved dual-eligibles, and Mr. Townsend said the audit recommended that HCF&P strengthen its procedures in the billing of Medicaid. He indicated that the agency was also working diligently to identify private insurers.

Continuing his presentation, Mr. Townsend referenced page 93 of Exhibit C under the tab entitled "Public Safety," which contained the results of the audit for the Division of Parole and Probation. He said the audit was issued in February 2008 and dealt with high-risk offenders. Mr. Townsend explained that the Division had many vacant positions, but regardless of the number of vacancies, the Division maintained a low caseload ratio for certain offenders. He pointed out that the caseload ratio for high-risk offenders was 30:1 and the ratio for sex offenders was 44:1.

In spite of the lower caseload ratio for high-risk offenders, Mr. Townsend stated that the audit identified some weaknesses in the Division's process. Those weaknesses included failure to perform timely assessments of high-risk offenders, failure to consistently perform monthly personal contacts, and failure to consistently comply with employer notification requirements for sex offenders.

Mr. Townsend said when the audit was presented to the Legislative Commission's Audit Subcommittee, that Subcommittee was very concerned and asked the Division to return to the next scheduled meeting to present an update prior to preparation of its 60-day plan of corrective action. He stated that the Division's 6-month report, prepared by the Department of Administration, indicated significant progress on the part of the Division to address the issues identified by the audit. Mr. Townsend said there were 21 recommendations in the audit report, and the 6-month report indicated that 17 recommendations had been implemented. He explained that the Division planned to implement two additional recommendations in January 2009.

Mr. Townsend stated that his review of the two audit reports described how audit summaries were organized within Exhibit C. He thanked former Assemblyman John Marvel for his many years of service on the Legislative Commission's Audit Subcommittee. He also thanked the other members who served on the Audit Subcommittee. Mr. Townsend stated he would be happy to answer questions or provide assistance to the Committee.

Vice Chair Leslie thanked Mr. Townsend and his staff for their dedicated work. She was not happy when she was assigned to the Audit Subcommittee, but soon discovered that it was her favorite committee. Vice Chair Leslie stated that she had learned more about the operation of state agencies because of her service on the Audit Subcommittee.

Vice Chair Leslie asked Mr. Townsend to advise members about the quickest way to locate the most recent agency audits. Mr. Townsend replied that audit highlights, along with full audit reports, were available on the Audit Division's website as listed in Exhibit C.

Vice Chair Leslie asked about scheduling audits and how agencies were selected for audit. Mr. Townsend reported that every two years the Audit Division prepared an audit plan for approval by the Legislative Commission. The Division relied on a risk assessment process in the development of the audit plan that considered a number of factors. Mr. Townsend explained that the factors included the length of time since an audit had been conducted, the amount of money that flowed through the agency, and concerns voiced by legislators regarding a particular agency. Mr. Townsend indicated that the Audit Division also monitored current events and newspapers to keep abreast of issues affecting state agencies, along with concerns voiced by constituents. After completing the risk-assessment process, the audit list was submitted to the Legislative Commission for approval.

Generally, said Mr. Townsend, the Audit Division would conduct a preliminary survey process for large agencies and would also conduct a risk assessment to identify the areas most at risk for potential errors. He stated it was quite an extensive process that was geared to specific audit objectives and scope. In other cases, said Mr. Townsend, if the desire for an audit was discussed during a legislative session and there were specific areas within an agency that legislators would like audited, that was also considered when compiling the list of audits.

There being no further questions from the Committee for Mr. Townsend, Vice Chair Leslie thanked him for his presentation. The Vice Chair opened the budget review of the Office of Consumer Health Assistance.

GOVERNOR'S OFFICE OF CONSUMER HEALTH ASSISTANCE – BA 101-003
BUDGET PAGE ELECTED-27

Valerie Rosalin, R.N., Director, Office for Consumer Health Assistance (Office), introduced herself to the Committee. Ms. Rosalin informed the Committee that the services provided by the Office were unique. The level of expertise and professionalism of the staff was verified by the response and outcome of the cases investigated by the Office. Ms. Rosalin wanted the Committee to understand that the Office was not simply a referral agency, but actually worked its cases.

Ms. Rosalin commented that the mission and goals of the Office to protect patient rights through education, information, and advocacy, were in line with the meaning of the bill that created it. She noted that the Office had assisted over 55,000 consumers since 2000 and had generated over $30 million dollars in savings direct to consumers.

According to Ms. Rosalin, the Office received over 42,000 web hits and over 8,000 calls in 2008 alone, which resulted in 4,020 cases requiring investigation. The range of assistance, inclusive of benefit appeals, required knowledge of health policies and state and federal laws, along with the ability to understand medical review. Ms. Rosalin explained that the Office investigated the accuracy of billing compared with the services provided, and that process also required an understanding of medical review.

Ms. Rosalin referenced Exhibit D, which had been provided to members of the Committee. She stated that the mission of the Office was (1) to allow all Nevadans access to the information they needed regarding their health care concerns; and (2) to assist consumers and injured employees in understanding their patient rights and responsibilities under the various health care plans and the policies of industrial insurance.

Ms. Rosalin explained that there were nine state employee positions in the Office, four unclassified specialist positions, the director's position, and four classified positions. The specialist positions included a managed-care nurse who understood the medical review process and worked with the Centers for Medicare and Medicaid Services (CMS) regarding Medicare. Ms. Rosalin remarked that another specialist position was a Medicaid nurse who provided assistance to persons in need of clarification regarding their Medicaid policies. That position also dealt with complaints from Medicaid providers, assisted the uninsured or underinsured and helped persons access various social programs. Ms. Rosalin said that Office staff acted as facilitators for the state by helping persons address their health care needs.

Ms. Rosalin advised that Office staff also included a workers' compensation specialist who assisted injured workers in understanding their rights and responsibilities under their workers' compensation policy. The position also aided injured workers with completing and submitting appeals packets for their initial appeals hearing. Ms. Rosalin explained that specialist staff also included an accountant who conducted audits and assisted with coding for hospital billing.

Along with the aforementioned specialist positions, Ms. Rosalin stated that the Office staff included four classified support staff members. The Office had also entered into a contract with Robert Chiascione, MD, Medical Advisor, who assisted with in-depth medical reviews. Ms. Rosalin stated that because she was also a professional medical reviewer, the Office had not referred many cases to Dr. Chiascione.

Ms. Rosalin explained that Ms. Cobb would review the funding for the Office.

Robin Cobb, Management Analyst 3, introduced herself to the Subcommittee. She stated that she would explain the funding sources and spending for the Office for Consumer Health Assistance (Office).

According to Ms. Cobb, the total operating budget for the Office, excluding reversions and balances carried forward, was $823,922 for fiscal year (FY) 2008. Of that funding $407,537, or 44 percent, was allocated from the General Fund. Ms. Cobb reported that other funding sources included Medicaid, hospital assessments through the Bureau for Hospital Patients, and funding from the Workers' Compensation and Safety Fund. Ms. Cobb explained that the charges for service from Medicaid were three-tiered and included hours of service in general Medicaid, the Nevada Check Up program, and skilled nursing.

Regarding expenditures in FY 2008, Ms. Cobb reported that personnel expenses of $689,940 represented a large part of the expenses for the Office. Other expenses included: (1) in-state travel of $4,898, which represented outreach to consumers; (2) operating expenses of $83,296; (3) information services expenses of $12,362; and (4) assessments, statewide cost allocations, and Attorney General's cost allocation of $7,184. Ms. Cobb advised that the amount reserved for reversion was $26,242.

According to Ms. Cobb, the budget cuts made by the Office in the operating category were significant. She commented that, in addition to general reductions, such as reducing copy costs, the largest savings were in postal expenditures. The Office ceased its regular mailing of information packets and request for assistance forms, along with postage-paid return envelopes, to new constituents who requested assistance. Ms. Cobb stated that prior to that reduction, the average monthly postage bill was approximately $420 and that was reduced to a monthly average of $156, which represented a cost savings of approximately 60 percent.

Ms. Cobb said that when the Office renewed its contract with Dr. Chiascione, the contract was negotiated without a monthly retainer fee. The Office now paid a fee-for-service when the expertise of Dr. Chiascione was needed. Ms. Cobb reported that during FY 2008, the Office had not used the services of the medical advisor and the contract remained in place on a fee-for-service basis.

According to Ms. Cobb, another major effort on the part of the Office was the reduction of vendor fees, which were required for many outreach activities such as health expositions, meetings with community groups, or invitations to speak to other organizations. Ms. Cobb said the Office consistently requested the waiver of fees, and it had been fortunate because many organizations had complied with that request. She noted that fees were often in excess of $1,500, and waiving the fees helped reduce the operating budget for the Office.

Ms. Cobb explained that the programs administered by the Office included four major areas that corresponded with the aforementioned specialist positions. Those areas were funded by General Fund revenue, Bureau for Hospital Patients' fees, workers' compensation revenue, and Medicaid. Ms. Cobb stated that the General Fund revenue expended was $460,032.

Ms. Cobb indicated that the Office had received $136,199 in fee revenue from the Bureau for Hospital Patients, and of that amount, the Office had expended $111,268. In the area of workers' compensation, the Office received and spent equally $198,673, and in the Medicaid category the Office received $53,942 and expended $53,949.

