

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fifth Session
February 11, 2009**

The Senate Committee on Finance was called to order by Cochair Bernice Mathews at 8:06 a.m. on Wednesday, February 11, 2009, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

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

STAFF MEMBERS PRESENT:

Brian Burke, Principal Deputy Fiscal Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Patricia O'Flinn, Committee Secretary

OTHERS PRESENT:

Bruce Breslow, Executive Director, Office of the Governor, Agency for Nuclear Projects
Andrew Clinger, Director, Department of Administration
Valerie M. Rosalin, R.N., Director, Office for Consumer Health Assistance, Office of the Governor
Robin Cobb, Office for Consumer Health Assistance, Office of the Governor
Jon Sasser, Esq., Washoe Legal Services
Hatice Gecol, Ph.D., Director, Nevada State Office of Energy, Office of the Governor
Martin Ramirez, Consultant for Nevada State Office of Energy, Manpower
Major General Cindy Kirkland, The Adjutant General, Nevada National Guard
John Borrowman, Budget and Planning Division, Department of Administration
Robert Dickens, Ph. D., Director, Office of Governmental Relations, University of Nevada, Reno

COCHAIR MATHEWS:

We will open the hearing on High Level Nuclear Waste, Budget Account (B/A) 101-1005.

ELECTED OFFICIALS

High Level Nuclear Waste – Budget Page ELECTED-13 (Volume I)
Budget Account 101-1005

BRUCE BRESLOW (Executive Director, Office of the Governor, Agency for Nuclear Projects):

Although I was not involved in the preparation of this budget, I will review it. The Governor's Office, not the agency, proposed this budget. For 25 years, this agency has been the oversight group protecting the health, safety and welfare of the State of Nevada as the U.S. Department of Energy (DOE) has been formulating plans to bring the nation's high-level nuclear waste to Yucca Mountain. After 24 years, the DOE submitted their application in June 2008. The Agency for Nuclear Projects filed 229 legal and scientific contentions to the application. The prehearing conference will begin on March 12, 2009. A three-judge panel will determine the scope of the hearing process which is expected to continue for three to four years under federal statute.

The emphasis of the Agency for Nuclear Projects has been shifting from an information gathering, scientific institution to a legal entity. There used to be as many as 30 employees. We currently have five employees. Most of our consultants have been under the umbrella of the law firms' contracts for attorney-client privilege. They are paid from the same funds which come mostly from the federal government. The allocation this year is \$5 million. The first allocation has already been received. The remaining \$2.8 million will go directly to the Attorney General's Office. They will pay the same legal bill we would have paid if the money had come to us. Most of the renowned nuclear experts in this country work for the DOE. However, we have an esteemed group of experts who consult for us. We want to make sure, if this project comes to Nevada, the health, safety and welfare of its citizens is protected.

COCHAIR MATHEWS:

Did you say when this project comes to Nevada?

MR. BRESLOW:

I said if this project comes to Nevada. It will be a decision based on the Nuclear Regulatory Commission, or it will be a political decision from Washington. Senator Harry Reid believes the U.S. Congress will be able to cut over \$100 million from the DOE's budget this year, and he hopes President Obama's budget will zero out the DOE's efforts toward Yucca Mountain.

COCHAIR MATHEWS:

I am still concerned about the cuts in your department. There is no guarantee this will be stopped at the federal level.

MR. BRESLOW:

There are many well-paid, respected Nevada politicians and businessmen who have been on the payroll of the DOE over the years. They have worked to rally public support against the State's policy to oppose Yucca Mountain.

SENATOR COFFIN:

It may be reasonable for you to say "if this project comes to Nevada," but the citizens of this State do not want you to be reasonable. We have already sacrificed too much to nuclear tests in Nevada. We cannot allow this garbage to be dumped here.

MR. BRESLOW:

Our State policy is to oppose Yucca Mountain.

SENATOR RHOADS:

Yucca Mountain is in my district. If the nuclear waste dump is placed there, we will become the garbage dump of America: anything no one wants will be shipped to Nevada.

MR. BRESLOW:

I will do my best to answer questions about it, but I was not involved in preparing this budget.

COCHAIR MATHEWS:

How many employees are in the agency now?

MR. BRESLOW:

There are seven positions and five employees, one of whom has been with the agency since its inception 25 years ago: the planning administrator. He has worked with all the consultants to develop the strategies involved in fighting this project.

COCHAIR MATHEWS:

This illustrates my concern with the budget cuts. The Governor has recommended a staff of two: the director and an assistant. What kind of background does the assistant have?