According to Ms. Cobb, the fees realized through the Bureau for Hospital Patients were based on bed days reported from participating hospitals to the Health Division of the Department of Health and Human Services (DHHS). Those reports were forwarded to the Budget Division where calculations were made regarding services and costs were invoiced. Ms. Cobb said there were currently 34 hospitals that met the requirement for the fee assessment. She reported that workers' compensation funding was realized from a percentage of the total workload that employees spent in review of workers' compensation cases. That fee was also assessed through the Budget Division on behalf of the Office.

Ms. Cobb reported that during the past year, the Office acquired funding from the Attorney General's (AG's) Office from a court settlement with UnitedHealth Group, Inc. One stipulation of the settlement required UnitedHealth to contribute $15 million to various Nevada organizations and agencies to improve health care in Nevada. Ms. Cobb explained that the AG's Office asked the Office for Consumer Health Assistance to implement and administer a program to educate small business groups about employee benefit options. The Office received the funding on October 13, 2008, and began outreach in the communities to advise small employers about the insurance options available for their employees. Ms. Cobb reported that because of the settlement the Office would receive $125,000 for five years. She noted that the largest expenditure from that funding would be used for the full-time person who administered the program.

Vice Chair Leslie asked whether there was information about the number of contacts that had been made with small businesses to date. Ms. Cobb replied that the Office received the funding in October 2008, and she deferred Vice Chair Leslie's inquiry to Ms. Rosalin.

Ms. Rosalin stated that the Office was currently formulating a list of contacts with small business owners and planned to attend a small business convention in Reno during the current week. The Office had also met with the Las Vegas Chamber of Commerce; she reported that the Office was attempting to expand the program.

Ms. Rosalin said the challenges included the state of the economy and convincing small business owners that it would be beneficial to provide health coverage for themselves and their employees. The Office was also challenged by persons who lost their jobs and did not have sufficient funds to afford Consolidated Omnibus Budget Reconciliation Act (COBRA) insurance payments. Ms. Rosalin said there were several challenges facing the Office, but she would provide information regarding the program to the Committee.

Vice Chair Leslie advised that The Executive Budget proposed elimination of the Office for Consumer Health Assistance, and she asked which agency would then be designated as responsible for the education and outreach activities supported by the settlement funding. Ms. Rosalin replied that she was not privy to that information, and no further information had been forthcoming from the Governor's Office.

Continuing her presentation, Ms. Rosalin reported that the top consumer referral source was state agencies because the services offered by the Office were not provided by any other state agency. Case referrals were made from the AG's Office, the Governor's Office, the Senior Health Insurance Program (SHIP), the 2-1-1 program, the Consumer Affairs Division, and various other state agencies. Ms. Rosalin said that Medicaid also referred persons to the Office for assistance with benefits. She explained that members of Nevada's Congressional Delegation had the phone number for the Office on "speed-dial" so that they could easily refer cases. According to Ms. Rosalin, the Division of Insurance also referred cases to the Office because the Division did not provide medical review services.

Assemblywoman McClain asked whether Ms. Rosalin had been given the opportunity to provide input to the Governor about his proposal to eliminate the Office. Ms. Rosalin said that she was not aware of the proposal to eliminate the Office until the Governor's State of the State address.

Assemblywoman McClain said her understanding was that the proposal was included in The Executive Budget because there were other state agencies that performed the same services as the Office. Ms. Rosalin replied that there was no other state agency that offered the same services as the Office. The Office for Consumer Health Assistance was not a fraud unit, it did not investigate state licensees or violations, and it did not impose violations or collect fees. Ms. Rosalin said that the Office conducted medical reviews and searched for accuracy and appropriateness of charges to the patient. The Office also ensured that benefits were properly provided to consumers, explained benefits, and educated state entities regarding how to read a policy and what to look for regarding exclusions. Ms. Rosalin said the Office also conducted medical investigations regarding certain procedures. She emphasized that there was no other state agency that duplicated the services provided by the Office.

Assemblywoman McClain said she could attest to the fact that the services were not duplicated. She stated that she worked with senior citizens and was aware that the Office assisted seniors with negotiating hospital bills, prescription coverage, and generally helped seniors navigate the maze of paperwork generated within the medical field. Assemblywoman McClain believed that the services provided by the Office saved seniors a great deal of money on their medical costs. She also worked with the 2-1-1 program and was aware that there were many referrals from that program to the Office. Assemblywoman McClain opined that it made no sense to eliminate the Office.

Vice Chair Leslie asked Ms. Rosalin to continue with the highlights of her budget presentation. The Committee also had questions about the budget that could not be answered by Ms. Rosalin, and Vice Chair Leslie asked Mr. Clinger to come forward and provide a response to some of those questions.

Ms. Rosalin referenced page 5 of Exhibit D, which depicted consumer locations. She pointed out that the majority of consumers were from Clark County; however, the Office was making an effort to visit rural areas. Ms. Rosalin stated that the method of intake was basically via phone, but the Office was communicating more and more through the Internet via email. The Office noticed that over the past six months, there had been a significant increase in office visits. Ms. Rosalin said the number one request for assistance was in the area of benefit denials, at which time the Office would assist persons with appeals to insurance providers. Ms. Rosalin stated that the other areas in which assistance was requested were:

- Uninsured and underinsured
- Workers' compensation
- Hospital patients
- Providers
- General

Ms. Rosalin stated that quite often the uninsured person was a Medicare person who did not have supplemental insurance for vision, dental, or pharmacy. The Office assisted those persons in their choices for Medicare Part D. Ms. Rosalin indicated that page 6 of the exhibit provided a breakdown of the type of cases handled by the Office. She said the Office helped persons with the various steps involved in the appeal process. After the appeal process had been exhausted, the Office was the assignee for external review. In some cases, the Office had been very successful in reviewing the reason for denial and having the denial overturned based on the medical review provided by the Office.

Ms. Rosalin noted that page 7 of Exhibit D contained the workers' compensation analysis, which involved cases where benefits or medical service had been denied and the Office assisted workers with those cases.

Page 8 of the exhibit depicted the disposition and/or resolution of the cases handled by the Office. Ms. Rosalin indicated that the success rate for cases handled by the Office was greater than the rate of unsuccessful cases. She explained the various categories, and noted that the Office had enjoyed some success in cases that had been turned over to collection or where the person had recently been subpoenaed. Ms. Rosalin stated that cases where the Office was unable to continue providing assistance were often those where the person failed to return the confidentiality consent forms. She further explained that if the Office was required to contact a provider or insurance company regarding the issue facing the person, it required the person to sign a confidentiality consent form.

Ms. Rosalin explained that the Office had received 8,141 consumer calls in 2008, and page 8 of the exhibit provided a breakdown of the type of assistance requested. The office assisted in 4,020 cases, of which 624 cases involved the Bureau for Hospital Patients, and 674 cases involved workers' compensation. Ms. Rosalin indicated that almost one-third of the cases in which the Office provided assistance were for senior citizens. When the Office was attempting to help a person with his care, it reviewed the entire situation whether that included housing, utilities, food, or medical care. Ms. Rosalin stated that people also contacted the Office about durable medical equipment needs, including repair for existing equipment.

Ms. Rosalin asked Ms. Cobb to continue the budget presentation.

Ms. Cobb referred to page 9 of Exhibit D which depicted the number of consumers assisted since 2000. She indicated that 55,139 contacts had been made to the Office by consumers since the onset of the Office in 2000. Of those contacts, Ms. Cobb reported that 32,063 were persons who had been referred to the Office for assistance, or who requested referrals to the appropriate agency. In addition, 23,076 cases were opened, investigated, and some type of resolution reached.

Ms. Cobb stated that prior to November 2008, the Office did not have access to the Department of Information Technology's (DoIT) telephone tallies. Therefore, the Office maintained a manual count of the number of consumers who requested assistance. In the future, Ms Cobb was confident that the Office would report receipt of over 10,000 calls per year to its intake staff.

Ms. Rosalin referenced "Consumer Savings" on page 9 of the exhibit and explained that the figures had been validated because the Office was also subject to audit. One form of validation was in cases where a consumer requested services based on a lack of funds, and the Office was able to connect that person with a provider who would provide a free service. Ms. Rosalin said that in cases where a person received a medical service and was not able to pay, the Office negotiated for either a discount or for the case to be considered a charity. She stated that when the provider agreed and validated the cost of the service, the Office then added the amount of the discount or the amount that was considered charity to its account as savings. For calendar year 2000 through calendar year 2008, Ms. Rosalin said the Office saved consumers a cumulative total of $30,486,600.

Ms. Rosalin said she would like to think that even though there were 55,139 people who contacted the Office through 2008, that number represented only a "drop in the bucket" of the people who were aware of the services offered by the Office. She indicated that the Office represented the State of Nevada as part of the Executive Branch and was able to negotiate rates with providers because of that placement.

Ms. Rosalin indicated that the Office was respected by the insurance industry and several companies had added contact information for the Office to the information they provided to members. Also, said Ms. Rosalin, various hospitals included information about the Office on admitting and discharge forms. She pointed out that workers' compensation forms also included information about the Office. Ms. Rosalin said the Office was listed on many state and community links as the contact Office for accurate and appropriate information regarding patient rights.

Ms. Rosalin stated that concluded her budget presentation. Vice Chair Leslie indicated she would accept questions from the Committee.