ANDREW CLINGER (Director, Department of Administration):

The Division of Internal Audits is conducting an audit of the office. We anticipate its completion within a couple of weeks. Based on the auditors' recommendations, the office staffing levels will be adjusted.

COCHAIR MATHEWS:

You recommended the cuts before the audit?

MR. CLINGER:

The *Executive Budget* was due before the audit could be completed. If the audit recommends more staff, we will make a recommended change to the Nuclear Projects budget.

MR. BRESLOW:

On February 2, 2009, I presented an alternative to the staffing recommendations to the Governor. Once the audit comes in, they will compare it with my presentation to see if there are ways to make these changes.

COCHAIR MATHEWS:

I did not think that audit had anything to do with staff reductions.

MR. CLINGER:

We asked the Division of Internal Audits to look at the structure of the office, the functions of the individuals in the office and to make recommendations.

COCHAIR MATHEWS:

Has staff received copies of your recommendations to the Governor?

MR. BRESLOW:

No. It is merely my feedback, based on a budget-neutral response, not asking for additional funds but curtailing expenditures to maintain current staffing

levels. We would allow the planning administrator to retire and hire him on a contract basis to retain his 25 years of institutional knowledge and service.

COCHAIR MATHEWS:

In your report to the Governor, did you prioritize the positions you had to have?

MR. BRESLOW:

Yes.

MR. CLINGER:

Within B/A 101-1005, there are two enhancements. Under enhancement unit E-606, five of the seven nonclassified positions are recommended for elimination; two of these positions are currently vacant, including a management analyst and an accountant position. Enhancement unit E-800 moves the accountant function to the Department of Administration.

E-606 Staffing and Operating Reductions – Page ELECTED-15

E-800 Cost Allocation – Page ELECTED-16

COCHAIR MATHEWS:

Why would you severely reduce a department that is so crucial to the State?

MR. CLINGER:

The rationale is the same as most of the other budget recommendations: a \$2.4-billion shortfall must be made up somewhere.

COCHAIR MATHEWS:

Have you looked into ways to use federal money to keep this office staffed?

MR. CLINGER:

Those federal funds will be transferred to the Attorney General's Office to pay the contract attorneys. We anticipate submitting an amendment to this budget once the audit is completed.

COCHAIR MATHEWS:

I can only ask questions based on the information we have. I am concerned a battle the State has been fighting since 1983 is losing a majority of its resources.

MR. CLINGER:

The rationale for these changes is that most of what this office does is manage contracts. Do you really need seven people to manage contracts?

COCHAIR MATHEWS:

Had you cut back on personnel before the last director left?

MR. CLINGER:

No.

MR. BRESLOW:

I do not think we need seven positions. I do think we need at least four along with a part-time contract with the departing planning administrator.

COCHAIR MATHEWS:

How many hours will you have him on contract?

MR. BRESLOW:

He will be on contract for approximately 20 hours. The Governor has assured me he is opposed to Yucca Mountain and these cuts are strictly due to the financial straits the State is in. If you can find some additional revenue streams, we will be a much better agency.

COCHAIR MATHEWS:

I am concerned about the cuts in this budget.

MR. BRESLOW:

If we are able to retain the four positions and the planning administrator as a subcontractor, it will cost approximately \$230,000. The potential shortfall is in the amount of money necessary to go forward in this legal fight. If the number of contentions admitted for discussion is less than 90 in the 2-year cycle, it is estimated the cost will be \$11.7 million to \$13.3 million. Most of the federal funds we receive, which would be \$10 million over that period, would be used to pay for this. If 160 to 195 contentions are admitted for discussion, the cost could be as high as \$20 million. Until we get the scope of how many contentions will be litigated, it is difficult to determine the amount of money the legal team will require. The majority of our funding comes from a federal allocation from the DOE which may not be available next year if President Obama zeros out their budget.

COCHAIR HORSFORD:

Mr. Clinger, you indicate the administration will submit an addendum to your budget request. What is the timeline for that? Will you also submit a corresponding plan for how any additions will be paid for in the budget?

MR. CLINGER:

The amendment would include any staffing additions recommended by the audit. We would find a way to keep the budget balanced with this amendment.

SENATOR COFFIN:

Cutting an agency like this sends a message to the nuclear power industry: Nevada quits the fight. I will try to help find the money to put these positions back into the budget.

MR. CLINGER:

It was not the Governor's, or the Administration's, intent to minimize our commitment to the fight against Yucca Mountain through this budget reduction. This is part of a broader cut to the entire budget.

SENATOR RAGGIO:

How much money is in the fund the nuclear energy industry has been paying into for decades?

MR. BRESLOW:

According to their lobbyists, \$31 billion is in this fund.

SENATOR RAGGIO:

For what is that money used?

MR. BRESLOW:

It would go toward the \$80 billion to \$90 billion required to build the Yucca Mountain project.

SENATOR RAGGIO:

What General Fund money is in this budget?

MR. CLINGER:

There is approximately \$93,000 in the litigation account in the Attorney General's Office.

SENATOR RAGGIO:

The Attorney General has sent a message that the pursuit of the State's objectives will cost more than that. How much will it cost?

MR. CLINGER:

Depending on the number of contentions allowed, it will cost \$12 million to \$20 million.

SENATOR RAGGIO:

The budget anticipates receiving \$10 million in federal funds over the biennium.

MR. CLINGER:

Yes.

SENATOR RAGGIO:

We do not have General Fund money to bridge that gap if it becomes necessary. There is \$31 billion available. Should we not ask Senator Reid and our congressional delegation to send us \$10 million more to fight this?

MR. BRESLOW:

The fund you refer to comes from a mill tax. It is paid for by the private sector. It is their money, not Congress' money.

SENATOR RAGGIO:

From where does the \$10 million come?

MR. BRESLOW:

It is money programmed into the DOE's annual budget.

MR. CLINGER:

I will ask the Governor's Office to contact the congressional delegation to request additional funds.

COCHAIR HORSFORD:

This is the State's issue. It is the State's obligation to maintain our legal strategy. The Governor needs to submit a budget that funds this agency properly at the State level where we have control and influence. We should also work with our federal delegation, but this is a responsibility we have to the State of Nevada.

MR. BRESLOW:

Both the Attorney General's Office and the agency requested an additional \$2.5 million in the original proposed budget. No one anticipated the massive economic crisis we now face.

COCHAIR MATHEWS:

Can you bring your addendum to this budget before the Committee as soon as possible? We will review this budget when we have that information.

MR. CLINGER:

An initial draft of the audit is due today or tomorrow; we will then schedule an Executive Branch Audit Committee Meeting. When that is completed, we will return to the Finance Committee with an amendment.

COCHAIR MATHEWS:

We will now hear the budget for Consumer Health Assistance.

Governor's Office of Consumer Health Assistance – Budget Page ELECTED-27
(Volume I)
Budget Account 101-1003

VALERIE M. ROSALIN, R.N. (Director, Office for Consumer Health Assistance, Office of the Governor):

I present this letter regarding the services provided by the Office of Consumer Health Assistance (GovCHA) and the mission of the office ([Exhibit C](#)). The GovCHA has nine employees: four quality assurance specialists; four classified support; and the director, myself. We also have contracted Dr. Robert Chiascione.

ROBIN COBB (Office for Consumer Health Assistance, Office of the Governor):

The GovCHA's net operating budget for fiscal year (FY) 2007-2008 was \$823,922. The funding sources for this office are as follows: 44 percent from a General Fund appropriation; 15 percent from the Bureau of Hospital Patients assessments; 35 percent from industrial relations transfers; and 6 percent from charges for services. Like any service agency, the biggest expense for our office is personnel which is 83 percent of our budget. In response to budget reductions, our office has worked to reduce expenditures. We reduced the monthly postage expense from \$420 a month to \$156, a 60-percent savings. We use the Internet and e-mail whenever possible to meet the needs of our customers. We also changed the contract for Dr. Chiascione to a fee-for-service arrangement rather than a retainer. We saved \$3,000 in FY 2007-2008 by not paying retainer fees. We have also requested and received waivers of vendor and registration fees to attend outreach events.

MS. ROSALIN:

One other program this office oversees was received from the acquisition of the United Healthcare. It is the education of small-business owners about affordable health insurance for their employees.

COCHAIR MATHEWS:

The *Executive Budget* recommends the elimination of the Consumer Health Assistance Office in an effort to eliminate duplication of effort. To your knowledge, are there other agencies within the State which have similar duties?

Ms. ROSALIN:

There is no duplication of our efforts in any other State agency.

COCHAIR MATHEWS:

Is there any other agency that performs any reviews?

Ms. ROSALIN:

Licensing agencies review violations of the licensing and benefits required by insurers.

COCHAIR MATHEWS:

Do you know if the Administration intends to transfer the statutory functions of your office to another State agency?

MR. CLINGER:

The Administration is not submitting a bill that would transfer the responsibility to any other State agency.

COCHAIR MATHEWS:

Are some of these funds federal funds?

MR. CLINGER:

Yes. There are some Medicaid funds in this account.

COCHAIR MATHEWS:

Are they matching funds?

MR. CLINGER:

Yes, there is a match requirement.