Assemblyman Hardy asked about referrals to the Office from the 2-1-1 program. Ms. Cobb reported that during 2008, the Office received approximately 80 cases referred from the 2-1-1 program. Assemblyman Hardy said it appeared practitioners were aware of the services provided by the Office and were using the concept for patients. He believed that the services provided by the Office were invaluable and referrals allowed the Office to tackle a problem and provide a solution. Assemblyman Hardy said he was "thrilled" by the performance of the Office and believed it should continue providing services.

Ms. Rosalin appreciated Assemblyman Hardy's comments. She said that perhaps the Office should have maintained better record-keeping to provide a more accurate accounting of services provided. In the past, the Office kept manual counts of cases, and she believed there had been more contacts than those actually listed in Exhibit D.

Assemblyman Hogan commented that the program was the model of what government should be doing for consumers. Many individuals attempted to cope with the complicated health care system that included various private and government rules, and the Office was a prime example of a small, helpful, and efficient agency that provided assistance to people in navigating the system and resolving problems. Assemblyman Hogan believed the Office made an invaluable contribution to consumers and provided services that should be offered by the government. It appeared that services were offered by the Office with a great deal of efficiency and care.

Assemblyman Hogan opined that The Executive Budget proposed budget cuts in the wrong places. He noted that it proposed elimination of an extraordinarily effective agency, and one that addressed a very widespread problem for persons who were attempting to seek relief in the area of health care.

Assemblyman Hogan offered a story about his service on a Navy destroyer. He stated that while he was being transferred from his ship to another destroyer, he was sitting in the boson's chair over the ocean when someone lost their hold on the line and he splashed into the ocean. Assemblyman Hogan said that, fortunately, the person tightened up the line immediately, and he continued his transfer to the other destroyer.

During Ms. Rosalin's testimony, Assemblyman Hogan said he thought about persons who needed assistance navigating the health care system. He wondered what would happen to them if the "line" [Office] failed, and they were left to struggle alone. He believed it would be a tragedy to make fairly minor budget savings on the backs of people who were finally able to seek assistance with the health care system and who were being served very well by the Office.

Assemblyman Hogan opined that the Legislature had to find a way to continue the services provided by the Office. He pointed out that the written testimony provided by the AARP and the League of Women Voters indicated that those entities had independently received confirmation from their members about the level of service received from the staff of the Office. Members indicated that problems they were not able to solve alone were solved with the assistance of Office staff. In some cases, consumers were saved a great deal of money, and Assemblyman Hogan thought that because of the current economic situation, now would be the worst possible time to discontinue the services provided by the Office. Assemblyman Hogan hoped the Legislature could find a way to continue the very valuable service that was offered at a very modest cost.

Assemblywoman Smith echoed the sentiments voiced by Assemblyman Hogan. She stated that she used the Office quite frequently and said there was not another office in the state that she relied on as often to help her constituents. Assemblywoman Smith explained that she had been approached at an event by a gentleman who told her that had it not been for the Office for Consumer Health Assistance, he would not be able to obtain his prescription drugs. The gentleman said he could not find medication that he could afford, and the Office connected him with a source of affordable prescription drugs. Assemblywoman Smith said the Office had also assisted another of her constituents by negotiating a hospital bill that would probably have caused the family to declare bankruptcy.

Assemblywoman Smith said she was always amazed at what the Office was able to accomplish with its small staff. She stated that she had also heard from many persons about the help provided by the Office regarding workers' compensation issues. Assemblywoman Smith opined that workers' compensation was a very difficult system for an injured worker to navigate, and the Office provided the only location where a worker could find the needed assistance.

Assemblywoman Smith asked about the comment made by Ms. Rosalin that Medicaid representatives actually referred clients to the Office for clarification of benefits. Ms. Rosalin replied that because the specialist for Medicaid at the Office was so well-versed on Medicaid categories, persons were being referred who could not understand why they had been denied benefits. Ms. Rosalin was not aware of the identity of the representative who actually referred consumers to the Office, but she believed that referrals were sometimes based on personality conflicts. The Office could then aid the consumer in locating other community services. Ms. Rosalin said she would provide additional information about the referrals from Medicaid.

Assemblywoman Smith thought it was interesting because the Legislature was being told that the services would continue to be provided by existing agencies if the Office were eliminated, but it appeared that other agencies were actually referring consumers to the Office for assistance.

Assemblywoman Buckley provided some history of how the Office for Consumer Assistance was created in 1999. In 1997, Assemblywoman Buckley stated that she had sponsored the Nevada Patients' Bill of Rights along with the Nevada Healthcare Reform Project, which was a group that represented a number of advocates, such as nurses and physicians. She and a number of other people worked on crafting the Nevada Patients' Bill of Rights for approximately two years. Assemblywoman Buckley said at the time it was a new concept, and Nevada was one of the first states to adopt a Patients' Bill of Rights. There was one unintended consequence in the following years because there was no way to enforce the Bill of Rights. Assemblywoman Buckley explained that patients who felt they were unfairly denied a procedure, such as surgery, had no one to contact to enforce the laws that were in statute.

Assemblywoman Buckley stated that some of the individuals who were originally involved in the process began receiving phone calls from consumers, and also from physicians who stated that Health Maintenance Organizations (HMOs) could not tell them what to do, but there was no one who could enforce the laws. Assemblywoman Buckley said in 1998 she spent many lunch hours helping consumers with their medical problems. One consumer with breast cancer talked to her physician and both felt that there were sufficient precursors to warrant a double mastectomy, but the procedure was denied by the consumer's HMO. Assemblywoman Buckley said she had been successful in securing approval for the surgery for the consumer.

Assemblywoman Buckley said the original group once again worked together to create a health care ombudsman for the state. Assemblywoman Buckley said that led to the creation of the Office for Consumer Health Assistance. She stated she was very proud of the agency and noted that Ms. Rosalin and her staff ran a "lean, mean operation," and one that had saved consumers millions of dollars. Over time, the Office had been given additional responsibilities. Assemblywoman Buckley explained that the health care and physician communities felt very strongly that there should be an external review process for HMO denials, and that responsibility was given to the Office.

Assemblywoman Buckley said that the Bureau for Hospital Patients was merged with the Office, and the savings increased from that point forward. Free prescription drug coordination from the pharmaceutical companies was a great program that many consumers were not aware of, along with the Canadian Prescription Drug Program. Assemblywoman Buckley noted that both programs had been added to the duties of the Office since 1999, and she pointed out that the duties had expanded without additional Office staff.

Assemblywoman Buckley was aware that the Legislature had to research ways to save as much funding as possible in a sensible manner, but she felt that eliminating the Office for Consumer Health Assistance would be too costly in the long run.

Vice Chair Leslie thanked Assemblywoman Buckley for providing some background about the Office and also thanked her on behalf of the Committee for her hard work.

Assemblywoman Smith asked whether the Office worked with the Access to Healthcare Network group in northern Nevada. She felt that the two agencies working together would provide a great example of the positive outcome brought about by working with both the provider community and the patient.

Ms. Rosalin stated that the Office worked with both the northern and southern Access to Healthcare Networks and connected persons who were a match for both programs. Ms. Rosalin said the Access to Healthcare Networks program and county programs were great referral resources for the Office.

Assemblywoman Smith stated that often providers, who would not normally receive payment from some patients, would work with the Office and eventually receive some payment because of the work of the Office in negotiating payments. She believed that the service provided by the Office was also a significant benefit to the business community.

Ms. Rosalin thanked Assemblywoman Smith for her comments and explained that more and more physicians were referring patients to the Office when insurance payments were denied. The Office would conduct a medical review of the match between the criteria and the benefits and would provide the necessary communication to secure approval of the benefits for the consumer.

Vice Chair Leslie asked Mr. Clinger to explain what would occur if the Office was eliminated, as proposed in The Executive Budget. During prior hearings, it was suggested that some of the services would be provided by the Attorney General's Medicaid Fraud Unit, but Vice Chair Leslie stated that did not mesh with current testimony. She asked Mr. Clinger to explain the rationale for elimination of the Office.

Andrew Clinger, Director, Department of Administration and Budget Division, explained that difficult choices had to be made during the budget process because the state faced a $2.4 billion budget shortfall. The decision by the Governor was to focus as much as possible on core government services. Mr. Clinger said there was no doubt that elimination of the Office would cause a loss of service. There were certain services offered by the Office that other agencies could not perform, such as the outreach programs. Mr. Clinger stated that calls for assistance would be fielded by other state agencies. However, there would no longer be a single office where consumers could find the services offered by the Office, and other state agencies would have to assist consumers as much as possible.

Vice Chair Leslie believed that meant there would be no follow-up or assistance for consumers with medical problems, such as review of medical billing. She noted there was no state agency that could conduct an independent review of medical billing. Mr. Clinger acknowledged that some services would be lost, but because of the unprecedented budget shortfall, and in an attempt to balance the budget, the Governor tried to make reductions that would have the least impact on people. He said that even though it was a small amount, the small amounts did add up.

Vice Chair Leslie asked about the Bureau for Hospital Patients, which was statutorily linked to the Office for Consumer Health Assistance. Mr. Clinger said the Bureau would be addressed through a budget bill. He explained that budget bills were due by February 20, 2009.

Vice Chair Leslie asked for confirmation about the amount of money needed should the Committee choose not to eliminate the Office. It appeared that the amount would be $460,000 per year in General Fund appropriation. Mr. Clinger stated that the General Fund savings created by elimination of the Office would be $462,000 in FY 2010 and $464,000 in FY 2011. Vice Chair Leslie stated that it did not seem like a very good trade considering the services provided to consumers and the money saved by the Office.

Assemblywoman Smith asked about the other dollars that seemed to follow the budget for the Office, such as the Medicaid and workers' compensation contribution. She wondered whether those funds had been factored into other budget accounts. Mr. Clinger replied that those contributions would also be reduced, and the overall savings would be $945,000 in FY 2010 and approximately $1 million in FY 2011. He noted that the other revenue sources for the Office would also be eliminated. Assemblywoman Smith asked whether the revenues could be used elsewhere, and Mr. Clinger replied that they could not.

Assemblywoman Smith asked whether consideration had been given to the infrastructure built by the Office to assist consumers when the decision was made to eliminate the Office. She referred to prior testimony, which indicated that hospitals included contact information for the Office on admittance forms. Assemblywoman Smith opined that closure of the Office would create a ripple effect that would be felt throughout the private health care sector. She asked what consideration had been given to the fact that closure of the Office would not only mean the loss of services to consumers, but would also affect hospitals and others in the private health care sector.

Mr. Clinger commented that many budget decisions would create ripple effects for many different entities, and it would be impossible to follow those ripple effects to the end to determine the final result. He guessed that the simple answer to Assemblywoman Smith's question was "no," that consideration had not been given to the issue of infrastructure.

Assemblywoman Buckley asked whether it was the opinion of the Governor's Office that the program was effective. Mr. Clinger believed that if there was sufficient funding to continue the Office, the Governor would approve that action. He thought the Governor believed that the services offered by the Office were important.

Assemblywoman Buckley asked whether any other funding source for the Office had been considered. Mr. Clinger said that no other funding sources were considered for the Office when the budget was constructed.

Vice Chair Leslie inquired about the Bureau for Hospital Patients and noted that its funding was not a cost to the General Fund. The funding was paid through a fee assessed to hospitals, and she wondered how those fees would be addressed. Mr. Clinger explained that at the end of the biennium, the Budget Division would refund the remaining assessments to the hospitals, and hospitals would not be charged that assessment in the future.

Vice Chair Leslie believed that the sentiment of the Committee was not to eliminate the Office. Elimination of a program that had been tremendously effective for consumers did not seem like the direction in which government should move. Vice Chair Leslie stated that she would appreciate assistance during session from the Budget Division regarding possible funding sources for the Office. Vice Chair Leslie opined that people wanted government to provide direct assistance that was both effective and efficient.

Vice Chair Leslie entered a letter dated February 9, 2009, from Barry Gold, AARP, into the record as Exhibit E. She explained that Mr. Gold was unable to attend the meeting and asked that his letter be made a part of the record. Also entered into the record was the written testimony from Julianna Ormsby, Exhibit F. Vice Chair Leslie stated that Ms. Ormsby was not able to attend the hearing and asked that her testimony be made a part of the record.

Vice Chair Leslie opened public testimony regarding the closure of the Office for Consumer Health Assistance.

Lawrence Matheis, Executive Director, Nevada State Medical Association, Secretary for the Nevada Health Care Reform Project, and Cochair of the Nevada Covering Kids and Families program, introduced himself to the Committee.

Mr. Matheis indicated that the aforementioned groups were quite concerned about the proposed elimination of the Office. He concurred with the historical overview presented by Assemblywoman Buckley and commented that the Office was a unique program. The laws passed over the years by the Legislature were to protect patients in the health care system, to protect consumers who had difficulty navigating insurance issues, and to assist consumers who had to deal with multiple professional providers.

Mr. Matheis commented that over the years the Office had been in existence, it had grown into an essential service for consumers. He explained that the Nevada State Medical Association advised physicians with patients who were experiencing problems with insurance companies to call the Office and describe the problem. Mr. Matheis believed that since Ms. Rosalin had been in charge of the Office, staff had been very responsive to inquiries from physicians and consumers. He opined that Office staff spent many hours a day helping consumers and the medical community, far beyond the required eight hours.

Mr. Matheis reiterated that the Office addressed a very important function, and he failed to understand why anyone would believe that the function was being performed by any other state agency. Mr. Matheis acknowledged that there were agencies that could assist with some of the services provided by the Office, but that would create the same situation that was addressed in 1999 when the Office was created. The best way to ensure compliance with laws that protected patients was to assist patients through the medical system and ensure that the public was aware of the existence of the Office and the existence of patient's rights.

Mr. Matheis understood the budget problems and concerns facing the state and that cutting budgets for programs was painful. However, the complete elimination of an essential program would simply mean that the program would have to be recreated at some point in the future. Mr. Matheis opined that recreating the program would be no less expensive than maintaining the current Office, and during these troubled economic times the services provided by the Office would be utilized even more extensively. He commented that more Nevadans were uninsured, more were experiencing health care problems, and there was a countercyclical reality to health care needs—that people suffered more health care problems during times of economic problems because of the stress on families.

Mr. Matheis opined that the Office was an essential part of a very thin system in Nevada that assisted patients in navigating the medical system, which was also the belief of the three groups that he represented.

Vice Chair Leslie thanked Mr. Matheis for his testimony and recognized Mr. Sasser.

Jon Sasser, representing Washoe Legal Services and the Washoe County Senior Law Project, said he also worked with Mr. Matheis as the Vice Chair of the Nevada Health Care Reform Project and had been involved in that project for many years. Mr. Sasser indicated that he was also the Advocacy Chair for the Nevada Covering Kids and Families coalition. He explained that Nancy Whitman, Director of Nevada Covering Kids and Families, was not able to attend the hearing in Las Vegas, and she would provide her written testimony to Committee members.

Mr. Sasser concurred with prior testimony regarding the history and value of the Office. He stated that with all due respect to Mr. Clinger, who stated that there would be "some loss of service," Mr. Sasser had heard no dissertation about what services would be retained. The flip side of the question was what other state agency could provide services such as those offered by the Office, particularly with the proposed staffing and budget cuts. Mr. Sasser believed that rather than "some loss of service" there would be a total loss of service.

Mr. Sasser realized that times were very tough, but he asked the Legislature not to eliminate the Office for Consumer Health Assistance, if at all possible.

Vice Chair Leslie thanked Mr. Sasser for his testimony. She asked Mr. Clinger to provide information to the Committee about which state agencies would assume the services offered by the Office. Without that information, the Committee could only assume that no other state agency would offer any part of the services currently offered by the Office.

Assemblywoman Smith indicated that she had received an email from a member of Senator Reid's staff who had hoped to be at the meeting but was unable to attend. The email stated that Senator Reid would provide a letter to Committee members that indicated how much he and his staff used the Office for constituent outreach. Assemblywoman Smith said the email asked that the Legislature give consideration to preserving the services offered by the Office.

Vice Chair Leslie stated that the Committee would review the budget presentation for the Office of Energy. Dr. Hatice Geçol asked for a moment to set up her PowerPoint presentation. Vice Chair Leslie declared the Committee in recess at 9:16 a.m.

Vice Chair Leslie called the meeting back to order at 9:23 a.m. and asked Dr. Geçol to commence with her budget presentation.

GOVERNOR'S OFFICE ENERGY CONSERVATION – BA 101-4868
BUDGET PAGE ELECTED-34

Hatice Geçol, Ph.D., Director, Office of Energy, introduced herself to the Committee and stated that she would explain the budget for the Office.

Referring to the program description on page 1 of Exhibit G, "Budget Account 101-4868, February 9, 2009," Dr. Geçol said that the mission of the Nevada State Office of Energy (NSOE) was threefold. The NSOE was responsible for implementation of the Governor's Nevada Energy Protection Plan to ensure that Nevada's citizens would have access to a reliable, affordable, clean, and balanced energy supply. Dr. Geçol said the NSOE was also responsible for the development of renewable energy resources, improvement of the energy infrastructure, and encouraging energy conservation and efficiency, which would enhance energy security, stimulate economic development, and create high-paying jobs for Nevada.

The second responsibility of the NSOE, said Dr. Geçol, was to develop and implement energy-related regulations, policies, and activities assigned to the agency by the Legislature as contained in Chapter 701 of the *Nevada Revised Statutes* (NRS). That chapter included the energy policy; energy-related tax incentives; and green building regulations. Dr. Geçol stated that the NSOE also operated under NRS 333A, pertaining to state performance contracts for operating cost-saving measures.

Dr. Geçol stated that the NSOE also provided oversight for federal regulatory policies within the State of Nevada. Those policies included: (1) Leadership in Energy and Environmental Design (LEED) green buildings; (2) property tax abatements; (3) implementation of energy efficiency conservation code; (4) electric register metering; and (5) monitoring the energy consumption in residential areas.

Dr. Geçol referred to the performance indicators listed on page 2 of the exhibit. The first performance indicator was the number of diesel oxidation catalysts and closed crankcase ventilations installed on rural school buses. Dr. Geçol explained that funding to meet that indicator was provided through a grant from the U.S. Environmental Protection Agency (EPA) to reduce the emissions from rural school buses, as well as to increase fuel efficiency. She stated that it was a new performance indicator, and the NSOE was working closely with the Nevada Division of Environmental Protection, which had received a similar grant.