COCHAIR MATHEWS:

If you eliminate the functions this office currently performs, do you know where they will be accomplished?

MR. CLINGER:

No, I do not. There will be lost services. We cannot balance a \$2.4-billion shortfall without having an impact on people.

SENATOR COFFIN:

How do we ensure someone will protect the patients if we eliminate this office?

MR. CLINGER:

The Department of Health and Human Services (DHHS) refers a number of clients to the GovCHA; the DHHS will have to provide whatever services they can.

SENATOR COFFIN:

Will anyone have a mission to protect the patients in their relationships with these corporations?

MR. CLINGER:

There will not be one office to coordinate that effort as there is now.

SENATOR COFFIN:

Was there discussion about how to assume this mission rather than eliminating it completely?

MR. CLINGER:

You do not balance a budget deficit as large as this one without impacting people. We did not want to make dramatic cuts in our State Children's Health Insurance Program (SCHIP) or some of our other welfare programs. We decided to make the cuts that would have the least impact.

SENATOR COFFIN:

This agency had 8,000 cases last year and saved the public many millions of dollars. If the GovCHA had not existed, who would have defended them? A complete elimination does not make sense.

COCHAIR MATHEWS:

Tell us how the United Healthcare settlement will be handled.

MS. ROSALIN:

Through the consent decree of the Attorney General, the money and position would return to the Attorney General's Office to delegate that position.

COCHAIR MATHEWS:

Would the Attorney General's Office need a position in her office to get this money?

MR. CLINGER:

I am not aware they would need a position to do this. I do not have information about this.

COCHAIR MATHEWS:

Can someone get this information to me? I wondered about this \$625,000.

MS. ROSALIN:

The decree indicates if the money is not used in our agency, it reverts back to the Attorney General's Office.

COCHAIR MATHEWS:

Please send information about it to staff.

MR. CLINGER:

Yes, I will.

COCHAIR MATHEWS:

Are there any other questions or concerns?

MS. COBB:

The United Healthcare funds, decreed to this agency by the Attorney General, are not part of this budget we just discussed. It is a 5-year decree of \$125,000 a year that is operated as a separate budget. We transferred a full-time position in our office to handle this.

COCHAIR MATHEWS:

Does that position report to the director of your agency?

Ms. COBB:

Yes, it does.

COCHAIR MATHEWS:

Therein lies my concern: if your agency no longer exists, who will that position report to? How will we track those funds? Mr. Clinger will look into that and report back to staff.

Ms. ROSALIN:

This agency has built respect in the community. Our contact information is on all the workers' compensation forms and posters, many insurance contact papers and all the hospital admission and discharge forms. There would be confusion and loss if this agency did not exist.

COCHAIR MATHEWS:

Is there any further testimony?

JON SASSER, ESQ. (Washoe Legal Services):

The Office for Consumer Health Assistance provides a valuable service to the community. This agency saves lives. They have advocated for the consumer with insurance companies and Medicaid. When Medicaid denies services, the GovCHA helps consumers appeal that denial. There is no duplication of the work done by the GovCHA in any other State agency. This is an important component of consumer protection for patients in Nevada. I urge you to consider allowing it to continue to exist.

COCHAIR MATHEWS:

We will now begin the hearing for the Office of Energy Conservation.

Governor's Office Energy Conservation – Budget Page ELECTED-34 (Volume I)
Budget Account 101-4868

HATICE GECOL, PH.D. (Director, Nevada State Office of Energy, Office of the Governor):

The mission of our office is to implement the Governor's energy policy so our citizens can have reliable, affordable, clean and balanced energy supplies. Developing our renewable energy resources, improving our energy infrastructure and encouraging energy conservation and efficiency will enhance the energy security that will lead to stimulation of economic development. This office also develops and implements energy-related regulations and policies as in the *Nevada Revised Statutes* (NRS) 701, NRS 701A and NRS 333A. We also coordinate the federal energy policies within the State of Nevada.

I have distributed the new Organizational Chart for the Nevada State Office of Energy (NSOE) ([Exhibit D](#)). Of the seven positions in our office, four are funded by the General Fund and three are federally funded. We are in the process of hiring a renewable energy analyst and a grant and project analyst I.

MARTIN RAMIREZ (Consultant for the Nevada State Office of Energy, Manpower):

The NSOE has been waiting four months for clarification on usage of money to which this agency has access. We have just received that clarification and want

to meet with fiscal staff to discuss this. This account does not recommend any new programs, but there are some decision units. Unit E-250, Working Environment and Wage, is required to receive a federal grant to retrofit some school buses in rural Nevada. Unit E-325, Services at Level Closest to People, eliminates a transfer to Aging Services for transportation needs for seniors. However, we may be able to continue that transfer now that we have clarified our access to the funds I referred to earlier. Units E-606, Staffing and Operating Reductions, and E-800, Cost Allocation, transfer the accounting function from this agency to the Department of Administration. Finally, unit E-710, Replacement of Equipment, requests the replacement of computer equipment.