According to Dr. Geçol, the second performance indicator was the percent of LEED property tax abatement applications processed within 120 days of receipt, as required by regulation. She stated that this was also a new performance indicator for the NSOE.

Dr. Geçol said the third performance indicator was the percent of time quarterly grant progress and financial reports are submitted to grantors on or before the due date. Historically, the NSOE had not performed well under that performance indicator, but Dr. Geçol said several corrective steps had been taken.

Per Dr. Geçol, the fourth performance indicator was the percent of time the Status of Energy in the State of Nevada report was prepared and submitted to the Governor (annually) and the Legislature (odd-numbered years) before January 30th.

Assemblyman Denis indicated that he had reviewed the performance indicators for the NSOE for the past several years, and it appeared that the indicators changed with each budget presentation. That made it difficult to compare the progress made in energy conservation. Assemblyman Denis noted that there had been several very good performance indicators included in the budget for the 2005-2007 biennium that discussed energy conservation. He asked why the NSOE continually changed the performance indicators.

Dr. Geçol replied that energy conservation was a portion of the duties of the NSOE and tackling that issue was dependent upon receipt of grant funding. Assemblyman Denis said that if the mission of the NSOE was energy conservation, that at least one or two of the performance indicators should address the state's performance in saving energy in a consistent manner. He understood that sources for grant funding changed, but he was having difficulty reconciling the performance of the NSOE with the legislation that created the office.

Historically, said Dr. Geçol, the Office received significant funding from Petroleum Overcharge Rebate funds, but unfortunately that money had been eliminated. The funding was utilized for energy conservation, and Dr. Geçol said that resources depended on grant funding.

Assemblyman Denis asked whether the NSOE changed its performance indicators every time the source of grant funding changed. Dr. Geçol explained that resources were necessary to comply with the mission of energy conservation. If the Legislature saw fit to provide the resources, the NSOE would make energy conservation a priority. Dr. Geçol explained there had been seven directors over a six-year period prior to her being hired by the NSOE, and positions had been held vacant. There was no cross-training in the NSOE, and Dr. Geçol stated that when an employee left, no other employee would be able to assume those duties.

Assemblyman Denis believed that there should be a few performance indicators for the NSOE that were consistent, so that the Legislature could measure performance.

Vice Chair Leslie agreed with Assemblyman Denis regarding performance indicators, and she asked Dr. Geçol to meet with him after the meeting to discuss establishment of at least two performance indicators that would measure performance, particularly in the area of energy conservation.

Vice Chair Leslie asked about the money being held in reserve in the Petroleum Overcharge Rebate account, which was approximately $200,000. Dr. Geçol replied that was correct, and stated that the money was included in the budget and used as a "rainy-day" fund for the NSOE. Vice Chair Leslie opined that agencies would not be allowed to maintain individual "rainy-day" funds because of budget shortfalls.

Vice Chair Leslie wondered whether it would be reasonable to use a portion of the $200,000 in the Petroleum Overcharge Rebate budget for the operation of the NSOE. Dr. Geçol replied that the NSOE utilized that money as the state match when it applied for federal grants. Historically, said Vice Chair Leslie, $20,000 of Petroleum Overcharge Rebate funding was transferred to the Aging Services Division to be used as matching funds for federal transportation grant funding. However, that had not been included in the budget for the 2009-11 biennium. Dr. Geçol said that the NSOE had communicated with the Department of Health and Human Services (DHHS) regarding the transfer of funding, and DHHS advised that other funding had been secured as a match for the federal transportation grant funding for the Aging Services Division.

Vice Chair Leslie believed that using the $20,000 to match the federal transportation grant funding for the Aging Services Division would free-up the Title XX block grant funds that the Aging Services Division planned to use in lieu of the Petroleum Overcharge Rebate funding. Vice Chair Leslie said she could not understand holding the money in reserve in the Petroleum Overcharge Rebate account and not utilizing that funding source.

Dr. Geçol emphasized that the NSOE used the Petroleum Overcharge Rebate funding to leverage additional federal grant funding. Vice Chair Leslie asked whether the NSOE was currently applying for grants. Dr. Geçol replied in the affirmative. Vice Chair Leslie asked Dr. Geçol to provide a written summary of how the Petroleum Overcharge Rebate funding would be utilized by the NSOE over the 2009-2011 biennium.

Assemblyman Grady said there was a possibility that rural health clinics would be closed and clients would be transported to other clinics, and he believed that was one area where additional funding could be utilized. Vice Chair Leslie opined that would be a better use of the available funding, rather than simply holding it in reserve.

Assemblywoman McClain asked about the match required to obtain federal grant funding. Dr. Geçol replied that the percentage fluctuated between 10 percent and 50 percent. Assemblywoman McClain said that the state match could not be that much, because utilizing the entire $200,000 in the reserve would mean that the NSOE was requesting grant funding in excess of $1 million. Dr. Geçol replied that the NSOE was closely monitoring grants.

Vice Chair Leslie reiterated that the Committee wanted a written summary about how the NSOE would utilize the funding in the Petroleum Overcharge Rebate budget.

Assemblywoman Buckley explained that in contrast to the Office for Consumer Health Assistance, which included clearly defined goals that were being exceeded by the agency, from a budget perspective the NSOE had not ranked nearly as well. The Committee needed performance indicators that depicted how the agency was performing its duties, and whether or not it had attained the goals set forth in the indicators. Assemblywoman Buckley stated that the NSOE was extremely important to the Legislature and the Governor. However, because the NSOE could not demonstrate whether it was meeting its goals, there would be many difficult budget questions ahead for the NSOE in the area of funding. Assemblywoman Buckley asked Dr. Geçol to work with Assemblyman Denis, Legislative Counsel Bureau (LCB) staff, and the Budget Division to create performance indicators that matched the goals of the agency.

Assemblywoman Buckley commented that even if the NSOE was exemplary in performing its duties, but its performance could not be justified to the Committee, the budget for the NSOE could be reduced in light of the current economic downturn.

Dr. Geçol stated that originally there were many performance indicators for the NSOE, but she had been forced to make choices and many of the performance indicators appeared to be "goals." They did not include percentages or numbers to use as a measurement of performance, and she was advised that there were limits to the use of numbers in performance indicators. Dr. Geçol said she would be happy to forward additional performance indicators, if that was the wish of the Committee.

Assemblywoman Buckley noted that Mr. Ramirez was acting as the budget officer for the NSOE, and he was very familiar with the expectations of the Legislature regarding performance indicators. She advised that performance indicators were more of an administrative tool, and the Committee would be happy to work with the NSOE to create appropriate performance indicators.

Dr. Geçol introduced Martin Ramirez, Budget Consultant, who was assisting the NSOE with its budget presentation to the Committee.

Dr. Geçol believed that the NSOE should solicit a legal opinion from the U.S. Department of Energy (DOE) and the Attorney General's Office regarding the funds in the Petroleum Overcharge Rebate budget. The funds in that account were one-time funds received several years ago and held in reserve. Dr. Geçol explained that use of the funding was restricted; however, she had verified that the NSOE could use $84,000 for operational costs.

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, LCB, explained that the NSOE had used a limited amount of Petroleum Overcharge Rebate funds in the past, but The Executive Budget did not recommend continued use of that funding by the NSOE. Mr. Stevens indicated that $20,000 of the funding had been transferred yearly to the Aging Services Division as a match to secure federal transportation funding. The balance in the Petroleum Overcharge Rebate budget was $200,000, with the recommendation that those funds not be used by the NSOE in the 2009-2011 biennium. Mr. Stevens explained that if those funds had been used in the past by the NSOE for operational costs, it would be appropriate to use the funds for the same purpose in the future.

Mr. Stevens confirmed that Petroleum Overcharge Rebate funding could only be used for certain purposes. He stated that he would be happy to research how those funds could be used and report back to the Committee. Obviously, he would need to check the restrictions imposed at the federal level for use of those funds. Mr. Stevens believed that the funds had been used in a variety of ways over the years, particularly when there was a much larger source of funding. If the Committee decided to use the funds as they had been used in the past, Mr. Stevens did not think there would be any legal problems. However, if the Committee wanted to expand the use of the funding, Mr. Stevens said he would be happy to work with the NSOE to determine how the funds could be used.

Dr. Geçol said the NSOE would work with LCB staff, but she believed that the NSOE should contact the DOE regarding the restrictions on the funding. The DOE had only verified that $84,000 in funding from the Petroleum Overcharge Rebate budget could be used for operational expenses for the NSOE.

Vice Chair Leslie asked Dr. Geçol to continue her budget presentation.

Dr. Geçol referred to page 2 of Exhibit G which depicted the General Fund portion of the budget for the NSOE. In fiscal year (FY) 2010, the request for General Fund appropriation was $385,857, which was 0.0127 percent of the total General Fund appropriation, and the request for FY 2011 was $384,040, which was 0.0122 percent of the total General Fund appropriation.

According to Dr. Geçol, the DOE conducted a nationwide study and that study showed that every dollar invested in an energy office resulted in a minimum return of $7. She stated she would forward copies of that study to Committee members.

Dr. Geçol stated that page 3 of the exhibit depicted the NSOE's budget compared to the total budget for the state. The figures included federal grant funds, General Funds, and other grant funding. Dr. Geçol said that the total budget for the NSOE represented 0.0135 percent of the total state revenues for FY 2010 and 0.0079 percent of the total state revenues for FY 2011. Dr. Geçol stated that page 3 of the exhibit also contained the organizational chart for the NSOE, which depicted the positions funded by the General Fund: director, deputy director, renewable energy analyst, and management analyst 2. Federally funded positions included: administrative assistant 2, associate engineer supervisor 2, and grants and project analyst 1.

Dr. Geçol said that there were currently three vacancies in the NSOE, the administrative assistant 2, the grants and project analyst 1, and the renewable energy analyst. She indicated that staff of the NSOE had included an accountant position in the past, but that position had been eliminated and the employee placed with another agency. Dr. Geçol said that was done for cost savings and to develop better internal controls. She explained that the accountant position was supported with the indirect portion of a grant from the

DOE's State Energy Program (SEP). However, the NSOE also used the indirect portion of funds for operational expenses and the accountant position consumed almost one-third of the funding, which put the NSOE in a difficult position.

According to Dr. Geçol, since she was hired as the Director, the NSOE began looking at efficiency and effectiveness. The NSOE worked closely with the Department of Administration and the Governor's Office, and as of January 1, 2009, the NSOE had transferred its accounting and personnel functions to the Department of Administration.

Vice Chair Leslie believed it made sense for the Department of Administration to perform the accounting functions for the NSOE, but it appeared that it would cost additional General Fund monies to accomplish that. She asked why a portion of the SEP grant funds could not be used to help subsidize the accountant position, as had been done in the past. Vice Chair Leslie noted that Dr. Geçol's comment was that the position was utilizing money that was needed for the NSOE for operational costs, but perhaps a portion of the grant funds could be used to support the position. At the present time, the request was for $22,000 in General fund monies to support a position that was previously supported by grant funding.

According to Dr. Geçol, supporting the accountant and administrative assistant positions from SEP grant funds was questioned by the U.S. DOE because those positions were not actually working on energy activities. Vice Chair Leslie asked whether the grant funding source indicated that the funds could not be used for positions. Dr. Geçol said positions could be supported through indirect costs, but the NSOE also used those funds for operational expenses. The reason that the grant and project analyst 1 position was vacant was because the NSOE did not have sufficient funding to support that position.

Vice Chair Leslie pointed out that switching the position from grant funding would cost the state additional General Fund monies. Dr. Geçol said the Legislature needed to decide whether it wanted to continue the NSOE. She indicated that the NSOE had created cost savings and restored internal control, and every dollar that the state invested in the NSOE would save an additional $7.

Vice Chair Leslie said the question was why DOE grant funds could not be used to offset the costs for the position.

Martin Ramirez, Budget Consultant to the NSOE, said the issue that Dr. Geçol was attempting to convey was that the DOE had a problem with charging 100 percent of the cost for the accountant position to the SEP grant. The problem arose because the accountant only spent a certain percentage of time on energy activities, and the rest of the position's time was spent on state-funded activities. Mr. Ramirez said the NSOE was attempting to correct the cost-allocation issue. He stated that there were a number of opportunities that the NSOE was very eager to discuss with LCB staff to more appropriately align resources and generate some savings back to the General Fund through Petroleum Violation Escrow (PVE) funds, SEP grant funds, and other activities within the account.

Vice Chair Leslie asked how the NSOE planned to use the SEP grant funding that previously funded the accountant position. Mr. Ramirez stated that the NSOE had to maintain some equilibrium within the projects assigned to staff. However, he believed that review of the current cost allocation would present opportunities to shift some staff costs to PVE dollars, thereby decreasing the

General Fund appropriation. Mr. Ramirez stated that would also help maximize the PVE expenditures.

Vice Chair Leslie asked that Mr. Ramirez meet with LCB staff and provide a funding map, along with details to show how the General Fund allocation could be offset. Mr. Ramirez stated that he would meet with LCB staff during the current week.

Dr. Geçol wanted the Committee to understand that the General Fund dollars allocated to the NSOE were used to fund 99.5 percent of the salaries and benefits of employees. The NSOE received less than $2,000 in operational costs from the General Fund, which also raised questions from the DOE. Dr. Geçol explained that the NSOE could charge its operational expenses to indirect costs within the SEP grant. According to Dr. Geçol, a fluctuation in grant funding caused problems, as previously stated by Mr. Ramirez. The use of 100 percent grant money to fund a position was often questioned by the DOE, particularly when the position also participated in state work.

Assemblyman Denis asked about the renewable energy analyst position that was not currently filled. Dr. Geçol said that the renewable energy analyst was a new position in the state system, and because of the classification studies and public review necessary to classify the position, it was finally approved as of December 24, 2008. Dr. Geçol stated that the NSOE had worked with the Department of Administration, and the request was approved by the Interim Finance Committee (IFC) on February 3, 2009. The NSOE had recently begun the process of hiring a renewable energy analyst, administrative assistant 2, and a grants and project analyst.

Assemblyman Denis wondered why it took 18 months to secure approval to fill the position. Dr. Geçol said that originally the NSOE had a problem aligning the position with the revenue source, and it took time to correct that problem. Assemblyman Denis pointed out that the position was approved by the 2007 Legislature, and he wondered why it had never been filled. He noted that renewable energy was one of the methods used for energy conservation.

Mr. Ramirez explained that the NSOE had issues regarding classification of the position and budget cuts, but the primary reason that the position was not filled was that the budget was closed in 2007 with an excess of General Fund dollars in the account. Mr. Ramirez stated that the NSOE apparently did not have the fiscal resources to properly realign the funding mix and identify the appropriate levels of funding from each funding source. He indicated that it was not until the IFC meeting on February 3, 2009, that the NSOE was able to establish an appropriate funding mix. Mr. Ramirez said the NSOE was compelled not to spend the money because it was aware that there was a surplus of General Fund dollars in its budget, but it was not able to identify the exact amount.

Assemblyman Denis asked who had been working on renewable energy since the position was never filled. Dr. Geçol replied that she had been doing the work. She explained that it had been a challenge and she had utilized many volunteers. Assemblyman Denis pointed out that there was a significant budget shortfall, and since Dr. Geçol had been performing the work, he wondered whether the position was necessary.

Dr. Geçol said that the NSOE had not been able to accomplish all the necessary work in the renewable energy area. She stated that she would forward paperwork to the Committee that depicted what had been accomplished in the area of renewable energy and what work remained to be done. Dr. Geçol explained that the renewable energy analyst was a new position for the state and did not match other state job descriptions. Therefore, the Department of Personnel had conducted a comparative analysis with other states to classify the position.

Assemblyman Denis asked whether Dr. Geçol believed that she could fill the position fairly quickly, or would the position be difficult to fill. Dr. Geçol believed that because of the current economic situation, she would be able to fill the position very quickly.

Continuing her presentation, Dr. Geçol referred to page 4 of Exhibit G, which summarized the sources of funding. The first column depicted the resources utilized for funding the NSOE budget: (1) General Fund; (2) State Energy Program (SEP) grant funds from the DOE, which fluctuated from year-to-year; (3) Energy Grant funding, which also fluctuated from year-to-year; and (4) Petroleum Violation Escrow (PVE) federal grant funding. The chart on page 4 also depicted the revenues for FY 2010 and FY 2011. Dr. Geçol stated that the pie charts contained on page 4 described the percentage of funding from each funding source for FY 2010 and FY 2011. She explained that 33.3 percent of the funding for the NSOE budget was from a General Fund appropriation in FY 2010, 23.2 percent from the SEP grant, 42.8 percent from the Energy Grant, and 0.7 percent from the PVE grant.

Dr. Geçol stated that the second pie chart did not depict funding from the Energy Grant because that grant had not yet been approved for FY 2011. She explained that the NSOE would continue to actively seek funding from that grant source. When the NSOE received the grant funding, Dr. Geçol stated that a work program would be submitted to the Interim Finance Committee (IFC) to place the grant funding into the correct category. Dr. Geçol explained that the percentages depicted by the second pie chart on page 4 of the exhibit should depict SEP grant funding of 40.1 percent, General Fund appropriation of 32.2 percent, and PVE grant funding of 2.8 percent.

Dr. Geçol said the second chart on page 4 of Exhibit G showed FY 2010 expenditures under the categories of personnel, operating, and projects, and indicated the revenue sources in each category. She stated that page 5 of the exhibit depicted the same expenditures for FY 2011.

Dr. Geçol stated that completed her budget presentation. She indicated that the NSOE would work with LCB staff and would provide the information requested by the Committee.

Vice Chair Leslie stated that the budget for the NSOE included $465,779 in FY 2009-10 from the Clean School Bus USA initiative. She asked whether the NSOE planned to spend the entire amount in one year, or would the funding be spread over the 2009-2011 biennium.

Dr. Geçol said it would be spread over the biennium. Vice Chair Leslie indicated that the budget would need to be adjusted to reflect the correct amount of spending in each year of the biennium. Dr. Geçol advised that a portion of the funding could be utilized for personnel.