E-250 Working Environment and Wage – Page ELECTED-36
E-325 Services at Level Closest to People – Page ELECTED-37
E-606 Staffing and Operating Reductions – Page ELECTED-37
E-800 Cost Allocation – Page ELECTED-39
E-710 Replacement Equipment – Page ELECTED-39

COCHAIR MATHEWS:

I notice half your positions, or four out of eight, are vacant.

MR. RAMIREZ:

Three out of seven are vacant.

DR. GECOL:

I just distributed the new organizational chart ([Exhibit D](#)) which shows seven positions. The accountant position has been transferred to the Department of Administration.

COCHAIR MATHEWS:

How are you functioning without those positions? How long have they been vacant?

DR. GECOL:

As the renewable energy analyst is a new position in the State system, it has taken time to classify it. The grant and project analyst I position has been vacant since March 2008. We were waiting for our work program to be approved by the Interim Finance Committee (IFC), and the accounting position we eliminated took up one-third of our grant money.

COCHAIR MATHEWS:

The grant and project analyst position was not held vacant just for salary savings?

DR. GECOL:

It helped us with salary savings, but it is a federally funded position.

MR. RAMIREZ:

Contributing to the confusion in getting these positions filled, when the budget closed last Session, the fund map contained too much General Fund money. The agency was unable to recast the fund map until the accounting function was transferred to the Department of Administration. Two positions were held vacant because the agency did not know if the funding for them was available.

COCHAIR MATHEWS:

It is difficult for this Committee when you describe a position as crucial to the working of the division, and a year later, you do not have that position in place. How crucial is that position if a year can pass without it being filled?

DR. GECOL:

We did not know we had the money to hire that person.

COCHAIR MATHEWS:

Should the renewable energy analyst position be eliminated since it is vacant? Do you have funding for this position now?

DR. GECOL:

We do have funding for this position which was approved by the IFC on December 24, 2008. We have started the hiring process. This position is crucial because currently we cannot coordinate efforts among State, local and federal governments. It is part of the streamlining of our permitting process for renewable energy development. There are several statutory requirements we have been unable to meet while this position has been vacant.

COCHAIR MATHEWS:

How soon can you fill this position?

DR. GECOL:

We hope to have the position filled by late March or early April.

COCHAIR HORSFORD:

All of your performance indicators for the last two years were new, so there is no report on what you achieved in those areas. In the upcoming biennium, you have 100 percent in certain areas. How do you go from new, with no numbers, to 100 percent?

DR. GECOL:

We are in the process of modifying our performance indicators. We will get back to the Committee with what has been done with the previous performance indicators. One of the new indicators is related to the retrofit of the rural school buses; another is a statutory obligation given to our agency.

COCHAIR HORSFORD:

I understand these performance indicators are required statutorily. It is important we receive them as part of the budget review. Based on the Governor's objectives expressed in the State of the State address, some of these performance indicators of the office do not align with the Governor's plan. The only way we can measure whether the Governor achieves his goal is if your agency achieves its goals or not.

Regarding this proposal in your budget to relocate your office, what are the benefits or cost efficiencies anticipated by the move? How will the moving costs be paid since they are not in the budget? Why is it advantageous to be in Reno rather than in the Capitol Complex?

MR. RAMIREZ:

There is a \$14,000 a year recommended reduction to the rent costs. The agency is looking to reduce their current Carson City office space from

2,400 square feet to 1,500 or 1,600 square feet at a better cost per square foot. New office space has been identified in Reno. The director's office is in the Capitol Complex.

COCHAIR HORSFORD:

The director will be located separately from the staff?

MR. RAMIREZ:

She currently is.

COCHAIR HORSFORD:

They are in the same city.

DR. GECOL:

Most of our stakeholders are in Reno and they travel to Carson City. Most of our meetings are in Reno and we travel to Reno. Two out of three staff members and I also live in Reno.

COCHAIR HORSFORD:

We cannot make decisions based on current staff and where they live. This is about the function of the office and where it best serves the people of the State. Why is this move necessary from a functional perspective within the Office of Energy within the Governor's Office?

DR. GECOL:

Although staff works out of Carson City, meetings are held in Reno. It will save time for the employees if the office is in Reno. I would also be able to spend three days in Reno and two days in Carson City.

COCHAIR HORSFORD:

I cannot believe all of the stakeholders for the State of Nevada are from Reno. We have energy development in the northeast part of the State. We are working on solar development in the western part of the State. That is not headquartered in Reno. The staff has to be flexible to go where all the stakeholders are. This office is within the Governor's direct report and the Governor is headquartered in Carson City. I do not support this move. The justification you have provided is inadequate.

MR. RAMIREZ:

The current lease runs through the end of April. The agency has not done anything more than explore options. They will not sign any lease before considering the Senators' concerns and bringing all those options before you. One option could be to reduce space at the current Carson City location.

COCHAIR MATHEWS:

What presence do you have in Las Vegas?

DR. GECOL:

We have no presence in Las Vegas. I travel as much as I can, but I do not have any travel money from the General Fund. We utilize federal grants for travel as we can.

COCHAIR MATHEWS:

Energy is one of the issues on the radar at this time. It seems crucial to have some contact in the southern part of the State where most of the people are and most of the resources and needs would surface.

DR. GECOL:

Most of the contacts we have are through stakeholders. When I am needed in person, I do go there.

COCHAIR MATHEWS:

Please get a report to the fiscal staff and we will revisit these issues. We will now open the hearing on the Office of the Military.

SPECIAL PURPOSE AGENCIES

MILITARY

Military – Budget Page MILITARY-1 (Volume III)
Budget Account 101-3650

MAJOR GENERAL CINDY KIRKLAND (Adjutant General, State of Nevada; Commander of the Nevada National Guard):

The mission of the Office of the Military, under the authority of the Governor as Commander in Chief is to enlist, organize, arm, equip and train the State's National Guard units to defend and protect the lives and property of Nevadans in times of emergency, disorder or disaster. The federal mission of the department is to provide soldiers and airmen to respond to national emergencies or war as directed by the U.S. Congress or the President. The Adjutant General provides the command and control for the department which consists of both Army National Guard and Air National Guard. A significant portion of operational, custodial and buildings and grounds maintenance support comes from the federal government. Some support comes from the State through an agreement called the Master Cooperative Agreement. Under the terms of this agreement, the State provides certain services and is allowed to back-bill the federal government for reimbursement. The percentage of reimbursement varies depending on the program, location or item being provided.

Budget Account 101-3650 is the primary budget account for the Office of the Military. Seventy-five percent of this account is reimbursed by the federal government and approximately 25 percent is General Fund money. The budget account total is \$16 million. There are several new programs included in this budget request. Under enhancement unit E-325, we are seeking to reestablish the Project ChalleNGe Youth Program with the state of California. This is a National Guard program designed to provide at-risk youth with the opportunity to obtain a high school diploma or GED by immersing them in a structured, military-style education environment. We have had a successful program with Arizona. We sent 24 students a year to their academy. During the last Legislative Session, a separate program was established in the State of Nevada. However, the funding crisis eliminated that project and we continued our relationship with the state of Arizona. The new program shifts our focus from Arizona to California for a variety of reasons.

COCHAIR MATHEWS:

Can California take 24 of our students as well?

GENERAL KIRKLAND:

In California, they have agreed to take as many as 100 students each class, with two classes a year. We would like to send 50 students a class for a total of 100 students a year.

COCHAIR HORSFORD:

There are reports that the California Legislature and Governor are making major cuts to programs, particularly around corrections. Are we certain their budget implications will not affect this project?

GENERAL KIRKLAND:

We have been coordinating closely with the National Guard staff who run the programs in California. We have been reassured that both the San Luis Obispo and the Los Alamitos programs are strong and solid and are not currently at risk of being cut.

COCHAIR HORSFORD:

Why a satellite with California rather than developing our own program? If we do this as an interim step due to budget realities, is there a long-term plan to develop Project ChalleNGe in the State of Nevada?

GENERAL KIRKLAND:

Our ultimate goal is to have our own program here in Nevada so we can accommodate the large numbers of students in this State who would be ideally suited for this program. However, with the budget reality we are facing this biennium, we are looking to reestablish the funding levels within the State to accommodate this partnership relationship. California has a tremendous program with the capacity to accept students from Nevada.

COCHAIR MATHEWS:

Would all the students go to one site?

GENERAL KIRKLAND:

No. We would like to send those students from the southern part of Nevada into Los Alamitos, and those from the northern part of the State into San Luis Obispo.

Also included in this budget account are decision units that are generic equipment replacement issues. We would like to replace some of the outdated computer hardware and software we have under enhancement unit E-710. Decision unit E-733, Maintenance of Buildings and Grounds, is funding for the maintenance of buildings and grounds. These are federal funds we need authority to process. There is no General Fund requirement for these.