Assemblywoman Smith stated that federal grant funding requirements and legislative requirements in such areas as LEED property tax abatement applications had been established, and she did not perceive those as performance indicators. She would rather see performance indicators that would help the Legislature measure the performance of the NSOE toward energy conservation. Assemblywoman Smith asked Dr. Geçol to provide information to LCB staff about the stimulus package and whether there would be funding available for projects that directly related to the NSOE. Also, Assemblywoman Smith asked Dr. Geçol to provide an overview to LCB staff about the LEED abatement applications.

Dr. Geçol stated that she would work with LCB staff and provide the requested information.

Vice Chair Leslie asked whether there was further information to come before the Committee regarding the NSOE budget, and there being none, the Vice Chair closed the hearing. The next budget for consideration by the Committee was the Controller's Office.

CONTROLLER'S OFFICE – BA 101-1130
BUDGET PAGE ELECTED-120

Kim R. Wallin, State Controller, introduced herself and the following staff members to the Committee: Karen Hoppe, Acting Chief Deputy Controller; Mark Taylor, Assistant State Controller; Brenda Laird, Chief Accountant, Financial Reporting; Janet Prowse, Chief Accountant, Operations; Alex Echo, Data Processing Manager; and Haydee Meeker, Accountant 3.

Ms. Wallin referenced Exhibit H, "State of Nevada, Office of the Controller, FY 2010 – FY 2011 Budget Presentation to the Assembly Committee on Ways and Means," and pointed out that the Controller's Office had changed its mission statement as depicted on page 2. Ms. Wallin stated that the mission of the Controller's Office was to advance accountability, continuity, and efficiency in the state's financial operations.

Referring to page 5 of the exhibit, Ms. Wallin commented that the Controller's Office was the financial hub for the state. On average, over $1 million per day in transactions were processed through the statewide accounting system. She explained that included payroll, vendors, deposits, and electronic transfers, which was the reason it was very important to maintain the integrity and safety of the Integrated Financial System (IFS).

Ms. Wallin referred to page 6 of the exhibit that contained performance indicators. The budget for the Controller's Office included in The Executive Budget showed no percentages or figures for performance indicators. Ms. Wallin determined that the Controller's Office should establish more meaningful measures under its performance standards than those used in the past. The idea was to show the Legislature how the Office was performing and to show what was being done to improve that performance. Ms. Wallin believed that all agencies should establish more meaningful performance indicators that were more relevant to performance.

Ms. Wallin indicated that debt collection was very important. The Controller's Office had added performance indicators that showed the percentage of debts collected and the average age of the debt turned over to the Controller's Office. She pointed out that the Controller's Office was collecting only 11 percent of its smaller debts and 4 percent of the larger debts of over $25,000. When turned over the Controller's Office by an agency, the average age of the debt was 486 days.

Ms. Wallin remarked that the *Nevada Revised Statutes* (NRS) indicated that the Controller's Office was in charge and responsible for collecting all debts owed to the state, yet it was optional for agencies to turn their debt over to the Controller's Office for collection. She said that because there was not a statewide consolidated accounts receivable system, the Controller's Office was forced to rely on the agencies to provide the necessary information.

Referring to page 6 of the exhibit, Ms. Wallin explained that the target percentages for performance indicators in fiscal year (FY) 2010 and FY 2011 were vastly different. That was because of the changes made by Ms. Meeker and her team in the area of debt collection.

Ms. Wallin reported that Assembly Bill (A.B.) 87 would make it mandatory for agencies to turn their debt over to the Controller's Office at 60 days past due. The bill also included a technology solution that would help the Controller's Office streamline its operation.

Ms. Wallin stated that within its operations area, the Controller's Office was increasing the percentage of vendors paid by electronic funds transfer (EFT), the percentage of vendors receiving direct deposit advices via email, and the number of documents processed per employee.

In the area of financial reporting, Ms. Wallin explained that the Controller's Office offered classes in accounting, which were designed to improve knowledge, thereby reducing errors at the agency level. To determine the success of those classes, the Controller's Office was implementing a performance indicator that would track the percentage of increase between pre and post testing.

Ms. Wallin stated that in the area of information technology (IT), the Controller's Office would track the dollars saved by using state employees for IT programming rather than outsourcing that programming to contractors. She estimated that the Controller's Office would save about $400,000 per year by not outsourcing its IT programming.

Assemblyman Conklin asked whether the Controller's Office maintained a running total regarding how much was actually owed to the state and, if so, what was that total. Ms. Wallin replied that the Controller's Office maintained those records and the amount currently owed to the state was $41 million.

Assemblyman Conklin asked whether that was owed as a result of taxes, services provided, or a combination of reasons. He asked why the state was owed the money.

Ms. Wallin said there was a variety in the types of debt. She noted that debt was reported by the Department of Business and Industry; by the Department of Motor Vehicles; by the Department of Agriculture in the area of fees; for returned check fees; and for bad credit card debt. She pointed out that the only debt not reflected in the amount owed the state was from the Department of Employment, Training and Rehabilitation (DETR); Department of Taxation; and the Gaming Control Board. Ms. Wallin explained that those agencies were exempt from the requirement to turn debt over to the Controller's Office.

According to Ms. Wallin, the total amount owed to the state at the end of June 2008 was $482 million, which included the debt from the Department of Taxation, the Gaming Control Board, and DETR.

Assemblywoman Gansert asked Ms. Wallin to clarify the $482 million debt outstanding, and whether that was amassed over a period of time or annually. Ms. Wallin stated that the $482 million represented the total debt owed to the state as of June 30, 2008, when the Controller's Office completed its financial statement. That figure included debt from the Department of Taxation. Ms. Wallin reported that the Controller's Office was attempting to put an automated system into place to determine the age of the debt.

Assemblywoman Gansert asked whether the Controller's Office was attempting to bring all debts in-house to identify when the debt was written off or sent to a collection agency. She also wondered about the collection agencies used by the Controller's Office.

Ms. Wallin said that the Controller's Office had contracted with three new outside collection agencies. Two agencies were simply collection agencies and the third was a law firm that could file judgments or liens and take a more aggressive approach to collection for the larger amounts owed. Ms. Wallin said the contracts included performance measures that stated the agencies had to collect a certain percentage of debt. If the agencies did not perform according to the measures, Ms. Wallin stated that they could be fired.

Assemblyman Hogan asked for clarification regarding A.B. 87 submitted by the Controller's Office that would expand the requirement to report the amount of debt owed. He asked whether that would cover all agencies, including the Department of Taxation, DETR, and the Gaming Control Board.

Ms. Wallin replied that the current language of the bill included all agencies. However, after discussing the matter with the Department of Taxation, the Gaming Control Board, DETR, and the Department of Health and Human Services (DHHS), Ms. Wallin stated that the Controller's Office would propose an amendment to A.B. 87 that stated if an agency had statutes in place to enforce collection of debt, that agency would not be required to turn over its debt to the Controller's Office. Ms. Wallin pointed out that if an entity failed to pay its gaming taxes, the Gaming Control Board could close the facility after 60 days.

Ms. Wallin stated that the Controller's Office was working with the Department of Taxation. She explained that when debt was turned over to the Controller's Office it was checked against the vendor files. If the vendor was registered with the state, the Controller could do debt offset. However, because the Department of Taxation did not turn its debt over to the Controller's Office, the process for debt offset was not in place. Ms. Wallin stated she would like to put a process in place to do debt offset for the Department of Taxation.

Assemblywoman McClain advised the Committee that Ms. Wallin had been invited to the Joint Meeting of the Assembly Committee on Taxation and the Senate Committee on Taxation, scheduled for February 12, 2009, to discuss uncollected debt and other issues facing the Controller's Office. Assemblywoman McClain said there would be an in-depth discussion regarding uncollected debt, and she invited interested members of the Committee on Ways and Means to either listen to or attend the aforementioned Joint Taxation Committee meeting.

Vice Chair Leslie asked about the elimination of one administrative assistant 1 position. Ms. Wallin informed the Committee that the Controller's Office eliminated that position in January 2008. The staff of the Controller's Office mainly performed accounting functions, and Ms. Wallin believed that the administrative assistant 1 position was not needed. She also noted that while the administrative assistant 1 could not perform accounting duties, the accounting staff could perform administrative assistant 1 duties. Ms. Wallin said the Controller's Office had functioned okay without the position, although other vacant positions made it more difficult.

Assemblyman Denis thanked Ms. Wallin for her explanation regarding the performance indicators for the Controller's Office. He believed that the new indicators would allow the Legislature to measure the performance of the Controller's Office.

Ms. Wallin stated that when she was creating the performance indicators staff became worried about the percentages and figures, but she believed that the indicators should be realistic. Ms. Wallin felt that she should set an example since she believed that other agencies should put more meaningful performance indicators in place.

Vice Chair Leslie surmised that the current staff of the Controller's Office had assumed the duties of the administrative assistant 1 position. Ms. Wallin stated that was correct.

Vice Chair Leslie asked for an update regarding the Integrated Financial System (IFS) server consolidation.

Ms. Wallin reported that the upgrades to the disaster recovery system had been completed and several tests had been run by simulating a disaster in southern Nevada. The system was actually used to print checks for the disaster, and Ms. Wallin said the test ran quite well. She commented that the updates to the disaster recovery system came in under budget, and the Controller's Office reverted $138,416 back to the General Fund. Ms. Wallin stated that the disaster checks were printed at the Freeway Arterial System of Transportation (FAST) building in Las Vegas, but that function had been moved to the Controller's Office, which saved staff time.