E-710 Replacement Equipment – Page MILITARY-6

E-733 Maintenance of Buildings and Grounds – Page MILITARY-7

There are several reduction measures included in this budget account. We have identified the position reductions approved in the 2007-2009 biennium we have been asked to continue into this new biennium. One of the positions is one of the Project ChalleNGe recruitment positions. The other decision units in this

budget account take into account the personnel and salary reductions proposed as cost savings in this biennium.

M-160 Position Reductions Approved in 07-09 – Page MILITARY-3

Military Carlin Armory – Budget Page MILITARY-11 (Volume III)
Budget Account 101-3651

This is proposed to provide for the transfer of the operation and maintenance budget for the University of Nevada, Reno (UNR) Fire Science Academy at Carlin to the Office of the Military. This account will support the Governor's proposed plan to relocate the National Guard's Elko Armory to the Carlin facility. The funds have previously been included in B/A 101-2980. This new account will serve to better manage the funds supporting that complex for the Office of the Military.

COCHAIR MATHEWS:
What was inadequate in Elko?

GENERAL KIRKLAND:
The decision to move the Armory to Carlin was made in the Governor's Office. I cannot answer those questions. There were discussions and recommendations regarding the Carlin site.

JOHN BORROWMAN (Budget and Planning Division, Department of Administration):
The primary impetus for this change is twofold: the UNR had some issues making this financially solvent and are looking for an alternative use for the facility; and the Governor's Office is looking at the facility for Project ChalleNGe. The transfer is seen as an opportunity to address the Nevada System of Higher Education's needs as well as providing for Project ChalleNGe while also being used as a readiness center. After renovations, it will be used for the Armory.

COCHAIR MATHEWS:
What is the capacity at Carlin? How many students could you keep at Carlin?

GENERAL KIRKLAND:
Currently, there is capacity for 60 to 80 students in the dormitories. We would have to build additional structures. Modifications would be required to meet Project ChalleNGe specifications.

COCHAIR MATHEWS:
Are there facilities in Elko?

GENERAL KIRKLAND:
We have an Armory in Elko and have done preliminary designs and planning to relocate it to the Elko airport. We would have to redo that planning and design work to move the Armory to Carlin.

SENATOR RHOADS:
Are you going to phase out the Fire Academy mission?

GENERAL KIRKLAND:

The plan is that once the facility is handed over to the Office of the Military, the Fire Academy will shut down. We have looked at the feasibility of using those structures and that complex for a similar program for the National Guard, but there has been no interest on the national level. There are established firefighting complexes around the country.

SENATOR RHOADS:

Does the County own the land, or did they donate the land to the UNR?

ROBERT DICKENS, Ph. D. (Director, Office of Governmental Relations, University of Nevada, Reno):

Elko County retains the deeded rights to the land. To effect this agreement, Elko would have to change that deed.

SENATOR RHOADS:

Has Elko County officially agreed to this plan?

DR. DICKENS:

We have had ongoing conversations with the local governments and the Office of the Military regarding colocation of the Fire Academy and the Guard. That may not be feasible as General Kirkland has stated. The Board of Regents discussed this set of activities, and the Elko stakeholders were supportive of the transfer.

SENATOR RHOADS:

The bottom line is the Fire Academy will be phased out.

DR. DICKENS:

That is considered an open issue. We would like to continue conversations with the Office of the Military over the next year or two. There are colocations of National Guard readiness centers with other community organizations in other states. There is a significant issue for the Office of the Military in what they refer to as Force Protection. Balancing these needs with the needs of the Fire Academy would have to be the result of an ongoing conversation. Meeting the needs of the National Guard for an Armory would require modifications.

GENERAL KIRKLAND:

Part of the challenge in this process is the National Guard is not involved in the discussions and negotiations to the level we should be to ensure our concerns and issues are truly vetted. I appreciate the University's position, but they do not speak for the National Guard and the potential long-term impacts for the National Guard in whatever decisions are made. The National Guard needs to be involved in those discussions before those decisions are finalized.

COCHAIR HORSFORD:

What is the long-term plan? How will this facility be used from the University perspective and the National Guard perspective? What is the debt issue and the role the tuition and fees play in this? I know this is going to the subcommittee. All stakeholders need to come together to develop the long-term plan and submit it to the Legislature.

GENERAL KIRKLAND:

The one decision unit in this budget account, E-900, Transfers, addresses the actual General Funds that are programmed to be transferred from the University's operation and maintenance costs for that complex to the Office of the Military. In the information we have, there is some doubt that the amount reflected in the proposal is adequate to cover the operating costs we would incur. We need to get that clarified and back to you as soon as possible.

E-900 Transfers – Page MILITARY-11

COCHAIR MATHEWS:

Staff needs that information from both parties as well.

DR. DICKENS:

I have provided your staff with the briefing document given to the Board of Regents last week.

COCHAIR MATHEWS:

Do I understand you to say that you do not think there is enough money, from the Guard's position, for the lease?

GENERAL KIRKLAND:

It appears that some of the operating costs for the facility are met by revenue from the Fire Academy. The Guard will not have that revenue stream and we would need General Fund money for operating costs.

COCHAIR MATHEWS:

Do you know if you could use that facility both for the Guard and as a Fire Academy?

GENERAL KIRKLAND:

My concern is primarily for the safety of the Guard and the standards we have. The unit stationed there is a transportation company with fuel trucks. The stationing and operation of those fuel trucks around a complex where they were fighting fires would be unsafe. I do not think a youth program is compatible with any of the proposed Guard programs, including an Armory, because of the activities going on. I do not think the Guard would allow us to run a youth academy in conjunction with that kind of academy, and the facilities are not adequate to support both.

COCHAIR MATHEWS:

This is all under discussion, correct?

GENERAL KIRKLAND:

We have a large stake in this because we were prepared to move the Armory into the Elko airport and that move is on hold pending this discussion.

Military Emerg Operations Center – Budget Page MILITARY 13 (Volume III)
Budget Account 101-3655

This next account is proposed to provide a budget account to specifically manage and operate the Emergency Operations Center complex on the National Guard compound in Carson City. It will separate the rental income and operating expenses for the Emergency Operations Center from the normal operating

budgets for the Office of the Military. Decision unit E-900, Transfer Emergency Operations Center, transfers the projected costs and General Fund accounts into this budget account. There are also two decision units, E-710 and E-720, related to replacing and upgrading the heating, ventilation and air conditioning system, as well as other types of infrastructure equipment.

E-710 Replacement Equipment – Page MILITARY-14

E-720 New Equipment – Page MILITARY-14

E-900 Transfer Emergency Operations Center – Page MILITARY-14

Military Adjutant General Construction Fund – Budget Page MILITARY-17
(Volume III)

Budget Account 101-3652

This is a flow-through account to allow federal funds to come to the State in support of environmental construction and major repair projects. No General Fund monies are required for this account.

Military National Guard Benefits – Budget Page MILITARY-18 (Volume III)

Budget Account 101-3653

This program encourages the recruitment and retention of active members to the National Guard. This is supported with 100 percent State General Fund monies. We request \$55,100 in each of the fiscal years to reimburse tuition for National Guard members when they attend summer school. The State Tuition Waiver Program in effect for the National Guard does not apply to the summer school session.

Military Patriot Relief Fund – Budget Page MILITARY-20 (Volume III)

Budget Account 101-3654

This fund was established in Regular Session of the 2005 Legislative Session to provide various entitlements to members of the National Guard. The fund provides for the reimbursement of life insurance premiums, cost of textbooks and economic relief from hardships for families of members called to active service. The current funding in those accounts is more than adequate for the next biennium; we are not requesting additional General Fund monies for this account.

COCHAIR MATHEWS:

Do you have the numbers of those who have been serviced from this account?

GENERAL KIRKLAND:

In FY 2007-2008, we projected 300 individuals would be reimbursed for life insurance premiums; there have been 216. Some of those accounts are still in process. The textbook reimbursement has been a significant benefit for our soldiers and airmen and has made a dramatic impact on the numbers of our members who are attending higher education courses. The hardship program has been minimally used. People are reluctant to ask for help. Commanders monitor their personnel closely, and when they perceive a need, they refer families to this program.

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Enhancement unit E-737, for reintegration training, is the only new program under this account. We are not asking for additional funds, but we need Legislative approval to allow this program to be funded through this account.

E-737 New Programs – Page MILITARY-20

SENATOR RAGGIO:
Tell us how the program works.

GENERAL KIRKLAND:
The reintegration program was established to help our members adjust to being back with their families after being in battlefield conditions. We send our members to counseling programs. There is currently inadequate federal funding to accommodate sending these airmen and soldiers through the program.

SENATOR RAGGIO:
I thought there was federal funding specifically for this.

MAJOR GENERAL KIRKLAND:
There is some, but it is limited.

COCHAIR MATHEWS:
As we have no more business before this Committee, and there is no further public comment, we are adjourned at 10:24 a.m.

RESPECTFULLY SUBMITTED:

Patricia O'Flinn,
Committee Secretary

APPROVED BY:

Senator Bernice Mathews, Cochair

DATE: _____