Assemblyman Denis said that the 2007 Legislature had approved the Technology Investment Request (TIR) as submitted by the Controller's Office. He asked how the updates to the disaster recovery system and the improvements to the IFS had helped the Controller's Office.

Ms. Wallin deferred that question to Mr. Echo.

Alex Echo, Data Processing Manager, Controller's Office, introduced himself to the Committee. He explained that the disaster recovery system was now in a geographically dispersed area. Mr. Echo said that the ongoing maintenance costs were very low because the disaster recovery system had been placed in existing, state-owned computer facilities. Also, said Mr. Echo, the disaster recovery system was truly an interagency collaborative effort that had included the Nevada Department of Transportation (NDOT), the Department of Public Safety, the Office of the Treasurer, and the Department of Information Technology (DoIT).

Mr. Echo said it was comforting to know that if something happened to the main disaster recovery system in Carson City, there was another system in Las Vegas that was up-to-date and ready to be put into service.

Assemblyman Denis asked how long it would take to get the system up and running in the event of a disaster. Mr. Echo replied that the system was currently ready for operation. There were several disaster scenarios, such as the system going down in Carson City, and that scenario would involve a request for DoIT to change the server so that users could transfer to the new system in Las Vegas.

Vice Chair Leslie asked Ms. Wallin to discuss the recommended Technology Investment Request (TIR). She asked whether the TIR was connected to A.B. 87. Ms. Wallin stated that they were connected.

Ms. Wallin called the Committee's attention to page 13 of Exhibit H, "Technology Investment Request," and stated that the request was for the use of open-source technology in the area of debt collection and accounts receivable. She explained that XBRL stood for eXtensible Business Reporting Language, which allowed separate systems to talk to one another and would eliminate the spreadsheet "nightmare."

Ms. Wallin stated that the Controller's Office implemented a pilot XBRL program in FY 2008-09. She asked the Committee to review page 14 of the exhibit, which depicted the current debt collection process used by the Controller's Office. The format was used by agencies to send debts and accounts receivable to the Controller's Office. Ms. Wallin explained that at the present time, staff of the Controller's Office "cut and pasted" the information for debt collection into the spreadsheets listed on page 15 of the exhibit. She stated that there were 71 different spreadsheets with 18 different tabs per spreadsheet. After the information was "cut and pasted" into the various spreadsheets, staff would again "cut and paste" entries into reports that were sent to outside collection agencies. Ms. Wallin said that once payment information was received from outside collection agencies, staff would again "cut and paste" that information back into the spreadsheets. The final step for staff was to "cut and paste" the information into a report that was sent back to the agencies.

Page 16 of the exhibit depicted the proposed XBRL solution, and Ms. Wallin explained that agencies would still utilize a spreadsheet, but it would be web-based to provide better security. The information on debt collection would be sent to a central data repository. Ms. Wallin stated that outside collection agencies would also transmit data to the central data repository. From the information contained in the central data repository, staff at the Controller's Office could process the necessary reports. Ms. Wallin stated that use of the XBRL technology would eliminate the need for staff to "cut and paste" information from one spreadsheet to another.

According to Ms. Wallin, debt offset was currently being done through a manual process of checking and cross-checking lists. Ms. Wallin said that the XBRL would automate that process and would also automate the letters that were generated by the Controller's Office.

Ms. Wallin stated that the XBRL technology offered a very cost-effective solution, one that had been widely adopted overseas in both governmental and private sectors. Ms. Wallin said the United States had been slow to adopt the technology, which she attributed to the use of open-source software.

Assemblyman Denis said his concern was whether there was sufficient support available for the open-source software. Ms. Wallin said there was sufficient support available. For example, Ms. Wallin said that Deloitte had recently finished installing a pilot program for grant reporting for the Department of Agriculture. Ms. Wallin said work that had taken two weeks to complete was now being done in one week. The process had been automated, and the Department was required to enter data into a template used for initial grant information or amendments. Ms. Wallin further explained how the system aided the Department in producing its finalized reports.

Assemblyman Denis again asked whether there was sufficient support available for XRBL, since the software was not widely used in the United States. Ms. Wallin said the technology was used exclusively in government offices in Australia and elsewhere in Europe.

Assemblyman Denis asked whether the system was being developed internally. Ms. Wallin said the Controller's Office would utilize a vendor to install the technology. Assemblyman Denis asked whether the plan for the future was to train the IT staff at the Controller's Office to provide support. Ms. Wallin stated that was correct.

Continuing her presentation, Ms. Wallin referred to pages 7 and 8 of Exhibit H, which depicted the recommended budget for the Controller's Office as included in The Executive Budget. Ms. Wallin stated that she concurred with the recommended budget with the exception of decision units Enhancement (E)252, E670, E671, E672, and E673.

Ms. Wallin explained that based on the elimination of revenue-generating expenses, she would be willing to give up her cell phone service, which was requested in E252.

According to Ms. Wallin, decision units E670 and E672 addressed the proposed 6 percent salary reduction and the suspension of longevity pay for state employees. She was concerned about newly hired staff because those proposals could result in as much as a 10 percent or 15 percent cut in pay. Ms. Wallin indicated that the cuts could cause one or two employees in her office to come close to meeting the eligibility requirements for public assistance.

Ms. Wallin stated that decision unit E673 addressed implementation of the recommendations made by the Spending and Government Efficiency (SAGE) Commission. She pointed out that if those recommendations were implemented, the Controller's Office would lose 23 percent of its employees to retirement by the end of June 2009. Ms. Wallin estimated that the state would lose 25 percent of its overall employees as well. She stated that loss of staff would create difficulties within the Controller's Office. One of her concerns was the ability of the Controller's Office to process and pay vendors in a timely manner. Ms. Wallin explained that not paying vendors in a timely manner could result in additional penalties, interest, or late fees that the state would be required to pay. In addition, said Ms. Wallin, loss of staff could also result in the Controller's Office being late in publishing the Comprehensive Annual Financial Report. The result of that could be an adverse opinion, which would deteriorate the state's bond rating, costing the state many millions of additional dollars.

Ms. Wallin said that one of her duties was to safeguard the assets of the state. In her opinion, elimination of step increases and longevity pay would violate an implied contract between the state and its employees, which could result in lawsuits. Ms. Wallin was concerned about the possibility that the state would be required to repay its employees, which would waste a great deal of money in legal fees.

Ms. Wallin explained that decision unit E710 requested funding for replacement and/or service of equipment.

Page 11 of the exhibit contained information about the LexisNexis subscription, and Ms. Wallin explained that the subscription allowed the Controller's Office to research and locate the last known address for debtors. Currently, certified letters were sent to debtors and staff would continue to research forwarding addresses until the debtor was located. Ms. Wallin said the subscription helped the Controller's Office staff immensely and cut down on postage expenses and time.

Ms. Wallin said that concluded her presentation. She stated that she had great plans for the Controller's Office, but because of the budget problems facing the state, she believed it was very important for the Controller's Office to "beef up" its collection efforts. Ms. Wallin said that was of such importance that she had changed the organizational chart so that debt collection staff reported directly to her.

Assemblyman Denis referred to decision unit E710 and asked whether the Controller's Office was following the guidelines of DoIT in replacement of equipment. Ms. Wallin replied in the affirmative.

Assemblyman Denis referred to the XBRL project for accounts receivable and asked whether the Controller's Office had researched the use of other software options rather than using open-source software. Ms. Wallin said that the cost for an accounting software package for accounts receivable was not affordable.

Assemblyman Denis asked that Ms. Wallin provide information about other software options to him and LCB staff. He wanted to compare the price of traditional software packages with the price of open-source software. Ms. Wallin said she would provide the requested information.

Assemblyman Denis noted that the Controller's Office had come in under budget in completion of the upgrades for the disaster recovery system. He asked that Ms. Wallin share that information with other agencies that were contemplating IT projects. Assemblyman Denis thought that perhaps there were steps taken by the Controller's Office during the process that could aid other agencies in completing their projects on time and under budget.

Ms. Wallin stated that she would comply with Assemblyman Denis's request and complimented her IT staff. She stated that her IT staff was always thinking of ways to save money.

Vice Chair Leslie asked whether there were further questions from the Committee, and there being none, she opened the meeting to public testimony.

No persons came forward to present public testimony and Vice Chair Leslie adjourned the hearing at 10:30 a.m.

RESPECTFULLY SUBMITTED:

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Carol Thomsen
Committee Secretary

APPROVED BY:

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Assemblywoman Sheila Leslie, Vice Chair

DATE:______________________________________

EXHIBITS

Committee Name: Committee on Ways and Means

Date: February 9, 2009 **Time of Meeting: 8:10 a.m.**

Bill	Exhibit	Witness / Agency	Description
* * *	A		Agenda
* * *	B		Attendance Roster
* * *	C	Paul Townsend, Legislative Auditor	Audit Report Summaries
* * *	D	Valerie Rosalin, Director, Office for Consumer Health Assistance	Letter/PowerPoint presentation/pamphlets
* * *	E	Barry Gold, AARP	Written testimony
* * *	F	Julianna Ormsby, League of Women Voters	Written testimony
* * *	G	Hatice Geçol, Office of Energy	PowerPoint Presentation
* * *	H	Kim Wallin, Controller	Budget Presentation